



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

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December 1, 1989

**TAX INFORMATION RELEASE** NO. 89-13

RE: Application for Exemption from the Payment of General Excise Taxes for Nonprofit Organizations

This Tax Information Release is intended to set forth the Department's position concerning the effective date of applications for exemption from the payment of general excise taxes for nonprofit organizations under section 237-23, Hawaii Revised Statutes (HRS), and to summarize Act 6, Session Laws of Hawaii (SLH) 1989, relating to the one-time registration fee for nonprofit organizations.

Section 237-23(c), HRS, provides that nonprofit organizations must file Form G-6, Application for Exemption from the Payment of General Excise Taxes, on or before March 31 of the first year of registration or within 3 months after the commencement of business. A nonprofit organization will not be treated as tax exempt for any period before it files Form G-6, unless it files the form within this required period. If the application is filed within this required period, upon the approval of Form G-6, the organization's exemption will be effective retroactively to the beginning of the organization's calendar year or the organization's commencement date, whichever is applicable. If the application is not filed within this required period, the exemption upon approval, will be effective as of the date Form G-6 was filed. In such cases, a request for the exemption to be effective retroactively may be submitted with the filing of Form G-6, and will be reviewed by the Department.

If the nonprofit organization has received an Internal Revenue Service (IRS) determination letter granting federal income tax exemption, a copy of the letter must be submitted along with the filing of Form G-6. On the other hand, the Department will accept Form G-6 and approve the application for exemption on a conditional basis if the IRS has not yet issued the determination letter. Upon receipt of the IRS determination letter, a copy must be submitted to the Department, and the Department will thereafter change the conditional exemption to an exemption. A conditional exemption shall be revoked if the IRS does not make a favorable determination.

The approval for exemption from the payment of general excise tax does not apply to the gross income derived from 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 purposes or activities of the organization. Consequently, gross income received from the conduct of any fund-raising activity is subject to the general excise tax.

Act 6, SLH 1989, approved on April 11, 1989, eliminated the annual nonprofit organization registration fee of \$1, and enacted a

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one-time registration fee of \$20 for all current registrants and new applicants. This one-time registration fee takes effect on January 1, 1990. Form G-10, Registration of Persons Granted Exemption from the Payment of General Excise Taxes under section 237-23, HRS, will be mailed to all currently registered nonprofit organizations. The \$20 registration fee must be submitted along with Form G-10 to the Department of Taxation on or before January 31, 1990. If the nonprofit organization already has paid the one-time \$20 general excise license fee, it does not have to pay the one-time \$20 nonprofit registration fee; however, the organization must still complete Form G-10 and send it to the Department on or before January 31, 1990.

  
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