



# TAX FACTS 95-1

## Use Tax

This Tax Facts provides basic use tax information for consumers who purchase and import goods, services, contracting, and intangibles from outside of Hawaii for use in Hawaii where general excise tax (GET) has not been paid.

### 1 What is 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. Landed value of goods, services, contracting, and intangibles is 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.

### 2 What are the use tax rates?

The use tax rates are:

- 4% (for the County of Maui) on imports for your own use or consumption.
- 4.5% (for the City and County of Honolulu and the Counties of Kauai and Hawaii) on imports for your own use or consumption.
- 0.5% on imports for resale at retail.
- 0% on imports for resale at wholesale.

### 3 Is online shopping subject to use tax?

Yes, if you're importing goods from an out-of-state unlicensed seller who is not subject to GET, then you must pay use tax.

For example, if you purchase goods such as clothes, toys, jewelry, food, furniture, electronics, or appliances via the Internet, mail order catalog, television shopping program, or by phone from a retailer who does not have a GET license, then you are subject to use tax when the goods are shipped into Hawaii.

### 4 I was charged Hawaii use tax on my mail order catalog. Am I subject to the use tax?

No. A company that charges you Hawaii use tax is registered for a special use tax license called "seller's collection." This means the company has voluntarily agreed to collect use tax from you and remit it to the State on your behalf. This benefits you and other Hawaii nonbusiness customers by relieving you of the

responsibility to report and pay directly to the State the use tax due on your purchases from this company.

### 5 While on vacation (out of state) I purchased golf clubs and had them delivered to my home in Hawaii. I was not charged any taxes. Am I subject to the use tax?

Yes. You are subject to use tax on the landed value of the golf clubs.

### 6 I purchased items in another state and paid that state's 3% sales tax. Am I subject to the use tax when I bring these items back to Hawaii?

Yes. You are required to pay the use tax on the landed value of these items. Sales tax paid on each item may be used as a credit to offset use tax on that item only. Any excess sales tax paid for an item may not be used to offset use tax due on a different item. The amount of the credit is the lesser of sales or use tax paid to the other state or the Hawaii use tax due on the same imported item. If the sales tax you paid is less than Hawaii use tax due, you will have to report and pay use tax on the difference.

For example:

Purchase price	\$100.00
+ Cost of shipping and handling fees	10.00
Landed Value	110.00

Calculation to determine Hawaii use tax on taxes paid to State C:

Hawaii use tax (\$110.00 x 4.5%)	4.95
- Credit for sales tax paid (\$100.00 x 3%)	(3.00)
Hawaii use tax due	\$1.95

Use tax of an item purchased in State C is calculated by multiplying landed value of the item by Hawaii use tax rate (\$110.00 x 4.5% = \$4.95). Hawaii use tax due is reduced by the sales tax

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paid to State C (\$4.95 - \$3.00 = \$1.95). The difference of \$1.95 is Hawaii use tax that is due to the state.

## 7 What if the sales tax paid to another state was more than 4%?

If sales tax paid to another state is equal to or more than Hawaii's use tax, the Department of Taxation (Department) is administratively allowing you not to report these items since no additional tax is due. It is possible that travelers to the continental U.S. may not owe use tax upon returning to Hawaii because most states, such as California, Nevada, and Florida, have a sales tax that is higher than Hawaii's use tax. However, there are a few states, such as Oregon, that do not have a sales tax.

## 8 How should I report and pay use tax?

There are three different ways you can report and pay use tax:

- (1) If you have a GET license, use Forms G-45 and G-49 to report your use tax on either line 5 or 16, whichever is applicable. Submit your payment with the GE return. If your Form G-45 is not due yet, and you need to pay the use tax on an imported vehicle in order to register it, go to [hitax.hawaii.gov](http://hitax.hawaii.gov) to pay the tax. Otherwise, use Forms G-45 and G-49 to report the property, services, contracting, and/or intangibles that is subject to the use tax on your regular periodic (monthly, quarterly, or semiannual) return. All activities for the taxable year must be reported on Form G-49 (annual return and reconciliation).
- (2) If you do not have a GET license, you may use Form G-26 to report and pay your use tax.
- (3) If you do not have a GET license, you may, in lieu of filing Form G-26, submit a letter to the Department with payment. The letter should contain the following information:
  - Purchaser's name and address
  - Purchaser's social security number
  - Month and year of importation into Hawaii

- Taxation district into which you imported goods, services, contracting, and/or intangibles
- Landed value of the imported goods, services, contracting, or intangibles
- Amount of use tax due
- If you are importing a motor vehicle, you must include the vehicle's make, model year, and the vehicle identification number along with documentation to support the landed value.

## 9 When is the use tax due?

Report and pay your use tax by the 20th day of the calendar month after the goods, services, contracting, or intangibles are brought into the state. For example, if the goods you ordered online are received in January, use tax would be due by February 20th. Penalties and interest are due on late filed returns and taxes that are not paid on time.

## 10 What if I don't pay the use tax?

If you don't pay the use tax you owe, you may be subject to penalties and interest in addition to the use tax.

The Department audits businesses and enters into agreements with other states to ensure that use tax owed by individuals and businesses on out-of-state purchases are remitted to the Department.

## 11 What is county surcharge?

The use tax was amended to provide a county surcharge (0.5% if applicable to the county surcharge) on transactions subject to the state GET or use tax rate of 4%. The use tax rate on goods, services, contracting, and intangibles brought in for your own use is 4.5% (if applicable to the county surcharge).

## 12 Where can I get additional information about use tax?

For more information on use tax, download our brochure titled "An Introduction to the Use Tax" from our website at [tax.hawaii.gov](http://tax.hawaii.gov).

### Where to Get Forms and Information

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

Telephone: 808-587-4242

Toll-Free: 1-800-222-3229

Telephone for the hearing impaired: 808-587-1418

Toll-Free for the hearing impaired: 1-800-887-8974

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