

DAVID Y. IGE
GOVERNOR



CRAIG K. HIRAI
DIRECTOR

GLORIA CHANG
DEPUTY DIRECTOR

EMPLOYEES' RETIREMENT SYSTEM
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND
OFFICE OF THE PUBLIC DEFENDER

STATE OF HAWAII
DEPARTMENT OF BUDGET AND FINANCE
P.O. BOX 150
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE
BUDGET, PROGRAM PLANNING AND
MANAGEMENT DIVISION
FINANCIAL ADMINISTRATION DIVISION
OFFICE OF FEDERAL AWARDS MANAGEMENT (OFAM)

WRITTEN ONLY
TESTIMONY BY CRAIG K. HIRAI
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE
TO THE HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE
ON
HOUSE BILL NO. 1960

February 11, 2022
2:00 p.m.
Room 329 and Videoconference

RELATING TO NONPROFIT ORGANIZATIONS

The Department of Budget and Finance (B&F) offers comments on this bill.

House Bill No. 1960 amends Section 237-23, HRS, to clarify the State general excise tax (GET) exemption for unrelated trade or business activities of non-profit organizations to allow fundraising income to be exempt from State GET laws.

B&F notes that the federal American Rescue Plan (ARP) Act restricts states from using ARP Coronavirus State Fiscal Recovery Funds (CSFRF) to directly or indirectly offset a reduction in net tax revenue resulting from a change in law, regulation, or administrative interpretation beginning on March 3, 2021, through the last day of the fiscal year in which the CSFRF have been spent. If a state cuts taxes during this period, it must demonstrate how it paid for the tax cuts from sources other than the CSFRF, such as:

- By enacting policies to raise other sources of revenue;
- By cutting spending; or
- Through higher revenue due to economic growth.

If the CSFRF provided have been used to offset tax cuts, the amount used for this purpose must be repaid to the U.S. Treasury.

The U.S. Department of Treasury has issued rules governing how this restriction is to be administered. B&F will be working with the money committees of the Legislature to ensure that the State of Hawai'i complies with this ARP restriction.

Thank you for your consideration of our comments.



TESTIMONY IN SUPPORT OF HB 1960

TO: Chair Johanson, Vice Chair Kitagawa, & Members – House Committee on
Consumer Protection & Commerce

FROM: Trisha Kajimura
Deputy Director - Community

DATE: February 11, 2022 at 2:00 PM

Hawai'i Health & Harm Reduction Center (HHRC) **supports** HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

HHRC's mission is to serve Hawai'i communities by reducing the harm and fighting the stigma of HIV, hepatitis, homelessness, substance use, mental illness, and poverty in our community. We focus our efforts on those disproportionately affected by social determinants of health, including but not limited to: people living with and/or affected by HIV, hepatitis, substance use, and the transgender, LGBTQ and the Native Hawaiian communities. We foster health, wellness, and systemic change in Hawai'i and the Pacific through care services, advocacy, training, prevention, education

Passing this bill will relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us to provide additional care to our most vulnerable, such as wound care and outreach to our unsheltered folks, leadership capacity building to our transgender sisters and brothers, hepatitis testing at substance abuse treatment facilities and HIV testing to anyone in need.

Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs.

Thank you for the opportunity to testify in support of this bill.

Friday, February 11, 2022 at 2:00 PM
Via Video Conference

House Committee on Consumer Protection & Commerce

To: Representative Aaron Johanson, Chair
Representative Lisa Kitagawa, Vice Chair

From: Michael Robinson
Vice President, Government Relations & Community Affairs

Re: **HB 1960 – Testimony In Support
Relating to Nonprofit Organizations**

My name is Michael Robinson, and I am the Vice President of Government Relations & Community Affairs at Hawai'i Pacific Health. Hawai'i Pacific Health is a not-for-profit health care system comprised of its four medical centers – Kapi'olani, Pali Momi, Straub and Wilcox and over 70 locations statewide with a mission of creating a healthier Hawai'i.

I am writing in SUPPORT of HB 1960 which clarifies the GET exemption for unrelated trade or business activities or nonprofit organizations.

Under federal regulations, nonprofit organizations are exempt from federal income tax because these organizations provide communities with critically needed programs, goods, and services, many of which would otherwise be provided by government agencies. However, the federal regulations do not exempt from federal income tax the income of nonprofit organizations that is generated by an unrelated business activity not substantially related to the nonprofit organization's tax-exempt purpose.

While Hawaii law provides nonprofit organizations with an exemption from the general excise tax for income generated by a nonprofit organization's charitable activities, activity which is used to produce income, even though the income may be in furtherance of exempt activities, is not exempt from the general excise tax. HB 1960 provides clarification as the type of activity that would be taxable, aligning with federal regulations. This would allow nonprofit organizations to streamline their accounting systems.

Thank you for the opportunity to testify.



Hawaii
Children's Action Network Speaks!
Building a unified voice for Hawaii's children

Hawai'i Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: House Committee on Consumer Protection & Commerce

Re: **HB 1960 – Relating to Nonprofit Organizations**
Hawai'i State Capitol, Via Videoconference, Conference Room 329
February 11, 2022, 2:00 PM

Dear Chair Johanson, Vice Chair Kitagawa, and committee members,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in SUPPORT of HB 1960, relating to nonprofit organizations. This bill would clarify the general excise tax (GET) exemption for unrelated trade or business activities of nonprofit organizations.

This bill clarifies the GET exemption by aligning state law with the federal IRS income tax code. It would do that by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

This bill would help organizations like ours by relieving us from paying GET on our fundraising income, which is of vital importance to funding our charitable operations. Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our mission of advocating for Hawai'i's children and their families.

Since donors and nonprofit organizations view both the funds raised at fundraising events and direct contributions as donations to the organization, we believe they should be treated the same way for tax purposes. Since the IRS tax code is clear and well-established on this issue, this bill would also simplify accounting for nonprofit organizations in our state.

Mahalo for this opportunity to provide testimony. Please pass this bill.

Thank you,

Nicole Woo
Director of Research and Economic Policy

HAWAII YOUTH SERVICES NETWORK

677 Ala Moana Boulevard, Suite 904 Honolulu, Hawaii 96813

Phone: (808) 489-9549

Web site: <http://www.hysn.org> E-mail: info@hysn.org

Carole Gruskin, President

Judith F. Clark, Executive Director

Bay Clinic

Big Brothers Big Sisters Hawaii

Big Island Substance Abuse Council

Bobby Benson Center

Child and Family Service

Coalition for a Drug Free Hawaii

Collins Consulting, LLC

Domestic Violence Action Center

EPIC, Inc.

Family Programs Hawaii

Family Support Hawaii

Friends of the Children's Justice Center of Maui

Get Ready Hawai'i

Hale Kipa, Inc.

Hale 'Opio Kauai, Inc.

Hawaii Children's Action Network

Hawaii Health & Harm

Reduction Center

Ho'ola Na Pua

Kahi Mohala

Kokua Kalihi Valley

Kokua Ohana Aloha (KOA)

Maui Youth and Family Services

Na Pu'uwai Molokai Native

Hawaiian Health Care Systems

P.A.R.E.N.T.S., Inc.

Parents and Children Together (PACT)

PHOCUSED

PFLAG - Kona Big Island

Planned Parenthood of the

Great Northwest and

Hawaiian Islands

Residential Youth Services

& Empowerment (RYSE)

Salvation Army Family

Intervention Services

Sex Abuse Treatment Center

Susannah Wesley Community Center

The Catalyst Group

February 10, 2022

To: Representative Aaron Ling Johanson, Chair,
And members of the Committee on Consumer Protection and
Commerce

TESTIMONY IN SUPPORT OF HB 1960 RELATING TO NONPROFIT ORGANIZATIONS

Hawaii Youth Services Network, (HYSN) a statewide coalition of youth-serving organizations, supports SB 1960 Relating to Nonprofit Organizations.

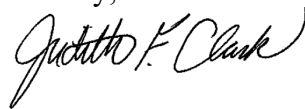
Hawaii's nonprofit organizations provide critically needed services to meet the health, housing, family strengthening, and educational needs of children, youth, and families.

Nonprofits must raise funds to carry out their missions and programs. Conducting fundraising events is one of the ways that nonprofits generate critically needed operating funds. While the IRS recognizes that such income is not a regularly carried out business and does not impose tax on income generated from these events, nonprofits are required to pay State GET on this income.

The GET paid on fundraising events takes away funds that would have been spent on the nonprofits mission and services. If the bill is passed, the GET savings would increase funds for services that help our most vulnerable community members.

Thank you for this opportunity to testify.

Sincerely,



Judith F. Clark, MPH
Executive Director



Hawaiian Humane Society

People for animals. Animals for people.

2700 Waiialae Avenue Honolulu, Hawaii 96826
808.356.2200 • HawaiianHumane.org

Date: February 10, 2022

To: Chair Rep. Aaron Ling Johanson
Vice Chair Rep. Lisa Kitagawa
and Members of the
Committee on Consumer Protection and Commerce

Submitted By: Anna Neubauer, President & CEO
Hawaiian Humane Society, 808-356-2242

RE: Testimony in support of HB 1960, Relating to Nonprofit Organizations
Friday, Feb. 11, 2022, 2 p.m., Via Videoconference

Aloha Chair Johanson, Vice Chair Kitagawa and Committee Members,

On behalf of the Hawaiian Humane Society, thank you for considering our support for House Bill 1960, which clarifies the GET exemption for unrelated trade or business activities of nonprofit organizations.

This bill would align the State General Excise Tax law with the federal IRS income tax code by exempting nonprofit organizations from paying GET on fundraising income.

For nearly 140 years, the Hawaiian Humane Society has been a leader in animal welfare statewide, offering more than 30 programs and services for the community. Our mission is to promote the human-animal bond and the humane treatment of all animals. As the animal service provider for the City and County of Honolulu and the official pet lost and found for the island of Oahu, we provide a safe haven for thousands of pet animals each year, as well as creating new families through adoption and assisting pet owners in need. Most of our revenue comes from private donations and fundraising events.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations.

We urge you to pass HB 1960. Thank you for the opportunity to testify.



Samaritan Counseling Center Hawaii

**Testimony to the House Committee on Consumer Protection and Commerce
Friday, February 11, 2022, 2:00 p.m.
Via videoconference**

HB 1960, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection and Commerce,

On behalf of Samaritan Counseling Center Hawaii, thank you being present and hearing our testimony.

We are in **strong support** of HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

Samaritan Counseling Center Hawaii is a Hawaii nonprofit that was founded in 1989. Our mission is to provide professional, accessible behavioral health counseling sensitive to the spiritual traditions of individuals, families, and communities in Hawaii, regardless of their ability to pay. We also participate in community outreach and sponsor workshops/webinars to provide mental health education and resources and help reduce the stigma of mental illness.

We do not turn anyone away for financial reasons, and we rely on support from individuals, organizations, and grantors to help bridge the gap between health insurance coverage and a client's ability to pay. Our Client Assistance Fund subsidizes mental health counseling with licensed professionals for people who are uninsured, underinsured, or unable to afford copays and deductibles.

In 2021, we served 549 clients through 4,627 counseling sessions with licensed mental health providers. Half of our clients received subsidized care.

We support the passage of this bill, which would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

Every dollar our organization must pay in general excise taxes is one dollar less than we can devote to improving or maintaining our clients' mental health and well-being.

Celebrating Over 30 Years of Service

1020 South Beretania Street, Honolulu, HI 96814 • Phone: (808) 545-2740 • Fax: (808) 545-2852
Email: info@samaritanhawaii.org • Website: www.samaritancounselingcenterhawaii.org

If this bill is passed, the GET savings we would see would allow us to provide mental health care to those with limited or no ability to pay for services, increase access to mental health care by paying people a reasonable salary for their professional services, and ultimately contribute to Hawaii's overall mental health, resilience, and quality of life.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this testimony.

Mahalo,

A handwritten signature in black ink that reads "Rachelle Chang". The script is fluid and cursive.

Rachelle Chang
Executive Director

**Hawai'i
Arts
Alliance**



*Hawai'i Wolf Trap, an affiliate
of Wolf Trap Institute for
Early Childhood Arts
Integration*

*State Captain/
Americans for the Arts*

*State Arts Advocacy
Network Member*

*Creative States Coalition
Member*

**Testimony to the House Committee on Consumer Protection and Commerce
Friday, February 11, 2022, 2:00 p.m.
Via videoconference**

HB 1960, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection and Commerce,

We are in **strong support** of HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

The mission of the Hawai'i Arts Alliance is to advocate for, engage, and transform communities by supporting and cultivating the Arts. Founded by Alfred Preis in 1980, *we are the State Captain for Americans for the Arts and an active member of the State Arts Advocacy Network. Our areas of focus are arts education, community arts, arts collaborations*

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us to hire a part time office assistant, one of four positions we lost during the pandemic.

Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,

*Teri Skillman
Executive Director*

*P.O. Box 3948
Honolulu, Hawai'i
96812-3948
Phone: (808) 533-2787
Fax: (808) 526-9040
arts@hawaiiartsalliance.org
www.hawaiiartsalliance.org*



February 10, 2022

BOARD OF DIRECTORS

Chairperson

Michael W. Beasley, Esq.

Rep. Aaron Ling Johanson, Chair
Rep. Lisa Kitagawa, Vice -Chair
House Committee on Consumer Protection and Commerce
State Capitol
Honolulu, Hawaii 96813

BOARD MEMBERS

Ethan Cooper
Alvin Pauole
Herb Lee, Jr.

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection and Commerce,

ADMINISTRATION

President & CEO

Herb Lee Jr.

Chief Financial Officer

Louis F. Perez II

General Counsel

Ethan Cooper

My name is Herb Lee, Jr. and I am the President & CEO of the Pacific American Foundation, a non-profit 501c3 organization established in 1993. We are a native Hawaiian serving organization that has been involved with creating rigorous education programs and training, stewardship of culture resources and creative and innovative partnerships with both community and institutional partners.

We are in **strong support** of HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

Pacific American Foundation
C/O Bay View Golf Park
45-285 Kāne'ohe, Bay Drive,
#102 Kāne'ohe, HI 96744

Phone: (808) 664-3027

www.thepaf.org

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Ma ke Aloha,

A handwritten signature in black ink, appearing to read "Herb Lee, Jr.", written over the typed name and title.

Herb Lee, Jr.
President & CEO



Testimony to the House Committee on Consumer Protection & Commerce
Representative Aaron Ling Johanson, Chair
Representative Lisa Kitagawa, Vice Chair
Friday, February 11, 2022, 2:00 p.m.
Via videoconference

HB 1960, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa, and members of the Committee on Consumer Protection and Commerce:

On behalf of the Hawai`i Alliance of Nonprofit Organizations (HANO), I would like to thank you for hearing **HB 1960**. We testify in **strong support** of this bill.

HANO is a statewide, sector-wide professional association of nonprofits. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai`i. Our member organizations provide essential services to every community in the state.

Hawaii's nonprofit sector plays a critical role in the social and economic well-being of our residents. Whether it is addressing homelessness, preserving our culture or environment, providing healthcare or education, or promoting arts and culture, Hawaii's nonprofits provide services, goods and resources to meet often neglected community needs.

The purpose of his bill is to align the State general excise tax (GET) law with the federal income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS. This change would simplify and improve a nonprofit's accounting of income, and, more importantly, would exempt fundraising income (that meet the unrelated business income standard) from GET.

Nonprofits must raise funds to carry out its mission and programs. Conducting fundraising events is one critical, mission-related way to raise needed unrestricted operating funds. Events like bake sales, golf tournaments, and dinners are held for this purpose. While the federal government recognizes that such income is not a regularly carried out business and does NOT impose tax on income generated from these events, nonprofits ARE required to pay State GET on this income which in turn reduces the funds raised.

HANO believes income generated by fundraising events should be treated the same as donations as they are essentially both donations but in different forms. Because GET is not paid on

donations, if someone donates \$1000 to a nonprofit, no GET applies. But if that same donor gives \$1000 for a fundraiser dinner, the nonprofit has to pay \$47 in GET. While there may be a distinction between the two for GET purposes, there is no difference from the perspective of the donors and nonprofits. Nonprofits should be encouraged to generate income from fundraising events but the GET disincentivizes them to do so.

Most importantly, the GET paid on fundraising events takes away funds that would be spent on the nonprofit's mission and services. If passed, the GET savings that would result from this bill would go directly towards these missions as testimony from nonprofits describe.

Furthermore, because nonprofits pay GET on the gross income of fundraising events, they are taxed twice: once when the goods and services are bought for the event and then again on the income received for the event.

Finally, HANO takes note of the Department of Budget and Finance comments regarding compliance with the American Rescue Plan Act in its testimony to the Committee on Economic Development. HANO conducted a detailed analysis of the projected GET annual revenue loss from this bill which amounted to approximately \$1.5 million based on 2017/2018 IRS 990 forms of the top 800 Hawaii 501(c)(3) organizations as determined by annual revenues.

HANO strongly urges this Committee to pass this bill.

Thank you for the opportunity to testify.

Mahalo,

Lisa Maruyama
President and CEO

1011 Waiuanue Avenue
Hilo, Hawaii 96720-2019
Phone: (808) 969-1733
Fax: (808) 961-7397

care@hawaiicarechoices.org
www.hawaiicarechoices.org

BOARD OF DIRECTORS

President

Karen T. Maedo

Vice President

Jeracah I. Lawless

Secretary

Clarysse Kami Nunokawa

Treasurer

David Kurohara

MEMBERS

Daniel J. Brinkman
Brenda Camacho, MD
Chuck Erskine
Randy Hart
Mike Miyahira
Junshin Miyazaki
Edwin M. Montell, MD
Roy K. Nakamoto
Kerri Okamura
Audrey N. Takamine
Thomas Yeh

Medical Director

Lynda Dolan, MD

Hospice Physician

Craig Shikuma, MD

Chief Executive Officer

Brenda S. Ho, MS, RN

Director of Operations

Shirley S. Dellinger, MHRM

Director of Clinical Services

Jeanene Helene Andrew,
MSN, RN

*Director of Quality &
Compliance*

Lori Jordan, BA, ACHE

ADVISORY COUNCIL

Haidee Abe
Sidney M. Fuke
David Hammes
William A. Hartman, MD
Jane Y. Iida
Robert Irvine, MD
Karen A. Moriuchi
Margaret Shiba
Claire Shigeoka
Cynthia K. Sorenson
Chris Takahashi
Lehua M. Veincent, PhD
Kevin Wilcox, MD

**Testimony to the House Committee on Consumer Protection and Commerce
Friday, February 11, 2022, 2:00 p.m.
Via videoconference**

HB 1960, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection and Commerce,

We are in **strong support** of HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

For almost 40 years, Hospice of Hilo dba Hawai'i Care Choices has been providing hospice and bereavement care to residents of East Hawai'i County. In 2012 we opened our inpatient care facility for those needing support beyond services we could provide in their home, and in 2014 we began providing palliative care to pre-hospice patients who often face incredible pain and discomfort during the course of treatment for a serious disease.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us to reallocate funds toward providing palliative, hospice, and bereavement services to our community; to provide better salaries for our workers; to be less reliant on philanthropic support from the community and grant making organizations.

Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,

Keith Greer, CFRE
Development Manager



THE QUEEN'S HEALTH SYSTEMS

To: The Honorable Aaron Ling Johanson, Chair
The Honorable Lisa Kitagawa, Vice Chair
Members, House Committee on Consumer Protection & Commerce

From: Jacce Mikulanec, Director, Government Relations, The Queen's Health Systems

Date: February 11, 2022

Re: Support for HB 1960 – Relating to Nonprofit Organizations

The Queen's Health Systems (Queen's) is a not-for-profit corporation that provides expanded health care capabilities to the people of Hawai'i and the Pacific Basin. Since the founding of the first Queen's hospital in 1859 by Queen Emma and King Kamehameha IV, it has been our mission to provide quality health care services in perpetuity for Native Hawaiians and all of the people of Hawai'i. Over the years, the organization has grown to four hospitals, 66 health care centers and labs, and more than 1,600 physicians statewide. As the preeminent health care system in Hawai'i, Queen's strives to provide superior patient care that is constantly advancing through education and research.

Queen's appreciates the opportunity to testify in support of HB 1960, which would align the state general excise tax (GET) law with the federal income tax code by exempting from the State's GET, income generated by a nonprofit organization for any activity defined as an "unrelated trade or business" as defined by the Internal Revenue Code and it would expand the GET available to charitable, religious, and educational organizations. As a registered not-for-profit within the state of Hawai'i, Queen's and its affiliates support bringing the aforementioned federal and state tax code into alignment.

Thank you for allowing The Queen's Health Systems to testify in support of HB 1960.

The mission of The Queen's Health Systems is to fulfill the intent of Queen Emma and King Kamehameha IV to provide in perpetuity quality health care services to improve the well-being of Native Hawaiians and all of the people of Hawai'i.

HB-1960

Submitted on: 2/10/2022 11:58:34 AM

Testimony for CPC on 2/11/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
TOM DIGRAZIA	CONFLICT RESOLUTION ALLIANCE	Support	No

Comments:

I fully support this important bill for nonprofits.



PROTECTING HAWAII'S OHANA, CHILDREN, UNDER SERVED, ELDERLY AND DISABLED

February 10, 2022

TO: Representative Aaron Ling Johanson, Chair
Representative Lisa Kitagawa, Vice Chair
Members of the House Committee on Consumer Protection & Commerce

FROM: Christy MacPherson, PHOCUSED

SUBJECT: Testimony: Relating to Nonprofit Organizations

Hearing: February 11, 2022 at 2:00 pm
Via videoconference

Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of the Committee on Ways and Means,

Thank you for the opportunity to provide testimony in **STRONG SUPPORT** of HB 1960.

PHOCUSED is a nonpartisan project of Hawai'i Appleseed Center for Law and Economic Justice and comprises health and human service organizations and the people they serve across the State of Hawai'i. We have been collaborating on advocacy pertaining to critical procurement and service delivery issues that directly impact our providers.

Nonprofits are constantly challenged with raising revenue to provide the services that they so effectively provide for the people of Hawai'i. The pandemic has only exacerbated these challenges and government contracts are simply not enough to help them sustain their services. This legislation would provide more needed income for nonprofits to use towards their mission-based activities that support our residents in purposeful and impactful ways.

It is also important to note that nonprofit purchases and expenditures are already taxed.

We strongly urge you to consider passage of HB 1960. Thank you again for the opportunity to submit testimony on this measure.

PHOCUSED IS A PROJECT OF HAWAII APPLESEED

733 BISHOP STREET, SUITE 1180 • HONOLULU, HI 96813 • (808) 587-7605 • PHOCUSED.ORG

HB-1960

Submitted on: 2/10/2022 12:14:11 PM

Testimony for CPC on 2/11/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
"Phil" Augustus Acosta	Aloha Harvest	Support	No

Comments:

We are in strong support of this bill.



Testimony to the House Committee on Consumer Protection and Commerce

Friday, February 11, 2022, 2:00 p.m.

Via videoconference

HB 1960, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection and Commerce,

We are in strong support of HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

Oahu Economic Development Board (OEDB) is a non-profit organization, funded primarily by the private sector, contracts and the Asset Management of New Markets Tax Credit. Our organization's efforts support a healthy economy on Oahu by being a leading agent in the growth, retention and recruitment of businesses that support appropriate jobs for the people of Hawaii. OEDB is actively involved in infrastructure, planning and workforce development as a significant part of the foundation for a thriving economy. OEDB's leadership recognizes that the strength of a community's true economy is anchored in the strength of its people and relationships. To that end, we are grounded in aloha.

We support the passage of this bill as it would relieve our organization, and others across Hawaii, from having to pay general excise tax on fundraising income, which is of vital importance to

funding charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs. We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo for your consideration.

A handwritten signature in black ink, appearing to read "Pono Shim", with a long horizontal flourish extending to the right.

Pono Shim

President and CEO, Oahu Economic Development Board



Hui No'eau Visual Arts Center
2841 Baldwin Avenue, Makawao, Hawai'i 96768

**Testimony to the House Committee on Consumer Protection and Commerce
Friday, February 11, 2022, 2:00 p.m.
Via videoconference**

HB 1960, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection and Commerce,

We are in **strong support** of HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

Hui No'eau Visual Arts Center is the primary art center in Maui County that annually serves 20,000 people of all ages through hands-on visual arts education programs in painting, drawing, printmaking, ceramics, jewelry, Hawaiian art forms, and more. Hui No'eau is a critical resource for the people of Maui County. Everyone from preschoolers to kupuna—and emerging to professional artists—benefit from Hui services. Together, our community-based art classes and outreach programs greatly strengthen arts education in Hawaii.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us to fund our nonprofit's greatest needs, including continued community arts outreach for youth and adults, supporting the economic growth of our local arts community, and providing jobs for local people in the creative non-profit sector. Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,

Anne-Marie Forsythe
Executive Director

Celebrating 100 years of Kaluanui in 2017!

HB-1960

Submitted on: 2/10/2022 1:16:23 PM

Testimony for CPC on 2/11/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Stuart Coleman	WAI: Wastewater Alternatives & Innovations	Support	No

Comments:

Dear Chair, Vice Chair and Committee Members,

My name is Stuart Coleman, and as the Executive Director of WAI: Wastewater Alternatives & Innovations, I am writing in support of this bill, which will help non-profits like ours in our fundraising efforts. Mahalo for your consideration.

Aloha, Stuart Coleman, 2927 Hibiscus Pl., Hon., HI 96815



TO: Chair Johanson, Vice Chair Kitagawa, and Members of the House Committee on Consumer Protection and Health

FROM: Ryan Kusumoto, President & CEO of Parents And Children Together (PACT)

DATE/LOCATION: February 11, 2022; 2:00 p.m., Conference Room 329/Video Conference

RE: TESTIMONY IN SUPPORT OF HB 1960– RELATING TO NONPROFIT ORGANIZATIONS

We ask you to support HB 1960 which clarifies the GET exemption for unrelated trade or business activities of nonprofit organizations. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

This bill would relieve nonprofit organizations from having to pay general excise tax on our fundraising income, which is of vital importance to funding our mission and ensuring that our dollars raised go directly back to serve our communities. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

Founded in 1968, Parents And Children Together (PACT) is one of Hawaii's not-for-profit organizations providing a wide array of innovative and educational social services to families in need. Assisting more than 17,000 people across the state annually, PACT helps families identify, address and successfully resolve challenges through its 20 programs. Among its services are: early education programs, domestic violence prevention and intervention programs, child abuse prevention and intervention programs, childhood sexual abuse supportive group services, child and adolescent behavioral health programs, sex trafficking intervention, poverty prevention and community building programs.

Thank you for the opportunity to testify in **support of HB 1960**, please contact me at (808) 847-3285 or rkusumoto@pacthawaii.org if you have any questions.



Testimony to the House Committee on Consumer Protection and Commerce
Friday, February 11, 2022, 2:00 p.m.
Via videoconference

HB 1960, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection and Commerce,

We are in **strong support** of HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

Hawaii Animal Rescue Foundation's Mission Statement: To end animal abuse, neglect and homelessness in Maui County, strengthen the human animal bond and create a place where people help animals and animals help people.

Hawaii Animal Rescue Foundation (HARF) was established in 2011 with its primary focus on pet adoption and humane education. Over the years our scope of work expanded to include partnerships with animal welfare organizations statewide, the Department of Education and numerous youth-at-risk organizations, such as, the Friends of the Children's Justice Center of Maui and the Second Circuit Courts. We also provide no/cost and low/cost spay and neuter services to the community and we are currently the only organization on island rescuing and rehabilitating livestock in need.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us to save more lives. Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs. We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Yours for a humane world,



Dawn Pfendler, CEO, Co-Founder

HB-1960

Submitted on: 2/10/2022 11:59:56 AM

Testimony for CPC on 2/11/2022 2:00:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Carolann Biederman	Individual	Support	No

Comments:

Aloha,

Thank you for the opportunity to provide testimony on this important bill. During the past 25 years, I've worked with dozens of local nonprofit organizations as an executive, and as a fundraising consultant. Nonprofits provide critical services to our community, weaving a fabric of resiliency for our citizens in the sectors of health equity, arts and culture, youth services, education and more. Each nonprofit agency has to fundraise, and I can say with confidence that every dollar counts. The GE tax requirement impacts nonprofits directly in their fundraising efforts and this bill will allow 100% of donor contributions to stay with the nonprofits, rather than going towards GE taxes. Please pass this bill. Mahalo, Carolann Biederman



LATE

HB1960 Non-profit fund-raising exempt from state tax similar to federal law

COMMITTEE ON CONSUMER PROTECTION & COMMERCE

Rep. Aaron Ling Johanson, Chair

Rep. Lisa Kitagawa, Vice Chair

Friday, Feb 11 2022: 2:00 pm : Videoconference

Hawaii Substance Abuse Coalition Supports HB1960:

ALOHA CHAIR, VICE CHAIR AND DISTINGUISHED COMMITTEE MEMBERS. My name is Alan Johnson. I am the current chair of the Hawaii Substance Abuse Coalition (HSAC), a statewide organization for substance use disorder and co-occurring mental health disorder treatment, prevention, and harm reduction agencies.

HSAC urges the Legislature to end GET taxing for non-profits' fund raising, which is used for their mission, and to come into alignment with federal tax laws. Hawaii's nonprofit organizations are essential for Hawaii's well-being, providing critical services in an efficient and cost-saving manner than if government provided the services:

1. A big part of the reason that **non-profits are more cost-effective is that non-profits can fund-raise for their mission**, which the government cannot do.
2. The state is protected from other uses of funds because **Federal law stipulates that a non-profit agency must use their income, fund, or other sources to further the purposes for which they were formed.** For the IRS to grant a non-profit exemption, the agency must use any funds for the charitable purpose for which it was formed.
3. **Government rates including state and federal Medicaid/Medicare are historically low** such that non-profits must perform fund raising activities to sustain their services and support operations.
4. **The amount paid for GET tax is needed for operations** and would help to provide better care to the community.
5. Additional income to the non-profit **would help to increase wages so that all staff are above minimum wage levels.**

We appreciate the opportunity to provide testimony and can answer any questions.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

NORTH KOHALA COMMUNITY RESOURCE CENTER

*Providing Local Support, Bridges to Funding & Education for Projects that Benefit the
Community*

55-3393 Akoni Pule Hwy ~ P. O. Box 519, Hawi, Hawaii 96719
Phone: 808 889-5523 ~ Fax: 808 889-5527 ~ www.northkohala.org ~ Email: info@northkohala.org

A great way to love Kohala!

LATE

DIRECTORS

Kelly Ah Hee
President

Business Owner

Beth Bohn
Secretary

Small Business Owner

Chris Brown
Retired Kohala Teacher

Kynan Kawai
Talent & Culture Manager

Denni Keyes
Treasurer
Small Business Owner

Vicky Kometani
Vice President
Public Relations Consultant

Melanie Matsuda
Kohala Teacher

Wendy Nickl
Kohala Teacher

Ross Pagat
PIDF Manager

Nathan Trump
General Manager

YOUTH DIRECTORS

Jensel Merice Jose
Sydnie Marquez

HONORARY DIRECTORS

Alida Adamek

Gino Amar

Lani Bowman

Jessica Brown

Joe Carvalho

David Gomes

Chris Helmuth

Bob Martin

Dennis Matsuda

Kathleen Matsuda

Desiree Medeiros

Amy Meyer-Sullivan

Nani Svendsen

Kim Takata

CO-DIRECTORS OF OPERATIONS

PROGRAM SPECIALIST
Leslie Nugent

ADMIN SPECIALIST
‘Ekela Kahuanui

FINANCE SPECIALIST
Michelle Kawai

**Testimony to the House Committee on Consumer Protection and Commerce
Friday, February 11, 2022, 2:00 p.m.
Via videoconference**

HB 1960, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on
Consumer Protection and Commerce,

We are in **strong support** of HB 1960. This bill would align the State General
Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET
any income generated by a nonprofit for any "unrelated trade or business" as defined
by the IRS, and, as a result, exempt nonprofit organizations from paying GET on
fundraising income.

North Kohala Community Resource Center (NKCRC) was founded in 2002 and
continues to serve the community of North Kohala with a mission to support successful
community projects that benefit North Kohala. We currently serve as a fiscal sponsor
for over 80 community led projects that impact all aspects of life in North Kohala.

We support the passage of this bill as it would relieve our organization from
having to pay general excise tax on our fundraising income, which is of vital importance
to funding our charitable operations. This bill would also simplify our accounting of
income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us to direct
more resources to projects that directly benefit and improve the quality of life for
residents of North Kohala.

Every dollar our organization must pay in general excise taxes is a dollar less
that we can devote to our tax exempt, charitable mission and programs.

We strongly urge you to pass this legislation. Thank you for the opportunity to
submit this written testimony.

Mahalo,
Leslie Nugent
Co-Director of Operations



LATE

PO Box 3208 – 1962 E Vineyard Street - Wailuku, HI 96793
Phone: (808) 249-2545 FAX: (808) 249-2547
www.nahoaloha.org info@nahoaloha.org

Testimony to the House Committee on Consumer Protection and Commerce
Friday, February 11, 2022, 2:00 p.m.
HB 1960, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection and Commerce,

We are in strong support of HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

Nā Hoaloaha is a volunteer-based nonprofit, serving Maui for over 24 years. Our goal is to keep homebound seniors and persons with disabilities safe, free from isolation, and out of long-term institutional care. Nā Hoaloaha serves the islands of Maui, Lana'i, Moloka'i and the Hana community.

Our mission: "Nā Hoaloaha provides compassionate care to seniors and persons with disabilities to help them remain independent and to enhance their quality of life."

Our vision: "Nā Hoaloaha is a community driven volunteer organization providing services by volunteers in service to others."

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,

King Van Nostrand
Executive Director



LATE

**Testimony to the House Committee on Consumer Protection and Commerce
Friday, February 11, 2022, 2:00 p.m.
Via videoconference**

HB 1960, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection and Commerce,

We are in **strong support** of HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

Accumulus is an outsourced accounting and advisory CPA firm based in Honolulu. Many of our clients are local nonprofits who do so much to support our community.

We support the passage of this bill as it would relieve our clients from having to pay general excise tax on our fundraising income, which is of vital importance to funding their charitable operations. This bill would also simplify our accounting of client's income since the IRS tax code is clear and well-established.

While the passage of this bill would create less work (and less revenue) for our firm, we stand in full support of it since we see that the GET savings would allow the nonprofits to advance their tax exempt, charitable missions and programs and continue to provide much needed services to the community. In addition, it would likely alleviate some administrative burden on the Department of Taxation.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,

A handwritten signature in black ink, appearing to read "Stacey M. Katakura".

Stacey M. Katakura, CPA
President & Founder
Accumulus Advisors, LLC

HB-1960

Submitted on: 2/10/2022 5:17:18 PM

Testimony for CPC on 2/11/2022 2:00:00 PM

LATE

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Megan Fox	Malama Kaua'i	Support	No

Comments:

We are in strong support of HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs. We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

LATE

**Testimony to the House Committee on Consumer Protection and
Commerce**

**Friday, February 11, 2022, 2:00 p.m.
Via videoconference**

HB 1960, Relating to Nonprofit Organizations

February 10, 2022

Dear Chair Johanson, Vice Chair Kitagawa and members of the Committee on Consumer Protection and Commerce,

We are in **strong support** of HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

Boys & Girls Club of Hawaii serves over 10,000 youth and teens annually on the islands of O'ahu and Kaua'i, charging only \$25 per year membership fees for youth and \$10 per year for teens. As 79% of our youth families are considered low to very low income, our goal is to ensure a family's ability to pay is never an obstacle to their child accessing our programs. Our mission is to enable all young people, especially those who need us most, to reach their full potential as productive, caring, responsible citizens, graduating from high school on time with a plan for their future and living a healthy lifestyle.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us to increase our unrestricted revenues to support wage and salary increases and overhead costs like facility maintenance and repairs on our 10 clubhouses and teen centers.

Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax exempt, charitable mission and programs.



Administrative Office
1000 Bishop Street
Suite 505
Honolulu HI 96813-4205
Tel 808-949-4203
Fax 808-955-4496
www.bgch.com

Board of Directors
Chris Hause, Chair
Christian Adams
Danielle Aiu
Todd Apo
Will Burke
Dylan Ching
Scott Choi
Mark Cochrane
Dan Cooke
Francoise Culley-Trotman
Walter Guild
Chip Hammond
Peter Hirano
David Hudson
Keslie Hui
Andrew Kamikawa
John Katahira
Ryan Kuniyuki
Robert Kurisu
Lina Le
Liz Makarra
Nicholas Monlux
Nikki Moreno
Bruce Nakaoka
Daniel Nishikawa
Shannon Nishio
Nathan Okubo
Nancy Pace
Bonnie Pang
Jeff Pauker
Billy Pieper
Michal Anne Rogondino
Cindy Sakai
Michael Town
Stacey Williams
Donna Yano
Brian Yoshii
Darcie Yukimura

Board of Advisors
Robbie Alm
H. Mitchell D'Olier
Richard Gushman II
Kevin J. Leary
Mary Lou Lewis
Ron Schmid
Cynthia Schnack Lee
Ronald Ward
Aaron Young


Founder
Charles C. Spalding

President & CEO
Paddy Kauhane



We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,

A handwritten signature in blue ink that reads "Paddy Kauhane". The signature is written in a cursive, flowing style.

Paddy Kauhane
President & CEO
Boys & Girls Club of Hawaii

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

LATE

SUBJECT: GENERAL EXCISE, Conform Fundraising Income to Federal UBIT Definition

BILL NUMBER: HB 1960

INTRODUCED BY: House Committee on Economic Development

EXECUTIVE SUMMARY: Aligns the state general excise tax law with the federal income tax code by exempting from the State's general excise tax, income generated by a nonprofit organization for any activity defined as an "unrelated trade or business" as defined by the Internal Revenue Code.

SYNOPSIS: Amends section 237-23(b)(3), HRS, such that the GET exemption for qualified nonprofit organizations extends to activities previously classified as fund raising, as long as they are not an "unrelated trade or business" as defined in the Internal Revenue Code. In considering whether an activity is an unrelated trade or business, the modifications to unrelated business taxable income as provided in section 512(b) of the Internal Revenue Code shall not apply.

EFFECTIVE DATE: Upon Approval

STAFF COMMENTS: One of the points of frustration that tax practitioners have when working with nonprofit tax-exempt organizations is the different way that federal and state law define income that is subject to tax even for a nonprofit. The federal code uses the concept of "unrelated business taxable income." State income tax law conforms to that concept. State GET law uses another concept, however, taxing "any activity the primary purpose of which is to produce income even though the income is to be used for or in furtherance of the exempt activities." Thus, the GET taxes such items as:

- Fundraising dinners
- Golf tournaments
- Sales of fundraising items whether or not donated to the organization
- Benefit concerts or carnivals
- Parking fees at hospitals and medical clinics

Perhaps it's now a good time to discuss the relative benefits and detriments of both rules.

Digested: 1/31/2022



LATE

"Bringing the arts to Molokai and Molokai to the arts"

1630 Farrington Avenue; Kualapuu, HI 96757 808.567.9696

**Testimony to the House Committee on Consumer Protection and Commerce
Friday, February 11, 2022, 2:00 p.m.
Via videoconference**

HB 1960, Relating to Nonprofit Organizations

Dear Chair Johanson, Vice Chair Kitagawa, and members of the Committee on Consumer Protection and Commerce,

We are in **strong support** of HB 1960. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

We are a small organization, our vision is to provide art classes, youth programs, studio and gallery space for adults, children, residents, and visitors to our island. We believe that the artistic spirit is inherent, from youth to novice, professional artists to beginners. Everyone in the community should have the opportunities to develop their creative gift to the extent possible. The mission allows artists to be the consciousness of culture, but if we do not allow people the opportunities to develop their creativity, we as a culture, a society, lose out on our most incredible resource: human potential.

We support the passage of this bill as it would relieve our organization from having to pay a general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings we would see would allow us to hire more artists, allow artist residence to participate longer, provide our Executive Director to have benefits to support a family.

Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our tax-exempt, charitable mission and programs.

We strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,

'Iolani Kuoha
Chairperson, Moloka'i Arts Center