

JOSH GREEN M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



STATE OF HAWAII
DEPARTMENT OF TAXATION

Ka 'Oihana 'Auhau
P.O. BOX 259

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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, H.D.1, Relating to Nonprofit Organizations

BEFORE THE:

House Committee on Consumer Protection & Commerce

DATE: Thursday, March 23, 2023

TIME: 3:00 p.m.

LOCATION: State Capitol, Room 329

Chair Nakashima, Vice-Chair Sayama, and Members of the Committee:

The Department of Taxation ("Department") offers the following comments regarding S.B. 667, S.D.2, H.D.1, for your consideration.

S.B. 667, S.D.2, H.D.1, amends section 237-23(b), Hawaii Revised Statutes (HRS), by repealing language that disallows tax-exempt organizations from claiming a general excise tax (GET) exemption for fundraising activities and replacing it with language that disallows tax-exempt organizations from claiming 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 The bill has a defective effective date of June 30, 3000 and shall be repealed on December 31, 2028.

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.



American Heart Association testimony in **SUPPORT** of SB 667, SD2 Relating to Nonprofit Organizations

Chairman of the Board

Jason Fujita

President

Zia Khan, MD

Board Members

Rick Bruno, MD, FACEP

Greg Christian

Jackie De Luz

Michael Lui, MD

Michael Rembis, FACHE

Andrew S. Rosen

Ben Salazar

David Underriner

Jennifer Walker

Serving Hawaii since 1948

Our Mission:

"To be a relentless force for a world of longer, healthier lives."

For more information on the AHA's educational or research programs, visit www.heart.org or contact your nearest AHA office.

The American Heart Association strongly supports SB 667, SD2.

Since 1948, the American Heart Association has provided vital services in Hawai'i to reduce cardiovascular diseases (the state's leading causes of death and major disabilities) and improve health and quality of life. Since 1950 through the beginning of the pandemic in 2020, age-adjusted death rates from cardiovascular disease (CVD) declined 60%, representing one of the most important public health achievements of the 20th century.

However, the COVID-19 pandemic reversed that positive trend. More people died from cardiovascular-related causes in 2020, the first year of the COVID-19 pandemic, than in any year since 2003. The number of people dying from cardiovascular disease (CVD) in the U.S.

escalated during the first year of the COVID-19 pandemic, from 874,613 CVD-related deaths recorded in 2019 to 928,741 in 2020. A tsunami of chronic health conditions resulting from the SARS-CoV-2 pandemic, especially cardiometabolic disease, has produced an enormous wave of death and disability that demands immediate, comprehensive strategies. It's societal and economic impact will be present for generations. COVID has also unmasked striking disparities and opportunities for transformation. But, while the pandemic's effects on death rates may be noticed for several years, lessons learned offer major opportunities to address structural and societal issues that drive health disparities.

The Association is dedicated to ensuring equitable health in all communities.

Through collaboration with numerous organizations, and powered by millions of volunteers, we fund innovative research, advocate for the public's health, and share lifesaving resources.

Some of our recent successes include adopting Hawai'i's Federally Qualified Health Centers (FQHCs) to support their efforts to better control hypertension, in their patients. Hypertension continues to be a serious concern and is one of the Association's priority issues in driving equitable health impact in the community. Over 100 million Americans – nearly half of all adults – are living with high blood pressure. Left undetected or uncontrolled, high blood pressure can lead to heart attacks, strokes, heart failure, and other health threats. In 2019, 29.09% of patients who utilize FQHCs have diagnosed hypertension. The numbers are even worse in some areas of Hawai'i. For instance, on Kauai, 77% of residents have been on high blood pressure medications [Behavioral Risk Factor Surveillance System, 2017]. This puts those patients at high risk for heart attack and stroke in usual circumstances, but it may put them at even greater risk from complications from COVID-19 if they were to be infected.

Through its Adopt-A-Clinic program, the Association is providing equipment, education, training, and improved hypertension management in the communities that FQHCs serve. The Adopt-A-Clinic program empowers patients to manage their hypertension independently from home, as well as reinforce the FQHC's staff support of those patients.

In addition, The Strategically-Focused Research Network on the Science of Diversity in Clinical Trials of the American Heart Association last year announced a research funding collaboration with Pfizer and Gates Ventures to award a ground-breaking \$20 million research project to study barriers that prevent people of diverse race and ethnicity from being represented and included in clinical research trials. The project's goal is to identify best practices that can be easily replicated to ensure people of all races and ethnicities are fully included. Research scientists from the University of Hawai'i at Manoa John A. Burns School Department of Native Hawai'ian Health, in partnership with colleagues from nine universities and health care systems, will help lead the research efforts, with the Hawaii researchers focusing on Native Hawai'ian and Pacific Islander participants. This is the latest initiative in the Association's unprecedented pledge to aggressively address social determinants of health while working to improve health equity for all communities.

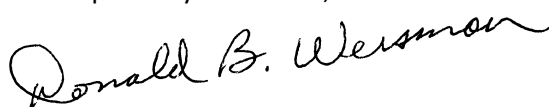
And those are just two of the many projects continuing in Hawaii's schools, hospitals, workplaces and communities in which the Association is engaged to improve health and quality of life in our state.

SB 667, SD2 would help support our organization's vital efforts by aligning the State general excise tax law with the federal income tax code by exempting from GET any income generated by the Association's fundraising efforts deemed as "unrelated trade or business" as defined by the IRS. The bill would simplify and improve the Association's accounting of income, and most importantly, would exempt its fundraising income that meets the unrelated business income standard from the Hawai'i GET.

It's important to note that the Association does not receive state or local government funding in Hawai'i and relies solely on its fundraising events, and individual and corporate donations, so passage of this bill would provide additional resources to its lifesaving work that might otherwise be borne by our local governments and taxpayers.

Mahalo for considering this request and for supporting Hawai'i's non-profit community and the important services it provides.

Respectfully submitted,



Donald B. Weisman
Government Relations/Communications and Marketing Director

PARTNERS IN CARE

Oahu's Continuum of Care

Our mission is to eliminate homelessness through open and inclusive participation and the coordination of integrated responses.

TESTIMONY IN SUPPORT OF SB 667 SD2, HD1 RELATING TO NONPROFIT ORGANIZATIONS

TO: Senate Committee on Consumer Protection & Commerce

FROM: Partners In Care (PIC)

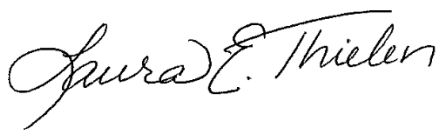
Hearing: Thursday, March 23, 2023, 3pm, Conference Room 329/videoconference

Chair Nakashima and Members of the House Committee on Consumer Protection & Commerce:

Thank you for the opportunity to provide testimony in **SUPPORT of SB 667, SD2, HD1 Relating to NonProfit Organizations**. As a convener for Homeless Services Providers on Oahu, Partners In Care is a membership organization of amazing providers and individuals who work tirelessly to provide shelter and care for all of our neighbors on the streets, beaches and shelters. For every dollar that is paid to taxes is one less dollar that can be utilized to support this work. Non Profit agencies run on shoestring budgets and must constantly search for monies to support their good work. By aligning with federal income tax code entities are able continue their work and receive the benefit of not paying taxes on fundraising.

Partners In Care (PIC), a coalition of more than 60 non-profit homelessness providers and concerned organizations, works on Oahu to end homelessness and we thank you for the opportunity to testify today in SUPPORT OF SENATE BILL 677.

Sincerely,



Laura E. Thielen
Executive Director
Partners In Care



Residential Youth Services & Empowerment

P O Box 11662 Honolulu, HI 96828

Testimony to the House Committee on Consumer Protection & Commerce

Thursday, March 23, 2023, 3:00 p.m.

Conference Room 415 & Videoconference

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

We are in **strong support** of SB 667, SD2, HD1 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.

At RYSE, our mission is to work in a continuum of support that empowers Hawaii's street youth to move beyond homelessness. We rely heavily on an annual fundraiser to support our organization's work.

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 dedicate additional resources into housing, education, employment, and behavioral health services for young people experiencing a crisis.

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. Mahalo for the opportunity to submit this written testimony.

Mahalo,

A handwritten signature in blue ink that reads "Carla Houser".

Carla Houser

Executive Director

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 HD 1

INTRODUCED BY: House Committee on Economic Development

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: June 30, 3000; 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.

The concern raised by the former DoTAX Director dealt with language that appears in the second proviso of the language proposed to be added:

(3) To the fraternal, religious, charitable, scientific, educational, communal, or social welfare activities of such persons, or to the activities of hospitals, infirmaries,

sanitaria, and potable water companies, as such[, and not to 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 of such persons.]; provided that gross income derived from any "unrelated trade or business", as defined in section 513 of the Internal Revenue Code of 1986, as amended, shall not be exempt under this section; **provided further that 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 of 1986, as amended, shall not apply.**

This proviso relates to certain modifications to UBTI as provided in Section 512(b) of the IRC. Section 512(b) describes certain kinds of income, such as rent and royalties, that are not included in UBTI and are thus NOT subject to taxation. The former DOTAX Director interpreted the proviso, which then cited all of subsection 512(b), to say that the income in section 512(b) would thereby be taxable for GET purposes in all instances. We, as well as the bill's proponents, strenuously disagreed with that interpretation. The Department's proposed interpretation was then made known to the University of Hawaii, because research grants are described in section 512(b)(7), (8), and (9). Unsurprisingly, the University wanted to protect the GET-exempt status of its research grants and joined in asking Governor Ige for a veto.

The bill in its current form, unlike last year's bill, restricts the second proviso to section 512(b)(3), namely rents. This language would allow the State to continue applying GET to rents unrelated to the mission of the tax-exempt organization, while removing all doubt regarding the exemption of research grants and other items in the other paragraphs in section 512(b).

Digested: 3/21/2023



**Parents And
Children Together**

**BUILDING THE RELATIONSHIPS
THAT MATTER MOST**

ParentsAndChildrenTogether.org

TESTIMONY IN SUPPORT OF SB 667 SD2 HD1

TO: Chair Nakashima, Vice-Chair Sayama, & Members,
House Committee on Consumer Protection & Commerce
FROM: Ryan Kusumoto, President & CEO
DATE: March 23, 2023 at 3:00 PM

Parents and Children Together (PACT) supports SB 667, SD2 HD1 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.



Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3 pm
Via Videoconference, Conference Room 329

SB 667, SD2, HD1 Relating to Nonprofit Organizations

Dear Char Nakashima, Vice Chair Sayama, and members of the House Committee on Consumer Protection & Commerce,

We are in **strong support** of SB 667, SD2, HD1, 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



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

House Committee on Consumer Protection and Commerce
Representative Mark Nakashima, Chair
Representative Jackson Sayama, Vice Chair

Hearing Date: Thursday, March 23, 2023

ACS CAN SUPPORTS SB 667 SD2 HD1 – 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 HD1 – 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.



To: Senate Committee on Committee on Consumer Protection and Commerce

Re: **SB 667 SD2, HD1 – Relating to Nonprofit Organizations**
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

On behalf of Hawai'i Children's Action Network Speaks!, I am writing in **strong support** of SB 667, SD2, HD1, 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.

This bill clarifies the application of the general excise tax (GET) law by aligning state law with the federal IRS income tax code. It would greatly simplify our accounting of income.

This bill would help organizations like ours by relieving us from paying GET on our fundraising income, which is of vital importance to funding our charitable operations. Every dollar our organization must pay in general excise taxes is a dollar less that we can devote to our mission of advocating for Hawai'i's children and their families.

Since donors and nonprofit organizations view both the funds raised at fundraising events and direct contributions as donations to the organization, we believe they should be treated the same way for tax purposes.

Mahalo for this opportunity to provide testimony. Please pass this bill.

Thank you,

Deborah Zysman
Executive Director



HIPHI Board

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Dina Shek, JD
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For Children in Hawai'i

Garret Sugai
HMSA

Kathleen Roche, MS, RN, CENP
Kaiser Permanente

May Okihiro, MD, MS
John A. Burns School of Medicine,
Department of Pediatrics

Titiimaea Ta'ase, JD
State of Hawai'i, Deputy Public
Defender

HIPHI Initiatives

Coalition for a
Tobacco-Free Hawai'i

Community Health
Worker Initiative

COVID-19 Response

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 17, 2023

To: Representative Mark M. Nakashima, Chair
Representative Jackson D. Sayama, Vice Chair
Members of the Committee on Consumer Protection & Commerce

Re: Support SB 667 SD1 HD1 Relating to Health Care

Hrg: Thursday, March 23, 2023, 3:00 PM

The Hawai'i Public Health Instituteⁱ (HIPHI) is in **support of SB 667 SD2 HD1**, 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 HD1.

Mahalo,

A handwritten signature in black ink that reads 'Peggy Mierzwa'.

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.



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 21, 2023

Rep. Mark M. Nakashima, Chair; Rep. Jackson D. Sayama, Vice Chair;
and members of the Committee on Consumer Protection & Commerce:

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 on Committee on Consumer Protection & Commerce

Thursday, March 23, 2023, 3:00 p.m.
Conference Room 329 & Videoconference

SB 667, SD 2, HD1 Relating to Nonprofit Organizations

Dear Chair Nakashima & Committee Members:

We are in **strong support** of SB 667, SD 2, HD1 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.

Nā Hale O Maui, a Community Land Trust (CLT), is a grass-roots, membership based 501(C)3 with a **mission to secure and preserve a permanent supply of affordable housing alternatives for low- and moderate-income households in Maui County**. Forty-seven workforce households currently live in the single family CLT homes.


We partner with our community, including but not limited to the State of Hawaii, County of Maui Affordable Housing Funds, Federal Neighborhood Stabilization Project funds, philanthropic organizations, private businesses and individuals to address the critical housing shortage in Maui County. The homes are sold to income-qualified workforce families at below market prices. Nā Hale O Maui has had seven resales, validating the CLT model's ability for its homes to remain affordable in perpetuity, family after family, generation after generation.

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.

Nā Hale O Maui has successfully applied for capital improvement funds for the acquisition, rehabilitation and construction of single-family homes. Sources of operational funds include fundraising and ground lease rent (beginning at \$45/month) that are subject to GET. If this bill is passed, the GET savings on fundraising income will allow us to continue to provide truly affordable housing and help move Nā Hale O Maui toward operational sustainability.

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 and your support of nonprofit organizations,


Cassandra Abdul, Executive Director

Changing Lives One Home at a Time!



ADDRESS
3442 Waiialae Ave., Suite 1
Honolulu, HI 96816

PHONE
808-735-5756

EMAIL
bicycle@hbl.org

**House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.**

Hawai'i Bicycling League Supports SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama, and members of the Committee on Consumer Protection & Commerce,

My name is Travis Counsell, and I am the Executive Director of the Hawai'i Bicycling League. We are a non-profit organization founded in 1975 with the mission of enabling more people to ride bicycles for health, recreation, and transportation. We oversee the BikeEd Hawaii program which teaches bike safety to over 8000 4th graders annually. We also host large events to promote cycling and awareness, and advocate for safe streets for all users.

Hawai'i Bicycling League is in **strong support** of SB 667, SD2, HD1 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.

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 focus the funds raised on benefiting our mission. 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,

Ride Aloha,

Travis L. Counsell
Executive Director
Hawai'i Bicycling League



March 21, 2023

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Herb Lee Jr.
Chief Financial Officer
Louis F. Perez II
General Counsel
Ethan Cooper

Pacific American Foundation
C/O 111 Hekili Street Suite A 170
Kailua, Hawaii 96734

Phone: (808) 664-3027
www.thepaf.org

House Committee on Consumer Protection & Commerce

Aloha Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

Re: **Support** for SB 667 SD 2 HD 1 Relating to Non-Profit Organizations

My name is Herb Lee, Jr. and I am the President & CEO of the Pacific American Foundation (PAF), a non-profit 501C3 organization founded in 1993. Our mission is to "improve the lives of Pacific Americans through service with dignity, courage, humility, and competence."

We are in **strong support** of SB 667, SD2, HD1 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.

PAF is a native Hawaiian serving organization going on 30 years. We have persevered through very challenging times and discretionary income by way of fundraising has been difficult to come by.

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.

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. Please give this request your highest consideration for all non-profits.

'O waiho nō,

A handwritten signature in black ink, appearing to read "Herb Lee, Jr.", written over a blue horizontal line.

Herb Lee, Jr.
President & CEO



W. M. KECK OBSERVATORY
Maunakea, Island of Hawai'i

March 30, 2021

Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

We are in strong support of SB 667, SD2, HD1 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, W. M. Keck Observatory, is a charitable 501(c)(3) nonprofit with a mission to foster scientific interaction among educational and research institutions and to foster high school, college, and university educational research in astronomy.

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 cover the expected inflationary growth in our operating, compensation, and benefit costs.

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,

Margarita Scheffel
WMKO Chief Financial Officer
California Association for Research
in Astronomy



FOR YOUTH DEVELOPMENT®
FOR HEALTHY LIVING
FOR SOCIAL RESPONSIBILITY

March 21, 2023

TO: Representative Nakashima, Chair
Representative Sayama, Vice Chair
House Committee on Consumer Protection & Commerce

FR: Greg Waibel
President and CEO
YMCA of Honolulu

RE: **TESTIMONY-SB667, SD2, HD1, RELATING TO NONPROFIT ORGANIZATIONS – SUPPORT**

We are in strong support of SB667, SD2, HD1, 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 YMCA of Honolulu is one of the largest non-profit organizations on Oahu and was founded in 1869 and incorporated under the laws of the Kingdom of Hawaii in 1882. Annually, we serve more than 50,000 individuals in a variety of programs. With a commitment to nurturing the potential of kids, promoting healthy living and fostering a sense of social responsibility, the YMCA ensures that every individual has access to the essentials needed to learn, grow and thrive.

We believe that all kids deserve the opportunity to discover who they are and what they can achieve. That's why, through the YMCA, thousands of youth today are cultivating the values, skills and relationships that lead to positive behaviors, better health and educational achievement.

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 serve more families. 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.

YMCA OF HONOLULU

1441 Pali Highway, Honolulu HI 96813
P 808 531 YMCA F 808 533 1286 www.ymcahonolulu.org

ANDREW ROSEN, Chairman, Board of Directors
GREG WAIBEL, President & Chief Executive Officer





TO: Chair Nakashima
Vice Chair Sayama
Members of the Committee on Consumer Protection
FR: Nanci Kreidman, M.A.
Chief Executive Officer
RE: SB 667 SD2 HD1

Aloha. We are most grateful for the hearing of this Bill. Community based organizations are at a critical juncture in the work to support programs in great demand and raise sufficient funds to sustain a balanced budget. The costs of doing business are increasing and the rising inflation exceed contract funding, which is not keeping pace with costs.

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 organization's 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, community basedB 66 mission and programs.

We shall look forward to favorable action on SB 667 SD2 HD1. Thank you.



CATHOLIC CHARITIES HAWAII

**TESTIMONY IN SUPPORT OF SB 667 SD2 HD 1:
RELATING TO NON-PROFIT ORGANIZATIONS**

TO: House Committee on Consumer Protection and Commerce

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

Hearing: Thursday, 3/23/2023 at 3:00 PM; CR 329 & via videoconference

Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection and Commerce

Thank you for the opportunity to provide testimony in **Strong Support of SB 667 SB2 HD1**, 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 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. Furthermore, nonprofits are taxed twice: once for goods and services for the fundraiser/event expenses and then again on the income received for the event.

Every dollar our organization must pay in general excise tax is a dollar less that we can devote to our 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 if you have any questions.



CLARENCE T. C. CHING CAMPUS • 1822 Ke‘eaumoku Street, Honolulu, HI 96822
Phone (808) 527-4813





**Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference**

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama & members of the Committee on Consumer Protection & Commerce,

We are in **strong support** of SB 667, SD2, HD1 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.

When We Shine Foundation (WWSF), is a 501(c)(3) (EIN- 83-2228326) nonprofit based on the island of Maui, Hawai'i, founded in November 2017.

Our Mission: To provide meaningful opportunities for young people to connect to environmental stewardship & leadership through arts education.

Working directly with students and teachers, our goal is to create a lasting impact on environmental conservation, while supporting indigenous values and language, through place-based arts education projects. We engage teachers and their students in experiential programming that fosters connection to one another and the natural world, cultivates creativity, challenges intellect, and sparks positive change.

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 would allow us to assign these extra funds for our much needed school projects and for building teacher community support.

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,
Melinda Caroll
Founder/Executive Director
When We Shine Foundation
808-283-7244



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LANDLORD TENANT MEDIATION SPECIALIST
Erika Ginnis

ADMINISTRATIVE & PROGRAM ASSISTANT
Kaitlyn Lacombe

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!

Testimony to the House Committee on Consumer Protection & Commerce
Tuesday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference

RE: Support of SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce:

As a local non-profit serving our Hawai'i communities, we **strongly encourage you to support SB 667, SD2, HD1**, 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



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CASE MANAGER
Molly O'Quinn

LANDLORD TENANT MEDIATION SPECIALIST
Erika Ginnis

ADMINISTRATIVE & PROGRAM ASSISTANT
Kaitlyn Lacombe

mission, we offer mediation, facilitation, and training to strengthen the ability of 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



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



HAWAI'I STATE
COALITION AGAINST
DOMESTIC VIOLENCE

March 23, 2023

Members of the House Committee on Consumer Protection & Commerce:

Chair Mark M. Nakashima
Vice Chair Jackson D. Sayama
Rep. Terez Amato
Rep. Della Au Belatti
Rep. Cedric Asuega Gates
Rep. Mark J. Hashem
Rep. Natalia Hussey-Burdick
Rep. Richard H.K. Onishi
Rep. Adrian K. Tam
Rep. Elijah Pierick

Re: SB667 SD2 HD1

Dear Chair Nakashima, Vice Chair Sayama, and Members of the House Committee on Consumer Protection & Commerce:

The Hawai'i State Coalition Against Domestic Violence (HSCADV) addresses the social, political, and economic impacts of domestic violence on individuals, families, and communities. We are a statewide partnership of domestic violence programs and shelters.

On behalf of HSCADV and our 28 member programs statewide, I respectfully submit testimony in strong support of SB667 SD2 HD1 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.

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.

Sincerely,
Angelina Mercado, Executive Director



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: 03/21/2023

TO: Chair Nakashima, Vice Chair Sayama and CPC Committee Members

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

SUBJECT: In Support of SB667 SD2 HD1 Relating to Nonprofit Organizations

Dear Chair Nakashima and Committee Members,

On behalf of the Directors of the Hawai'i Forest Industry Association, please support SB667 SD2 HD1. 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 HD1.

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.

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03/21/2023

House Committee on Consumer Protection and Commerce
Representative Nakashima, Chair
Representative Sayama, Vice Chair

March 23, 2023
Conference Room 415

RE: Support of SB 667, SD2, HD1 Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection and Commerce,

After-School All-Stars Hawaii supports SB 667, SD2, HD1 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.

After-School All-Stars Hawaii works in 12 Title I middle and intermediate school and last year provided over 2,600 students with FREE daily after-school programs. Our programs not only provide over 2,600 students with a safe place to go during the danger hours of 3pm – 6pm each school day, but they also provide their families with the ability to participate in the local economy because they know their children will be safe. Although our programs are free for all our participants, they are certainly not free to provide and every penny we raise through extensive fundraising is essential to ensuring we can continue this work.

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. 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.

Sincerely,

Paula Fitzell
President/CEO



Hawaiian Humane Society
People for animals. Animals for people.

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

Date: March 21, 2023

To: Chair Rep. Mark M. Nakashima
Vice Chair Rep. Jackson D. Sayama
and Members of the Committee
on Consumer Protection and Commerce

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

RE: Testimony in support of SB 667, SD2, HD1,
Relating to Nonprofit Organizations
Wednesday, March 23, 2023, 3 p.m., Room 329 & Videoconference

On behalf of the Hawaiian Humane Society, thank you for considering our support for Senate Bill 677, SD2, HD1, 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, HD1. Thank you for the opportunity to submit testimony.



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 Consumer Protection & Commerce Thursday, March 23, 2023, 3:00 p.m. Conference Room 415 & Videoconference

SB 667, SD2, HD1 Relating to Nonprofit Organizations

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Dennis Brown
President/CEO

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

Big Brothers Big Sisters Hawaii is in **strong support** of SB 667, SD2, HD1, 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. The result would be to exempt nonprofit organizations from paying GET on fundraising income.

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.

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 realized would help us to expand our mentoring services to teenagers who can benefit from guidance on their futures beyond high school. It would also give them a friend to raise their self-esteem and eventually, reach their full potential in 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 submit this written testimony.

Mahalo,

Dennis Brown
President/CEO





SB667 SD2 HD1 Non-profit fund-raising exempt from state tax
COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Rep. Mark M. Nakashima, Chair
Rep. Jackson D. Sayama, Vice Chair
Thursday, Mar 23 2022: 3:00 : Room 329

Hawaii Substance Abuse Coalition Supports SB667 SD2 HD1:

ALOHA CHAIR, VICE CHAIR AND DISTINGUISHED COMMITTEE MEMBERS. My name is Alan Johnson. I am the current chair of the Hawaii Substance Abuse Coalition (HSAC), a statewide organization for substance use disorder and co-occurring mental health disorder treatment, prevention, and harm reduction agencies.

HSAC urges the Legislature to end GET taxing for non-profits' fund raising, which is used for their mission, and to come into alignment with federal tax laws. Hawaii's nonprofit organizations are essential for Hawaii's well-being, providing critical services in an efficient and cost-saving manner than if government provided the services:

1. A big part of the reason that **non-profits are more cost-effective is that non-profits can fund-raise for their mission**, which the government cannot do.
2. The state is protected from other uses of funds because **Federal law stipulates that a non-profit agency must use their income, fund, or other sources to further the purposes for which they were formed**. For the IRS to grant a non-profit exemption, the agency must use any funds for the charitable purpose for which it was formed.
3. **Government rates including state and federal Medicaid/Medicare are historically low** such that non-profits must perform fund raising activities to sustain their services and support operations.
4. **The amount paid for GET tax is needed for operations** and would help to provide better care to the community.
5. Additional income to the non-profit **would help to increase wages so that all staff are above minimum wage levels**.

We appreciate the opportunity to provide testimony and can answer any questions.

SB-667-HD-1

Submitted on: 3/21/2023 8:07:40 PM

Testimony for CPC on 3/23/2023 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Mike Nelson	Volcano Art Center	Oppose	Written Testimony Only

Comments:

I am submitting my testimony against the passage of SB 667.

Understanding every dollar experienced in our non profits operation 80 cents is shared in supporting of over 300 artist and our communities keiki, families and Kapuna.

Adding ANY additional financial burdens negatively impacts our members and community.

Mike Nelson

CEO, Volcano Art Center

The Success Factory

nextechhawaii.org



March 21, 2023

STRONG SUPPORT for SB667 SD2 HD1 RELATING TO NONPROFIT ORGANIZATIONS

Dear Chair Nakashima, Vice Chair Sayama, and Committee members,

I'm testifying on behalf of **The Success Factory**, a 501(c)(3) non-profit that serves as an economic development initiative by inspiring and building STEM career readiness through NexTech STEM Programs for Hawaii Island youth.

We strongly support SB667 SD2 HD1, 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."

Hawaii non-profits like The Success Factory - NexTech need all the support they can get to execute their mission. SB667 SD2 HD1 will contribute to their revenue by enabling GET-related savings.

Mahalo for this opportunity to testify in support of **SB667 SD2 HD1**. Please support this measure.

A handwritten signature in black ink, appearing to read "Noel Morin", with a long horizontal stroke extending to the right.

Noel Morin
President
The Success Factory
Hilo, Hawaii



Zonta Club of Hilo Foundation
P.O. Box 1915 • Hilo, HI 96721
foundation@zontahilo.org
www.ZontaHilo.org

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Director &
Club President

Julie Tulang
Fundraising
Committee Chair

Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference

RE: Support of SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama, and members of the Committee on Consumer Protection & Commerce:

We are in **strong support of SB 667, SD2, HD1**, 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.

Zonta’s mission to build a better world for women and girls. Since 1950, Zonta Club of Hilo has provided resources and funds to empower women and expand access to education, economic opportunities, social services, and more.

Our foundation’s volunteer-powered charitable work, made possible largely through fundraising income, includes:

- **Amelia Earhart Girls in Engineering Day** to encourage girls grades 4-8 to continue STEM curriculum.
- **Magnificent Me** middle school conference to introduce adolescent girls to confidence-building strategies and tools.
- **Hands Are Not For Hitting, Hands Are for Helping** non-violent education and book project for preschoolers.
- **3 Scholarships & 3 Awards** for women in business, nursing, public affairs, STEM, excellence, and entrepreneurship.
- **Pay it Forward Microgrants** for women entrepreneurs in need of a small financial boost.

We support the passage of SB 667, SD2, HD1 as it would relieve our all-volunteer charitable foundation from having to pay general excise tax on our fundraising income, which is of vital importance to funding our good works in the community. This bill also simplifies our accounting of income since the IRS tax code is clear and well-established.



Zonta Club of Hilo Foundation
P.O. Box 1915 • Hilo, HI 96721
foundation@zontahilo.org
www.ZontaHilo.org

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 to improve the lives of women and girls locally and globally.

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 that reads 'Janet L. Fujioka'.

Janet Fujioka
Foundation President

A handwritten signature in black ink that reads 'Julie Engelhardt'.

Julie Engelhardt
Club President

A handwritten signature in blue ink that reads 'Julie Mitchell'.

Julie Mitchell
Treasurer



HALE KIPA

TESTIMONY IN SUPPORT OF SB 667, SD2, HD1: RELATING TO NON-PROFIT ORGANIZATIONS

Executive Staff

Venus K. Rosete-Medeiros,
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Aloha United Way
Kaua'i United Way
Hawai'i Island United Way



TO: House Committee on Consumer Protection & Commerce
Representative Mark M. Nakashima, Chair
Representative Jackson D. Sayama, Vice Chair

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

HEARING: Thursday, 03/23/2023; 3:00 PM; Conference Rm 329 & via videoconference

Aloha Chair Nakashima, Vice Chair Sayama, and Members of the Committee on Consumer Protection & Commerce

Thank you for scheduling this hearing and the opportunity to provide testimony **in strong support of SB 667, SD 2, HD1**, 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.



The Thirty-Second Legislature, State of Hawaii
House Committee on Consumer Protection & Commerce
Honorable Chair Mark Nakashima
Honorable Vice Chair Jackson Sayama
Committee Members

Thursday, March 23, 2023, 3:00 pm

RE: Support for SB667 SD2 HD1 - Relating to Nonprofit Organizations

Aloha Chair Nakashima, Vice Chair Sayama, and members of the Committee,

Ma'i Movement Hawai'i **strongly supports SB667 SD2 HD1**, a bill which aligns 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. Ma'i Movement Hawai'i is a locally grown organization committed to addressing menstrual inequity and ending period poverty, or the inability to buy and access menstrual products, due to factors including but not limited to financial constraints, lack of education, societal shame or stigma, and inadequate access to a clean facilities to maintain proper hygiene.

My sisters and I founded our nonprofit at the end of 2020. It was clear from the very beginning the critical role our nonprofit played in providing programs, services, and resources to marginalized and neglected communities. Although we are a small nonprofit, we carry out statewide operations and distributed nearly 363,000 period products in 2022, a 60% increase over the prior year. We also provide education through online webinars and in-person events. Our primary source of income has been through grants and donations, but we must raise additional funds in order to meet the increasing demand for our services and carry out our mission.

Conducting fundraising events is one important way to do this, but the GET is a major deterrent because it takes away from the income raised. It may seem like an insignificant amount, but every cent and dollar matters for small nonprofits like us. In addition, we are taxed twice when we pay GET on the goods and services bought for the event and then again on the income received for the event.

This bill will finally bring state policy into alignment with federal policy. We urge you to support **SB667 SD2 HD1** and pass this bill. Mahalo for your leadership and service to Hawai'i!

Mahalo,

A handwritten signature in black ink that reads "Nikki-Ann Yee".

Nikki-Ann Yee, Co-Founder
Ma'i Movement Hawai'i



in your neighborhood

PO Box 1902, Wailuku, HI 96793

(808)215-9228

www.GrowSomeGood.org

Testimony to the House Committee on Consumer Protection & Commerce

Thursday, March 23, 2023, 3:00 p.m.

Conference Room 415 & Videoconference

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama, and members of the Committee on Consumer Protection & Commerce,

We are in **strong support** of SB 667, SD2, HD1, 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.

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



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.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Lacasse". The signature is fluid and cursive, with a long, sweeping underline.

Scott Lacasse
Executive Director

**Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference**

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

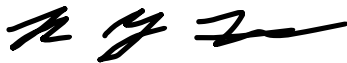
Lanakila Pacific strongly supports of SB 667, SD2, HD1 which would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET any income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and, as a result, exempt nonprofit organizations from paying GET on fundraising income.

Lanakila Pacific is a 501(c)(3) nonprofit organization that provides services and social enterprise programs to build independence and improve the quality of life for individuals with cognitive, physical, social, or age-related challenges. We are proud of our employment programs and the Lanakila Meals on Wheels program.

We support the passage of this bill as it would relieve our organization from having to pay general excise tax on our fundraising income. This income allows organizations to fill program funding gaps and innovate to better serve our community. This bill would also simplify our accounting of income since the IRS tax code is clear and well-established.

Every dollar our organization pays in general excise taxes takes away from the programs and services the funding would have provided. We strongly urge you to pass this legislation. Thank you for the opportunity to submit written testimony.

Respectfully,



Rona Yagi Fukumoto
President & CEO

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To: House Committee on Consumer Protection & Commerce

Hearing Date/Time: Thursday March 23 3:00 PM

Re: Testimony in Support of SB 667 SD2 HD1

From: Heather Lusk, Hawaii Health and Harm Reduction Center

Dear Chair Nakashima, Vice Chair Sayama and Members of the Committee

The Hawaii Health & Harm Reduction Center (HHHRC) supports SB 677 SD2 HD1 which would align the state GET law with the federal IRS income tax code by exempting income from non-profits for ay “unrelated trade or business” which would allow non-profits to fundraise with a tax exemption. This is particularly important for the non-profit sector as we need to fundraise to support our indirect and admin costs, which are often not fully covered under grants and to be able to pay a livable wage and retain our valuable staff.

HHHRC’s mission is to *reduce harm, promote health, create wellness and fight stigma in Hawaii and the Pacific*. We focus our efforts on those disproportionately affected by social determinants of health, including but not limited to: people living with and/or affected by HIV, hepatitis, substance use, and the transgender, LGBTQ and the Native Hawaiian communities. The impact of paying GET on our fundraising means we struggle to keep our salaries competitive and have to narrow activities during this time of increased need.

We strongly support the passage of SB 677 SD2 HD1 which would allow more of our revenue to go to our accomplishing our mission.

Thank you for the opportunity to testify.

Heather Lusk, Executive Director, Hawaii Health and Harm Reduction Center

SB-667-HD-1

Submitted on: 3/22/2023 9:25:28 AM

Testimony for CPC on 3/23/2023 3:00:00 PM

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

Comments:

Dear Representative Nakashima, Chair, Representative Sayama, Vice Chair and members of the Committee on Consumer Protection & Commerce:

We continue to stand by our written testimony submitted on February 24, 2023 offering **strong support for SB 667, SD2, HD1** 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, as a result, exempt nonprofit organizations from paying GET on fundraising income.

One only needs to look at the community based organizations (CBO) who held up the frontlines to prevent hunger, mental health, family support, education, therapy, and provided safe places for our residents and keiki in need to safely gather during the pandemic. CBO's didn't fail our communities.

This legislation is a small gesture in support of the dedicated organizations who work to develop vibrant communities of care and support across our State.

We hope you will pass SB 667 SD2 HD1 in honor of all the care, compassion and support Hawaii's 8802 community based organizations provide.

Sincerely yours,

Cleota G. Brown, President

fasdhawaii.org



March 22, 2023

House Representative Mark Nakashima, Chair

House Representative Jackson Sayama, Vice Chair

Testimony to the House Committee on Consumer Protection & Commerce

Thursday, March 23, 2023; 3:00 pm. State Capitol, Conf. Room 329 & via Videoconference

RE: Senate Bill 667 SD2 HD1 – 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 are in **STRONG SUPPORT of Senate Bill 667 SD2 HD1, 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.

The 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 HD1**.

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.**



March 22, 2023

Re: Strong Support for SB667, SD2, HD1 Relating to Nonprofit Organizations

**Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference**

Dear Chair Nakashima, Vice-Chair Sayama and members of the Committee on Consumer Protection & Commerce:

The Coalition for a Drug-Free Hawaii (CDFH) is in **strong support** of SB 667, SD2, HD1 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 this committee to pass this bill. Thank you for the opportunity to submit this written testimony.

Mahalo,

Greg Tjapkes
Executive Director





Samaritan Counseling Center Hawaii

**Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference**

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

We are in **strong support** of SB 667, SD2, HD1 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

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Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama, and members of the Committee on Consumer Protection & Commerce,

I am in **strong support** of SB 667, SD2, HD1 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 Mediation Center of the Pacific (MCP) provides high quality mediation and dispute resolution services that are affordable and accessible for all. Through mediation provided by MCP, divorcing and unmarried couples with children, families, landlords and tenants, and more, are assisted in talking and negotiating customized agreements to address their issues, without fighting or going to court. As a result, the participants, as well as the communities in which they reside, are strengthened. Last year in 2022, MCP served 15,498 people through its mediation, dispute resolution, and training programs. Approximately 85% of the people who participated in the 2,214 mediations that were conducted, were in the low-income and ALICE populations.

I support the passage of this bill as it would relieve MCP 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 serve more people and meet the growing need for affordable mediation. Every dollar MCP must pay in general excise taxes is a dollar less that we can devote to our 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,

Tracey S. Wiltgen
Executive Director

**Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference**

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

We are in **strong support** of SB 667, SD2, HD1 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.

Goodwill Hawaii has been serving the people of Hawaii for over 60 years. We provide employment training, job placement & support services statewide to people with various barriers. Our mission is to help people with employment barriers to reach their full potential and become self-sufficient. Last year, we served more than 10,000 people statewide and placed over 600 individuals into gainful employment.

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 expand our program serving people with developmental disabilities, immigrants, at-risk youths, and in general, people and families with low income so more people will be able to receive services. The savings will also create employment opportunities for various at risk 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 strongly urge you to pass this legislation. Thank you for the opportunity to submit this written testimony.

Mahalo,



Emily Lau
Vice President of Mission Services
Goodwill Hawaii

**Testimony of The Nature Conservancy
Supporting SB 667 SD2 HD1, Relating to Nonprofit Organizations.**

**Committee on Consumer Protection and Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 329 & Videoconference**

Dear Chair Nakashima, Vice Chair Sayama, and Members of the Committee:

The Nature Conservancy (TNC) strongly supports SB 667 SD2 HD1, 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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COMMITTEE ON CONSUMER PROTECTION & COMMERCE
Chair Sayama and Vice Chair Amato
Thursday, March 23, 2023, 3:00 PM, conference room 329

Position: In Strong Support of SB 667 SD2, HD1 – Relating to Nonprofit Organizations

Dear Chair Yamashita, Vice Chair Kitagawa, and Members of the Consumer Protection and Commerce Committee:

Aloha United Way is in strong support of SB 667 SD2, HD1, which would align the State General Excise Tax (GET) law with federal IRS income tax code and exempt from GET income generated by a nonprofit for any "unrelated trade or business" as defined by the IRS, and exempt nonprofit organizations from paying GET on fundraising income.

Aloha United Way counts over 300 non-profit agencies as our partners. The majority hold annual fundraisers or depend on unrelated income to support their operation and costs not covered by government contracts or private funding. They are a primary source of unrestricted funds so essential to non-profit agencies to continue to meet the overall operating costs of the critical programs our community depends on. Non-profits already pay GET on all expenses they incur to host the fundraisers, and having to pay on both costs and income when the purpose is to further their tax-exempt missions, is removing hard earned funds from their purpose.

AUW strongly supports this bill to exempt fundraising event and unrelated incomes from the GET requirement. We are certain it will result in additional funds being directed into programs that have positive community impacts, including in our case AUW 211 information and referral line, the ALICE initiative, and funds for Safety Net services.

This cost is projected to cost the State less than \$1.5 million in GET collections, yet that amount will have an outsized impact in increasing event income by nearly 5% for hundreds of non-profits, and further helps hundreds of non-profits simplify their accounting and reduce operating costs by aligning with the clear and well established IRS income code.

This income is of vital importance to AUW and our partners. Every dollar our organization can raise is another dollar devoted to our tax exempt, charitable purposes. **Thank you for your consideration of this testimony and action to support non-profits and pass SB 667 SD2 HD1.**

Sincerely,

A handwritten signature in blue ink that reads "Suzanne Skjold".

Suzanne Skjold
Chief Operating Officer
Aloha United Way



**Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference**

SB 667, SD1, HD 1 Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

On behalf of Child & Family Service (CFS), I submit this letter in **strong support** of SB667, SD2, HD1 which would align the State General Excise Tax (GET) law with the federal IRS income tax code by exempting from the GET on 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 unrestricted fundraising income.

CFS is a local, "Hawaii-born," nonprofit dedicated to strengthening Hawaii's families since 1899. Our statewide programs are designed to prevent child abuse and neglect, help individuals and families heal from trauma, and help to end the intergenerational cycle of poverty. As a local nonprofit, 100% of the funds we raise is put to use right here in Hawaii through the work we do, the people we employ, and the goods and services we purchase on behalf of those we serve.

As the Chief Advancement Officer for CFS, I understand the challenges facing Hawaii's human service sector and sustainability is key to impacting families and communities during times of crisis. A human service organization does not have a *natural private donor base* and fundraisers give us the ability to diversify our income. As such, we are double-taxed—once on the goods and services we purchase for our fundraising events, and again when we pay tax on gross revenue. Over a 10-year fiscal period, CFS paid \$250,000 of unrestricted donor dollars to GET. This tax equated to \$25,000 per year which could have been invested in one of the following examples:

1. Provided tutoring and social emotional learning for 25 elementary through high school students.
2. Funded a part-time parent educator to help 10 families heal from trauma and thrive with tools to help break intergenerational poverty.
3. Supported the operating needs to ensure sustainability and quality of the organization.

When weighing the value of \$250,000 in tax revenue versus the impact these dollars could have on Hawaii's most vulnerable families, my hope is that you agree that thriving families are a worthwhile investment. I encourage your support to pass this legislation. Thank you for the opportunity to submit this written testimony.

Respectfully,

Anne Marie Rizzo
Chief Advancement Officer
Child & Family Service
91-1841 Fort Weaver Road
Ewa Beach, HI 96706



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 Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 329 & Videoconference

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

We are in **strong support** of SB 667, SD2, HD1 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 Hawaii. 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 Hawaii 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 Hawaii.

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 'Michelle Morihara'. The signature is fluid and cursive, with a long, sweeping underline.

Michelle Morihara
President, Board of Directors



March 22, 2023

**Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference**

RE: Testimony in support of SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

I am writing in **strong support** of SB 667, SD2, HD1 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.

For the past forty years, Hawai'i Foodbank has worked to fight hunger in Hawai'i. Through our network of more than 200 charitable agency partners, we work to provide food for the 1 in 6 Hawai'i residents facing food insecurity, including 1 in 4 children. Last year, we distributed 17.5 million pounds of food to an average of 122,000 individuals each month.

We support the passage of this bill as it would relieve the Foodbank 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 Foodbank would be able to devote the savings in GET directly back into our mission; every dollar would allow us to provide more than two meals back to our community.

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

Mahalo for your consideration,

A handwritten signature in black ink that reads "Amy Miller Marvin".

Amy Miller Marvin
President and CEO, Hawai'i Foodbank

Natalie J. Iwasa, CPA, Inc.

1331 Lunalilo Home Road

Honolulu, HI 96825

808-395-3233 Land Line

cpa@natalieiwasacpa.com

SUBJECT: SB 667, SD2, HD1, General Excise Tax for Nonprofit Organizations – **SUPPORT**

HEARING: 3 p.m. Thursday, March 23, 2023

Aloha Chair Nakashima and Committee Members,

Thank you for allowing the opportunity to provide testimony on SB 667, SD2, HD1, which would exempt nonprofit organizations from certain fundraising revenues by bringing the definition of such activities in line with federal unrelated trade or business activities.

Currently organizations whose programs include training, e.g., Habilitat, must pay general excise tax (GET) on their training program revenues, because they are considered fundraising by the state. This bill would simplify the law and make it easier for nonprofit organizations to determine which revenues are taxable.

Please vote “yes” on SB 667, SD2, HD1.

Dana E. Kokubun

4340 Pahoia Avenue #16D
Honolulu, HI 96822
Kokubund002@gmail.com

Testimony to the House Committee on Consumer Protection & Commerce

RE: SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

I am in **strong support** of SB 667, SD2, HD1 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 a grant writer supporting Hawaii nonprofits since 2012, I know first-hand of their constant struggle to raise funds to deliver services which benefit our community.

I support the passage of this bill as it would relieve nonprofits from having to pay general excise tax on fundraising income, which is of vital importance to funding charitable operations. This bill would also simplify 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 Hawaii nonprofits to increase programs and services to Hawaii residents.

Every dollar nonprofits must pay in general excise taxes is a dollar less that they can devote to our 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,

Dana E. Kokubun

Warm Regards,

Jordan Mitchell
CEO

www.vanarsdelltd.com | jordan@vanarsdelltd.com

VanArsdel, Ltd.

Taylor Phillips
5678 Main St
New York, NY 90210

September 16, 20XX

Dear Taylor Phillips,

Write the body of your letter here. To update any of the letter's information, select the text, and start typing.

Want to change fonts? Go to the Home tab and choose Fonts. You can use a built-in font combination or select one of your own.

You can also change the colors of the template to match your personal taste. Go to the Design tab and choose a color palette from the Colors menu. Hovering over the different palettes will show you what your document would look like with the new palette.

To change the color or font formatting back to the original settings, go to the Design tab, and select the Theme menu. From there, choose the option to reset the original template theme.

Warm Regards,

Jordan Mitchell
CEO

5678 Main St.
New York, NY 90210
212-555-0199

VanArsdel, Ltd.

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New York, NY 90210
212-555-0199

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5678 Main St
New York, NY 90210

September 16, 20XX

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To change the color or font formatting back to the original settings, go to the Design tab, and select the Theme menu. From there, choose the option to reset the original template theme.

Warm Regards,

Jordan Mitchell
CEO



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.
Hawai`i Children's Action
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 21, 2023

To: Representative Mark Nakashima, Chair,
And members of the Committee on Consumer Protection and
Commerce

TESTIMONY IN SUPPORT OF
SB 667 SD 2 HD 1 RELATING TO NONPROFIT ORGANIZATIONS

Hawaii Youth Services Network, a statewide coalition of youth-serving organizations, strongly supports SB 667 SD 2 HD 1 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

SB-667-HD-1

Submitted on: 3/21/2023 7:23:29 PM

Testimony for CPC on 3/23/2023 3:00:00 PM

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

Comments:

<p>I support SB667 SD2 HD1. Please support this bill.</p>

Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

I am in **strong support** of SB 667, SD2, HD1 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 a volunteer with various non-profit organizations I understand the hard work and dedication of the staff to provide many services to our community. They fill in the gaps for much needed services that government does not or cannot provide. Examples of this include early childhood education and childcare, after-school activities for children while their parents and caregivers work, caregivers for those who cannot care for themselves, services for victims of sexual and domestic violence, and many youth sports activities.

I support the passage of this bill as it would relieve non-profit organizations from having to pay general excise tax on fundraising income, which is of vital importance to funding their operations. This bill would also simplify their accounting of income since the IRS tax code is clear and well-established. If this bill is passed, the GET savings would allow non-profit organizations to keep 100% of the funds that they and their volunteers work hard to raise to provide services for the community, which as mentioned earlier are services that the state cannot adequately provide.

Every dollar that nonprofit organizations 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 SB 667, SD2 HD1. Thank you for the opportunity to submit this written testimony.

Mahalo,
Cynthia Okazaki
Volunteer

SB-667-HD-1

Submitted on: 3/22/2023 8:00:51 AM

Testimony for CPC on 3/23/2023 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Adriann Gin	Individual	Support	Written Testimony Only

Comments:

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

I am in **strong support** of SB 667, SD2, HD1 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 nonprofit organizations from having to pay general excise tax on our 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.

Every dollar nonprofit organizations 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,

Adriann

Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

I am in **strong support** of SB 667, SD2, HD1 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 work with conservation nonprofits in Hawai'i and funding is crucial to the much needed and critical work to save the remaining fragile and unique ecosystems and wildlife of our biodiverse island chain, Hawai'i is in desperate need to reverse the losses and change the current moniker of "The Endangered Species Capital of the World."

I support the passage of this bill as it would relieve Hawai'i wildlife conservation organizations from having to pay general excise tax on their already limited fundraising income, which is of vital importance to funding these charitable operations. This bill would also simplify the accounting of income since the IRS tax code is clear and well-established.

If this bill is passed, the GET savings would allow these conservation organization to focus the limited funds they raise to go directly to the urgent programs to protect Hawaii's natural resources that we all depend upon.

Every dollar these nonprofit organizations must pay in general excise taxes is a dollar less that can be devoted to the tax exempt, charitable mission and critical conservation programs.

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

Mahalo,
Linda Elliott
Wildlife Biologist
P.O. Box 506
Hāwī, HI 96719

MARSHA SCHWEITZER

905 Spencer Street #404
Honolulu, Hawaii 96822

808-531-6617 marsha.schweitzer@hawaiiantel.net

**Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference**

Bassoonist
Spring Wind Quintet

Music Publishing
Music For Winds

Arranger & Copyist
(ASCAP, ASMAC, ASMC)

Lecturer in Bassoon
University of Hawaii at Manoa

Secretary/Treasurer/Administrator
Live Music Awareness

Editor Emeritus
The Bugle
Senza Sordino
Ke Ola O Na Mele

Associate Principal Bassoon
Hawaii Symphony Orchestra
(retired)

Secretary-Treasurer
Musicians Association of Hawaii,
Local 677 AFM (retired)

Former Treasurer
Hawaiian Music Hall of Fame

Former Administrator
Mohala Hou Foundation

Founder and former General Manager
Chamber Music Hawaii

Author
The Arts from the Bottom Up

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the
Committee on Consumer Protection & Commerce,

I am in **strong support** of SB 667, SD2, HD1 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 intent of this legislation is entirely consonant with the public
policy rationale behind the creation of tax-exempt organizations in
federal law, and so should apply to all forms of taxation at the state
level as it applies to federal taxation. Here is commentary on the
public policy rationale, from my book, *The Arts from the Bottom Up*:

In *The Law of Tax-Exempt Organizations*, nonprofit legal authority Bruce Hopkins
writes that there are three sectors of American society—the public
(governmental) sector, the private sector, and the nonprofit sector. The nonprofit
sector bridges the other two, attracting private funds to support the public
interest objectives of government: “The nonprofit sector serves as an alternative
to the governmental sector as a means for addressing society’s problems.” This
“public policy rationale” has evolved as the primary reason for the creation of
charitable nonprofit, tax-exempt organizations in America.

Hopkins quotes the 1975 Commission on Private Philanthropy and Public Needs in
its reaffirmation of the public policy rationale: “While in most other countries, major social institutions such as
universities, hospitals, schools, libraries, museums, and social welfare agencies are state-run and state-funded, in
the United States many of the same organizations are privately controlled and voluntarily supported.” He also
quotes Alexis de Tocqueville, writing in *Democracy in America* (1835): “Wherever at the head of some new
undertaking you see the government in France, or a man of rank in England, in the United States you will be sure
to find an association.”

Concerning the relationship of nonprofits to government, Mr. Hopkins writes: “Some clues are found in the
definition of charitable activities in the income tax regulations, which are thought to be reflective of congressional
intent. The regulations refer to purposes such as relief of the poor, advancement of education and science,

erection and maintenance of public buildings, and lessening of the burdens of government.” ... “As this indicates, a subset of the public policy doctrine implies that tax exemption for charitable organizations derives from the concept that they perform functions that, in the absence of these organizations, government would have to perform. This view leads to the conclusion that government is willing to forego the tax revenues it would otherwise receive in return for the public interest services rendered by charitable organizations.”

In its testimony, HANO writes: “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.”

Please consider that the loss of GET revenue to the state will be more than made up in the value the government will realize from healthier, more stable nonprofits and more effective work across the nonprofit sector, allowing these organizations to better carry out the vital services to the public that would otherwise fall to government.

Mahalo,
Marsha Schweitzer

March 22, 2023

TO: Representative Mark Nakashima, Representative Jackson Sayama and Members of the House Consumer Protection Committee

RE: SB 667, SD2, HD1

Testimony in Strong Support

My name is Susan Slavish and I am a member of the Windward Choral Society, a small non-auditioned choral group that has been bringing choral music to Oahu for over 10 years. The mission of the Windward Choral Society is to promote the joy, love, appreciation, and value of multicultural music within the Windward O'ahu community and beyond. Our concerts, held several times each year, are free to the public.

We operate on a limited budget and depend on our donors and fundraising efforts to allow us to continue this important work and every dollar that we earn during fundraising is extremely important. Being exempt from the payment of State of Hawaii GET would maximize that fundraising effort.

Your passage of this legislation would be greatly appreciated.

Susan M. Slavish
Treasurer
Windward Choral Society

Testimony to the House Committee on Consumer Protection & Commerce
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference

SB 667, SD2, HD1, Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice Chair Sayama and members of the Committee on Consumer Protection & Commerce,

My name is Brooke Oyadomari, and I am an intern at the Epilepsy Foundation of Hawai'i currently attending graduate school at The University of Hawai'i at Mānoa.

I am in **strong support** of SB 667, SD2, HD1 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 Epilepsy Foundation of Hawai'i currently serves approximately 14,000 individuals with epilepsy which includes approximately 2,000 children. The mission of the Epilepsy Foundation of Hawaii is to lead "the fight to overcome the challenges of living with epilepsy and to accelerate therapies to stop seizures, find a cure and save lives." Some of the services currently provided are various seizure first aid trainings, annual epilepsy educational conferences, referrals to epilepsy healthcare professionals, and more.

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.

If this bill is passed, the GET savings we would see would allow the Epilepsy Foundation of Hawai'i to provide more education and awareness to the community with epilepsy and to provide funding for innovative research to save lives.

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,

Brooke Oyadomari
Epilepsy Foundation of Hawai'i Intern



**Testimony to the House Committee on Consumer Protection & Commerce
Representative Mark Nakashima, Chair
Representative Jackson Sayama, Vice-Chair
Thursday, March 23, 2023, 3:00 p.m.
Conference Room 415 & Videoconference**

SB 667, SD2, HD1 Relating to Nonprofit Organizations

Dear Chair Nakashima, Vice-Chair Sayama and members of the Committee on Consumer Protection & Commerce:

On behalf of the Hawai'i Alliance of Nonprofit Organizations (HANO), I would like to thank you for hearing **SB 667, SD2, HD1**. 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 has met with the current Department of Tax Director and clarified this 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-HD-1

Submitted on: 3/23/2023 1:26:40 PM

Testimony for CPC on 3/23/2023 3:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Shingayi Masiya	Pacific Whale Foundation (PWF)	Support	Written Testimony Only

Comments:

Aloha Chair Nakashima, Vice Chair Sayama, and Members of the Committee,

On behalf of Pacific Whale Foundation (PWF), a nonprofit with nearly 4,000 members, whose mission is to protect the ocean through science and advocacy and inspiring environmental stewardship, we stand in **Support** of Senate Bill 667, Relating to Nonprofit Organizations.

By exempting nonprofits from the GET tax, more funding can serve our community and continue our mission to protect the ocean. Every dollar that nonprofits must pay in general excise taxes is a dollar less than we can devote to our tax-exempt, charitable missions and programs.

Pacific Whale Foundation respectfully asks the committee to take favorable action on SB 667. Mahalo for the opportunity to provide testimony on this measure.