



## DEPARTMENT OF TAXATION

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### IMPORTANT TAX LAW CHANGES FOR 2018

Honolulu – The Department of Taxation (Department) reminds taxpayers about tax changes taking effect beginning January 2018. To ensure that tax returns are processed in a timely manner, taxpayers are encouraged to consult with their tax advisors about all applicable changes and use the updated forms which will be available beginning January 2, 2018. Hawaii Tax Online will be modified to accommodate the changes to general excise, transient accommodation, withholding, and corporate income taxes.

“As we move into the new year, I am committed to working with Hawaii’s taxpayers to ensure that the Department continues to administer Hawaii’s tax laws consistently, fairly and efficiently,” said Linda Chu Takayama, director of the state Department of Taxation.

Some of the tax law changes impacting businesses include the following:

- Increase the transient accommodation tax, extend authorization of the Oahu surcharge, and authorize counties to establish a surcharge (Act 1, 2017 First Special Legislative Session)

Beginning on January 1, 2018, the Transient Accommodations Tax (TAT) applied to lodging accommodations in Hawaii will increase by 1%, raising the tax rate from 9.25% to 10.25%. TAT revenue from the rate increase will be allocated to fund the Honolulu rail project. A taxpayer’s accounting method governs when the gross income is taxable and thus which tax rate applies.

The general excise tax (GET) rate has not changed, but the state authorization of the City and County of Honolulu surcharge, is extended through 2030 at the 0.5% rate. Hawaii’s other counties are also authorized to adopt ordinances to establish a GET surcharge at a rate not greater than 0.5%. Businesses may pass on the GET and surcharge to their customers and collect up to 4.712%.

- Change in withholding tax return filing frequency to quarterly (Act 7, SLH 2017)  
Beginning on January 1, 2018, filing frequency will be a uniform quarterly frequency for all employers subject to withholding tax. Previously, only employers with less than \$5,000 in annual liability were allowed to file quarterly. Payment frequencies are not changed for any taxpayers.

- Certification process for renewable fuels production tax credit (Act 142, SLH 2017)  
For tax year 2018 and beyond, taxpayers who claim the renewable fuels production tax credit must file a third-party certified statement with the Department of Business, Economic Development and Tourism.
- Expansion of general excise tax exemption for affordable housing (Act 54, SLH 2017)  
For tax years 2018 through 2022, the general excise tax exemption for affordable housing is expanded to include a new category of projects.

Changes impacting individual taxpayers include the following:

- Establishment of the earned income tax credit (Act 107, SLH 2017)  
Income tax law is amended by reducing the income tax burden of lower-income taxpayers and increasing the income tax burden for the highest income taxpayers for tax year 2018 and beyond. This is specifically done by establishing a state earned income tax credit, reinstating three tax rates and brackets for the highest-income taxpayers which expired in 2015, and making the food/excise tax credit permanent.
- Cesspool tax credit expansion (Act 125, SLH 2017)  
The cesspool tax credit is expanded to include cesspools that are within 500 feet of a shoreline, perennial stream or wetland; impact drinking water supplies or recreational waters; or are certified by a county or private sewage company to be appropriate for connection to its existing sewer system. This changes impacts filings for tax year 2017.

For more specific information regarding all of the tax law changes, please refer to Tax Announcements 2017-08 and 2017-10 on the Department's website at <http://tax.hawaii.gov/news/announce/>.

The Department encourages business taxpayers to file and make payments for supported tax types on Hawaii Tax Online at <http://hitax.hawaii.gov/>. For taxpayers who continue to file on paper, updated forms will be available at <http://tax.hawaii.gov/forms/> beginning January 2, 2018. For those filing GET on paper, please send returns and payments to one address P.O. Box 1425, Honolulu, HI 96806-1425.

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