

# **Overview of Hawaii Taxes**

## **Presentation to Tax Review Commission**

Johnnel Nakamura, Rules Officer

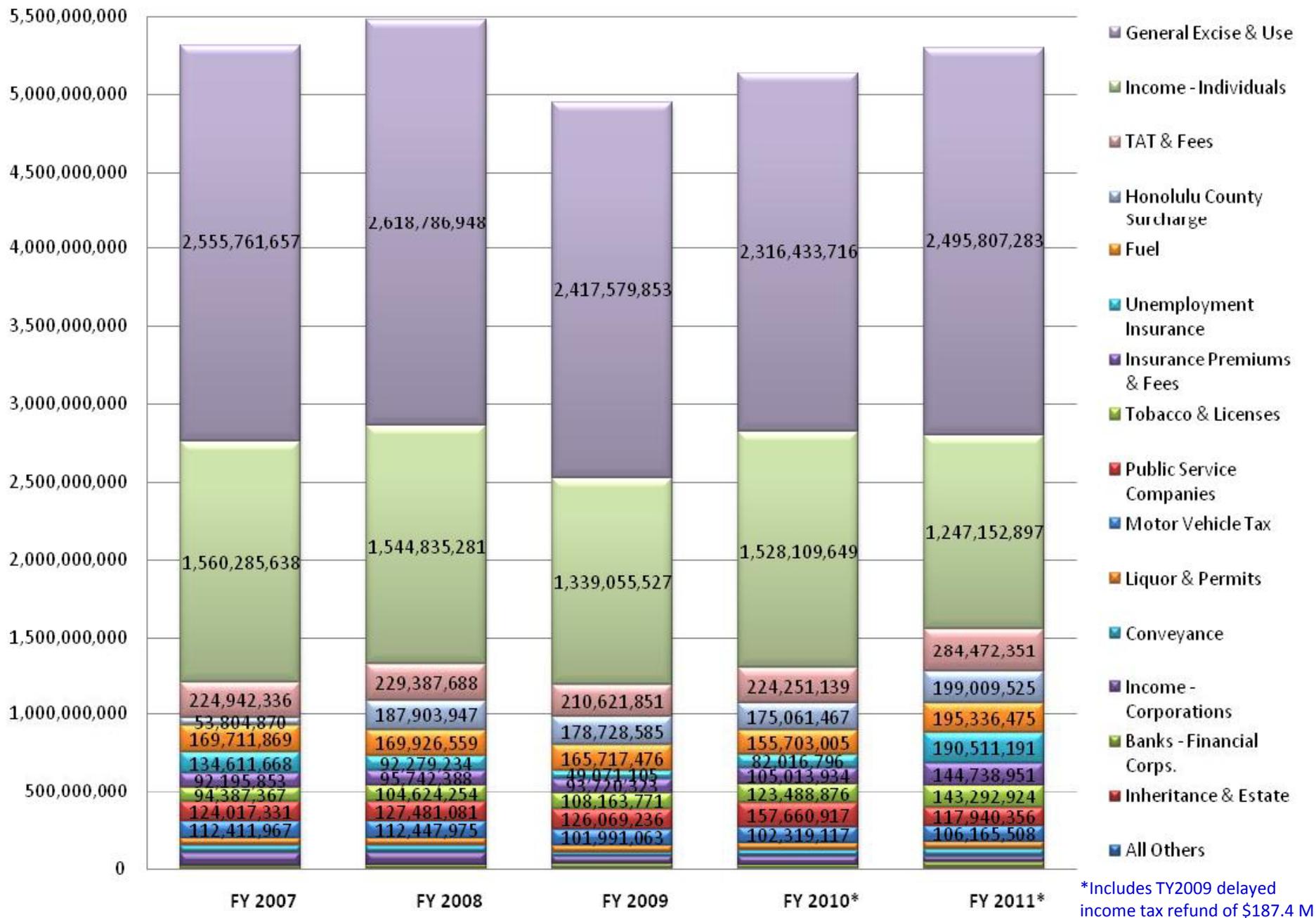
Titin Sakata, Administrative Rules Specialist

Date: 10/31/11

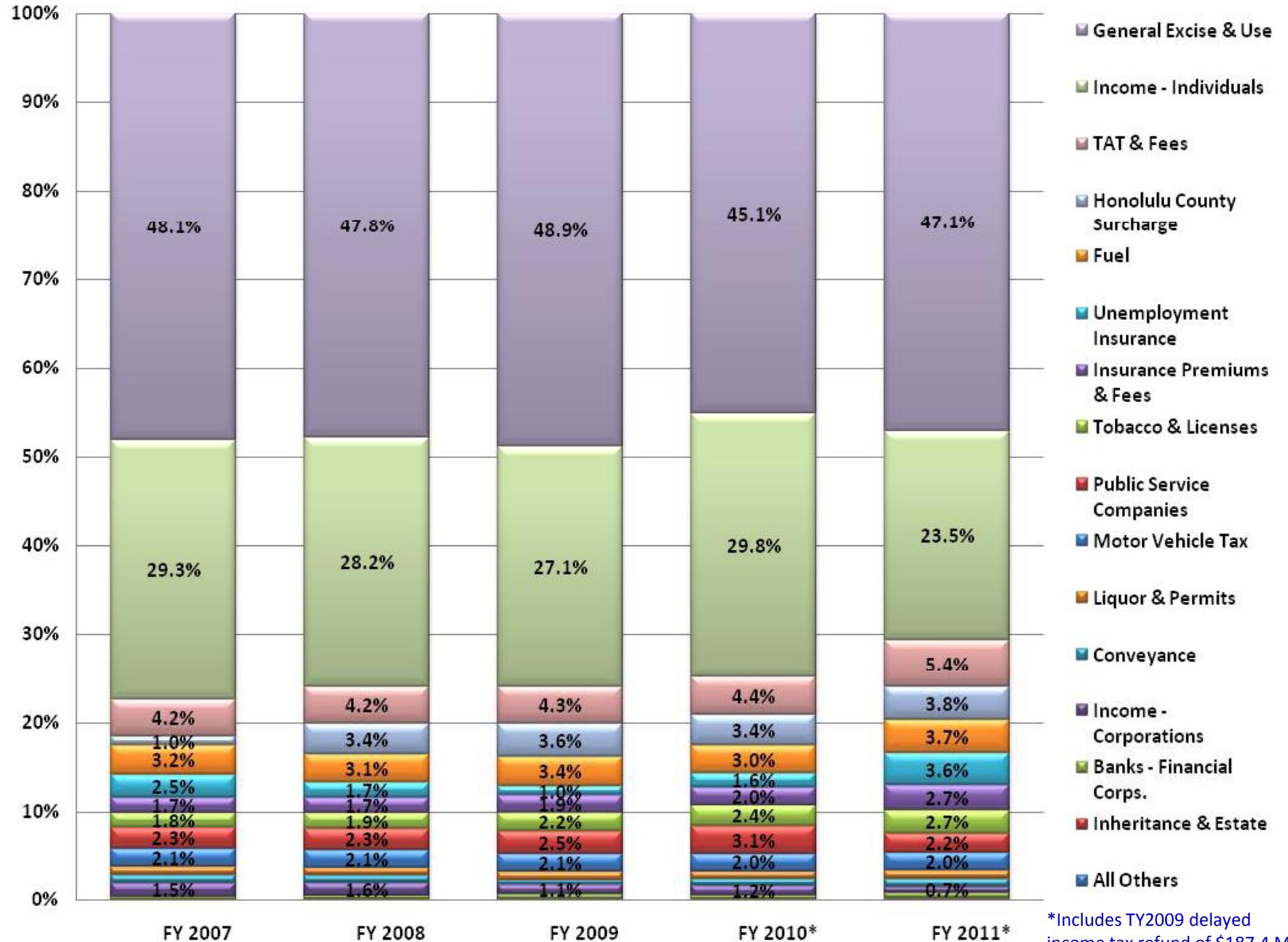
# Hawaii Taxes

- Chapter 235: Income Tax
- Chapter 236D: Estate and Transfer Tax
- Chapter 237: General Excise Tax
- Chapter 237D: Transient Accommodations Tax
- Chapter 238: Use Tax
- Chapter 239: Public Service Company Tax
- Chapter 241: Banks, Building and Loan, Financial Services Loan Companies and Certain Other Financial Corporations (Franchise Tax)
- Chapter 243: Fuel Tax
- Chapter 244D: Liquor Tax
- Chapter 245: Cigarette and Tobacco Tax
- Chapter 247: Conveyance Tax
- Chapter 251: Rental Motor Vehicle and Tour Vehicle Surcharge Tax
- Chapter 383: Unemployment Insurance
- Chapter 431: Insurance Premiums

### Figure 1. Tax Collections: General Fund and Non General Fund



## Figure 2. Taxes as Percentage of Total Collections



\*Includes TY2009 delayed income tax refund of \$187.4 M

# General Excise Tax

## Measure and Rate of Tax

- This is a business privilege tax measured by gross proceeds of sales or gross income.
- Tax rate:
  - **0.5%** on wholesaling and wholesale services, producing, sugar processing and pineapple canning;
  - **4%** on all other activities: retailing business and professional services, contracting, theatre, amusements, interest, commissions, rentals);
  - **0.15%** on insurance commissions received by general agents, subagents and solicitors.
- The licensing fee for general excise tax licensees and nonprofit organizations is a one-time fee of \$20.
- Effective January 1, 2007, a county surcharge of 0.5% is added to the State's 4% general excise tax for business conducted in the City and County of Honolulu.

## General Excise Tax (Cont.)

### Reporting

Tax Liability	Filing Frequency	Due Date
Less than \$2,000	Semi Annual	20th day of the month after the close of each semiannual period
\$2,000 " \$4,000	Quarterly	20th day of the month after the close of each quarter
Over \$4,000	Monthly	20th day of the following month

- An annual summary and reconciliation return must be filed on or before the 20th day of the 4th month following the close of the taxable year.

### Tax Payable

- At time of filing returns.

### Distribution

- General excise & use tax – 100%: General fund.
- County surcharge tax – 90%: City & County of Honolulu, and 10%: General fund.

# Use Tax

## Measure and Rate of Tax

- This is an excise tax levied on tangible personal property which is imported or purchased from an unlicensed seller for use in the State.
- The tax is based upon the purchase price or value of the tangible personal property purchased or imported, whichever is applicable.
- The use tax is imposed on the value of services or contracting that are performed by an unlicensed seller at a point outside the State and imported or purchased for use in the State.
- Rates:
  - **0.5%**, if for resale at retail;
  - **4%**, if for use or consumption.
- For exceptions, see sections 238-3 and 238-4.
- Effective January 1, 2007, a county surcharge of 0.5% is added to the State's 4% use tax for the importation or purchase of tangible personal property or services for use in the City and County of Honolulu.

## Use Tax (Cont.)

### Reporting

Tax Liability	Filing Frequency	Due Date
Less than \$2,000	Semi Annual	20th day of the month after the close of each semiannual period
\$2,000 " \$4,000	Quarterly	20th day of the month after the close of each quarter
Over \$4,000	Monthly	20th day of the following month

- An annual summary and reconciliation return must be filed on or before the 20th day of the 4th month following the close of the taxable year.
- These returns have been consolidated with the general excise (gross income) tax returns and are filed simultaneously.

### Tax Payable

- At time of filing returns.

### Distribution

- 100%: General fund.

# Income Tax

## Measure and Rate of Tax

- For taxable years beginning after December 31, 2008, the tax rates for individuals range from **1.4%** to **11%** of taxable income.

Rate	Single/MFS		Joint		Head of Household	
	Taxable Income		Taxable Income		Taxable Income	
1.40%	Not over	\$2,400	Not over	\$4,800	Not over	\$3,600
3.20%	\$2,400	" \$4,800	\$4,800	" \$9,600	\$3,600	" \$7,200
5.50%	\$4,800	" \$9,600	\$9,600	" \$19,200	\$7,200	" \$14,400
6.40%	\$9,600	" \$14,400	\$19,200	" \$28,800	\$14,400	" \$21,600
6.80%	\$14,400	" \$19,200	\$28,800	" \$38,400	\$21,600	" \$28,800
7.20%	\$19,200	" \$24,000	\$38,400	" \$48,000	\$28,800	" \$36,000
7.60%	\$24,000	" \$36,000	\$48,000	" \$72,000	\$36,000	" \$54,000
7.90%	\$36,000	" \$48,000	\$72,000	" \$96,000	\$54,000	" \$72,000
8.25%	\$48,000	" \$150,000	\$96,000	" \$300,000	\$72,000	" \$225,000
9.00%	\$150,000	" \$175,000	\$300,000	" \$350,000	\$225,000	" \$262,500
10.00%	\$175,000	" \$200,000	\$350,000	" \$400,000	\$262,500	" \$300,000
11.00%	Over	\$200,000	Over	\$400,000	Over	\$300,000

## Income Tax (Cont.)

### Measure and Rate of Tax

- For taxable years beginning after December 31, 2015, the tax rates for individuals range from **1.4%** to **8.25%** of taxable income.

Rate	Single/MFS		Joint		Head of Household	
	Taxable Income		Taxable Income		Taxable Income	
1.40%	Not over	\$2,400	Not over	\$4,800	Not over	\$3,600
3.20%	\$2,400 "	\$4,800	\$4,800 "	\$9,600	\$3,600 "	\$7,200
5.50%	\$4,800 "	\$9,600	\$9,600 "	\$19,200	\$7,200 "	\$14,400
6.40%	\$9,600 "	\$14,400	\$19,200 "	\$28,800	\$14,400 "	\$21,600
6.80%	\$14,400 "	\$19,200	\$28,800 "	\$38,400	\$21,600 "	\$28,800
7.20%	\$19,200 "	\$24,000	\$38,400 "	\$48,000	\$28,800 "	\$36,000
7.60%	\$24,000 "	\$36,000	\$48,000 "	\$72,000	\$36,000 "	\$54,000
7.90%	\$36,000 "	\$48,000	\$72,000 "	\$96,000	\$54,000 "	\$72,000
8.25%	Over	\$48,000	Over	\$96,000	Over	\$72,000

## Income Tax (Cont.)

### Measure and Rate of Tax

- The standard deduction amounts are as follows:
  - \$2,000: Single or married filing separately
  - \$4,000 : Married filing joint return or surviving spouse with dependent child
  - \$2,920 : Head of household
- The personal exemption amount is \$1,040 per qualified exemption.
- The tax rates for estates and trusts range from 1.4% to 8.25%.
- The tax rates for corporations are:
  - 4.4% up to \$25,000,
  - 5.4% over \$25,000 but not over \$100,000, and
  - 6.4% over \$100,000 of taxable income.

## Income Tax (Cont.)

### Reporting

- Returns due 20th day of 4th month following the close of taxable year.
- Withholding returns due monthly on or before the 15th day of the following calendar month.

### Tax Payable

- In general, at time of filing returns.
- Estimates of individuals, estates, trusts, and corporations, one-quarter, April 20th; June 20th; September 20th; and January 20th.
- See Booklet A, Employer's Tax Guide, for the withholding requirements for employers who are required to pay the taxes withheld by electronic funds transfer (EFT).

### Distribution

- 100%: General fund.

# Transient Accommodations Tax

## Measure and Rate of Tax

- This is a tax levied on the furnishing of a room, apartment, suite, or the like which is customarily occupied by the transient for less than 180 consecutive days for each letting by a hotel, apartment, motel, horizontal property regime or cooperative apartment, rooming house, or other place in which lodgings are regularly furnished to transients for consideration.
- Effective July 1, 2010, the rate is **9.25%**.
- Effective July 1, 2015, the rate is **7.25%**.
- The registration fee for transient accommodations operators is a one-time fee of \$5 for each registration consisting of 1 to 5 units and \$15 for 6 or more units.
- Plan managers are liable for and pay to the State the transient accommodations tax of 7.25% that is imposed on the fair market rental value of time share vacation units.
- Effective July 1, 2011, Act 103, SLH 2011, imposes a \$10 per day transient accommodations tax on complimentary rooms.

## Transient Accommodations Tax (Cont.)

### Reporting

Tax Liability	Filing Frequency	Due Date
Less than \$2,000	Semi Annual	20th day of the month after the close of each semiannual period
\$2,000 " \$4,000	Quarterly	20th day of the month after the close of each quarter
Over \$4,000	Monthly	20th day of the following month

- An annual summary and reconciliation return must be filed on or before the 20th day of the 4th month following the close of the taxable year.

### Tax Payable

- At time of filing returns.

## Transient Accommodations Tax (Cont.)

### Distributions

- Of the revenues collected from the 7.25% rate, the distribution is as follows:
  - 17.3%: Convention center enterprise special fund (Capped at \$33 million/calendar year)
  - 34.2%: Tourism special fund (Capped at \$69 million/year for FYs 2012 – 2015)
  - 44.8%: Counties (Capped at \$93 million/year for FYs 2012 – 2015)
    - 14.5%: Kauai county
    - 18.6%: Hawaii county
    - 44.1%: Honolulu county
    - 22.8%: Maui county
  - 3.7%: General fund
- Of the revenues collected from the additional 2% rate, 100% to general fund, except for FY 2011, 12.5% of the 2% to tourism special fund.

# Fuel Tax

## Measure and Tax Rate

- Distributors, as defined, are required to pay (fuel tax rates in cents per gallon):

	STATE TAX	COUNTY FUEL TAX	TOTAL TAX
<b>GASOLINE AND DIESEL OIL (HIGHWAY):</b>			
City & County of Honolulu	17.0	16.5	33.5
County of Maui	17.0	16.0	33.0
County of Hawaii	17.0	8.8	25.8
County of Kauai	17.0	13.0	30.0
<b>DIESEL OIL (OFF-HIGHWAY):</b>			
All Counties	2.0	0.0	2.0
<b>LIQ. PET. GAS (HWY USE):</b>			
City & County of Honolulu	5.2	5.4	10.6
County of Maui	5.2	4.3	9.5
County of Hawaii	5.2	2.9	8.1
County of Kauai	5.2	4.3	9.5
<b>AVIATION FUEL:</b>			
All Counties	2.0	0.0	2.0

# Fuel Tax (Cont.)

## Measure and Tax Rate (Cont.)

- Distributors, as defined, are required to pay (fuel tax rates in cents per gallon):

	STATE TAX	COUNTY FUEL TAX	TOTAL TAX
<b>ENVIRONMENTAL RESPONSE, ENERGY, &amp; FOOD SECURITY TAX (per barrel)</b>			
All Counties	105.0	0.0	105.0
<b>ETHANOL (HWY USE):</b>			
City & County of Honolulu	2.4	2.4	4.8
County of Maui	2.4	3.8	6.2
County of Hawaii	2.4	1.3	3.7
County of Kauai	2.4	1.9	4.3
<b>METHANOL (HWY USE):</b>			
City & County of Honolulu	1.9	1.8	3.7
County of Maui	1.9	2.9	4.8
County of Hawaii	1.9	1.0	2.9
County of Kauai	1.9	1.4	3.3
<b>BIODIESEL (HWY USE):</b>			
City & County of Honolulu	4.0	8.3	12.3
County of Maui, Hawaii, Kauai	4.0	0.0	4.0

## Fuel Tax (Cont.)

### Measure and Tax Rate (Cont.)

- Distributors, as defined, are required to pay (fuel tax rates in cents per gallon):

	STATE TAX	COUNTY FUEL TAX	TOTAL TAX
NAPHTHA (Power-Generating Facility)	2.0	0.0	2.0
COMPRESSED NATURAL GAS (HWY USE):			
City & County of Honolulu	0.8	1.3	2.1
County of Maui	0.8	1.2	2.0
County of Hawaii	0.8	0.7	1.5
County of Kauai	0.8	1.0	1.8
LIQUEFIED NATURAL GAS (HWY USE):			
City & County of Honolulu	2.4	4.7	7.1
County of Maui	2.4	4.5	6.9
County of Hawaii	2.4	2.5	4.9
County of Kauai	2.4	3.7	6.1

## Fuel Tax (Cont.)

### Report

- Distributors are required to register and be licensed. Licenses are valid until revoked.
- Returns are due monthly on or before the 20th day of the following month.

### Tax Payable

- At time of filing returns.

### Distribution

- Aviation fuel tax: Airport special fund
- The environmental response, energy, and food security tax is distributed as follows:
  - 5 cents/barrel: Environmental response revolving fund;
  - 15 cents/barrel: Energy security special fund;
  - 10 cents/barrel: Energy systems development special fund;
  - 15 cents/barrel: Agricultural development and food security special fund; and
  - 60 cents/barrel: General fund.
- All other fuel tax: Highway special fund

# Cigarette and Tobacco Tax

## Measure and Tax Rate

- “Wholesalers” and “dealers” as defined in the law must pay an excise tax on the sale or use of tobacco products and on each cigarette sold, used, or possessed.
- The tax on cigarettes and little cigars is **16 cent per cigarette or little cigar** sold on and after July 1, 2011.
- The tobacco tax is imposed as follows:
  - Tobacco products (other than large cigars), 70% of the wholesale price.
  - Large cigars, 50% of the wholesale price.
  - Little cigars, 16 cent for each little cigar.
- A \$2.50 tobacco tax license is required and must be renewed before July 1st of each year.
- Cigarette wholesalers and dealers are required to affix stamps to individual cigarette packages as proof of payment of cigarette taxes.

## Cigarette and Tobacco Tax (Cont.)

### Measure and Tax Rate (Cont.)

- Every retailer engaged in the retail sale of cigarettes and other tobacco products is required to obtain a \$20 retail tobacco permit that must be renewed before December 1st of each year.

### Reporting

- Returns are due monthly on or before the 20th day of the following month.

### Tax Payable

- At time of filing returns.
- Cigarette tax paid through the purchase of cigarette tax stamps by licensees.

## Cigarette and Tobacco Tax (Cont.)

### Distribution

- After June 30, 2009, and prior to July 1, 2013:
  - 2.0 cents/cigarette: Hawaii cancer research special fund;
  - 0.75 cents/cigarette: Trauma system special fund;
  - 0.75 cents/cigarette: Community health centers;
  - 0.5 cents/cigarette: Emergency medical services special fund; and
  - 12 cents/cigarette: General fund.
  
- After June 30, 2013, and thereafter:
  - 2.0 cents/cigarette: Hawaii cancer research special fund;
  - 1.5 cents/cigarette: Trauma system special fund;
  - 1.25 cents/cigarette: Community health centers;
  - 1.25 cents/cigarette: Emergency medical services special fund; and
  - 10 cents/cigarette: General fund.

# Public Service Company Tax

## Measure and Tax Rates

- Public utility business in lieu of general excise tax.
- Measurement of assessment
  - General rule: Gross income from public utility business of public utilities for preceding calendar year.
  - For exception, see section 239-9.
- Rates:
  - **5.35%**: Gross income from passenger fares for transportation between points on a scheduled route by a carrier of passengers.
  - **0.5%**: Sale of its products or services to another public utility which resells such products or services.
  - **0.5%**: Sale of telecommunications services by a public utility to an interstate or foreign telecommunications services provider that is subject to the general excise tax and that resells the services to retail customers
  - **4%** of gross income: All other revenues

## Public Service Company Tax (Cont.)

### Reporting

- Returns filed on or before the 20th day of the 4th month following the close of the taxable year, based upon operations of the preceding taxable year.

### Tax Payable

- Tax is due at the time of filing return, or, on or before the 20th day of the 4th month.
- Tax is paid in installments under certain circumstances.

### Distribution

- 100%: General fund.

# Rental Motor Vehicle and Tour Vehicle Surcharge Tax

## Measure and Tax Rates

- Rates:

	Rate		Tax Levied On
	7/1/11 - 6/30/12	7/1/12 & Thereafter	
Car	\$7.50/day	\$3.00/day	Lessor
Van	\$15/month	\$15/month	Tour Vehicle Operator
Bus	\$65/month	\$65/month	Tour Vehicle Operator

- There is a one-time \$20 registration fee.

## Reporting

Tax Liability	Filing Frequency	Due Date
Less than \$2,000	Semi Annual	20th day of the month after the close of each semiannual period
\$2,000 " \$4,000	Quarterly	20th day of the month after the close of each quarter
Over \$4,000	Monthly	20th day of the following month

- An annual summary and reconciliation return must be filed on or before the 20th day of the 4th month following the close of the taxable year.

## Rental Motor Vehicle and Tour Vehicle Surcharge Tax (Cont.)

### Tax Payable

- At time of filing returns

### Distribution

- 100%: Highway Special Fund, except the \$4.50 of the \$7.50/day surcharge goes to General Fund for the period of 7/1/11 – 6/30/12.

# Liquor Tax

## Measure and Tax Rates

- This is a gallonage tax imposed upon “dealers” as defined in the law and certain others who sell or use liquor.
- A \$2.50 liquor tax permit is required and must be renewed before July 1st of each year.
- See section 244D-4 for exemption from tax.
- Rates:

	Rate Per Wine Gallons
Distilled Spirits	\$5.98
Sparkling Wine	\$2.12
Still Wine	\$1.38
Cooler Beverages	\$0.85
Beer other than draft beer	\$0.93
Draft Beer	\$0.54

## Liquor Tax (Cont.)

### Reporting

- Returns are due monthly on or before the 20th day of the following month.

### Tax Payable

- At time of filing returns.

### Distribution

- 100%: General fund.

# Conveyance Tax

## Measure and Tax Rates

- This tax is imposed on all documents transferring ownership or interest in real property and is based on the actual and full consideration paid or to be paid.
- The conveyance tax rates are as follows:

Property Value		Rate Per \$100	
		Residence	Investment Property
Less than	\$600,000	\$0.10	\$0.15
\$600,000	" \$1,000,000	\$0.20	\$0.25
\$1,000,000	" \$2,000,000	\$0.30	\$0.40
\$2,000,000	" \$4,000,000	\$0.50	\$0.60
\$4,000,000	" \$6,000,000	\$0.70	\$0.85
\$6,000,000	" \$10,000,000	\$0.90	\$1.10
Over	\$10,000,000	\$1.00	\$1.25

## Conveyance Tax (Cont.)

### Reporting

- A certificate of conveyance must be filed with the document at the Bureau of Conveyances within 90 days after a taxable transaction; a claim for exemption from the conveyance tax must be filed for certain exempt conveyances.

### Tax Payable

- At time of filing the certificate, but no later than 90 days after the taxable transaction.

### Distribution

- 10%: Land conservation fund;
- 25% (7/1/09 – 6/30/12) and 30% (7/1/12 and thereafter): Rental housing trust fund;
- 20% (7/1/09 – 6/30/12) and 25% (7/1/12 and thereafter): Natural area reserve fund; and
- The rest of the collections: General fund.

# Tax on Banks, Building and Loan, Financial Services Loan Companies and Certain Other Financial Corporations (Franchise Tax)

## Measure and Tax Rate

- Nature of Tax: A franchise tax (in lieu of income and general excise taxes) on banks, building and loan associations, development companies, financial corporations, financial services loan companies, trust companies, mortgage loan companies, financial holding companies, small business investment companies, or subsidiaries not subject to the tax imposed by chapter 235 (income tax law).
- Measure of Assessment: Net income for the preceding year from all sources as defined by chapter 235 with modifications.
- Rate: 7.92% of taxable income.

## Reporting

- Returns filed on or before the 20th day of the 4th month following the close of the taxable year, based upon operations of the preceding taxable year.

## Franchise Tax (Cont.)

### Tax Payable

- Tax payable at the time of filing return, or, on or before the 20th day of the 4th month.
- Tax may be paid in installments under certain circumstances.

### Distribution

- 100%: General fund.

# Estate and Transfer Tax

## Measure and Tax Rate

- Act 74, SLH 2010, reenacts Hawaii's Estate and Transfer Tax for decedents dying after April 30, 2010.
- The new definition of "Internal Revenue Code," makes the IRC operative for purposes of the estate and transfer tax as of December 31, 2009. However, IRC section 2011 (federal estate tax credit for state death taxes paid) and IRC section 2604 (federal credit for state generation-skipping transfer taxes paid), which comprise the Hawaii estate tax base, are made operative as of December 31, 2000.
- An applicable exclusion amount of up to \$3,500,000 per decedent is provided.
- The tax also is imposed on transfers made by nonresidents who are not United States citizens.

## Estate and Transfer Tax (Cont.)

### Report

- Returns due 9 months from the decedent's date of death.
- An automatic 6-month extension of time to file may be requested.

### Tax Payable

- At time of filing returns.

### Distribution

- 100%: General fund.

# Unemployment Insurance Tax

## Measure and Tax Rates

- This is a tax on wages paid by employers with 1 or more employees with certain exemptions.
- The unemployment tax rate is determined according to a multi-contribution schedule system.
  - Each year, 1 of 8 contribution schedules is applicable depending on the condition of the UI Trust Fund.
  - An employer's contribution rate is not less than 0.0% or greater than 5.4%.
- There is also an additional employment and training (E & T) fund assessment on taxable wages paid to an employee.
  - For 2011, the percentage rate for this additional tax is 0.02%. The E & T assessment is applicable to all employers with unemployment insurance contribution rates of 0.0% to 5.4%.

# Unemployment Insurance Tax (Cont.)

## Measure and Tax Rates (Cont.)

- There is a limitation of the tax on wages paid to an employee called the “tax base”.
  - The tax base represents 100% of the state’s average annual wages reported by employers contributing to the unemployment trust fund.
  - For 2011, the tax base is 90% of the state’s annual average wages per legislation.  
**Note:** The tax base for calendar year 2011 has been set at \$34,200.

## Reporting

- On a quarterly basis, employers submit Form UC-B6, “Quarterly Wage, Contribution and Employment and Training Assessment Report.”
- The report must be filed on or before the last day of the month following the report quarter.

## Tax Payable

- At time of filing returns.

## Distribution

- 100%: Unemployment compensation fund.

# Tax on Insurance Premiums

## Measure and Tax Rates

- Tax on insurance companies (Underwriters) based on premiums written in Hawaii.
- In lieu of all taxes except property tax and taxes on the purchase, use or ownership of tangible personal property.
- Tax rates on gross underwriting profit:
  - Life Insurance: 2.75%;
  - Surplus Lines: 4.68%;
  - Ocean Marine: 0.8775%; and
  - Other Insurance, 4.265%.
- To insurers who qualify, there is a 1% tax credit to facilitate regulatory oversight.
- This law is administered and the tax collected by the Insurance Commissioner, who is required to report to the Director of Taxation all amounts of taxes collected under this chapter.

## Tax on Insurance Premiums (Cont.)

### Reporting

- Monthly tax statement is due on or before the 20th day of the calendar month following the month in which the taxes accrue.
- Annual Tax Statement is due on or before March 1 with the Insurance Commissioner.

### Tax Payable

- At time of filing statements.

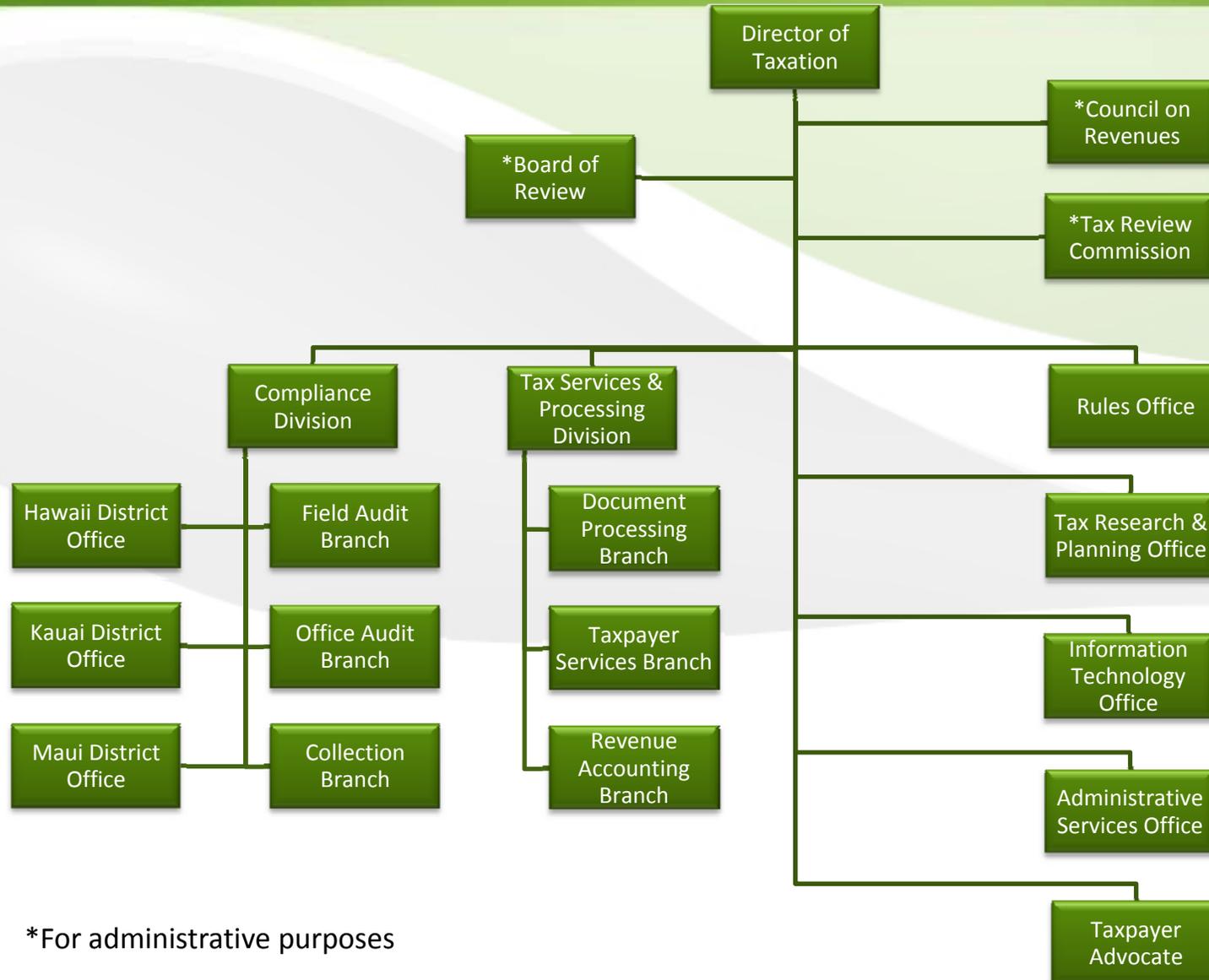
### Distribution

- 100%: General fund.



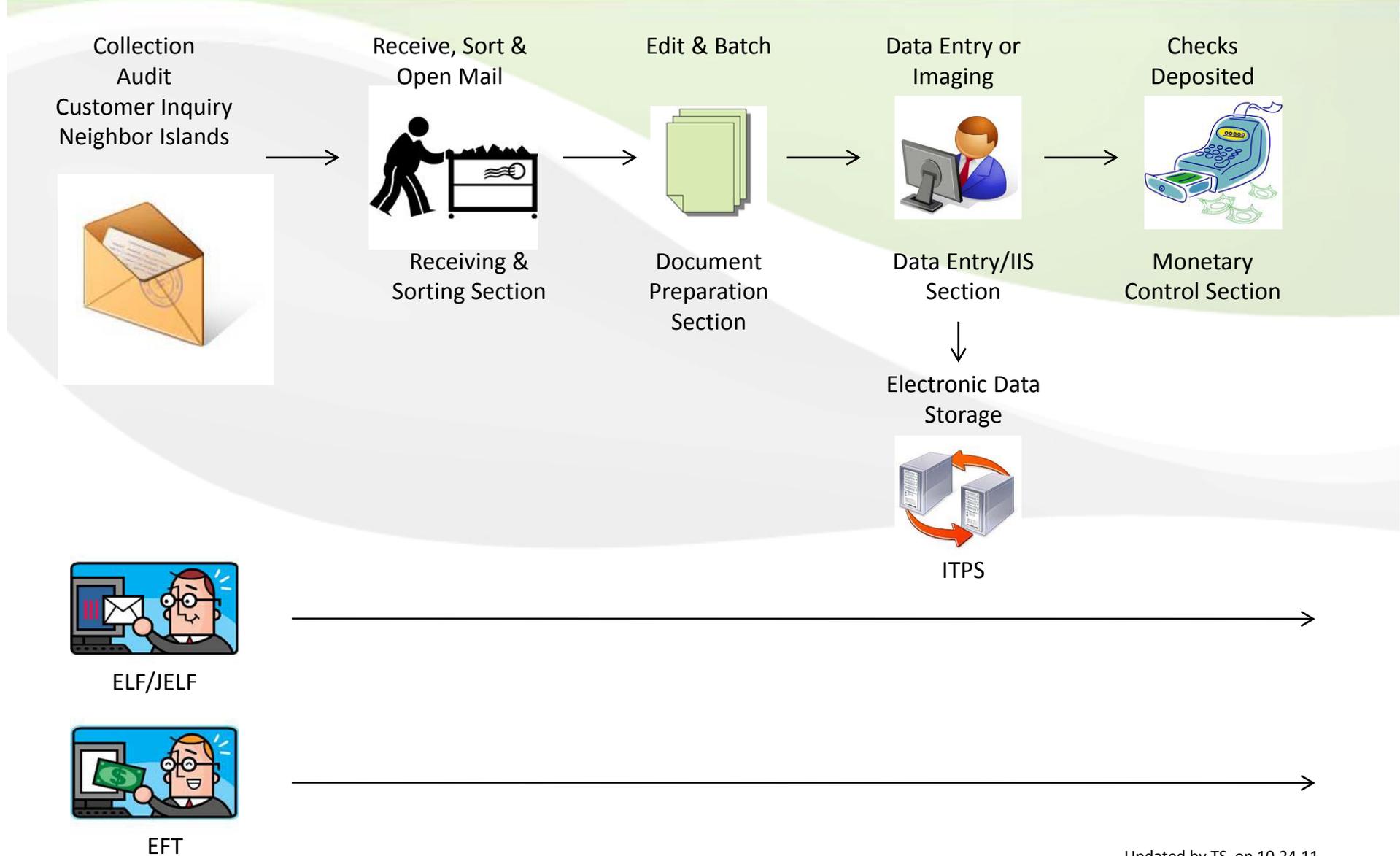
# **Overview of Tax Returns Processing**

# Department of Taxation's Organization Chart



\*For administrative purposes

# Returns with and without Payments



Updated by TS on 10.24.11



**Thank You**

[www.hawaii.gov/tax](http://www.hawaii.gov/tax)