



DEPARTMENT OF TAXATION

STATE OF HAWAII

Honolulu, Hawaii

February 13, 1969

TAX INFORMATION RELEASE

NO. 21-69

RE: GENERAL EXCISE TAX AND REAL PROPERTY TAX EXEMPTIONS AS APPLICABLE TO PRE-SCHOOLS OR DAY-CARE CENTERS OPERATED BY CHURCHES

Advice has been requested as to whether income from church operated pre-schools or day-care centers are exempt from the general excise and real property taxes.

Section 237-23 of the general excise tax law, Chapter 237, HRS, as amended, provides that the general excise tax shall not apply to corporations, associations or societies organized and operated exclusively for religious, charitable, scientific or educational purposes.

However, Section 237-23 further provides that the exemption shall apply only to fraternal, religious, charitable, scientific, educational, communal or social welfare activities of such persons and not to any activity the primary purpose of which is to produce income even though such income is to be used for or in furtherance of the exempt activities of such persons.

Section 237-23 also provides that in order to obtain an exemption, an application for exemption shall be filed in the form of an affidavit setting forth in general all facts affecting the right to the exemption and such particular facts as the director may require to which shall be attached such records, papers and other information as the director may prescribe.

Many churches in Hawaii operate pre-schools or day-care centers as part of their religious and educational activities and on a cost basis without profit.

Any church or other nonprofit organization, operating such pre-schools or day-care centers as part of their religious or educational activities and on a cost basis without any objective for profit may qualify for exemption but must file an application (Form G-6) with the Department of Taxation to obtain such an exemption.

In addition to the data required of the sponsoring organizations in the application, complete statements of income and expenditures of the pre-school or day-care center activity for the past two years must be furnished. Budget statements will be required of pre-schools and day-care centers not yet in operation or not in operation for two years. Brochure on the pre-school or day-care center,

including rates schedules, operating policies, religious and educational training program, must be submitted with the application. An affidavit signed by an official of the church to the effect that the operations are a part of the religious and educational activity of the church and will be operated on a cost basis must also be attached.

Further, Section 246-32 of the real property tax law, Chapter 246, HRS, as amended, provides that property used for church purposes, including incidental activities, parsonages and church grounds shall be exempt from the real property tax. Section 246-32 also provides that such exempt property must be exclusively used for nonprofit purposes.

Therefore, the operation of a pre-school or a day-care center by a church as part of its religious and educational activities on a nonprofit basis shall be deemed to be an incidental activity of the church for real property tax purposes. Accordingly, such property used for this activity shall also be exempt from the real property tax as property used for church purposes under Section 246-32, Chapter 246, HRS, as amended.

Information and data furnished in the application for exemption from the general excise tax shall be used in determining whether the property used by a church for the pre-school or day-care purposes qualifies for real property exemption.

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