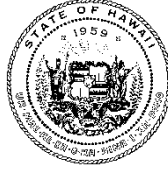


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**STATE OF HAWAII**  
**CAMPAIGN SPENDING COMMISSION**


235 SOUTH BERETANIA STREET, ROOM 300  
HONOLULU, HAWAII 96813

March 12, 2021

TO: The Honorable Karl Rhoads, Chair  
Senate Committee on Judiciary

The Honorable Jarrett Keohokalole, Vice Chair  
Senate Committee on Judiciary

Members of the Senate Committee on Judiciary

FROM: Kristin Izumi-Nitao, Executive Director  
Campaign Spending Commission 

SUBJECT: **Testimony on H.B. No. 1119, H.D. 2, Relating to Charitable Organizations.**

Tuesday, March 16, 2021  
9:15 a.m., Via Videoconference

Thank you for the opportunity to testify on this bill. The Campaign Spending Commission (“Commission”) appreciates the intent of this bill and offers the following comments.

This bill amends Chapter 11, Hawaii Revised Statutes (“HRS”), by amending existing sections and adding new sections that specifically address IRS 501(c)4 organizations. The bill’s stated purpose “is to promote transparency by tax exempt social welfare organizations by requiring 501(c)4 organizations that donate or contribute to noncandidate committees, engage in electioneering communications, or provide an endorsement for or against a candidate register with the campaign spending commission and file organizational and financial reports.”

To achieve its purpose, Section 2 of the bill (1) adds a new section to Chapter 11 that provides for organizational reporting requirements for social welfare organizations, (2) adds a new section providing that the treasurer of a social welfare organization must file preliminary, final, and supplemental reports containing certain information, and (3) adds a new section that provides for the time in which a social welfare organization must file those reports. For the most part, these new sections are like HRS §11-323, §11-335, and §11-336 which already covers the same requirements for noncandidate committees.

Section 3 of the bill adds a definition of “social welfare organization” to HRS §11-302. Section 4 of the bill amends HRS §11-321 by adding social welfare organization to the provision that addresses the registration of candidate and noncandidate committees with the Commission, including its title. Section 5 of the bill amends HRS §11-331 by adding social welfare organization to the provision that addresses generally the filing of report by candidate and noncandidate committees. Finally, Section 6 of the bill amends HRS §11-338 by adding social welfare organization to the provision that requires candidate and noncandidate committee to file late contribution reports.

This bill is unnecessary. The bill creates a specific type of committee, the social welfare organization, that must register and report to the Commission once the social welfare organization exceeds \$1,000 in making expenditures or receiving contributions in a two-year election period. Once that threshold is reached, all the requirements imposed by Chapter 11, HRS, on candidate and noncandidate committees will be imposed upon a social welfare organization. Without any amendments to Chapter 11, HRS, the Commission will apply the campaign finance law to a social welfare organization that meets the threshold of political activity.

Statement Before The  
**SENATE COMMITTEE ON JUDICIARY**

Tuesday, March 16, 2021

9:15 AM

Via Video Conference

in consideration of  
**HB 1119, HD2**  
**RELATING TO CHARITABLE ORGANIZATIONS.**

Chair RHOADS, Vice Chair KEOHOKALOLE, and Members of the Senate Judiciary Committee

Common Cause Hawaii provides comments on HB 1119, HD2, which clarifies that social welfare organizations granted tax exempt status under 501(c)(4) of the Internal Revenue Code that donate or contribute to noncandidate committees, engage in electioneering communications, or provide an endorsement for or against a candidate to register with the campaign spending commission and file organizational and financial reports.

Common Cause Hawaii is a nonprofit, nonpartisan, grassroots organization dedicated to reforming government and strengthening democracy promoting transparency in elections and improving our campaign finance system with laws that amplify the voices of everyday Americans.

Common Cause Hawaii notes that HB 1119, HD2, under Section 2, requires 501(c)(4) organizations to (1) file organizational reports and (2) file preliminary, final, and supplemental reports with the Campaign Spending Commission, if the 501(c)(4) organization donates or contributes money to a noncandidate committee, engages in electioneering communications, or provides an endorsement for or against a candidate. The report filings would be similar to candidate committees and noncandidate committee filings. The organizational report for a 501(c)(4) organization, according to HB 1119, HD2, under Section 4 at page 13, lines 4-8, would be filed within ten days of receiving contributions or making or incurring expenditures of more than \$1,000, in the aggregate, in a two-year election period.

Common Cause Hawaii further notes that the current definition of “noncandidate committee” under Hawaii Revised Statutes (HRS) § 11-302 is:

an organization, association, party, or individual that has the purpose of making or receiving contributions, making expenditures, or incurring financial obligations to influence the nomination for election, or the election, of any candidate to office, or for or against any question or issue on the ballot; provided that a noncandidate committee does not include:

- (1) A candidate committee;
- (2) Any individual making a contribution or making an expenditure of the individual's own funds or anything of value that the individual originally acquired for the individual's own use and not for the purpose of evading any provision of this part; or
- (3) Any organization that raises or expends funds for the sole purpose of producing and disseminating informational or educational communications that are not made to influence the outcome of an election, question, or issue on a ballot.

This definition of “noncandidate committee” appears broad enough to include 501(c)(4) organizations to trigger the requisite filings of organizational reports, preliminary, final, and supplemental reports, and late contributions reports once the \$1,000 aggregate limit threshold is reached under HRS § 11-321(g). It should be further noted that the “noncandidate committee” definition appears broad enough to cover not only 501(c)(4)s but also organizations such as 501(c)(6)s -- business leagues, chambers of commerce, boards of trade, and similar organizations. It is unknown why only 501(c)(4) organizations appear to be addressed by HB 1119, SD2.

Common Cause Hawaii’s position is that states should require donor disclosure, specifically political spending and donors to their political spending, from 501(c)(4)s and other organizations regardless of IRS position.

Thank you for the opportunity to provide comments on HB 1119, HD2. If you have further questions of me, please contact me at [sma@commoncause.org](mailto:sma@commoncause.org).

Very respectfully yours,

Sandy Ma  
Executive Director, Common Cause Hawaii



**HB-1119-HD-2**

Submitted on: 3/11/2021 6:24:52 PM

Testimony for JDC on 3/16/2021 9:15:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
LIBRADO COBIAN	Testifying for Oahu Motorsports Association	Support	No

Comments:

I support this bill requiring 501 (c) 4 non profits to be required to file and register with the campaign spending commission . Any legislation that promotes full disclosure and transparency is a benefit to our community. Li Cobian

**HB-1119-HD-2**

Submitted on: 3/12/2021 3:22:35 PM

Testimony for JDC on 3/16/2021 9:15:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Gerard Silva	Individual	Oppose	No

Comments:

This is crooked as Hell. We will be coming to take all of you out in 2022.