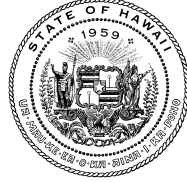


NEIL ABERCROMBIE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR



LATE

FREDERICK D. PABLO
DIRECTOR OF TAXATION

JOSHUA WISCH
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1530
FAX NO: (808) 587-1584

To: The Honorable David Y. Ige, Chair
and Members of the Senate Committee on Ways and Means

Date: Tuesday, January 30, 2013
Time: 9:00 a.m.
Place: Conference Room 211, State Capitol

From: Frederick D. Pablo, Director
Department of Taxation

Re: S.B. 1185 Relating to Denial of General Excise Tax Benefits

The Department of Taxation (Department) strongly supports S.B. 1185 and provides the following information and comments for your consideration.

Hawaii Revised Statutes (HRS) sections 237-9.3 and 237-41.5 currently define "nonprofit organization" by making specific references to Internal Revenue Code sections 501(c)(2), (c)(3), (c)(4), and (c)(8). These references, however, are not consistent with HRS section 237-23 which sets forth the entities which are exempt from general excise tax.

This bill amends the definition of "nonprofit organization" to reference HRS section 237-23(a)(3) through (a)(7). The Department believes that this amendment is consistent with the legislative intent of providing certain exemptions under HRS sections 237-9.3 and 237-41.5 to nonprofit organizations exempted from general excise tax. If approved, this bill will allow the affected statutes to be read more consistently and clearly.

Thank you for the opportunity to provide comments.