

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

GARY S. SUGANUMA
DIRECTOR

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

S.B. No. 667, S.D.2, Relating to Nonprofit Organizations

BEFORE THE:

House Committee on Economic Development

DATE: Wednesday, March 15, 2023

TIME: 10:00 a.m.

LOCATION: State Capitol, Room 423

Chair Holt, Vice-Chair Lamosao, and Members of the Committee:

The Department of Taxation (“Department”) offers the following comments regarding S.B. 667, S.D.2, for your consideration.

S.B. 667, S.D.2, amends section 237-23, Hawaii Revised Statutes (HRS), to conform state general excise tax (GET) exemption provisions, for tax-exempt organizations, with Hawaii and federal income tax as relates to fundraising income. The bill repeals language currently denying tax-exempt organizations a GET exemption for fundraising activities, while adding language denying tax-exempt organizations a GET exemption for income from unrelated trade or business activity, as defined in section 513 of the Internal Revenue Code (IRC), but not to include the modification in section 512(b)(3), IRC. The bill has a defective effective date of July 1, 2050, and shall be repealed on December 31, 2028.

This bill is similar to S.B. 3201, which was vetoed in 2022 due to the Governor’s determination that passage of the bill could result in undesirable consequences that go beyond the purpose of the bill, which is solely to exempt certain nonprofit organization fundraising income from the GET.

Should the effective date of the measure be amended, the Department would be able to administer this measure with an effective date of January 1, 2024.

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



KILINAHE FOUNDATION

MEMBER OF THE HAWAII HUI | P.O. Box 892727 | Mililani, HI 96789-8332

Phone: (808) 520-4820

Email: ryan@kilinahe.org

Web: www.kilinahe.org

March 13, 2023

Dear Rep. Daniel Holt, Chair; Rep. Rachele F. Lamosao, Vice Chair;
and members of the Committee on Economic Development:

I support SB667 and its intent 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 thus exempt nonprofit organizations from paying GET on fundraising income.

As noted by the Hawai'i Alliance of Nonprofit Organizations, I also recommend that the language of SB950 be used to address a perceived technicality raised by the former Ige Administration.

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

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

Mahalo for your consideration!



Ryan Kawaiiani Ozawa
Founder & Board President



**Testimony to the House Committee on Economic Development
Representative Daniel Holt, Chair
Representative Rachele Lamosao, Vice-Chair
Wednesday, March 15, 2023, 10:00 a.m.
Conference Room 423 & Videoconference**

SB 667, SD2, Relating to Nonprofit Organizations

Dear Chair Holt, Vice-Chair Lamosao, and members of the Committee on Economic Development:

On behalf of the Hawai'i Alliance of Nonprofit Organizations (HANO), I would like to thank you for hearing **SB 667, SD2**. We testify in **strong support** of this bill.

An identical bill to SB 667 (SB 3201, SD1, HD1, CD1) was passed by the Legislature last session and vetoed by Governor Ige. HANO notes that the former Department of Tax Director raised a last minute concern during conference negotiations and, although there is a difference of interpretation on this technicality, this SD2 version incorporates an amendment to address the perceived issue.

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. To make matters even worse, nonprofits in Hawaii only net about 20% of the gross income from fundraising activities due to the high cost of staging such events but must pay GET on 100% of the gross income.

As far as the potential loss to the State, 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 largest 800 Hawaii 501(c)(3) organizations as determined by annual revenues. HANO notes that fundraising activity sharply decreased during the COVID-19 pandemic years and has still not recovered fully and, therefore, believes these 2017/2018 numbers – while currently high – more accurately predict revenue loss in future years.

HANO strongly urges this Committee to pass this bill.

Thank you for the opportunity to testify.

Mahalo,

Lisa Maruyama
President and CEO

SB-667-SD-2

Submitted on: 3/13/2023 11:44:30 AM

Testimony for ECD on 3/15/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Kevin Kelly	North Shore EVP	Support	Written Testimony Only

Comments:

Thank you in advance for passing this legislation that will provide relief to non-profit organizations that work hard to raise funds to do good in our communities. As the founder of a successful non-profit, I can say that our fundraising efforts were significantly impacted by tax obligations that made the time and work involved in fundraising a money losing proposition.

Aloha,

Kevin Kelly, President
North Shore EVP



Testimony to the House Committee on Economic Development
Representative Daniel Holt, Chair
Representative Rachele Lamosao, Vice-Chair
Wednesday, March 15, 2023, 10:00 a.m.
Conference Room 423 & Videoconference

SB 667, SD2, Relating to Nonprofit Organizations

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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. To make matters even worse, nonprofits in Hawaii only net about 20% of the gross income from fundraising activities due to the high cost of staging such events but must pay GET on 100% of the gross income.

As far as the potential loss to the State, 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 largest 800 Hawaii 501(c)(3) organizations as determined by annual revenues. HANO notes that fundraising activity sharply decreased during the COVID-19 pandemic years and has still not recovered fully and, therefore, believes these 2017/2018 numbers – while currently high – more accurately predict revenue loss in future years.

HANO strongly urges this Committee to pass this bill.

Thank you for the opportunity to testify.

Mahalo,

Lisa Maruyama
President and CEO



Hawaiian Humane Society
People for animals. Animals for people.

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

Date: March 13, 2023

To: Chair Rep. Daniel Holt
Vice Chair Rep. Rachele F. Lamosao
and Members of the Committee on Economic Development

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

RE: Testimony in support of SB 667, SD2,
Relating to Nonprofit Organizations
Wednesday, March 15, 2023, 10 a.m., Room 423 & Videoconference

Aloha Chair Holt, Vice Chair Lamosao and Committee Members,

On behalf of the Hawaiian Humane Society, thank you for considering our support for Senate Bill 677, SD2, which clarifies the application of the general excise tax law with regard to gross income derived from unrelated trade or business activities of nonprofit organizations.

This bill would align the state general excise tax law with the federal income tax law, which does not consider fundraising income as unrelated business income and, therefore, fundraising income is not subject to federal income tax. State law has been interpreted to regard fundraising income as subject to the general excise tax, placing an undue burden on nonprofits that must raise the funds needed for the delivery of programs and services.

For nearly 140 years, the Hawaiian Humane Society has been a leader in animal welfare statewide. 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 667, SD2. Thank you for the opportunity to submit testimony.

SB-667-SD-2

Submitted on: 3/13/2023 1:54:27 PM

Testimony for ECD on 3/15/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Laurie Rich	East Hawaii Cultural Center	Support	Written Testimony Only

Comments:

Dear Chair Holt, Vice Chair Lamosao and members of the Committee on Economic Development,

We are in strong support of SB 667, SD2 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.

East Hawaii Cultural Center's mission is to be an inclusive platform for culture and the arts. Through visual and performing arts and education, we give voice to our diverse communities and provide a forum for inquiry into their experience and histories. We are located across from Kalākaua Park in the Old Police Station of Downtown Hilo and are a non-profit organization largely run by volunteers, supporting the arts and culture in the Hilo community for over 50 years. Current programs include the Youth Arts Series, Kahua 'Elua Theatre, Gamelan of the Molten Blossom, and exhibitions featuring local and international artists.

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 offer high quality artistic programming to the East Hawaii community. In addition, we could pay our staff a higher wage ensuring a more sustainable living wage for our dedicated team.

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,

Laurie Rich

EHCC Board member



Samaritan Counseling Center Hawaii

**Testimony to the House Committee on Economic Development
Wednesday, March 15, 2023, 10:00 a.m.
Conference Room 423 & Videoconference**

SB 667, SD2, Relating to Nonprofit Organizations

Dear Chair Holt, Vice Chair Lamosao and members of the Committee on Economic Development,

We are in **strong support** of SB 667, SD2 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.

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.

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.

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 voice our support.

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
www.samaritancounselingcenterhawaii.org • Email: info@samaritanhawaii.org



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**Testimony to the House Committee on Economic Development
Wednesday, March 15, 2023, 10:00 a.m.
Conference Room 423 & Videoconference**

SB 667, SD2, Relating to Nonprofit Organizations

Dear Chair Holt, Vice Chair Lamosao and members of the Committee on Economic Development,

We are in **strong support** of SB 667, SD2 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.

Although EPIC 'Ohana does not regularly have fund raising or sales events that require a GE tax, we are member of HANO, and we work closely with many community based organizations who are more directly impacted by the GET. We depend on that collaboration in order to serve our families and children. Our community based organizations are often stretched thin, and our government contracts do not always cover the true costs of our operations.

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

Mahalo
Laurie Arial Tochiki, JD, Ph.D
Executive Director



HALE KIPA

Executive Staff

Venus K. Rosete-Medeiros,
President & CEO
Gwen Okamoto, CFO
Tracy Janowicz, COO
Dori Tyau, CAO
Michelle Jenkins, CPO
Laura Brucia Hamm, CQIO

Board of Directors

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Aloha United Way
Kaua'i United Way
Hawai'i Island United Way



TESTIMONY IN SUPPORT OF SB 667, SD2: RELATING TO NON-PROFIT ORGANIZATIONS

TO: House Committee on Economic Development
Representative Daniel Holt, Chair
Representative Rachele Lamosao, Vice Chair

FROM: Tracy Janowicz, Chief Operating Officer, Hale Kipa, Inc.

HEARING: Wednesday, 03/15/2023; 10:00 AM; Conference Rm 423 & via videoconference

Aloha Chair Holt, Vice Chair Lamosao, and Members of the Committee on Economic Development

Thank you for scheduling this hearing and the opportunity to provide testimony in strong support of SB 667, SD 2, which would align the State general excise tax (GET) law with 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. As a result, this would exempt nonprofit organizations from paying GET on fundraising income.

Hale Kipa, Inc. is a tax exempt, non-profit agency founded in 1970 by a group of concerned Oahu citizens and community groups to operate a single group shelter for runaway, throwaway, and homeless adolescents in need. Today, after consistently responding to an array of community needs focusing on at-risk youth and their families, it now offers over 20 programs statewide, serving over 1,500 youth annually (unduplicated) that includes independent and transitional living, street & community outreach, foster care, therapeutic services, mentoring programs, and other services for youth and young adults, ages 5-27, in child welfare, juvenile justice, and children’s mental health services. The agency’s mission is to provide opportunities and environments that strengthen and encourage youth, their families, and the community to actualize their potential and social responsibility.

Hawaii’s nonprofits provide essential services to the people of Hawaii with very limited resources. They often must fundraise to continue these services and fill in the gaps of contract funding. Nonprofits are already under additional stress due to the pandemic. This bill proposes to relieve our organization from having to pay GET on our fundraising income, which is vital to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established. The bill will help to maintain a strong nonprofit sector, dedicated to serving the many diverse needs of the people of Hawai`i.

We strongly urge your support for this bill in support of nonprofit organizations, and the people and communities we serve.

Please contact Tracy Janowicz, Chief Operating Officer, at (808) 589-1829 x130 or tracy@halekipa.org should you have any questions. Mahalo.



HAWAI'I FOREST INDUSTRY ASSOCIATION (HFIA)

P. O. Box 66 ❖ 'O'ōkala, HI
96774 Phone: 808-933-9411
Email: hfia@hawaiiiforest.org
Website: www.hawaiiiforest.org

Date: 03/13/2023

TO: Chair Holt, Vice Chair Lamosao and ECD Committee Members

FROM: the Hawai'i Forest Industry Association (HFIA)

SUBJECT: In Support of SB667 SD2 Relating to Nonprofit Organizations

Dear Chair Holt and Committee Members,

On behalf of the Directors of the Hawai'i Forest Industry Association, please support SB667 SD2. This bill would 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 bill would relieve nonprofit organizations, such as the Hawai'i Forest Industry Association and numerous others, 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. Here are just some of HFIA's projects via which we are serving the community and the 'aina:

- Restoration and outreach at Ka'ūpūlehu Dryland Forest & Kalaemanō Cultural Center and La'i'Ōpua Dryland Preserve, in West Hawai'i
- Hawai'i's Woodshow
- Discovery Forests at the Pana'ewa Zoo and the Keauhou Bird Conservation Center in East Hawai'i and at the Honolulu Zoo in Waikiki
- Go Native: Growing a Native Hawaiian Urban Forest, Statewide
- 'Aina Mauna Christmas Tree Demonstration Project
- Healthy & Productive Forests Initiative

Being soft funded, with a mission to achieve is not easy, and every dollar that we are able to use rather than pay in GET, and put into our programs and into the community the better. For this reason, we hope that you will support SB667 SD2.

Mahalo for your time and consideration,

Guy Cellier, Acting President

Hawai'i Forest Industry Association

Established in 1989, HFIA's 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 management, education, planning, information exchange, and advocacy. HFIA has over 130 members including woodworkers, landowners, sawyers, foundations, foresters, growers, educators, environmentalists, architects, millers, ranchers, and others interested in HFIA's mission and goals.

HFIA Board of Directors

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



**Testimony to the House Committee on Economic Development
Wednesday, March 15, 2023, 10:00 a.m.
Conference Room 423 & Videoconference
SB 667, SD2, Relating to Nonprofit Organizations**

Dear Chair Holt, Vice Chair Lamosao and members of the Committee on Economic Development,

We are in **strong support** of SB 667, SD2 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.

Since 1947, Imua Family Services (Imua) has been dedicated to its mission of empowering children and their families to achieve their full potential in life. Imua is a non-profit 501 (c) (3) committed to serving the critical early childhood developmental needs of children and their families in Maui County by providing inclusion services and programs that stimulate curiosity and motivate learning at developmentally appropriate levels. Although the organization was created in response to the polio epidemic in 1947, Imua now serves children with a variety of physical, cognitive, and behavioral disabilities, including those with special needs, developmental delays, and disabilities.

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 meet the growing critical early intervention needs of the children and families of Maui County by continuing to provide inclusive & multifaceted services and programs integrating the following: promotion of family well-being , connection, community strengthening and cultural generosity(i.e. through parent coaching, support networks and capacity building), prevention/intervention (i.e. outreach, education and proactive screenings/assessments), and treatment (i.e. direct therapeutic services) and more. By impacting the life trajectories of children and families at this critical stage, Imua creates significant positive impact upon the communities that surround them.

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,
Patricia Morton
Capital Campaign Manager for Imua Discovery Garden



Will Smith

IMUA

DISCOVERY GARDEN



March 13, 2023

House Representative Daniel Holt, Chair

House Representative Rachele Lamosao, Vice Chair

Testimony to the House Committee on Economic Development

Wednesday, March 15, 2023; 10:00 am. State Capitol, Conf. Room 423 & via Videoconference

RE: Senate Bill 667 SD2 – RELATING TO NONPROFIT ORGANIZATIONS

Aloha Chair Holt, Vice Chair Lamosao, and Members of the Committee:

On behalf of the Epilepsy Foundation of Hawaii (EFH), we urge your **SUPPORT of Senate Bill 667 SD2, RELATING TO 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.

Epilepsy Foundation of Hawaii is an independent 501(c)(3) non-profit organization whose mission is to advocate and provide services for the almost 14,000 individuals living with epilepsy throughout Hawaii, along with their caregivers and community. Collectively, we foster the wellbeing of children and adults affected by seizures through research programs, educational activities, advocacy, and direct services. Epilepsy is a medical condition characterized by seizures, which are sudden surges of electrical activity in the brain, that affects a variety of mental and physical functions. Approximately 1 in 26 Americans will develop epilepsy, and approximately 1 in 10 people will experience a seizure, at some point in their lifetime.

We rely heavily on fundraising efforts throughout the year to support our mission and services. Every dollar we raise in Hawaii, stays in Hawaii. We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established. We strongly urge you to pass this vital legislation as 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.

On behalf of the Epilepsy Foundation of Hawaii and our Board of Directors, we humbly thank you for the opportunity to testify and respectfully urge this Committee to **Support Senate Bill 667 SD2**.

Mahalo nui loa,

A handwritten signature in blue ink that reads "Naomi Manuel".

Naomi Manuel

Executive Director

Epilepsy Foundation of Hawaii

Our mission is to lead the fight to overcome the challenges of living with epilepsy and to accelerate therapies to stop seizures, find cures, and save lives. **Please learn more about our advocacy work at epilepsy.com/advocacy.**



HAWAI`I YOUTH SERVICES NETWORK

677 Ala Moana Blvd., Suite 904

Honolulu, Hawai`i 96813

Phone: (808) 489-9549

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

Vonnell Ramos, President
Cyd Hoffeld, Vice President
Sione Ford Naeata, Treasurer
Jefferson Gourley, Secretary

Judith F. Clark, Executive
Director

Network Membership

*Bay Clinic
Big Brothers Big Sisters Hawai`i
Big Island Substance Abuse
Council
Bobby Benson Center
Child and Family Service
Coalition for a Drug-Free Hawai`i
Collins Consulting, LLC
Domestic Violence Action Center
EPIC `Ohana, Inc.
Family Programs Hawai`i
Family Support Hawai`i
Friends of the Children's Justice
Center of Maui
Get Ready Hawai`i
Hale Kipa, Inc.
Hale `Opio Kaua`i, Inc.
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Network
Hawai`i Health & Harm
Reduction Center
Ho`ola Na Pua
Ho`okele Coalition of Kaua`i
Ka Hale Pomaika`i
Kahi Mohala
Kokua Kalihi Valley
Kaua`i Planning and Action
Alliance
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
PHOCUSED
PFLAG – Kona, Big Island
Planned Parenthood of the
Great Northwest, Hawaii
Alaska, Kentucky, Indiana
Residential Youth Services
& Empowerment (RYSE)
Salvation Army Family
Intervention Services
Sex Abuse Treatment Center
Susannah Wesley Community
Center
The Catalyst Group*

March 13, 2023

To: Representative Daniel Holt, Chair,
And members of the Committee on Economic Development

**TESTIMONY IN SUPPORT OF
SB 667 SD 2 RELATING TO NONPROFIT ORGANIZATIONS**

Hawaii Youth Services Network, a statewide coalition of youth-serving organizations, strongly supports SB 667 SD 2 Relating to Nonprofit Organizations

This bill will literally benefit thousands of nonprofit organizations in Hawaii and the many children, youth, families, and kupuna that they serve by eliminating excise tax on the revenues from fund raising events and solicitations. The funds now paid in taxes would increase the amount of funding that meets the health, human service, and educational needs of our most vulnerable residents.

Hawaii's nonprofit sector plays a critical role in the social and economic well-being of our state. Youth-serving organizations work with families to ensure that our children and youth grow up safe, healthy, and ready to succeed.

This bill would 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." HYSN believes that fundraising revenue from special events should be treated the same way as donations as they are essentially donations but in different forms. Paying GET on fundraising events takes away funds that would be spent on the nonprofits mission and services.

Thank you for this opportunity to testify.

Sincerely,

Judith F. Clark, MPH
Executive Director



March 13, 2023

Re: Strong Support for SB667, SD2

Testimony to the House Committee on Economic Development

Wednesday, March 15, 2023, 10:00 a.m.

Conference Room 423 & Videoconference

SB 667, SD2, Relating to Nonprofit Organizations

Dear Chair Holt, Vice Chair Lamosao, and members of the Committee on Economic Development:

The Coalition for a Drug-Free Hawaii (CDFH) is in **strong support** of SB 667, SD2 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.

The mission of CDFH is to reduce and prevent drug abuse in Hawai'i through awareness, education, and action. We are a private, non-profit, 501(c) 3 organization. Relieving our organization from having to pay general excise tax on our fundraising income, would help us to provide more innovative programs and services that help keep Hawai'i's children and families healthy, strong, and resilient against drug and alcohol abuse

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

Mahalo,

Greg Tjapkes
Executive Director





in your neighborhood

PO Box 1902, Wailuku, HI 96793

(808)215-9228

www.GrowSomeGood.org

Testimony to the House Committee on Economic Development

Wednesday, March 15, 2023, 10:00 a.m.

Conference Room 423 & Videoconference

SB 667, SD2, Relating to Nonprofit Organizations

Dear Chair Holt, Vice Chair Lamosao, and members of the Committee on Economic Development,

We are in **strong support** of SB 667, SD2, 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.

As the Executive Director, I represent Grow Some Good, a 501(c)(3) organization based out of my home office in Wailuku, HI. Our Farm to School Program introduces students to and teaches them about Maui County's unique foodsheds while integrating agriculture, natural resources, and science learning into their existing curriculum at every grade level, from PreK-12. We aim to thread project-based learning, STEAM, and entrepreneurship skills into braided learning pathways that connect preschool, elementary, and intermediate-level garden programs to existing secondary education agricultural programs and workforce opportunities. This strengthened, interdisciplinary connection will ultimately lead to increased student interest in college and career pathways in various agricultural sectors while improving the overall health and well-being of the participants.

In addition to helping establish food gardens and living science labs in local schools through our Farm to School Program, GSG has recently launched a new Community Food Systems Program, *Nā Māla Kaiāulu*. This program was created to align with our mission by building sustainable, long-term community food gardens, programs, and systems that connect, serve, and feed underprivileged communities across Maui.

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

If this bill is passed, the GET savings we see will help provide a living wage for our dedicated, passionate, and highly educated school garden teachers that annually serve over 8,000 Maui youth.

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.

Grow Some Good is a 501(c)(3) organization. All donations are tax-deductible to the extent allowed by the IRS.



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

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Lacasse".

Scott Lacasse
Executive Director



**Parents And
Children Together**

**BUILDING THE RELATIONSHIPS
THAT MATTER MOST**

ParentsAndChildrenTogether.org

TESTIMONY IN SUPPORT OF SB 667 SD2

TO: Chair Holt, Vice-Chair Lamosao, & Members,
House Committee on Economic Development
FROM: Ryan Kusumoto, President & CEO
DATE: March 15, 2023 at 10:00 AM

Parents and Children Together (PACT) supports SB 667, SD2 Relating to Nonprofit Organizations, which aligns 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.

Founded in 1968, PACT is a statewide community-based organization providing a wide array of innovative and educational social services to families in need. Assisting more than 15,000 people across the state annually, we help identify, address, and successfully resolve challenges through our 20 programs. Among our 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.

The passage of 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. It would also simplify our accounting of income by bringing state policy into alignment with federal policy. The IRS tax code is clear and well-established.

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

Thank you for the opportunity to testify. Please contact me at (808) 847-3285 or rkusumoto@pacthawaii.org if you have any questions.

SB-667-SD-2

Submitted on: 3/13/2023 5:42:56 PM

Testimony for ECD on 3/15/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Mahealani Cypher	Koolau Foundation	Support	Written Testimony Only

Comments:

Aloha Chair and Committee Members,

The Ko`olau Foundation strongly supports passage of S.B. 667, S.D.2, which would provide exempt the GET from any income generated from any "unrelated trade or business" as defined by the IRS, which helps struggling nonprofits from being taxed on fundraising activities.

As a 501(c)(3) ourselves, we are relatively small and depend on any fundraising effort to sustain our efforts to serve the community with the work that we do to address challenges to historic sites and cultural properties.

This bill aligns with federal tax law and is long overdue.

We urge your committee to concur, by passing S.B. 667, S.D. 2 out of committee.

Mahalo for allowing us to share our mana`o.



**OUTRIGGER
DUKE KAHANAMOKU
FOUNDATION**

P. O. BOX 160924
HONOLULU, HI 96816

DUKEFOUNDATION.ORG

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Testimony to the House Committee on Economic Development

Wednesday, March 15, 2023, 10:00 a.m.

Conference Room 423 & Videoconference

SB 667, SD2, Relating to Nonprofit Organizations

Dear Chair Holt, Vice Chair Lamosao and members of the Committee on Economic Development,

We are in **strong support** of SB 667, SD2 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.

The Outrigger Duke Kahanamoku Foundation provides scholarships and grants to local Hawaii college students, teams, and community events involved in ocean sports, volleyball, and aquatic safety.

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 operations. This bill would also simplify our accounting of income and save staffing resources from the onerous bookkeeping associated with GET.

If this bill is passed, the direct GET savings of about \$4,500 per year would allow us to grant at least two scholarships to local Hawaii college students. Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our community.

We strongly urge you to pass this legislation.

Thank you,

Sarah Fairchild

Executive Director

DUKE'S CREED:

"In Hawai'i, we greet friends, loved ones or strangers with Aloha, which means with love. Aloha is the key word to the universal spirit of real hospitality, which makes Hawai'i renowned as the world's center of understanding and fellowship. Try meeting or leaving people with Aloha. You'll be surprised by their reaction. I believe it and it is my creed. Aloha to you."

DUKE PAOA KAHANAMOKU



American Cancer Society
Cancer Action Network
2370 Nuʻuanu Avenue
Honolulu, HI 96817
808.460.6109
www.fightcancer.org

House Committee on Economic Development
Representative Daniel Holt, Chair
Representative Rachele Lamosao, Vice Chair

Hearing Date: Wednesday, March 15, 2023

ACS CAN SUPPORTS SB 667 SD2 – RELATING TO NONPROFIT ORGANIZATIONS.

Cynthia Au, Government Relations Director – Hawaii Guam
American Cancer Society Cancer Action Network

Thank you for the opportunity to testify in STRONG **SUPPORT** of SB 667 SD2 – RELATING TO NONPROFIT ORGANIZATIONS, which exempts certain income from the general excise tax for nonprofit organizations.

The American Cancer Society Cancer Action Network (ACS CAN), the nonprofit, non-partisan advocacy affiliate of the American Cancer Society advocates for public policies that reduce death and suffering from cancer. ACS CAN works with federal, state, and local government bodies to support evidence-based policy and legislative solutions designed to eliminate cancer as a major health problem.

Non-profit organizations rely on fundraising efforts to use for mission related purposes. The American Cancer Society uses funds raised through social galas and other events for cancer research grants, patient services, cancer information through the website and 24-hour hotline, as well as to support the operations of the Clarence T.C. Ching Hope Lodge Hawai'i, which provides free lodging for cancer patients and caregivers travelling to O'ahu for treatment.

Currently under the general excise tax law, donations provided through a fundraiser are subject to the tax while a monetary donation would not. To maximize fundraising opportunities, non-profit organizations engage in fundraising events to engage potential donors, highlight and educate the benefits of donated funds to the community, and to provide social engagement and networking for donors. This measure would exempt gross receipts from our events so that we can use the funds to further our mission to save lives, celebrate lives, and lead the fight for a world without cancer.

Thank you again for the opportunity to provide testimony in strong SUPPORT on this important matter. Should you have any questions, please do not hesitate to contact Government Relations Director Cynthia Au at 808.460.6109, or Cynthia.Au@Cancer.org.

**Testimony of The Nature Conservancy
Supporting SB 667 SD2, Relating to Nonprofit Organizations.**

**Committee on Economic Development
Wednesday, March 15, 2023, 10:00 a.m.
Conference Room 423 & Videoconference**

Dear Chair Holt, Vice Chair Lamosao, and Members of the Committee:

The Nature Conservancy (TNC) strongly supports SB 667 SD2, which would align the State General Excise Tax (GET) law with the federal Internal Revenue Service (IRS) income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

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

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

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

The Nature Conservancy of Hawai'i and Palmyra is a non-profit organization dedicated to the preservation of the lands and waters upon which all life depends. The Conservancy has helped protect more than 200,000 acres of natural lands in Hawai'i and Palmyra Atoll. We manage 40,000 acres in 13 nature preserves and work in over 50 coastal communities to help protect and restore the nearshore reefs and fisheries of the main Hawaiian Islands. We forge partnerships with government, private parties, and communities to protect forests and coral reefs for their ecological values and for the many benefits they provide to people.

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Testimony Before The
House Committee on Economic Development
IN SUPPORT OF SB 667 SD 2
March 15, 2023, 10:00AM, Room 423

Aloha 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 667 SD2. 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 our 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 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 667 SD2:
RELATING TO NON-PROFIT ORGANIZATIONS**

TO: House Committee on Economic Development

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

Hearing: Wednesday, 3/15/23; 10:00 AM; CR 432 & via videoconference

Chair Holt, Vice Chair Lamosao, and Members of the Committee on Economic Development:

Thank you for the opportunity to provide testimony **in Strong Support of SB 667 SD2**, which would align the State general excise tax (GET) law with federal IRS code 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, this would exempt nonprofit organizations from paying GET on fundraising income. I am Rob Van Tassell, with Catholic Charities Hawaii.

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.

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 provide more direct assistance to individuals and families, fill in for gap needs that contract services do not cover, and allow for innovative services to meet the unique needs of various communities and service populations.

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 urge your support for this bill in support of nonprofit organizations and the people and communities we serve.

Please contact our Director of Advocacy and Community Relations, Shellie Niles at (808) 527-4813 if you have any questions.





TOGETHER, WE ARE DEFENDERS OF POTENTIAL

Big Brothers Big Sisters Hawaii ♦ 2119 N King St, Suite 202 ♦ Honolulu, Hawaii 96819 ♦ bbbshawaii.org

Testimony to the House Committee on Economic Development Wednesday, March 15, 2023, 10:00 a.m. Conference Room 423 & Videoconference SB 667, SD2, Relating to Nonprofit Organizations

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Dennis Brown
President/CEO

Dear Chair Holt, Vice Chair Lamosao and members of the Committee on Economic Development,

On behalf of Big Brothers Big Sisters Hawaii, thank you for hearing **SB 667, SD2**. I testify in **strong support** of this bill.

SB 3201, SD1, HD1, CD1 was passed by the Legislature last session and vetoed by Governor Ige. The former Director of the Department of Taxation raised a concern during conference negotiations to which the current SD2 version incorporates an amendment to address that perceived concern.

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.

For 60 years, Big Brothers Big Sisters Hawaii has provided one-to-one mentoring services for youth who have experienced serious trauma in their lives. An overwhelming percentage of these youth have graduated high school and gone on to become responsible citizens.

As a nonprofit, we must raise funds to provide our services and events are a critical, mission-related way to do this. Bake sale, golf tournament, and dinner income are not taxed by the federal government, yet Hawaii nonprofits are required to pay State GET on it reducing the funds raised.

Income generated by fundraising events should be treated the same as non-event income. Instead of encouraging fundraising, the GET disincentivizes us to do so. We are actually taxed twice as we pay GET on both the goods and services for the event and then on the income received from it.

Thank you for the opportunity to testify,

Dennis Brown, President/CEO



Big Brothers Big Sisters
of Honolulu

Big Brothers Big Sisters
of Kaua'i

Big Brothers Big Sisters
of Maui

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: SB 667 SD 2

INTRODUCED BY: Senate Committee on Ways and Means

EXECUTIVE SUMMARY: Clarifies the application of the general excise tax law with regard to gross income derived from unrelated trade or business activities of nonprofit organizations.

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)(3) of the Internal Revenue Code shall not apply.

EFFECTIVE DATE: July 1, 2050; Repeals December 31, 2028.

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

A similar bill was vetoed by the Governor last year. Concern was expressed about the proviso to the unrelated business income definition, which in last year’s bill covered income described in section 512(b) generally. The Department of Taxation read the proviso in the prior bill as making everything in 512(b) taxable, which we do not agree is a reasonable reading.

This bill is different from last year’s bill in that the proviso is restricted to IRC 512(b)(3) income, namely rents. Even under the Department’s interpretation of last year’s bill, this year’s bill does not make taxable research grants and other items in IRC 512(b) other than IRC 512(b)(3).

Re: SB 667 SD2

Page 2

Even so, we do not believe that the bill as drafted makes all rents taxable. Rents can be exempt function income; for example, if an organization whose exempt purpose is to provide facilities to the underprivileged or other exempt organizations receives rent from such a tenant. See Tax Facts 98-3, Q&A 14. We do not read this bill as upsetting this conclusion.

Digested: 3/13/2023

SB-667-SD-2

Submitted on: 3/14/2023 9:31:46 AM

Testimony for ECD on 3/15/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Cleota Brown	Hawaii Fetal Alcohol Spectrum Disorders FASD Actio	Support	Written Testimony Only

Comments:

Dear Chair Holt, Vice Chair Lamosao, and members of the Committee on Economic Development

On behalf of Hawai'i Fetal Alcohol Spectrum Disorders FASD Action Group, a 501 c 3 in the State of Hawai'i, **we are in strong support for SB 667, SD2**, relating to the alignment of State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET 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.

Our mission is raise awareness through education, advocacy, and research on the impact of Fetal Alcohol Spectrum Disorder (FASD) on individuals, their families, and the communities of Hawai'i.

With the passing of this bill, our organization will increase its fundraising efforts to raise awareness for FASD in Hawai'i, while eliminating additional cumbersome administrative work and costs. Every dollar we save on GET will go back into delivering on our critically important mission.

We strongly urge you to pass this legislation. Thank you for the opportunity to offer this written testimony and for all you do to make Hawai'i a better home for us all.

Sincerely yours,

Cleota Brown, President

fasdhawaii.org



80 Pauahi Street, Suite 203, Hilo, Hawai'i 96720
Phone: (808) 491-2437 / Fax: (808) 498-0315
email: goinghomehawaii@gmail.com
www.goinghomehawaii.org

Testimony to the House Committee on Economic Development
Wednesday, March 15, 2023, 10:00 a.m.
Conference Room 423 & Videoconference

SB 667, SD2, Relating to Nonprofit Organizations

Dear Chair Holt, Vice Chair Lamosao and members of the Committee on Economic Development,

We are in **strong support** of SB 667, SD2 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.

Since 2004, the Hawai'i Island Going Home Consortium has been leading efforts to provide innovative and culturally responsive reentry and reintegration services to justice-involved individuals, their families, and communities. The Going Home Consortium consists of more than 80 public and private entities and their representatives with a network of over 650 state and national partners. Going Home Hawai'i is a 501(c)3 nonprofit organization and the governing fiscal body for the Hawai'i Island Going Home Consortium.

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 have additional revenue streams to be used to support our services that benefit the community.

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,

Les Estrella, President/CEO

Going Home Hawai'i
80 Pauahi Street, Ste 203
Hilo, Hawai'i 96720
Office: (808) 491-2437
Fax: (808) 498-0315
Email: goinghomehawaii@gmail.com



Testimony to the House Committee on Economic Development
Wednesday, March 15, 2023, 10:00 a.m.
Via Videoconference, Conference Room 423

SB 667, SD2, Relating to Nonprofit Organizations

Dear Chair Holt, Vice Chair Lamosao, and members of the Committee on Economic Development,

We are in **strong support** of SB 667 SD2, 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.

Family Promise of Hawai'i is a 501(c)3 nonprofit working to prevent and end homelessness. Since 2006, we have served more than 6,000 children, parents, and family members through emergency shelter, case management and housing navigation, rental assistance, and other compassionate, holistic services. Last year, we served 297 families, or 866 individuals, helping them quickly return to permanent housing and achieve lasting independence.

We support the passage of this bill as it would relieve our organization from having to pay GET 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.

An estimated 1 in 30 young children in Hawai'i experience homelessness annually, according to the latest federal estimate, and children under age 1 in the US are more likely to experience homelessness than people of any other age. Family homelessness is an urgent social challenge, and if this bill is passed, the GET savings we would see would go directly back to our programs and services, allowing us to help even more families attain stable housing.

Every dollar our organization must pay in GET 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 that reads "Ryan Catalani".

Ryan Catalani
Executive Director



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

Our Vision: Charitable organizations have the philanthropic resources necessary to fulfill their missions for a better Hawaii.

Our Mission: We advance philanthropy throughout Hawaii by actively promoting the practice of ethical and effective fundraising with education, training, advocacy, and mentoring for the benefit of all, with the spirit of aloha.

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Susan H. Oshiro

Testimony to the House Committee on Economic Development

Wednesday, March 15, 2023, 10:00 a.m.

Via Videoconference, Conference Room 423

SB 667, SD2, Relating to Nonprofit Organizations

Dear Chair Holt, Vice Chair Lamosao, and members of the Committee on Economic Development,

We are in **strong support** of SB 667, SD2 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.

Our organization, the Association of Fundraising Professionals Aloha Chapter, represents professional nonprofit fundraisers across the State of Hawai'i. We support the passage of this bill as it would relieve our members' nonprofits, as well as our own organization, from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

Every dollar that Hawai'i nonprofits must pay in general excise taxes is a dollar less that we can devote to our tax-exempt, charitable missions and programs.

If this bill is passed, the GET savings from across the state's nonprofit sector would make a significant difference for communities across Hawai'i.

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

Mahalo,


Michelle Morihara
President, Board of Directors



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

Ku'ikahi Mediation Center

Finding Solutions, Growing Peace

We empower people to come together—to talk and to listen, to explore options, and to find their own best solutions.

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Erika Ginnis

ADMINISTRATIVE & PROGRAM ASSISTANT
Kaitlyn Lacombe

Testimony to the House Committee on Economic Development
Wednesday, March 15, 2023, 10:00 a.m.
Conference Room 423 & Videoconference

RE: Support of SB 667 SD2, Relating to Nonprofit Organizations

Dear Chair Holt, Vice Chair Lamosao, and members of the Committee on Economic Development:

As a local non-profit serving our Hawai'i communities, we **strongly encourage you to support SB 667 SD2**, 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.

Passing this bill will relieve our non-profit community mediation center from having to pay general excise tax on our fundraising income, which is of vital importance to funding our charitable operations—now more than ever. 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 serving record numbers of low-income clients, whose situations have been exacerbated by the pandemic and subsequent economic events.

Our new cases opened count for the fiscal year 2021-2022 (513) was higher than any other year, followed by fiscal year 2012-2013 (507) during the Foreclosure Mediation Pilot Project in the Third Circuit, and by fiscal year 2020-2021 (505) during the first year of the coronavirus pandemic and when we were running the Rapid Response Landlord Tenant Mediation Program.

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.

Founded in 1983 as a program of the Island of Hawai'i YMCA, and becoming an independent organization in 2006, Ku'ikahi Mediation Center has a 40-year track record of providing conflict prevention and resolution services to our diverse communities. We are the sole non-profit mediation center serving East Hawai'i, and one of only five in the state. Our purpose is "Finding Solutions, Growing Peace."

Ku'ikahi's mission statement reads, "We empower people to come together—to talk and to listen, to explore options, and to find their own best solutions. To achieve this mission, we offer mediation, facilitation, and training to strengthen the ability of

a partner agency of the



Ku'ikahi Mediation Center is a 501(c)(3) nonprofit organization, donations to which are tax-deductible. We welcome your support!



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diverse individuals and groups to resolve interpersonal conflicts and community issues.”

In the area of mediation, between 50-60% of our clients have annual household incomes under \$20,000. Census data shows that the Ka'u and Puna districts, which are among those we serve, house some of the poorest populations in the state. Sample opportunities include: 1) domestic mediations to help parents put kids first after separations and divorces, 2) debt meditations for credit cards or medical bills to negotiate debt reduction, payment plans, or forgiveness due to hardship, and 3) landlord/tenant mediations to prevent eviction and homelessness.

Local non-profit legal services and court self-help centers receive more inquiries than they can process. Mediation is integral to Hawai'i's "Access to Justice" framework, which strives to ensure that all people have access to civil processes.

We strongly urge you to pass this legislation. Thank you for reading this testimony.

Mahalo,

Julie Mitchell
Executive Director

a partner agency of the



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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 Collective

Date: March 13, 2023

To: Representative Daniel Holt, Chair
Representative Rachele F. Lamosao, Vice Chair
Members of the Committee on Economic Development

Re: Support SB 667 SD1 Relating to Health Care

Hrg: Wednesday, March 15, 2023, 10:00 AM

The Hawai'i Public Health Instituteⁱ (HIPHI) is in **support of SB 667 SD2**, which clarifies the application of State general excise tax (GET) concerning gross income a nonprofit generates 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. 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 667 SD2 aligns state law with the 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 667 SD2.

Mahalo,

Peggy Mierzwa
Director of Policy & Advocacy
Hawai'i Public Health Institute

ⁱ Hawai'i Public Health Institute is 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.



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

BOY SCOUTS OF AMERICA
ALOHA COUNCIL

LATE

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March 14, 2023

Testimony to the House Committee on Economic Development
Wednesday, March 15, 2023, 10:00 a.m.
Via Videoconference, Conference Room 423

SB 667, SD2, Relating to Non-Profit Organizations

Dear Chair Holt, Vice Chair Lamosao, and members of the Committee on Economic Development.

We strongly support SB 667, SD2 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 non-profit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt non-profit organizations from paying GET on fundraising income.

The Boy Scouts of America, Aloha Council has had to work extra hard to sustain our operations during the pandemic, economic downturn and with the public having to tighten their belts and reduce their giving to non-profit organizations like ours. Having to pay GET is another line item that takes away from our funds that go to paying for our youth programs, facilities, and operations.

When I think of how hard our staff, board members, volunteers and supporters must work to raise funds at our events, it makes it really hard we have to withhold part of our net income to pay GET. Every dollar that goes to GET is a dollar we must make up somewhere else either with additional fundraising efforts or reducing what we can do with our youth programs.

If this bill is passed, the GET savings will have a positive impact on all non-profit organizations in the State of Hawaii. This will mean we will be able to do more with the same effort because we will be netting more from our fundraising activities.

We strongly urge that you pass this legislation. It will mean a great deal to our organization. We thank you for the opportunity to submit this written testimony.

Sincerely,

Ed Nishioka
Director of Development



Brian H. Nagami
Kahului, HI 96732

Testimony to the House Committee on Economic Development
Wednesday, March 15, 2023, 10:00 a.m.
Conference Room 423 & Videoconference

SB 667, SD2, Relating to Nonprofit Organizations

Dear Chair Holt, Vice Chair Lamosao and members of the Committee on Economic Development,

I am writing to express my support of SB 667, SD2 which would align the State 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.

Having worked in nonprofits for the last 20 years, I know that one of the toughest jobs in the sector is chasing after funding. As individuals who are deeply connected to your communities, I know that you are well aware of all the good work that nonprofits accomplish each and every year. When we raise funds to provide services to our keiki, care for our kupuna, and programs in our community, we take great care in making sure every dollar goes as far as possible. It makes good sense to help these organizations advance their missions.

Nonprofits bring a great deal of value to the lives of your constituents, and the work they do is aimed at enhancing our lives, not lining their pockets. It's for those reasons that I urge and implore you to pass this legislation. Thank you for this opportunity to share my opinion.

Warmest Aloha,


Brian H. Nagami

SB-667-SD-2

Submitted on: 3/14/2023 7:53:22 AM

Testimony for ECD on 3/15/2023 10:00:00 AM

Submitted By	Organization	Testifier Position	Testify
Caroline Kunitake	Individual	Support	Written Testimony Only

Comments:

Please support SB667 SD2.

**Testimony to the House Committee on Economic Development
Wednesday, March 15, 2023, 10:00 a.m.
Conference Room 423 & Videoconference**

SB 667, SD2, Relating to Nonprofit Organizations

Dear Chair Holt, Vice Chair Lamosao and members of the Committee on Economic Development,

I am in **strong support** of SB 667, SD2 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.

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

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

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

Mahalo,

Bobbie Jo Moniz-Tadeo

Bobbie-Jo Moniz-Tadeo

Managing Director of Clinical Services for Non-profit Organization