General Excise Tax Information for Churches and Ministers

This Tax Facts provides general information about the application of the general excise tax (GET) to churches and ministers. For the tax treatment of nonprofit organizations in general, see Tax Facts No. 98-3, “Tax Information for Nonprofit Organizations.”

1 How do we apply for exemption from GET?

Churches generally qualify for exemption from GET under section 237-23(a)(4), Hawaii Revised Statutes (HRS).

To apply for a GET exemption, complete Form G-6, Application for Exemption From General Excise Taxes, or Form G-6S, Application for Exemption From General Excise Taxes (Short Form), and submit the application, copies of the articles of organization, by-laws, Internal Revenue Service determination letter, and $20 registration fee to the Technical Section. The $20 fee is waived if you applied for a GET license and paid the $20 license fee at that time.

A letter and a certificate will be sent to you upon approval. Both the letter and the certificate should be kept as part of your permanent records.

2 If a central organization has a number of subordinate organizations, can the central organization file one GET exemption application?

The exemption from GET obtained by the central organization will cover itself, but will not apply to any separately organized subordinate organizations.

The GET is imposed on any entity under the law (for example, corporation, limited liability company, and association). Therefore, subordinate organizations that treat themselves as entities separate and apart from the central organization must get their own GET exemption. Factors such as having its own organizing documents, checking account, and EIN, indicate separate entity treatment.

3 If we receive tax-exempt status for GET purposes, is all of our income exempt from GET?

No. Getting a tax exemption from GET does not mean that all of your income is exempt from the tax. The organization is exempt from paying GET on income that (a) is derived from its activities that fulfill its exempt function as a religious organization and (b) does not have as a primary purpose the production of income.

Note: Gross income from activities that fail to meet one or both conditions for exemption will be subject to GET even if all of the money raised will be used for the organization’s religious activities.

4 What types of income are exempt from GET?

If a church is recognized as tax-exempt for GET purposes, the following types of income may be exempt:

- donations
- interest earned on federally insured bank accounts, including certificates of deposit, into which the organization’s funds have been placed for “safe keeping” (as opposed to a trade or business activity)
- fees for religious seminars
- sales of religious items
- tuition from church operated schools

5 If we are registered as tax-exempt under the GET Law, are we also exempt from paying the GET when we buy goods and services?

No. Because the GET is levied on the business that is receiving the income and not on the customer, a for-profit business is subject to GET on their income from selling goods and services.
to you. Therefore, the business may visibly pass on the GET to you when you buy goods and services.

Getting a GET exemption means that you do not have to pay GET on certain types of income that you receive.

6 What are examples of income subject to GET?

Generally, income from fundraising activities such as bake sales, rummage sales, car washes, and the rental of church facilities is subject to the 4% GET (plus any applicable county surcharge).

7 If we are tax-exempt for GET and all of the fundraising proceeds are used for our organization's religious activities, why are we subject to GET on the fundraising income?

When determining whether income is subject to GET, the Hawaii Department of Taxation must look at the activity which generated the income rather than what the organization does with the income. The GET exemption does not apply to activities conducted with the primary purpose of generating income, regardless of how the income is used.

If you engage in a for-profit business activity, then you will be taxed in the same manner in which a for-profit business would be taxed on that same activity. It is not the intent of the law for tax-exempt organizations to unfairly compete with for-profit businesses.

8 Is the sale of donated goods at our rummage sale exempt from GET?

No. The sale of donated goods by a church is an activity in which the primary purpose is to produce income. Therefore, the gross income derived from the activity is subject to the 4% GET (plus any applicable county surcharge). For more information, see Tax Information Release (TIR) No. 91-2, “Taxability of Gross Proceeds Received by a Nonprofit Organization From the Sale of Donated Services or Tangible Personal Property.”

9 If we hold a “free” car wash at which people are asked to give a donation, is the money donated at the car wash exempt from GET?

No. Although the car wash is advertised as a “free” service, the actual intent of the car washing activity is to raise funds. As a fundraising activity, it is reasonable to expect that those having their cars washed would pay a certain amount for that service. The income received is subject to the 4% GET (plus any applicable county surcharge).

10 If an organization uses our church facilities and gives us a "donation," is the "donation" exempt from GET?

No. Many church facilities are made available for use by other organizations, individuals, or community groups. In general, when a church rents its facilities to others, it is considered to be engaging in a business activity even if the rent may be a cost recovery amount. Therefore, if a church offers the use of its facilities in exchange for a “donation,” the receipt will be treated as rental income subject to the 4% GET (plus any applicable county surcharge).

11 What qualifies as a donation that is exempt from GET?

A donation is a gift that is voluntarily made without receiving or expecting to receive anything in return. Under the GET Law, there is an exemption for the value of all property that is received by gift, bequest, or inheritance.

Whether something is a true donation depends on the circumstances of the activity involved and not the name given to the transaction.

12 Is the gross income received from performing traditional wedding ceremonies exempt from GET?

Yes. In performing traditional wedding ceremonies, a church is conducting an activity that is religious in nature. Accordingly, income received from the conduct of these ceremonies is generally considered exempt from GET.

13 Is the gross income received from performing tourist wedding ceremonies exempt from GET?

The test is whether the primary purpose of the tourist wedding activity is religious or fundraising in nature. If fundraising, the income received from the activity will be subject to the 4% GET (plus any applicable county surcharge). This determination is made on a case-by-case basis taking into account all of the facts involved.

For example, if the ceremony performed is in fact a wedding (as opposed to a reenactment of one) conducted on church premises by the church minister, priest, or other officiant, then the activity...
will be considered religious and not income-producing. On the other hand, if the weddings are arranged, packaged and conducted through a commercial entity without church involvement other than making available the use of church premises, the wedding activity will be considered fundraising in nature. Even though the wedding activity may be conducted by the church minister, priest, or other officiator, the activity can take on a commercial hue that is so predominant as to render it fundraising in nature (considering the size and frequency of the activity, how the activity is marketed, the amount of time and resources expended, and the amount of revenues derived from the activity).

14 **Is the honoraria or fee that the minister, priest, or other officiator receives for performing the wedding ceremony subject to GET?**

Yes. In general, the honoraria or fee that the minister, priest, or other officiator receives for performing the wedding ceremony is subject to the 4% GET (plus any applicable county surcharge). However, where the honoraria or fee is turned over intact to the church and the wedding ceremony is not viewed as primarily fundraising, then the gross income will not be subject to GET.

15 **Is compensation that the minister receives from a church and reported on federal Form 1099-MISC subject to GET?**

No. Compensation that a duly ordained, commissioned, or licensed minister receives from a church for performing ministerial services is considered to be wages and is exempt from GET under section 237-24(6), HRS.

16 **Is the rental allowance that the minister receives as part of the minister's compensation subject to GET?**

No. The rental allowance that the minister receives as part of the minister's compensation is not subject to GET. Also, the rental allowance is not subject to income tax under Internal Revenue Code section 107.

17 **Where can I get additional information about the application of the GET to nonprofit organizations?**

For more information, see the following publications:

- The brochure, “An Introduction to the General Excise Tax”
- Tax Facts No. 37-1, “General Excise Tax (GET)”
- Tax Facts No. 98-3, “Tax Information for Nonprofit Organizations”
- TIR No. 89-13, “Application for Exemption from the Payment of General Excise Taxes for Nonprofit Organizations”
- TIR No. 91-2, “Taxability of Gross Proceeds Received by a Nonprofit Organization From the Sale of Donated Services or Tangible Personal Property”
- TIR No. 91-4, “Hawaii Tax Obligations of Nonprofit Organizations”

**Where to Get Forms and Information**

Website: [tax.hawaii.gov](http://tax.hawaii.gov)
Telephone: 808-587-4242
Toll-Free: 1-800-222-3229
Telephone for the hearing impaired: 808-587-1418
Toll-Free for the hearing impaired: 1-800-887-8974

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