



DEPARTMENT OF TAXATION

News Release

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GOVERNOR

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**DEPARTMENT OF TAXATION REMINDS NON-RESIDENT TAXPAYERS AND
OUT-OF-STATE ORGANIZATIONS/COMPANIES TAX AMNESTY PROGRAM
CLOSING THIS FRIDAY**

HONOLULU – The State of Hawai'i Department of Taxation (DOTAX) reminds eligible out-of-state taxpayers that the tax amnesty "Tax Fresh Start Program" ends on Friday, June 26, 2009. The program, which began on May 27, 2009, provides an opportunity for eligible taxpayers to pay their back taxes to the state while avoiding penalties and potentially avoiding referral for criminal prosecution. It also offers a 50 percent reduction in interest from the statutory rate of 8 percent per annum to 4 percent per annum. Taxpayers who have undisclosed or unreported Hawai'i income are encouraged to make a voluntary disclosure to become compliant. DOTAX is currently aggressively pursuing non-filers and under-reporters and, when appropriate, will refer such delinquent taxpayers for criminal prosecution.

The program covers all taxes that are administered by DOTAX, including the general excise tax, use tax, net income tax, and transient accommodations tax, among others. The program may not be used for tax liabilities that are already known to DOTAX, or by taxpayers already in a payment plan with DOTAX or who have received a tax bill from DOTAX.

Taxpayers may, however, report additional liabilities for tax periods with already known

delinquent liabilities as under-reporters under the Tax Fresh Start Program. For a comprehensive list of taxpayers eligible for the program, please visit www.Hawaii.gov/tax.

Nonresident individuals and companies who earned Hawai'i source income—including income from the rental of property located in Hawai'i, income from work performed in Hawai'i, or income from a business conducted in this state—are generally liable for Hawai'i general excise tax (a 4.0 percent or 4.5 percent gross receipts tax) and income tax on that income, and are required to file Hawai'i general excise and income tax returns.

Nonresident individuals and all entities and corporations who do business in Hawai'i are especially reminded that gross receipts from the rental of real property located in Hawai'i are subject to Hawai'i general excise tax. Some nonresidents may not be aware of this requirement, as rental income in their home state may not be subject to their home state's sales tax. However, the Hawai'i general excise tax is applied to a much broader base and includes rental income. Furthermore, Hawai'i properties that are generally rented for less than 180 days are also subject to the transient accommodations tax (an additional 7.25 percent on the gross rental proceeds, or 8.25 percent beginning July 1, 2009). For example, a vacation rental of a beach house is generally subject to both the general excise and transient accommodation taxes.

Additionally, taxpayers are reminded that the general excise tax is a tax that is imposed upon the business and not the customer of the business. For example, it is often mistakenly assumed that all sales to the federal government are not subject to the general excise tax. However, the tax is not imposed on the purchaser but is a privilege tax levied against the business. As such, except for certain exemptions, such sales are subject to the general excise tax.

To participate in the Tax Fresh Start Program, the taxpayer must file all required tax return(s) for the applicable periods using the appropriate tax forms. The notation "**Tax Fresh Start Program**" must be noted boldly at the top of all pages of the tax return(s). Full payment, including interest, must also be made at the time the tax returns are filed under this program.

Each tax type must be accompanied by a separate check. The return(s) and accompanying payment(s) must be mailed or submitted to:

Tax Fresh Start Program Administrator
PO Box 259
Honolulu, HI 96809-0259

If payment in full, including interest, is not postmarked or submitted to DOTAX on or before June 26, 2009, or if payment is dishonored for any reason through no fault of DOTAX, participation in the Tax Fresh Start Program will be denied. If a taxpayer is denied participation, all applicable penalties and interest at the statutory rate of 8 percent per annum will be assessed. Interest will continue to accrue at the full statutory rate until payment is received. Payment plans are not available under this program.

Taxpayers should be aware that payment under the Tax Fresh Start Program constitutes an express and absolute relinquishment of any and all administrative and judicial rights of appeal. For more information about the Tax Fresh Start Program, visit www.Hawaii.gov/tax, or call one of the following offices between the hours of 7:45 a.m. through 4:30 p.m. Monday through Friday, excluding State holidays:

O'ahu (808) 587-9200

Maui (808) 984-8511

Hilo (808) 974-6321

Kona (808) 323-4597

Kauai (808) 274-3456

Hearing impaired users only may transmit inquiries calling (808) 587-1418 (O'ahu only) or 1-800-887-8974 (neighbor islands).

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For more information, contact:
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