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# A BILL FOR AN ACT

RELATING TO GENERAL EXCISE TAX EXEMPTIONS.

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

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

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

8           "§237-           Nonprofit schools; additional amounts not  
9 taxable. (a) In addition to the amounts exempt under section  
10 237-24, this chapter shall not apply to the gross proceeds or  
11 gross income arising from a sale that benefits a nonprofit  
12 school, if the sale is made by either:

- 13           (1) A nonprofit school; or  
14           (2) A school-sponsored student activity group.  
15           (b) As used in this section:

16           "Nonprofit school" means an organization that is:



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1       (1) Recognized by the Internal Revenue Service as a  
2       charitable organization that is organized and operated  
3       exclusively for educational purposes and is exempt  
4       from federal taxation under section 501(c)(3) of the  
5       Internal Revenue Code of 1986, as amended; and

6       (2) Registered and in good standing with the State and is  
7       exempt from the application of this chapter pursuant  
8       to section 237-23(a)(4).

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

15      "School-sponsored student activity group" means a group  
16      connected to and under the control of a nonprofit school.

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



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1 SECTION 3. New statutory material is underscored.

2 SECTION 4. This Act shall take effect on January 1, 2026.

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INTRODUCED BY: *Nedra K. Parker*

BY REQUEST

JAN 23 2025



# H.B. NO. 1437

**Report Title:**

General Excise Tax Exemption; Nonprofit Schools

**Description:**

Establishes a general excise tax exemption on the gross proceeds or gross income received from sales of commodities or services that benefit nonprofit schools. Effective 1/1/2026.

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