

STATE OF HAWAII — DEPARTMENT OF TAXATION
INSTRUCTIONS FOR FORM G-6 AND FORM G-6S
Application for Exemption From General Excise Taxes

GENERAL INSTRUCTIONS

PURPOSE OF FORM

Use Form G-6 or G-6S to apply for an exemption from the general excise tax (GET) based on an organization's tax exempt status recognized by the Internal Revenue Service (IRS) under specific sections of the Internal Revenue Code (IRC) as indicated below, and as provided for under Chapter 237, Hawaii Revised Statutes (HRS).

Organizations that file an application with and who receive approval from the Department of Taxation (Department) may claim a GET exemption on their gross receipts from their fraternal, religious, charitable, scientific, educational, communal, or social welfare activities, or from their activities as a hospital, infirmary, sanitarium, or potable water company as described under HRS §237-23(b).

WHICH FORM TO FILE

Form G-6S - Use this form if the organization (but not a subordinate organization) is applying within three years from the date the organization received or applied for a federal income tax exemption as an organization described under IRC §§501(c)(3), (4), (6), (8), or a potable water company exempt under IRC §501(c)(12).

Form G-6 - All other organizations **must** use Form G-6 including:

- Subordinate Organizations (see Subordinate Organizations below for more information).
- Organizations that filed federal Form 1023, 1024, or 1024-A **more than three years** before this application was made.
- Organizations that filed federal Form 1023-EZ.
- IRC §501(c)(5) agricultural or horticultural organizations.

Subordinate Organizations

A subordinate organization is a chapter, local, post, or unit of a central organization (e.g., a church or the Boy Scouts). A subordinate organization may or may not be incorporated, but it must have an organizing document.

A central organization is an organization that has one or more subordinates under its general supervision or control. A central organization may be a subordinate itself, such as a State organization that has subordinate

units and is itself affiliated with a central (national) organization.

A group exemption letter issued by the IRS is the document that grants an exemption from federal income tax. The letter issued to the central organization may or may not cover subordinate organizations.

A. Group Exemption letter

If the group exemption letter issued by the IRS covers the subordinate organization, submit a copy of the letter along with a completed Form G-6.

B. No Group Exemption Letter

First, the subordinate organization should verify with the central organization that it is not covered under the group exemption letter issued by the IRS. If it is not covered, ask the central organization to include the subordinate organization in the next annual group ruling update that it submits to the IRS. A conditional approval of Form G-6 may be granted until the subordinate organization can show that it is included in the central organization's group exemption.

WHEN TO FILE

If you are a Hawaii organization and you file your application within three months from the date you were legally formed and your application is approved, then your GET exemption will be effective on the date you were legally formed.

If you are an out-of-state organization and you file your application within the first three months of your activity in Hawaii and your application is approved, then your GET exemption will be effective on the date you began your activity in Hawaii.

If you do not fall into either of these categories and your application is approved, then your GET exemption will be effective on the date your application is filed with the Department.

Gross receipts received prior to the effective date of the GET exemption will not be covered under the exemption and may be subject to the GET. Retroactive approval may be granted in certain cases. See the instructions for line 12C for more information.

SPECIFIC INSTRUCTIONS

IS YOUR APPLICATION COMPLETE?

Use the "Is Your Application Complete?" checklist on page 4 to ensure you are submitting a complete application with the required attachments.

SIGNATURE AND TITLE

Form G-6 or G-6S must be signed and dated by an officer or person with a valid power of attorney.

WHERE TO FILE

Mail the completed application and the required attachments to:

Hawaii Department of Taxation
Technical Section
P. O. Box 259
Honolulu, HI 96809-0259

TELEPHONE NUMBER: 808-587-1577

PROCESSING TIME: Processing of Form G-6 or G-6S will usually take approximately six to eight weeks from the date the complete application is received by the Department.

LINE-BY-LINE INSTRUCTIONS

FORM G-6 AND FORM G-6S LINES 1 THROUGH 12D

The instructions for completing lines 1 through 12D are the same for Forms G-6 and G-6S. The instructions for completing the rest of Form G-6 are on page 3. The instructions for completing the rest of Form G-6S are on page 4.

Line 1. Enter your nine-digit federal employer identification number (FEIN).

Line 2. Enter your GET Hawaii identification number. If you do not have a GET license, leave this space blank.

Line 3. Enter your full name exactly as it appears in your articles of incorporation or other organizing document, including amendments.

Line 4. If you have an "in care of" name, enter it here.

Line 5. Enter your mailing address where all correspondence will be sent.

Line 6. Enter your business address where your records are kept.

Line 7. Enter your website address if you have one.

Line 8. Enter the date (month, day, year) you began your activities in Hawaii. Subordinate organizations are to enter the date their Hawaii activity began, whether or not that date is the same as the date of inception.

Line 9 items a, b, and c. Enter the name, title, daytime telephone number (including the area code), and e-mail address of your primary contact person in the designated spaces. Your primary contact must be an officer, director, trustee, or other person authorized

to discuss your application including any attachments with the Department. All correspondence regarding your application will be addressed to the contact person. If your primary contact is an authorized representative, submit Form N-848.

The organization may authorize the Department to provide the approval letter and exemption certificate to the organization's financial or legal advisor instead of the contact person. Photocopy charges will apply to requests for copies of these documents.

Line 10. Check the appropriate box to indicate the HRS section under which the organization is applying for a GET exemption. Only organizations which are described below may apply for a GET exemption.

Section 237-23(a)(3), HRS: "Fraternal benefit societies, orders, or associations, operating under the lodge system, or for the exclusive benefit of the members of the fraternity itself, operating under the lodge system, and providing for the payment of death, sick, accident, a prepaid legal service plan, or other benefits to the members of such societies, orders or associations, and to their dependents."

Section 237-23(a)(4), HRS: "Corporations, associations, trusts, or societies organized and operated exclusively for religious, charitable, scientific, or educational purposes, as well as that of operating senior citizens housing facilities qualifying for a loan under the laws of the United States as authorized by section 202 of the Housing Act of 1959, as amended, as well as that of operating a legal service plan, as well as that of operating or managing a homeless facility, or any other program for the homeless authorized under part XVIII of chapter 346."

Section 237-23(a)(5), HRS: "Business leagues, chambers of commerce, boards of trade, civic leagues, agricultural and horticultural organizations, and organizations operated exclusively for the benefit of the community and for the promotion of social welfare that shall include the operation of a legal service plan, and from which no profit inures to the benefit of any private stockholder or individual."

Section 237-23(a)(6), HRS: "Hospitals, infirmaries, and sanitarium."

Section 237-23(a)(7), HRS: "Companies that provide potable water to residential communities that lack any access to public utility water services and are tax exempt under section 501(c)(12) of the Internal Revenue Code of 1986, as amended."

Line 11. Check the appropriate box to indicate the IRC section under which the organization has received or has applied for a federal income tax exemption.

Line 12. All items MUST Be Submitted With the Completed Application

A. \$20 Registration Fee — There is a one-time \$20 registration fee that must be paid with your application unless you have already paid it. Make your check/money order payable to: HAWAII STATE TAX COLLECTOR. If you have a GET license and have already paid the \$20 registration fee, enter your GET Hawaii Tax I.D. number on line 2. You do not have to pay the fee again. If you have an employer's withholding I.D. number but not a GET license, you must pay the \$20 registration fee with this application since there is no fee for acquiring an employer's withholding identification number.

B. IRS Determination Letter Granting Federal Tax Exemption — If you have received your IRS determination letter granting you a federal income tax exemption, submit a copy of the letter. If you have applied for, but have not received your IRS determination letter, enter the date you filed your federal Form 1023, 1023-EZ, 1024, or 1024-A application with the IRS. If you have not submitted an application with the IRS, enclose a statement explaining why. (*Note: Churches, their integrated auxiliaries, and conventions or associations of churches, or any organization (other than a private foundation) normally having annual gross receipts of not more than \$5,000 are not required to apply for recognition of exempt status with the IRS, therefore, they are not required to submit the IRS determination letter.*)

The Department may approve your application on a conditional basis, but you must submit a copy of your IRS determination letter to the Department to receive permanent approval. If you do not submit your IRS determination letter or you receive an unfavorable determination, the Department will rescind its approval.

If the organization is covered under a group exemption granted by the IRS to a central organization, submit (1) a copy of the IRS letter granting the central organization a group exemption from the federal income tax, and (2) a letter from the central organization stating that the subordinate organization is included in the IRS group exemption letter.

If the organization is a subordinate controlled by a central organization

(e.g., a church or the Boy Scouts), check with the central organization to see if it has been issued a group exemption letter that covers the subordinate organization. If the group exemption letter does not cover the subordinate organization, ask the central organization to include it in the next annual group ruling update that it submits to the IRS. A conditional approval of this application for exemption from GET may be granted until the subordinate organization can show that it is included in the central organization's group exemption letter.

C. Statement to Request Retroactive Approval — The Department may grant retroactive approval if the organization can show that it acted reasonably and in good faith and that granting retroactive approval will not prejudice the interests of the Department. If you would like to request retroactive approval, provide an affidavit stating:

- (1) The requested effective date;
- (2) whether or not your application was filed before the Department discovered that you did not file an application;
- (3) whether or not you are under examination or audit for the periods within the retroactive request; and
- (4) the reasons your application was not timely filed including a description of the events that led to your failure to file an application and to the discovery of the failure to file. For example:
 - (a) You inadvertently failed to file the application because of certain intervening events beyond your control;
 - (b) You, after exercising reasonable diligence (taking into account your experience), were unaware of the necessity for filing the application;
 - (c) You reasonably relied on the written advice of the Department; or
 - (d) You reasonably relied on a qualified tax professional, including a tax professional employed by the organization, and the tax professional failed to file or advise you to file the application. If you relied on a qualified tax professional for advice, your affidavit must describe the engagement and responsibilities of the professional as well as the extent to which the or-

organization relied on the professional.

The affidavit must be accompanied by a dated declaration, signed by an authorized representative of the organization, which states "Under penalties provided by section 231-36, HRS, I declare that I have examined this request, including accompanying documents, and, to the best of my knowledge and belief, the request contains all the relevant facts relating to the request, and such facts are true, correct, and complete." The individual who signs for the organization must have personal knowledge of the facts and circumstances at issue.

D. Form BB-1 — In certain circumstances (as explained below), you are required to obtain a GET license and file GET returns even if you qualify for a GET exemption. Failure to do so may result in the loss of all or part of your GET tax benefits pursuant to HRS §237-9.3. See Tax Information Release Nos. 2010-05 and 2011-04 for more information. You must submit Form BB-1, State of Hawaii Basic Business Application, to obtain a GET license and file GET returns if:

(1) you are/will engage in any "fundraising activities" (i.e., activities conducted with the primary purpose of generating income, and that are outside of your stated exempt purpose). The gross receipts from "fundraising activities" (e.g., golf tournaments, bake sales, car washes, silent auctions, etc.) are subject to the GET; and/or

(2) you have unrelated trade or business income; and/or

(3) you are *required* to file federal Form 990, 990-EZ, or 990-T.

COMPLETING FORM G-6

In addition to completing lines 1 - 12D, line 12 items E, F, and G **MUST** be submitted with your application:

E. and F. Articles of Organization & Amendments — Submit an executed copy of your articles of incorporation, articles of association, constitution, trust instrument, or any other written instrument including any amendments by which the organization is created and sets forth the purposes of the organization. A subordinate organization may or may not be incorporated, but it must have an organizing document.

G. Bylaws and amendments — Submit an executed copy of your bylaws and any amendments to the bylaws. If

you do not have any bylaws, provide a written statement to this effect.

SCHEDULE INSTRUCTIONS

NOTE: SCHEDULES A, B, C, and D MUST BE COMPLETED.

SCHEDULE A — STATEMENT OF ORGANIZATION:

Date of Inception. Enter the date (month, day, year) the organization was legally created. This date should be consistent with your organizing document.

Under the Laws of. Enter the state or foreign country where the organization was legally created.

Name of the Central Organization. If part of a central (national) organization, indicate the name of the central organization.

Organization's Accounting Year End. Enter the month and day the organization's annual accounting period ends.

Character of Organization. Indicate the character of the organization, for example: educational, scientific, business league, civic league, or an organization for the promotion of social welfare.

Purpose for Which Organized. Fully describe the purpose for which the organization was formed. When describing the organization's purpose and actual activities in Hawaii, do not merely repeat the purpose clause from the articles of organization.

Actual Activities in Hawaii. Fully describe the organization's activities, including fundraising activities, who conducts the activities, when and where they take place, how it relates to its purpose, and how it is funded.

Types of Income. Fully describe the types of income (e.g., donations, grants, program fees) that the organization receives and the Hawaii activity (e.g., donation solicitation, educational activities, charitable programs) that generates each type of income.

Disposition of Income. Fully describe how the organization uses its income.

Date of Last Amendment to Bylaws. Enter the date of the last amendment to the bylaws (if any).

SCHEDULE B — LIST OF OFFICERS, DIRECTORS OR TRUSTEES:

List the full name, address, daytime telephone number (including the area code), office held, salary, and time devoted to duties for each officer, director, or trustee, as applicable. Attach a separate sheet if more space is needed.

SCHEDULE C — COMPARATIVE BALANCE SHEET FOR HAWAII ACTIVITIES:

The comparative balance sheet must show your Hawaii assets, liabilities, and net worth for your last two completed tax years. If your organization was recently formed and has not completed a full tax year, enter the most current information available in column (B). Be sure to enter the date(s) for the information provided. If the organization was recently formed and has not acquired any assets or incurred any liabilities, please state this on Schedule C.

If you are engaging in activities both within and without of Hawaii, including a central (national) organization that is opening or establishing a Hawaii chapter, the organization must provide a comparative balance sheet from Hawaii activities only. If no assets or liabilities are from Hawaii activities, you should state this on Schedule C.

If you are a church that operates a preschool or day-care center, a comparative balance sheet for the preschool or day-care center must be provided in addition to and separate from the comparative balance sheet for the church.

SCHEDULE D — COMPARATIVE STATEMENT OF RECEIPTS AND DISBURSEMENTS FOR HAWAII ACTIVITIES:

The comparative statement of receipts and disbursements must show an itemized statement of receipts and disbursements for your Hawaii activities for the last two completed tax years. If you recently started your activity in Hawaii or were recently formed (less than two complete years of activity in Hawaii), prepare a projected budget of anticipated income and related expenses for your Hawaii activities for 2 years. The statement should be a compilation of receipts and expenses for the year, not a listing of checks and deposits.

If you are engaging in business both within and without Hawaii, including a central (national) organization that is opening or establishing a Hawaii chapter, you must provide a comparative statement of receipts and disbursements from Hawaii activities only. If no receipts and disbursements are from Hawaii activities, you should state this on Schedule D.

If you are a church that operates a preschool or day-care center, a comparative statement of receipts and disbursements for the preschool or day-care center must be provided

in addition to and separate from the comparative statement of receipts and disbursements for the church.

COMPLETING FORM G-6S

In addition to completing lines 1 - 12D, line 12 item E MUST be submitted with your application:

E. Federal Form 1023, 1024, or 1024-A — If you are an organization described in IRC §501(c)(3), submit a signed copy of the federal Form 1023, including all attachments such as the organization's articles of incorporation and bylaws, that you filed with the IRS.

If you are an organization described in IRC §501(c)(4), submit a signed copy of the federal Form 1024-A, including all attachments, that you filed with the IRS. If you are an organization described in IRC §§501(c)(6), (8), or (12) (potable water company), submit a signed copy of the federal Form 1024, including all attachments, that you filed with the IRS.

If the federal Form 1023, 1024 or 1024-A was filed more than three years before this application is made, or Form 1023-EZ was filed, Form G-6S may not be used. You must use Form G-6.

Line 13. List the Organization's Hawaii activities and related income from those activities.

In the left column, list the organization's Hawaii income-generating activities (e.g., educational programs, social services, garage sales, donation solicitation). Then, in the right column, list the types of income (e.g., program fees, state grants, proceeds from garage sales, donations) that the organization receives from each activity. Examples are printed on line 13.

Is Your Application Complete?

Your application must be completed and submitted with the required attachments as noted below. If your application is incomplete or missing any of the required attachments, the processing of your application will be delayed and/or your exemption request may be denied.

A. All applicants must submit the following with their applications:

- Check/money order for the registration fee or if the fee was paid provide your GE Hawaii Tax I.D. number.
- A copy of your IRS determination letter, or the date it was requested if you have not received it, or a statement explaining why it was not requested.
- Statement to request retroactive approval (if requesting).
- Form BB-1, State of Hawaii Basic Business Application (if applicable).
- Form N-848, Power of Attorney (if needed).

B. In addition to the items listed in section A, Form G-6 applicants must submit the following:

- A completed Form G-6 including all schedules as noted below:
 - Schedule A, Statement of Organization.
 - Schedule B, List of Officers, Directors or Trustees.
 - Schedule C, Comparative Balance Sheet for Hawaii Activities.
 - Schedule D, Comparative Statement of Receipts and Disbursements for Hawaii Activities.
- Have an authorized person sign, date, and print his/her name and title on the application.
- Organizing document (e.g., Articles of Incorporation) including amendments.
- Current bylaws and any amendments.
- If federal Form 1023-EZ was filed, then submit a signed copy of your federal Form 1023-EZ **including ALL attachments** that was filed with the IRS.

C. In addition to the items listed in section A, Form G-6S applicants must include the following:

- A completed Form G-6S. (Remember to complete page 2.)
 - Have an authorized person sign, date, and print his/her name and title on the application.
 - A signed copy of your federal Form 1023, Form 1024, or Form 1024-A **including ALL attachments** that was filed with the IRS.
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