

STAND. COM. REP. NO.

473

Honolulu, Hawaii

FEB 15

, 2023

RE: H.B. No. 798
H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Economic Development, to which was referred
H.B. No. 798 entitled:

"A BILL FOR AN ACT RELATING TO NONPROFIT ORGANIZATIONS,"

begs leave to report as follows:

The purpose of this measure is to clarify the application of
the general excise tax law with regard to gross income derived
from unrelated trade or business activities of nonprofit
organizations.

Your Committee received testimony in support of this measure
from the Shinshu Kyokai Buddhist Temple; Aloha Harvest; Family
Promise of Hawai'i; Catholic Charities Hawai'i; Ku'ikahi Mediation
Center; Hale Kipa, Inc.; Big Brothers Big Sisters Hawai'i; Nā Hale
O Maui; Samaritan Counseling Center Hawaii; Hawai'i Alliance of
Nonprofit Organizations; Bikeshare Hawaii; Hawaiian Humane
Society; Child & Family Service; YMCA of Honolulu; Parents and
Children Together; Hawai'i Diaper Bank; American Cancer Society
Cancer Action Network; Clients and Friends of Nonprofit GrowthGen;
Oahu Economic Development Board; Hawai'i Health & Harm Reduction
Center; Epilepsy Foundation of Hawaii; Mental Health America of
Hawai'i; Hawai'i Forest Industry Association; Hawai'i Bicycling
League; Maui Nui Marine Resource Council; Grow Some Good; Hawai'i
Youth Services Network; Kilinahe Foundation; Māla'ai; The Nature

2023-1443 HB798 HD1 HSCR HMSO



Conservancy; Ma'alaia Village Association; 501c3 Partners; and two individuals. Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

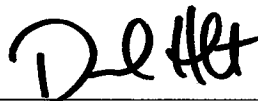
Your Committee finds that nonprofit organizations are currently exempt from federal income tax. A tax-exempt organization's fundraising activities are exempt from federal and Hawaii income taxation, except for income from unrelated trade or business activity. However, your Committee notes that unlike the federal government, income derived from activities whose primary purpose is to produce income, such as fundraising, is taxable under the state general excise tax law. This disparity places additional accounting burdens on nonprofit organizations in the State. This measure aligns the State's general excise tax exemptions with the income tax law by clarifying the type of activity that would be taxable under state law.

Your Committee has amended this measure by:

- (1) Changing its effective date to June 30, 3000, to encourage further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Economic Development that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 798, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 798, H.D. 1, and be referred to your Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development,



DANIEL HOLT, Chair



State of Hawaii
House of Representatives
The Thirty-second Legislature

HSCR 473

Record of Votes of the Committee on Economic Development

Bill/Resolution No.: HB798	Committee Referral: ECD, FIN	Date: 2/8/23		
<input type="checkbox"/> The committee is reconsidering its previous decision on the measure.				
The recommendation is to: <input type="checkbox"/> Pass, unamended (as is) <input checked="" type="checkbox"/> Pass, with amendments (HD) <input type="checkbox"/> Hold <input type="checkbox"/> Pass short form bill with HD to recommit for future public hearing (recommit)				
ECD Members	Ayes	Ayes (WR)	Nays	Excused
1. HOLT, Daniel (C)	/			
2. LAMOSAO, Rachele F. (VC)	/			
3. HUSSEY-BURDICK, Natalia	/			
4. KONG, Sam Satoru	/			
5. NAKAMURA, Nadine K.	/			
6. QUINLAN, Sean	/			
7. PIERICK, Elijah	/			
TOTAL (7)	7			
The recommendation is: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted If joint referral, _____ did not support recommendation. <div style="text-align: center; font-size: small;">committee acronym(s)</div>				
Vice Chair's or designee's signature:				
Distribution: Original (White) – Committee Duplicate (Yellow) – Chief Clerk's Office Duplicate (Pink) – HMSO				