



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

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

July 13, 1990

**TAX INFORMATION RELEASE** No. 90-9

RE: Revenue Sharing of Transient Accommodations Tax Collections with the Counties and Amending the Definition of "Gross Rental" or "Gross Rental Proceeds".

Act 185, Session Laws of Hawaii (SLH) 1990, amended Chapter 237D, Hawaii Revised Statutes (HRS), relating to the Transient Accommodations Tax. The amendment adds a new section which provides the State with 5 percent of the transient accommodations tax collections to be used for the costs of assessment, collection, and disposition of the transient accommodations tax. The remaining 95 percent of transient accommodations tax collections are paid over to the various counties as follows:

Kauai County	14.5%
Hawaii County	18.6%
Maui County	22.8%
City and County of Honolulu	44.1%

Section 237D-1, HRS, is also amended by amending the definition of "gross rental" or "gross rental proceeds". Effective July 1, 1990, the transient accommodations tax is to be computed upon room revenues derived from transient accommodations and excludes from the computation not only the general excise tax collected and visibly passed on but also any transient accommodations tax that is collected and visibly passed on to the consumer.

The following discussion sets forth the method of treating the transient accommodations tax (as well as the general excise tax) for the period before July 1, 1990, as well as for the period after June 30, 1990.

Examples before July 1, 1990: A bill for a one-night stay at \$100 per night might be written as follows:

Room Charge	\$100.00
TAT	5.00
GET	<u>4.00</u>
 TOTAL CHARGE	 \$109.00

In this case, gross income subject to the general excise tax is \$104 (\$100 + 4) and the general excise tax you must pay is \$4.16 (\$104 x .04). The gross rental income subject to the transient accommodations tax is \$105 (\$100 + 5) and the transient accommodations tax you must pay is \$5.25 (\$105 x .05). You will notice that the amount represented to be general excise tax is included as gross income and that the amount represented to be transient accommodations tax is included as gross rental income when computing the two taxes.

If, however, you charge your guest or tenant a flat fee of \$109, and do not visibly pass on amounts represented to be the general excise tax and the transient accommodations tax, the taxes are computed as follows:

Gross income subject to the general excise tax is \$109 and the general excise tax is \$4.36 ( $\$109 \times .04$ ). Gross rental income subject to the transient accommodations tax is \$109 and the transient accommodations tax is \$5.45 ( $\$109 \times .05$ ). You will notice that the amounts representing the cost of each of the two taxes must be included in gross income and gross rental income because each tax was not broken out and visibly passed on to the guest or tenant.

Examples after June 30, 1990: A bill for a one-night stay at \$100 per night might be written as follows:

Room Charge	\$100.00
TAT	5.00
GET	<u>4.00</u>
TOTAL CHARGE	\$109.00

In this case, gross income subject to the general excise tax is \$104 ( $\$100 + 4$ ) and the general excise tax you must pay is \$4.16 ( $\$104 \times .04$ ). The gross rental income subject to the transient accommodations tax is \$100 and the transient accommodations tax you must pay is \$5.00 ( $\$100 \times .05$ ). You will notice that although the amount represented to be general excise tax is included in gross income, the amount represented to be transient accommodations tax is now (after June 30, 1990) excluded from gross rental income when computing the transient accommodations tax.

If you charge your guest or tenant a flat fee of \$109, and do not visibly pass on amounts represented to be the general excise tax and the transient accommodations tax, the way the two taxes are computed does not change from the way they are computed before July 1, 1990 ( $\$109 \times .04 = \$4.36$  GET) ( $\$109 \times .05 = \$5.45$  transient accommodations tax).

These are the only statutory sections affected by Act 185, SLH 1990, relating to the transient accommodations tax, and are effective July 1, 1990. All other provisions of Chapter 237D, HRS, remain the same.

  
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