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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 nonprofit school-sponsored student activity group.  
15 (b) As used in this section:  
16 "Nonprofit school" means an organization that is:



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 department of  
7       taxation and is exempt from the application of this  
8       chapter pursuant 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 nonprofit school-sponsored student activity  
13      group, are donated to the nonprofit school and are used  
14      exclusively to further the nonprofit school's tax exempt  
15      purpose.

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

18      "Nonprofit school-sponsored student activity group" includes  
19      student government; athletic, math, and debate teams; band,  
20      orchestra, choir, drama, and other performing groups; foreign  
21      language clubs; honor societies; pep squads; and other student



1 activity groups that come under the control of the nonprofit  
2 school."

3 SECTION 3. New statutory material is underscored.

4 SECTION 4. This Act shall take effect on January 1, 3000.



**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 1/1/3000. (HD1)

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