



February 16, 2010

Chair Marcus Oshiro
House Finance Committee
Hawaii State House of Representatives
State Capitol, Room 308
Honolulu, HI 96813

RE: HB 2878, Relating to Taxation

Dear Chair Oshiro, Vice-Chair Lee and members of the House Finance Committee:

The Hawai'i Alliance of Nonprofit Organizations, a statewide professional association working to support Hawaii nonprofits, staunchly opposes HB 2878, which repeals the general excise tax exemption for non-religious charitable organizations.

Nonprofits are already reeling from the impacts of state budget cuts. They have been expected to find alternative ways to sustain their operations and deliver critical safety net and social welfare services. **Many of these organizations look to other revenue sources to offset these losses in the form of earned income, fundraisers and membership drives, but will be further hindered by general excise tax obligations under this proposed bill.**

Nonprofits are tax-exempt because they provide a social good that government would otherwise furnish. Nonprofits are able to provide these services more cost-effectively than the state, but taxing them would add tremendously to their costs, resulting in a cutback to services.

This far-reaching bill would have dire implications on all types of nonprofits—health and human services, environmental groups, arts and culture organizations, private schools, civic and think tank groups, intermediary associations, and many more. This, at a time when donations, grants and contracts are being cut, unemployment is surging and the community is pleading for more nonprofit services, such as health care, food, shelter, child and elderly care. **The costs will come back to the state full circle, two-fold in the form of more expensive crisis response services, as a result of this taxation of the nonprofit sector.**

The public wants their charitable contributions to go for community services, not taxes. Taxing these organizations has the effect of discouraging giving and volunteering. Our community needs more of what these organizations and volunteers do, not less.

We strongly oppose this measure and ask you to hold this bill. Thank you for the opportunity to provide testimony.

Lisa Maruyama
President and CEO