



TAX FACTS 2019-1

Information on Hawaii State Taxes for Taxpayers Doing Business in Hawaii

This Tax Facts provides a general overview of the most common Hawaii State taxes paid by businesses that are located in Hawaii and by businesses that are not located in Hawaii but conducts business in Hawaii.

General Information

1 Do I need to file and pay taxes?

Every person doing business in the State during the taxable year must file returns and pay the applicable taxes to the Department of Taxation (Department). Most commonly, a person doing business would be subject to the general excise, use, income, and withholding taxes. The filing requirement applies whether or not the person derives any taxable income from the business. The filing and tax payment requirements are located in the applicable chapters of the Hawaii Revised Statutes (HRS). Tax forms and information about the proper reporting methods are available on the Department's website at tax.hawaii.gov and at all district offices.

General Excise Tax (GET)

2 What is the GET?

The GET is a broad-based tax that applies to virtually all business activities in the State. The GET is levied on gross receipts that persons (individuals, corporations, partnerships, or other entities) derive from their business activities, with no deductions for business expenses such as materials, labor, travel, office supplies, or other costs of doing business.

3 Is the GET a sales tax?

The GET is not a sales tax. Unlike sales taxes found in other states, the legal incidence of the tax is on the business and not on the customer. Whether the business passes the tax on to the customer is a matter of private agreement. A business is not required to separately state an amount of the sales price representing a GET pass-on, but if the tax is passed on, it becomes part of the taxable gross receipts of the business. Also, unlike most sales taxes, the GET is levied on the gross income of all types of business activity, unless specifically

exempted by law. Sales taxes, on the other hand, typically are levied only on sales of tangible personal property and only at the retail level. See Tax Facts 37-1, "General Excise Tax (GET)," for more information.

4 Are sales to nonprofit organizations and government agencies exempt from the GET?

No. Because the GET is levied on the business rather than the customer, the gross income a business receives from sales to tax exempt customers, such as nonprofit organizations and government agencies, is subject to GET. The customer's GET status does not affect the business' GET liability on the business income.

5 Are out-of-state businesses subject to the GET?

Yes. Gross income is subject to GET if the seller has sufficient presence in the State. Presence in the State is established in a variety of ways, not all of which are listed in this publication. For example, if your business has an office, inventory, property, employees, or other representation in the State, or if services in conjunction with the sales of property, such as training, installation, or repairs, are provided in the State, or if your business has annual gross receipts of \$100,000 or more from customers in the State, or has 200 or more annual transactions with customers in the State, your business has presence in the State. See Tax Announcement 2018-10, "Implementation of Act 41, Session Laws of 2018, Relating to When a Taxpayer is Engaging in Business in the State for Purposes of Hawaii's General Excise Tax," for more information.

6 How do I apply for a GET license?

An application for a GET license, Form BB-1, must be completed and submitted to the Department with

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a \$20 license fee prior to doing business in the State. Your application may be submitted online through our website at hitax.hawaii.gov, by mail, or in person at any district office.

7 What are the GET rates?

Most activities are taxed at 0.5% or 4.5% (includes county surcharge). Note: This is not a complete list of tax rates and activities.

Tax Rate	Examples of Taxable Activities Include:
0.5%	Wholesaling goods, manufacturing, producing, providing wholesale services, business activities of disabled people
4.5%	Selling retail goods and services, renting, leasing real property, construction contracting, earning commissions

8 What form do I use to report the GET?

GET must be reported on periodic returns (Form G-45) on a monthly, quarterly, or semiannual basis and are due on the 20th day of the month after the close of each period. An annual return (Form G-49) is a summary of your activity for the entire year. Form G-49 is also used to make corrections to the amounts previously reported. Form G-49 must be filed by the 20th day of the fourth month following the close of the tax year. See "General Instructions for Filing The General Excise/Use Tax Returns," for more information.

Use Tax

9 What is the use tax?

Use tax is a tax on imported tangible personal property (goods), services, contracting, and intangibles from an unlicensed seller. The use tax is based on the landed value of the goods, services, contracting, or intangibles when imported. The landed value of goods, services, contracting, and intangibles includes the purchase price, shipping and handling fees, insurance costs, customs duty and other related costs. It does not include sales tax paid to another state.

10 What are the use tax rates?

The use tax rates are:

- 4.5% (for the City and County of Honolulu and the Counties of Kauai, Hawaii, and Maui) on imports for your own use or consumption.

- 0.5% on imports for resale at retail.
- 0% on imports for resale at wholesale.

11 Do I have to register for the use tax?

It is not necessary for a taxpayer with a GET license to register for the use tax. When you register for a GET license, you will automatically be registered for the use tax. For taxpayers who are not subject to the GET but who sell tangible personal property or services to purchasers in Hawaii, there is a separate registration and reporting procedure named the Seller's Collection of Use Tax.

12 What form do I use to report the use tax?

If you have a GET license, use Forms G-45 and G-49 to report your use tax when filing your periodic or annual GET returns. If you do not have a GET license, you may use Form G-26 to report and pay your use tax.

Net Income Tax

13 Do I need to file income tax returns?

Income tax returns must be filed by all taxpayers (e.g. individuals, corporations, trusts, and other entities) doing business in Hawaii, whether or not a net profit or loss is realized. Hawaii resident individuals are taxed on all income from all sources. Hawaii corporations are taxed on all income, except income apportionable and taxable under the law of another state. Generally, all other taxpayers are taxed on income from their activities in Hawaii. Income tax returns are due by the 20th day of the fourth month following the close of the tax year.

Withholding Tax

14 Do I need to withhold taxes on my employees' wages?

Section 235-61, HRS, requires the employer to withhold taxes on wages paid to employees for services performed in Hawaii. For employers using nonresident employees within the State, under section 18-235-61-04(b) (1), Hawaii Administrative Rules (HAR), the withholding of taxes on the wages is not required if all the following conditions are met:

- (A) The employee is temporarily performing services in the State (not more than 60 days);

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- (B) The employee is a nonresident as set forth in section 235-1, HRS, or the employer reasonably believes the employee is a nonresident;
- (C) The employee is paid from an office located outside the State;
- (D) The employee's regular place of employment (where the employee regularly performs services for the employer) is outside the State; and
- (E) The employer does not reasonably expect the employee to perform services in the State for an aggregate of more than sixty days during the calendar year.

However, a nonresident employee performing services for a contractor as defined in section 237-6(1), HRS, will not qualify for a withholding exemption when the contractor is performing work for a construction project located in Hawaii.

To qualify for the exemption from withholding on wages, nonresident employees must file a statement of nonresidence on Form HW-6 with their employer. The employer must then submit the Form HW-6 to the Department.

15 How do I register for a withholding tax account?

Complete Form BB-1, State of Hawaii Basic Business Application, and select "Withholding" to register for a withholding tax account. Your application may be submitted online through our website at hitax.hawaii.gov, by mail, or in person at any district office. A business may apply for a withholding tax account at the same time it applies for a GET license using Form BB-1.

16 What form do I use to report the withholding taxes?

Form HW-14 is used to report the wages paid and the tax withheld for the quarter. Form HW-14 is due on the 15th day of the month following the close of the quarterly period. Form HW-30, which is filed annually, is a summary of all your withholding tax activity for the year and is used to transmit the paper version of copy A of Form HW-2 (or federal Form W-2). Form HW-30 may not be used to make corrections to the total wages, tax withheld and tax paid which was previously reported: you must amend the affected periods using the appropriate Form HW-14. Form HW-30 must be filed by the last day of January following the close of the

calendar year. If you submit the Form HW-2 electronically, a Form HW-30 is not required.

Section 231-8.5(b)(1), HRS, requires employers whose total withholding tax liability exceeds \$40,000 annually to file withholding tax returns electronically. This includes mandatory electronic submissions of the Form HW-2. For more information, see Department of Taxation Announcement No. 2019-11.

17 How do I report unemployment insurance?

The unemployment insurance tax is not administered by the Department of Taxation. Anyone with employees in the State should contact the State Department of Labor and Industrial Relations at (808) 762-5752 or go to labor.hawaii.gov/ui.

Penalties and Interest

18 When am I subject to penalties and interest?

Penalties and interest are imposed under sections 231-34 through 231-36 and 231-39, HRS. Examples of assessment of penalties and interest are taxpayers who fail to timely file returns, who fail to withhold and timely pay over withholding taxes to the State, or who fail to keep and make available for inspection adequate and complete records.

19 What are the penalty and interest rates?

Following are some specific penalties and their rates:

- A penalty for failing to file a return by the due date is assessed on the tax due at the rate of 5% per month, or part of a month, up to a maximum of 25%.
- A penalty also is assessed when a return is filed on time but the tax due is not paid in full. The failure to pay penalty is 20% of the tax unpaid within 60 days of the due date of the return.
- A penalty of up to 25% may be imposed if any part of an underpayment is due to negligence or intentional disregard of rules.
- Taxpayers may be also subject to the penalty for underpayment of estimated taxes if not enough tax is paid

through withholding or estimated tax payments. The penalty is 8% per annum for the period of underpayment.

Interest at the rate of 2/3 of 1% per month, or part of a month, is assessed on unpaid taxes and penalties beginning with the first calendar day after the date prescribed for payment. Payments are first applied to any interest due, then to penalties, and finally to taxes. In general, penalties and interest are assessed at the same rates for all State taxes. More than one penalty can be imposed at one time.

20 What is the penalty for failure to file or to pay electronically?

For taxpayers who are required to file electronically or to make payments by electronic funds transfer (EFT) and fail to timely do so are subject to a penalty of 2% of the amount of the total tax. This penalty is in addition to the failure to file and failure to pay penalties. Tax payments are required to be made by EFT if the taxpayer's annual liability for all taxes other than withholding is more than \$100,000. Electronic filing is required for the public service company tax, the franchise tax, the rental motor vehicle and car sharing surcharge tax, the fuel tax, the liquor tax, the tobacco tax, the GET and transient accommodations tax for those with annual liabilities greater than \$4,000, and wage withholding for those with annual withholding tax liabilities greater than \$40,000.

Tax Clearances

21 Do I need a tax clearance?

Tax clearance certificates issued by the Department may be required for various purposes. For example, a tax clearance must be obtained before acquiring or renewing a State contractor's license or a county liquor license, or submitting a bid for or receiving final payment on a State or county government contract. See Tax Facts 31-2, "Tax Clearances for State & County Contracts," for more information.

Additional Information

22 Where can I get more information? Tax forms, publications, other documents such as Tax Information Releases, Tax Announcements and Administrative Rules are available on our website at **tax.hawaii.gov**. You may also call any district tax office for information.

Office Location and Mailing Address	Telephone Number:
Oahu District Office 830 Punchbowl Street Honolulu, HI 96813 P.O. Box 259 Honolulu, HI 96809-0259	(808) 587-4242 Toll free 1-800-222-3229
Maui District Office 54 South High Street #208 Wailuku, HI 96793	(808) 984-8500
Molokai Office 35 Ala Malama Street #101 Kaunakakai, HI 96748 P.O. Box 275 Kaunakakai, HI 96748	(808) 553-5541
Hawaii District Office 75 Aupuni Street #101 Hilo, HI 96720	(808) 974-6321
Kona Office 82-6130 Mamalahoa #8 Captain Cook, HI 96704	(808) 323-4597
Kauai District Office 3060 Eiwa Street #105 Lihue, HI 96766	(808) 272-3456

Where to Get Forms and Information

Website: tax.hawaii.gov
Telephone: 808-587-4242
Toll-Free: 1-800-222-3229

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