



**Senate Ways and Means Committee
Friday, March 15, 2013 at 9:05 a.m.
Conference Room 211**

Senator David Ige
Chair, Committee on Ways and Means
Hawaii State Senate
Honolulu, HI 96813

RE: HB 430, HD1, Relating to Taxation

Dear Chair Ige and members of the Senate Committee on Ways and Means:

The Hawai'i Alliance of Nonprofit Organizations (HANO) supports HB 430, HD 1, which modifies Act 97 (2011) by exempting the charitable deduction from the cap on all itemized deductions for state income tax purposes. HANO is a statewide, sector-wide professional association for nonprofits.

HANO member nonprofits provide essential services to every community in the state. Our mission is to unite and strengthen the nonprofit sector as a collective force to improve the quality of life in Hawai'i. We would like to make the following points to support the merits of HB 430:

- When the economy stagnates, nonprofit organizations and their services are needed the most. Charitable organizations bridge the gap by serving our communities and those in need when budgetary constraints hinder state and federal governments from providing similar services.
- For many nonprofit organizations, private individual donations make up the majority of their budgets. This is the "90-10" fiscal environment where 90% of an organization's support comes from 10% of their donors.
- For those nonprofits that partner with government through state contracts, their private donations are essential to diversifying their funding streams, providing reserves to allow flexibility in partnering with government, especially when state funding is down and/or payments are late and the nonprofit is beholden to provide the service.
- On a national level, a study released by the Center on Philanthropy at Indiana University calculated that the impact of proposed limitations on charitable giving could result in a decrease of almost \$3.9 billion in annual giving. Here at the local level, it is estimated that \$60-\$70 million could leave the nonprofit sector in donor dollars.

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- While donors do not make charitable gifts only for tax reasons, tax incentives make more and larger gifts possible.
- Americans strongly support the charitable deduction. In an April 2011 Gallup poll, 71 percent opposed eliminating the charitable deduction to lower the overall income tax rate, and 68 percent opposed eliminating the charitable deduction to reduce the federal budget deficit. More people supported the charitable deduction than other popular deductions like the home mortgage interest deduction or state and local tax deduction.
- Hawaii was one of only three states (joining Michigan and Montana) that removed tax incentives, or tax credits for nonprofits. Passage of HB 430 would remove Hawaii from this inglorious list.
- The proposed amendment to Act 97 will recognize the unique nature of charitable contributions. Unlike other tax incentives, the charitable deduction encourages behavior for which taxpayers receive no personal tangible benefit. The charitable deduction is a means of enriching Hawaii's communities, rather than individuals.

Thank you for the opportunity to provide written testimony in support of HB 430, HD 1. We urge your committee's passage of this measure.

Mahalo,
Lisa Maruyama
President and CEO