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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 with and in possession of a tax clearance
- 7       certificate from the department of taxation and is
- 8       exempt from the application of this chapter pursuant
- 9       to section 237-23(a)(4).

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

12 "Nonprofit school-sponsored student activity group" includes:

- 13       (1) Student government;
- 14       (2) Athletic, math, and debate teams;
- 15       (3) Band, orchestra, choir, drama, and other performing
- 16       groups;
- 17       (4) Foreign language clubs;
- 18       (5) Honor societies;
- 19       (6) Pep squads; and
- 20       (7) Other student activity groups that come under the
- 21       control of the nonprofit school.



1        "Sale that benefits a nonprofit school" means a sale of a  
2 commodity or service from which all proceeds of the sale, less  
3 only the actual cost of the commodity or service to the  
4 nonprofit school or nonprofit school-sponsored student activity  
5 group, are donated to the nonprofit school and are used  
6 exclusively to further the nonprofit school's tax exempt  
7 purpose."

8        SECTION 3. New statutory material is underscored.

9        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. (HD2)

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