



DEPARTMENT OF TAXATION

News Release

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**STATE TAX DEPARTMENT TO ASSIST RESIDENTS AND
BUSINESSES AFFECTED BY STORMS**

Filing extensions, penalty waivers to be considered on case-by-case basis

HONOLULU – In light of the heavy winds, rain and flooding this past week that have caused substantial damage to homes and businesses in the counties of Kaua‘i, Maui and the City and County of Honolulu, the state Department of Taxation is taking steps to assist taxpayers – both individuals and businesses – who may have difficulty meeting their state tax obligation as a result of the storm.

The department will consider requests for extensions to file and pay taxes as well as for waivers of penalties and interest on a case-by-case basis for affected taxpayers. In addition, the department will also follow federal casualty loss provisions in the event of a Presidential declaration of a natural disaster.

Taxpayers seeking an extension or waiver of penalties and interest should mark their return with "2008 O‘ahu/Kaua‘i/Maui Heavy Rains & Flood Relief" on the top center of the return. Taxpayers and tax practitioners seeking an extension or waiver whose addresses (on file with the department) are not within the areas directly affected, should also include a brief statement as to how the disaster adversely affected their ability to meet their tax obligations.

Taxpayers whose Hawai‘i employer's withholding tax returns are due December 15, 2008, and who, as a result of the rains and flooding cannot meet this due date, may file their returns and pay the tax due by January 15, 2009, without incurring any penalties or interest. No late filing penalty will be imposed for returns that are postmarked on or before January 15, 2009. This also applies to those who are required to file monthly

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and remit payments on a semi-weekly schedule (tax payments may be made when the return is filed).

Employers who have employees at several locations in the state, including locations affected by the heavy winds, heavy rains and flooding, must file their returns on time, including payments for taxes due. However, if complete information from locations affected by the winds, rains and flooding is not available by the due date of the return, an amended return should be filed when the information becomes available.

The department will also consider requests for extensions to file and pay other taxes and waivers of penalties and interest on a case-by-case basis. Each request should include a statement as to how the 2008 O'ahu, Kaua'i, or Maui heavy winds, rains and flooding adversely impacted the taxpayer.

For purposes of the Hawai'i Income Tax Law, a taxpayer may claim all of the casualty loss deductions as allowed by the Internal Revenue Code. Casualty losses on business property are deductible in full. The first \$100 of the eligible unreimbursed casualty losses on non-business property is not deductible. The remaining loss is deductible to the extent it exceeds 10 percent of the taxpayer's Hawai'i adjusted gross income. Information on options available to taxpayers is posted on the department's website (www.hawaii.gov/tax, Announcement No 2008-10).

On Dec. 12, Governor Lingle signed a State Disaster Proclamation for the City and County of Honolulu and counties of Kaua'i and Maui. Therefore, taxpayers may be eligible for a general excise tax exemption if they receive amounts under property and casualty insurance policies for damage or loss of inventory used in a trade or business located within the City & County of Honolulu or the affected portions of Kaua'i or Maui.

Tax forms and information are available on the department's website at www.hawaii.gov/tax (Announcement No. 2008-10). Please call the Department's Forms Request Line at 808-587-7572, or toll-free from the neighbor islands and continental U.S. at 1-800-222-7572 to request appropriate forms. Additional information is available by calling the Taxpayer Services Branch during business hours at 587-4242, or toll-free at 1-800-222-3229, or by e-mailing them at Taxpayer.Services@hawaii.gov.

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