

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

ISAAC W. CHOY  
DIRECTOR OF TAXATION

To: The Honorable Joy A. San Buenaventura, Chair;  
The Honorable Les Ihara, Jr., Vice Chair;  
and Members of the Senate Committee on Human Services

From: Isaac W. Choy, Director  
Department of Taxation

Date: Thursday, February 15, 2022  
Time: 3:10 P.M.  
Place: Via Video Conference, State Capitol

**Re: S.B. 3201, Relating to Nonprofit Organizations**

The Department of Taxation (Department) offers the following comments regarding S.B. 3201 for your consideration.

S.B. 3201 amends section 237-23, Hawaii Revised Statutes (HRS), to provide further general excise tax (GET) exemptions to tax-exempt organizations. The bill repeals language currently denying tax-exempt organizations a GET exemption for fundraising activities. The bill adds language denying tax-exempt organizations a GET exemption for income from unrelated trade or business activity, as defined in the Internal Revenue Code (IRC). The bill is effective upon approval.

Tax-exempt organizations' fundraising activities are exempt from federal and Hawaii income taxation. This is because Hawaii income tax law conforms to the IRC. The federal and Hawaii income tax exemption is limited by imposing tax on income from unrelated trade or business activity. Conversely, a tax-exempt organization's gross receipts from fundraising activities are taxable under the GET.

This bill proposes to add congruity between the income tax and GET treatment of tax-exempt organizations. The bill would exempt tax-exempt organization's fundraising income and other receipts from GET, except those sourced from an unrelated trade or business. This would match the federal and Hawaii income tax treatment.

The Department is able to administer this measure but requests that it be amended to become effective January 1, 2023. This will provide the time necessary to make form and instruction changes.

Thank you for the opportunity to provide testimony on this measure.

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 SENATE COMMITTEE ON HUMAN SERVICES  
ON  
SENATE BILL NO. 3201

**February 15, 2022**  
**3:10 p.m.**  
**Room 225 and Videoconference**

RELATING TO NONPROFIT ORGANIZATIONS

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

Senate Bill No. 3201 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 to the Senate Committee on Human Services  
Senator Joy San Buenaventura, Chair  
Senator Les Ihara, Vice Chair  
Tuesday, February 15, 2022, 3:10 p.m.  
Via videoconference**

**SB 3201, Relating to Nonprofit Organizations**

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Dear Chair San Buenaventura, Vice Chair Ihara, and members of the Committee on Human Services:

On behalf of the Hawai'i Alliance of Nonprofit Organizations (HANO), I would like to thank you for hearing **SB 3201**. 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 House 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

# 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](mailto: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 13, 2022

To: Senator Joy San Buenaventura, Chair,  
And members of the Committee on Human Services

## TESTIMONY IN SUPPORT OF SB 3201 RELATING TO NONPROFIT ORGANIZATIONS

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

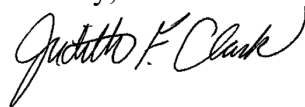
Hawaii's nonprofit organizations provide critically needed services to meet the health, housing, family strengthening, and educational needs of children, youth, and families.

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



# HAWAII' APPLESEED

## CENTER FOR LAW & ECONOMIC JUSTICE

Testimony of

*Chaslynn-Nicole Kapuaonalani Gaspar*

The University Of Hawaii - PHOCUSED, Hawai'i

February 10, 2022

TO: Senator Joy A. San Buenaventura, Chair  
Senator Les Ihara, Jr., Vice Chair  
Members of the Senate Committee on Human Services

FROM: Chaslynn-Nicole K. Gaspar, PHOCUSED with Hawai'i Appleseed

SUBJECT: Testimony: Relating to Nonprofit Organizations

Hearing: February 15, 2022 at 3:10 pm  
Via videoconference

Chair San Buenaventura, Vice-Chair Ihara, and Members of the Committee on Human Services,

Thank you for the opportunity to provide testimony in **STRONG SUPPORT** of SB 3201.

PHOCUSED is a nonpartisan project of the Hawaii Appleseed Center for Law and Economic Justice. It comprises health and human service organizations and their people across Hawai`i. We have been collaborating on advocacy about 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 the passage of SB 3201.*

Mahalo, for your consideration.



PHOCUSED IS A PROJECT OF HAWAII APPLESEED 733 BISHOP STREET, SUITE 1180 ·  
HONOLULU, HI 96813 · (808) 587-7605 · PHOCUSED.ORG



# TAX FOUNDATION OF HAWAII

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126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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

BILL NUMBER: HB 1960, SB 3201

INTRODUCED BY: HB by BELATTI; SB by MORIWAKI

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



**HAWAI'I FOREST INDUSTRY ASSOCIATION (HFIA)**

P. O. Box 66 ❖ 'O'ōkala, HI 96774

Phone: 808-933-9411

Email: [hfia@hawaiiiforest.org](mailto:hfia@hawaiiiforest.org)

Website: [www.hawaiiiforest.org](http://www.hawaiiiforest.org)

DATE 2/11/2022

FROM: Hawai'i Forest Industry Association (HFIA)

Dear Hawai'i Legislators,

Senate HMS Committee Chair: Joy A. San Buenaventura, Vice Chair: Les Ihara Jr., Laura Acasio, Kurt Fevella, and Bennette E. Misalucha

Senate WAM Committee Chair Donovan M. Dela Cruz, Vice Chair: Gilbert S.C. Keith-Agaran, Lorraine R. Inouye, Maile S.L. Shimabukuro, Dru Mamo Kanuha, Brian T. Taniguchi, Michelle N. Kidani, Glenn Wakai, Bennette E. Misalucha, Kurt Fevella, and Sharon Y. Moriwaki

**TESTIMONY IN SUPPORT OF SB 3201– RELATING TO NONPROFIT ORGANIZATIONS**

We ask you to support SB 3201 and 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.

Established in 1989, HFIA is a nonprofit organization founded by people committed to sustainable forest management. HFIA's mission is to promote healthy and productive forests and a sustainable forest industry through forest management, education, planning, information exchange, and advocacy. HFIA has over 250 members including woodworkers, landowners, sawyers, foundations, foresters, growers, educators, environmentalists, architects, millers, ranchers, governments and others interested in HFIA's goals and mission.

Mahalo,

Heather Simmons, Executive Director  
Hawai'i Forest Industry Association

**HFIA Board of Directors**

Officers: President Don Bryan, Vice-President Guy Cellier, Secretary Peter D. Simmons, Treasurer Wade Lee  
Directors: Thomas Calhoun, Jeremy Campbell, Aaron Hammer, Nickolas Koch, Tai Lake, Gilles Lebbe, Michael Sowards, Irene Sprecher, Michael Tam, Jorma Winkler, Ron Wolfe, Aileen Yeh



## **SB3201 Non-profit fund-raising exempt from state tax similar to federal law**

### COMMITTEE ON HUMAN SERVICES

Senator Joy A. San Buenaventura, Chair

Senator Les Ihara, Jr., Vice Chair

Tuesday, Feb 15 2022: 3:10 pm : Videoconference

## **Hawaii Substance Abuse Coalition Supports SB3201:**

*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.

**SB-3201**

Submitted on: 2/14/2022 10:05:58 AM

Testimony for HMS on 2/15/2022 3:10:00 PM

Submitted By	Organization	Testifier Position	Remote Testimony Requested
Melodee Haole	Testifying for K.E.L.I.I. FOUNDATION	Support	No

Comments:

**K.E.L.I.I. is a small non profit organization, we are dedicated to creating a supportive community for individuals with Autism and other special health needs to have a higher quality of life and to thrive and grow in a nurturing environment. Since the the pandemic our nonprofit been challenged and struggling financially, we do not depend on State or Federal funding, we depend on private grants and fundraising. But due to COVID many grants has changed their giving and our special needs community has basically been forgotten, many of our family are struggling with their child or young adult regressed and parents now need mental health services, due to no job due to daycare or no services from State agencies.**

**It is also important to note that nonprofits purchase and expenditures are already taxed.**

**We strongly urge you to consider passage of SB3201. Thank you for the opportunity to submit on this measure.**

**Keiki Education Living Independent  
Institute (K.E.L.I.I.)**



HAWAI'I STATE  
**COALITION AGAINST  
DOMESTIC VIOLENCE**

February 15, 2022

Members of the Senate Committee on Human Services:

Chair Joy A. San Buenaventura  
Vice Chair Les Ihara Jr.  
Sen. Laura Acasio  
Sen. Kurt Fevella  
Sen. Bennette E. Misalucha

Re: SB23201 Relating to Nonprofit Organizations

Dear Chair Buenaventura, Vice Chair Ihara , and Members of the Senate Committee on Human Services:

The Hawai'i State Coalition Against Domestic Violence (HSCADV) advances the safety and healing of victims, survivors and their families. We are the collective voice of a diverse network of organizations and individuals, working to eliminate all forms of domestic violence in Hawai'i by fostering partnership, increasing awareness of domestic violence, developing the capacity our member programs and community partners to address the needs of survivors and their families, and advocating for social justice and change.

On behalf of HSCADV and our 25 member programs statewide, I submit testimony in **support of SB3201**. The purpose of this bill is to 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 measure would provide more needed income for nonprofits to use towards their mission-based activities that support our residents in purposeful and impactful ways.

Thank you for the opportunity to testify on this important matter.

Sincerely,

Angelina Mercado  
Executive Director, HSCADV



**Testimony to the Senate Committee on Human Services  
Tuesday, February 15, 2022, 3:10 pm  
Via videoconference and Conf. Room 225**

**SB 3201, Relating to Nonprofit Organizations**

**WRITTEN TESTIMONY ONLY**

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Dear Chair San Buenaventura, Vice-Chair Ihara, and members of the Committee on Human Services:

We are in **strong support** of SB 3201. This bill would align the State General Excise Tax (GET) law with the federal IRS income tax code. It will do this by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS. As a result, it will exempt nonprofit organizations from paying GET on fundraising income. The purpose of this bill is to align the State 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.

Established in 2005, the H.T. Hayashi Foundation reflects the legacy of visionary hotelier and philanthropist Herbert Takami "H.T." Hayashi. Today, the foundation invests in arts and culture, human development, environmental conservation, and economic security, focusing on programs serving women, children, and the elderly. A core part of our support of nonprofit organizations in the state is our belief that supporting the nonprofit sector's capacity to meet their mission is as equally important as supporting the work itself.

The nonprofit sector in Hawaii is a critical part of Hawaii's ability to address challenges and pursue opportunities in all areas including housing and homelessness, promoting the arts, preserving culture, engaging in conservation and climate change mitigation, facilitating economic development and growth, providing healthcare and education, supporting some of our most vulnerable residents, and meeting a variety of community needs across the state.

Nonprofits must raise funds to carry out their missions and programs. Conducting fundraising events is one critical, mission-related way to raise needed unrestricted operating funds. We believe that income generated by fundraising events should be treated the same as donations as they are essentially both donations but in different forms. 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.

We note the comments submitted by the Department of Taxation during the companion bill's (HB1960) first hearing before the House Committee on Economic Development, regarding the implementation date. We would support an amendment of the effective date to January 1, 2023 to give the Department sufficient time to implement any needed changes to forms and instructions.

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

Mahalo,

*Jan M. Harada*  
*Executive Director*





# Samaritan Counseling Center Hawaii

**Testimony to the Senate Committee on Human Services  
Tuesday, February 15, 2022, 3:10 p.m.  
Via videoconference**

## **SB 3201, Relating to Nonprofit Organizations**

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Dear Chair San Buenaventura, Vice Chair Ihara and members of the Committee on Human Services,

On behalf of Samaritan Counseling Center Hawaii, we thank you being present today. We testify in **strong support** of **SB 3201**. 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, -- thus exempting 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, uninsured, or unable to afford copays and deductibles.

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 continue to provide mental health care to those with limited or no ability to pay for 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".

*Rachelle Chang*  
Executive Director

### **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](mailto:info@samaritanhawaii.org) • Website: [www.samaritancounselingcenterhawaii.org](http://www.samaritancounselingcenterhawaii.org)



COMMITTEE ON HUMAN SERVICES  
Senator Joy A. San Buenaventura, Chair  
Senator Les Ihara, Jr., Vice Chair

**Testimony to the Senate Committee on Human Services  
Tuesday, February 15, 2022, 3:10 p.m.  
Via videoconference**

**BILL SB 3201 Relating to Nonprofit Organizations  
POSITION: SUPPORT**

Aloha Chair San Buenaventura, Vice Chair Ihara and members of the Committee on Human Services,

Aloha United Way is in **strong support of SB 3201**, which 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.

Aloha United Way counts over 340 non-profit agencies as our partners, and the majority of non-profits hold annual fundraisers or depend on unrelated income to support their operation and provision of programs our community depends on. Non-profits already pay GET on all expenses incurred for fundraisers to further their tax-exempt missions, and AUW strongly supports this bill to exempt an additional GET requirement on the income.

We support the passage of this bill as it will result in the provision of additional funds for programs that make a positive community impact, including AYW 211 information and referral line, the ALICE initiative and funds for Safety Net services. The limited fundraising income is of vital importance to our charitable operations and this bill will relieve non-profit organizations from having to pay general excise tax on both the expenses and income for fundraising and help hundreds of non-profits further simplify their accounting to align with the clear and well-established IRS income code.

Every dollar our organization can raise is another dollar devoted to our tax exempt, charitable purpose and programs. Thank you for considering this testimony and for your action to support non-profit programs and pass SB 3201.

Sincerely,

A handwritten signature in blue ink that reads "Suzanne Skjold".

Suzanne Skjold  
Chief Operating Officer  
Aloha United Way



## THE QUEEN'S HEALTH SYSTEMS

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To: The Honorable Joy San Buenaventura, Chair  
The Honorable Les Ihara, Jr., Vice Chair  
Members, Senate Committee on Human Services

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

Date: February 15, 2022

Re: Support for SB 3201 – Relating to Nonprofit Organizations

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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 SB 3201 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 SB 3201.

*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.*

2119 N. King Street Suite 202  
Honolulu, Hawai'i 96819

bbshawaii.org

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Dennis Brown

**Testimony to the Senate Committee on Human Services**  
**Tuesday, February 15, 2022, 3:10 p.m.**  
**Via videoconference**

**SB 3201, Relating to Nonprofit Organizations**

Dear Chair San Buenaventura, Vice Chair Ihara and members of the Committee on Human Services,

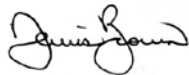
Big Brothers Big Sisters Hawaii **strongly supports** SB 3201 which would align the State General Excise Tax (GET) law with the federal IRS income tax code. The result would be to exempt from the GET any income generated by a nonprofit for "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

For 58 years, BBBSH has provided preventive, one-to-one mentoring services to thousands of Hawaii's children who've experienced serious trauma from the loss of a parent to divorce, suicide, or incarceration; or from witnessing the abuse of family members or being abused themselves. Data show that a high percentage of youth we serve graduate high school, avoid the juvenile justice system, and succeed as responsible adults.

Passage of SB 3201 would provide additional funds to help us serve more children and families-in-need. We're proud that our fundraising eases the burden on government having to carry our financial load. Passage of SB 3201 would provide an incentive for us to raise even more on our own.

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

Mahalo,



Dennis Brown  
President/CEO



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

February 12, 2022

TO: Senator Joy A. San Buenaventura, Chair  
Senator Les Ihara, Jr., Vice Chair  
Members of the Senate Committee on Human Services

FROM: Christy MacPherson, PHOCUSED

SUBJECT: Testimony: Relating to Nonprofit Organizations

Hearing: February 15, 2022 at 3:10 pm  
Via videoconference

Chair San Buenaventura, Vice Chair Ihara, and Members of the Committee on Human Services,

Thank you for the opportunity to provide testimony in **STRONG SUPPORT** of SB 3201.

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 SB 3201. Thank you again for the opportunity to submit testimony on this measure.

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PHOCUSED IS A PROJECT OF HAWAII APPLESEED

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



**TO: Chair San Buenaventura, Vice Chair Ihara, and Members of the Senate Committee on Human Services**

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

**DATE/LOCATION:** February 15, 2022; 3:10 p.m., Conference Room 225/Video Conference

**RE: TESTIMONY IN SUPPORT OF SB 3201– RELATING TO NONPROFIT ORGANIZATIONS**

**We ask you to support SB 3201 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 SB 3201**, please contact me at (808) 847-3285 or [rkusumoto@pacthawaii.org](mailto:rkusumoto@pacthawaii.org) if you have any questions.



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: Senate Committee on Human Services

Re: **SB 3201 – Relating to Nonprofit Organizations**  
Hawai'i State Capitol, Conference Room 225 & Videoconference  
February 15, 2022, 3:10 PM

Dear Chair San Buenaventura, Vice Chair Ihara, and committee members,

**On behalf of Hawai'i Children's Action Network Speaks!, I am writing in SUPPORT of SB 3201, 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



## HIPHI Board

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Kaiser Permanente

Dina Shek, JD  
Medical-Legal Partnership  
For Children in Hawai'i

Garret Sugai

Titimaeta Ta'ase, JD  
State of Hawai'i, Deputy Public Defender

## HIPHI Initiatives

Coalition for a  
Tobacco-Free Hawai'i

Community Health  
Worker Initiative

COVID-19 Response

Hawai'i Drug & Alcohol Free  
Coalitions

Hawai'i Farm to School Hui

Hawai'i Oral Health Coalition

Hawai'i Public Health Training Hui

Healthy Eating + Active Living

Kūpuna Food Security Coalition

Date: February 14, 2022

To: Senator Joy A. San Buenaventura, Chair  
Senator Les Ihara, Jr., Vice Chair  
Members of the Committee on Human Services

Re: Support for SB 3201, Relating to Nonprofit Organizations

Hrg: February 15, 2022 at 3:10 PM via videoconference

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The Hawai'i Public Health Institute (HIPHI) is in **support of SB 3201, which** exempts from the State general excise tax (GET) any income generated by a nonprofit for any unrelated trade or business.

HIPHI is a 501(c)(3) nonprofit organization and a hub for building healthy communities, providing issue-based advocacy, education, and technical assistance through partnerships with government, academia, foundations, business, and community-based organizations. Grants and private donations fuel our work and while income raised through fundraisers is exempt from the federal GET, this income is still subject to the state GET, reducing the impact potential of money raised for the organization's mission. SB 3201 aligns state law with federal IRS income tax code and allows nonprofits to put more of the money they raise towards their programs and services. Exempting fundraising income from the GET means that more money will be spent on programs and services that benefit Hawai'i's communities.

For these reasons, HIPHI respectfully requests that the Committee **PASS SB 3201.**

Thank you for the opportunity to provide testimony.

Mahalo,

Amanda Fernandes, JD  
Policy and Advocacy Director





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

1630 Farrington Avenue; Kualapuu, HI 96757 808.567.9696

**LATE**

**Testimony to the Senate Committee on Human Services  
Tuesday, February 15, 2022, 3:10 p.m.  
Via videoconference**

**SB 3201, Relating to Nonprofit Organizations**

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Dear Chair San Buenaventura, Vice Chair Ihara, and members of the Committee on Human Services,

We are in **strong support** of SB 3201. 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 homegrown 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,

A handwritten signature in blue ink, consisting of several loops and a trailing line.

*'Iolani Kuoha*  
*Chairperson, Moloka'i Arts Center*

**SB-3201**

Submitted on: 2/15/2022 10:44:16 AM  
Testimony for HMS on 2/15/2022 3:10:00 PM



<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Remote Testimony Requested</b>
Sarah Fairchild	Testifying for Outrigger Duke Kahanamoku Foundation	Support	No

Comments:

Dear Committee on Human Services,

I'm writing in support of SB3201 to repeal the General Excise Tax on general fundraising revenue. Nonprofits are fundraising in order to fund programs and services that benefit the community. These programs and services already supplement or replace government funding to serve the community. In other words, we are saving the government money. Tax money reaped through fundraising is hamstringing the effectiveness of the nonprofit. I can tell you from experience, that past the initial percentage lost to taxes, many more staff hours (and therefore funds) are spent on accounting for the GET. Please repeal the GET on fundraising.

Mahalo,

Sarah Fairchild

Executive Director

Outrigger Duke Kahanamoku Foundation

808-292-7694