



DEPARTMENT OF TAXATION

STATE OF HAWAII

May 14, 1971

TAX INFORMATION RELEASE NO. 33-71

RE: WITHHOLDING OF HAWAII INCOME TAXES

Inquiries have been received concerning the under-withholding of the amounts of Hawaii income taxes withheld on wages as per Hawaii withholding tax tables, thus requiring employees to pay additional taxes at the time of filing their return.

The reasons for the under-withholding of taxes are generally attributable to the following:

- (1) The income tax rates on individuals are graduated with the maximum rate applicable being 11%, whereas the maximum rate permissible for withholding tax purposes is 8%;
- (2) The withholding tax is calculated on the assumption that the employee's annual wage, as estimated from his current wage in the withholding period, will be his sole income for the taxable year; however, in many instances, an employee may have other income which is not subject to the withholding tax;
- (3) That in determining taxable income there will be deductions in the amount of 10% of the estimated annual wage; however, in cases of married persons filing a joint return and both husband and wife are employed, the 10% deduction allowed each for withholding tax purposes may exceed the maximum deduction allowed on their joint return; that is, 10% of their combined annual wages or \$1,000, whichever is the lesser.

To remedy the situations described above, either of the following actions may be taken by a taxpayer:

- (1) File a new exemption certificate (Form HW-4) with his employer and claim fewer exemptions or ask to have additional dollar amounts withheld; or
- (2) File a declaration of estimated income tax and pay the tax due thereon.

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