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# A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX EXEMPTIONS.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

SECTION 1. The purpose of this Act is to establish a general excise tax exemption on the gross proceeds or gross income received from sales of commodities or services that benefit nonprofit schools.

SECTION 2. Chapter 237, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

**"§237- Nonprofit schools; additional amounts not taxable.** (a) In addition to the amounts exempt under section 237-24, this chapter shall not apply to the gross proceeds or gross income arising from a sale that benefits a nonprofit school, if the sale is made by either:

(1) A nonprofit school; or

(2) A nonprofit school-sponsored student activity group.

(b) As used in this section:

"Nonprofit school" means an organization that is:



- 1       (1) Recognized by the Internal Revenue Service as a  
2       charitable organization that is organized and operated  
3       exclusively for educational purposes and is exempt  
4       from federal taxation under section 501(c)(3) of the  
5       Internal Revenue Code of 1986, as amended; and  
6       (2) Registered and in good standing with the department of  
7       taxation and is exempt from the application of this  
8       chapter pursuant to section 237-23(a)(4).

9       "Sale that benefits a nonprofit school" means a sale of a  
10      commodity or service from which all proceeds of the sale, less  
11      only the actual cost of the commodity or service to the  
12      nonprofit school or nonprofit school-sponsored student activity  
13      group, are donated to the nonprofit school and are used  
14      exclusively to further the nonprofit school's tax exempt  
15      purpose.

16      "Nonprofit school-sponsored student activity group" means a  
17      group connected to and under the control of a nonprofit school.  
18      "Nonprofit school-sponsored student activity group" includes  
19      student government; athletic, math, and debate teams; band,  
20      orchestra, choir, drama, and other performing groups; foreign  
21      language clubs; honor societies; pep squads; and other student



1 activity groups that come under the control of the nonprofit  
2 school."

3 SECTION 3. New statutory material is underscored.

4 SECTION 4. This Act shall take effect on January 1, 3000.



**Report Title:**

General Excise Tax Exemption; Nonprofit Schools

**Description:**

Establishes a general excise tax exemption on the gross proceeds or gross income received from sales of commodities or services that benefit nonprofit schools. Effective 1/1/3000. (HD1)

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