

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR



ISAAC W. CHOY
DIRECTOR OF TAXATION

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

To: The Honorable Donovan M. Dela Cruz, Chair;
The Honorable Gilbert S.C. Keith-Agaran, Vice Chair;
and Members of the Senate Committee on Ways and Means

From: Isaac W. Choy, Director
Department of Taxation

Date: Thursday, February 24, 2022
Time: 10:00 A.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 WAYS AND MEANS
ON
SENATE BILL NO. 3201

February 24, 2022
10:00 a.m.
Room 211 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.



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

February 19, 2022

TO: Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Members of the Senate Committee on Ways and Means

FROM: Christy MacPherson, PHOCUSED

SUBJECT: Testimony: Relating to Nonprofit Organizations

Hearing: February 24, 2022 at 10:00 am
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 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.

PHOCUSED IS A PROJECT OF HAWAII APPLESEED

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



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

COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair

Senator Gilbert S.C. Keith-Agaran, Vice Chair

Thursday, Feb 22 2022: 10:00 am : 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.

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 20, 2022

To: Senator Donovan Dela Cruz, Chair,
And members of the Committee on Ways and Means

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.

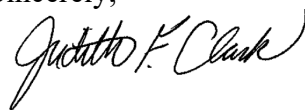
Hawaii's nonprofit organizations provide critically needed services to meet the health, housing, family strengthening, and educational needs of children, youth, and families.

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. At the same time, increased revenue from fund raising could reduce nonprofit need for state contracts and legislative grants-in-aid, resulting a savings for the State of Hawaii.

Thank you for this opportunity to testify.

Sincerely,



Judith F. Clark, MPH
Executive Director

SB-3201

Submitted on: 2/20/2022 9:27:39 AM

Testimony for WAM on 2/24/2022 10:00:00 AM

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

Comments:

We are in support of this bill to repeal GET for various nonprofit unrelated business income. Mahalo.

-Phil Acosta

Executive Director

Aloha Harvest

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 305

Honolulu, Hawaii 96813 Tel. 536-4587

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



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 Ways and Means

Re: **SB 3201 – Relating to Nonprofit Organizations**
Hawai'i State Capitol, Conference Room 211 & Videoconference
February 24, 2022, 10:00 AM

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, 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



COMMITTEE ON WAYS AND MEANS

Senator Donovan M. Dela Cruz, Chair

Senator Gilbert S.C. Keith-Agaran, Vice Chair

**Testimony to the Senate Committee on Ways and Means
Tuesday, February 24, 2022, 10:00 a.m.**

BILL SB 3201 Relating to Nonprofit Organizations

POSITION: SUPPORT

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

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 AUW 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



**Testimony to the Senate Committee on Ways and Means
Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran, Vice Chair
Thursday, February 24, 2022, 10:00 a.m.
Via videoconference**

SB 3201, Relating to Nonprofit Organizations

Dear Chair Dela Cruz, Vice Chair Keith-Agaran, and members of the Committee on Ways and Means:

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 this 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

TESTIMONY IN SUPPORT OF SB 3201

TO: Chair Dela Cruz, Vice Chair Keith-Agaran, & Members – Senate Committee on Ways & Means
FROM: Trisha Kajimura
Deputy Director - Community
DATE: February 24, 2022 at 10:00 AM

Hawai'i Health & Harm Reduction Center (HHRC) **supports** 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.

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.

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

bbbshawaii.org

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President/CEO
Dennis Brown

Testimony to the Senate Committee on Ways and Means
Thursday, February 24, 2022, 10:00 a.m.
Via videoconference

SB 3201, Relating to Nonprofit Organizations

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

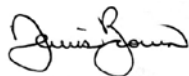
Big Brothers Big Sisters Hawaii **strongly supports** SB 3201 which would align the State General Excise Tax (GET) law with the federal IRS income tax code. The result would be to exempt from the GET any income generated by a nonprofit for "unrelated trade or business" as defined by the IRS, and, as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



Testimony Before The
Senate Committee on Ways and Means
IN SUPPORT OF SB 3201
February 24, 2022, 10:00AM, Room 211

Aloha Chair, Vice-Chair and Committee members

My name is Kevin Chang and I am the Executive Director of [Kua'āina Ulu 'Auamo \(or KUA\)](#). KUA works to empower grassroots rural and Native Hawaiian mālama 'āina groups -fishers, farmers, families- to celebrate their places and pass on their traditions to better Hawai'i and achieve 'āina momona— an abundant, productive ecological system that supports community well-being.

KUA supports 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.

KUA employs a community-driven approach that currently supports a statewide network of 36 mālama 'āina community groups collectively referred to as E Alu Pū (moving forward together), 40 fishpond projects and practitioners called the Hui Mālama Loko I'a, and a growing group of over 60 Limu practitioners and supporters called the Limu Hui. Our vision of 'āina momona includes pathways to empowered community-based natural resource management and governance.

One such pathway or mechanism toward reaching these goals includes the development and support of charitable efforts which incubate community based environmental stewardship projects, potential and innovative ideas for tackling our greatest governance, economic and environmental challenges. Many of the community efforts in our networks are met through the the effort and potential of non-profit organizations. We support the passage of this bill as it would not only relieve KUA but would serve broader network and community efforts statewide from having to pay general excise tax on fundraising income, which is of vital importance to funding their charitable operations. This bill would also simplify accounting of income since the IRS tax code is clear and well-established.

Passing this bill out of your committee will open an essential pathway toward supporting the public good.

Aloha 'Āina Momona.



CATHOLIC CHARITIES HAWAII

**TESTIMONY IN SUPPORT OF SB 3201: RELATING TO
NON-PROFIT ORGANIZATIONS**

TO: Senate Committee on Ways and Means

FROM: Rob Van Tassell, President and CEO, Catholic Charities Hawaii

Hearing: Thursday, 2/24/22; 10:00 AM; via videoconference

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

Thank you for the opportunity to provide testimony **in Strong Support of SB 3201**, which clarifies that income from fundraising activities of nonprofits would be exempt from the state's GET. I am Rob Van Tassell, with Catholic Charities Hawaii.

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. We believe that fundraising income should be considered essentially the same as direct donations to a nonprofit, which are already exempt from the GET.

Catholic Charities Hawaii strongly supports this clarification of the GET. Catholic Charities Hawaii (CCH) is a tax exempt, non-profit agency that has been providing social services in Hawaii for 75 years. CCH has programs serving elders, children, families, homeless, and immigrants. Our mission is to provide services and advocacy for the most vulnerable in Hawaii. Catholic Charities Hawaii has a long history of working in the areas of affordable housing and homelessness.

Hawaii's nonprofits provide essential services to the people of Hawaii with very limited resources. They often must fundraise to continue these services. Nonprofits are already under additional stress due to the pandemic. This bill would simplify nonprofit organizations' accounting of income by exempting fundraising income from the GET. This would result in additional income for services as well as lesser accounting costs. The bill will help to maintain a strong nonprofit sector, dedicated to serving the many diverse needs of the people of Hawaii.

We urge your support for this bill to clarify the GET exemption for fundraising revenues of nonprofit organizations.

Please contact our Legislative Liaison, Betty Lou Larson at alohabettylou@hotmail.com or (808) 373-0356 if you have any questions.





Hawaiian Humane Society

People for animals. Animals for people.

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

Date: February 23, 2022

To: Chair Sen. Donovan M. Dela Cruz
Vice Chair Sen. Gilbert S.C. Keith-Agaran
and Members of the Committee on Ways and Means

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

RE: Testimony in support of SB 3201, Relating to Nonprofit Organizations
Thursday, Feb. 24, 2022, 10 a.m., Via Videoconference

Aloha Chair Dela Cruz, Vice Chair Keith-Agaran and Committee Members,

On behalf of the Hawaiian Humane Society, thank you for considering our support for Senate Bill 3201, 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 from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, 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 SB 3201. Thank you for the opportunity to submit this written testimony.



Samaritan Counseling Center Hawaii

**Testimony to the Senate Committee on Ways and Means
Thursday, February 24, 2022, 10:00 a.m.
Via videoconference**

SB 3201, Relating to Nonprofit Organizations

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

On behalf of Samaritan Counseling Center Hawaii, we thank you being present today. 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.

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.

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,

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 • Website: www.samaritancounselingcenterhawaii.org

Thursday, February 24, 2022 at 10:00M
Via Video Conference

Senate Committee on Ways and Means

To: Senator Donovan Dela Cruz, Chair
Senator Gilbert Keith-Agaran, Vice Chair

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

Re: **SB 3201 – 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 SB 3201 which clarifies the GET exemption for unrelated trade or business activities of 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. The bill provides clarification as to 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.



HIPHI Board

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For Children in Hawai'i

Garret Sugai
Pharmacare

Titiiimaea 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 23, 2022

To: Senator Donovan M. Dela Cruz, Chair
Senator Gilbert S.C. Keith-Agaran, Vice Chair
Members of the Committee on Ways and Means

Re: Support for SB 3201, Relating to Nonprofit Organizations

Hrg: February 24, 2022 at 10:00 AM via videoconference

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,

A handwritten signature in black ink, appearing to read 'Amanda Fernandes'.

Amanda Fernandes, JD
Policy and Advocacy Director



HAWAI'I STATE
COALITION AGAINST
DOMESTIC VIOLENCE

February 24, 2022

Members of the Senate Committee on Ways and Means:

Chair Donovan M. Dela Cruz
Vice Chair Gilbert S.C. Keith-Agaran
Sen. Lorraine R. Inouye
Sen. Dru Mamo Kanuha
Sen. Michelle N. Kidani
Sen. Bennette E. Misalucha

Sen. Sharon Y. Moriwaki
Sen. Maile S.L. Shimabukuro
Sen. Brian T. Taniguchi
Sen. Glenn Wakai
Sen. Kurt Fevella

Re: SB3201 Relating to Nonprofit Organizations

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

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 26 member programs statewide, we **support** this measure. This bill would relieve our member organizations from having to pay general excise tax on their fundraising income, which is of vital importance to funding their charitable operations. This bill would also simplify the accounting of income since the IRS tax code is clear and well-established.

Every dollar organizations must pay in general excise taxes is a dollar less that can be devoted to tax exempt, charitable mission and programs that support our residents in purposeful and impactful ways.

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

Sincerely,

Angelina Mercado, Executive Director

Jeff Nash
EXECUTIVE DIRECTOR



Vincent C. Marino
FOUNDER



To: Senate Ways & Means Committee

Re: SB 3201 Testimony in Support

Ladies & Gentlemen:

I am writing to strongly support SB 3201.

Fundraising is a major lifeline for most nonprofits. Habilitat has been in existence for over 50 years, providing shelter and treatment for those suffering from drug and alcohol addiction.

It makes sense to align the general excise tax laws with the federal tax law. Fundraising revenues should be tax-exempt as it directly supports our nonprofit mission. Moreover, in our case we utilize the fundraising projects to provide vocational skills to those in our care. The residents' fundraising efforts provide 30% or more of our annual revenues. Last year alone, over \$55,000 was paid to the State on the residents' fundraising efforts. Perhaps this is a drop in the bucket for the State, but for us, this is a large sum of money.

In turn, those tax monies would be utilized to treat more people who need the help. At this time, Habilitat is the largest long term residential treatment facility in our State. We do our best to run self-sufficiently. With more funds available from this tax savings, we can help Hawaii by keeping more individuals from homelessness and returning more people to the community as productive citizens.

I strongly urge you to pass Senate Bill 3201.

Thank you for your consideration,

Habilitat, Inc.

Joan Shishido
Controller
(808) 235-7214



LATE

**Testimony to the Senate Committee on Ways and Means
Thursday, February 24, 2022, 10:00 a.m.
Via videoconference
SB 3201, Relating to Nonprofit Organizations**

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

We **strongly 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.

Nā Hale O Maui, a Community Land Trust, is a grassroots, membership based 503(C)3 with a **mission to secure and preserve a permanent supply of affordable housing alternatives for low- and moderate-income households in Maui County**. Forty-seven workforce households currently live in these single family CLT homes. Nā Hale O Maui partners with our community, including but not limited to County of Maui Affordable Housing Funds, Federal Neighborhood Stabilization Project funds, philanthropic organizations, private businesses and individuals to address the critical housing shortage in Maui County. The homes are provided at below market prices, and remain affordable in perpetuity, family after family, generation after generation.

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.

Nā Hale O Maui has successfully applied for capital improvement funds for the acquisition, rehabilitation and construction of single-family homes. Sources of operational funds include fundraising and ground lease rent (beginning at \$45/month) that are subject to GET. If this bill is passed, the GET savings will allow us to continue to provide truly affordable housing and help move Nā Hale O Maui toward operational sustainability.

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 for truly affordable workforce housing in perpetuity.

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

Mahalo for all you do for our community,

Cassandra J L Abdul,
Executive Director



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

[COMMITTEE ON WAYS AND MEANS](#)

Senator Donovan M. Dela Cruz, Chair

Senator Gilbert S.C. Keith-Agaran, Vice Chair

Thursday, Feb 24 2022: 10:00 am : Videoconference

Habilitat, Inc Supports SB3201:

ALOHA CHAIR, VICE CHAIR AND DISTINGUISHED COMMITTEE MEMBERS. My name is Jeff Nash. I am the Executive Director for Habilitat, Inc, Hawai'i's largest capacity treatment center. As a 501c3 nonprofit, we have been providing treatment and work force development services to the most vulnerable members of our island population for over 50 years.

Habilitat strongly supports ending the states taxation of nonprofits fundraising to align with the federal government's exemption policies. I'm quite sure our elected officials noticed that our local non-profits really pulled together throughout the pandemic to fill the gaps that the state agencies just couldn't address. Often those efforts were funded by our own efforts. Habilitat lost a large portion of our revenue, yet we acted in partnership with numerous other agencies to get food to those who were hungry, we assisted with floor relief on the north shore, and we even prepared thousands of meals for other agencies who were in need due to Covid 19 outbreaks. We answered the call each time.

Habilitat is well known for our entrepreneurial efforts. From our famous Christmas trees to our popular annual Family Luau, Auction and Benefit Concert, we have always remained self-sufficient. Our fundraising efforts have helped make our community a better, safer place.

In the past 10 years our fundraising efforts have saved the state tax payers around **\$75,000,000** in incarceration costs by providing long-term, evidenced based treatment to those suffering with substance abuse. It's impossible to calculate the savings we have created by taking people out of the cycle of crime and recidivism and placing them back in the work force as contributing members of our community. We've provided **142,000** nights of safe housing for homeless, we currently serve **275** meals a day to homeless veterans, we've raised over **\$1,000,000** for Oahu schools, collaborated with **5000** other non-profits, provided **2,000,000** hours of vocational training, addressed **125,500** medical issues, awarded **\$51,000,000** worth of substance abuse scholarships, taught **52,000** hours of GED classes, we currently prepare around **10,000** meals a year for the elderly and we have provide **1,095,000** free meals to Hawaii's homeless and formerly incarcerated population. These statistics are significant by any standard.

We do these fundraising projects to avoid having to depend on the taxpayer. We also are very aware of the phenomenal return on our investment. We make every single dollar count.

Passing legislation that exempts organizations like ours from GET will enable us to do even more. We are lucky to have so many quality non-profits in our state. We all work very hard to fill the gaps between private and public sectors. We are often regulated beyond common sense and although we

are tax exempt, still must pay a share to the state. We could serve a lot of vulnerable people with that money.

The sad reality is many of Hawaii's non-profits are struggling due to the pandemic. Some are finding it difficult to get back to pre-covid service levels. Some are on the brink of not being around much longer. Creating some tax relief for these agencies would be a big help and go a long way to helping us all move back into normal operations.

While I keep hearing talk from every level about addressing the major social ills we face in Hawaii, lets act to support those organizations who are on the front lines actually doing what everyone is talking about. Lets pass this bill and give some much needed relief to the non-profits who answered the call when our state needed us the most.

Thank you for the opportunity to submit our testimony.

Very Best,

Jeff Nash
Executive Director

Sen. Donovan M. Dela Cruz, Chair

Sen. Gilbert S.C. Keith-Agaran, Vice Chair

DATE: Thursday, February 24, 2022

TIME: 10:00 AM

PLACE: VIA CONFERENCE ROOM 211
& VIDEOCONFERENCE

IN STRONG SUPPORT OF SB 3201

Aloha mai kākou!

My name is Sidney Bandy, and I am testifying in support of SB 3201 which would clarify the GET exemption for nonprofit organizations by allowing alignment with the federal tax code which exempts from the GET any income that is generated by a nonprofit for unrelated business. This would exempt fundraising income from the GET, allowing this fundraising to be fully and robustly utilized by the organization that raised it.

Nonprofits are an essential part of the Hawai'i social safety net, aiming to provide houses to our thousands of houseless, education to our keiki, aid for our kupuna, healthful food for our food insecure populations, all while centering Native Hawaiians in a governmental and economic system that seeks to extract pleasure from indigeneity without reciprocity. The last thing these organizations need is further financial troubles through a tax that strips them of part of their fundraised money; money they need because of a lack of support from governmental and private funders.

Please pass this bill and help our nonprofits utilize their funds for direct aid to our communities.

Thank you for your consideration,
Sidney Bandy