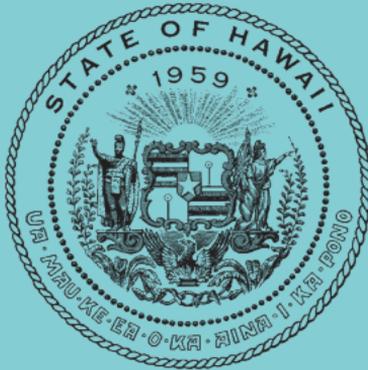


An Introduction to the Tax Clearance Procedure

State of Hawaii



Department of Taxation

Revised February 2022

Overview

This brochure provides basic information on the tax clearance procedures.

If you have any questions, please call or email us. Our contact information is provided at the back of this brochure.

Note: This brochure provides general information and is not a substitute for legal or other professional advice. The information provided in this brochure does not cover every situation and is not intended to replace the law or change its meaning. If there is a conflict between the text in this brochure and the law, then the application of tax will be based on the law and not on this brochure.

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General Information

1. What is a tax clearance certificate?

A tax clearance certificate, Form A-6, is issued by the Department of Taxation (Department) to certify that the taxpayer has filed all required tax returns and has paid all taxes, penalties, and interest due as of the date the tax clearance certificate is issued. Tax clearance certificates issued prior to September 3, 2019, will have a green stamp with a signature. Tax clearance certificates issued after September 3, 2019, will have a scannable Quick Response (QR) code that can be validated. The QR code can be scanned using a web-enabled device, such as a smart phone, to confirm that the certificate is valid. The QR code also allows the Department to invalidate the certificate at any time.

2. Why would I need a tax clearance certificate?

You may be required to get a tax clearance certificate for various purposes. For example, you would need a tax clearance certificate to acquire or renew a state contractor's license or a county liquor license, to submit a bid or receive the final payment on a contract with a state or county government agency, or to provide information as to whether you have filed resident or nonresident tax returns.

Government Contracts

3. Do I need to get a tax clearance certificate when I bid on state or county government projects?

Yes. State law requires state government agencies to ask for a tax clearance certificate before awarding a contract for a public works project. Bidders on state public works projects may also be considered for in-state contractor preference by submitting a tax clearance certificate. If you are submitting bids for several state or county government projects, you may need additional copies of the tax clearance certificate. If you file the application electronically (see question 16), you can download and print as many certificates as you need. If you do not file the application electronically, you may submit the form via mail, fax, or in-person at any district tax office. **Note:** The district tax office will provide only one copy of the tax clearance certificate.

4. Why do I need a tax clearance certificate from both the Department and the Internal Revenue Service (IRS)?

Section 103-53, Hawaii Revised Statutes, requires a state or county agency to obtain a tax clearance certificate from the Department and the IRS before entering into the contract, and also before final payment on the contract is made. This law applies to all contracts, whether with Hawaii vendors, out-of-state vendors, or nonprofit organizations.

5. If I need to get a tax clearance certificate from both agencies, do I need to submit a separate application to each tax agency?

Form A-6 may be used to get both a state tax clearance and a federal tax clearance. If you need to get a tax clearance certificate from both agencies, you should submit a separate Form A-6 to each tax agency.

6. My company's position is that we do not owe any taxes because we do not have sufficient presence in Hawaii. If we do not owe any taxes, why do we need a tax clearance certificate?

Under state law, your company is required to submit a tax clearance certificate to the state agency before you receive your final payment, whether your company is or is not subject to Hawaii taxation. At the time you submit your certificate, the Department will verify whether your company is subject to the State's taxing jurisdiction. Your company will be subject to Hawaii's taxing jurisdiction if it has property in Hawaii; provides services in Hawaii; or in the current or preceding calendar year, has gross income of \$100,000 or more, or entered into 200 or more separate transactions attributable to Hawaii in any of the following, or combination of the following, activities: (a) tangible property delivered in Hawaii, (b) services used or consumed in Hawaii, or (c) intangible property used in Hawaii.

Is a Tax Clearance Certificate Required?

7. I am a responsible managing employee (RME) of a construction company. Am I required to apply for a tax clearance certificate?

No. An RME is not required to get a tax clearance but the construction company is required to do so. Every two years, the State Contractors License Board requires

contractors to renew their contractor's licenses. One of the requirements to renew the license is to submit a tax clearance certificate. For more information, contact the State Contractors License Board.

8. I need a tax clearance certificate to take a test to become a licensed contractor. Do I have to get a general excise tax (GET) license to get a tax clearance certificate?

No. You will be required to get a GET license if you engage in business in Hawaii.

9. I have liquor establishments throughout the State. How many tax clearance certificates do I need to submit to the liquor commission annually?

You need one certificate for each county (Oahu, Maui, Hawaii, and Kauai) in which you have a liquor establishment. You may need more than one certificate for a county if you have different types of liquor establishments in that county. For example, if you own a retail liquor store and also a standard bar on Oahu, you may need one certificate for each establishment because they are two different types of liquor establishments. For more information, contact the liquor commission in your district.

10. I plan to attend a local university. Why does the university want me to get a tax clearance certificate to register as a Hawaii resident?

The university has to determine whether you must pay resident or nonresident tuition rates. The tax clearance certificate will provide information to help the university make its decision.

11. Why must a foreign general partnership withdrawing from doing business in Hawaii get a tax clearance certificate?

The Department of Commerce and Consumer Affairs requires that certain types of foreign businesses get a tax clearance certificate before withdrawing from doing business in Hawaii.

12. I am a foreign citizen and plan to leave the United States soon. Must I get a tax clearance certificate from Hawaii before I leave?

No. Hawaii does not require you to get a tax clearance certificate or "sailing permit" as is required by the IRS.

13. A family member passed away this year and the bank asked for a tax clearance certificate to transfer

the estate's assets. Do I complete the application, Form A-6?

No. If an estate is not taxable and no estate tax is due, the personal representative or person(s) in possession, control, or custody of the property must file Form M-6A, Request for Release to be Filed for Decedents Dying After June 30, 1983, with the Department if they wish to obtain a release, which indicates that the personal representative or person(s) in possession, control, or custody does not owe any Hawaii estate tax.

14. I plan to sell my business in the near future. Do I need a tax clearance certificate?

You are not required to get a tax clearance certificate if you sell your business or a sizeable portion of the business assets. You as the seller must file Form G-8A, Report of Bulk Sale or Transfer, with the Department within ten days of the sale. If the bulk sales requirements are met, the Department will issue a bulk sales certificate to you which should be given to the purchaser.

15. What is the importance of the bulk sales certificate and a tax clearance certificate?

The purchaser should not pay the seller until the purchaser receives a bulk sales certificate to ensure that the seller has paid all the GET, penalties, and interest due, and that there is no lien recorded on the seller's property. If no bulk sales certificate is received, the purchaser becomes liable for any outstanding GET, penalties, and interest. For more information on bulk sales, see Tax Information Release 91-10, "Bulk Sales Procedures Effective January 1, 1992."

The purchaser also should require the seller to get a tax clearance to ensure that all tax returns have been filed and all tax payments have been paid as of the date the tax clearance certificate is issued.

Filing Requirements

16. What do I need to do to apply for a tax clearance certificate?

Complete Form A-6, Tax Clearance Application, and submit it to the Department. You may get the application from any district tax office, by mail, or via the Internet. Your application may be submitted online through our website at hitax.hawaii.gov, by mail, fax, or in person at any district tax office.

Mailing addresses, locations, telephone numbers, fax numbers, and the website address are provided at the end of this brochure and on page 2 of the application.

17. Can a Certificate of Vendor Compliance from Hawaii Compliance Express (HCE) replace a tax clearance certificate?

If you are a vendor selling goods and services to state, city, or county agencies, you may register with HCE and have your tax clearance status available online for all state, city, or county contracts. The HCE is an electronic system that allows vendors doing business with state, city, or county agencies to quickly and easily get proof that they are compliant with applicable laws. The HCE Certificate of Vendor Compliance is submitted in place of a tax clearance, labor certificate, and a Certificate of Good Standing. For all other businesses, check with the party requesting the tax clearance to see if they will accept the Certificate of Vendor Compliance in place of the tax clearance certificate. There is an annual fee of \$12 to use HCE. For more information, go to vendors.ehawaii.gov.

18. Is there a fee for getting a tax clearance certificate?

No. There is no fee to get a tax clearance certificate.

19. Can my friend bring in the tax clearance application for me?

Yes. Anyone can bring the application for you as long as it is signed by you.

20. If I live on the mainland, can I fax my tax clearance application to you?

Yes. A completed tax clearance application may be faxed to the Department. Please ensure that faxed applications are signed, legible, and clear; otherwise, they will not be accepted for processing. Faxed applications will have the same processing time frame as applications which are mailed in (approximately 10 - 15 business days). Fax numbers for the Department are provided at the end of this brochure and on page 2 of the application. You may also apply for the tax clearance certificate online (see question 16).

21. Who can sign the tax clearance application?

The owner, officer, partner, or an authorized agent (with a valid power-of-attorney) can sign the application. If the application is not signed, it will not be processed.

22. After sending in my tax clearance application, what will I receive from the Department?

If your tax record is current, you will receive a tax clearance certificate (the front page of the tax clearance application) within 10 - 15 business days after mailing in your application. If approved, the tax clearance certificate's state approval stamp box will show the issue date and the QR code. If your tax record is not current, you will be notified by the Department.

23. I have several businesses and multiple Hawaii Tax I.D. Numbers listed under my name. Can I get a tax clearance certificate on only one of my businesses?

No. The Department checks all of the records available under the taxpayer's name before it issues a tax clearance certificate for any of the taxpayer's businesses.

24. I placed my GET license on inactive status for two years with your Department and I need a tax clearance certificate. Will you check the GET records for my inactive business?

Yes. Placing a business on inactive status does not inactivate your GET record. This record will be checked along with your income tax record before a tax clearance certificate can be issued.

25. My business is located on a neighbor island and I need a tax clearance certificate to give to a state agency on Oahu to bid on a contract. Can I apply for a tax clearance certificate and pay any outstanding taxes that I may owe at any district tax office?

Yes. Your application and tax payment can be mailed or brought in person to any district tax office. You may also file returns, pay taxes and apply for a tax clearance certificate at hitax.hawaii.gov.

26. Must I pay the entire amount of any delinquent taxes to get my tax clearance certificate?

Yes. Your outstanding tax liability must be paid in full (even if your business is terminated) before a tax clearance certificate can be issued to you.

Special consideration (payment plan) is afforded for liquor and contractor license renewals which would allow for a "conditional clearance." Contact our Collection Branch to see if you qualify.

27. I have some tax returns that are past due and will owe the State some tax, penalty, and interest. Must I pay the entire amount owed before the Department will give me a tax clearance certificate?

Yes. All amounts owed must be paid in full. Any outstanding returns and payments should accompany your application for tax clearance. In addition, the payment must be made in cash or by cashier's check, certified check, or money order if the total owed is more than \$1,000.

28. What is the fastest way to get my tax clearance certificate?

If the application is brought in person to the Department and your tax record is current, the tax clearance certificate may be issued that day. If you apply for the certificate online (see question 16), in most cases the application will be processed within one day.

29. Can I request more than one copy of the tax clearance certificate?

Yes. If you file the application online, you may download and print as many copies of the certificate as you need. However, if you do not file the application online, the district tax office will only provide one copy of the tax clearance certificate.

30. How long is a tax clearance certificate valid?

The tax clearance certificate does not have an expiration date. Parties requesting a tax clearance set their own rules about how old the tax clearance certificate may be.

Where to Get More Information

31. Where can I get additional information on tax clearances?

See Tax Facts 31-2, "Tax Clearance for State & County Contracts" (available on our website at http://files.hawaii.gov/tax/legal/tax_facts/tf2015-31-2.pdf) to learn more about tax clearance requirements for vendors that plan on entering into a contract with the State of Hawaii or its counties.

Additional information is available on our website at **tax.hawaii.gov**. You may contact any district tax office for information and forms. Our contact information is provided at the end of this brochure.

**For More Information, Forms,
Publications, & Assistance**

Website: tax.hawaii.gov

OAHU DISTRICT OFFICE

Princess Ruth Keelikolani Building 830 Punchbowl Street Honolulu, HI 96813-5094	P.O. Box 259 Honolulu, HI 96809-0259
Taxpayer Services Branch Telephone: 808-587-4242 Toll-Free: 1-800-222-3229	Compliance Division Telephone: 808-587-1611
Telephone for the hearing impaired Telephone: 808-587-1418 Toll-Free: 1-800-887-8974	Office Audit Branch Telephone: 808-587-1644 Fax: 808-587-1633
Fax: 808-587-1488	Collections Branch Telephone: 808-587-1600 Fax: 808-587-1720

MAUI DISTRICT OFFICE

State Office Building 54 S. High Street, #208 Wailuku, HI 96793-2198	Molokai 35 Ala Malama Street, Room 101 Kaunakakai, HI 96748
Telephone: 808-984-8500 Fax: 808-984-8522	Telephone: 808-553-5541 Fax: 808-553-9878

HAWAII DISTRICT OFFICE

State Office Building 75 Aupuni Street, #101 Hilo, HI 96720-4245	State Office Building 82-6130 Mamalahoa Hwy., #8 Captain Cook, HI 96704
Telephone: 808-974-6321 Fax: 808-974-6300 Email: Tax.Hilo.Office@hawaii.gov	Telephone: 808-323-4597 Fax: 808-323-4599

KAUAI DISTRICT OFFICE

State Office Building 3060 Eiwa Street, #105 Lihue, HI 96766-1889 Email: Tax.Kauai.Office@hawaii.gov	Telephone: 808-274-3456 Fax: 808-274-3461
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Regular office hours are Monday through Friday, except state holidays, as follows:

Oahu, Hilo, and Kauai offices: 7:45 A.M. to 4:30 P.M.

Maui, Molokai, and Kona offices: 8:00 A.M. to 4:00 P.M.

