



DEPARTMENT OF TAXATION

STATE OF HAWAII

June 8, 1979

TAX INFORMATION RELEASE

No. 65-79

RE: STATE TAXATION OF HOMEOWNERS ASSOCIATIONS
FOR INCOME, GENERAL EXCISE AND USE TAXES

Inquiries have been received concerning the state taxation of homeowners associations. This tax information release is intended to clarify and set forth the department's position on the matter.

Income Tax

Internal Revenue Code Section 528, Certain homeowners associations, is not operative for the State; also, no exemptions are provided under Section 235-9(a), HRS. Furthermore, Section 235-9(b), HRS, provides that any person not exempted by Chapter 235, shall be taxed in accordance with Chapter 235. Therefore, every homeowner's association, as defined in Internal Revenue Code Section 528, is required to file a Hawaii corporate income tax return, Form N-30, as provided by Section 235-92(2), HRS.

The association must include all income in accordance with the instructions for Form N-30. However, as an administrative procedure, expenditures for maintenance and operation as well as funds earmarked for a specific capital improvement, which are expended within a reasonable time are deductible.

General Excise Tax

Section 237-24(20), HRS, provides that amounts received by the association in reimbursement of sums paid for common expenses are exempt from the general excise tax.

Income received by the association from rentals of parking stalls, interest, commissions, vending machines, coin operated laundry facilities and other miscellaneous income are taxable at the rate of 4 percent.

Use Tax

Use tax at the rate of 4 percent is applicable upon tangible personal property imported or purchased from an unlicensed seller for use in the State.

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