



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

P.O. BOX 259  
HONOLULU, HAWAII 96809-0259

December 7, 1990

**TAX INFORMATION RELEASE** No . 90-13

RE: General Excise Tax Imposed Upon a Person Receiving Gross Income from the Rental of Residential Real Property

This Tax Information Release updates and supersedes Tax Information Release No. 84-4, dated July 2, 1984.

Persons Taxable

Chapter 237, Hawaii Revised Statutes, imposes a general excise tax upon a person for the privilege of engaging in business within Hawaii. A person receiving gross income from the rental of a condominium, cooperative apartment, or any other residential real property is deemed to be engaged in business and, therefore, is subject to the general excise tax on the gross income received.

License and Filing Requirements

Generally, a general excise tax license should be obtained from the taxation district office where the taxpayer resides or, on the alternative, in the taxation district where the rental property is situated. In any event, the general excise tax return must be filed in that respective taxation district office where the license is obtained. An exception to the foregoing requirement is made in a situation involving an out-of-state resident or a person having gross income from more than one taxation district; in which case, the general excise tax return must be filed with the Oahu District Office.

General excise tax returns must be filed monthly; however, quarterly filing is permitted if the tax for the entire year is expected to be \$2,000 or less, and semiannual filing is permitted if the tax for the entire year is expected to be \$1,000 or less.

Taxable Amount and Tax Rate

The general excise tax is imposed at the rate of four percent on the gross rental income received without any deductions on account of expenses such as commissions paid to rental agents or general excise taxes passed on to renters. The foregoing is illustrated by the following example:

Rent	\$375.00
General excise tax (4%)	<u>15.00</u>
Total rental income received	\$390.00
Less: Rental agent's commission	<u>39.00</u>
Net amount received	<u><u>\$351.00</u></u>

The general excise tax is imposed at the rate of four percent on the "Total rental income received" (\$390.00), not the "Net amount received" (\$351.00). The general excise tax passed on (\$15.00) represents part of the rental income received. The agent's commission (\$39.00) is merely a cost of doing business and is not recognized nor allowed as a deduction for general excise tax purposes.

Request for Assistance

The four taxation district offices, where additional information may be obtained by writing or calling, are as follows:

OAHU DISTRICT OFFICE  
P. O. Box 259  
Honolulu, HI 96809-0259  
(808) 548-3271

HAWAII DISTRICT OFFICE  
P. O. Box 1377  
Hilo, HI 96721-1377  
(808) 933-4321

MAUI DISTRICT OFFICE  
P. O. Box 1169  
Wailuku, HI 96793-7169  
(808) 243-5382

KAUAI DISTRICT OFFICE  
P. O. Box 1689  
Lihue, HI 96766-5689  
(808) 241-3456

For the proper address to be used in mailing the general excise tax form, refer to the front cover of the general excise tax forms packet and use the information contained thereon.

  
RICHARD F. KAHLE, JR.  
Director of Taxation