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TAX INFORMATION RELEASE

NO. 89-6

RE: General Excise Tax on the Fund-Raising Activities of Public School Sponsored Groups

This Tax Information Release (TIR) is intended to respond to certain concerns raised by the private and public sectors as to the application of the General Excise Tax Law, chapter 237, Hawaii Revised Statutes (HRS), on the fund-raising activities of public school sponsored groups.

Effective July 1, 1989, the Hawaii Department of Education will establish guidelines for its public school sponsored groups whereby all proceeds collected from fund-raising activities must be paid into, processed, and disbursed from the respective school's non-appropriated school fund checking account.

The Hawaii Department of Education and its public schools are not considered taxable entities within the meaning of the General Excise Tax Law. Since the proceeds from fund-raisers by school-sponsored groups (e.g., yearbook/newspaper initiatives, student clubs, pep squads, student government, and class/grade organizations) must be paid into, processed, and disbursed from the respective school's non-appropriated fund account and the public schools are exempt from the general excise tax, income from such fund-raising activities will be exempt.

In light of the foregoing procedural changes by the Department of Education, sales of tangible personal property to the public school-sponsored groups for their fund-raising activities before July 1, 1989, will continue to be treated as wholesale sales subject to the tax at the lower 1/2% tax rate. Similar sales made after June 30, 1989, will be treated as retail sales and taxed at the 4% tax rate because the sales will be made to the appropriate public school which is not a licensed retailer under the General Excise Tax Law.

It should be noted that this treatment does not extend to certain support groups organized to benefit or assist the public schools. Parent-teacher associations (PTAs), parent-teacher-student associations (PTSAs), parent-teacher organizations (PTOs), high school booster clubs, class alumni associations, and other related groups are not considered organizations belonging to the Department of Education or the public schools. Although the name of the public school may be added or used together with the particular PTA, PTSAs, PTO, booster club, or alumni association, these support groups nonetheless, are subject to the tax on

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their fund-raisers, whether or not the net proceeds are to be turned over to the public schools.


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