

STATE OF HAWAII — DEPARTMENT OF TAXATION
INSTRUCTIONS FOR FORM G-26
USE TAX RETURN

(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES UNLESS OTHERWISE NOTED)

GENERAL INSTRUCTIONS

The Use Tax

The use tax is an excise tax imposed on tangible personal property, services, and/or contracting imported into the State from an unlicensed out-of-state seller for use in the State. The use tax rate is 4% of the landed value of the tangible personal property and 4% of the value of services and/or contracting imported for use in the counties of Maui, Hawaii, and Kauai, and 4.5% if imported for use in the City & County of Honolulu (Oahu).

Examples of Property, Services, and Contracting You Must Report

- Cars, trucks, boats, or office machines that are imported for personal use.

(NOTE: The importation of household goods, personal effects, and private automobiles by certain persons are exempt from the use tax under section 238-1. Property acquired through transactions, such as casual sales, which would not be subject to the general excise tax (GET) if occurring in Hawaii are also exempt from the use tax. (See Examples of Property, Services, and Contracting That You Do Not Report below.)

- All services performed outside this State where the customer in this State uses or consumes the service in this State.
- Contracting performed outside the State imported by a person who uses or consumes the value of the contracting in this State.
- Goods (e.g., clothing, electronics, or cameras) or services purchased from an out-of-state seller via the internet where the customer in this State uses or consumes the goods or services in this State.

Examples of Property, Services, and Contracting That You Do Not Report

- Household goods, personal effects, and private automobiles if the person importing them into the State (A) acquired them outside Hawaii, (B) acquired them while the person was not a Hawaii resident, (C) acquired them for use outside Hawaii, and (D) made actual and substantial use of them outside Hawaii. An article that was acquired less than three months before importation into Hawaii is presumed to have been purchased for use within Hawaii, and, therefore, is presumed not to qualify for this exclusion.

- Property received solely as a gift. Property purchased at a bargain, even from a friend or relative, does not qualify for this exclusion.
- Articles that are examined and then returned, such as goods that are returned after a trial period.
- Newspapers, magazines, and other periodical publications purchased on a subscription plan that qualify for the second class mail rate.
- Property other than tangible personal property. This includes currency, stocks, bonds, patents, licenses, and other intangible property.
- Property, services, and/or contracting that have been previously subject to the Hawaii use tax.
- Property, services, and/or contracting purchased from a seller who was subject to the GET upon a sale or transfer of the property, services, and/or contracting to the user.

Who Must File

Every person who uses in this State tangible personal property, services, and/or contracting which are imported into Hawaii, regardless if at the time of importation, the property, services, and/or contracting is owned by the importer, purchased from a seller that does not have a GET license, or however acquired, must file a use tax return to report and pay use tax. If you do not have a GET license or a Hawaii Tax I.D. Number, use Form G-26 to report and pay any use tax due. If you have a GET license or a Hawaii Tax I.D. Number, use Forms G-45 and G-49 to report and pay any use tax due instead of Form G-26.

Resident or Nonresident?

Under the General Excise and Use Tax Laws, it does not matter if you are a resident, nonresident, or part-year resident.

What Forms to File

Form G-26. If you do not have a GET license or a Hawaii Tax I.D. Number, use Form G-26 to report and pay any use tax due.

Forms G-45 and G-49. If you have a GET license or a Hawaii Tax I.D. Number, use Forms G-45 and G-49 to report and pay any use tax due instead of Form G-26.

(Note: It is permissible to file more than one Form G-45 (Periodic General Excise/Use Tax Return) in a period. In addition to the regular periodic (monthly, quarterly, or semiannual) returns that

are required to be filed on Form G-45, an additional Form G-45 may be filed to exclusively report and pay the use tax. For example, if you import a vehicle that is subject to use tax and have other activities that are subject to the general excise and/or use tax, you may file one Form G-45 to report and pay the use tax on the imported vehicle and another Form G-45 to report and pay the taxes due on all your other activities for the period. All activities for the taxable year must be reported on Form G-49 (annual return and reconciliation).

Letter. Instead of filing Form G-26, an individual that does not have a GET license or a Hawaii Tax I.D. Number may send a letter to the Department of Taxation (Department) with a check or money order payable to the "Hawaii State Tax Collector" to report and pay any use tax due. The letter should contain the following information:

- (1) Purchaser's name and address;
- (2) Purchaser's social security number;
- (3) Month and year of importation into the State;
- (4) Taxation district into which you imported tangible personal property, services, and/or contracting;
- (5) Landed value of the tangible personal property, services, and/or contracting;
- (6) The amount of use tax due; and
- (7) If you are importing a motor vehicle, include the vehicle's make, model year, and vehicle identification number (VIN) along with the documentation (e.g., copies of the vehicle purchase invoice, freight bill, etc.) to support the calculation of the landed value of the motor vehicle.

Due Date

Form G-26 with payment is due on or before the 20th day of the calendar month after the property, services, and/or contracting were imported into the State. For example, a person who is subject to the use tax for a motor vehicle imported into the State in January 2014 must file Form G-26 with payment on or before February 20, 2014.

(NOTE: If any due date falls on a Saturday, Sunday, or legal holiday, substitute the next regular work day as the due date.)

If you file and/or pay late, you may have to pay penalties and interest. See the

instructions for Penalties and Interest below.

Penalties and Interest

Late Filing of Return — The penalty for failure to file a return on time is assessed on the tax due at a rate of 5% per month, or part of a month, up to a maximum of 25%.

Failure to Pay Tax After Filing Timely Return — The penalty for failure to pay the tax after filing a timely return is 20% of the tax unpaid within 60 days of the prescribed due date. The 60-day period is calculated beginning with the prescribed due date even if the prescribed due date falls on a Saturday, Sunday, or legal holiday.

Interest — Interest at the rate of 2/3 of 1% per month, or part of a month, shall be assessed on unpaid taxes and penalties beginning with the first calendar day after the date prescribed for payment, whether or not that first calendar day falls on Saturday, Sunday, or legal holiday.

Please check your return carefully. Additional penalties may be assessed if you make an underpayment of tax due to negligence, intentional disregard of the Department's rules, or fraud.

Where to File

File Form G-26 and your use tax payment with:

Hawaii Department of Taxation
P.O. Box 1425
Honolulu, HI 96806-1425

Where to Get Forms, Instructions, and Publications

Forms, publications, and other documents, such as copies of Tax Information Releases and Administrative Rules issued by the Department, are available on the Department's website at tax.hawaii.gov or you may contact a customer service representative at:

Voice: 808-587-4242
1-800-222-3229 (Toll-Free)

Telephone for the Hearing Impaired:
808-587-1418
1-800-887-8974 (Toll-Free)

Fax: 808-587-1488

E-mail: Taxpayer.Services@hawaii.gov

SPECIFIC INSTRUCTIONS

About this Form

Form G-26 is designed for electronic scanning that permits faster processing with fewer errors. In order to avoid unnecessary delays caused by manual processing, taxpayers should follow the guidelines listed below:

1. Print amounts only on those lines that are applicable.
2. Use only a black or dark blue ink pen. Do not use red ink, pencil, or felt tip pens.
3. Do NOT print outside the boxes.
4. Do NOT print over the zeros used to designate cents. The fields with the zeros are required to be rounded to the nearest dollar.
5. Photocopying of this form could cause delays in processing your returns.

Rounding to Whole Dollars in Columns a, b, c, e, f, and g

The Department is requiring taxpayers to round off cents to the nearest whole dollar for all dollar entries in columns a, b, c, e, f and g. To do so, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example: \$1.49 becomes \$1 and \$2.50 becomes \$3. If you have to add two or more amounts to figure the amount to enter in the column, include the cents when adding and round off only the total. CAUTION: DO NOT enter the cents in columns a, b, c, e, f and g.

Name, Address, and Social Security Number

Step 1 — Enter your name, current mailing address, and social security number in the spaces provided at the top of Form G-26.

Month Ending (MM/YY)

Step 2 — Enter the (*two digit*) month and the (*two digit*) year (e.g., *Month of January 2014 = 01/14*) that the tangible personal property, services, and/or contracting was imported into the State in the space provided at the top of Form G-26.

Vehicle Identification Number (VIN)

Step 3 — If you imported a motor vehicle into Hawaii, enter the motor vehicle's VIN number in the space provided at the top of Form G-26. If you did not import a motor vehicle, leave this space blank and move on to step 4.

Which taxation district did you import the property, services, and/or contracting into?

Step 4 — Check off the box of the county into which you imported the tangible personal property, services, and/or contracting. For imports into the City & County of Honolulu which includes the island of Oahu, check "Oahu." For imports into the County of Maui which includes the islands of Maui, Lanai, and Molokai, check "Maui." For imports into the County of Hawaii which includes the island of Hawaii, check "Hawaii." For

imports into the County of Kauai which includes the islands of Kauai and Niihau, check "Kauai".

Column (a)

Step 5 — Enter the landed value of the tangible personal property and the value of the services and/or contracting that was imported into the State.

The landed value of imported tangible personal property is the fair and reasonable cash value of the property when it arrives in Hawaii. It generally includes the purchase or invoice price, shipping and handling fees, insurance costs, customs duty, and other related costs. It does not include sales tax paid in another state. (NOTE: If you imported a motor vehicle, use the worksheet on page 2 of Form G-26 to compute its landed value.)

The value of imported services or contracting is the fair and reasonable cash value of the services or contracting when the services or contracting is received by the importer or purchaser.

Tangible personal property, services, and/or contracting are not subject to the use tax if either the GET or use tax has been previously paid on the tangible personal property, services, and/or contracting.

Column (b)

Step 6 — If you have allowable exemptions or deductions, enter the total amount in column (b) and explain each exemption and deduction that you are claiming in the "COLUMN (b) EXEMPTIONS/DEDUCTIONS" section of Form G-26. If you do not have any exemptions or deductions, enter "0". Please see the Schedule of Use Tax Exemptions and Deductions at the end of these instructions for more information.

Column (c)

Step 7 — Subtract column (b) from column (a) and enter the result in column (c), Taxable Amount.

Column (d)

Step 8 — Multiply column (c) by the tax rate of .04 and enter the result, including the cents, in column (d), Tax.

Column (e)

Step 9 — Enter the landed value of the tangible personal property, services, and/or contracting that was imported into the City & County of Honolulu which includes the island of Oahu.

Column (f)

Step 10 — If you have allowable exemptions or deductions, enter the total amount in column (f) and explain each exemption and deduction that you are claiming in the "COLUMN (f) EXEMP-

TIONS/DEDUCTIONS" section of Form G-26. If you do not have any exemptions or deductions, enter "0".

Column (g)

Step 11 — Subtract column (f) from column (e) and enter the result in column (g), Taxable Amount.

Column (h)

Step 12 — Multiply column (g) by the tax rate of .005 and enter the result, including the cents, in column (h), Tax.

Line (i)

Step 13 — Add column (d) and column (h), and enter the result on line (i), Total Taxes.

Line (j)

Step 14 — Enter the allowable sales or use tax paid to another state. Attach to Form G-26 a copy of the receipt or voucher indicating the payment of the sales or use tax paid to the other state.

A credit against the Hawaii use tax may be claimed for the amount of sales or use taxes imposed by another state (or any subdivision thereof) and paid by the taxpayer on tangible personal property, services, and/or contracting before it is imported into Hawaii. (*Section 238-3(i).*) The credit shall not include any other taxes paid to another state, such

as taxes on manufacturing, extraction, and the like, as well as license fees, or transfer taxes. The amount of credit shall not exceed the amount of use tax imposed by Hawaii on such tangible personal property, services, and/or contracting.

Line (k)

Step 15 — Subtract line (j) from line (i) and enter the result on line (k), Total Taxes Due.

Line (l)

Step 16 — If you file a tax return after the due date, and if there is tax due on the return, then you must compute penalty and interest charges. After computing the amounts, enter the results to the right of "PENALTY \$" and "INTEREST \$" and enter the total of the two amounts on line (l).

If you need help computing the penalty and interest, please call the Taxpayer Services Branch at 808-587-4242 or toll-free 1-800-222-3229; or leave these lines blank, and the Department will compute the charges for you and send you a bill.

Line (m)

Step 17 — Add line (k) and line (l), and enter the result on line (m), Total Amount Due and Payable.

Column (b) Exemptions/Deductions

Step 18 — Explain each exemption and deduction that you are claiming in column (b). Add all the exemptions and deductions reported in this section and enter the amount on the SUBTOTAL EXEMPTIONS/DEDUCTIONS CLAIMED IN COLUMN (b) line.

Column (f) Exemptions/Deductions

Step 19 — Explain each exemption and deduction that you are claiming in column (f). Add all the exemptions and deductions reported in this section and enter the amount on the SUBTOTAL EXEMPTIONS/DEDUCTIONS CLAIMED IN COLUMN (f) line.

(Note: If you write the HRS section number of the exemptions/deductions that you are claiming in columns (b) and (f), it will speed the processing of your return, and minimize the chances of us misunderstanding what you are claiming. See the Schedule of Use Tax Exemptions and Deductions at the end of these instructions for more information.)

Step 20 — Add the amounts reported in Steps 18 and 19 and enter the total on the TOTAL EXEMPTIONS/DEDUCTIONS CLAIMED IN COLUMNS (b) AND (f) line.

SCHEDULE OF USE TAX EXEMPTIONS AND DEDUCTIONS

(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES)

Unless the following instructions tell you not to report the exempt or deducted amounts, you must report and explain the exemptions and deductions you are claiming on Form G-26. For circumstances under which an exemption or a deduction is permitted or allowed, refer to the following sections:

Casual Purchases: A sale of tangible personal property by someone not in the business of selling the property is called a casual sale. A casual sale means an occasional, isolated, irregular, infrequent, or incidental sale or transaction involving tangible personal property that is not ordinarily sold in the usual course of a trade or business. Because gross income derived from a casual sale is excluded from gross income subject to the general excise tax, the landed value of tangible personal property acquired in a casual sale also is not subject to the use tax. For example, if you purchase a used car from an individual selling his or her personal car and import that car into Hawaii, report the landed value of the car, but claim this exemption. (*Section 238-1.*)

Diplomats and Consular Officials: The use of property, services, or contracting imported by foreign diplomats and consular officials holding cards issued by the U.S. Department of State granting them an exemption from state taxes are exempt. Report and explain these amounts. (*Section 238-1.*) The tax exemption, however, is not applicable to taxes imposed on telecommunication services, other utilities, or gasoline purchases. For more information, see Department of Taxation Announcement No. 2000-07.

Director of Taxation's Authority to Exempt, Exclude or Apportion the Use Tax: Imports of property, services, or contracting to the extent that the general excise tax would have applied to a similarly-situated taxpayer engaged in a local transaction. The Director of Taxation (Director) has the authority to:

- (1) Exempt or exclude from the use tax, property, services, or contracting, or the use of property, services, or contracting exempted from the general excise tax; or

- (2) Apportion the gross value of services or contracting sold to customers within the State by persons engaged in business both within and without the State to determine the value of that portion of the services or contracting that is subject to the general excise tax for the purposes of section 237-21.

The Director will use the authority to exempt, exclude, or apportion the value of imported property, services, or contracting when an exemption, exclusion, or apportionment of gross receipts would be allowed under the General Excise Tax Law in the case of a similar local transaction. (*Section 238-3(a).*)

Drugs and Prosthetic Devices for Personal Use: If you are an individual who bought drugs or prosthetic devices from a hospital, infirmary, medical clinic, health care facility, pharmacy, or a practitioner licensed to administer the drug to an individual, the landed value of the drugs or prosthetic devices is exempt from use tax. Do not report these amounts. (*Section 238-1.*)