

**ANNUAL  
REPORT  
2020-2021**



**DEPARTMENT OF TAXATION  
STATE OF HAWAII**

**DAVID Y. IGE**  
GOVERNOR

**JOSH GREEN M.D.**  
LT. GOVERNOR



**ISAAC W. CHOY**  
DIRECTOR OF TAXATION

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November 10, 2021

The Honorable David Y. Ige  
Governor, State of Hawaii  
Executive Chambers, State Capitol

Dear Governor, Ige:

The annual report for fiscal year 2021, the period from July 1, 2020 to June 30, 2021 is attached. This year bore the full impact of the COVID -19 pandemic, yet the major goals of the Department were accomplished, which are outlined in this report.

At the writing of this report, the State is in the grips of the delta variant of the COVID-19 virus but slowly recovering. The State was recovering from the shutdowns, high unemployment, and the lagging tourism industry, but the full effects of the delta variant are not yet known. This should be taken into consideration when using the data in this report to predict any future events or results.

## **Collections**

State tax collections increased in FY 2021 despite the economic impacts of the COVID-19 pandemic. The State collected \$8.17 billion in tax revenue in FY 2021, a 4.4% increase from FY 2020. The largest tax type by revenue is normally the General Excise Tax (GET). In FY 2020, the State collected \$3.1 billion from this tax, a decline of \$360 million from the previous year. The decline in GET revenue was due to the economic impacts of COVID-19 and the ensuing shutdowns. What is normally the second largest tax type, the Individual Income Tax (IIT), increased by 42.2% in FY 2021 relative to FY 2020. The large revenue increase was due to large fiscal transfers from COVID-19 Federal stimulus efforts and a collections shift that occurred due to a filing deadline delay (see next paragraph).

Revenue increases in FY 2021 are in part due to filing deadline shifts that resulted from government's response to COVID-19. The State of Hawaii followed the Federal Government in delaying the filing deadline for the 2019 tax year from April 20, 2020 to July 20, 2020. The delay shifted \$308.3 million of net income tax revenues (individual and corporate) from FY 2020 to FY 2021. This means that \$308.3 million of revenues were included in FY 2021 that would have normally been included in FY 2020. Total tax collections for FY 2021 would have been \$7.86 billion if the \$308.3 million was moved back to FY 2020, which would represent a 3.4%% annual decrease versus the 4.4% increase reported. IIT collections would have been \$3.07 billion if the shifted revenue were subtracted from FY 2021 collections, a 16.4% annual increase versus the 42.2%

increase reported (see table).

	FY 2021	FY 2020	% Change Actual	Collection Shift	FY 21 Adjusted	% Change Adjusted
<b>GET</b>	3,080,194	3,436,138	-10.4%		3,080,194	-10.4%
<b>Individual-Inc</b>	3,355,452	2,359,816	42.2%	281,558	3,073,894	16.4%
<b>Corporate-Inc</b>	186,680	8,407	2120.5%	26,707	159,973	355.6%
<b>TAT</b>	215,316	564,298	-61.8%		215,316	-61.8%
<b>All Other</b>	1,330,981	1,456,549	-8.6%		1,330,981	-8.6%
<b>Total Tax Coll.</b>	<b>8,168,623</b>	<b>7,825,208</b>	<b>4.4%</b>	<b>308,265</b>	<b>7,860,358</b>	<b>-3.4%</b>

### **Departmental Organization**

The Department of Taxation (DOTAX) is composed of two main divisions and four offices. The first is the Tax Services and Processing Division, which has the responsibility of helping taxpayers voluntarily pay \$7.5 billion in taxes, representing 96% of FY 2021 collections.

Our second division is the Compliance Division which has the responsibility of maintaining a high tax compliance rate through a mix of educational and enforcement efforts. The Compliance Division's efforts resulted in \$275 million of additional tax collections in FY 2021, representing 4% of all collections. As a note, the Compliance Division includes District Offices on our neighbor islands, the Special Enforcement Section, and the Criminal Investigation Section.

Under the Director's Office are four staff offices composed of the Rules Office, Tax Research and Planning Office, Administrative Services Office, and the Information Technology Services Office. Although these sections do not directly generate tax revenues, they are an integral part of the entire voluntary tax compliance system for the State of Hawaii.

The Department continues to operate in an efficient manner with total expenditures of \$27.1 million in FY 2021. The Department's operations only required 35 cents for every \$100 that it collects.

### **Operational Highlights**

The year started and ended with the calamity of the Pandemic. The efforts of the staff were very professional and focused as the world around them was in chaos. The numerical objectives were met and exceeded. Credit must be given to the men and women of this Department that the mission was accomplished.

The Tax System Modernization project was officially completed in September 2019. In August of 2021 a full new version (V12) of the software was installed and launched. This 6-month multi-million-dollar upgrade was done on-time and on-budget. The enhancements of a more user-friendly interface, more security, better speed, and new features will serve our State for at least five years.

Our Compliance Division has a new mandate to increase our audit effort in order to “Protect the Revenues of our State”. Leading the charge is our Special Enforcement Section doing an incredible job by going after noncompliant vacation rentals and collecting \$33.7 million, in taxes, interest and penalties.

As new compliance initiatives come to the forefront, such as marketplace facilitators, marijuana, digital advertising, and others, we are building our Compliance Division to meet the challenges of the changing economy.

DOTAX launched a new initiative that aims to help Hawaii’s youth find well-paying jobs and provide them with useful professional skills. The Department hired temporary workers with degrees outside the traditional disciplines and offered on-the-job training. The Department hired interns from our local universities in the areas of IT. These interns were third- and fourth-year undergraduate students in computer science who serve as potential candidates for permanent employment upon graduation. We plan to expand these paid internships to other areas of the Department and with other academic disciplines.

The Department also helped the counties assess and collect the new county Transient Accommodations Tax as required by the State Legislature.

Finally, our Department was plagued by staff shortages and budget cuts. This was caused by the severe State-enforced shut down of our economy. The shortfall included the vacancies of some of our essential middle managers. We are slowly recovering from this situation, filling the positions of State Tax Collector, IT Manager, District Tax Manager, and others.

While modifying our mission and goals, clarifying, and defining our direction, the Department is making progress towards a tax system this is fairer, more effective, and efficient.

We do not know what new challenges will come with the new year, but I am confident the managers and staff of Hawaii Department of Taxation will rise to the situation and serve the people of the State of Hawaii.

Sincerely,

/s/

Isaac W. Choy  
Director of Taxation

## DOTAX by the Numbers

	FY21	FY20	Change
<b>Total Taxes Collected (billions)</b>	\$8.17	\$7.83	\$0.34
DOTAX (billions)	\$7.77 (95% of total taxes)	\$7.45 (95% of total taxes)	\$0.32
Other Departments (billions)	\$0.40	\$0.38	\$0.02
<b>DOTAX Taxes Collected<sup>[1]</sup></b>			
General Excise (billions)	\$3.08	\$3.44	(\$0.36)
Individual Income (billions)	\$3.36	\$2.36	\$1.00
Other (billions)	\$1.33	\$1.65	(\$0.32)
<b>Returns Processed (#)</b>	2,472,767	2,720,335	(247,568)
Paper	56,7639	920,578	(352,939)
Electronic	2,416,028	1,799,757	616,271
<b>Taxpayers Served (#)</b>			
Phone	211,014	233,582	(22,568)
Answer Rate	78%	82%	- 4%
Licenses Processed (#)	35,155	41,796	(6,641)
<b>Audit</b>			
Audits Issued (#)	32,773	27,491	5,282
Assessments (millions)	\$182	\$149	\$33
<b>Collections</b>			
Starting Delinquent Balance (millions)	\$1,055.30	\$1,037.60	\$17.70
New Debts (millions)	\$319	\$269	\$50.1
Recoveries (millions)	\$215	\$220	(\$5.2)
Uncollectible (millions)	\$6.8	\$49	(\$42.1)
Ending Delinquent Balance (millions)	\$1,153	\$1,055	\$97.4
Cases (#)	67,351	68,269	(918)
<b>Operating Costs (millions)</b>	\$27.10 (\$0.35 per \$100 tax collected)	\$26.80 (0.36 per \$100 tax collected)	\$1.00
<b>Staffing</b>	382	382	0

# DEPARTMENT OF TAXATION

## VISION

*The Department of Taxation will efficiently and effectively collect the revenue for funding programs and services for the people of Hawaii*

## MISSION

*Our mission is to protect the revenues of our State*

## GOALS

1. To *"Increase Voluntary Compliance"* by
  - a. Increasing oversight utilizing various branches/areas of our Compliance Division
  - b. Developing procedures to ensure a more effective, efficient, and timely audit process
2. To *"Reduce Tax Fraud,"* through
  - a. Identification and enforcing tax fraud statutes
3. To *"Improve customer service to all stakeholders"* by
  - a. Providing services to taxpayers by electronically, correspondence, and direct taxpayer contact
  - b. Providing specialized service and a liaison to the tax practitioner community
4. To *"Improve technology and efficiencies through the Tax System Modernization (TSM)"* by
  - a. Using technology to effectively administer tax compliance
5. *"Actively address tax receivable balances"* by
  - a. Collaboration with the Attorney General's office
  - b. Utilization of third parties to improve collections
6. To *"Foster and empower staff"* by
  - a. Providing training and career opportunities so each employee can achieve their full potential

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## 1.0 COLLECTION AND DISTRIBUTION OF TAXES

### 1.1 OVERVIEW

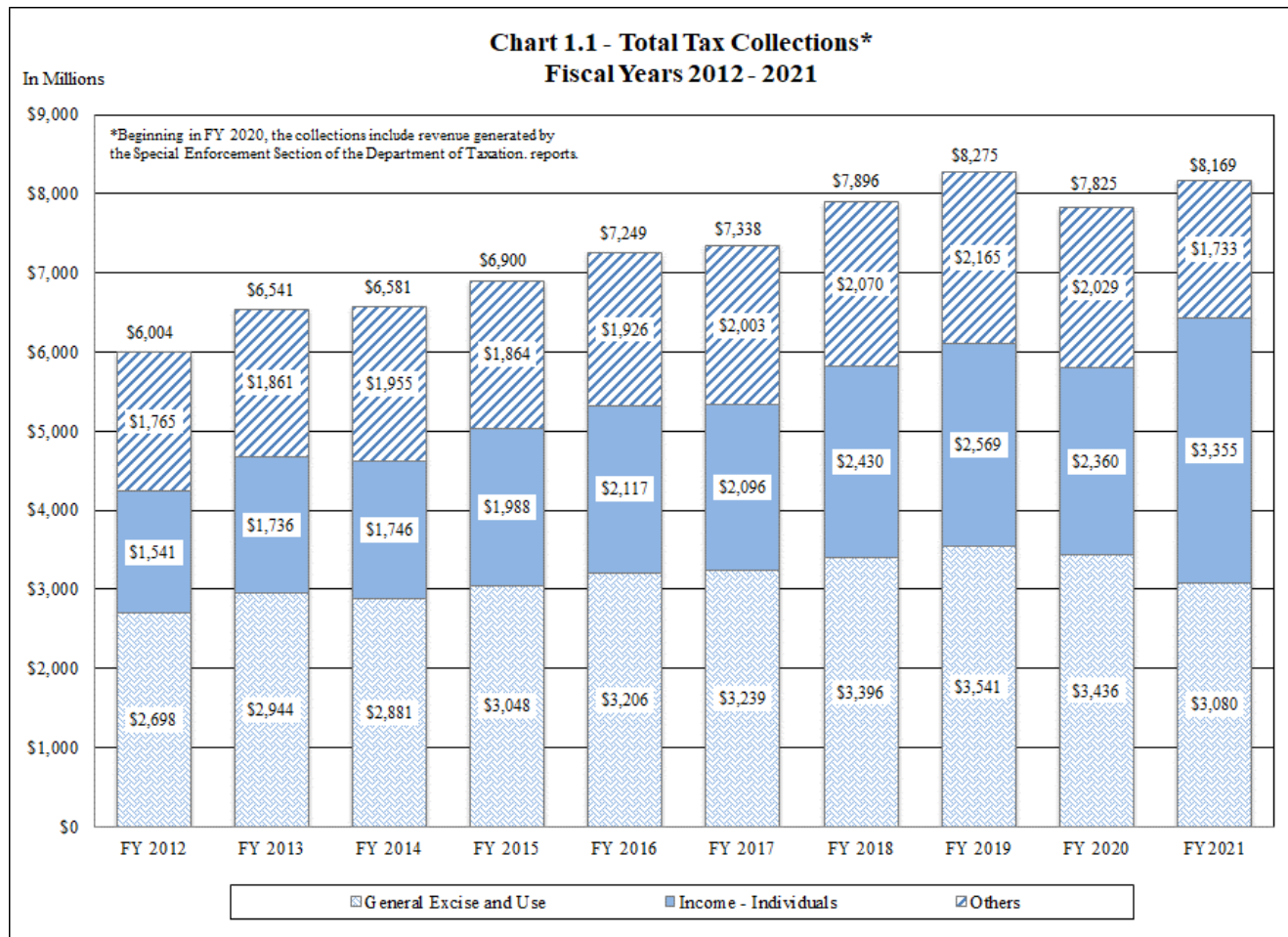
**The Department of Taxation (Department) is responsible for the revenue collection of most taxes levied by the State.** In addition, the Department collects the fuel taxes imposed by the counties, and the county surcharges imposed by the City and County of Honolulu, the County of Hawaii, and the County of Kauai. In fiscal year (FY) 2021, the Department collected a total of \$7.77 billion in net tax revenues, up from \$7.45 billion collected in FY 2020.

The Department's Office of Tax Research and Planning (TRP) tracks revenues from taxes collected by the Department as well as other taxes that are administered by other state and local agencies. Henceforth, revenues from the taxes tracked by TRP will be referred to as "total tax collections."

**Total tax collections increased in FY 2021 due to the shift in filing deadlines.** Total tax collections were \$8.17 billion in FY 2021, up from \$7.83 billion in FY 2020. Tax collections increased steadily from FY 2012 until FY 2019 due to an improving economy, better tax administration, and new tax measures. In the last quarter of FY 2020, Hawaii's economy suffered from the effects of the COVID-19 pandemic and impacted by the deferred tax payments. Total tax collections for FY 2020 declined 5.4% from FY 2019. In FY 2021, Hawaii experienced a 4.4% increase in tax collections from FY 2020. During the fourth quarter of FY 2021, Hawaii's monthly tax collections increased by large percentages: 70.9% in April, 77.7% in May, and 57.9% in June. Chart 1.1 shows the main components of the total tax collections for FY 2012 through FY 2021.

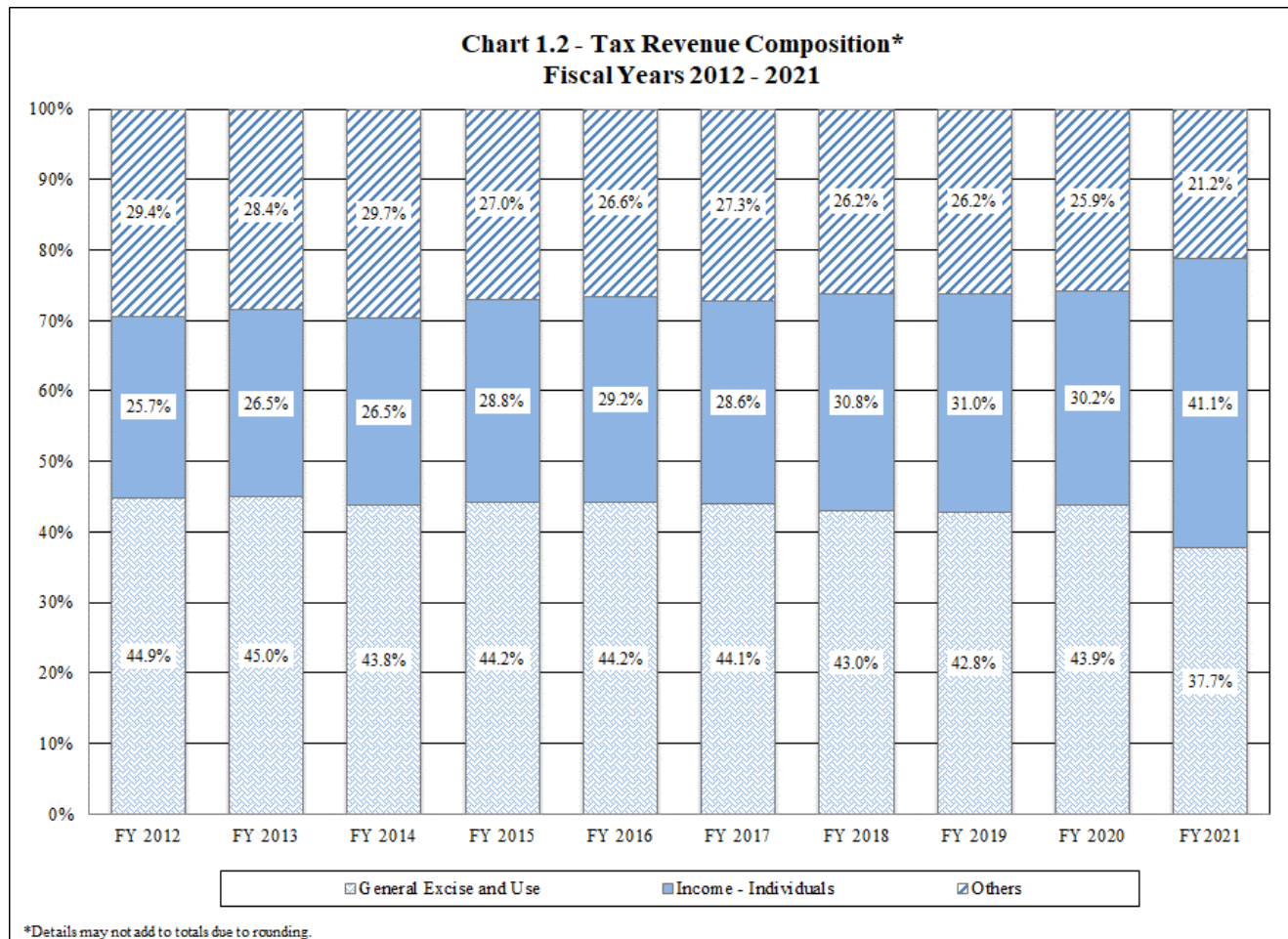
**The 2019 net income tax deadline extension resulted in overstating tax revenues in FY 2021, while understating the tax revenues in FY 2020.** In response to the COVID-19 pandemic, the State of Hawaii followed the Federal Government in delaying the filing deadline for the 2019 tax year from April 20, 2020 to July 20, 2020. The delay shifted \$308.3 million worth of income tax revenues (individual and corporate) that would normally have been reported in FY 2020 to FY 2021. Thus, the year over year comparison of tax collections is misleading without adjustments. If the reported tax collections were adjusted for the deferred tax payments, the total tax collections for FY 2021 would have been \$7.86 billion, a 3.4% decrease from FY 2020, and the total tax collections for FY 2020 would have been \$8.13 billion, a 1.7% decrease from FY 2019.





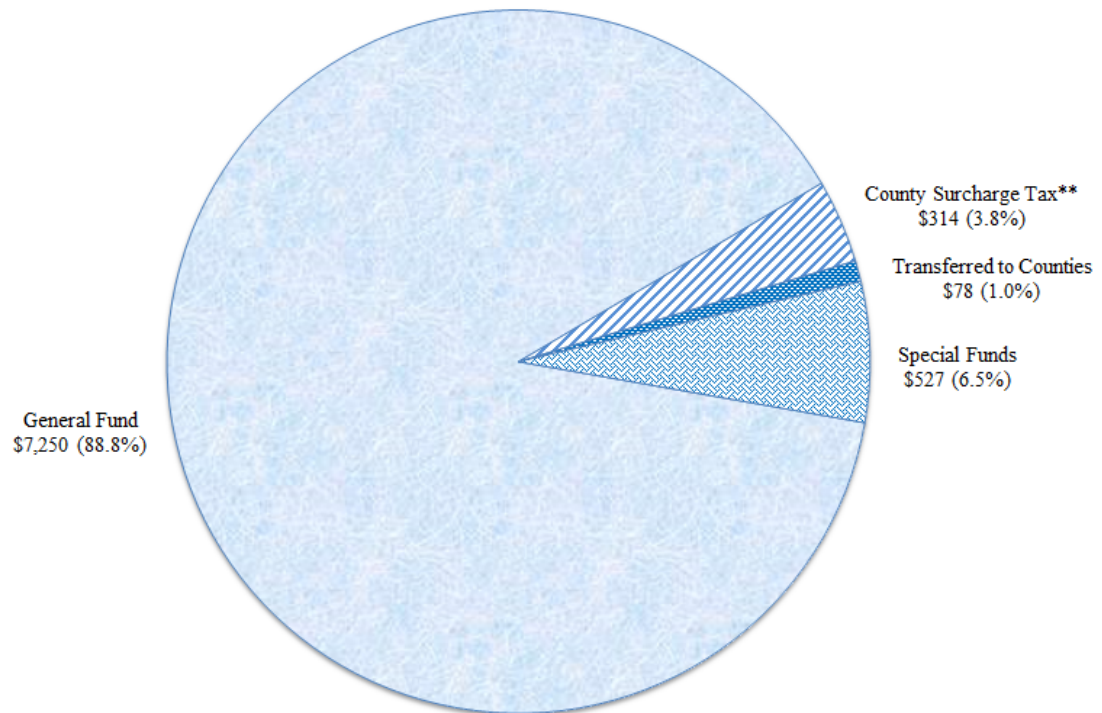
**The relative composition of the State's revenue system followed trends seen in previous years.** The State's biggest sources of tax revenue are the general excise tax (GET)<sup>1</sup> and the individual income tax (IIT). In FY 2021, net GET collections amounted to \$3.08 billion and accounted for 37.7% of total tax collections, and net collections of the IIT amounted to \$3.36 billion and accounted for 41.1% of total tax collections. Chart 1.2 shows the shares of total tax collections accounted for by the GET and the IIT for FY 2012 through FY 2021.

<sup>1</sup> Throughout this report, the term "GET" will be used to include collections from both the general excise tax and the use tax. The use tax complements the general excise tax and is levied on imports into the State from an unlicensed seller.



**Of the total tax collections in FY 2021, \$7.25 billion, or 88.8%, was deposited into the State's General Fund.** The tax revenues deposited into the General Fund are used to pay most of the State's operating expenses. An additional \$391.5 million, or 4.8% of the total tax collections, was transferred to the counties, including transfers of the fuel taxes imposed by the counties, county surcharges imposed by the City and County of Honolulu, the County of Hawaii and the County of Kauai, and revenues from the transient accommodations tax that were allocated to the counties. The remaining \$526.9 million, or 6.4%, was transferred to various other State special funds. Chart 1.3 shows how the total tax collections were distributed in FY 2021.

**Chart 1.3 - Fiscal Year 2021 Distribution of Tax Revenues\***  
(In millions of dollars)



\*Details may not add to totals due to rounding.

\*\*Includes amounts allocated as of June 30, 2021 from the general excise tax surcharges imposed by the City and County of Honolulu, by the County of Hawaii, and by the County of Kauai.

## 1.2 GENERAL EXCISE AND USE TAXES

### 1.2.1 Overview

**The GET normally produces more revenues than any other tax type.** Unlike the sales taxes imposed by many states and localities, Hawaii's GET is imposed on the business rather than on the customer. The GET covers virtually all forms of business activity: It is imposed at the rate of 0.50% on wholesaling, wholesale services, producing and manufacturing; at the rate of 0.15% on insurance commissions received by general agents, subagents and solicitors; and at the rate of 4.00% on most other activities, including retailing, business and professional services, contracting, theatre, amusement, radio, interest, commissions, and rentals. The fee for a GET license is a one-time charge of \$20. Despite the relatively low tax rates, the GET generates substantial revenue because the tax base is very broad.

## 1.2.2 Revenue

Revenue from the GET decreased from \$3.44 billion in FY 2020 to \$3.08 billion in FY 2021, a drop of 10.4%, due to the economic impacts of COVID-19. Chart 1.4 shows the total revenues from the GET and from the tax levied on the various categories of income for FY 2012 through FY 2021. Table 1.1 shows collection of the GET in greater detail for FY 2020 and FY 2021.

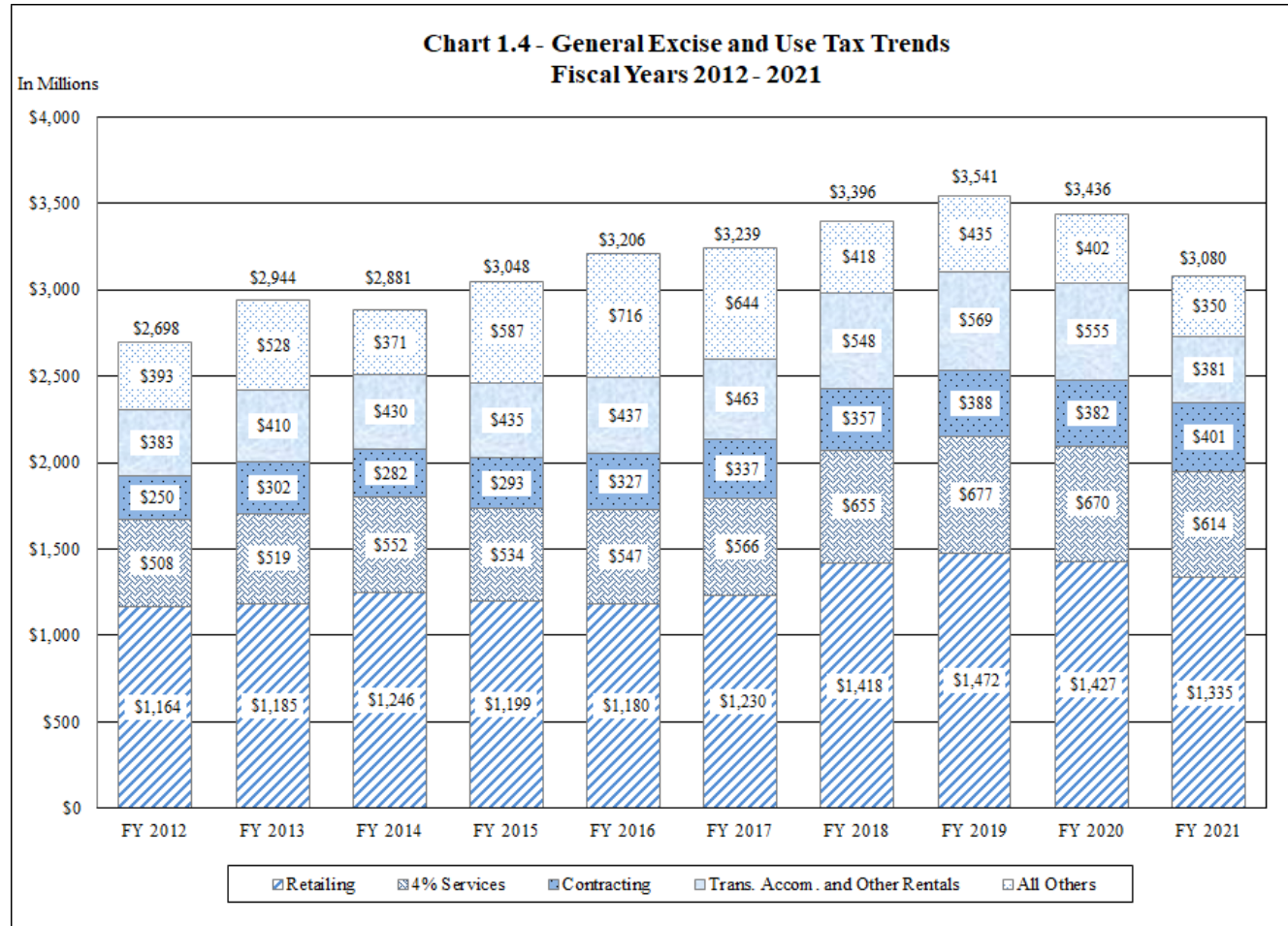


TABLE 1.1 - GENERAL EXCISE AND USE TAX BASE AND TAXES  
FOR FISCAL YEARS ENDING JUNE 30, 2021 AND 2020 <sup>2</sup>  
(In Thousands of Dollars)

SOURCE OF REVENUE	Rate	FY 2021	FY 2020	Difference	
				Amount	% Change
<u>TAX BASE</u>					
Retailing		\$ 33,367,883	\$ 35,679,505	\$ (2,311,622)	(6.5)
Services		15,344,766	16,750,247	(1,405,481)	(8.4)
Contracting		10,028,538	9,541,026	487,512	5.1
Trans. Accom. Rentals		1,989,439	5,214,531	(3,225,092)	(61.8)
All Other Rentals		7,533,035	8,667,122	(1,134,088)	(13.1)
All Others (4%)		4,492,870	5,892,817	(1,399,946)	(23.8)
Subtotal		\$ 72,756,530	\$ 81,745,248	\$ (8,988,717)	(11.0)
Producing		\$ 342,331	\$ 302,786	\$ 39,545	13.1
Manufacturing		522,448	561,377	(38,929)	(6.9)
Wholesaling		16,836,562	17,417,525	(580,963)	(3.3)
Use (1/2%)		6,511,936	6,885,687	(373,751)	(5.4)
Services (Wholesale)		864,857	1,006,563	(141,706)	(14.1)
Insurance Solicitors		663,974	702,176	(38,202)	(5.4)
Subtotal		\$ 25,742,108	\$ 26,876,114	\$ (1,134,005)	(4.2)
TOTAL - ALL ACTIVITIES		<u>\$ 98,498,639</u>	<u>\$ 108,621,361</u>	<u>\$ (10,122,723)</u>	<u>(9.3)</u>
<u>TAX</u>					
Retailing	4.00%	\$ 1,334,715	\$ 1,427,180	\$ (92,465)	(6.5)
Services	4.00%	613,791	670,010	(56,219)	(8.4)
Contracting	4.00%	401,142	381,641	19,500	5.1
Trans. Accom. Rentals	4.00%	79,578	208,581	(129,004)	(61.8)
All Other Rentals	4.00%	301,321	346,685	(45,364)	(13.1)
All Others (4%)	4.00%	179,715	235,713	(55,998)	(23.8)
Subtotal		\$ 2,910,261	\$ 3,269,810	\$ (359,549)	(11.0)
Producing	0.50%	\$ 1,712	\$ 1,514	\$ 198	13.1
Manufacturing	0.50%	2,612	2,807	(195)	(6.9)
Wholesaling	0.50%	84,183	87,088	(2,905)	(3.3)
Use (1/2%)	0.50%	32,560	34,428	(1,869)	(5.4)
Services (Wholesale)	0.50%	4,324	5,033	(709)	(14.1)
Insurance Solicitors	0.15%	996	1,053	(57)	(5.4)
Subtotal		\$ 126,387	\$ 131,923	\$ (5,536)	(4.2)
Unallocated <sup>1</sup>		<u>\$ 43,546</u>	<u>\$ 34,405</u>	<u>\$ 9,142</u>	<u>26.6</u>
TOTAL - ALL ACTIVITIES		<u>\$ 3,080,194</u>	<u>\$ 3,436,138</u>	<u>\$ (355,943)</u>	<u>(10.4)</u>

<sup>1</sup> Includes collections from penalty and interest, assessments and corrections, delinquent collections, refunds, protested payments, settlements and business activities of disabled persons.

<sup>2</sup> Beginning in FY 2020, the collections include revenue generated by the Special Enforcement Section of the Department of Taxation.

NOTE: Details may not add to totals due to rounding.



## 1.3 INDIVIDUAL INCOME TAX

### 1.3.1 Overview

Hawaii's individual income tax (IIT) generally follows the federal definitions for determining net taxable income, but has its own exemptions, tax credits, and tax rates. For taxable years beginning after December 31, 2017, the IIT has twelve tax brackets, with rates ranging from 1.40% to 11.00%.

### 1.3.2 Revenue

**Collections of the tax increased in FY 2021 due to the delay in filing deadlines and healthy FY 2021 tax collections.** Net IIT collections in FY 2021 were \$3.36 billion, up by 42.2% from the \$2.36 billion collected in FY 2020. The biggest part of IIT collections is taxes withheld on employee wages. In FY 2021, withholding tax collections were \$2.16 billion, an increase of 1.4% over the \$2.13 billion withheld in FY 2020. Total IIT refunds in FY 2021 were \$555.7 million, up from \$544.7 million in FY 2020. Chart 1.5 shows total collections of the IIT, along with wage withholding, payments with returns, estimated taxes, and refunds, for FY 2012 through FY 2021. Table 1.2 shows the figures for total collections of the IIT, broken down by its components, in FY 2020 and FY 2021.

**The delay in filing deadlines shifted IIT collections from FY 2020 to FY 2021, contributing to the large increase.** Due to the COVID-19 pandemic, the Department extended tax year 2019's State income tax filing deadline from April 20, 2020 to July 20, 2020. The filing extension was automatic and extended the dates that taxpayers could file and pay taxes without incurring interest or penalties. The tax deadline extension shifted \$281.6 million worth of IIT collections from FY 2020 to FY 2021. If the reported IIT collections were adjusted for the deferred tax payments, the tax collections for FY 2021 would have been \$3.07 billion, a 16.4% increase from FY 2020, and the tax collections for FY 2020 would have been \$2.64 billion, a 2.8% increase from FY 2019.

### 1.3.3 Recent Legislation

Act 13, SLH 2020, conforms Hawaii income and estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended as of March 27, 2020, with special provisions to conform to parts of federal Public Law 116-136, the Coronavirus Aid, Relief, and Economic Security Act, which took effect on March 27, 2020. Conforms Hawaii estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended as of December 31, 2019.

Act 61, SLH 2020, amends section 235-12.5, Hawaii Revised Statutes (HRS), which governs the Renewable Energy Technologies Income Tax Credit (RETITC). This measure repeals the RETITC for commercial projects with a total output capacity of 5 megawatts or greater for taxable years beginning after December 31, 2019 and provides grandfathering exceptions for commercial solar projects. This measure is effective upon approval and applies to taxable years beginning after December 31, 2019.

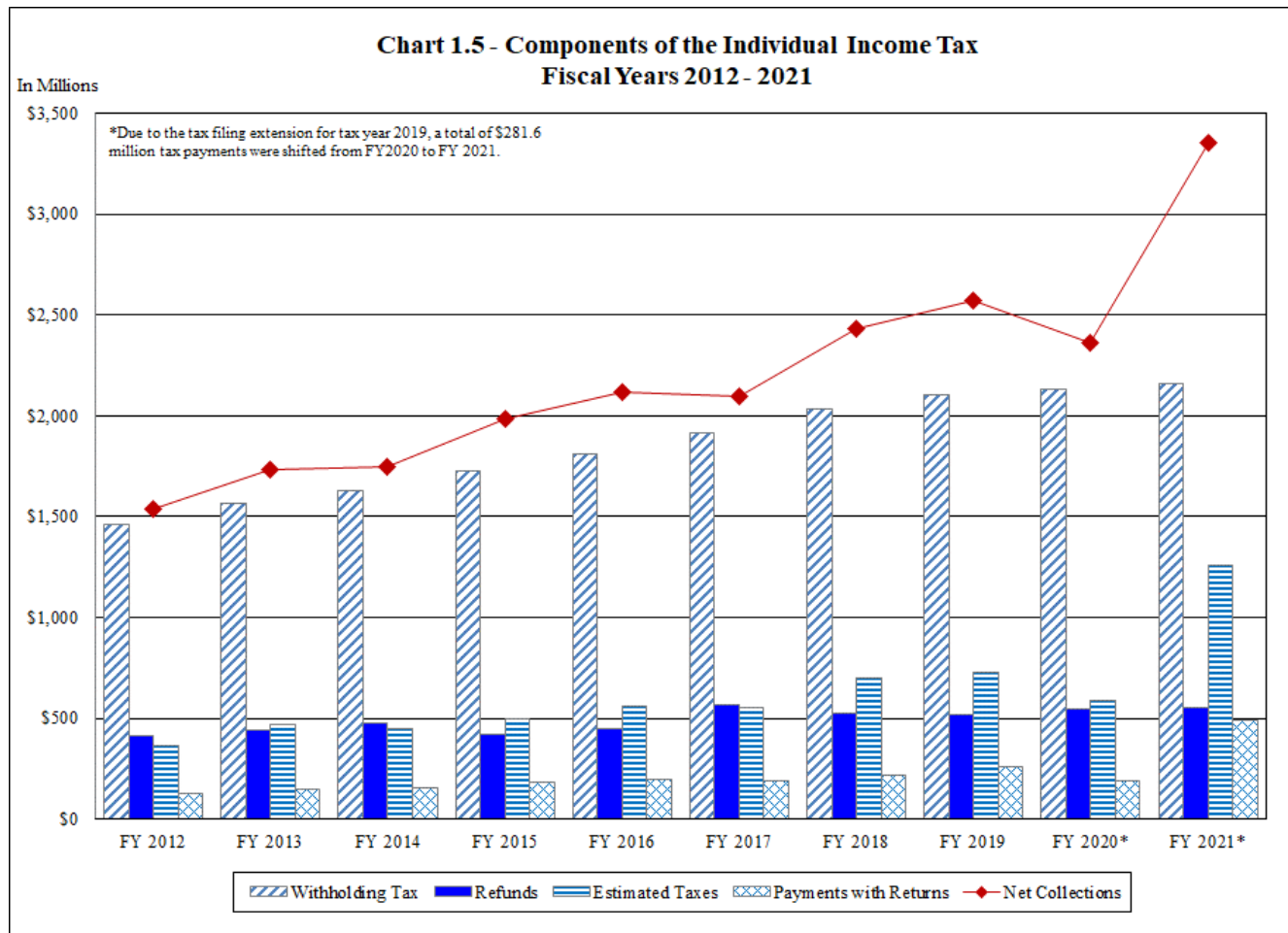


TABLE 1.2 - TAXES PAID BY INDIVIDUALS <sup>1</sup>  
(In Thousands of Dollars)

	FY 2021	FY 2020	Difference	
			Amount	% Change
Declaration of Estimated Taxes	\$ 1,258,773	\$ 584,539	\$ 674,234	115.3
Payment with Return	491,227	188,780	302,447	160.2
Withholding Tax on Wages	2,161,103	2,131,242	29,861	1.4
Subtotal	\$ 3,911,103	\$ 2,904,561	\$ 1,006,542	34.7
Refunds	555,651	544,745	10,906	2.0
NET	\$ 3,355,452	\$ 2,359,816	\$ 995,636	42.2

<sup>1</sup> Beginning in FY 2020, the collections include revenue generated by the Special Enforcement Section of the Department of Taxation.

NOTE: Due to rounding, details may not add to totals.

## 1.4 CORPORATE INCOME TAX

### 1.4.1 Overview

**Corporate Income Tax (CIT) collections are highly cyclical, and they are a small part of Hawaii's total tax collections.** Hawaii's CIT has three tax brackets. The brackets and the corresponding tax rates are as follows: 4.4% on taxable income up to \$25,000; 5.4% on taxable income over \$25,000 but not over \$100,000; and 6.4% on taxable income over \$100,000. The tax rate for corporate capital gains is 4.0%.

### 1.4.2 Revenue

**Net CIT collections increased in FY 2021 due to the decline in refunds, revenue shifts caused by the delay in filing deadlines, and cyclical factors.** Net CIT collections totaled \$186.7 million in FY 2021, an increase of 2120.4% from the previous year's total of \$8.4 million. The large increase in CIT collections was partly due to the decline of 37.3% in Corporate refunds, decreasing from \$176.4 million in FY 2020 to \$110.6 million in FY 2021. In FY 2021, the CIT accounted for just 2.3% of total tax collections. Chart 1.6 shows total collections of the CIT, broken down by its components, for FY 2012 through FY 2021. Table 1.3 shows data on collections of the CIT for FY 2020 and FY 2021.

**The delay in filing deadlines shifted CIT collections from FY 2020 to FY 2021, contributing to the large percentage increase collections.** The deferral of 2019 tax payments also partly contributed to the decline in FY 2020 CIT collections. Due to the COVID-19 pandemic, the Department extended tax year 2019's income tax filing deadline from April 20, 2020 to July 20, 2020. The filing extension was automatic and extended the dates that taxpayers could file and pay taxes without incurring interest or penalties. The tax deadline extension shifted \$26.7 million worth of CIT collections from FY 2020 to FY 2021. If the reported CIT collections were adjusted for the deferred tax payments, the tax collections for FY 2021 would have been \$160.0 million, a 355.6% increase from FY 2020, and the tax collections for FY 2020 would have been \$35.1 million, a 78.5% decrease from FY 2019.

### 1.4.3 Recent Legislation

Act 13, SLH 2020, conforms Hawaii income and estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended as of March 27, 2020, with special provisions to conform to parts of federal Public Law 116-136, the Coronavirus Aid, Relief, and Economic Security Act, which took effect on March 27, 2020. Conforms Hawaii estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended as of December 31, 2019.

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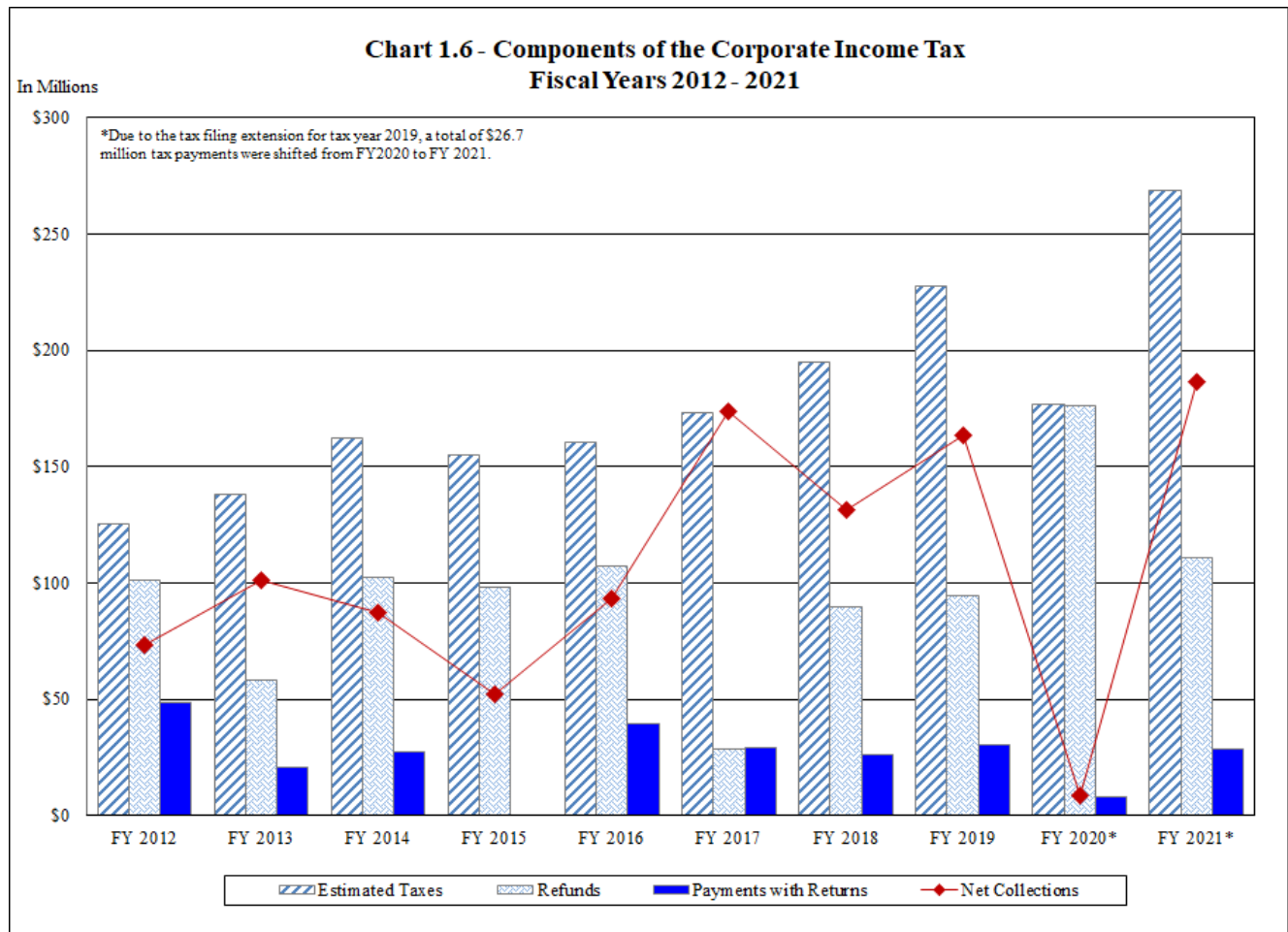


TABLE 1.3 - TAXES PAID BY CORPORATIONS <sup>1</sup>  
(In Thousands of Dollars)

	FY 2021	FY 2020	Difference	
			Amount	% Change
Declaration of Estimated Taxes	\$ 268,539	\$ 176,946	\$ 91,592	51.8
Payment with Return	28,768	7,892	20,876	264.5
Subtotal	\$ 297,307	\$ 184,838	\$ 112,469	60.8
Refunds	110,627	176,431	(65,804)	(37.3)
NET	\$ 186,680	\$ 8,407	\$ 178,273	2120.4

<sup>1</sup> Beginning in FY 2020, the collections include revenue generated by the Special Enforcement Section of the Department of Taxation.

NOTE: Due to rounding, details may not add to totals.

## 1.5 TRANSIENT ACCOMMODATIONS TAX

### *1.5.1 Overview*

**The Transient Accommodation Tax is normally the third largest source of tax revenues in the state.** The transient accommodations tax (TAT) is levied on the furnishing of a room, apartment, suite, or the like, which is customarily occupied by the transient for less than 180 consecutive days. Starting January 1, 2018 through December 31, 2030, the TAT rate was increased from 9.25% to 10.25%. The registration fee for transient accommodations operators is a one-time fee of \$5 for each registration consisting of 1 to 5 units and \$15 for each registration of 6 or more units. The one-time registration fee for timeshare occupancy units is \$15 for each time share plan. For a transient accommodations broker, travel agency or tour packager that arranges to provide transient accommodations at noncommissioned negotiated contract rates, there is a one-time registration fee of \$15.

### *1.5.2 Revenue*

**TAT collections fell significantly in FY 2021 due to the shutdown of the State's tourism industry in response to the COVID-19 crisis.** TAT collections totaled \$215.3 million for FY 2021, a decrease of 61.8% from the \$564.3 million collected in FY 2020. In FY 2021, collections from the TAT were distributed as follows: \$0.0 million went to the counties; \$16.5 million went to the Convention Center Enterprise Special Fund; \$21.5 million went to the Tourism Special Fund; \$1.5 million went to the Turtle Bay Conservation Easement Special Fund; \$0.0 million went to the Special Land and Development Fund; \$19.9 million went to the Mass Transit Fund; \$6.2 million went to the Tax Administration Fund; and the remainder (\$149.7 million) went to the General Fund. Chart 1.7 shows collections of the TAT for FY 2012 through FY 2021. Chart 1.8 shows the allocations of the tax among the various funds. Table 1.4 shows TAT collections and allocations in FY 2020 and FY 2021.

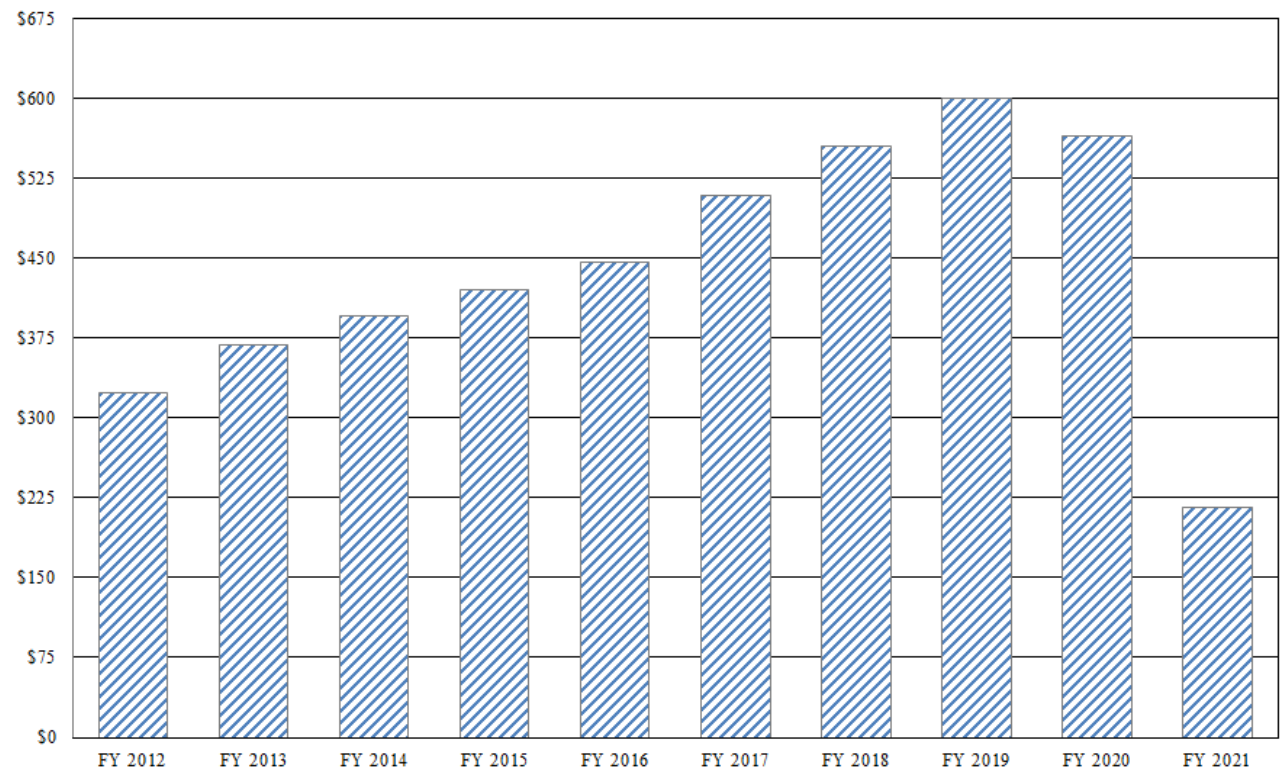
**The Governor's Emergency Proclamation altered the distribution of TAT collections.** Governor Ige's Sixth Supplementary Proclamation suspended Section 237D-6.5(b), Hawaii Revised Statutes, for the months from May of calendar year 2020 through May of calendar year 2021. The section distributes part of the TAT collections to the counties and to various special funds. During the suspension, all of the TAT collections, with the exception of the special levy for Honolulu's rail project, went to the general fund.

### *1.5.3 Recent Legislation*

Act 1, 1st SSLH 2021, authorizes the counties to establish and administer their own transient accommodations tax (TAT) at a maximum rate of 3%. The Act reduces the allocation to the convention center special fund from \$16.5 million to \$11 million. The Act also eliminates the \$79 million allocation to the tourism special fund and the \$103 million allocation to the counties. The Act became effective on July 1, 2021.

**Chart 1.7 - Transient Accommodations Tax  
Fiscal Years 2012 - 2021**

In Millions



**Chart 1.8 - Transient Accommodations Tax Distributions  
Fiscal Years 2012 - 2021**

In Millions

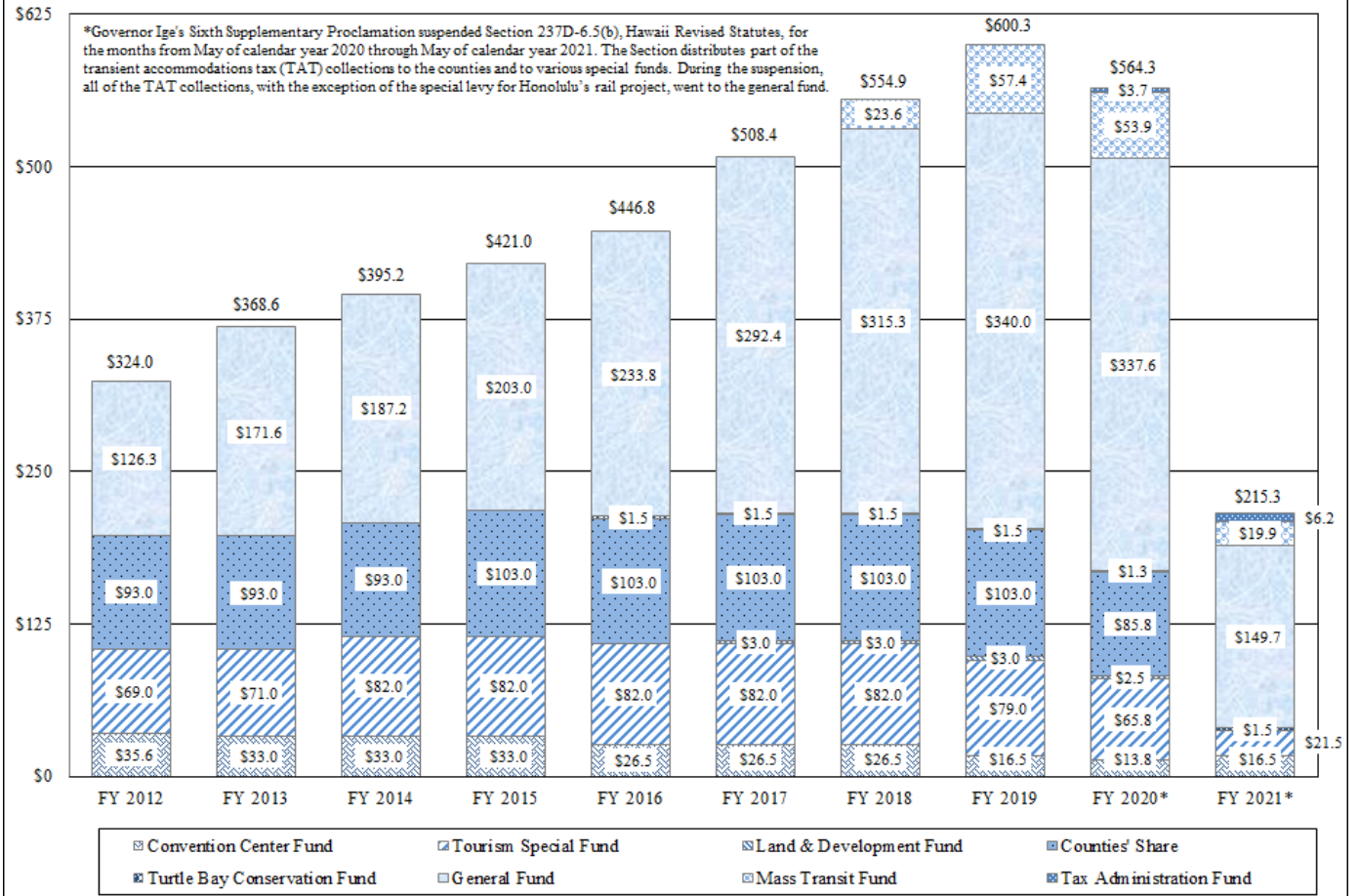


TABLE 1.4 - TRANSIENT ACCOMMODATIONS TAX <sup>2</sup>  
(In Thousands of Dollars)

	FY 2021	FY 2020	Difference	
			Amount	% Change
<b>Collection</b>				
Trans. Accom./Time Share Occ. Tax	\$ 215,293	\$ 564,298	\$ (349,005)	(61.8)
Trans. Accom./Time Share Occ. Fees	23	20	3	16.4
Total	\$ 215,316	\$ 564,318	\$ (349,002)	(61.8)
<b>Distribution <sup>1</sup></b>				
Counties Share <sup>3</sup>	\$ -	\$ 85,833	\$ (85,833)	(100.0)
Convention Center Fund <sup>3</sup>	16,500	13,750	2,750	20.0
Tourism Special Fund <sup>3</sup>	21,505	65,833	(44,329)	(67.3)
Turtle Bay Special Fund <sup>3</sup>	1,500	1,250	250	20.0
Land & Development Fund <sup>3</sup>	-	2,500	(2,500)	(100.0)
Mass Transit Fund	19,935	53,857	(33,921)	(63.0)
Tax Administration Fund	6,207	3,674	2,533	68.9
General Fund	149,669	337,620	(187,951)	(55.7)
Total	\$ 215,316	\$ 564,318	\$ (349,002)	(61.8)

<sup>1</sup> For details on distribution see section 237D-6.5, HRS.

<sup>2</sup> Beginning in FY 2020, the collections include revenue generated by the Special Enforcement Section of the Department of Taxation.

<sup>3</sup> Governor Ige's Sixth Supplementary Proclamation suspended Section 237D-6.5(b), Hawaii Revised Statutes, for the months from May of calendar year 2020 through May of calendar year 2021. The Section distributes part of the transient accommodations tax (TAT) collections to the counties and to various special funds. During the suspension, all of the TAT collections, with the exception of the special levy for Honolulu's rail project, went to the general fund.

NOTE: Due to rounding, details may not add to totals.

## 1.6 FUEL AND ENVIRONMENTAL RESPONSE TAXES

### 1.6.1 Overview

The State and county fuel taxes are imposed on the distributors. The State Legislature sets the State fuel tax rates, whereas county councils set the county rates. There is also an environmental response tax (officially renamed as the "environmental response, energy and food security tax" by Act 73, SLH 2010) that is levied on each barrel of petroleum products and each million British thermal units (MMBtu) of non-petroleum fossil fuels sold by a distributor to any retail dealer or end user. The effective rates for the fuel taxes and for the environmental response tax are shown on page 17. There is a \$5 liquid fuel retail dealer permit that must be renewed by December 31 each year.

### ***1.6.2 Revenue***

**For FY 2021, fuel tax collections fell in response to the decline of economic activity associated with the COVID-19 crisis.** Fuel tax collections amounted to \$148.7 million in FY 2021, a decrease of 12.1% from the \$169.2 million collected in FY 2020. Total taxable fuel consumption decreased from 907.0 million gallons in FY 2020 to 711.5 million gallons in FY 2021. The biggest consumption of taxable fuel was gasoline (377.4 million gallons). The second biggest consumption was aviation fuel (142.1 million gallons). Together, gasoline and aviation fuel accounted for 73.0% of the total consumption of taxable fuel in FY 2020.

**Collections of the environmental response tax amounted to \$23.3 million in FY 2021, a decrease of 10.6% from the \$26.1 million collected in FY 2020.** The environmental response tax rate on each barrel of petroleum product was \$1.05. The tax was levied on 21.4 million barrels of petroleum in FY 2021, down from 23.8 million barrels in FY 2020. The environmental response tax rate on each MMBtu of non-petroleum fossil fuels was nineteen cents. The tax was levied on 4.7 million MMBtu of non-petroleum fossil fuels in FY 2021, down from 5.9 million MMBtu in FY 2020. Chart 1.9 shows collections of the fuel taxes and the gallons consumed of the various fuel types, for FY 2012 through FY 2021. Data for taxable gallons consumed in FY 2020 and FY 2021 are given in Table 1.5.

The revenues from fuel taxes are distributed to several special funds. One percent of the fuel taxes paid on liquid fuel, not including aviation fuel, are deposited into the Boating Special Fund. Fuel taxes paid on sales of aviation fuel are deposited into the Airport Revenue Fund. Remaining revenues from the State fuel taxes are deposited into the State Highway Fund, whereas remaining revenues from county fuel taxes are deposited into the counties' highway funds.

Revenues from the environmental response tax were distributed as follows in FY 2021. For each barrel taxed at \$1.05: five cents went to the Environmental Response Revolving Fund administered by the Department of Health for oil spill prevention and remediation programs; five cents went to the Energy Security Special Fund administered by the Department of Business, Economic Development, and Tourism to support the Hawaii clean energy initiative program; fifteen cents went to the Agricultural Development and Food Security Special Fund administered by the Department of Agriculture to fund activities intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the state; ten cents went to the Energy Systems Development Special Fund; and the remainder (seventy cents) went to the General Fund. For each MMBtu taxed at nineteen cents, one cent went to the Environmental Response Revolving Fund, three cents went to the Energy Security Special Fund, three cents went to the Agricultural Development and Food Security Special Fund, two cents went to the Energy Systems Development Special Fund, and the remainder (ten cents) went to the General Fund.

Table 1.6 shows how the fuel taxes and the environmental response tax were allocated in FY 2020 and FY 2021. The table also shows allocations of motor vehicle taxes and fees, and rental motor vehicle taxes to the State Highway Fund.

### ***1.6.3 Recent Legislation***

Act 75, SLH 2021, allocates three cents of the tax on each barrel to the Electric Vehicle Charging System (EVCS) Subaccount of the Public Utilities Commission Special Fund. Act 75 also reduces the distribution to the Energy Security Special Fund from five cents to four cents and reduces the distribution to the Energy Systems Development Special Fund from ten cents to eight cents. The Act is effective July 1, 2021.

Act 9, 1st SSLH 2021, repeals the distribution of the environmental response tax to the Agriculture Development and Food Security Fund. The Act is effective July 1, 2021.

SCHEDULE OF FUEL TAX RATES PER GALLON <sup>4</sup>  
(Effective July 1, 2020)

TYPE OF FUEL	STATE TAX	COUNTY TAX	TOTAL TAX
<b>GASOLINE AND DIESEL OIL (HIGHWAY):</b>			
City & County of Honolulu	16.0 ¢	16.5 ¢	32.5 ¢
County of Maui <sup>3</sup>	16.0	24.0	40.0
County of Hawaii	16.0	23.0	39.0
County of Kauai	16.0	17.0	33.0
<b>LIQUEFIED PETROLEUM GAS (HIGHWAY):</b>			
City & County of Honolulu	5.2 ¢	5.4 ¢	10.6 ¢
County of Maui	5.2	11.5	16.7
County of Hawaii	5.2	7.6	12.8
County of Kauai	5.2	5.6	10.8
<b>ETHANOL (HIGHWAY):</b>			
City & County of Honolulu	2.4 ¢	2.4 ¢	4.8 ¢
County of Maui	2.4	11.5	13.9
County of Hawaii	2.4	3.3	5.7
County of Kauai	2.4	2.5	4.9
<b>METHANOL (HIGHWAY):</b>			
City & County of Honolulu	1.9 ¢	1.8 ¢	3.7 ¢
County of Maui	1.9	11.5	13.4
County of Hawaii	1.9	2.5	4.4
County of Kauai	1.9	1.9	3.8
<b>BIODIESEL (HIGHWAY):</b>			
City & County of Honolulu	4.0 ¢	8.3 ¢	12.3 ¢
County of Maui	4.0	0.0	4.0
County of Hawaii	4.0	0.0	4.0
County of Kauai	4.0	0.0	4.0
NAPHTHA (Power-Generating Facility): All Counties	2.0 ¢	0.0 ¢	2.0 ¢
<b>COMPRESSED NATURAL GAS (HIGHWAY):</b>			
City & County of Honolulu	4.0 ¢	8.2 ¢	12.2 ¢
County of Maui <sup>3</sup>	4.0	11.9	15.9
County of Hawaii	4.0	11.4	15.4
County of Kauai	4.0	8.4	12.4
<b>LIQUEFIED NATURAL GAS (HIGHWAY):</b>			
City & County of Honolulu	4.0 ¢	8.2 ¢	12.2 ¢
County of Maui <sup>3</sup>	4.0	11.9	15.9
County of Hawaii	4.0	11.4	15.4
County of Kauai	4.0	8.4	12.4
<b>BIODIESEL BLEND (HIGHWAY):</b>			
County of Maui	3.9 ¢	6.0 ¢	9.9 ¢
<b>ENVIRONMENTAL RESPONSE, ENERGY, &amp; FOOD SECURITY TAX</b>			
All Counties, per barrel of petroleum products <sup>1</sup>	105.0 ¢	0.0 ¢	105.0 ¢
All Counties, per million BTU of fossil fuels <sup>2</sup>	19.0	0.0	19.0

<sup>1</sup> Does not include aviation fuel.

<sup>2</sup> Does not include petroleum products. BTU = British thermal unit.

<sup>3</sup> Effective July 1, 2020, pursuant to Maui County Resolution No. 20-82.

<sup>4</sup> Gasoline used for agricultural equipment off highways, aviation fuel, and diesel oil used off highways are taxed by the State at 1 cent per gallon.



**Chart 1.9 - Fuel Tax and Trends in Fuel Consumption  
Fiscal Years 2012 - 2021**

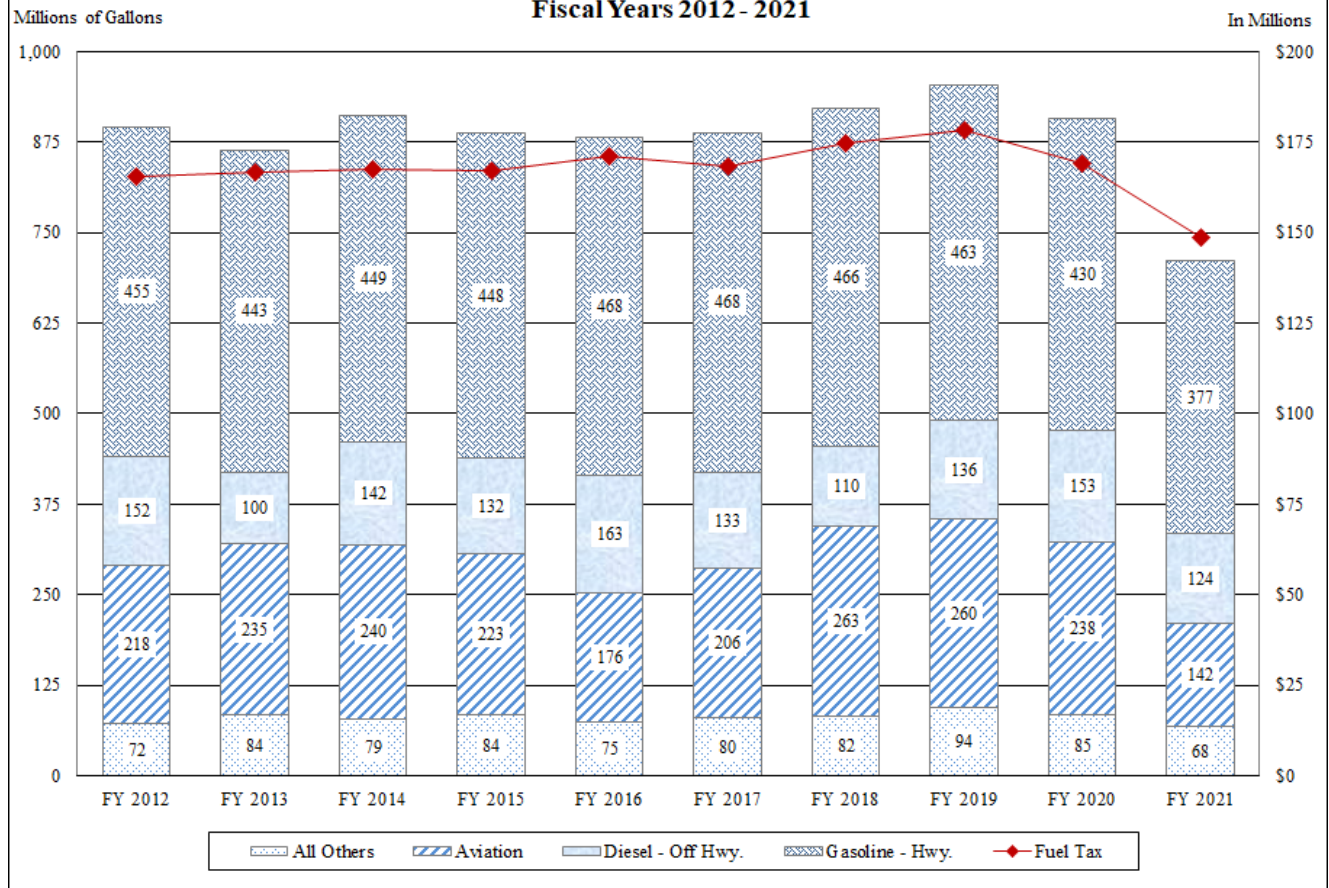


TABLE 1.5 - TAXABLE GALLONS OF FUEL CONSUMED  
(In Thousands of Gallons)

	FY 2021	FY 2020	Difference	
			Amount	% Change
Gasoline	377,363	430,203	(52,840)	(12.3)
Diesel Oil - Off Highway	123,825	153,461	(29,635)	(19.3)
Diesel Oil - Highway	39,895	43,596	(3,702)	(8.5)
Liq. Pet. Gas - Highway	15	11	4	31.8
Small Boats - Gasoline	786	1,352	(566)	(41.9)
Small Boats - Diesel Oil	4,618	3,366	1,252	37.2
Aviation Fuel	142,130	238,438	(96,308)	(40.4)
Other Fuel <sup>1</sup>	22,892	36,619	(13,728)	(37.5)
Total Gallons	711,523	907,047	(195,523)	(21.6)
Environmental Response Tax				
Petroleum Products (Barrel) <sup>2</sup>	21,390,515	23,787,386	(2,396,872)	(10.1)
Fossil Fuels (MMBtu) <sup>3</sup>	4,671,398	5,930,593	(1,259,195)	(21.2)

<sup>1</sup> Other fuel includes ethanol, methanol, biodiesel, naphtha, compressed natural gas, and liquefied natural gas.

<sup>2</sup> Barrel = 42 U.S. gallons of petroleum products.

<sup>3</sup> MMBtu = 1 million British thermal units.

NOTE: Due to rounding, details may not add to totals.

TABLE 1.6 - ALLOCATION OF FUEL TAXES  
(In Thousands of Dollars)

	FY 2021 <sup>1</sup>	FY 2020 <sup>2</sup>	Difference	
			Amount	% Change
STATE HIGHWAY FUND				
Gasoline	\$ 59,799	\$ 68,296	\$ (8,497)	(12.4)
Diesel Oil - Off Highway	1,272	1,553	(281)	(18.1)
Diesel Oil - Highway	6,319	6,906	(586)	(8.5)
Liq. Pet. Gas - Highway	1	1	0 <sup>4</sup>	31.8
Other Fuel <sup>3</sup>	487	763	(276)	(36.1)
Subtotal	\$ 67,878	\$ 77,518	\$ (9,640)	(12.4)
Motor Vehicle	138,513	134,211	4,302	3.2
Rental Vehicle	32,201	72,500	(40,299)	(55.6)
TOTAL	\$238,593	\$284,229	\$ (45,637)	(16.1)
COUNTY HIGHWAY FUNDS				
City and County of Honolulu	\$ 41,226	\$ 47,043	\$ (5,816)	(12.4)
County of Maui	13,549	15,207	(1,658)	(10.9)
County of Hawaii	18,763	20,108	(1,345)	(6.7)
County of Kauai	4,404	5,228	(823)	(15.7)
TOTAL	\$ 77,943	\$ 87,586	\$ (9,642)	(11.0)
BOATING SPECIAL FUND	\$ 1,473	\$ 1,668	\$ (195)	(11.7)
STATE AIRPORT FUND				
Aviation Fuel	\$ 1,421	\$ 2,384	\$ (963)	(40.4)
ENVIRONMENTAL RESPONSE REVOLVING FUND	\$ 1,116	\$ 1,249	\$ (132)	(10.6)
ENERGY SECURITY FUND	\$ 1,210	\$ 1,367	\$ (158)	(11.5)
ENERGY SYSTEMS DEVELOPMENT FUND	\$ 2,232	\$ 2,497	\$ (265)	(10.6)
AGRICULTURAL DEVELOPMENT AND FOOD SECURITY FUND	\$ 3,349	\$ 3,746	\$ (397)	(10.6)
GENERAL FUND	\$ 15,441	\$ 17,244	\$ (1,804)	(10.5)

<sup>1</sup> Fuel tax collections were \$148,462 thousand for fiscal year 2021. A total of \$253 thousand in undistributed fuel taxes from previous years were included in several monthly reports in fiscal year 2021.

<sup>2</sup> Fuel tax collections were \$169,413 thousand for fiscal year 2020, of which \$258 thousand could not be distributed because the required tax returns were not available.

<sup>3</sup> Other fuel includes ethanol, methanol, biodiesel, naphtha, compressed natural gas, and liquefied natural gas.

<sup>4</sup> Less than \$500.

NOTE: Due to rounding, details may not add to totals.

## **1.7 MOTOR VEHICLE AND RENTAL VEHICLE TAXES AND FEES**

### ***1.7.1 Overview***

**Motor vehicle and rental vehicle taxes consist of vehicle registration taxes, motor vehicle rentals, tour vehicles, and car-sharing services.** The State levies an annual registration fee per vehicle and a tax based on vehicle weight. The State also levies the rental motor vehicle, tour vehicle, and car-sharing vehicle surcharge tax (RVST). The tax on rentals of motor vehicles is imposed on the lessor. The rate of the tax was increased from \$3.00 per day to \$5.00 per day on and after July 1, 2019. The tax on tour vehicles is imposed on the tour vehicle operator. The rate of the tax was increased from \$65 per month to \$66 per month for each tour vehicle in the 26-passenger seat and over category, and from \$15 per month to \$16 per month for each tour vehicle in the 8 to 25 passenger seat categories on and after January 1, 2019. The tax on motor vehicles that are rented or leased by a car-sharing organization is imposed on the car-sharing organization. The rate of the tax is 25 cents per half-hour. There is a one-time \$20 registration fee for those subject to any part of the RVST.

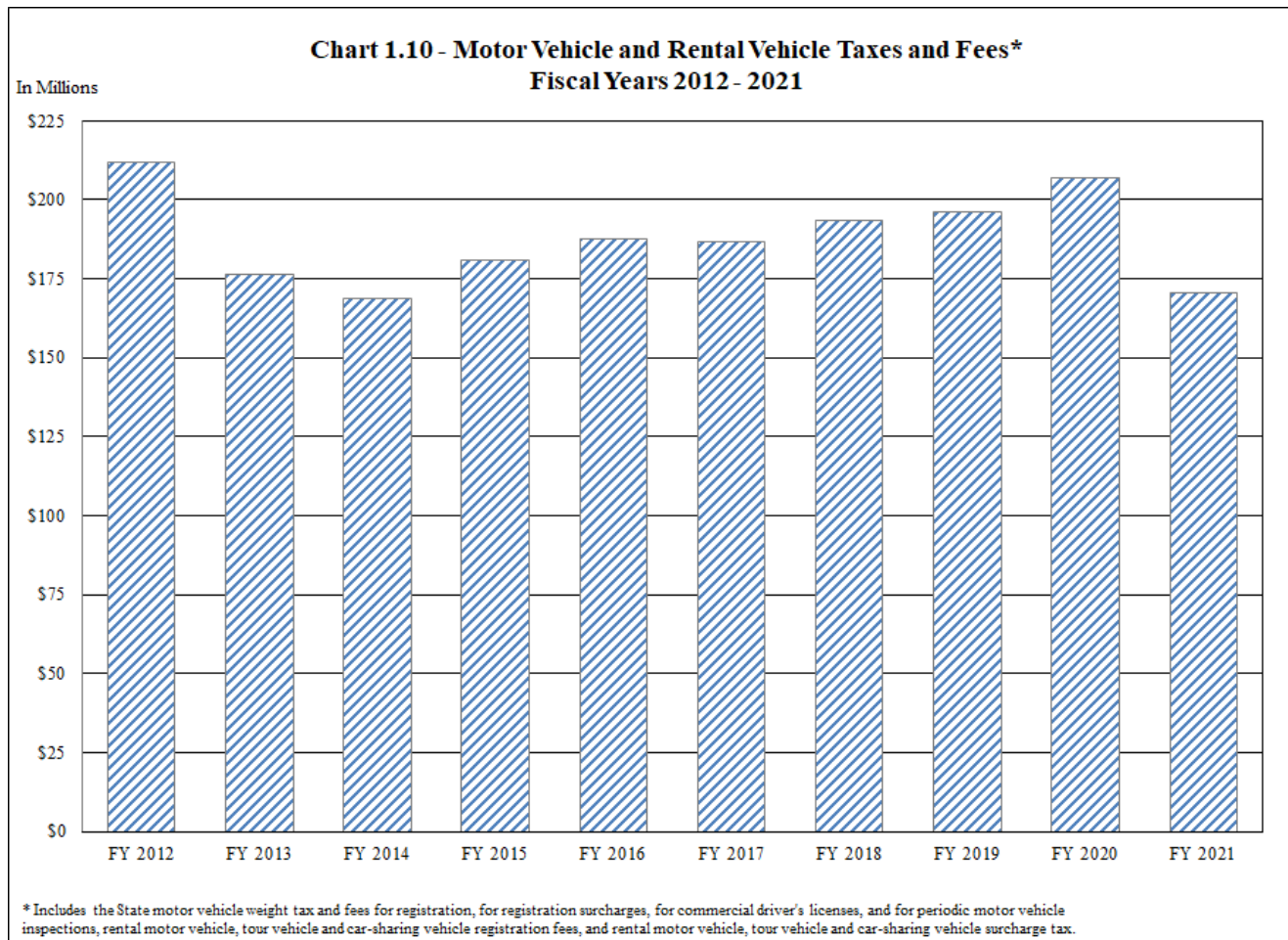
### ***1.7.2 Revenue***

**Revenues from the State's motor vehicle taxes were up, while revenues from the State's rental vehicle taxes were down in FY 2021.** The State's motor vehicle taxes and fees totaled \$138.5 million, up from \$134.2 million in FY 2020, an increase of 3.2%. The State's RVST amounted to \$32.2 million in FY 2021, down from \$72.5 million in FY 2020, a decline of 55.6%. The decline in RVST collection was caused by the reduction in tourism.

The Chart 1.10 shows the total motor vehicle taxes and fees for FY 2012 through FY 2021. The large increase in FY 2012 was caused by a temporary increase in the rate of the RVST to \$7.50 per day, which was in place from July 1, 2011 to June 30, 2012. The tax collections for FY 2013 also reflect one month of collections at the higher tax rate, since the collections lag the liabilities incurred by one month.

### ***1.7.3 Recent Legislation***

Act 237, SLH 2021, increases the rate of the rental motor vehicle surcharge tax by 50 cents per year beginning January 1, 2022 through December 31, 2027. Act 237 also exempts the imposition of the surcharge tax for persons whose vehicles have been stolen and are unrecovered or will not be repaired due to a total loss. The Act is effective July 6, 2021, the date of its approval, without the Governor's signature.



## 1.8 CIGARETTE AND TOBACCO TAX

### 1.8.1. Overview

**A range of tobacco taxes are levied on wholesalers and retail merchants.** Wholesalers and dealers, as those terms are defined in section 245-1, Hawaii Revised Statutes (HRS), must pay an excise tax on the sale or use of tobacco products and on each cigarette or little cigar sold, used, or possessed. The tax per cigarette or little cigar was increased to 16 cents for sales on and after July 1, 2011. The excise tax on large cigars is 50% of the wholesale price and the excise tax on all other tobacco products (tobacco in any form except cigarettes, little cigars, or large cigars) is 70% of the wholesale price. A \$2.50 tobacco tax license is required and must be renewed before July 1 each year. Cigarette wholesalers and dealers are required to affix a stamp to each individual cigarette package as proof that the tax has been paid. Every retailer engaged in the retail sale of cigarettes and other tobacco products is required to obtain a \$20 retail tobacco permit that must be renewed before December 1 each year.

### 1.8.2 Revenue

**Collections from the cigarette and tobacco tax were down in FY 2021.** Collections of the cigarette and tobacco tax (including tobacco licenses) totaled \$108.5 million, down from \$112.0 million in FY 2020, a decrease of 3.2%. Chart 1.11 shows the total collections of the tax for FY 2012 through FY 2021. The 16 cent tax per cigarette was distributed as follows in FY 2021: 2.000 cents went to the Hawaii Cancer Research Special Fund, 1.125 cents went to the Trauma System Special Fund, 1.250 cents went to the Community Health Centers Special Fund, and 1.250 cents went to the Emergency Medical Services Special Fund. Additionally, a total of \$1.6 million went to the Cigarette Stamp Administrative Fund and the Cigarette and Stamp Enforcement Fund. The remainder of the cigarette and tobacco tax went to the General Fund. Table 1.7 shows collections of the tobacco taxes and how the revenues were allocated in FY 2020 and FY 2021.

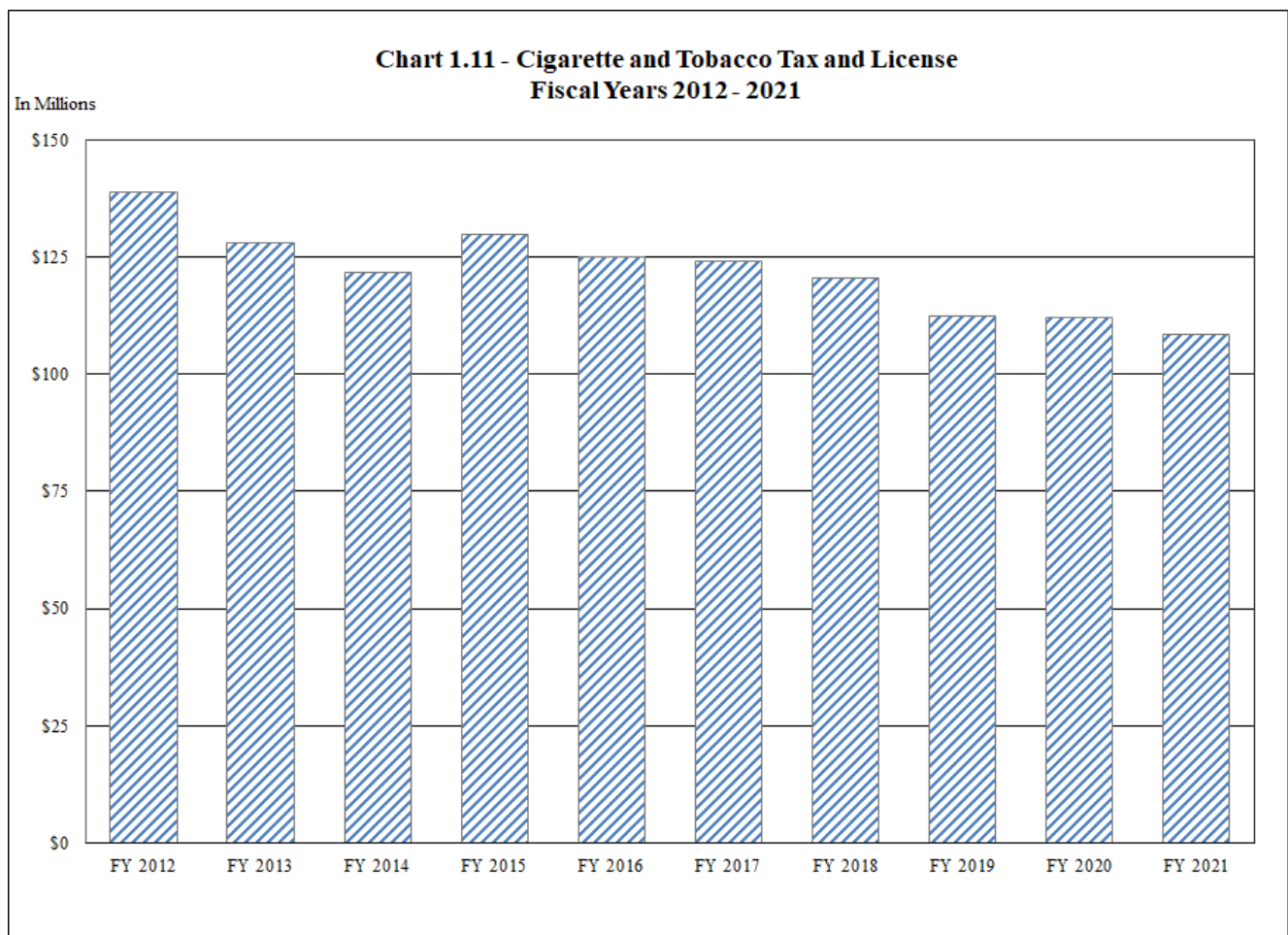


TABLE 1.7 - CIGARETTE AND TOBACCO TAX <sup>2</sup>  
(In Thousands of Dollars)

	FY 2021	FY 2020	Difference	
			Amount	% Change
Collection				
Tobacco and Licenses	\$ 108,454	\$ 111,983	\$ (3,528)	(3.2)
Distribution <sup>1</sup>				
Hawaii Cancer Research Fund	\$ 12,110	\$ 12,591	\$ (481)	(3.8)
Trauma System Fund	6,812	7,082	(270)	(3.8)
Emergency Medical Services Fund	7,569	7,869	(301)	(3.8)
Community Health Centers Fund	7,569	7,869	(301)	(3.8)
Cigarette Stamp Administrative and Enforcement Funds	1,647	1,712	(65)	(3.8)
Tax Administration Fund	-	0 <sup>3</sup>	(0) <sup>3</sup>	(100.0)
General Fund	<u>72,747</u>	<u>74,858</u>	<u>(2,111)</u>	<u>(2.8)</u>
Total	\$ 108,454	\$ 111,983	\$ (3,528)	(3.2)

<sup>1</sup> Details on distributions of the revenues are given in section 245-15, HRS.

<sup>2</sup> Beginning in FY 2020, the collections include revenue generated by the Special Enforcement Section of the Department of Taxation.

<sup>3</sup> Less than \$500.

NOTE: Due to rounding, details may not add to totals.

## 1.9 PUBLIC SERVICE COMPANY TAX

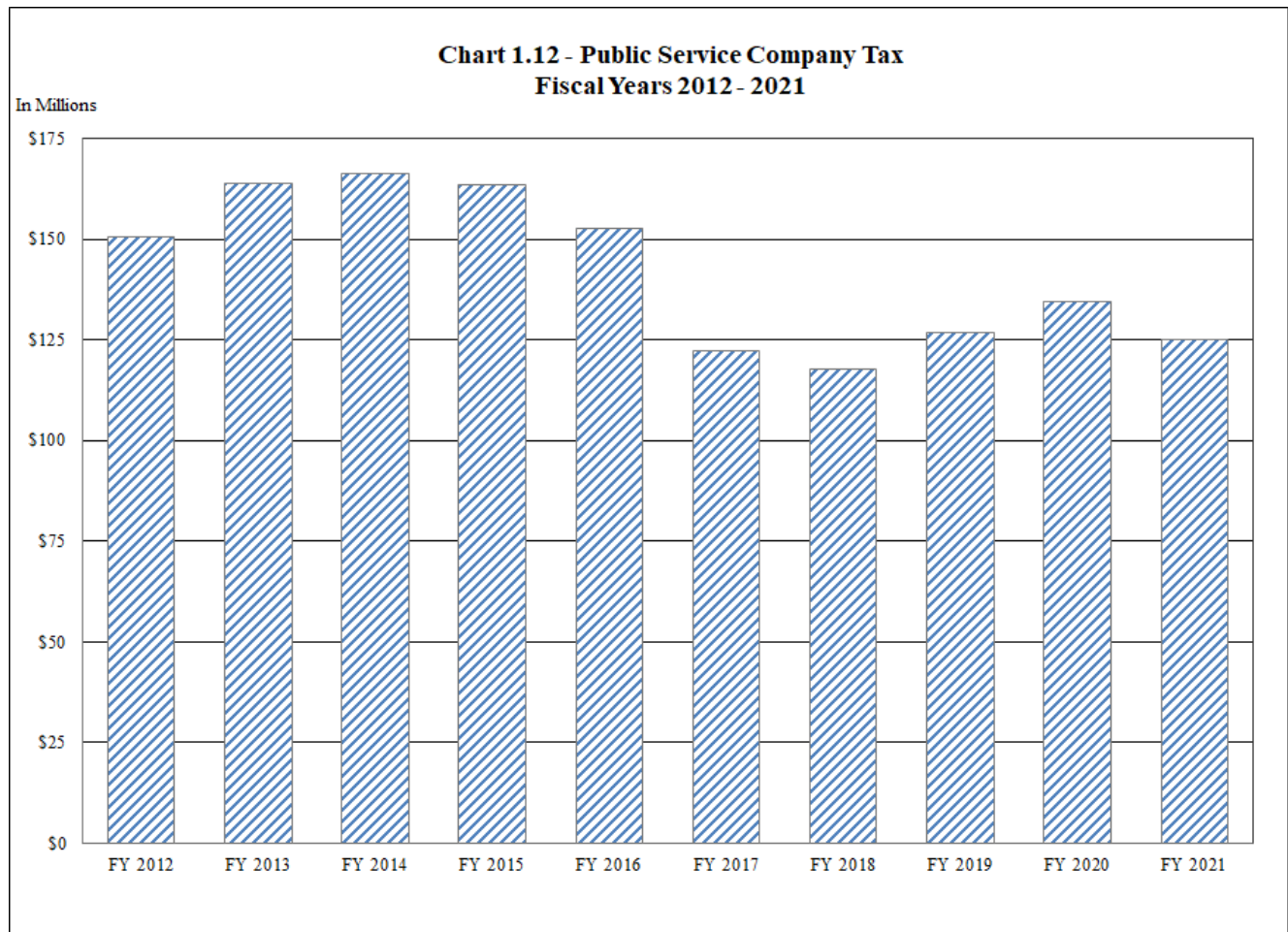
### 1.9.1 Overview

**The public service company (PSC) tax is levied on public utility businesses in lieu of all taxes except income taxes, vehicular taxes imposed under chapter 249, HRS, the franchise tax on public utilities imposed under chapter 240, HRS, and the use tax imposed under chapter 238, HRS.** Generally, the tax is applied to gross income from the business of public utilities for the preceding calendar year. The tax rates on the PSC's range from 0.50% (levied on sales for resale) to 8.20%. For a public utility, only the first 4.0% is realized by the State; any excess over 4.0% is distributed to counties that provide a real property tax exemption for property used by the public utility in its business. For a carrier of passengers by land between points on a scheduled route, the gross income from passenger fares is taxed at 5.35%, all of which is realized by the State.

### 1.9.2 Revenue

**PSC tax collections decreased in FY 2021.** The PSC tax yielded \$125.5 million in tax, penalty, and interest in FY 2021, a decrease of 7.0% from the \$134.6 million collected in FY 2020. All the revenues from the PSC tax are allocated to the General Fund. Chart 1.12 shows the total collections of the tax for FY 2012 through FY 2021.





## 1.10 UNEMPLOYMENT INSURANCE TAX

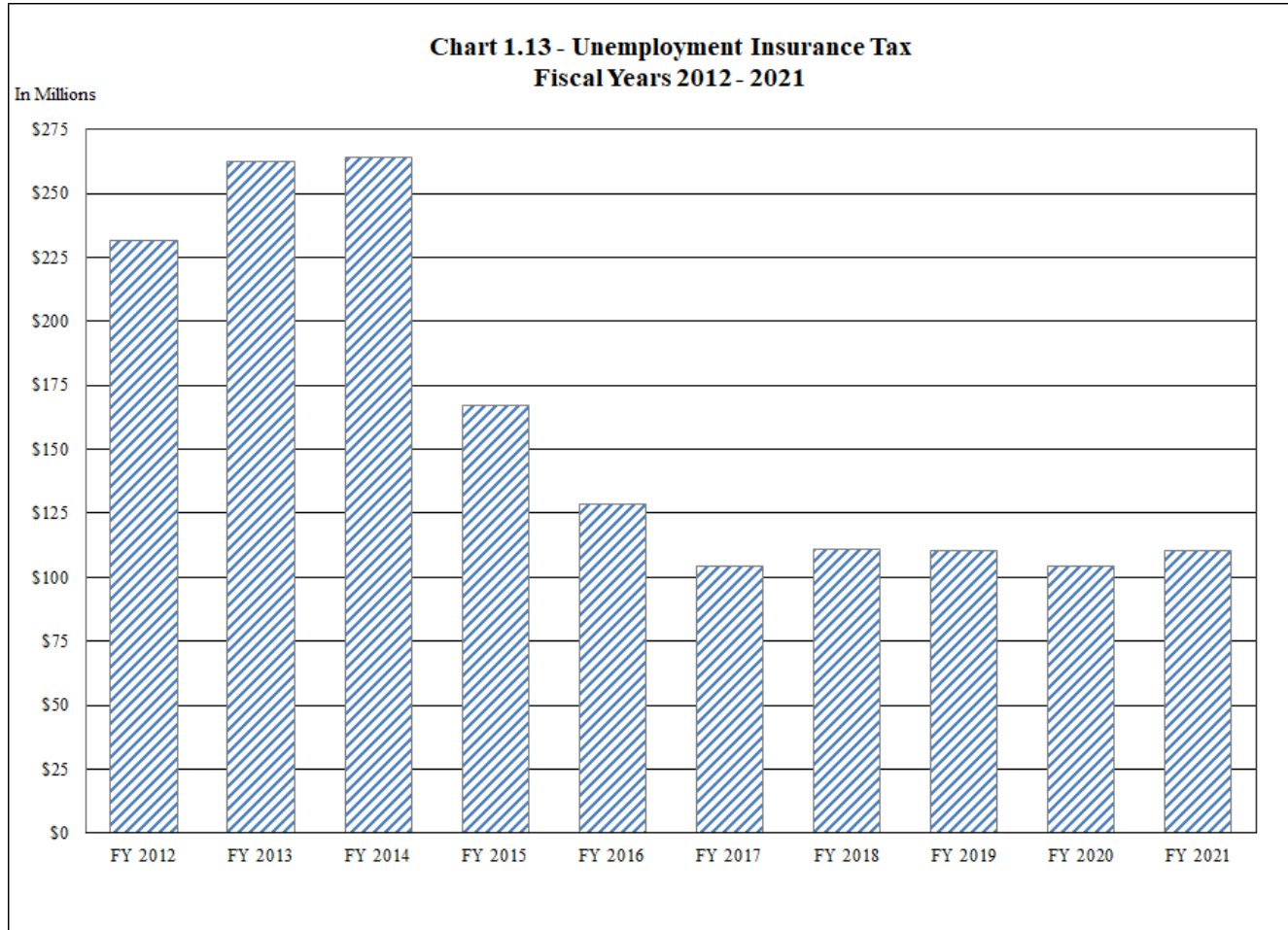
### 1.10.1 Overview

**The unemployment insurance (UI) tax (officially "employment security contributions") is imposed on wages paid by employers with one or more employees, with certain exemptions.** The tax is experience rated, which means the UI tax rate for each year depends on the condition of the UI Trust Fund. The tax base represents the state's average annual wages reported by employers contributing to the Unemployment Trust Fund. For FY 2020, the tax base ranged from \$46,800 in CY 2019 to \$48,100 in CY 2020 and the contribution rate for new employers was 2.4% in both CY 2018 and CY 2019. Revenues from the tax go to the Unemployment Trust Fund. The Department of Labor and Industrial Relations administers the UI tax, and the Department of Taxation collects the tax.

### 1.10.2 Revenue

**Yearly revenues from the UI tax increased in FY 2021.** For FY 2021, revenue from the UI tax totaled \$110.6 million, up by 6.3% from \$104.1 million collected in FY 2020. Chart 1.13 shows collections of the UI tax for FY 2012 through FY 2021.





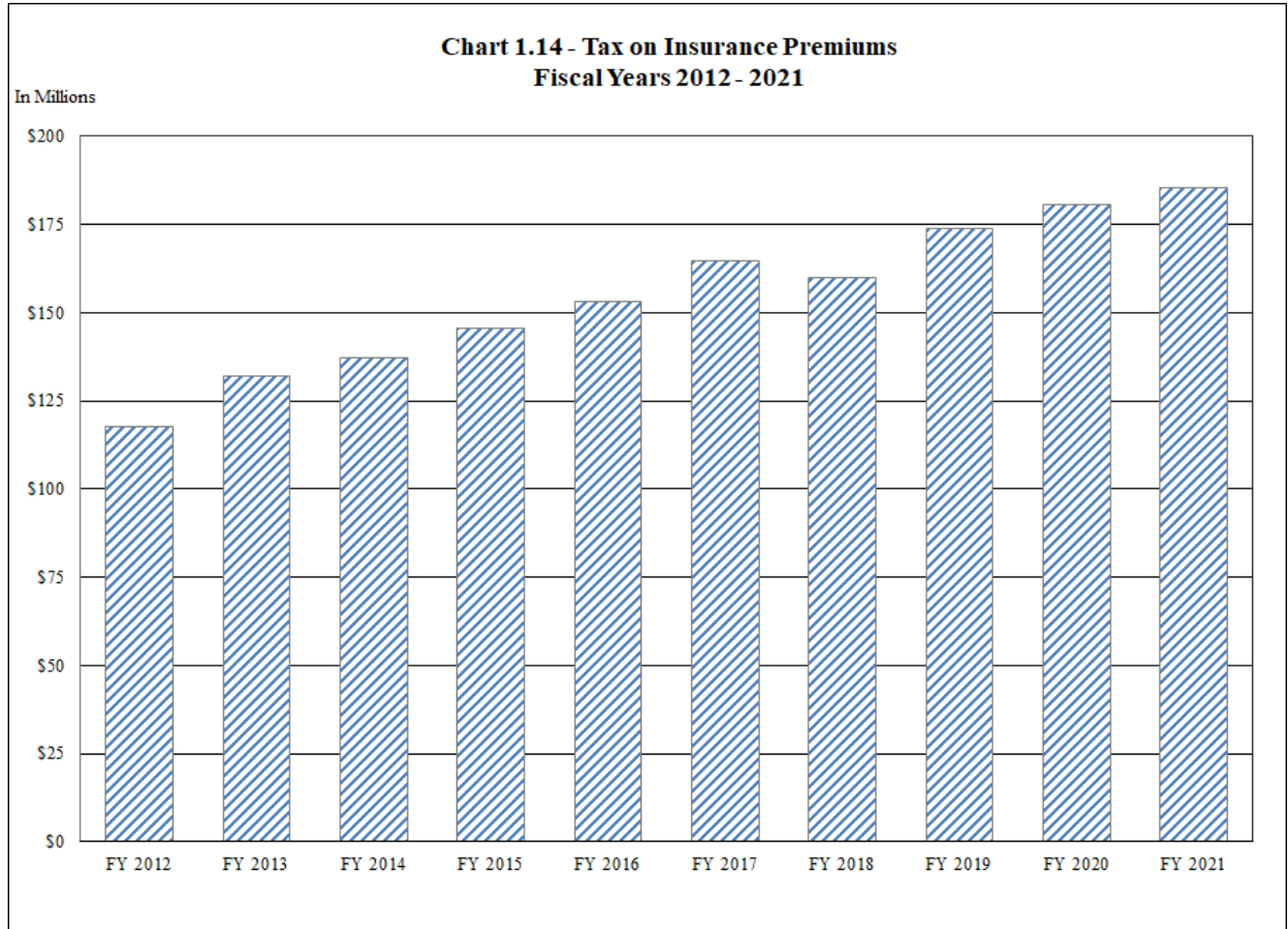
## 1.11 INSURANCE PREMIUM TAX

### 1.11.1 Overview

**The tax on insurance premiums applies to insurance companies (underwriters) based on premiums written in Hawaii.** The insurance premium tax is in lieu of all taxes except property tax and taxes on the purchase, use or ownership of tangible personal property. The tax rates are as follows: (1) Life Insurance, 2.75%; (2) Surplus Lines, 4.68%; (3) Ocean Marine, 0.8775% on gross underwriting profit; and (4) Other Insurance, 4.265%. To insurers who qualify, there is a 1.0% tax credit to facilitate regulatory oversight. The tax is administered and collected by the Insurance Commissioner, who is required to report to the Director of Taxation the amounts of all taxes collected under chapter 431, HRS.

### 1.11.2 Revenue

**Insurance Premium tax collections increased slightly in FY 2021, totaling \$185.3 million,** compared to \$180.8 million in FY 2020, an increase of 2.5%. Chart 1.14 shows collections of the tax for FY 2012 through FY 2021.



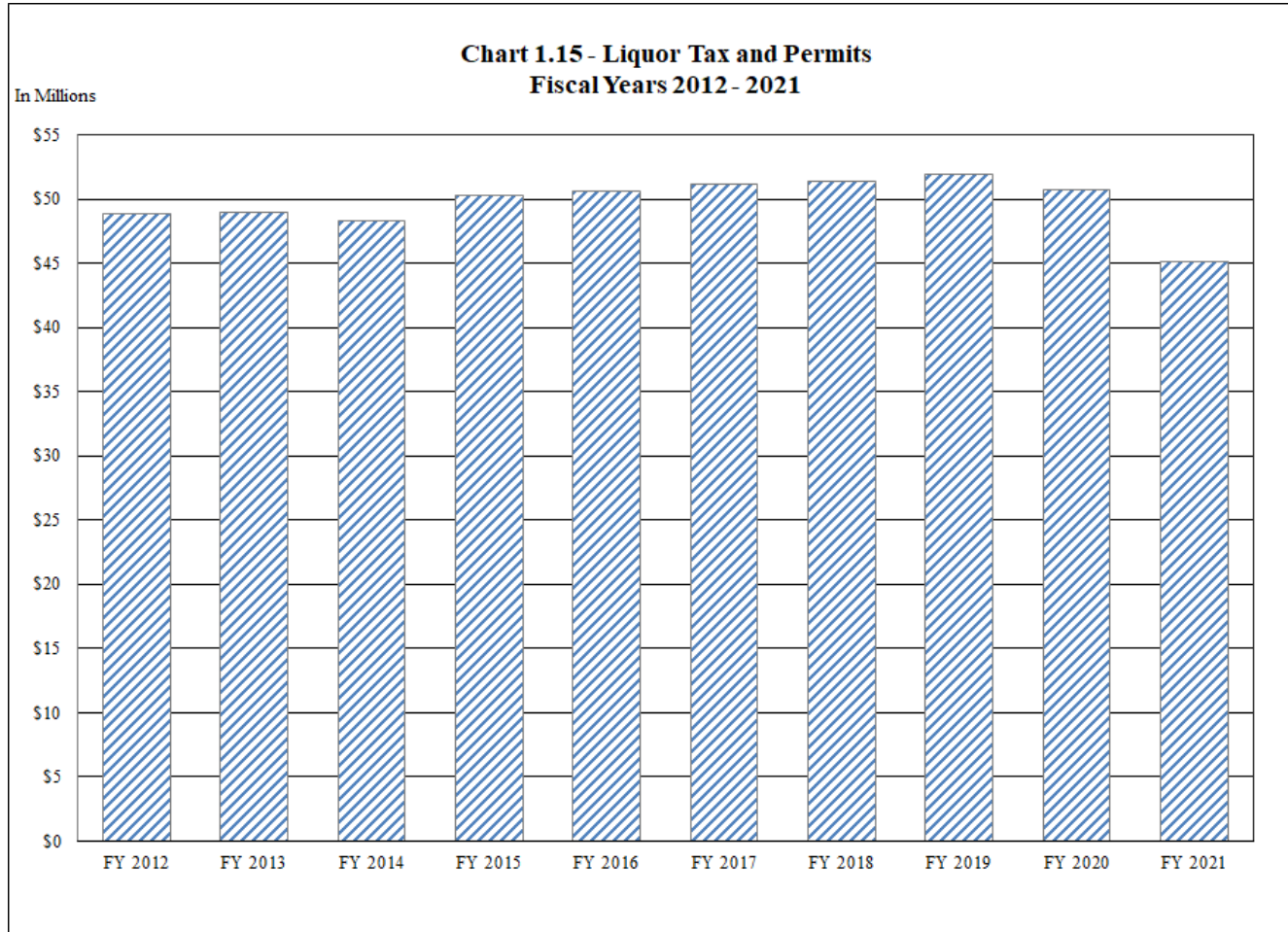
## 1.12 LIQUOR TAX

### 1.12.1 Overview

The tax on liquor is a gallonage tax imposed on dealers as defined in section 244D-1, HRS, and upon certain others who sell or use liquor. A \$2.50 liquor tax permit is required and must be renewed before July 1 each year. See section 244D-4, HRS, for exemptions from the tax. The tax rates per wine gallon are \$5.98 on distilled spirits, \$2.12 on sparkling wine, \$1.38 on still wine, \$0.85 on cooler beverages, \$0.93 on beer other than draft beer, and \$0.54 on draft beer.

### 1.12.2 Revenue

Liquor tax collections fell in FY 2021, totaling \$45.2 million, a decrease of 10.8% from the \$50.7 million collected in FY 2020. Chart 1.15 shows collections of the liquor tax and permit fees for FY 2012 through FY 2021.



## 1.13 CONVEYANCE TAX

### 1.13.1 Overview

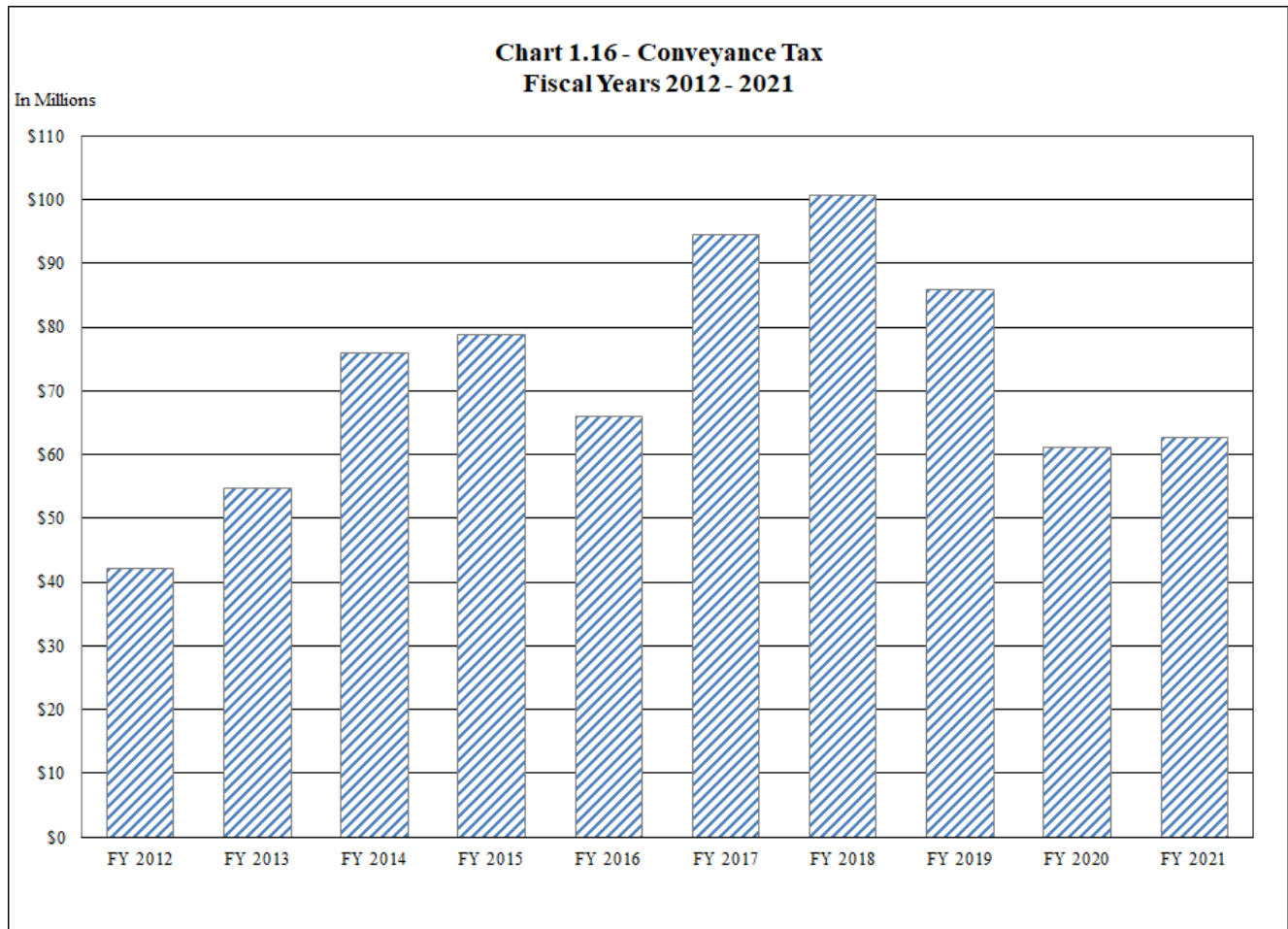
**The conveyance tax is imposed on all documents transferring ownership or interest in real property and is based on the actual and full consideration paid or to be paid.** For a sale of a condominium or single-family residence, the rate of the conveyance tax depends on whether the purchaser is eligible for a county homeowner's exemption from the real property tax. If the purchaser is eligible for the exemption, or if the sale is of real property other than a condominium or single-family residence, then the tax rate ranges from 10 cents per \$100 for properties with a value of less than \$600,000 to \$1 per \$100 for properties with a value of \$10,000,000 or more. If the purchaser is ineligible for the exemption, the tax rate for a sale of a condominium or single-family residence ranges from 15 cents per \$100 for properties with a value of less than \$600,000 to \$1.25 per \$100 for properties with a value of \$10,000,000 or more. The conveyance tax is administered by the Department of Taxation, but it is collected by the Bureau of Conveyances in the Department of Land and Natural Resources.

### 1.13.2 Revenue

**For FY 2021, revenue from the conveyance tax totaled \$62.7 million, up from \$61.1 million in FY 2020, an increase of 2.6%.** The revenues for FY 2021 were distributed as follows: 10% went to the Land Conservation Fund, provided that the amount in excess of \$5.1 million in any fiscal year is deposited into the General Fund; 50% went to the Rental Housing Trust Fund, provided that the amount in excess of \$38.0 million in any fiscal year is deposited into the General Fund; and the remaining 40% went to the General Fund. Chart 1.16 shows collections of the conveyance tax for FY 2012 through FY 2021.

### 1.13.3 Recent Legislation

Act 9, SLH 2020, amends the annual cap of the conveyance tax allocation to the Land Conservation Fund from \$6.8 million to \$5.1 million. The Act took effect July 1, 2020.



## **1.14 TAX ON BANKS AND OTHER FINANCIAL CORPORATIONS**

### ***1.14.1 Overview***

**The tax on banks and other financial corporations (the franchise tax) is levied on net income** of banks, building and loan associations, development companies, financial corporations, financial services loan companies, trust companies, mortgage loan companies, financial holding companies, small business investment companies, and subsidiaries not subject to the tax imposed by chapter 235, HRS. The tax is in lieu of the net income tax imposed under chapter 235, HRS, and of the GET, but it uses the definition of net income from chapter 235, with modifications. The tax is levied on net income at the rate of 7.92%. The assessment date is January 1 of each year.

### ***1.14.2 Revenue***

**For FY 2021, franchise tax collections totaled \$5.1 million, down from \$35.3 million in FY 2020, a decline of 85.6%.** The decline was in part due to a \$51.8 million of tax refunds as well as the delay in the 2019 tax year filing deadline to July 2020. Chart 1.17 shows collections of the franchise tax for FY 2012 through FY 2021. Collections of the tax were low in FY 2012, due partly to a one-time transfer of \$16.5 million to the Litigated Claims Fund.

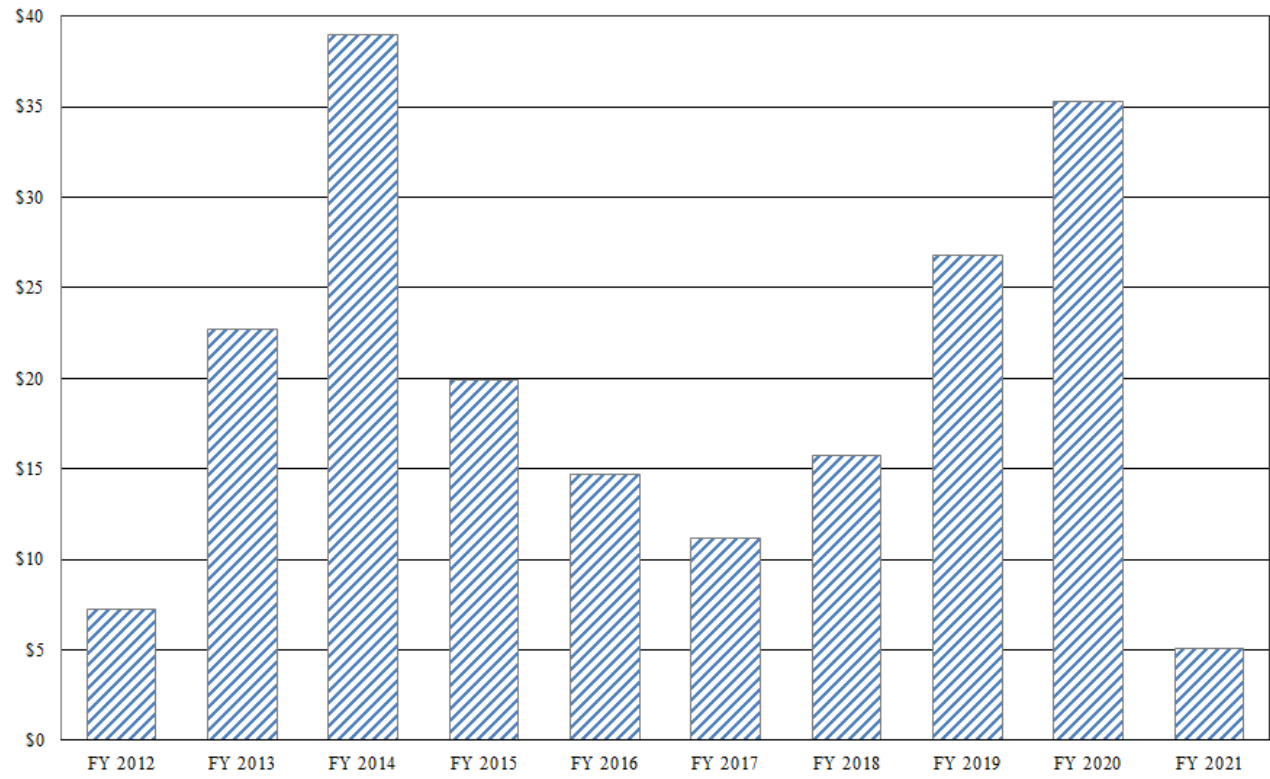
### ***1.14.3 Recent Legislation***

Act 226, SLH 2021, relaxes the rules on allocating the low-income housing tax credit (LIHTC). Act 226 also relaxes the installment method, at-risk, and passive activity loss rules and allows the Hawaii LIHTC to be claimed in the initial year even if federal Form 8609 has not been received by the taxpayer. Act 226 prohibits the deductions and expenses claimed by all Hawaii taxpayers to exceed the deductions and expenses claimed by all taxpayers on federal returns. Act 226 extends the shortened credit period provided by Act 129, SLH 2016, from tax year 2022 through tax year 2027. The Act is effective July 1, 2021 and applies to taxable years beginning after December 31, 2020.



**Chart 1.17 - Franchise Tax  
Fiscal Years 2012 - 2021**

In Millions



## 1.15 ESTATE AND TRANSFER TAX

### 1.15.1 Overview

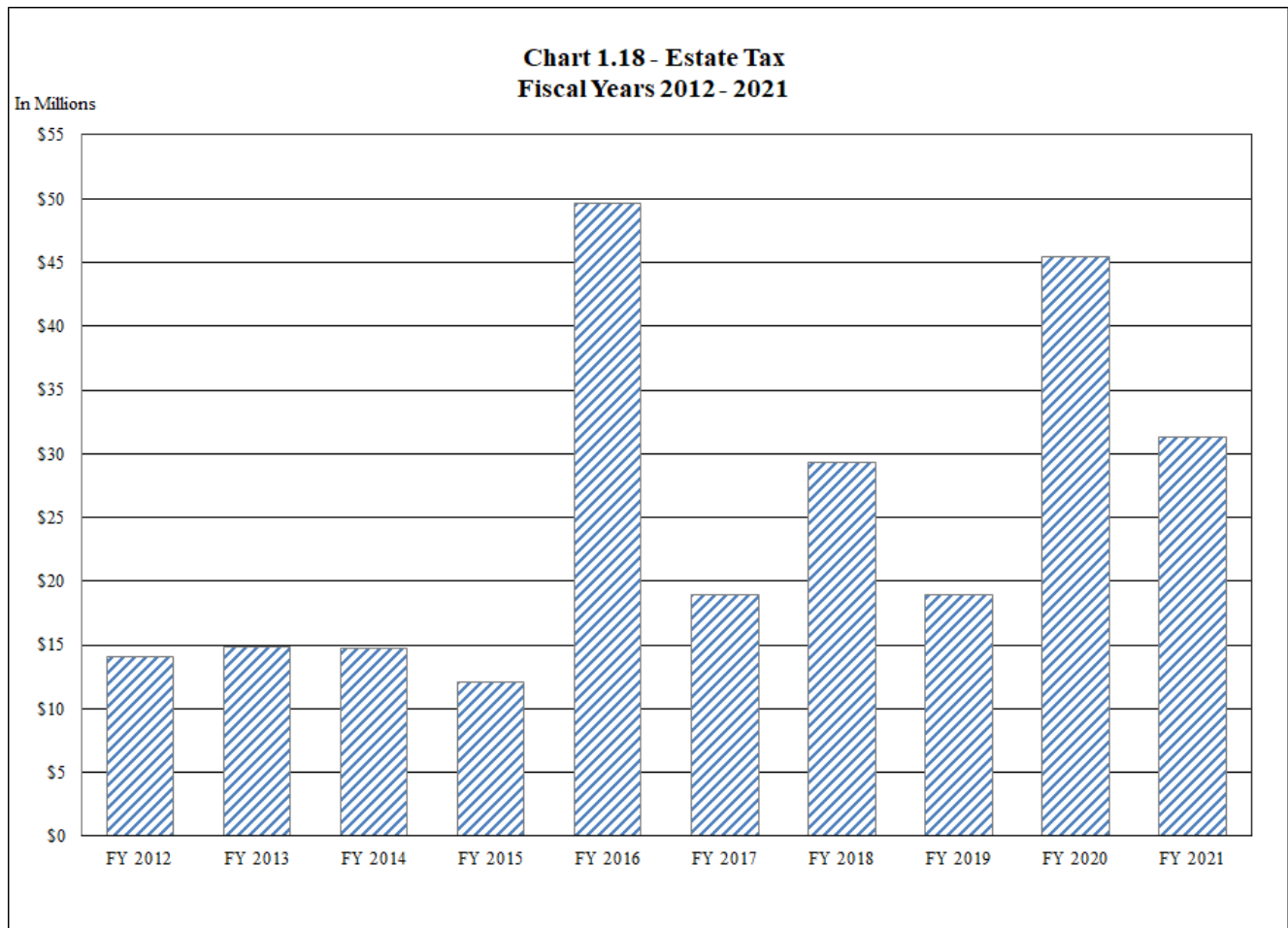
**Hawaii's estate and transfer tax is levied on the transfer of a taxable estate.** The taxable estate is based on the federal definition (with adjustments for nonresidents), but the State has its own tax rate schedule, with tax rates varying from 10.0% to 20.0%. Hawaii's generation skipping tax is also based on the federal taxable transfer but has its own tax rate (currently 2.25%).

### 1.15.2 Revenue

**For FY 2021, estate tax collections totaled \$31.3 million, down from \$45.5 million collected in FY 2020.** Chart 1.18 shows collections of the estate and transfer tax for FY 2012 through FY 2021.

### 1.15.3 Recent Legislation

Act 13, SLH 2020, conforms Hawaii income and estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended as of March 27, 2020, with special provisions to conform to parts of federal Public Law 116-136, the Coronavirus Aid, Relief, and Economic Security Act, which took effect on March 27, 2020. Conforms Hawaii estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended as of December 31, 2019.



## 1.16 COUNTY SURCHARGE TAX

### 1.16.1 Overview

**The County surcharge is a tax applied on top of the State's 4.0% General Excise & Use Tax, and their revenues destined for use by local governments.** Act 1, SSLH 2017, authorized the City and County of Honolulu to extend the sunset of its county surcharge from December 31, 2027 to December 31, 2030, which the County did by ordinance. The Act also authorized the other counties to establish a county surcharge, which may be levied from January 1, 2019 to December 31, 2030. New county surcharges were established by ordinance by Hawaii County (0.25%, from January 1, 2019 to December 31, 2020) and by Kauai County (0.50%, from January 1, 2019 to December 31, 2030). The Act reduced the amount that is deducted from the county surcharge collections to reimburse the State for administrative costs from 10% to 1%. The Act took effect September 5, 2017.

Act 11, SLH 2018, extends the period in which a county may adopt a surcharge on state tax, under certain conditions, from March 31, 2018 to March 31, 2019.

Act 247, SLH 2005, granted counties the authority to impose a county surcharge of no more than 0.5% on gross income that is subject to the State's GET at the rate of 4.0% to fund county public transportation systems. The Department of Taxation is required to administer and collect the surcharge for the counties.

The following counties have adopted the surcharge:

City and County of Honolulu: The county surcharge rate is 0.5% and is effective from January 1, 2007 through December 31, 2030.

County of Hawaii: The county surcharge rate is 0.25% for the period from January 1, 2019 through December 31, 2019 and 0.5% for the period from January 1, 2020 through December 31, 2030.

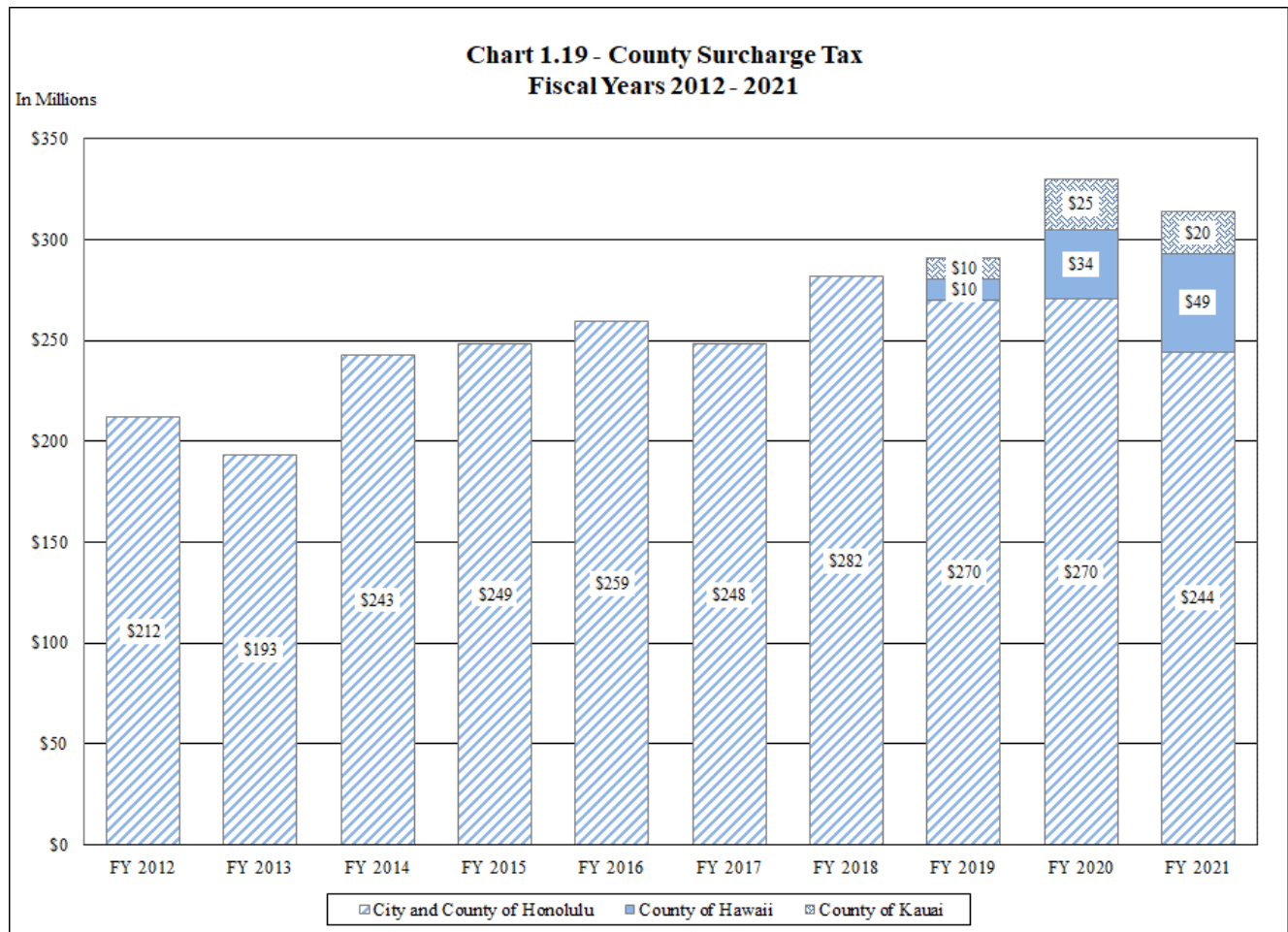
County of Kauai: The county surcharge rate is 0.5% and is effective from January 1, 2019 through December 31, 2030.

Starting September 5, 2017, the amount deducted from the county surcharge collections to reimburse the State for administrative costs declined from 10% to 1%.

### 1.16.2 Revenue

**For FY 2021, collections of county surcharges totaled \$313.5 million, a decrease of 5.0% from the \$330.0 million collected in FY 2020.** Starting in January 2019, the new surcharges imposed by the County of Hawaii and the County of Kauai were included to the county surcharge collections. In FY 2021, collections from the county surcharges were distributed as follows: \$244.4 million went to the City and County of Honolulu; \$48.8 million went to the County of Hawaii; and \$20.4 million went to the County of Kauai. Chart 1.19 shows collections of the county surcharges for FY 2012 through FY 2021.





## 1.17 TOTAL TAX COLLECTIONS

**Total tax collections in FY 2021 amounted to \$8.17 billion, up by 4.4% from the \$7.83 billion collected in FY 2020.** The Department collected the great majority of the total taxes (\$7.77 billion), but the counties collected \$138.5 million in State motor vehicle weight taxes and registration fees, the Insurance Commissioner (in the Department of Commerce and Consumer Affairs) collected \$185.3 million in insurance premium taxes, and the Bureau of Conveyances (in the Department of Land and Natural Resources) collected \$62.7 million in conveyance taxes. The total tax collections are shown in Table 1.8.

TABLE 1.8 - TAX COLLECTIONS <sup>6</sup>  
(In Thousands of Dollars )

SOURCE OF REVENUE	FY 2021		FY 2020	
	Amount Collected	% of Total	Amount Collected	% of Total
Banks - Financial Corps.	\$ 5,079	0.06	\$ 35,271	0.45
Conveyance	62,725	0.77	61,110	0.78
Employment Security Contributions	110,591	1.35	104,068	1.33
Fuel <sup>3, 4</sup>	148,716	1.82	169,156	2.16
Environmental Response	23,348	0.29	26,104	0.33
General Excise and Use	3,080,194	37.71	3,436,138	43.91
County Surcharge <sup>5</sup>	313,545	3.84	329,926	4.22
Income - Corporations	186,680	2.29	8,407	0.11
Income - Individuals	3,355,452	41.08	2,359,816	30.16
Inheritance and Estate	31,275	0.38	45,451	0.58
Insurance Premiums	185,337	2.27	180,753	2.31
Liquor and Permits	45,178	0.55	50,674	0.65
Motor Vehicle Tax and Fees <sup>1</sup>	138,513	1.70	134,211	1.72
Rental Vehicle Tax and Fees	32,210	0.39	72,503	0.93
Public Service Companies	125,201	1.53	134,639	1.72
Tobacco and Licenses	108,454	1.33	111,983	1.43
Trans. Accom. Fees	23	0.00	20	0.00
Trans. Accom. Tax	215,293	2.64	564,298	7.21
All Others <sup>2</sup>	808	0.01	681	0.01
<b>TOTAL</b>	<b>\$ 8,168,623</b>	<b>100.00</b>	<b>\$ 7,825,208</b>	<b>100.00</b>

<sup>1</sup> Includes the State motor vehicle weight tax and fees for registration, for registration surcharges, for commercial driver's licenses, and for periodic motor vehicle inspections.

<sup>2</sup> Includes fuel retail dealer's permits, fuel penalty and interest, and general excise tax licenses.

<sup>3</sup> Fuel tax collections were \$148,462 thousand for fiscal year 2021. A total of \$253 thousand in undistributed fuel taxes from previous years were included in several monthly reports in fiscal year 2021.

<sup>4</sup> Fuel tax collections were \$169,413 thousand for fiscal year 2020, of which \$258 thousand could not be distributed because the required tax returns were not available.

<sup>5</sup> Includes amounts allocated as of June 30, 2021 from the general excise tax surcharges imposed by the City and County of Honolulu, by the County of Hawaii, and by the County of Kauai.

<sup>6</sup> Beginning in FY 2020, the collections include revenue generated by the Special Enforcement Section of the Department of Taxation.

NOTE: Due to rounding, details may not add to totals.

## 1.18 DISTRIBUTION OF TAXES

**Of the \$8.17 billion in total tax collections in FY 2021, \$7.25 billion or 88.8% was deposited into the State's General Fund.** The four counties received \$77.9 million from county fuel taxes. In addition, \$313.5 million of county surcharge was collected for the City and County of Honolulu, the County of Hawaii, and the County of Kauai (before deducting the administrative fee imposed by the State). The remaining tax revenues not deposited into the General Fund or transferred to the counties were distributed among various State special funds. The State Highway Fund received the largest portion, \$238.6 million. All the unemployment insurance tax (the employment security contributions) went into the Unemployment Trust Fund for unemployment benefits. Due to Governor Ige's Sixth Supplementary Proclamation that suspended Section 237D-6.5(b), Hawaii Revised Statutes, the four counties didn't not receive any allocations from the TAT in FY 2021. Table 1.9 shows allocations of taxes to the State's General Fund in FY 2020 and FY 2021. The distributions of the total tax collections among all funds in FY 2020 and FY 2021 are shown in Table 1.10.

TABLE 1.9 - STATE GENERAL FUND  
(In Thousands of Dollars)

SOURCE OF REVENUE	FY 2021		FY 2020	
	Amount Collected	% of Total	Amount Collected	% of Total
Banks - Financial Corps.	\$ 3,079	0.04	\$ 33,271	0.50
Conveyance	26,259	0.36	22,746	0.34
General Excise and Use	3,054,356	42.13	3,429,459	51.23
Income - Corporations	186,347	2.57	8,407	0.13
Income - Individuals	3,354,561	46.27	2,359,003	35.24
Inheritance and Estate	31,275	0.43	45,451	0.68
Insurance Premiums	185,337	2.56	180,753	2.70
Liquor and Permits	45,178	0.62	50,674	0.76
Public Service Companies	125,201	1.73	134,639	2.01
Tobacco and Licenses	72,747	1.00	74,858	1.12
Trans. Accom. Tax	149,647	2.06	337,601	5.04
Environmental Response Tax	15,441	0.21	17,244	0.26
All Others *	834	0.01	703	0.01
<b>TOTAL</b>	<b>\$ 7,250,261</b>	<b>100.00</b>	<b>\$ 6,694,808</b>	<b>100.00</b>

\* Includes fuel retail dealer permits, fuel penalty and interest, general excise fees, trans accom fees and rental vehicle fees.

NOTE: Due to rounding, details may not add to totals.

TABLE 1.10 - DISTRIBUTION OF COLLECTIONS  
(In Thousands of Dollars)

	FY 2021		FY 2020	
	Amount Distributed	% of Total	Amount Distributed	% of Total
<u>STATE FUND</u>				
State General Fund	\$ 7,250,261	88.76	\$ 6,694,808	85.55
State Highway Fund	238,593	2.92	284,229	3.63
State Airport Fund	1,421	0.02	2,384	0.03
Boating Special Fund	1,473	0.02	1,668	0.02
Environmental Fund	1,116	0.01	1,249	0.02
Cigarette Stamp Admin/Enf. Fund	1,647	0.02	1,712	0.02
Compliance Resolution Fund	2,000	0.02	2,000	0.03
Election Campaign Fund	129	0.00	91	0.00
Unemployment Trust Fund	110,591	1.35	104,068	1.33
Rental Housing Fund	31,366	0.38	31,970	0.41
Convention Center Fund <sup>2</sup>	16,500	0.20	13,750	0.18
Land Conservation Fund	5,100	0.06	6,394	0.08
Tourism Special Fund <sup>2</sup>	21,505	0.26	65,833	0.84
School Repairs and Maintenance Fund	75	0.00	61	0.00
Public Libraries Fund	163	0.00	128	0.00
Domestic Violence\Child Abuse Neglect Fund	167	0.00	130	0.00
Cancer Research Fund	12,110	0.15	12,591	0.16
Trauma System Fund	6,812	0.08	7,082	0.09
Emergency Medical Service Fund	7,569	0.09	7,869	0.10
Community Health Centers Fund	7,569	0.09	7,869	0.10
Energy Security Fund	1,210	0.01	1,367	0.02
Energy Systems Development Fund	2,232	0.03	2,497	0.03
Agricultural Development and Food Security Fund	3,349	0.04	3,746	0.05
Turtle Bay Conservation Easement Fund <sup>2</sup>	1,500	0.02	1,250	0.02
Land and Development Fund <sup>2</sup>	-	-	2,500	0.03
Mass Transit Special Fund	19,935	0.24	53,857	0.69
Tax Administration Fund	32,742	0.40	10,759	0.14
Subtotal - State	\$ 7,777,134	95.21	\$ 7,321,864	93.57
<u>COUNTY SURCHARGE <sup>1</sup></u>	\$ 313,545	3.84	\$ 329,926	4.22
<u>REVENUES TRANSFERRED TO COUNTIES</u>				
Other County Revenues				
Fuel Tax	\$ 77,943	0.95	\$ 87,586	1.12
Trans. Accom. Tax <sup>2</sup>	-	-	85,833	1.10
Subtotal - Counties	\$ 77,943	0.95	\$ 173,419	2.22
<b>TOTAL</b>	<b>\$ 8,168,623</b>	<b>100.00</b>	<b>\$ 7,825,208</b>	<b>100.00</b>

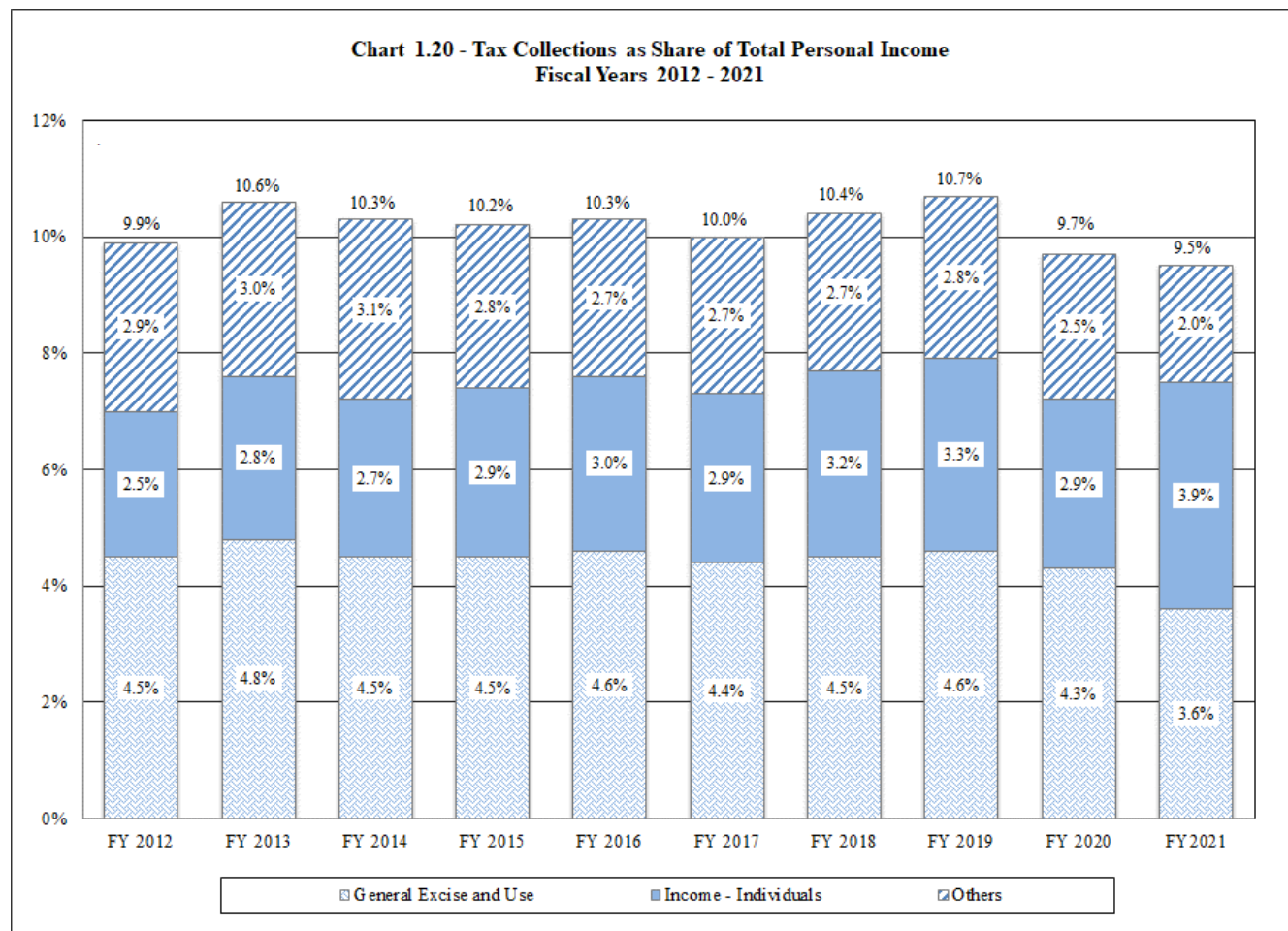
<sup>1</sup> Includes amounts allocated as of June 30, 2020 from the general excise tax surcharges imposed by the City and County of Honolulu, by the County of Hawaii, and by the County of Kauai.

<sup>2</sup> Governor Ige's Sixth Supplementary Proclamation suspended Section 237D-6.5(b), Hawaii Revised Statutes, for the months of May and June in 2020. The Section distributes part of the transient accommodations tax (TAT) collections to the counties and to various special funds. With the suspension, all of the TAT collections for May and June in 2020, with the exception of the special levy for Honolulu's rail project, went to the general fund.

NOTE: Due to rounding, details may not add to totals.

## 1.19 TRENDS IN TAX COLLECTIONS

**Tax collections as a share of total personal income fell in FY 2021.** Table 1.11 provides data on total tax collections for FY 2012 through FY 2021. Chart 1.20 shows total tax collections relative to total personal income (TPI) in the State for FY 2012 through FY 2021.<sup>2</sup> The ratio grew from FY 2012 to FY 2013 but fell from FY 2013 to FY 2014. The ratio stayed roughly the same from FY 2014 to FY 2016 but decreased from FY 2016 to FY 2017. The ratio increased from FY 2017 to FY 2019 but decreased from FY 2019 to FY 2021. Article VII, Section 9 of the 1978 Hawaii State Constitution imposes a ceiling on appropriations from the General Fund, exclusive of federal funds: the appropriations are not allowed to grow faster than the estimated growth in total personal income. The ceiling is based on the ceiling in the prior year.



<sup>2</sup> The chart uses the most recent figures from the Bureau of Economic Analysis (BEA) for TPI. The Bureau periodically updates TPI figures, and the updates often extend back for a number of years.

TABLE 1.11 - HISTORICAL COLLECTIONS FOR SELECTED TAXES  
(In Thousands of Dollars)

SOURCE OF REVENUE	Fiscal Year				
	2012	2013	2014	2015	2016
General Excise and Use	\$2,697,951	\$2,944,487	\$2,880,541	\$3,048,207	\$3,206,154
Income - Individuals	1,541,051	1,736,007	1,745,810	1,988,194	2,116,859
Transient Accom. Tax and Fees	323,951	368,576	395,242	420,981	446,794
Unemployment Insurance	231,669	262,290	264,178	167,248	128,577
Motor and Rental Vehicle <sup>1</sup>	211,742	176,295	168,726	180,755	187,704
Fuel and Environmental <sup>4</sup>	193,101	193,949	193,550	193,082	198,136
Public Service Companies	150,528	163,930	166,179	163,481	152,760
Tobacco and Licenses	138,798	127,881	121,742	129,851	125,093
Insurance Premiums <sup>2</sup>	117,617	131,906	137,179	145,679	153,173
Income - Corporations	73,026	100,988	87,021	52,319	93,036
Liquor and Permits	48,854	48,962	48,305	50,281	50,590
Conveyance	42,106	54,686	75,831	78,702	66,083
Banks - Financial Corporations	7,229	22,673	38,983	19,930	14,691
Total Collections <sup>3</sup>	\$6,004,268	\$6,541,300	\$6,581,424	\$6,900,042	\$7,249,205

SOURCE OF REVENUE	Fiscal Year				
	2017	2018	2019	2020	2021
General Excise and Use	\$3,239,225	\$3,395,566	\$3,541,389	\$3,436,138	\$3,080,194
Income - Individuals	2,095,898	2,430,356	2,568,616	2,359,816	3,355,452
Transient Accom. Tax and Fees	508,377	554,912	600,334	564,318	215,316
Unemployment Insurance	104,313	110,885	110,309	104,068	110,591
Motor and Rental Vehicle <sup>1</sup>	186,490	193,241	196,120	206,714	170,723
Fuel and Environmental <sup>4</sup>	194,761	201,778	206,345	195,259	172,063
Public Service Companies	122,159	117,641	126,691	134,639	125,201
Tobacco and Licenses	124,066	120,522	112,518	111,983	108,454
Insurance Premiums <sup>2</sup>	164,688	159,814	173,844	180,753	185,337
Income - Corporations	173,666	131,119	163,676	8,407	186,680
Liquor and Permits	51,167	51,383	51,913	50,674	45,178
Conveyance	94,537	100,603	85,965	61,110	62,725
Banks - Financial Corporations	11,174	15,712	26,808	35,271	5,079
Total Collections <sup>3</sup>	\$7,338,382	\$7,895,708	\$8,275,024	\$7,825,208	\$8,168,623

<sup>1</sup> Includes the State motor vehicle weight tax and fees for registration, for registration surcharges, for commercial driver's licenses, and for periodic motor vehicle inspections, rental motor vehicle, tour vehicle and car-sharing vehicle registration fees, and rental motor vehicle, tour vehicle and car-sharing vehicle surcharge tax.

<sup>2</sup> Excludes Insurance Fees allocated to the General Fund, which were included in previous reports.

<sup>3</sup> Includes the Inheritance and Estate Tax, the County Surcharge, Fuel Permits, Interest and Penalties on Fuel Taxes, General Excise Fees, and Permitted Transfers Tax.

<sup>4</sup> Fuel tax collections were \$171,454 thousand for fiscal year 2016, of which \$268 thousand could not be distributed because the required tax returns were not available. Fuel tax collections were \$168,659 thousand for fiscal year 2017, of which \$390 thousand could not be distributed because the required tax returns were not available. Fuel tax collections were \$174,313 thousand for fiscal year 2018. A total of \$475 thousand in undistributed fuel taxes from previous years were included in several monthly reports in fiscal year 2018. Fuel tax collections were \$178,211 thousand for fiscal year 2019. A total of \$183 thousand in undistributed fuel taxes from previous years were included in several monthly reports in fiscal year 2019. Fuel tax collections were \$169,413 thousand for fiscal year 2020, of which \$258 thousand could not be distributed because the required tax returns were not available. Fuel tax collections were \$148,462 thousand for fiscal year 2021. A total of \$253 thousand in undistributed fuel taxes from previous years were included in several monthly reports in fiscal year 2021.

## 2.0 TAX ADMINISTRATION

### 2.1 OVERALL PERFORMANCE

**The Department of Taxation consists of two divisions and four staff offices.** The two divisions are the Tax Services and Processing Division and the Compliance Division. The four staff offices, which report to the Director, are the Administrative Services Office, the Rules Office, the Tax Research and Planning Office, and the Information Technology Services Office. A Tax Advocate and Tax Practitioner Priority Specialist are managed directly by the Director's Office.

**The Department's operating budget is a small fraction of total tax revenue.** The total number of authorized permanent positions in the Department was 382 in FY 2021. The Department's operating expenses were \$27.1 million. The Department collected \$7.77 billion in taxes in FY 2021, so the cost of collecting each \$100 dollars of taxes was about 35 cents.

**The Department has continued to encourage taxpayers to use electronic transmissions rather than paper returns.** There has been an increase in electronic filing of tax returns and payments, 81% of all returns processed in the fiscal year were processed electronically.

**The Compliance Division's Tax Collections program collected \$274.5 million in delinquent taxes,** compared to \$220.2 million for FY 2020, an increase of \$54.3 million or 24.7%. Field and Office audit issued assessments worth \$182M in FY 2021, from which \$59.5 million was collected.<sup>3</sup>

### 2.2 TAX SERVICES AND PROCESSING DIVISION

#### 2.2.1. Overview

**The Tax Services and Processing Division (TSP) is comprised of three branches: Taxpayer Services, Document Processing and Revenue Accounting.** Aside from providing various services to both individual and business taxpayers, the Taxpayer Services Branch (TPS) performs functions relating to licensing and taxpayer account management. The Document Processing Branch (DP) manages the receiving, editing and centralized processing of tax information. It also processes payments received from both paper and electronic filings and secures and deposits tax payments. The Revenue Accounting Branch (RA) maintains revenue control and reconciliation functions for tax revenues as well as producing accounting reports.

**TSP continued to play an important role in supporting the transition to higher levels of electronic filings.** In FY21, 84% of all general excise and transient accommodation taxpayers used Hawaii Tax Online (HTO) for filing returns, a 7% increase over FY19. HTO offers efficiencies for both the taxpayer and the Tax Services and Processing Division

#### 2.2.2 Taxpayer Services Branch

The Taxpayer Services (TPS) Branch is made up of three main sections:

- (1) Customer Inquiry – provides information and taxpayer assistance pertaining to all

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<sup>3</sup> The amounts collected may include assessments and settlements from prior fiscal years.

taxes administered by the Department

- (2) Account Management – performs computer-based error correction activities to allow expedient processing, posting, and updating of tax returns and payments
- (3) Licensing – processes, issues, and updates all licenses and permits issued by the Department

### Customer Inquiry

**Customer Inquiry provides taxpayer assistance by phone and at the windows.** The volume of walk-in taxpayers decreased in FY2021 due to the COVID19 pandemic causing the office to be closed to the public. The volume of incoming calls decreased slightly from FY2020, and the call answer rate 78%. Total Incoming Calls include those calls handled by the interactive voice recognition system and attendants (staff) in the call center. Total Calls to Attendants is the number of callers attempting to talk to an attendant. Total Answer Rate is the percentage of calls requesting to speak to a person.

Fiscal Year	Total Incoming Calls	Total Calls to Attendants	Total Calls Answered	Answer Rate
<b>2021</b>	<b>211,014</b>	<b>173,097</b>	<b>134,192</b>	<b>78%</b>
<b>2020</b>	233,582	154,549	126,287	82%
<b>2019</b>	270,290	170,168	127,092	75%
<b>2018</b>	346,644	158,414	116,697	74%

### Account Management

**The primary function of Account Management is to review, analyze, and correct errors or other inconsistencies on returns and payments.** These inconsistencies are identified by our computer system during processing and placed on a work list for manual review.

**In FY 2021, the team reviewed and posted 200,501 returns, payments, and other documents** that the automated system was unable to process. Corrections decreased by 11% this year. The table below reflects monthly average postings of documents work-listed since FY 2016:

Fiscal Year	# of Postings
2021	16,708
2020	18,841
2019	17,444
2018	23,843
2017	22,135
2016	18,162



## Licensing

**The Licensing Section processes business license applications and renewals.** In FY2021, 35,155 business license applications were processed, compared to 41,796 applications the previous fiscal year. 26,340 or 75% of the applications were filed online versus 55% in FY 2020. Taxpayers are using DOTAX's online business license application options: Hawaii Business Express (29%), and HTO (71%).

### ***2.2.3 Document Processing Branch***

**The main function of the Document Processing Branch (DP) is to process all tax returns and documents accurately and efficiently;** to receive, secure, deposit, and account for tax payments; and to ensure proper electronic storage and retrieval of documents. DP is comprised of four sections: Receiving and Sorting, Data Preparation, Imaging and Data Entry, and Monetary Control.

**There has been an increase in electronic filing of tax returns and payments,** less than 600,000 paper returns processed by DP compared to nearly 1,000,000 in the prior year. For FY2021, there were 567,639 (19%) paper tax returns, and 2,416,028 (81%) electronic tax returns processed. There was over \$7.67 billion in tax-related payments received, a decrease of nearly \$40 million from FY 2020. 95% of the payments were processed in 7 days or less.

### ***2.2.4 Revenue Accounting Branch***

**The main function of the Revenue Accounting Branch (RA) is to maintain accounting records for all tax revenues, refunds and adjustments,** district transfers and closing adjustments, and preparation of all Journal Vouchers and Summary Warrant Vouchers. RA is also responsible for error resolution, reconciliation, and reporting functions for tax revenues. Specific tasks include the preparation of the Daily Cash Collection Report (Oahu District), the Preliminary Report, the Statement of Tax Operations (STO).

## **2.3 COMPLIANCE DIVISION**

### ***2.3.1 Overview***

**The objective of the Compliance Division is to maximize taxpayer compliance with Hawaii's tax laws in a fair, consistent, and efficient manner.** The Compliance Division is composed of the Oahu Office Audit Branch, the Oahu Field Audit Branch, the Oahu Collections Branch, and the Maui, Hawaii, and Kauai District Tax Offices. In addition to these branches, there are also the Criminal Investigation Section (CIS), Special Enforcement Section (SES) and the *ad hoc* Tax Fraud Unit (TFU). The Division has the following three programs to meet the objectives of the voluntary compliance, self-assessment tax system: (1) auditing/examination, (2) collection, and (3) investigation.

**Due to COVID-19's impact to the State, the Compliance Division focused on remote taxpayer services,** such as helping taxpayers use the Hawaii Tax Online (HTO) portal to make payments,

payment plans, tax clearances and account corrections. Most of the audit and collection enforcement functions that were curtailed in FY 2020 due to COVID-19 are now fully operational.

**The Compliance Division had a productive year in FY 2021 given the handicaps of COVID restrictions and a 25% vacancy rate.** In FY 2021, the Special Enforcement Section (SES) collected \$33.8 million in impact revenue, compared to \$10.9 million in FY 2020 (see Section 2.3.9). This threefold increase in revenue is due to SES's new program to focus on online retailers and service providers that have not been paying Hawaii taxes.

**The Tax Collections program collected \$215.0 million in delinquent taxes, compared to \$220.2 million in FY 2020, a decrease of \$5.2 million or -2.4%.** The Office Audit program assessed \$116.1 in FY 2021, compared to \$75.2 million in FY 2020, an increase of 53%. This increase is due to Office Audit's focus on non-filers and referrals from SES. The Field Audit program assessed \$66.0 million in FY 2021, compared to \$73.2 million in FY 2020. The Criminal Investigation Section recovered \$2.5 million in restitution, assessments, penalties, and interest generated through its efforts (see Section 2.3.8). The Voluntary Disclosure Program brought in revenue of \$10 million. The Refund Review Team stopped \$9.7 million of refunds being issued. Last, but not least, the Taxpayer Services on the Neighbor Islands (Kauai, Maui, Molokai, Kona, and Hilo), helped taxpayers with 110,437 taxpayer service contacts in FY 2021, compared to 123,911 in FY 2020. The big difference is the change from counter service to remotely servicing taxpayers from March 2020 to the present.

### ***2.3.2 Office Audit Branch***

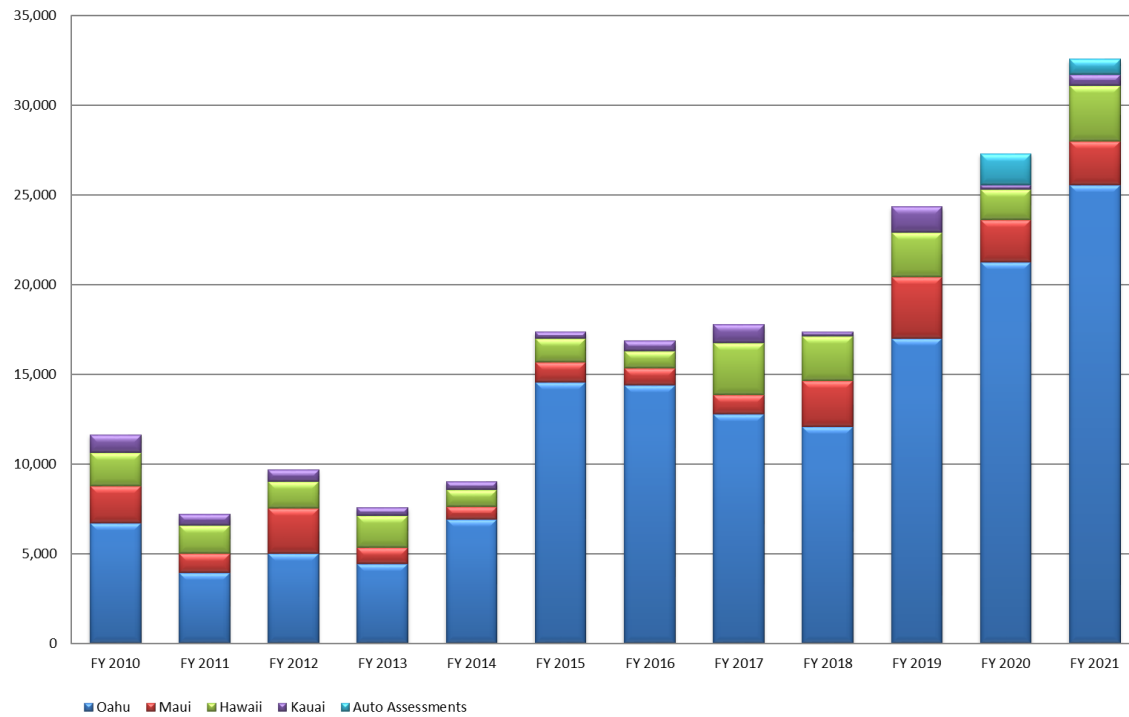
**The Office Audit Branch performed examinations and audits to enhance voluntary compliance.** In FY 2021, the Office Audit Branch completed 32,567 cases, an increase of 19.3% (5,273 cases) compared to FY 2020, the total dollars assessed was \$116.1 million, an increase of 53.3% (\$40.4 million) compared to FY 2020. The key reason for this success is the focus on non-filers and SES referrals.

**The majority of the audits were performed by Oahu Office Audit Branch, followed by the Hawaii District Office.** In FY 2021, the Office Audit Branch collected \$33.2 million from assessments. Estate and Transfer Tax returns processed resulted in \$55.6 million in revenues. Charts 2.7 and 2.8 show the number of audits completed and the dollars assessed by Office Audit for FY 2010 through FY 2021. The Oahu Office Audit Branch realized extraordinary audit revenues of \$92.8 million, an increase of 64% over the prior year. This could only be achieved with the steadfast determination and effort of the branch members.

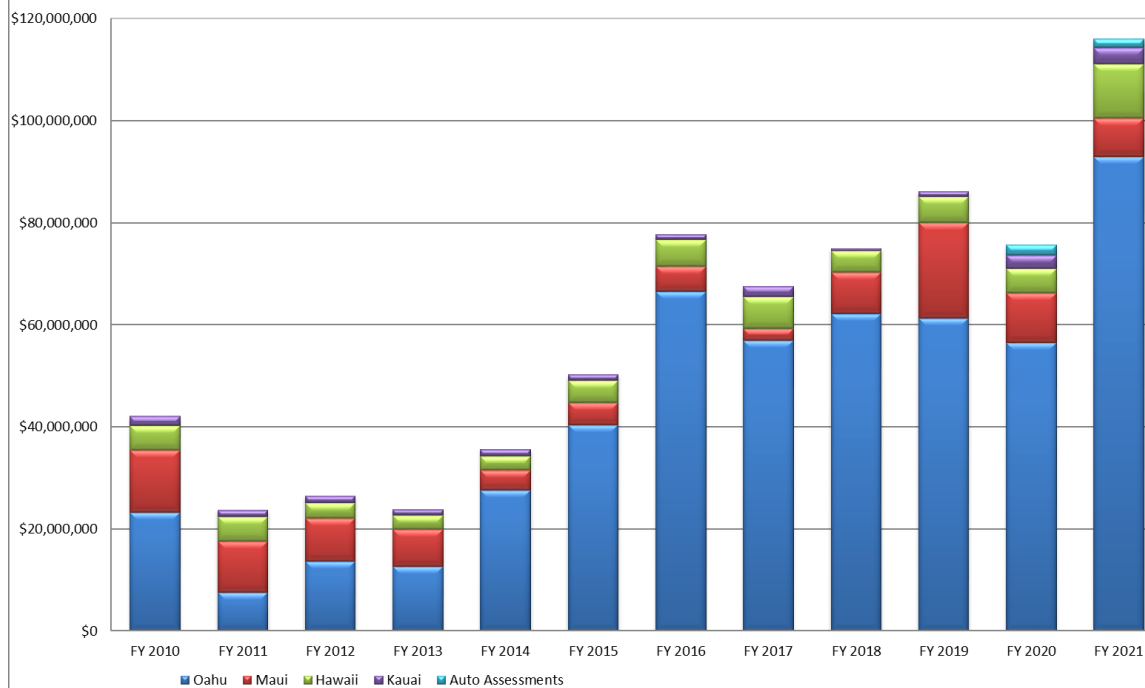
### ***2.3.3 Field Audit Branch***

**The Field Audit Branch performed audits involving intricate auditing procedures to enhance voluntary compliance.** In FY 2021, the number of audits completed by Field Audit Branch was 203 cases, an increase of 4.6% (9 cases) compared to FY 2020, and the total dollars assessed was \$66 million, a decrease of 9.7% (\$7 million). Charts 2.9 and 2.10 show the number of audits completed and the dollars assessed by Field Audit for FY 2010 through FY 2021. The Field Audit Branch collected \$25.2 million from assessments.

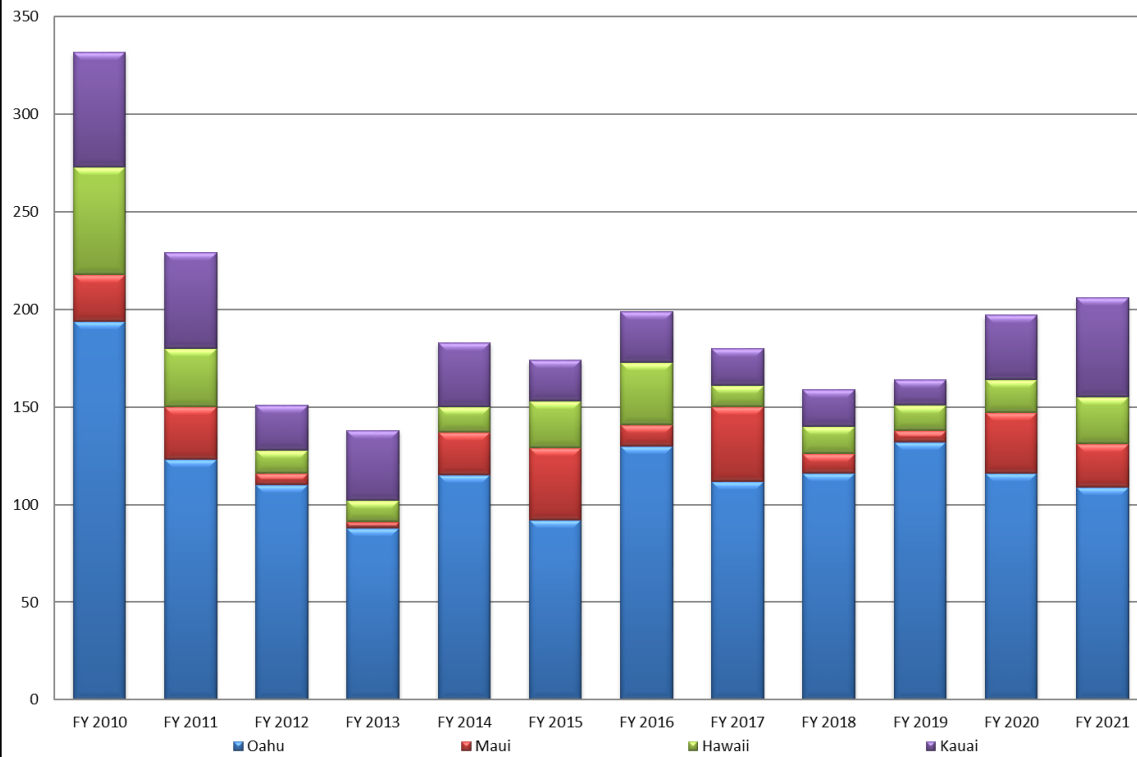
**Chart 2.7 - Office Audit: Number of Completed Audits**



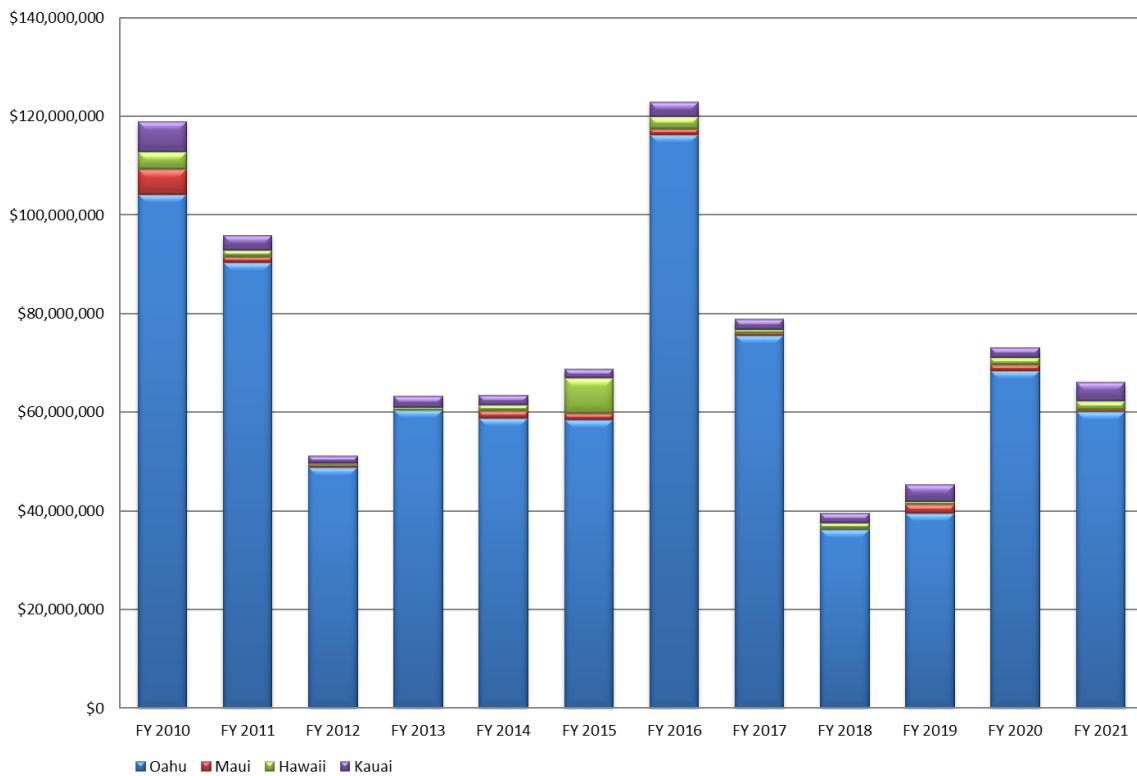
**Chart 2.8 - Office Audit: Dollars Assessed**



**Chart 2.9 - Field Audit: Number of Completed Audits**



**Chart 2.10 - Field Audit: Dollars Assessed**



### 2.3.4 Revenue - Office and Field Audit Assessments

The Office and Field Audit issued assessments worth \$182M in FY 2021 (see Table 2.1). The amount recovered as of the end of FY 2021 from audit assessments issued during FY 2021 totaled \$59.5 million. The amount recovered as of end of FY 2020 from assessments issued during FY 2020 totaled \$76.1 million. Chart 2.11 shows the amount collected from assessments.

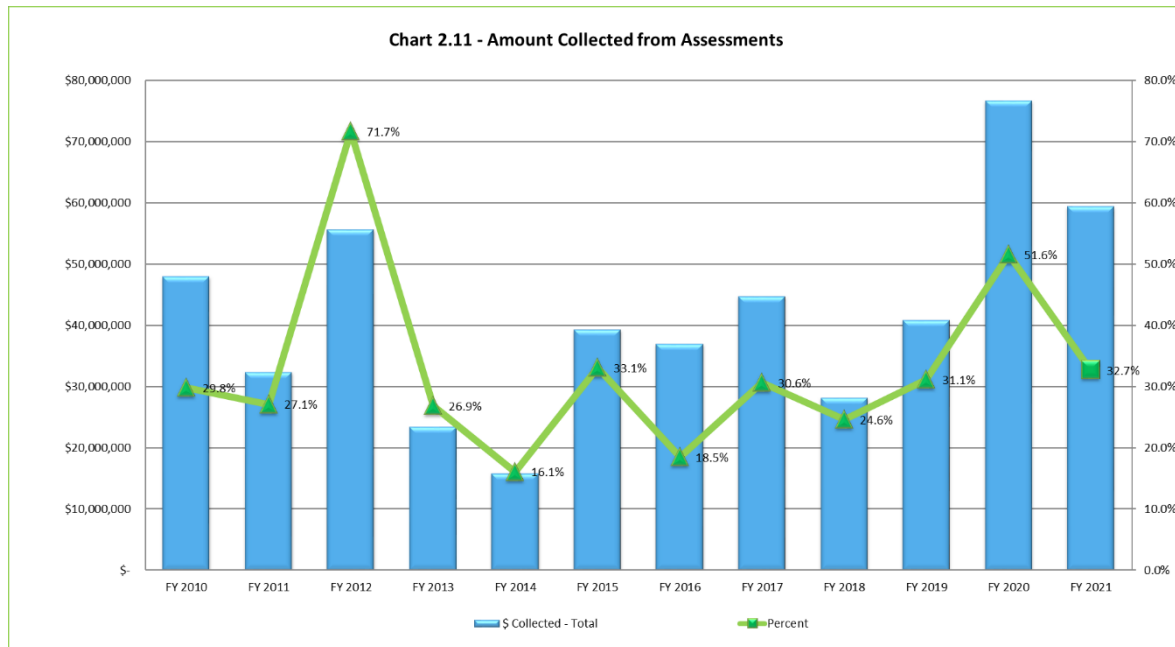


TABLE 2.1 - AMOUNTS ASSESSED FOR FY 2021

	<u>Office Audit</u>		<u>Field Audit</u>	
	Number of Audits	Dollars Assessed	Number of Audits	Dollars Assessed
Oahu	25,540	\$ 92,887,074	109	\$ 60,163,317
Maui	2,436	\$ 7,568,843	22	\$ 334,814
Hawaii	3,090	\$ 10,709,986	24	\$ 1,744,503
Kauai	618	\$ 3,201,638	51	\$ 3,788,214
Automated Assessments	883	\$ 1,731,102		
Total FY 2021	32,567	\$ 116,098,643	206	\$ 66,030,848
Total FY 2020	27,294	\$ 75,726,206	197	\$ 73,153,539
Difference	5,273	\$ 40,372,437	9	\$ (7,122,691)

### ***2.3.5 Special Projects***

Included in the fiscal year results the Oahu Office Audit Branch conducted the following highlighted special projects during fiscal year 2021:

- Non-Filers: The examination of non-filer tax accounts resulted in \$30.5 million in assessments and adjustments.
- Special Enforcement, Fraud & Criminal Sections: The examination of tax accounts inclusive of correspondence, review of tax information and preparation of assessments resulted in \$25.4 million in assessments and adjustments.
- Supplemental Audit Scope: Examination of unreported and under-reported income as well as overstated deductions pertaining to general excise tax and net income taxes are inclusive and highlighted below:
  1. Audit adjustments of Hawaii Real Property Tax Act (HARPTA) resulted in an aggregate \$4.88 million reduction of refunds claimed.
  2. Adjustments of net operating losses deducted amounted to \$11.5 million in additional taxes assessed.
  3. Industry specific focused audits amounted to \$4.9 million in assessments.

The Oahu Field Audit Branch conducted the following special projects during the fiscal year:

- Federal Contractors Project: This project, which targets unlicensed contractors working on federal installations, was started in 1983 and is an ongoing activity. This fiscal year, nine audits were completed and resulted in \$19.8 million in assessments.
- Renewable Energy Tax Credit: During the fiscal year, two audit cases involving the renewable energy tax credit were completed resulting in \$2.7 million in assessments.
- Motion Picture, Digital Media, and Film Production Income Tax Credit: During this fiscal year, six audit cases were completed resulting in \$3.8 million in assessments.
- Multistate Tax Commission (MTC) Audits: During the fiscal year, three multistate audit cases initially examined by the MTC were audited and assessed for Hawaii tax adjustments resulting in \$3.8 million in assessments.
- Other Refund Projects: During this fiscal year, seven audit cases involving other refunds were completed resulting in \$1.7 million in assessments.

The Maui Office Audit Section conducted the following special projects during the fiscal year:

- Non-filers: The examinations in this area resulted in \$4.7 million in assessments and adjustments.

The Maui Field Audit section:

- Completed 22 audits, resulting in \$335,000 in assessment and recovered 51.27% or \$171,666 of those assessments.
- Recovered \$700,626 of previous FY assessments.

The Hawaii District Office Audit Section conducted the following special projects during the fiscal year:

- HARPTA Reviews: audit adjustments of Hawaii Real Property Tax Act (HARPTA) resulted in \$1.0 million reduction of refunds claimed. These reviews also provided leads for GET and TAT assessments and adjustments.
- Itemized Deductions and Business Expense Reviews: The examinations of Schedule A itemized deductions and Schedule C business expenses resulted in \$1.1 million in assessments and adjustments of net income taxes.
- Non-Filers: The examinations in this area resulted in \$4.7 million in assessments and adjustments.

The Hawaii District Field Audit Section conducted the following special projects during the fiscal year:

- Renewable Energy Tax Credit: During the fiscal year, \$1.1 million of renewable energy tax credits were audited, which resulted in \$196,657 in assessments.
- General Excise Tax Exemptions: Hawaii Field Audit Section also conducted audits of general excise tax exemptions that totaled \$24.5 million, which resulted in the disallowance of \$17.3 million of those exemptions and approximately \$884,000 in assessments.

The Kauai Office Audit Section conducted the following special projects during the fiscal year:

- HARPTA: The examination of 87 tax returns resulted in adjustments and assessments of \$200,853.
- 1099 Misc/Non-filer: The examination of 85 tax returns resulted in adjustments and assessments of \$362,000.

The Kauai District Field Audit Section conducted the following special projects during the fiscal year:

- General Excise Tax Exemption and/deductions: The audits on exemptions/deductions totaling \$11.7 million resulted in assessments of \$1,020,368.
- HARPTA: There were 47 HARPTA audits conducted, with total refund claims of 2.2 million. The audits resulted in income, general excise, and transient accommodations tax assessments of \$632,117.

### 2.3.6 Taxpayer Assistance Provided

During FY 2021, the personnel in neighbor island district tax offices helped taxpayers properly file numerous tax returns and other documents over the telephone, at the service counter, through Hawaii Tax Online (HTO) and via correspondence. The Oahu Office Audit, Field Audit, and Collection units also provided support services to the neighbor island district tax offices and to the Oahu Taxpayer Services Branch when requested. Table 2.2 summarizes the number of times that taxpayer assistance was provided by the Maui, Hawaii, and Kauai District Tax Offices.

**TABLE 2.2 - TAXPAYER ASSISTANCE PROVIDED BY  
MAUI, HAWAII, AND KAUAI DISTRICT OFFICES**

	FY2021	FY2010	Difference	
			Number	Percentage
<b>Counter</b>	2,138	50,822	(48,684)	(96%)
<b>Phone Services</b>	80,746	50,124	30,622	61%
<b>Tax Clearances</b>	2,510	2,673	(163)	(6%)
<b>Correspondence</b>	24,161	18,422	5,739	31%
<b>Web Notices</b>	882	1,870	(988)	(53%)
<b>Total Service</b>	<b>110,437</b>	<b>123,911</b>	<b>(13,474)</b>	<b>(11%)</b>

The Compliance Division's taxpayer services sections in the districts routinely provide telephone and counter services for the neighbor islands. As the Department suspended walk-in services due to the COVID-19 pandemic, our staff concentrated resources and efforts to answer phones, respond to correspondences, and help taxpayers use the Hawaii Tax Online portal. Limited walk-in services for taxpayer assistance were available by appointment only at some of our neighbor island offices. Commonly used tax forms were made available to taxpayers outside of our office locations. Tax returns and payments submitted to the district offices continued to be imaged and processed at the respective district office. In addition, our taxpayer services staff were able to provide additional resources to help with the processing of tax returns and payments that were work-listed for review and manual posting to taxpayer accounts.

Helping taxpayers is part of the Compliance Division's mission to educate and empower taxpayers. The Compliance Division encourages taxpayers to comply accurately and voluntarily with the State's tax laws. The Division will continue to engage in activities that promote compliance.

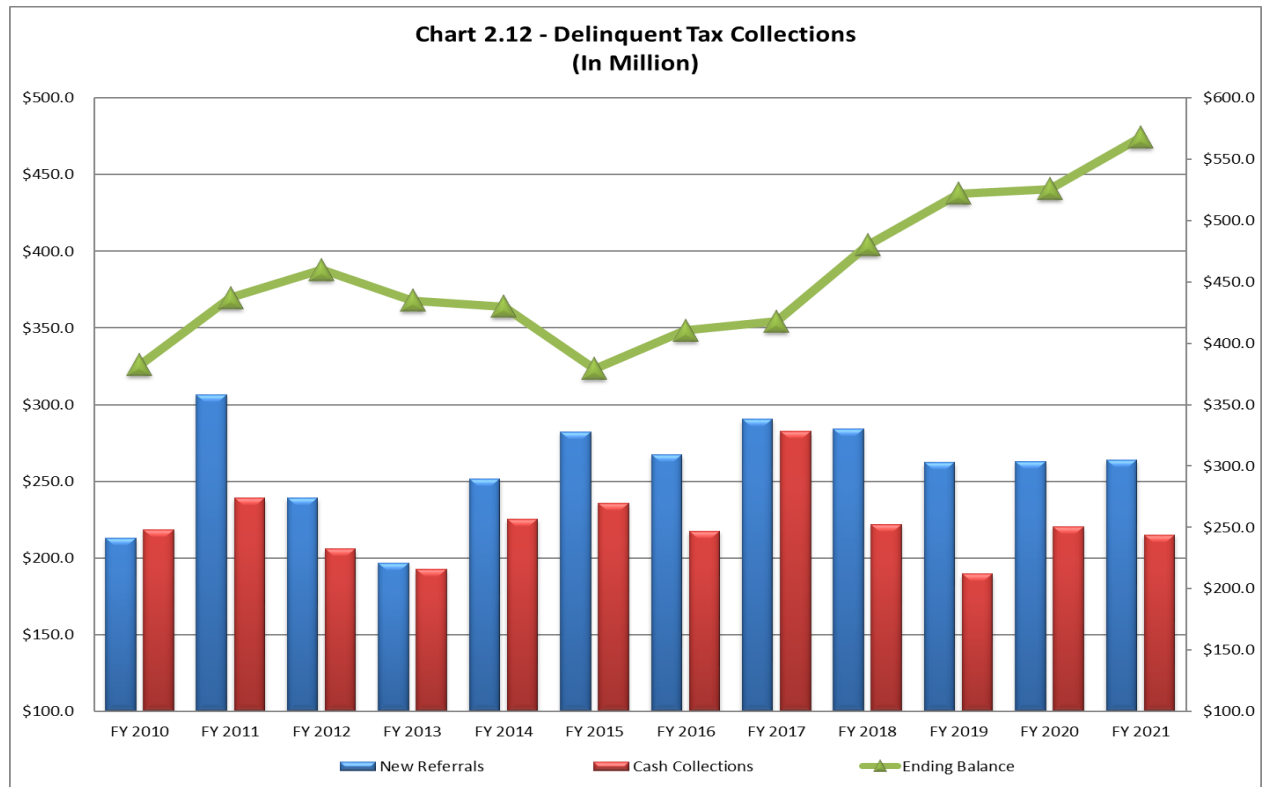
### 2.3.7 Collection Branch

Collections of delinquent taxes totaled \$215 million for FY 2021, compared to \$220.2 million for FY 2020, a decrease of \$5.2 million or -2.4%. The starting delinquent balance for FY 2021 is \$1,055.3 million, compared to \$1,048.7 million in FY 2020. New debts for FY 2021 totaled \$319.2 million, compared to FY 2020's new debt of \$269.1 million. Uncollectible write-offs decreased to \$6.8 million in FY 2021, compared to \$48.9 million in FY 2020. The ending delinquent balance for FY 2021 is \$1,152.8 million, compared to \$1,055.4 million in FY 2020. There are 67,351 collection cases in FY 2021 compared to 68,269 cases in FY 2020.

The Oahu collection branch accounted for 75% of the statewide delinquent tax collections in



**FY 2021.** During this period, the Collections program operated at less than full capacity due to the pandemic and the hiring freeze. Chart 2.12 shows delinquent collections for FY 2009 through FY 2021. For comparison, Table 2.3 shows major performance measures for FY 2021 and FY 2020, including penalty and interest on outstanding tax delinquencies. With the challenges of the ongoing pandemic, the Collections program performed well as it faced the difficulty of working remotely with taxpayers while operating with less resources.



**TABLE 2.3 - MAJOR PERFORMANCE MEASURES FOR FY 2021 AND FY 2020**

**Difference**

<u>Measure</u>	<u>FY 2021</u>	<u>FY 2020</u>	<u>Amount</u>	<u>Percentage</u>
Delinquent Taxes (\$ Millions)	\$ 567.7	\$ 525.8	\$ 41.9	8.0%
Delinquent Penalties, Interest, Other (\$ Millions)	\$ 585.1	\$ 529.6	\$ 55.5	10.5%
Total New Delinquent Referrals (\$ Millions)	\$ 319.2	\$ 269.1	\$ 50.1	18.6%
Total Cash Collected (\$ Millions)	\$ 215.0	\$ 220.2	\$ (5.2)	(2.4%)
Uncollectible Tax Write-Offs (\$ Millions)	\$ 6.8	\$ 48.9	\$(42.1)	(86.1%)
Payment Plan Initiated	15,377	14,951	426	2.8%
Tax Liens Filed	3,727	2,817	910	32.3%
Levies Served	16,624	16,837	(213)	(1.3%)

**2.3.8 Criminal Investigation Section**

**During FY 2021, the Criminal Investigation Section (CIS) continues to achieve substantial outcomes in pursuing its investigative priorities.** In FY 2021, CIS was only operating with two (2) out of seven (7) investigator positions. It would be necessary to have at least four (4) investigators to effectively pursue large criminal investigations. CIS is currently conducting fourteen (14) criminal tax investigations into entities with legitimate sources of income, as well into individuals and criminal groups involved in illegal activities, such as narcotics trafficking, gambling, prostitution, and other related financial frauds.

CIS continues to work with the U.S. Attorney's Office and the Federal Bureau of Investigation (FBI) for their assistance, review, and federal prosecution of its investigations. During FY 2021, the State of Hawaii Department of Attorney General is awaiting one successful adjudication investigation to be sentenced for felony and misdemeanor tax violations.

**Completed investigations that were referred and not referred for criminal prosecution were turned over to the appropriate Oahu Office Audit Branch, Field Audit Branch or Outer Island District Offices** for further civil examination. In FY 2021, 145 referrals were made to the Oahu Office Field/Office Audit Branches resulted in \$2,460,929 in additional assessments for CIS. The Maui, Hawaii and Kauai District Offices had ten referrals that resulted in \$33,144 in additional assessments for CIS.

**An additional \$327,383 in criminal collections and secured returns were made in FY 2021.** It is estimated that CIS investigative efforts will have yielded approximately \$2.8 million in restitution, assessments, penalties, and interest that would have otherwise not been realized by the State of Hawaii. The Criminal Investigation Section will continue to be innovative in its investigative approach and strive to improve its processes for the Department of Taxation.

### ***2.3.9 Special Enforcement Section***

**The Special Enforcement Section (SES) was established in 2009, through the *Cash Economy Enforcement Act*.** Its goal is to ensure that all sectors of Hawaii's economy, especially those that conduct a significant portion of business transactions in cash ("cash economy"), pay their fair share of taxes. In FY 2016, SES was given additional responsibilities for ensuring that short-term vacation rental operators comply with the state's transient accommodations tax laws.

**The SES has broad legal authority to conduct civil investigations of suspected violations of tax laws.** It conducts complex financial investigations to determine correct income subject to tax by securing and examining books, records, and other corroborating evidence. It executes a wide range of activities which include investigating complaints, developing leads through various sources, obtaining evidence, securing delinquent and amended tax returns and payments from taxpayers, conducting site visits, inspections, surveys, and training sessions at various events, business locations and short-term rental sites throughout the state for the purpose of educating the public, and business operators about their tax obligations and verifying tax compliance.

**In several ways FY2021 was a breakthrough year for SES. Total Impact Revenue<sup>4</sup> grew to \$33.7**

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<sup>4</sup> SES measures its accomplishments by determining the actual tax collections that were remitted by taxpayers on delinquent returns secured by SES. In addition, SES is credited with tax collections remitted by taxpayers for a post compliance period of 18 months after

**million in FY 2021, as compared with \$10.8 million in FY 2020.** This represents a nearly 211% increase in total revenue over the previous fiscal year. Of the GET revenue collected, \$24.9 million came from non-TA related sources. The majority of this increase was revenue derived from SES's focus on online retailers and service companies, a heretofore neglected sector of the economy. Focusing on this sector is part of SES's on-going effort to ensure all taxpayers pay their fair share.

**SES was able to pursue leads who were potentially not compliant with transient accommodations and general excise tax laws.** In FY 2021, this effort yielded \$6.2 million in TAT collections compared to \$3.6 million last fiscal year, a 70% increase. When GET collections related to transient accommodations are added in, total revenue attributable to SES's efforts amounts to \$8.8 million. Accompanying SES gains in revenue were increases in taxes assessed. For FY 2021 there were 230 assessments versus 42 last year. These assessments represented \$5 million in tax revenue compared to \$2.7 million the year before.

Details of SES's performance compared with the two previous fiscal years are as follows:

	<u>FY 2021<sup>5</sup></u>	<u>FY 2020</u>	<u>FY 2019</u>
Complaints Received	271	349	328
Businesses Educated on Tax Compliance	0	698	1,561
Number of Site Visits Throughout the State	0	94	147
GET Impact Revenue Collected	\$27,533,247	\$7,189,003	\$6,183,255
TAT Impact Revenue Collected	<u>6,239,863</u>	<u>3,674,285</u>	<u>2,365,857</u>
Total Impact Revenue Collected from Taxpayers	\$33,773,110	\$10,863,288	\$8,549,112

### ***2.3.10 Tax Fraud Unit (Ad Hoc)***

**The Tax Fraud Unit (TFU) was created in 2013 to address this growing problem resulting from identity theft and other related tax frauds.** Abusive tax promotions have increased over the years, creating a significant threat to the State's tax revenues. Tax fraud promoters and return preparers have grown increasingly bold and sophisticated, utilizing the internet to instantaneously gain access to a wide audience base, causing various tax schemes and scams to grow at a phenomenal rate.

**The TFU researches, develops, and identifies both investigative and audit leads for Criminal Investigation, Field and Office Audit Sections.** They are also responsible for detecting, investigating, and stopping fraudulent refunds. In January 2020, the TFU continued to utilize the complex manual and advanced automated tools to identify fraudulent returns. They performed in-depth, technical analyses relating to Criminal and Fraud investigations, as well as Civil Audit operations in a coordinated effort with the impacted sections.

There were two (2) predominant schemes for tax year 2020. The schemes revolved around abusive

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they were brought into tax compliance. This is because had SES not brought the taxpayer into tax compliance, there is a strong likelihood that their non-compliance would have continued indefinitely. Delinquent period tax collections and post compliance period collections aggregate to Impact Revenue.

<sup>5</sup> In FY2021, the numbers for Businesses Educated on Tax Compliance, and the Number of Site Visits Throughout the State, are reflective of the continued suspension of SES site visits to businesses and vendor events due to the Covid-19 pandemic.

"Form 1099-R" and "Large W2 Withholding Difference" which incurred fraudulent 2020 requested refunds. The "Form 1099-R" scheme is the return that have suspicious ratios of 1099 data. The return may have multiple W2's claiming similar wages and/or withholding in multiple states from the same employers falsifying or overstating withholding. The "Large W2 Withholding Difference" is when both the employer and employee have provided DOTAX electronic W2 data, where large differences were identified between employer and employee through TSM. These withholding differences are false and overstated withholdings. These schemes, if not detected, would have resulted in issuing fraudulent requested refunds.

The Schedule C business losses was still apparent in tax year 2020 as this was the most predominant scheme in tax year 2019. This is where significant amounts of individuals requested refunds that were generated by fraudulent business losses. The alleged losses were used to offset their wages, which then led to their withheld taxes being requested as a refund. These false returns were referred to the appropriate section for investigation and/or audit, or action was taken directly by the fraud unit investigators to address.

**The TSM Fraud Manager captured approximately 2,444 alleged fraudulent refund claims, totaling in excess of \$6.6 million.** Approximately 1,682 of these fraudulent refunds were associated with inflated Form 1099-R, Large W2 Withholding Difference, and Schedule C loss returns, totaling \$3.8 million in refund claims. Other focus areas include questionable tax return schemes, detected through communications from electronic return originators, financial institutions, return preparers and/or concerned citizens.

The following are the fraud unit results for fiscal year ending 2018, 2019, 2020 and 2021:

<b>FYE</b>	<b>Fraudulent Refunds Stopped</b>	<b>Amount</b>
2018	230	\$ 547,956
2019	651	\$1,871,519
2020	552	\$2,033,848
2021	1,682	\$3,790,228

The fraud unit will continue to innovatively use TSM data analysis in its investigations, and to improve its process integration with the Department of Taxation.

### ***2.3.11 Compliance TSM Team (Ad hoc)***

**The Compliance TSM Team is an ad hoc team of employees from various parts of the Compliance Division** that provide the business user requirements and corrections/improvements necessary to create a TSM integrated tax computer system that best fits the needs of the business users and the taxpayers. The work includes defining the business requirements of the system, development and configuration of software and hardware to meet these requirements, scenario writing and testing of the software and hardware developed, verification of the integrated system, troubleshooting and remediation of TSM issues after rollout through solution request.

Compliance spent 4,664 hours, or the equivalent of about 3 full time employees for this ad hoc team.

### **Compliance TSM Team Resources**

	<u>Total Hours</u>
Oahu Field Audit	1,199
Oahu Office Audit	2,040
Oahu Collections	1,160
Maui District	5
Hawaii District	200
Kauai District	<u>60</u>
	4,664

### ***2.3.12 Refund Review Team (Ad Hoc)***

**The Refund Review Team is an ad hoc team of employees from various parts of the Compliance Division tasked with review of large tax refunds.** This team of full and part-time employees reviewed large refunds, stopped incorrect amount from being refunded, and improved the TSM accounting system and business analytics. During FY 2021:

- 1,755 refunds reviewed
- \$294 million in refunds paid
- \$9.7 million in refunds corrected and adjusted

### ***2.3.13 Voluntary Disclosure Program***

Pursuant to Tax Information Release No. 2020-03 Re: Voluntary Disclosure Practice, Compliance Division reviewed 167 cases which resulted in revenue of \$8.2 million through the program. In addition, the voluntary disclosure team also concluded 47 voluntary disclosure cases received from the Multi-State Commission, resulting in revenue of \$1.8 million.

## 2.4 STAFF OFFICES

### *2.4.1 Administrative Services Office*

**The Administrative Services Office manages the budgetary needs of the Department.** In discharging its duties and responsibilities, the Department incurred operating expenses of \$27.1 million for the year. The Department collected \$7.67 billion in net tax revenues in fiscal year 2021, so the cost to collect \$100.00 of taxes was about \$0.35. For fiscal year 2021, \$34.7 million was appropriated for the Department, a reduction of \$4 million from the fiscal biennium appropriation.

**The Administrative Services Office submitted the 2021-2023 fiscal biennium budget to the 2021 Legislature.** The Legislature appropriated \$31.9 million for FY 2022 and \$28.6 million for FY 2023 for operating expenses. FY 2022 includes \$3.2 million of the Federal American Rescue Plan Act (ARPA) Coronavirus State Fiscal Recovery Funds (CSFRF). The Legislature appropriated \$500,000 CIP funds for office space renovations in the Keelikolani Building.

#### *2.4.1.2 Personnel Management*

**The Human Resources Office serves as DOTAX's support in personnel management functions** such as recruitment, classification, employee relations, employee training and development, personnel transactions, and maintenance of personnel records. The Department had 382 full time positions at the end of FY 2021.

In FY 2021, the Human Resources Office continued to focus on filling leadership positions that were vacant. The Department received authorization to fill the Administrative Services Officer, Information Technology Manager, Tax Collector, and Tax Compliance Coordinator positions. The Department has nearly filled these four leadership positions at the end of FY 2021.

### *2.4.2 Rules Office*

**The function of the Rules Office is to serve as a resource for complex policy recommendations and internal support.** The Rules Office is comprised of the Rules staff and the Technical Section. The Rules Office also assists in the Department's implementation of new legislation and in creating and maintaining the Department's tax forms, form instructions, and publications.

#### *2.4.2.1 Rules Staff*

**The Rules staff serves as the Department's internal advisory arm to the Director of Taxation on tax policy and advises the Director's Office and the Department on legislative and tax policy issues.** The Rules staff also provided training for Department personnel and did presentations at the Department's annual workshops for tax practitioners. Litigation and other external legal matters are handled exclusively by the Tax & Charities Division of the Department of the Attorney General.

**In addition, the Rules staff assists, counsels, and represents the Department's compliance personnel** with tax disputes and other administrative tax controversies. For example, the Rules staff

helps the Department's compliance function in interpreting issues under audit, settlement negotiations and closings, and appeared on behalf of the Department before the Boards of Review. The Rules staff also assisted the Tax & Charities Division of the Department of the Attorney General with the judicial tax appeals and provided support to the Department's Tax System Modernization project.

**For the 2021 legislative session, the Rules staff drafted and submitted 10 bills that were introduced as part of the Administration's legislative package.** Prior to the start of the legislative session, the Rules staff also reviewed and commented on proposed tax legislation submitted by other executive branch agencies.

**After sorting through all bills introduced to the Legislature, the Rules staff determined that there were approximately 385 measures proposing tax law changes and analyzed them in depth.** The measures were tracked throughout the legislative session and written testimonies were prepared each time a tax measure was heard by the Legislature. The Rules staff also drafted numerous responses to legislative committee chairs to respond to specific questions raised during hearings or to address specific concerns of committee members. The Rules staff researched and provided guidance regarding the federal American Rescue Plan Act of 2021 (P.L. 117-2) as it applied to new State legislation and budget appropriations.

**The Rules staff also prepared Tax Announcements, Tax Information Releases, letter rulings, Administrative Directives, and other publications.** During FY 2021, seven Tax Announcements and eight Tax Information Releases were issued. Since 2009, when it became the Department's policy to publicly release taxpayer letter rulings in redacted form, 61 redacted letter rulings have been released.

**In FY 2021, the Department promulgated temporary administrative rules relating to the Rental Motor Vehicle, Tour Vehicle, and Car-Sharing Vehicle Surcharge Tax.** These rules deem peer-to-peer car-sharing marketplaces to be the lessor, and therefore subject the platforms to the daily surcharge tax for motor vehicles rentals. The rules are set to expire on August 9, 2022; however, the Department intends on promulgating the rules permanently as required by law.

#### ***2.4.2.2 Technical Section***

**The main function of the Technical Section is to provide outward facing assistance to taxpayers and tax professionals,** as well as internal support to divisions within the Department regarding complex tax matters and detailed procedural questions regarding tax forms.

**In FY 2021, Technical Section staff responded to 2,859 emails and 5,412 telephone calls, answering questions about the application of the tax laws.** Some of the questions came directly from taxpayers or tax practitioners; others were forwarded by Taxpayer Services, requesting assistance with difficult questions. The Technical Section also responded to requests for formal letter rulings, information letters, determinations of tax status, and answers for tax questionnaires submitted by other government agencies, by educational institutions, or by major tax research database providers.

**The Technical Section staff is also responsible for revising or creating the state's tax forms and instructions each year to incorporate changes in federal and state tax law.** In FY 2021, they reviewed or revised 455 tax forms, 58 tax form instructions, 15 letter templates for use in conjunction



with the Department's computer system, and 48 tax publications. For FY 2021, seven new forms and two new instructions were created, and ten of the existing forms were made obsolete.

**The Technical Section also analyzes and reviews certain applications for tax exemptions.** In FY 2021, the Technical Section received 181 applications from organizations requesting exemption from the general excise tax under section 237-23(b), HRS. Of the 181 applications received and 86 applications pending since FY 2020, 172 were reviewed and approved, 26 were pending further action, 61 were cancelled because the organization failed to respond to a request for additional information or were duplicate applications, and eight were denied because the organization did not qualify for the exemption. In addition, the Technical Section received and processed 2,355 applications for exemption from the conveyance tax.

Other duties of the Technical Section include reviewing, providing comments, and developing recommendations on legislative bills, administrative rules, Tax Announcements, and Tax Information Releases.

#### ***2.4.3 Tax Research and Planning Office***

**The Tax Research and Planning Office (TRP) produces statistical reports and provides research support and policy analysis.** The main functions of the Tax Research and Planning (TRP) Office include: (1) prepare reports on data collected by the Department, including monthly reports of the State's various taxes; (2) provide administrative and technical support to the Council on Revenues; (3) provide economic and statistical analyses to help the Department execute its policies and programs; (4) prepare reports on the revenue consequences of proposed tax legislation; (5) conduct economic analysis on the State's tax system; and (6) provide administrative and technical support to the Tax Review Commission when it is in session.

**The TRP Office prepares the following reports on a monthly, fiscal year, and calendar year basis.** These include the: (1) State Tax Collections and Distributions; (2) General Excise and Use Tax Collections; (3) Liquid Fuel Tax Base and Collections; (4) Liquid Fuel Tax Allocations by Fund; (5) Liquor Tax Collections and Permits; (6) Tobacco Tax Collections and Licenses, (7) Preliminary Comparative Statement of General Fund Tax Revenues, (8) the General Excise and Use Tax Liability Report by District, (9) the Transient Accommodation Tax Liability by District, and (9) the Liquor report.

**In FY 2021, the TRP Office produced six annual reports** including the Department of Taxation's Annual Report: 2019–2020, which was completed and submitted in December of 2020. The Office published reports on Tax Credits Claimed by Hawaii taxpayers, Hawaii Individual Income Tax Statistics, Hawaii Business Income Tax Statistics, Hawaii General Excise and Use Tax Exemptions, and Earned Income Tax Credits.

**For the 2021 Legislative session, TRP staff reviewed tax-related legislative bills and prepared more than 300 revenue estimates for drafted legislation.** Revenue estimates were also prepared for various proposals in response to requests from the administration, legislators, and others. The Office also responds to requests from the public regarding statistics and trends of the Hawaii tax system.

**An important function of the TRP Office is to provide administrative and technical support to**

**the Council on Revenues.** The seven members of the Council are responsible for forecasting General Fund revenues and the State's Total Personal Income. The Council provides forecasts of State revenue for the current and six subsequent fiscal years. The forecasts are used by the Governor and by the Legislature to develop and administer the State's budget. The Council also forecasts Total Personal Income (TPI) for the current and immediately following calendar years. The growth in Hawaii Total Personal Income is used to set the ceiling for expenditures from the State's General Fund, as required by the State's Constitution.

**The TRP Office operated as the Department Liaison to the Tax Review Commission (TRC).** The TRC meets every five years to offer recommendations to improve the State's revenue system. TRP provides administrative and technical support. This includes conducting advanced economic analysis for ideas and proposals under consideration from the TRC.

#### ***2.4.5 Information Technology Services Office (ITSO)***

**The Information Technology Services Office (ITSO) is responsible for providing technical support for the Department's computerized tax systems and applications, local area network, and network-related components and infrastructures.** During FY 2021, ITSO focused on improving the availability, security, and sustainability of the IT infrastructure. Implemented year end changes to the GenTax and Imaging Systems successfully with a remote workforce during the COVID-19 pandemic.

#### **Enhancements implemented in FY 2021 include:**

- Redesign of the General Excise returns on Hawaii Tax Online. This change was introduced to simplify return filing for taxpayers who file in multiple districts.
- Tracking Schedule CR Credits. This functionality allows DOTAX to manage and report on the claim and consumption of 17 tax credits, beginning January 1, 2021.

#### **Key initiatives in FY 2021 include:**

1. Migrated the GenTax infrastructure to FAST Hosted Services (Managed Infrastructure)
2. Migrated Non-GenTax infrastructure to a new Tier 4 data center
3. Upgraded Imaging subsystem to latest OS and latest application versions
4. Deployment of a new backup solution
5. Upgraded Imaging system to latest version
6. GenTax version 12 upgrade (Go live 8/9/2021)
7. Passed IRS On-Site assessment

#### **System Administration Office and Quality Control Office**

**System Administration Office and Quality Control Office is responsible for providing support for design, development, deployment, and test changes to the GenTax Tax System Modernization (TSM) systems.** System Administration Office and Quality Control Office ensure that the tax processing systems are configured to meet business requirements, coordinate technical changes, and complete internal inspections.

#### **Activities supported in FY 2021 include:**

- Simple file import method of filing General Excise Tax and Transient Accommodations Tax. This new functionality allows for multiple returns to be filed at once using a simple spreadsheet format that is uploaded through Hawaii Tax Online and ingested into the TSM system.
- Annual license abandonment process. This will ensure that taxpayer's open accounts are active.
- GenTax version 12 upgrade. Planning, resources requests and management, definitions, testing, CBT training, and deskside support provided.
- 2020 year-end change. Form and tax law changes. Tracking of tax credits.
- DOTAX service desk. Testing and workflow design. Worked with managers/supervisors in solving issues that requires tax systems modifications or changes to meet business needs.
- Migrated GenTax infrastructure to FAST Hosted Services. Testing and verification.
- Assist with IRS assessment.

#### ***2.4.6 Taxpayer Advocate***

**The Taxpayer Advocacy Program assists taxpayers who do not have a resolution to their tax related issue after going through normal channels.** This program assisted 1,281 taxpayers during the fiscal year.

**The Taxpayer Advocate assisted taxpayers in working to resolve systemic problems within the Department.** Examples of issues addressed include processing, inter-departmental and workflow problems which affect taxpayers. Other accomplishments of this office included speaking, teaching, and participating in tax workshops and educational outreaches to tax professionals and the public.

#### ***2.4.7 Tax Practitioner Priority Specialist***

**The Practitioner Priority Specialist (PPS) provides tax practitioners a separate and dedicated connection to the Department's Taxpayer Services functions.** The PPS office has assisted verified tax practitioners via telephone, email, and fax to resolve tax account issues such as locating and applying payments, explaining notices and letters, providing procedural guidance, and assisting with other taxpayer account inquiries. Tax issues outside these parameters were referred for follow up to the appropriate functions within the Department.

**The PPS also assisted verified tax practitioners by working within the Department to improve services (including online) and workflows based on their input.** Other accomplishments of this office included speaking, teaching, and participating in tax workshops and educational outreaches to tax professionals.

## 2.5 MANAGEMENT PERSONNEL

As of June 30, 2021

### OFFICE OF THE DIRECTOR

Director of Taxation ..... Isaac W. Choy  
Deputy Director of Taxation ..... Vacant

### STAFF OFFICES

Public Information Officer ..... Vacant  
Rules Officer ..... Ted Shiraishi  
    Technical Section Supervisor ..... Denise Inouye  
Tax Research & Planning Officer ..... Seth Colby  
    Senior Economist ..... Yvonne Chow  
Acting Information Technology Services Officer ..... Randy Takehara  
Administrative Services Officer ..... Min Meng  
    Personnel Officer ..... Jennifer Egami  
Taxpayer Advocate ..... Jaysen Morikami  
Administrative Appeals Officer ..... Adriane Aarona  
Tax Practitioner Priority Specialist (Acting) ..... Wendy Yoshioka-Moore

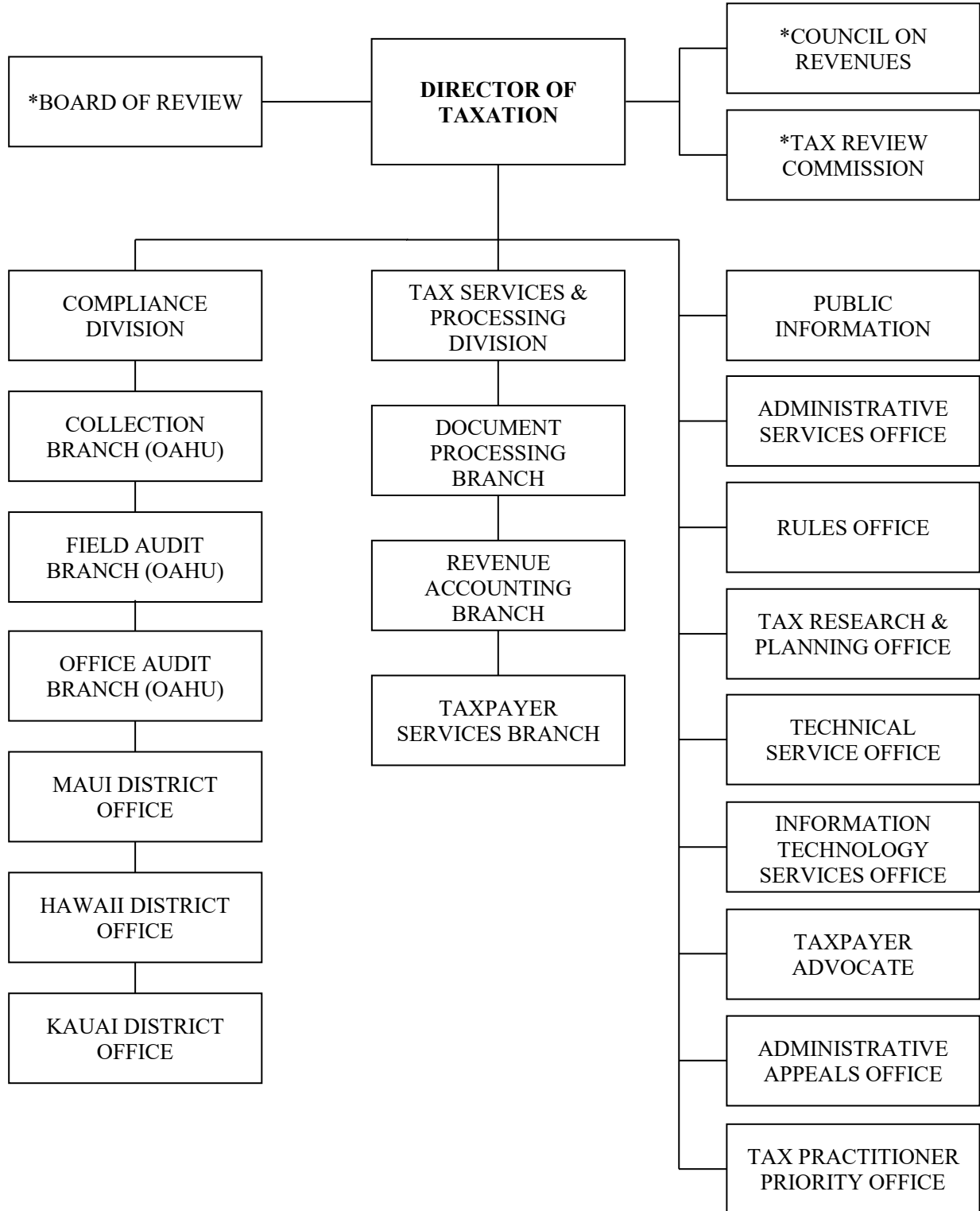
### OPERATIONS STAFF

Taxation Compliance Administrator ..... Kevin Wakayama  
    Tax Compliance Coordinator ..... Regina Yuen  
    Oahu Field Audit Branch Chief ..... Madelaina Lai  
    Oahu Office Audit Branch Chief ..... Donald Kuriki  
    Acting Oahu Collection Branch Chief ..... Valentin Gabaon  
    Maui District Tax Manager (Acting) ..... Vincent Isaac  
    Hawaii District Tax Manager ..... Duquesne Hulihee  
    Kauai District Tax Manager (Acting) ..... Concepcion Balisacan

Taxation Services Administrator ..... Nicki Ann Thompson  
    Document Processing Operations Manager ..... Todd Kuromoto  
    Revenue Accounting Branch Chief ..... Jennifer Oshiro  
    Taxpayer Services Branch Chief (Acting) ..... Gale Magee

## 2.6 ORGANIZATION CHART

Department of Taxation  
State of Hawaii



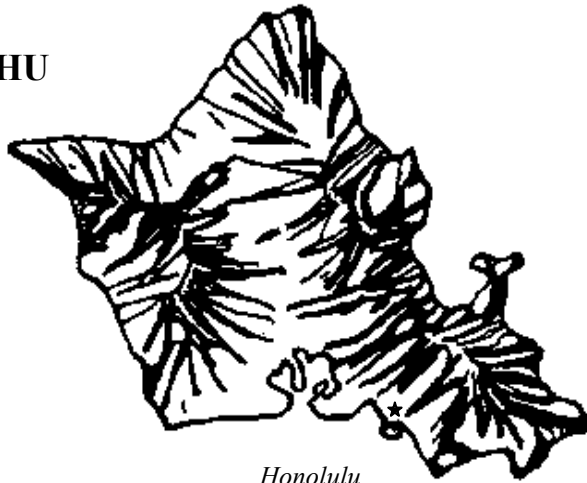
\*For Administrative Purposes.

## 2.7 DISTRICT OFFICES

### FIRST TAXATION DISTRICT

City & County of Honolulu

**OAHU**



*Honolulu*

#### **Oahu Office**

830 Punchbowl Street  
Honolulu, Hawaii 96813

### SECOND TAXATION DISTRICT

Counties of Maui and Kalawao



*Kaunakakai*

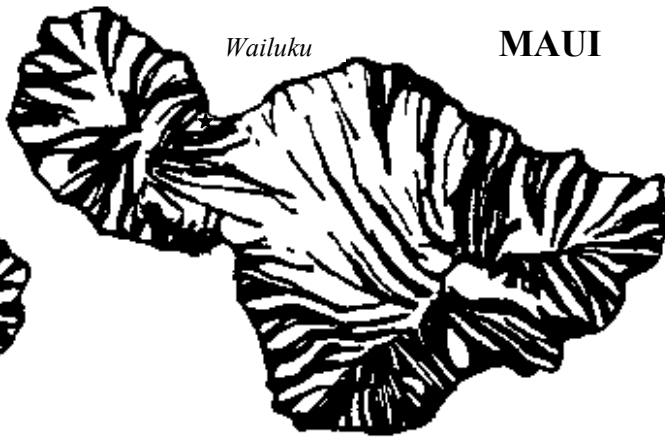
**MOLOKAI**

**LANAI**



*Wailuku*

**MAUI**



#### **Maui Office**

54 South High Street  
Wailuku, Hawaii 96793

#### **Molokai Office**

35 Ala Malama Street #101  
Kaunakakai, Hawaii 96748



**KAHOOLAWE**

## THIRD TAXATION DISTRICT

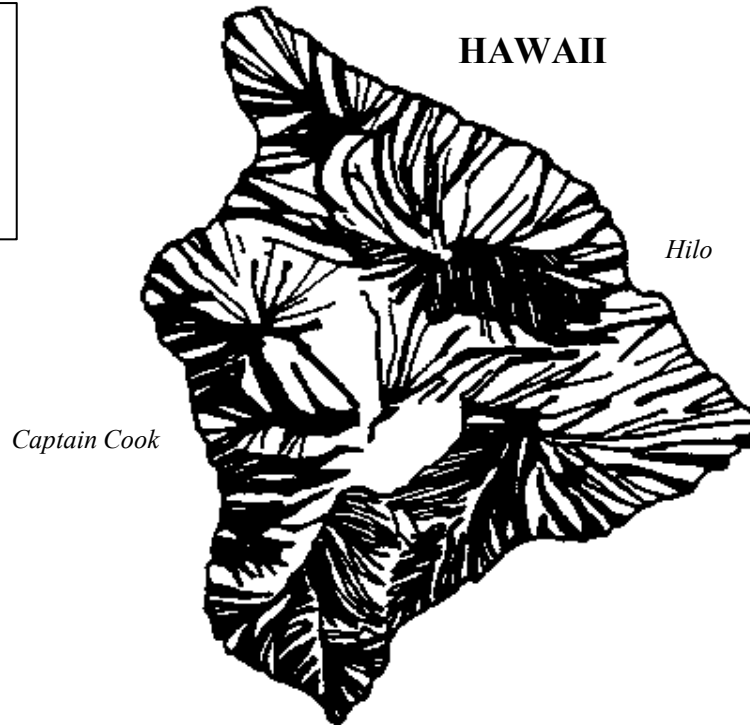
County of Hawaii

### Hilo Office

75 Aupuni Street  
Hilo, Hawaii 96720

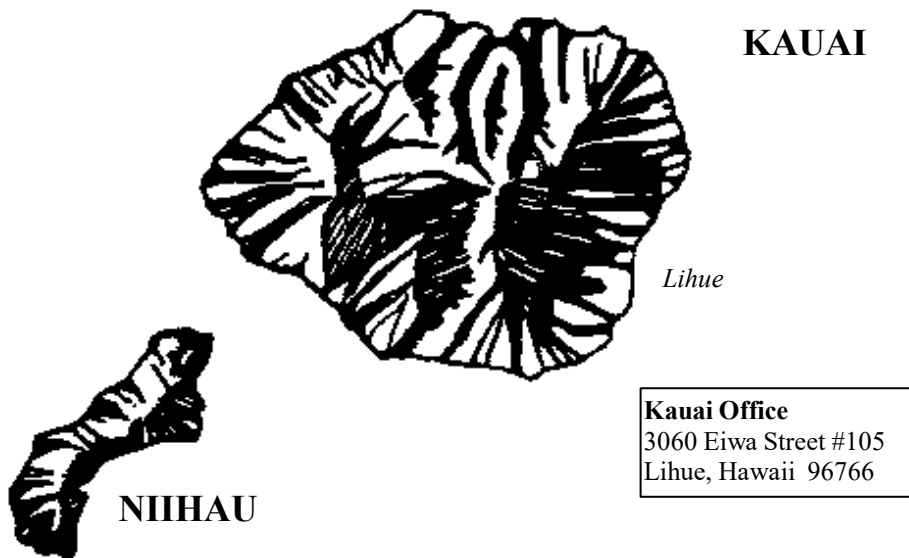
### Kona Office

82-6130 Mamalahoa Highway #8  
Captain Cook, Hawaii 96704



## FOURTH TAXATION DISTRICT

County of Kauai



### Kauai Office

3060 Eiwa Street #105  
Lihue, Hawaii 96766



## 3.0 APPEALS AND LITIGATION

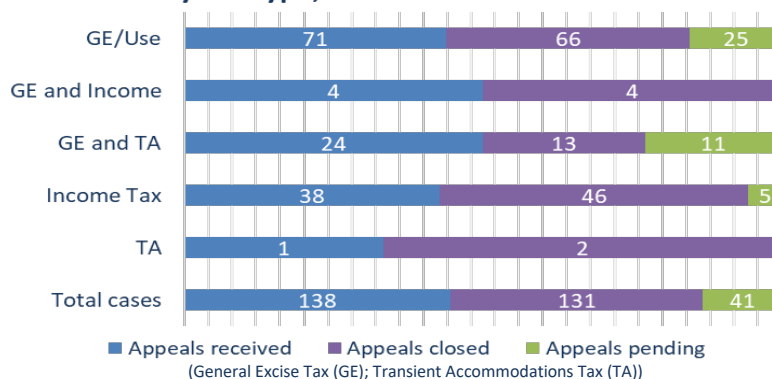
### 3.1 ADMINISTRATIVE APPEALS OFFICE

**The Administrative Appeals Office (AAO) operates the Administrative Appeals and Dispute Resolution (AADR) program.** AADR is a streamlined appeals process that assists taxpayers and return preparers with disputes involving proposed assessments, final assessments, and return preparer penalty assessments. Our mission is to help people resolve tax disputes fairly, expeditiously, and without litigation. The AAO is separate and independent of the Compliance Division that performs audit examinations and issues assessments. For more information, please visit our website at [tax.hawaii.gov/appeals](http://tax.hawaii.gov/appeals).

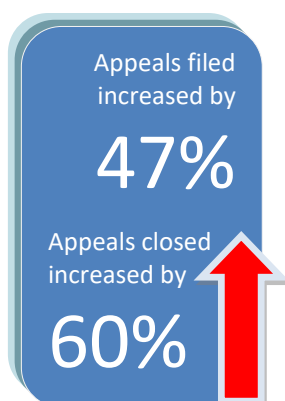
**In FY 2021, the AAO received 138 appeal applications and closed 131 cases. There were 41 cases pending as of June 30, 2021.** The appeals filed with and closed by the AAO increased by 47% (44 cases) and 60% (46 cases), respectively, over the prior fiscal year.



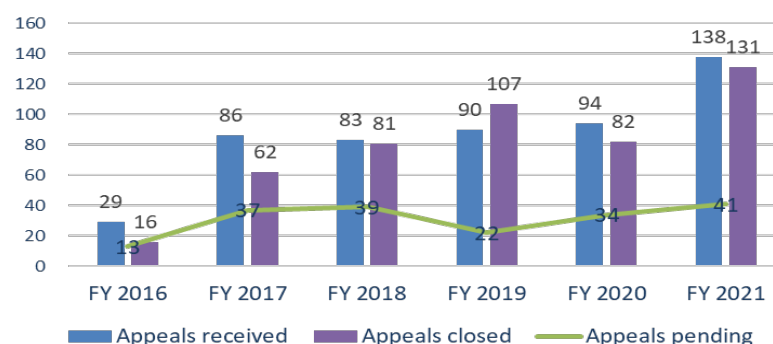
**AAO Cases by Tax Type, Fiscal Year 2021**



**479**  
appeals closed since the 2016 launch of the AADR program.



**AAO Caseload, Fiscal Years 2016 - 2021**



### 3.3 CIVIL DECISIONS, SETTLEMENTS AND OTHER LEGAL MATTERS

During the last fiscal year, the Tax and Charities Division (“Division”) concluded 551 Tax Department-related legal matters (excluding legislative matters).

Tax Appeals	-	9
Miscellaneous cases	-	2
Bankruptcies	-	422
Contracts	-	9
Foreclosures	-	84
Quiet Title	-	2
Subpoenas	-	15
Admin Rules	-	8

## II. AMOUNTS COLLECTED

Last fiscal year, the Division collected the following amounts for the Department of Taxation (“Department”):

Tax Appeals	\$ 169,000.02
Foreclosures	\$ 65,749.08
Bankruptcies	<u>\$ 1,197,608.32</u>
<b>TOTAL:</b>	<b><u>\$ 1,432,357.42</u></b>

## III. COURT CASES

### Concluded Tax Appeal Court Cases

In the Matter of the Tax Appeal of Edward A. Alquero, M.D., Inc., Case No. 1 T.X. 14-1-0219, Tax Appeal Court, State of Hawaii.

Taxpayer appealed a final assessment of additional income and general excise taxes, penalties, and interest for underreported income related to his medical practice. Taxpayer claimed entitlement to deductions for certain expenses that the Department disallowed. This case has been settled.

In the Matter of the Tax Appeal of Maui Fresh Fish Investors, LLC, Case No. 1 T.X. 17-1361, Tax Appeal Court, State of Hawaii.

Taxpayer appealed the Department’s disallowance of High Technology Business Investment Tax Credits for tax years 2010 through 2012. Taxpayer claimed that funds set aside in a bank account were at risk as Haw. Rev. Stat. § 235-110.9 requires. This case was settled.

In the Matter of the Tax Appeal of Rick YJ Cho, Case No. 1 T.X. 18-1-0412, Tax Appeal Court, State of Hawaii.

Taxpayer sought a refund of taxes paid under protest in connection with final assessments for general excise and transient accommodations taxes for tax years 2008 and 2010 through 2016,

inclusive. Taxpayer claimed that the gross receipts were attributable to other entities and the related entities exemption applied. This case was settled.

In the Matter of the Tax Appeal of Gretchen Le Gre and GLG Holdings, LLC, Case No. 1 T.X. 19-1-0171, Tax Appeal Court, State of Hawaii.

Taxpayers filed a Notice of Appeal and a Complaint seeking: (1) a declaratory judgment that the conveyance tax is not applicable to the transfer of real property from a single-member LLC to the sole member; and (2) a refund of a \$443.15 conveyance tax purportedly paid under protest for a transfer of a 10% interest in the property. The Director filed a motion to dismiss arguing: (1) declaratory relief is not available in any controversy with respect to taxes; and (2) Taxpayers failed to request an exemption for the subject transaction. The Court granted the motion to dismiss, but order has not yet been entered.

In the Matter of the Tax Appeal of Alternative Energy Marketing, Inc., Case No. 1 T.X. 19-1-0207, Tax Appeal Court, State of Hawaii.

Taxpayer appealed the denial of a claim for refund of Renewable Energy Technologies Income Tax Credit for tax year 2017. Taxpayer claimed that the Department improperly denied the solar credit in that it delayed notifying Taxpayer of any alleged deficiencies in Taxpayer's timely filed claim, despite Taxpayer's repeated follow-up with the Department, in person and over the phone, amongst other things. This case was settled.

In the Matter of the Tax Appeal of Mark H. Cornish, Case No. 1 CTX 20-0000071, Tax Appeal Court, State of Hawaii.

Taxpayer appealed a notice of personal liability for general excise tax owed by Ono Construction LLC. Taxpayer claimed that he did not have control over Ono Construction LLC's payment of taxes and did not willfully fail to pay the taxes. This case was settled.

In the Matter of the Tax Appeal of Catherine K. Cobb, Case No. 1 CTX 21-0000001, Tax Appeal Court, State of Hawaii.

Taxpayer appealed a notice of personal liability for general excise tax owed by Kailua Print Shop LLC. Taxpayer claimed that she did not have control over Kailua Print Shop LLC's payment of taxes and did not willfully fail to pay the taxes. This case was settled.

In the Matter of the Tax Appeal of Estate of Shirley M. Isaacs, Case No. 1 CTX 21-0000060, Tax Appeal Court, State of Hawaii.

Taxpayer appealed final assessments of income taxes for tax year 2011. Taxpayer claimed that the Department failed to timely assert its claim against the decedent's estate. This case was settled.

In the Matter of the Tax Appeal of Estate of George E. Isaacs, Case No. 1 CTX 21-0000061, Tax Appeal Court, State of Hawaii.

Taxpayer appealed final assessments of income taxes for tax year 2011. Taxpayer claimed that the Department failed to timely assert its claim against the decedent's estate. This case was settled.

#### *Concluded Miscellaneous Tax Cases*

Ecklein v. State of Hawaii, Case No. 2:20-CV-01267-MLP, United States District Court, Western District of Washington.

Taxpayer filed a Complaint against the State of Hawaii, challenging the constitutionality of HRS § 235-68, also known as the Hawaii Real Property Tax Act (HARPTA). The Court granted the State of Hawaii's motion to dismiss, holding that the action was barred under the Tax Injunction Act, 28 U.S.C. § 1341, principles of comity, and the Eleventh Amendment's grant of sovereign immunity.

In re Department of Taxation, State of Hawaii, Subpoena Duces Tecum for Records Relating to Users of Vrbo.com, Special Proceeding No. 1 CSP 20-0000217, Circuit Court of the First Circuit, State of Hawaii.

The Department petitioned the court to serve an administrative subpoena on Expedia, Inc. and Vrbo Holdings, Inc. for information relating to listings on Vrbo.com for accommodations in the State that did not include the operator's Hawaii tax identification number. The parties entered into a stipulation regarding the scope and manner of the production and the Court granted the Department's petition.

### **Pending Tax Appeal Court Cases**

In the Matter of the Tax Appeals of TMI Management, Inc., Case Nos. 1 T.X. 09-0071 and 1 T.X. 09-0072, Tax Appeal Court, State of Hawaii.

Taxpayer appeals assessment of additional general excise taxes on amounts received for performing work for the federal government. Taxpayer argues, among other things, that the disputed income was exempt because Taxpayer was an employee leasing company, and the disputed income was for salaries and expenses of leased employees. This case was taken off the trial ready calendar.

In the Matter of the Tax Appeals of Bernard & Ellen Fuller and South Pacific Builders, Ltd., Case Nos. 1 T.X. 09-0087, 1 T.X. 09-0088 and 1 T.X. 09-0089, Tax Appeal Court, State of Hawaii.

Taxpayers appeal assessment of additional general excise and net income taxes on amounts received for performing work within the State. Taxpayers argue, among other things, that the disputed income was exempt because Taxpayers paid certain amounts to other contractors. This case was taken off the trial ready calendar to give the parties time to work on settlement. Taxpayers' counsel withdrew from this case and Taxpayers are seeking new counsel.

In the Matter of the Tax Appeal of Julie A. Dunham, Case No. 1 T.X. 12-1-0390, Tax Appeal Court, State of Hawaii.

Taxpayer appeals assessment of general excise and income taxes on non-filed returns for 1999 through 2010, inclusive. Taxpayer argues that the Department's income figures are incorrect. Trial date will be rescheduled.

In the Matter of the Tax Appeal of William A. Bartenstein, Case No. 1 T.X. 13-1-0228, Tax Appeal Court, State of Hawaii.

Taxpayer appeals assessment of additional general excise and/or use taxes and penalties and interest on goods imported for resale. Taxpayer argues that the Department's income figures

are incorrect, and the stacking of the negligence and underpayment penalties is erroneous. Trial date will be rescheduled.

In the Matter of the Tax Appeal of Skydiving School, Inc., Case Nos. 1 T.X. 14-1-0217 and 1 T.X. 14-1-0218, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from the denial of a refund claim and assessments of general excise taxes related to its skydiving business. Taxpayer's major issue is that its gross receipts from skydiving activities is not subject to the general excise tax because of federal preemption under the federal Anti-Head Tax Act. Trial briefs were submitted in lieu of a trial. The Tax Appeal Court has yet to issue a ruling.

In the Matter of the Tax Appeal of Darren Truitt, Case No. 1 T.X. 14-1-0228, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the Department's assessment of additional income taxes, and penalties and interest for income attributed to his wholly owned LLC. Taxpayer's counsel withdrew from this case. The Tax Appeal Court took this case off the trial ready calendar to allow Taxpayer time to obtain new counsel.

In the Matter of the Tax Appeal of Construction Servs. & Management LLC, Case No. 1 T.X. 14-1-0229, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the Department's assessment of general excise taxes, penalties, and interest for underreported gross receipts. Taxpayer's counsel withdrew from this case. The Tax Appeal Court took this case off the ready trial calendar to allow Taxpayer time to obtain new counsel.

In the Matter of the Tax Appeal of Hawaiian Airlines, Inc., Case No. 1 T.X. 14-1-0258, Tax Appeal Court, State of Hawaii.

Taxpayer claims a use tax refund alleging that it paid use tax on purchases of jet fuel from World Fuel Services for use and consumption during its inter-island flights. Trial is not set.

In the Matter of the Tax Appeal of Home Depot U.S.A., Inc., Case No. 1 T.X. 15-1-0218, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the Department's disallowance of the wholesale rate on general excise taxes due on sales to customers at its retail stores as well as the Department's denial of the subcontractor deduction related to work performed for customers. Trial is set for October 4, 2021.

In the Matter of the Tax Appeal of Dan S. Tetsutani, Case No. 1 T.X. 15-1-0219, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from a final assessment of additional general excise tax and/or use taxes stating the assessments were improper, or in the alternative, that Taxpayer should pay the wholesale rate. Trial date is set for March 28, 2022.

Maria E. Zielinski v. Blake and Bianca Goodman, Case No. 1 T.X. 15-1-0221; Tax Appeal Court, State of Hawaii.

The Department denied Taxpayers' fully refundable Renewable Energy Technologies tax credits under Haw. Rev. Stat. § 235-12.5 because Taxpayers' adjusted gross income exceeded the statutory threshold entitling them to a fully refundable credit. The Board of Review ruled that Taxpayers could revoke their elections to receive refundable tax credits. Cross motions for

summary judgment were heard on July 17, 2017; however, the Tax Appeal Court has not issued a ruling yet.

In re Tax Appeal of Thomas Aki, Case No. 1 T.X. 16-1-0291, Tax Appeal Court, State of Hawaii.

Taxpayer appeals income tax assessments for tax years 2012 through 2014 in which the Department disallowed business expenses and deductions, disallowed the personal exemption deduction, and disallowed the application of losses from prior years. Taxpayer is working on settlement offer and completing Form CM-2 to provide to the Department. Trial is set for February 7, 2022.

In re Tax Appeal of Jeffrey Scott Lindner, Case No. 1 T.X. 16-1-0300, Tax Appeal Court, State of Hawaii.

Taxpayer appeals income taxes for tax years 2012 through 2014, inclusive. Taxpayer claims that he properly filed returns to qualify for High Technology Business Investment Tax Credits per Haw. Rev. Stat. § 235-110.9; however, the Department claims that it did not receive the returns. Trial is set for December 13, 2021.

In the Matter of the Tax Appeal of Janice P.C. Hori, Case No. 1 T.X. 17-1-1340, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise taxes that were made based on information obtained from Taxpayer's income tax return. Taxpayer did not file general excise tax returns for the years listed on her income tax return. Trial is set for March 28, 2022.

In the Matter of the Tax Appeal of Certified Erosion Control Hawaii LLC., Case No. 1 T.X. 17-1-1341, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise tax claiming it was entitled to the wholesale rate. Taxpayer was a non-filer and submitted unfiled returns with the auditor during the audit phase. Although Taxpayer qualified for the wholesale rate, the rate was disallowed because of Haw. Rev. Stat. § 237-41.5. Taxpayer also argues that he did not receive the proposed assessment. Trial is set for June 20, 2022.

In the Matter of the Tax Appeal of Michelle Richardson, Case No. 1 T.X. 17-1-1349, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of income and general excise taxes that were based on federal data because Taxpayer is a non-filer. Taxpayer's whereabouts is currently unknown. Trial is not set.

In the Matter of the Tax Appeal of Adrienne P. Sweeney, Case No. 1 T.X. 18-1-0316, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of income taxes after receiving notification that Taxpayer's administrative appeal had been closed. The final assessment disallows a deduction for repayment of trustee fees claimed on her 2014 Individual Income Tax Return. Taxpayer has signed a stipulation to dismiss this case without prejudice which was submitted to the court for approval on July 9, 2021. The parties are awaiting the court's approval of the stipulation.

In the Matter of the Tax Appeal of Diamond Resorts Hawaii Collection Members Ass'n, Case Nos. 1 T.X. 18-1-0318, 1 T.X. 19-1-0180, 1 T.X. 19-1-0182, and 1 T.X. 19-1-0183, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the denial of refund claim for general excise taxes for tax years 2014 through 2017, inclusive. Taxpayer claims that it operates timeshares in Hawaii and across the mainland United States and that for the tax years in question, it incorrectly included income from timeshares on the mainland that should not have been reported on its Hawaii return. Trial for 1 T.X. 18-1-0318 is set for August 29, 2022. Trial is not set in the other cases.

In the Matter of the Tax Appeal of Colorado Personnel Resources, Inc., Case No. 1 T.X. 18-1-0334, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from final assessments for general excise taxes for tax years 2004 through 2011, inclusive. Taxpayer challenges the assessments claiming that it lacks nexus with Hawaii. Trial is set for the week of December 5, 2022.

In the Matter of the Tax Appeal of Dolphin K. Pawn, Case No. 1 T.X. 19-1-0190, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from final assessments of income taxes for tax years 2014 through 2017, inclusive. Taxpayer claims that he may be entitled to deductions and adjustments. Trial is not set.

In the Matter of the Tax Appeal of George Hochman, Case No. 1 T.X. 19-1-0197, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from final assessments of general excise and withholding taxes for tax years 2003 and 2004 and 2008 through 2018, inclusive. Taxpayer claims, among other things, that the assessments improperly hold him personally liable for the general excise and withholding taxes of six corporations. Trial is not set.

In the Matter of the Tax Appeal of Guy C. Smith, Case No. 1 T.X. 19-1-0203, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from final assessments of general excise and transient accommodations taxes for tax years 2008 through 2017, inclusive. Taxpayer claims that the assessments are incorrect. Trial is not set.

In the Matter of the Tax Appeals of Brian and Lisa Pestana, Case Nos. 1 T.X. 19-1-0210 and 1 T.X. 19-1-0211, Tax Appeal Court, State of Hawaii.

Taxpayers were personally assessed for general excise tax incurred by a corporation they owned. The general excise tax assessments are related to the denial of wholesale rates and out-of-state sales exemptions by the tax benefit rule in Haw. Rev. Stat. § 237-9.3. Trial is not set.

In the Matter of the Tax Appeal of Diamond Resorts Hawaii Collection Development LLC fka Club Sunterra Development Hawaii, LLC., Case Nos. 1 T.X. 19-1-0222, 1 T.X. 19-1-0223, 1 T.X. 19-1-0224, 1 T.X. 19-1-0225, and 1 T.X. 20-0000059, Tax Appeal Court, State of Hawaii.

Taxpayer appeals denial of refund claim for general excise taxes for tax years 2013 through 2018, inclusive. Taxpayer claims that its refund claims were erroneously denied because the timeshare interests being sold and subject to tax are held in a Hawaii Land and Trust, and, as such, is the sale of real property that is not subject to general excise tax. Taxpayer further claims that the closing costs on the sale of the time share interests and the interest income earned on a financed sale are not subject to general excise tax under the Commerce Clause of the United States Constitution because there is insufficient nexus between the activities and the State and that, in the event that any such taxes are due, such taxes are not fairly apportioned. Trial is not set.

In the Matter of the Tax Appeal of TW Telecom Inc. and Subs, Case No. 1 T.X. 19-1-0257, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of income taxes for tax years 2008 through 2012, inclusive. Taxpayer claims that it qualifies for the capital goods excise tax credit. Trial is not set.

In the Matter of the Tax Appeal of Sheryl Sihavong, Case No. 1 T.X. 19-1-0000500, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from final assessments of general excise and withholding taxes for tax years 2010 through 2018, inclusive. Taxpayer claims, among other things, that the assessments improperly hold her personally liable for the general excise and withholding taxes of a wholly owned corporation. Trial is not set.

In the Matter of the Tax Appeal of Naret Sihavong, Case No. 1 T.X. 19-1-0000501, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from final assessments of general excise and withholding taxes for tax years 2010 through 2018, inclusive. Taxpayer claims, among other things, that the assessments improperly hold him personally liable for the general excise and withholding taxes of a wholly owned corporation. Trial is not set.

In the Matter of the Tax Appeal of Stanley Global LLC, Case No. 1 CTX 20-0000053, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from final assessments of general excise taxes for tax years 2014 through 2017, inclusive. Taxpayer claims, among other things, that the assessments improperly include tax on activities conducted and/or sales made outside the State of Hawaii. Trial is not set.

In the Matter of the Tax Appeal of S&K Sales Co., Case No. 1 CTX 20-0000058, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from final general excise tax assessments for tax years 2005 through 2009 and 2013 through 2017 for underreported commissions, retailing, wholesaling, other rentals, interest, county surcharge, penalties, and interest. Taxpayer claims the assessments are incorrect. Trial is not set.

In the Matter of the Tax Appeal of Brian Toker, Case No. 1 T.X. 20-1-0000059, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from notices of personal liability of general excise and withholding taxes for tax years 2018 through 2020, inclusive. Taxpayer claims, among other things, that the notices improperly hold him personally liable for the general excise and withholding taxes of a corporation he did not control. Trial is not set.

In the Matter of the Tax Appeals of Uber Technologies, Inc. and Rasier, LLC, Case Nos. 1 T.X. 21-0000063, 1 T.X. 20-1-0065 and 1 T.X. 20-1-0066, Tax Appeal Court, State of Hawaii.

Taxpayers were assessed additional general excise taxes, penalties, and interest on services provided in Hawaii. Trial is not set.

In the Matter of the Tax Appeal of DePuy Synthes Sales, Inc., Case No. 1 T.X. 20-1-0067, Tax Appeal Court, State of Hawaii.

Taxpayer appeals assessment of additional general excise taxes, penalties, and interest on sales of medical equipment. Taxpayer was levied on these assessments and appeals the Department's



denial of refund claim on the levied amounts. Taxpayer claims the assessed amounts were paid on returns filed by its parent company but has not substantiated these amounts. Trial is not set.

In the Matter of the Tax Appeal of Wings to Wisdom, LLC, Case No. 1 CTX 20-0000068, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessment of transient accommodations tax, penalties, and interest on unreported gross rental or gross rental proceeds. Trial is not set.

In the Matter of the Tax Appeal of Wings to Wisdom, LLC, Case No. 1 CTX 20-0000069, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessment of general excise tax, penalties, and interest on underreported services and/or underreported transient accommodations rentals. Trial is not set.

In the Matter of the Tax Appeal of Rickey and Emilou Mikami, Case No. 1 CTX 20-0000070, Tax Appeal Court, State of Hawaii.

Taxpayers appeal from final assessments in general excise taxes for tax years 2016 through 2018. Taxpayers claim, among other things, that they were not allowed an opportunity for a hearing before the Administrative Appeals Officer to prove their underlying claim and that the Department disallowed proper business expenses and deductions. Trial is not set.

Hawaiian Airlines, Inc. v. Department of Taxation, Case No. 1 CTX 20-0000074, Tax Appeal Court, State of Hawaii.

Taxpayer appeals Final Assessment of Income Tax disallowing Taxpayer's filing of a combined return and use of a combined reporting method with non-air carrier entities. This is an action under section 40-35, HRS. Trial is not set.

In the Matter of the Tax Appeal of Dillingham Plaza Associates, LLC, Case No. 1 CTX 20-1-0075, Tax Appeal Court, State of Hawaii.

Taxpayer appeals assessment of additional general excise taxes, penalties, and interest due to the disallowance of the sublease deduction provided under section 237-16.5, HRS. The Department claims Taxpayer failed to provide proof it was entitled to the deduction in a timely manner. Trial is not set.

In the Matter of the Tax Appeal of Level 3 Communications Inc & Subs, Case No. 1 CTX 20-0000102, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of income taxes for tax years 2014 through 2017, inclusive. Taxpayer claims that it qualifies for the capital goods excise tax credit. Trial is not set.

Michael Neely v. Department of Taxation, Inc., Case No. 1 CTX 20-00106, Tax Appeal Court, State of Hawaii.

Taxpayer appeals assessment of additional general excise taxes, penalties, and interest on payments received from a partnership. The assessments were based on Taxpayer's net income returns that characterized the payments from the partnership as guaranteed payments. Taxpayer claims the payments were actually partnership distributions not subject to GET. Taxpayer paid the disputed amount under protest and filed a complaint under section 40-35, HRS. Trial is not set.

In the Matter of the Tax Appeal of Pacific Consultants & Construction Inc., Case No. 1 CTX 20-

0000108, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise taxes for tax years 2012 through 2019, inclusive. Taxpayer claims that services provided in a foreign trade zone are exempt from general excise tax. Trial is not set.

In the Matter of the Tax Appeal of William J. Flohrs, Case No. 1 CTX 20-0000111, Tax Appeal Court, State of Hawaii.

Taxpayer's appeal relates to an Audit Adjustment Agreement seeking payments due under the agreement and asking for a return of all documents provided by Taxpayer as part of the audit. Taxpayer received the amounts requested and, pursuant to Court Order, hard copies of all documents submitted by Taxpayer have been returned. Taxpayer continues to seek more documents. Trial is not set.

In the Matter of the Tax Appeals of Island Production Services I, Case Nos. 1 CTX 21 00003 and 1 CTX 21-00004, Tax Appeal Court, State of Hawaii.

Taxpayers appeal final assessment of additional net income taxes, penalties, and interest due to the disallowance of the Motion Picture, Digital Media, and Film Production Income Tax Credit provided under section 235-17, HRS. Taxpayers did not provide adequate substantiation to the Department to support their claims for the credit. Taxpayers were also assessed GET, penalties, and interest based on: (1) the denial of Taxpayers' use of the wholesale rate; and/or (2) the denial of the exemption for exported services under section 237-29.53, HRS. Trial is not set.

In the Matter of the Tax Appeal of JTU, Inc., Case No. 1 CTX 21-0000050, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from final assessments of general excise taxes for tax years 2012 through 2017. Taxpayer claims that the Department improperly disallowed the splitting of gross income from real estate commissions. Trial is not set.

In the Matter of the Tax Appeal of Daniel O Nelson, Case No. 1 CTX 21-0000055, Tax Appeal Court, State of Hawaii.

Taxpayer appeals a Final Notice of Personal Liability for General Excise Tax determining that Taxpayer is personally liable for unpaid general excise taxes of Global Stone Hawaii, Inc. Trial is not set.

In the Matter of the Tax Appeals of Kelvin Ching and Associates, Inc. and Kelvin K. Ching, Case Nos. 1 CTX 21-00056 and 1 CTX 21-00057, Tax Appeal Court, State of Hawaii.

Taxpayers appeal final assessment of additional general excise taxes due to the disallowance of the lower tax rate afforded to licensed insurance producers under section 237-13(7), HRS. In addition, Taxpayers claims they reasonably relied on the representations of a tax professional and have reasonable cause for late filed tax returns and payment. Trial is not set.

In the Matter of the Tax Appeal of John Dotten, Case No. 1 CTX 21-0000058, Tax Appeal Court, State of Hawaii.

Taxpayer was assessed additional general excise taxes, penalties, and interest on additional taxable income for 2011 for other rentals and all others. Taxpayer claims he was not credited for all payments he made in 2011 and that he is due a refund. Trial is not set.

In the Matter of the Tax Appeal of Pasha Hawaii Holdings LLC, Case Nos. 1 CTX 21-0000065, 1 CTX

21-0000066, 1 CTX 21-0000067, 1 CTX 21-0000068, 1 CTX 21-0000069 and 1 CTX 21-0000070, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessment of general excise tax, penalties, and interest for unreported services and county surcharge for tax years 2010, 2015, 2016, 2017, 2018, and 2019, respectively. Trial is not set.

In the Matter of the Tax Appeal of Kenneth R. Bunce and Kathleen B. Bunce, Case No. 1 CTX 21-00490, Tax Appeal Court, State of Hawaii.

Taxpayer appeals denial of net income tax refund claim that was disallowed by the Department. Taxpayer claimed a payment received was a nontaxable pension distribution. The Department claimed the payment was taxable income and issued a final assessment denying Taxpayer's refund claim. Trial is not set.

In the Matter of the Tax Appeal of Alicia Andra, Case No. 1 CTX 21-0000491, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise and transient accommodations taxes for tax years 2016 through 2018, inclusive. Taxpayer claims that the income is attributable to another taxpayer and that the amounts assessed are overstated. Trial is not set.

Hawaiian Airlines, Inc. v. Department of Taxation, Case No. 1 CTX 21-0000493, Tax Appeal Court, State of Hawaii.

Taxpayer alleges it paid under protest general excise taxes assessed against The Boeing Company in accordance with a contract and is filing the complaint under section 40-35, HRS. Taxpayer claims that the amounts in question are exempt under section 237-24.9, HRS. Trial is not set.

In the Matter of the Tax Appeal of Activend Hawaii, LLC, Case Nos. 1 CTX 21-0000494, 1 CTX 21-0000495, 1 CTX 21-0000496, 1 CTX 21-0000497, 1 CTX 21-0000498, 1 CTX 21-0000499, 1 CTX 21-0000500 and 1 CTX 21-0000501, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise taxes for tax years 2012 through 2019, inclusive. Taxpayer claims that it is entitled to income splitting pursuant to HRS § 237-18(a). The parties entered into a stipulation to allow Taxpayer to participate in the Administrative Appeals Program. Trial is not set.

In the Matter of the Tax Appeal of KMK, LLC, Case Nos. 1 CTX 21-0000502, 1 CTX 21-0000503, 1 CTX 21-0000504, 1 CTX 21-0000505, 1 CTX 21-0000506, 1 CTX 21-0000507 and 1 CTX 21-0000508, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise taxes for tax years 2013 through 2019, inclusive. Taxpayer claims that it is entitled to income splitting pursuant to HRS § 237-18(a). The parties entered into a stipulation to allow Taxpayer to participate in the Administrative Appeals Program. Trial is not set.

Isaac W. Choy. V. Green Vision Hale Mohalu Solar, LLC, Yuka Nawano, and Michael M. Chen, Case No. 1 CTX 21-00514, Tax Appeal Court, State of Hawaii.

The Department appeals a Board of Review decision allowing Taxpayers to claim a portion of the Renewable Energy Technologies Income Tax Credit provided under section 235-12.5, HRS. The Department claims Taxpayers did not provide adequate documentation to claim the credit. Trial is not set.

In the Matter of the Tax Appeal of R and A Inc., Case No. 1 CTX 21-0000516, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from final assessment of general excise tax. Taxpayer claims that the assessment is incorrect and included amounts from internet sales occurring outside the State. Taxpayer is participating in the Administrative Appeal Program. Trial is not set.

In the Matter of the Tax Appeals of Island Production Services II and III, Case Nos. 1 CTX 21-00517, 1 CTX 21-00518, 1 CTX 21-00519 and 1 CTX 21-00520, Tax Appeal Court, State of Hawaii.

Taxpayers appeal final assessment of additional net income taxes, penalties, and interest due to the disallowance of the Motion Picture, Digital Media, and Film Production Income Tax Credit provided under section 235-17, HRS. Taxpayers did not provide adequate substantiation to the Department to support their claims for the credit. Taxpayers were also assessed GET, penalties, and interest based on: (1) the denial of Taxpayers' use of the wholesale rate; and/or (2) the denial of the exemption for exported services under section 237-29.53, HRS. Trial is not set.

### **Pending Miscellaneous Tax Cases**

Booking.com v. Isaac Choy, in his official capacity as Director of Taxation, and State of Hawaii Department of Taxation, Case No. 1 CC 19-1-0107-01 JHA. Circuit Court of the First Circuit, State of Hawaii.

Plaintiff Booking.com filed a complaint for declaratory relief alleging Hawaii Administrative Rules § 18-237-29.53-10(a)(3) is invalid and violates the Internet Tax Freedom Act, 47 U.S.C. § 151, by imposing tax in a discriminatory manner. Discovery is ongoing. Trial is not set.

Kenneth G. Kraemer v. Hawaii State Department of Taxation, Civ. No. 1 DSC-21-0000357, Small Claims Court, State of Hawaii.

Taxpayer filed a Notice and Statement of Claim for return of his income tax refund. The Internal Revenue Service (IRS) levied Taxpayer's 2018 state refund to pay an outstanding 2007 federal tax obligation. Taxpayer claims that the refund belonged to his wife and should not have been given to the IRS. An evidentiary hearing is scheduled for October 20, 2021.

Zucker v. Fidelity National Title & Escrow of Hawaii, Inc., et al., Case No. 2CCV-21-0000120, Circuit Court of the Second Circuit, State of Hawaii.

The Department was named as a third-party defendant by Fidelity National Title & Escrow of Hawaii ("Fidelity") in an action brought by a seller of real property against Fidelity. The plaintiff-seller claims that Fidelity submitted a tax form to the Department in connection with the sale of the property that contained erroneous information, which caused the Department to transfer funds to a third party. Fidelity claims that the Department is liable for transferring the funds to the third party. The Department has not yet appeared in the action.

## **4.0 ADMINISTRATIVELY ATTACHED ENTITIES**

As of June 30, 2021

### **COUNCIL ON REVENUES**

Kurt Kawafuchi, Chair  
Marilyn M. Niwao, Vice-Chair  
Carl S. Bonham  
Jessica E. Gluck  
Scott W. Hayashi  
Kristi L. Maynard  
Jack P. Suyderhoud

### **TAX REVIEW COMMISSION**

Elizabeth Giesting, Chair  
Alton Miyashiro, Vice-Chair  
Murray Clay  
Sayle Hirashima  
Katharine Lloyd  
Scott Teruya  
Winston Wong

### **BOARDS OF TAXATION REVIEW**

#### ***FIRST TAXATION DISTRICT (OAHU)***

Neil Hirasuna  
Francis Imada  
Glenn Sakuda  
Vacant  
Vacant

#### ***SECOND TAXATION DISTRICT (MAUI)***

William Curtis  
Alan Bernaldo  
Vacant  
Vacant

#### ***THIRD TAXATION DISTRICT (HAWAII)***

Marilyn Gagen  
Christopher Hannigan  
Valerie Peralto  
Richard Rovelstad

#### ***FOURTH TAXATION DISTRICT (KAUAI)***

Vacant  
Vacant  
Vacant  
Vacant