

STAND. COM. REP. NO.

3096

Honolulu, Hawaii

FEB 28 2020

RE: S.B. No. 2112

S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2020
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2112 entitled:

"A BILL FOR AN ACT RELATING TO THE EXEMPTION OF CERTAIN
INCOME FROM THE STATE GENERAL EXCISE TAX,"

begs leave to report as follows:

The purpose and intent of this measure is to reduce the tax burden imposed on certain kinds of nonprofit organizations.

Specifically, the measure exempts from the State's general excise tax the fundraising income of certain kinds of nonprofit organizations, except with respect to unrelated business taxable income.

Your Committee received testimony in support of this measure from the University of Hawaii Foundation; Hawaii Youth Services Network; Kau Rural Health Community Association, Inc.; Hawaii Substance Abuse Coalition; New Horizons Counseling; After-School All-Stars Hawaii; Kauai United Way; Ballet Hawaii; Hawaii Care Choices; Catholic Charities Hawaii; Coalition for a Drug-Free Hawaii; Aloha House; Malama Family Recovery Center; Maui Youth and Family Services; American Cancer Society, Hawaii Pacific; HUGS; Big Brothers Big Sisters Hawaii; Hawaii Children's Cancer Foundation; National Tropical Botanical Garden; Native Stories; Read To Me International; Waioli Corporation; Aloha Diaper Bank; Hawaii Community Foundation; Hawaii Alliance of Nonprofit



Organizations; Beta Beta Gamma Foundation; Diamond Head Theatre; Friends of the Library of Hawaii; Hawaii Foodbank; YMCA of Honolulu; Junior Achievement of Hawaii; Association for Fundraising Professionals, Aloha Chapter; Parents and Children Together; Hawaii Island HIV/AIDS Foundation; HOPE Services Hawaii, Inc.; Boy Scouts Of America, Aloha Council; Hawaiian Humane Society; Harris United Methodist Church; Maui Non Profit Directors Association; Hawaii Children's Theatre; Kona Dance and Performing Arts; Habitat for Humanity, Hawaii Island; Lanakila Pacific; Hawaiian Islands Land Trust; Hoola Na Pua; West Hawaii Parks and Athletic Corporation; Hawaii Diaper Bank; and numerous individuals.

Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee recognizes that certain nonprofit organizations are exempt from federal and state income taxes because of the goods and services they provide to the community. Your Committee notes, however, that the State imposes the general excise tax on those nonprofit organizations' fundraising income, even when funds are raised to advance the organizations' income tax-exempt purposes. Your Committee finds that exempting these organizations' fundraising income from the state general excise tax is appropriate to allow the organizations to obtain the support they need, so long as the exemption does not apply to unrelated business taxable income.

Your Committee has amended this measure by:

- (1) Clarifying that the measure applies to gross receipts received after December 31, 2020;
- (2) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (3) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2112, as amended herein, and recommends that it pass Second



Reading in the form attached hereto as S.B. No. 2112, S.D. 1, and
be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:* SB 2112	Committee Referral: WAM	Date: 2/27/20		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;"> <input type="checkbox"/> Pass, unamended 2312 </div> <div style="text-align: center;"> <input checked="" type="checkbox"/> Pass, with amendments 2311 </div> <div style="text-align: center;"> <input type="checkbox"/> Hold 2310 </div> <div style="text-align: center;"> <input type="checkbox"/> Recommit 2313 </div> </div>				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
HARIMOTO, Breene				X
INOUE, Lorraine R.	X			
KAHELE, Kaiali'i	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MORIWAKI, Sharon Y.	X			
RIVIERE, Gil	X			
SHIMABUKURO, Maile S.L.				X
TANIGUCHI, Brian T.				X
FEVELLA, Kurt	X			
TOTAL	10			3
Recommendation: <div style="display: flex; justify-content: space-around; margin-top: 5px;"> <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted </div>				
Chair's or Designee's Signature: 				
Distribution: <div style="display: flex; justify-content: space-between; font-size: small;"> <div>Original File with Committee Report</div> <div>Yellow Clerk's Office</div> <div>Pink Drafting Agency</div> <div>Goldenrod Committee File Copy</div> </div>				

***Only one measure per Record of Votes**