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January 29, 2018

MESSAGE FROM THE TAX PRACTITIONER PRIORITY OFFICE

Re: Message No. 2018-01 -- 2018 Tax Updates and Time Saving Tips

This message from the Tax Practitioner Priority Office (PPO) provides a list of general updates and reminders for tax practitioners to keep in mind for the 2018 tax filing season. This is to inform and help tax practitioners avoid the typical problems and delays associated with tax return processing and payments. You may also want to review the Department's December 21, 2017 news release on [important tax law changes for 2018](http://tax.hawaii.gov/news/), which can be found on the Department's website at: <http://tax.hawaii.gov/news/>.

NEW REQUIREMENTS AND PROCEDURES

The Department instituted new requirements and procedures to address the changes in laws and new features that were instituted with the Tax System Modernization (TSM) project. These are the following changes in process and procedures.

- 1) To insure the confidentiality of tax returns and return information the Department instituted a new procedure to verify the identity of all tax practitioners that represent taxpayers.

Effective July 1, 2017, a tax practitioner representing a taxpayer before the Department is required to register as a Verified Practitioner (VP). See [Tax Announcement No. 2017-03](http://files.hawaii.gov/tax/news/announce/ann17-03.pdf) at <http://files.hawaii.gov/tax/news/announce/ann17-03.pdf>. Once registered as a VP, the VP is assigned an identification number (VPID), given certain benefits, and access to client accounts. To learn more about how to register and the benefits of being a VP please visit <http://tax.hawaii.gov/assistance/practitioner/>.

Finally, to be consistent with the new VP registration, the Department updated the Power of Attorney form N-848 to use the VPID. Please use the new Power of Attorney form N-848 (REV. 2017), older versions of the N-848 will not be accepted. Any previously submitted N-848 without the VPID is not valid and the Department will request that the new form N-848 (REV. 2017) be submitted.

- 2) A new tax law effective January 1, 2018, increased the imposition of the tax on transient accommodations and resort time share vacation units from 9.25% to 10.25%. Fiscal year taxpayers, whose tax years begin prior to January 1, 2018 and end in calendar year 2018,

are required to file a Transient Accommodations (TA) Tax Annual Return & Reconciliation (TA-2) with two tax rates. For taxpayers who file TA tax returns online at Hawaii Tax Online (hitax.hawaii.gov), the correct tax amount using the two tax rates will be automatically calculated. For fiscal filers who file TA tax return on paper, the Department has created a worksheet (TA-31) to assist these taxpayers in calculating the taxes for the two tax rates and the amount to enter on line 11 of the TA-2 with the revision date of 2017. Form TA-31 is provided by request only. Please contact the PPO should you require form TA-31.

- 3) A new tax law effective January 1, 2018 changed the filing frequency of the withholding return (HW-14) to a uniform quarterly filing for all employers subject to the withholding tax. See Act 7, Session Laws of Hawaii 2017. The frequency for withholding tax payment have not changed for employers. Employers are required to continue to remit the taxes withheld based on its existing payment frequency. For taxpayers who file online, or make a check payment with your return, a tax payment voucher (VP-1) is not necessary. However, for taxpayers making payment by check without a return, submission of a VP-1 with your payment continues to be required.
- 4) As a part of the Tax Modernization System's effort to transform the Department's operations, the Department is phasing out DOTAX.ehawaii.gov (commonly referred to as ELF) and transitioning to Hawaii Tax Online at hitax.hawaii.gov.

Effective March 31, 2018, DOTAX.ehawaii.gov will no longer support withholding tax returns and payments. The new interface for electronic filing, payments, and to manage accounts is on Hawaii Tax Online at <http://hitax.hawaii.gov>. Moreover, Hawaii Tax Online supports the filing of the HW-3 with attached W-2s or HW-2s for tax year 2017.

For a detailed list of what tax type and forms are supported on which e-filing website, please visit <https://tax.hawaii.gov/eservices/efile/>.

- 5) A new administrative rule effective January 5, 2018 requires Taxpayers selected for the electronic funds transfer (EFT) program to send all payments, including the annual payment, and any penalties and interest for that tax type via EFT. See Hawaii Administrative Rules §18-231-9.9-03.

Modernized e-File (MeF) for Corporation Income Tax Return (N-30) and S-Corporation Income Tax Return (N-35) is available for tax year 2017. To learn more about approved tax preparation software and tax forms supported by each software vendor, please visit our website at: <https://tax.hawaii.gov/eservices/software/>.

- 6) The Department of Taxation has simplified its paper tax filing process to accept General Excise Tax returns and payments at one address. Do not send returns and payments to separate addresses. Please send paper return and payment together to P.O. Box 1425 Honolulu, HI 96806-1425. A payment voucher (VP-1) is not necessary when payment is sent together with a return.
- 7) If a business entity has discovered it incorrectly set-up multiple account numbers (which can happen when VPs have issues getting access to an account such as GE-111-111-

1111-01 and GE-333-333-3333-01), please submit a form BB-1 to update the account, file form N-848 (Rev. 2017), and contact the PPO to discuss the issue.

HELPFUL REMINDERS

The following are helpful reminders to ensure that return filings and payments are processed efficiently and accurately:

- 1) For faster processing of returns and payments, utilize Hawaii Tax Online at hitax.hawaii.gov. It is free to file and make EFT payments. Also, you can manage accounts and conduct other common transactions with the Department. Paper filing and payment on average take 2-4 weeks to process and may be longer during peak filing periods.
- 2) Hawaii Tax Online allows for non-logon transactions. Under the “Quick Links” section there are links to “Make Payment” and “File Returns” such as the G-26, G-45 or HW-14 without signing in. You may also use the non-logon features if you have trouble registering or accessing your Hawaii Tax Online logon.
- 3) Use the new tax account numbers with the tax type such as GE, TA, HW, RV, PS, CO, FR, etc. prefix (e.g. GE-111-111-1111-01) on returns.
- 4) Use the current version of the Department's forms, available on the Department's website at www.tax.hawaii.gov/forms/.
- 5) If using a fillable web form (e.g. G-45, G-49, TA-1, etc.), remember to clear all data by clicking on the yellow “Clear Form” button on the upper corner of the form before preparing the next return.
- 6) On paper forms G-45 and G-49, please round to the nearest dollar (cents are not allowed) in Parts I – V.
- 7) When filing paper returns, please confirm that the return is complete with all pages and attachments. There have been instances with the Corporate Income Tax Return where only one page of the two-page Schedule CR has been submitted due to a software printing error.
- 8) Business taxpayers are granted an automatic six-month extension to file their tax returns from the date prescribed for filing. However, the tax payment is not extended and the payment shall be submitted in the form prescribed by the Department. For example, if a taxpayer is a c-corporation use the voucher form N-301 to make an extension payment by paper check. If making an extension payment online using Hawaii Tax Online, simply follow the prompts to make a payment. Payment may also be submitted in person at any district tax office.
- 9) If you receive a letter request for documents and/or information, please contact the Department employee identified in the letter. The identified Department employee is responsible to handle all correspondences and the resolution of the Department's request.