



STATE OF HAWAII  
DEPARTMENT OF TAXATION

P.O. BOX 259  
HONOLULU, HAWAII 96809

August 19, 1993

# TAX INFORMATION RELEASE NO. 93-3

RE: Calculation of Use Tax Base on Motor Vehicles Imported into Hawaii for Use as Provided under Chapter 238, Hawaii Revised Statutes (HRS)

This Tax Information Release (TIR) supersedes TIR No. 91-6, dated June 21, 1991, and updates the method of calculating the use tax on motor vehicles imported for use in Hawaii.

Chapter 238, HRS, imposes and levies a use tax upon the landed value of tangible personal property purchased from an unlicensed seller or imported for a purchaser's own use or consumption in Hawaii. The use tax is imposed when the property is acquired by the purchaser or importer and becomes subject to the taxing jurisdiction of this State. In the case of a motor vehicle imported into the State for use, the tax is imposed when the motor vehicle comes to rest in the State and ceases its character as an article in interstate commerce.

## Calculation of the Landed Value of a Motor Vehicle

The landed value of the motor vehicle is calculated as follows:

### Add the following:

1. Cost of the motor vehicle (usually the invoice price paid by the purchaser including any retail sales tax paid to another state or local government);
2. Freight charges;
3. Insurance costs;
4. Any customs duty; and
5. Any other charges incident to landing the motor vehicle in Hawaii.

### Subtract from the above figure

1. Any trade-in allowance received for the old motor vehicle if the trade-in vehicle is turned over to a local automobile dealer; and
2. Any charges paid for license plates outside Hawaii.
3. Any retail sales tax paid to another state or local government, if the sales tax is included in the landed value.

Calculation of a Depreciation Allowance

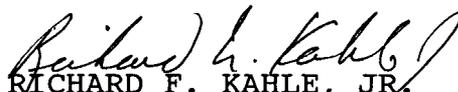
When a taxpayer has used the motor vehicle prior to bringing it into Hawaii, the taxpayer may further reduce the landed value of the motor vehicle for the purpose of calculating the use tax by applying a depreciation allowance for normal use of the motor vehicle by the taxpayer outside Hawaii. The amount of depreciation allowed depends upon the mileage and condition of the motor vehicle. No depreciation is allowed for a motor vehicle brought into Hawaii within 90 days of its date of purchase. The 90-day period shall not include any shipping time or any time during which a motor vehicle was placed in storage prior to its import into Hawaii.

For purposes of depreciation, the calculation of the landed value of a motor vehicle used prior to its importation into Hawaii also may include the cost of any repairs or replacement parts added to the vehicle to maintain or increase its value during the taxpayer's use of the motor vehicle prior to shipping the motor vehicle to Hawaii. The Department may require an explanation and supporting information for any reduction of the landed value of a motor vehicle for depreciation. Taxpayers who believe a depreciation allowance is warranted may use the depreciation schedule printed on the back of the Use Tax Return (Form G-26) or may contact the Department of Taxation, Taxpayer Services Branch at 587-4242 or the nearest district tax office for assistance with calculating the depreciation allowance.

Credit For Taxes Paid to Other States Allowed

In addition, Section 238-3(h), HRS, allows a credit against the Hawaii use tax for the combined amount of sales or use taxes imposed by and paid to another state (or any subdivision thereof) on tangible personal property before it is imported into Hawaii. Accordingly, a taxpayer may receive a credit up to the amount of Hawaii use tax due (4 percent of the landed value of the motor vehicle) for any sales or use taxes paid by the taxpayer to another state upon the purchase or use of the motor vehicle. The calculation of the credit shall not include any other taxes paid to other states, such as taxes on manufacturing, license fees, or transfer taxes. The amount of credit also shall not exceed the amount of use tax imposed by Hawaii on such tangible personal property. The Department may require copies of receipts or vouchers indicating the payment of the sales or use taxes to another state, which substantiate the claim for the credit allowance.

The "Use Tax Computation Worksheet", which may be used to calculate the tax due, may be found on the back of the revised Use Tax Return (Form G-26). A copy of Form G-26 is attached to this TIR for your information.

  
RICHARD F. KAHLE, JR.  
Director of Taxation