

STATE OF HAWAII — DEPARTMENT OF TAXATION
INSTRUCTIONS FOR FORM G-6 AND FORM G-6S

IMPORTANT NOTE: MAKE SURE THAT THE APPLICATION IS COMPLETE BEFORE FILING WITH THE DEPARTMENT OF TAXATION. IF THE APPLICATION IS NOT COMPLETE, THIS OFFICE WILL NOT REVIEW, CONSIDER, NOR APPROVE YOUR EXEMPTION REQUEST.

GENERAL INSTRUCTIONS

PURPOSE OF FORM

Use Form G-6 or Form G-6S to apply for an exemption from the general excise tax based on an organization's tax exempt status recognized by the Internal Revenue Service (IRS) under specific sections of the Internal Revenue Code (IRC) as indicated below, or as provided for under the General Excise Tax Law of the Hawaii Revised Statutes (HRS).

WHICH FORM TO FILE

Based on the criteria below, use either Form G-6 or Form G-6S.

The following organizations (except subordinate organizations) may use Form G-6S:

1. Organizations recognized by the IRS as tax exempt under IRC sections 501(c)(3), (4), (6), or (8), or
2. Organizations that have submitted an application to the IRS for tax-exempt status under IRC sections 501(c)(3), (4), (6), or (8) **no more than three years** before the filing of Form G-6S.

All other organizations that do not fall under categories 1 or 2 above **must** use Form G-6 including:

- Subordinate Organizations (See Subordinate Organizations below for more information.)
- Organizations that filed Form 1023 or 1024 **more than 3 years** before this application was made.

Subordinate Organizations.

A subordinate organization is a chapter, local, post, or unit of a central organization (e.g. a church or the Boy Scouts). A subordinate organization may or may not be incorporated, but it must have an organizing document.

A central organization is an organization that has one or more subordinates under its general supervision or control.

A group exemption letter issued by the IRS is the document that grants an

exemption from federal income tax. The letter issued to the central organization may or may not cover subordinate organizations.

A. Group Exemption letter

If the group exemption letter issued by the IRS covers the subordinate organization, submit a copy of the letter along with the completed Form G-6.

B. No Group Exemption Letter

First, the subordinate organization should verify with the central organization (e.g. a church, or Boy Scouts) that it is not covered under the group exemption letter issued by the IRS. If it is not covered, ask the central organization to include the subordinate organization in the next annual group ruling update that it submits to the IRS. A conditional approval of Form G-6 may be granted until the subordinate organization can show that it is included in the central organization's group exemption.

SPECIFIC INSTRUCTIONS

IS YOUR APPLICATION COMPLETE?

Before submitting Form G-6 or Form G-6S, review the "Is Your Application Complete?" checklist on Page 4 of the instructions to ensure the application is complete, and the required attachments are included with the application.

SIGNATURE AND TITLE: Form G-6 or Form G-6S must be signed and dated by an officer or person with a valid power of attorney.

WHERE TO FILE

The completed application and the required attachments should be mailed to:

State of Hawaii
Department of Taxation
Technical Section
P. O. Box 259
Honolulu, HI 96809-0259

TELEPHONE NUMBER: 808-587-1577

PROCESSING TIME: Processing of Form G-6 or Form G-6S will usually take

approximately 6 to 8 weeks from the date the complete application is received by the Department.

LINE-BY-LINE INSTRUCTIONS

FORM G-6 AND FORM G-6S LINES 1 THROUGH 3

The instructions for completing Lines 1 through 3 are the same for Form G-6 and Form G-6S. The instructions for completing the rest of Form G-6 starts on page 2 and ends on page 3. The instructions for completing the rest of Form G-6S starts on page 3 and ends on page 4.

Line 1. Name of Organization:

The name of the organization should be the name that appears in the articles of incorporation or other organizing document, including amendments.

Enter the organization's mailing address and business address (where records are kept), e-mail address, and website, if any. Provide the name of a contact person and daytime telephone number, including the area code, at which the contact person can be reached during business hours. All correspondence with the organization, including the notice of exemption approval, will be addressed to the contact person. The organization may authorize the Department to provide the approval letter and exemption certificate to the organization's financial or legal advisor instead of the contact person. Photocopy charges will apply to requests for copies of these documents.

Line 2. General Excise Tax Exemption Sections:

Check the box on the application for the section which describes the organization. Only organizations which are described below may receive a general excise tax exemption.

Section 237-23(a)(3), HRS: "Fraternal benefit societies, orders, or associations, operating under the lodge

system, or for the exclusive benefit of the members of the fraternity itself, operating under the lodge system, and providing for the payment of death, sick, accident, prepaid legal services, or other benefits to the members of such societies, orders or associations, and to their dependents.”

Section 237-23(a)(4), HRS: “Corporations, associations, trusts, or societies organized and operated exclusively for religious, charitable, scientific, or educational purposes, as well as that of operating senior citizens housing facilities qualifying for a loan under the laws of the United States as authorized by section 202 of the Housing Act of 1959, as amended, as well as that of operating a prepaid legal services plan, as well as that of operating or managing a homeless facility, or any other program for the homeless authorized under part VII of chapter 356D.”

Section 237-23(a)(5), HRS: “Business leagues, chambers of commerce, boards of trade, civic leagues, agricultural and horticultural organizations, and organizations operated exclusively for the benefit of the community and for the promotion of social welfare which shall include the operation of a prepaid legal service plan, and from which no profit inures to the benefit of any private stockholder or individual.”

Section 237-23(a)(6), HRS: “Hospitals, infirmaries, and sanitararia.”

Line 3. Effective date requested:

Enter the date the organization wants to have the exemption begin. If no date is indicated, the effective date will be the date the application is filed with the Department of Taxation, or if the application is filed within the first 3 months of the organization’s activity in Hawaii, then the exemption will be effective as of the date the organization started its activities in Hawaii. If the application is filed on or before March 31, the exemption will be effective as of January 1 of that year. Any taxable income received prior to the effective date of the exemption is subject to the general excise tax.

Required statement:

The Department may grant retroactive approval if the organization can show that it acted reasonably and in good faith by not filing its application sooner. If the

requested effective date is before the date the application is filed and the effective dates indicated above do not apply, attach a statement to the application, in the form of an affidavit as described below, giving reasons why the requested effective date should be granted (i.e., how the organization acted reasonably and in good faith), and why the application was not submitted earlier. An organization will be considered to have acted reasonably and in good faith if:

- (1) The organization files its application before the Department discovers the organization has not filed an application for exemption;
- (2) The organization inadvertently failed to file the application because of certain intervening events beyond the organization’s control or, because after exercising reasonable diligence (taking into account the organization’s experience), the organization was unaware of the necessity of the application;
- (3) The organization reasonably relied on the written advice of the Department; or
- (4) The organization was unaware of the necessity for filing the application and reasonably relied on a qualified tax professional, including a tax professional employed by the organization, and the tax professional failed to make or advise the organization to file the application.

The request for a retroactive effective date must be accompanied by a detailed affidavit describing the events that led to the failure to make a valid application and to the discovery of the failure. When the organization relied on a qualified tax professional for advice, the organization’s affidavit must describe the engagement and responsibilities of the professional as well as the extent to which the organization relied on the professional. The affidavit must be accompanied by a dated declaration, signed by an authorized representative of the organization, which states “Under penalties provided by section 231-36, HRS, I declare that I have examined this request, including accompanying documents, and, to the best of my knowledge and belief, the request contains all the relevant facts relating to the request, and such facts are true, correct, and complete.” The individual who signs for

the organization must have personal knowledge of the facts and circumstances at issue. The request for retroactive approval of an organization’s application must also state whether the Department is examining or auditing the organization’s returns for periods within the retroactive request period.

COMPLETING FORM G-6

Line 4. Under what section of the IRC is the applicant qualified for federal tax exemption?

If you do not know the section, contact the IRS.

Line 5. Items A - E MUST Be Submitted With the Completed Application:

A. Articles of Organization — The organization must include an executed copy of its articles of incorporation, articles of association, constitution, trust instrument, or any other written instrument by which it is created and sets forth the purposes of the organization. A subordinate organization may or may not be incorporated, but it must have an organizing document.

B. By-Laws — Submit a copy of the organization’s executed by-laws. If the organization does not have any by-laws, the organization should provide a written statement to this effect.

C. and D. IRS Determination Letter Granting Federal Tax Exemption

— Submit a copy of the IRS letter granting the organization exemption from the federal income tax. If the IRS has not yet issued the determination letter, the Department can approve the Form G-6 on a conditional basis. It is recommended that you file Form G-6 even if you have not yet received the IRS determination letter. Upon receipt of the IRS determination letter, a copy must be submitted to the Department, and the Department will change the conditional exemption to a permanent exemption. If the IRS does not make a favorable determination, the Department will revoke the conditional exemption.

If the organization is covered under a group exemption granted by the IRS to a central organization, submit (1) a copy of the IRS letter granting the

central organization a group exemption from the federal income tax, and (2) a letter from the central organization stating that the subordinate organization is included in the IRS group exemption letter.

Note: *Churches, their integrated auxiliaries, and conventions or associations of churches, or any organization (other than a private foundation) normally having annual gross receipts of not more than \$5,000 are not required to apply for recognition of exempt status with the IRS, therefore, they are not required to submit the IRS determination letter. The organization must enter its federal employer identification number on line 5C.*

If the organization is a subordinate controlled by a central organization (for example, a church or the Boy Scouts), check with the central organization to see if it has been issued a group exemption letter that covers the subordinate organization. If the group exemption letter does not cover the subordinate organization, ask the central organization to include it in the next annual group ruling update that it submits to the IRS. A conditional approval of this application for exemption from general excise taxes may be granted until the subordinate organization can show that it is included in the central organization's group exemption letter.

E. \$20 Registration Fee — There is a one-time registration fee of \$20 that must be paid. Make the check payable to: HAWAII STATE TAX COLLECTOR. If the organization has a general excise license and has already paid the \$20 general excise license fee, the organization does not have to pay the \$20 registration fee with the Form G-6. The organization must enter their Hawaii Tax I.D. Number on line 5E. If the organization has an employer's withholding identification number but not a general excise license, the organization must pay the \$20 registration fee with this application since there is no fee for acquiring an employer's withholding identification number. Do not enter the withholding identification number in the space provided.

SCHEDULE INSTRUCTIONS

NOTE: SCHEDULES A, B, C, and D MUST BE COMPLETED.

SCHEDULE A — STATEMENT OF ORGANIZATION:

If part of a central (national) organization, indicate the name of the central organization. A central organization is an organization that has one or more subordinates under its general supervision or control. A subordinate organization is a chapter, local, post, or unit of a central organization. A central organization may be a subordinate itself, such as a state organization that has subordinate units and is itself affiliated with a central (national) organization.

Indicate the character of the organization, for example: educational, scientific, business league, civic league, or an organization for the promotion of social welfare.

When describing the organization's purpose and actual activities in Hawaii, do not merely repeat the purpose clause from the articles of organization.

SCHEDULE B — LIST OF OFFICERS, DIRECTORS OR TRUSTEES:

List the full name, address, daytime telephone number, office held, salary, and time devoted to duties for each officer, director, or trustee, as applicable. Attach a separate sheet if more space is needed.

SCHEDULE C — COMPARATIVE BALANCE SHEET:

The comparative balance sheet must show assets, liabilities, and net worth as of the end of the previous year and current year. If the organization was recently formed and it has not yet acquired any assets nor incurred liabilities, you need not complete this schedule. The organization should, however, state on Schedule C that they do not have any assets or liabilities.

If the organization is engaging in business both within and without Hawaii, including a central (national) organization that is opening or establishing a Hawaii chapter, the organization must provide a comparative balance sheet from Hawaii activities only. If no assets or liabilities are from Hawaii activities, the organization should state this on Schedule C.

If the organization is a church that operates a preschool or day-care center, a comparative balance sheet for the preschool or day-care center must be provided in addition to and separate from the comparative balance sheet for the church.

SCHEDULE D — COMPARATIVE STATEMENT OF RECEIPTS AND DISBURSEMENTS:

The organization must provide an itemized statement of receipts and disbursements for the previous year and the current year. If the organization was recently formed and it has not generated any income nor incurred expenses, prepare a projected budget of anticipated income and related expenses covering the current year and the next year. The statement should be a compilation of receipts and expenses for the year, not a listing of checks and deposits.

If the organization is engaging in business both within and without Hawaii, including a central (national) organization that is opening or establishing a Hawaii chapter, the organization must provide a comparative statement of receipts and disbursements from Hawaii activities only. If no receipts and disbursements are from Hawaii activities, the organization should state this on Schedule D.

If the organization is a church that operates a preschool or day-care center, a comparative statement of receipts and disbursements for the preschool or day-care center must be provided in addition to and separate from the comparative statement of receipts and disbursements for the church.

COMPLETING FORM G-6S

Line 4. Date Organization's Hawaii Activity Began.

Enter the date that the organization's Hawaii activity began if the date is different from the organization's date of inception. Subordinate organizations are to enter the date their Hawaii activity began, whether or not that date is the same as the date of inception.

Line 5. Items A - C MUST Be Submitted With the Completed Application:

A. Federal Form 1023 or 1024 — If you are an organization described in IRC

section 501(c)(3), submit a copy of the federal Form 1023, including all attachments such as the organization's articles of incorporation and by-laws, that you filed with the IRS. If you are an organization described in IRC sections 501(c)(4), (6), or (8), submit a copy of the federal Form 1024, including all attachments such as the organization's articles of incorporation and by-laws, that you filed with the IRS.

If the federal Form 1023 or 1024 was filed more than three years before this application is made, Form G-6S may not be used. You must use Form G-6.

B. IRS Determination Letter Granting Federal Tax Exemption — Submit a copy of the IRS letter granting your organization exemption from the federal income tax. If the IRS has not yet

issued the determination letter, the Department can approve the Form G-6S on a conditional basis. It is recommended that you file Form G-6S even if you have not yet received the IRS determination letter. Upon receipt of the IRS determination letter, a copy must be submitted to the Department, and the Department will change the conditional exemption to a permanent exemption. If the IRS does not make a favorable determination, the Department will revoke the conditional exemption.

C. \$20 Registration Fee — A one-time registration fee of \$20 must be paid. Make the check payable to: HAWAII STATE TAX COLLECTOR. If the organization has a general excise license and has already paid the \$20 general excise license fee, the organization does not have to pay the \$20

registration fee with the Form G-6S. The organization must enter their Hawaii Tax I.D. Number on line 5C. If the organization has an employer's withholding identification number but not a general excise license, the organization must pay the \$20 registration fee since there is no fee for acquiring an employer's withholding identification number. Do not enter the withholding identification number in the space provided.

Line 6. List the Organization's Hawaii activities and related income from those activities.

List each of the organization's Hawaii activities in the left column. In the right column, identify the kind of income received, if any, from each activity. Examples are printed on the first line of item 6.

Is Your Application Complete?

Form G-6 and Form G-6S filers:

- The application is signed.
- A check is enclosed or the organization's Hawaii General Excise Tax I.D. Number is filled-in, as applicable.
- A statement supporting request for retroactive approval of exemption is enclosed, if applicable.

Form G-6 Filers:

- All items in Schedules A and B are complete.
- Schedule C, Comparative Balance Sheet for Hawaii Activities, is completed for 2 full years (not applicable for organizations less than a year old having no assets).
- Schedule D, Comparative Statement of Receipts and Disbursements for Hawaii Activities, is completed for 2 full years (or 2 year projected budget).
- Articles of Incorporation, including amendments, are enclosed.
- Current by-laws are enclosed.
- A copy of the IRS determination letter approving federal tax exemption is enclosed or the box on line 5 C is checked.

Form G-6S Filers:

- Information requested on both pages of Form G-6S is completely filled in.
- A copy of the organization's federal Form 1023 or Form 1024 filed within 3 years of this application, **including ALL attachments**, is enclosed.
- A copy of the IRS determination letter approving federal tax exemption is enclosed or the box on line 5B is checked.