



DEPARTMENT OF TAXATION

News Release

LINDA LINGLE
GOVERNOR

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STATE INCREASES TAX ENFORCEMENT WITH EMPHASIS ON CASH ECONOMY

HONOLULU – **Beginning the week of October 5, 2009**, the State of Hawai'i Department of Taxation (DOTAX) will be going out to the community to advise and educate businesses of the "Cash Economy Enforcement Act of 2009" (Act 134), which was signed into law by Governor Linda Lingle on June 18, 2009.

The new law, which took effect July 1, 2009, provides DOTAX with additional resources and tools to investigate reported or suspected violations of tax laws, especially cash-based transactions in order to ensure that all sectors of Hawai'i's economy are paying their fair share of taxes.

Cash-based transactions are those where goods or services are paid for substantially in cash and where the business (for-profit or not-for-profit) is found to have met one or more of a number of factors, including substantially underreporting or misreporting the proper amount of tax liability on any tax return, failing to have a license to do business as required by law, having no fixed and permanent principal place of business, or not accepting checks or electronic payment devices for business transactions.

The law establishes the Special Enforcement Section within the Tax Department, which may issue citations for non-compliance with Hawai'i tax laws as well as cease and desist notifications if there is cause to believe a cash-based business has violated, is violating, or is about to violate

any provision of Hawai'i's tax laws, or any adopted administrative rules. The Tax Department may also bring civil actions in circuit court against violators. The department will utilize special agents who are authorized to inspect books, records, and premises, if a warrant or writ of entry is issued by a circuit court based upon probable cause. These agents also may seize and impose a levy on assets in the custody or control of those who violate tax laws.

During the initial outreach efforts by the Tax Department, no citations will be issued. The goal is to advise and educate taxpayers on the current and new law and reporting requirements. The special tax agents will distribute educational brochures which inform taxpayers about new civil tax-related fines contained in Act 134, which are applicable to both cash-based and noncash-based businesses. These penalties include:

- A fine for failing to produce a license or permit. The fine may not exceed **\$1,000** for cash-based businesses, and may not exceed **\$500** for all other persons.
- A fine for failing to produce books or records. The fine may not exceed **\$2,000** for cash-based businesses, and may not exceed **\$1,000** for all other persons.
- A fine for conducting more than 10 taxable business transactions per day in cash and failing to provide a receipt or other record of the transaction when the means for issuing a receipt or recording the transaction are available. The fine may not exceed **\$2,000** for cash-based businesses, and may not exceed **\$1,000** for all other persons.
- A fine for conducting more than 10 taxable business transactions per day in cash and failing to record the transaction in a cash register when the means for recording the transaction in the cash register are available. The fine may not exceed **\$2,000** for cash-based businesses, and may not exceed **\$1,000** for all other persons.
- A fine for selling, offering to sell, or otherwise conveying more than one price for a business to be transacted when the lower price is offered if the transaction is paid for in cash, unless there is a legitimate business purpose for the different pricing. The fine may not exceed **\$3,000** for cash-based businesses, and may not exceed **\$2,000** for all other persons.
- A fine for possessing currency in the form of coin or note as a business, where the possession is for tax avoidance purposes. The fine may not exceed **\$3,000** for cash-based businesses, and may not exceed **\$2,000** for all other persons.
- A fine for intentionally interfering with, hindering, obstructing, preventing, or impeding any investigator, auditor, collector, or other employee of the department from obtaining license information, books, records, articles, or items of business transacted, or other information or property rightfully entitled to the department. The fine may not exceed **\$2,000**.

- A fine against any person who receives gross income from business conducted in the state without first obtaining a General Excise license. The fine may not exceed **\$2,000** for cash-based businesses, and may not exceed **\$500** for all other persons.

The Cash Economy Act of 2009 also makes it a criminal offense for any person to interfere, hinder, obstruct, prevent, or impede any investigator or employee of the department with violence or the threat of violence.

For additional information about Act 134, visit www.hawaii.gov/tax, or call the nearest tax office between the hours of 7:45 a.m. through 4:30 p.m., Monday through Friday, excluding State holidays:

O'ahu (808) 587-9200

Maui (808) 984-8511

Hilo (808) 974-6321

Kona (808) 323-4597

Kaua'i (808) 274-3456

Hearing impaired users only may transmit inquiries calling (808) 587-1418 (O'ahu only) or 1-800-887-8974 (neighbor islands).

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