

**JOSH GREEN, M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

*Ka 'Oihana 'Auhau*

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**GARY S. SUGANUMA**  
DIRECTOR OF TAXATION

**DEPT. COMM. NO. 167**  
**KRISTEN M.R. SAKAMOTO**  
DEPUTY DIRECTOR

December 21, 2023

The Honorable Ronald D. Kouchi  
President and Members of the Senate  
Thirty-Second State Legislature  
State Capitol, Room 409  
Honolulu, HI 96813

The Honorable Scott K. Saiki  
Speaker and Members of the  
House of Representatives  
Thirty-Second State Legislature  
State Capitol, Room 431  
Honolulu, HI 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, the Department of Taxation (Department) hereby transmits a copy of the 2022-2023 Annual Report, as required by Section 231-3.8, Hawai'i Revised Statutes (HRS).

In accordance with section 93-16, HRS, the Department also informs you that the report may be viewed electronically at: [https://tax.hawaii.gov/stats/a5\\_1annual/a5\\_1tax\\_annuals/](https://tax.hawaii.gov/stats/a5_1annual/a5_1tax_annuals/)

If you have any questions or concerns, please feel free to contact me at (808) 587-1540.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary S. Sukanuma".

Gary S. Sukanuma  
Director of Taxation

c: The Honorable Josh Green, M.D., Governor  
The Honorable Sylvia Luke, Lieutenant Governor  
Legislative Reference Bureau (Attn: Karen Mau)  
Leslie H. Kondo, State Auditor  
Luis Salaveria, Director of Finance, Department of Budget and Finance  
Stacey A. Aldrich, State Librarian, Hawai'i State Public Library System  
David Lassner, Ph.D., President, University of Hawai'i

Enclosure

**ANNUAL  
REPORT  
2022-2023**



**DEPARTMENT OF TAXATION  
STATE OF HAWAII**

## DIRECTOR'S MESSAGE

The fiscal year period from July 1, 2022 to June 30, 2023 marked a return to normalcy as the State moves beyond the COVID-19 pandemic. The Department of Taxation (Department) continues its transition to being one that provides efficient electronic automated services. The year did have its unexpected challenges. One unexpected activity was the \$311 million Constitutional Refund issued via the Department. This required new systems and computer processes to remit the moneys in a timely and reliable fashion. The Department also provided technical assistance to the new State administration as it pursued its legislative priorities.

The Department maintained high levels of performance despite staffing shortages. The Compliance Division issued \$472 million of assessments, an increase of \$277 million from the previous year. The Collections Office kept up its pace of recouping moneys owed for unpaid taxes. The Special Enforcement Section continued to play a pivotal role in the enforcement of short-term rentals, recovering \$44 million in unpaid taxes last year. The Taxpayer Services Division was able to respond to the high demand of inquiries and requests. All in all, we were able to take on additional tasks and produce outcomes that helped the people of the State.

State tax collection was \$10.44 billion in FY 2023; a relatively marginal decrease from \$10.46 billion in FY 2022. The largest tax type by revenue is the General Excise Tax (GET). In FY 2023, the State collected \$4.4 billion from this tax, a 10.8% increase from the previous year. The Individual Income Tax (IIT), the second largest tax type decreased by 17.6% in FY 2023 compared to FY 2022. The Constitutional Refund accounted for a significant part of this decrease. IIT collections would have decreased by 9.3% if it were not for the Constitutional Refund.

Sincerely,

/s/

Gary S. Sukanuma  
Director of Taxation

## DOTAX by the Numbers

	FY 2023	FY 2022	Change
<b>Total Taxes Collected (billions)</b>	\$10.44	\$10.46	(\$0.02)
DOTAX (billions)	\$10.00 (96% of total taxes)	\$9.93 (95% of total taxes)	\$0.07
Other Departments (billions)	\$0.44	\$0.53	(\$0.09)
<b>DOTAX Taxes Collected<sup>[1]</sup></b>			
General Excise (billions)	\$4.44	\$4.01	\$0.43
Individual Income (billions)	\$3.10	\$3.76	(\$0.66)
Other (billions)	\$2.46	\$2.16	\$0.30
<b>Returns Processed (#)</b>			
Paper	340,837	419,783	-78,946
Electronic	2,663,707	2,500,707	163,000
<b>Taxpayers Served (#)</b>			
Phone	346,172	202,275	143,897
Answer Rate	42%	60%	-18%
Licenses Processed (#)	50,683	44,350	6,333
<b>Audit</b>			
Audits Issued (#)	19,910	19,588	322
Assessments (millions)	\$472	\$195	\$277
<b>Collections</b>			
New Debts (millions)	\$344	\$234	\$110
Recoveries (millions)	\$187	\$185	\$2
Uncollectible (millions)	\$20.2	\$26.10	(\$6)
Ending Delinquent Balance (millions)	\$1,363	\$1,223	\$140
<b>Operating Costs (millions)</b>	\$26.1 (\$0.27/ \$100 collected)	\$28.4 (\$0.29/ \$100 collected)	(\$2.30)
<b>Staffing</b>	434	415	19

# DEPARTMENT OF TAXATION

## VISION

The Department of Taxation will efficiently and effectively collect revenues to fund programs and services for the people of Hawai‘i.

## MISSION

Our mission is to administer the tax laws of the State of Hawai‘i in a consistent, fair, and uniform manner.

## GOALS

1. To improve voluntary compliance by:
  - a. Increasing taxpayer education through community outreach efforts, issuance of announcements and guidance, and utilization of social media.
  - b. Improving customer service by providing educational and training opportunities for staff to equip them with substantive knowledge and skills to better assist taxpayers and providing more self-service options.
  - c. Capitalizing data by pursuing information sharing with the counties and other State agencies and utilizing the processing abilities of our Tax System Modernization system to identify and address areas of noncompliance.
  - d. Improving audits and assessments by improving our processes and working collaboratively with the Department of the Attorney General.
  - e. Pursuing non-filers, tax evaders, and those that commit tax fraud and holding these bad actors accountable for tax law violations.
2. To fill vacancies.

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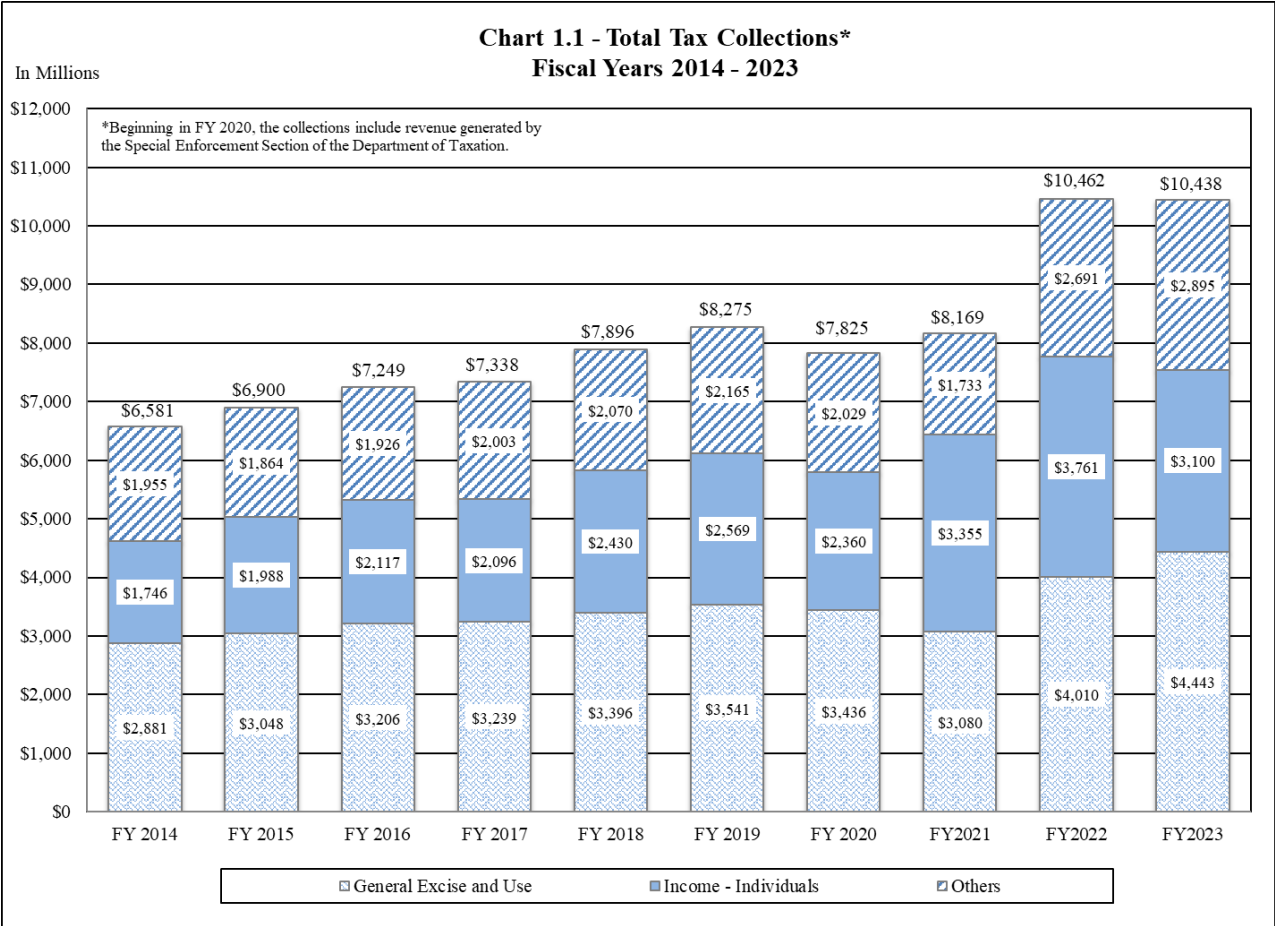
## 1.0 COLLECTION AND DISTRIBUTION OF TAXES

### 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 Hawai‘i, and the County of Kaua‘i. In fiscal year (FY) 2023, the Department collected a total of \$10.00 billion in net tax revenues, up slightly from \$9.93 billion collected in FY 2022.

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 were \$10.44 billion in FY 2023, a relatively marginal decrease from \$10.46 billion in FY 2022.** Tax collections increased steadily from FY 2012 until FY 2019 due to an improving economy, better tax administration, and new tax measures. Starting in the last quarter of FY 2020, Hawaii’s economy suffered from the effects of the COVID-19 pandemic and was impacted by the shift in net income filing deadlines and deferred tax payments. In FY 2022, Hawai‘i tax revenues showed robust growth, rising by 28.1% from FY 2021. The recovery of the tourism industry, renewed consumer spending, and inflation surge caused strong revenue growth. Chart 1.1 shows the main components of the total tax collections for FY 2014 through FY 2023.

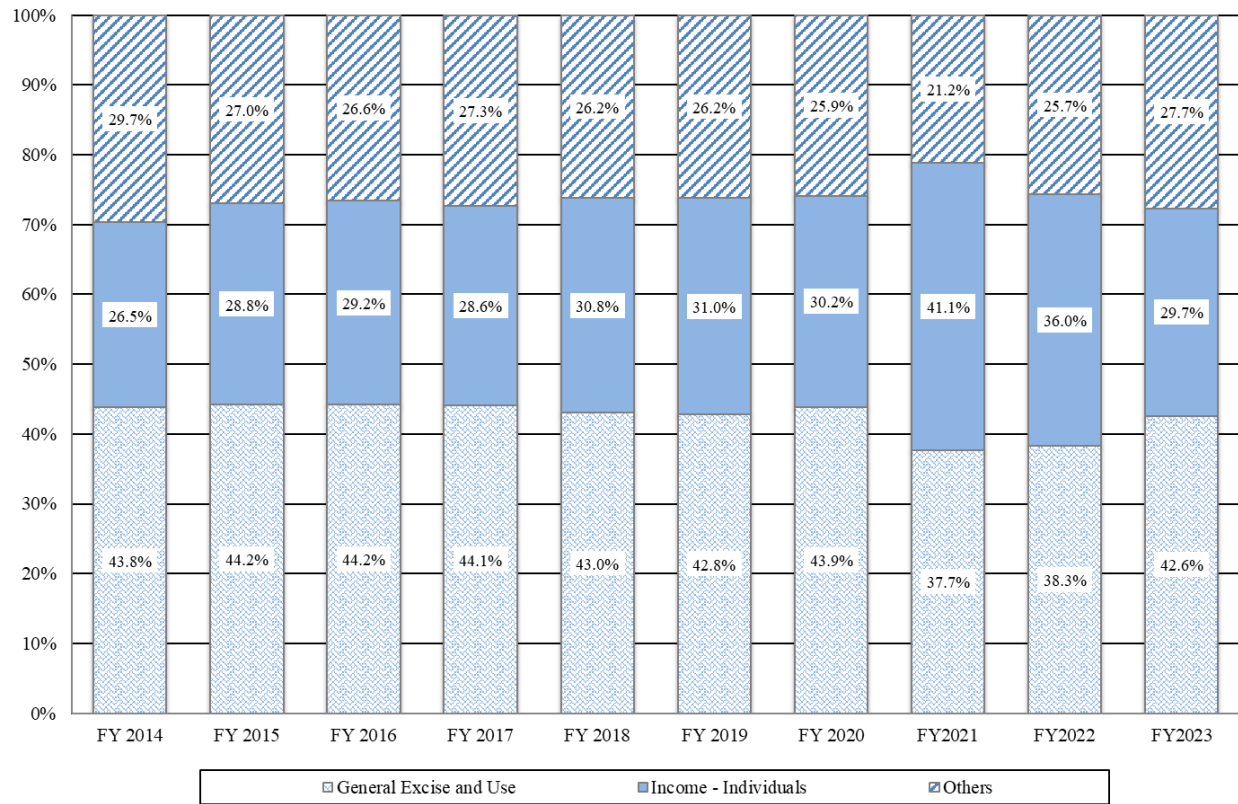


**The composition of the State's revenue collections followed trends seen in previous years. The State's biggest sources of tax revenue are the general excise tax (GET)<sup>1</sup> and the individual income tax (IIT). In FY 2023, net GET collections amounted to \$4.44 billion and accounted for 42.6% of total tax collections, and net collections of the IIT amounted to \$3.10 billion and accounted for 29.7% of total tax collections. Chart 1.2 shows the shares of total tax collections accounted for by the GET and the IIT for FY 2014 through FY 2023.**

<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.



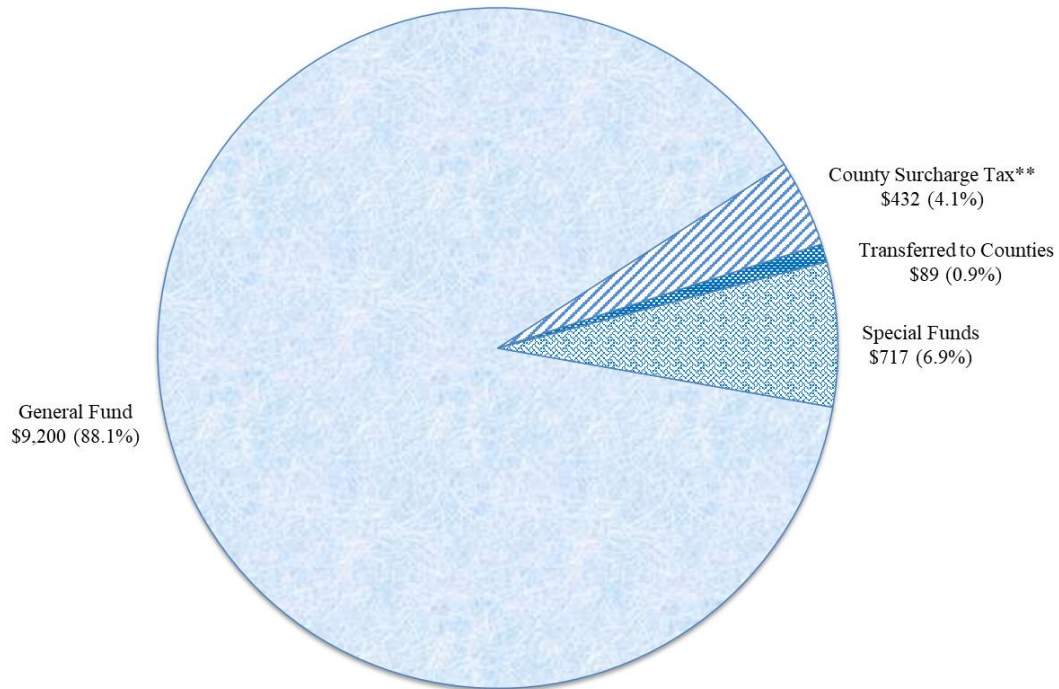
**Chart 1.2 - Tax Revenue Composition\***  
**Fiscal Years 2014 - 2023**



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

**Of the total tax collections in FY 2023, \$9.20 billion, or 88.1%, 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 \$520.9 million, or 5.0% of the total tax collections, was transferred to the counties, including transfers of the fuel taxes imposed by the counties, and county surcharges imposed by the City and County of Honolulu, the County of Hawai'i, and the County of Kaua'i. The remaining \$716.6 million, or 6.9%, was transferred to various other State special funds. Chart 1.3 shows how the total tax collections were distributed in FY 2023.

**Chart 1.3 - Fiscal Year 2023 Distribution of Tax Revenues\***  
(In millions of dollars)



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

\*\*Includes amounts allocated as of June 30, 2023 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 increased from \$4.01 billion in FY 2022 to \$4.44 billion in FY 2023, a rise of 10.8%.** Chart 1.4 shows the total revenues from the GET and from the tax levied on the various categories of income for FY 2014 through FY 2023. Table 1.1 shows GET collections in greater detail for FY 2022 and FY 2023.

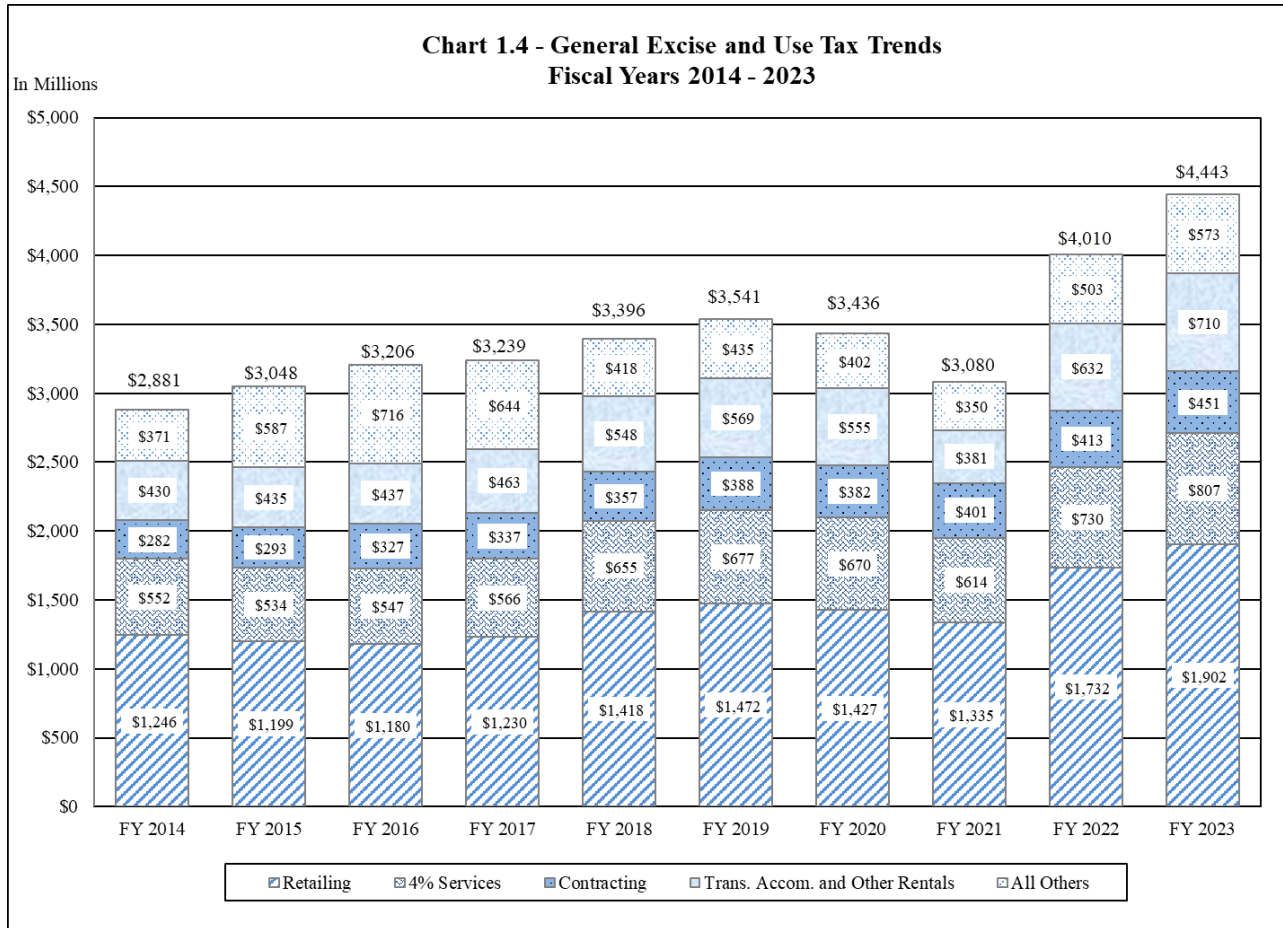


TABLE 1.1 - GENERAL EXCISE AND USE TAX BASE AND TAXES  
FOR FISCAL YEARS ENDING JUNE 30, 2023 AND 2022 <sup>2</sup>  
(In Thousands of Dollars)

SOURCE OF REVENUE	Rate	FY 2023	FY 2022	Difference	
				Amount	% Change
<b><u>TAX BASE</u></b>					
Retailing		\$ 47,554,806	\$ 43,306,889	\$ 4,247,917	9.8
Services		20,177,715	18,256,450	1,921,265	10.5
Contracting		11,267,953	10,326,923	941,031	9.1
Trans. Accom. Rentals		7,899,223	6,658,019	1,241,204	18.6
All Other Rentals		9,847,848	9,133,589	714,259	7.8
All Others (4%)		7,471,507	6,874,117	597,389	8.7
Subtotal		<u>\$ 104,219,052</u>	<u>\$ 94,555,987</u>	<u>\$ 9,663,065</u>	<u>10.2</u>
Producing		\$ 388,960	\$ 381,904	\$ 7,056	1.8
Manufacturing		482,850	440,522	42,328	9.6
Wholesaling		24,737,883	22,501,348	2,236,535	9.9
Use (1/2%)		8,405,728	8,280,464	125,263	1.5
Services (Wholesale)		1,545,962	1,079,042	466,920	43.3
Insurance Solicitors		595,059	671,669	(76,610)	(11.4)
Subtotal		<u>\$ 36,156,441</u>	<u>\$ 33,354,948</u>	<u>\$ 2,801,493</u>	<u>8.4</u>
<b>TOTAL - ALL ACTIVITIES</b>		<u><b>\$ 140,375,493</b></u>	<u><b>\$ 127,910,935</b></u>	<u><b>\$ 12,464,558</b></u>	<u><b>9.7</b></u>
<b><u>TAX</u></b>					
Retailing	4.00%	\$ 1,902,192	\$ 1,732,276	\$ 169,917	9.8
Services	4.00%	807,109	730,258	76,851	10.5
Contracting	4.00%	450,718	413,077	37,641	9.1
Trans. Accom. Rentals	4.00%	315,969	266,321	49,648	18.6
All Other Rentals	4.00%	393,914	365,344	28,570	7.8
All Others (4%)	4.00%	298,860	274,965	23,896	8.7
Subtotal		<u>\$ 4,168,762</u>	<u>\$ 3,782,239</u>	<u>\$ 386,523</u>	<u>10.2</u>
Producing	0.50%	\$ 1,945	\$ 1,910	\$ 35	1.8
Manufacturing	0.50%	2,414	2,203	212	9.6
Wholesaling	0.50%	123,689	112,507	11,183	9.9
Use (1/2%)	0.50%	42,029	41,402	626	1.5
Services (Wholesale)	0.50%	7,730	5,395	2,335	43.3
Insurance Solicitors	0.15%	893	1,008	(115)	(11.4)
Subtotal		<u>\$ 178,699</u>	<u>\$ 164,424</u>	<u>\$ 14,276</u>	<u>8.7</u>
Unallocated <sup>1</sup>		<u>\$ 95,190</u>	<u>\$ 63,245</u>	<u>\$ 31,945</u>	<u>50.5</u>
<b>TOTAL - ALL ACTIVITIES</b>		<u><b>\$ 4,442,651</b></u>	<u><b>\$ 4,009,909</b></u>	<u><b>\$ 432,743</b></u>	<u><b>10.8</b></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.

### ***1.2.3 Recent Legislation***

Act 80, SLH 2022, clarifies the amounts received or accrued for stevedoring services, wharfage, and demurrage services are exempt under the general excise tax law within section 237-24.3, HRS. The Act became effective on June 27, 2022.

Act 109, SLH, 2023, repeals the nursing facility tax, and section 237-24.7, HRS, which provides a general excise tax exemption on taxes on nursing facility income imposed by chapter 346E, HRS, and passed on and collected by operators of nursing facilities. The Act also appropriates funds out of the nursing facility sustainability program special fund. Act 109 became effective on June 22, 2023.

## **1.3 INDIVIDUAL INCOME TAX**

### ***1.3.1 Overview***

Hawaii's 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 IIT decreased in FY 2023 due to the constitutional refunds.** Net IIT collections in FY 2023 were \$3.10 billion, down by 17.6% from the \$3.76 billion collected in FY 2022. The biggest part of IIT collections is taxes withheld on employee wages. In FY 2023, withholding tax collections were \$2.56 billion, an increase of 7.2% over the \$2.39 billion withheld in FY 2022. Total IIT refunds in FY 2023 were \$1,053.9 million, up by 73.3% from the \$608.3 million refunded in FY 2022. The increase in the IIT refunds was mainly due to the Hawai'i State Constitution requirement that provided a tax refund to qualifying resident taxpayers. The constitutional refund amounted to \$311.7 million.

Chart 1.5 shows total collections of the IIT, along with wage withholding, payments with returns, estimated taxes, and refunds, for FY 2014 through FY 2023. Table 1.2 shows the figures for total collections of the IIT, broken down by its components, in FY 2022 and FY 2023.

### ***1.3.3 Recent Legislation***

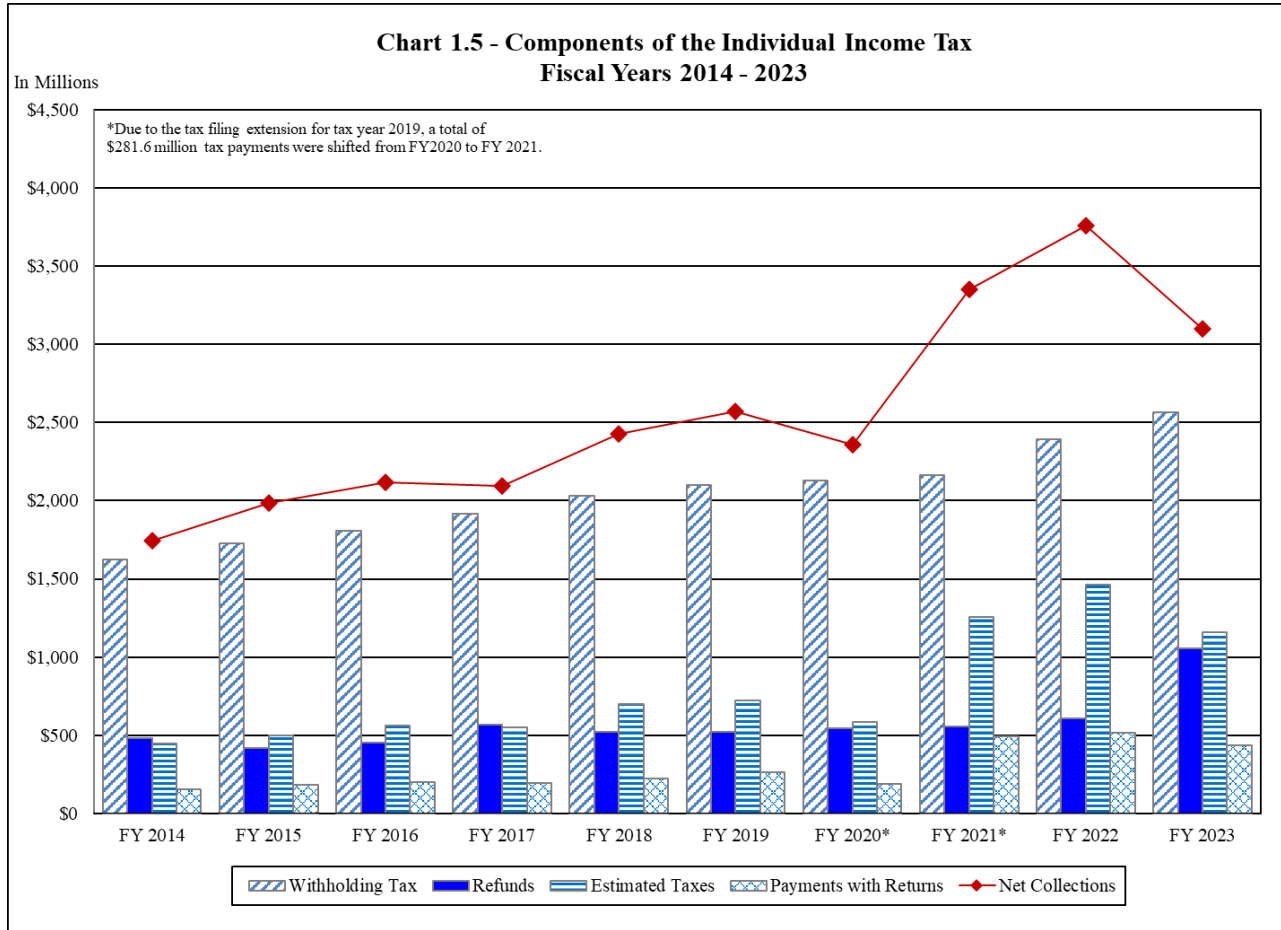
Act 114, SLH 2022, makes the State Earned Income Tax Credit (EITC) refundable and permanent. The State EITC becomes refundable beginning with the 2023 tax year. All carryforwards of nonrefundable EITC expire at the end of the 2024 tax year. The Act also adds new incremental increases to both minimum wages and tip credits beginning on October 1, 2022, and increasing through January 1, 2028. The Act became effective on June 27, 2022.

Act 115, SLH 2022, provides a tax refund of either \$100 or \$300, depending on federal adjusted gross income, per qualifying exemption to which a resident taxpayer is entitled. The Act also makes deposits to the Emergency and Budget Reserve Fund and Pension Accumulation Fund, pursuant to

article VII, section 6, of the Hawai‘i State Constitution. Funding for the deposits is appropriated out of the general revenues of the State in an amount as may be necessary for FY 2023. The Act became effective on July 1, 2022.

Act 50, SLH, 2023, allows partnerships and S corporations to annually elect to pay Hawai‘i income taxes at the entity level. An electing pass-through entity (PTE) will be liable for Hawai‘i income tax on the sum of all eligible members' distributive shares and guaranteed payments of Hawai‘i taxable income, multiplied by the highest rate of tax applicable to the individual under section 235-51, HRS. Eligible members of an electing PTE may claim a nonrefundable income tax credit for their pro rata share of PTE taxes paid by the entity. Additionally, residents and part-year residents are entitled to a nonrefundable credit for their share of taxes paid to another state or to the District of Columbia on income of any partnership or S corporation, so long as the taxes paid to the other state are found to be substantially similar to the taxes imposed by Act 50. Act 50 is effective on January 1, 2024 and applies to taxable years beginning after December 31, 2022.

Act 163, SLH, 2023, amends the household and dependent care services credit by increasing the cap on employment-related expenses that may be used to claim the credit from \$2,400 to \$10,000 for one qualifying individual and from \$4,800 to \$20,000 for two or more qualifying individuals. Act 163 amends the EITC by increasing the amount of the credit from 20% to 40% of the federal EITC allowed. The Act also amends the refundable food/excise tax credit by doubling the amount of credit per qualified exemption and increasing the adjusted gross income limits by \$10,000 in all income brackets. Act 163 became effective on June 30, 2023, applies to taxable years beginning after December 31, 2022, and will be repealed on December 31, 2027.



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

	FY 2023	FY 2022	Difference	
			Amount	% Change
Declaration of Estimated Taxes	\$ 1,156,332	\$ 1,463,867	\$ (307,535)	(21.0)
Payment with Return	434,429	514,956	(80,527)	(15.6)
Withholding Tax on Wages	2,563,641	2,390,776	172,866	7.2
Subtotal	\$ 4,154,402	\$ 4,369,598	\$ (215,196)	(4.9)
Refunds	1,053,938	608,329	445,608	73.3
NET	\$ 3,100,465	\$ 3,761,269	\$ (660,805)	(17.6)

<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 totaled \$316.6 million in FY 2023, an increase of 23.7% over the previous year's total of \$256.0 million.** The increase in CIT collections was partly due to the rise of 9.0% in corporate estimated taxes, increasing from \$326.4 million in FY 2022 to \$355.6 million in FY 2023. Total CIT refunds in FY 2023 were \$81.5 million, a decrease of 30.9% from the \$117.9 million in FY 2022. In FY 2023, the CIT collections accounted for just 3.0% of total tax collections. Chart 1.6 shows total collections of the CIT, broken down by its components, for FY 2014 through FY 2023. Table 1.3 shows data on collections of the CIT for FY 2022 and FY 2023.

### *1.4.3 Recent Legislation*

Act 139, SLH 2022, extends the sunset date for the refundable Important Agricultural Land Qualified Agricultural Cost Tax Credit from January 1, 2022 through December 31, 2030. The Act became effective on July 1, 2022, and applies to taxable years beginning after December 31, 2021.

Act 216, SLH 2022, reinstates the nonrefundable Renewable Fuels Production Tax Credit (RFPTC). The Act allows the RFPTC to be refunded under certain conditions. The Act also amends the annual aggregate cap on the tax credit claimed from \$3 million to \$20 million. The Act became effective on June 27, 2022, and applies to taxable years beginning after December 31, 2021.

Act 217, SLH 2022, makes several changes to the Motion Picture, Digital Media, and Film Production Income Tax Credit (film credit). Beginning January 1, 2023, The Act requires every person making payment to a loan-out company and claiming the film credit to withhold and remit to the Department of Taxation (Department) a portion of all payments to the loan-out company. It also increases the amount of the tax credit by 2% in each category of qualified costs. The Act further amends the requirements to claim the tax credit, including reducing the amount of qualified production costs from \$200,000 to \$100,000, and removing the requirement for productions to submit a verification review by a qualified certified public accountant when applying for the tax credit. The cap on total tax credits claimed per qualified production was raised from \$15 million to \$17 million, and the period during which excess income tax credits may be claimed was extended from December 31, 2025, to December 31, 2032.

The Act also changes requirements for the Department of Business, Economic Development, and Tourism (DBEDT). DBEDT's annual report to the Legislature on film credit claims and expenditures must now include the dollar amount claimed, name of the company, and name of the qualified production of the taxpayers claiming the credit. There is also a new seven-month time limit for



DBEDT to issue response letters to claimant taxpayers. Additionally, taxpayers are now required to submit a fee of 0.2% of the tax credit claimed to DBEDT, which shall be deposited into the Hawai‘i Film and Creative Industries Development Special Fund. The Act also provides clarification of the definition of "qualified production costs" to note that it "does not include any costs funded by any grant, forgivable loan, or other amounts not included in gross income."

Finally, the Act authorizes and appropriates funds for the Department to establish two full-time equivalent (FTE) tax auditor positions and for DBEDT to establish one FTE program specialist position to accomplish the many changes enacted by the Act. The portions of the Act relating to the creation of FTE positions and appropriations became effective on July 1, 2022, with the changes to the film credit and other tax provisions taking effect on January 1, 2023.

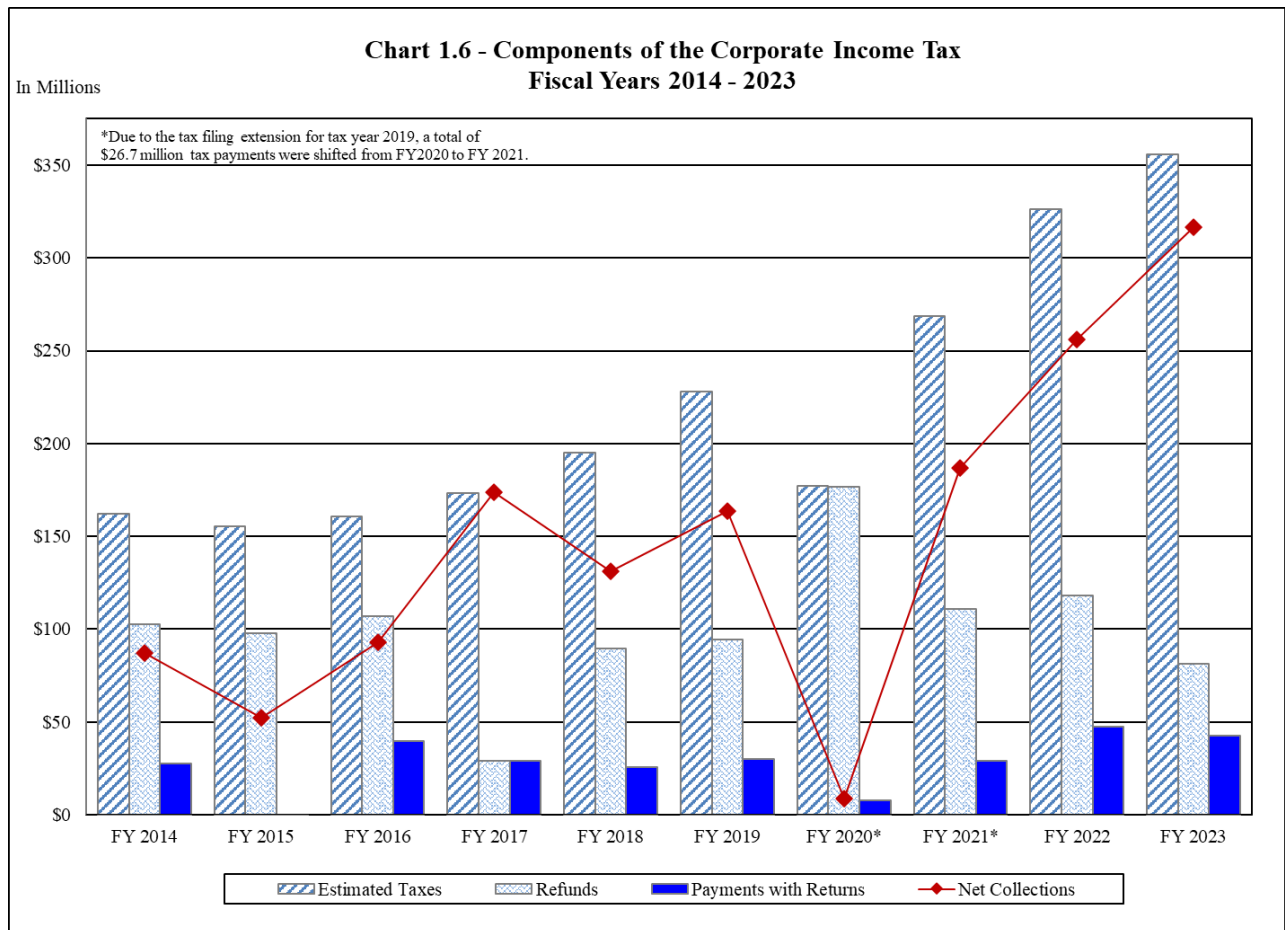


TABLE 1.3 - TAXES PAID BY CORPORATIONS <sup>1</sup>  
(In Thousands of Dollars)

	FY 2023	FY 2022	Difference	
			Amount	% Change
Declaration of Estimated Taxes	\$ 355,638	\$ 326,416	\$ 29,222	9.0
Payment with Return	42,420	47,516	(5,096)	(10.7)
Subtotal	\$ 398,058	\$ 373,932	\$ 24,125	6.5
Refunds	81,459	117,899	(36,440)	(30.9)
NET	\$ 316,599	\$ 256,033	\$ 60,566	23.7

<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

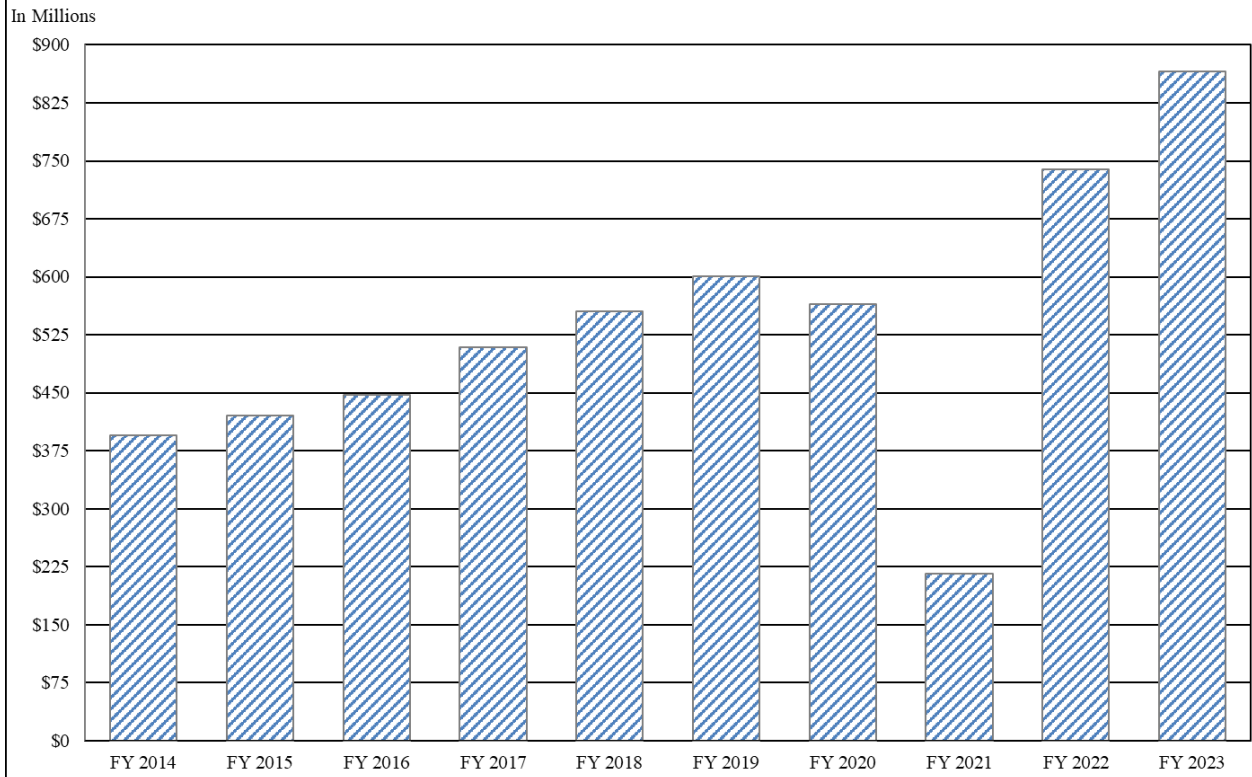
### 1.5.1 Overview

**The transient accommodation tax (TAT) is the third largest source of tax revenues in the State.** 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

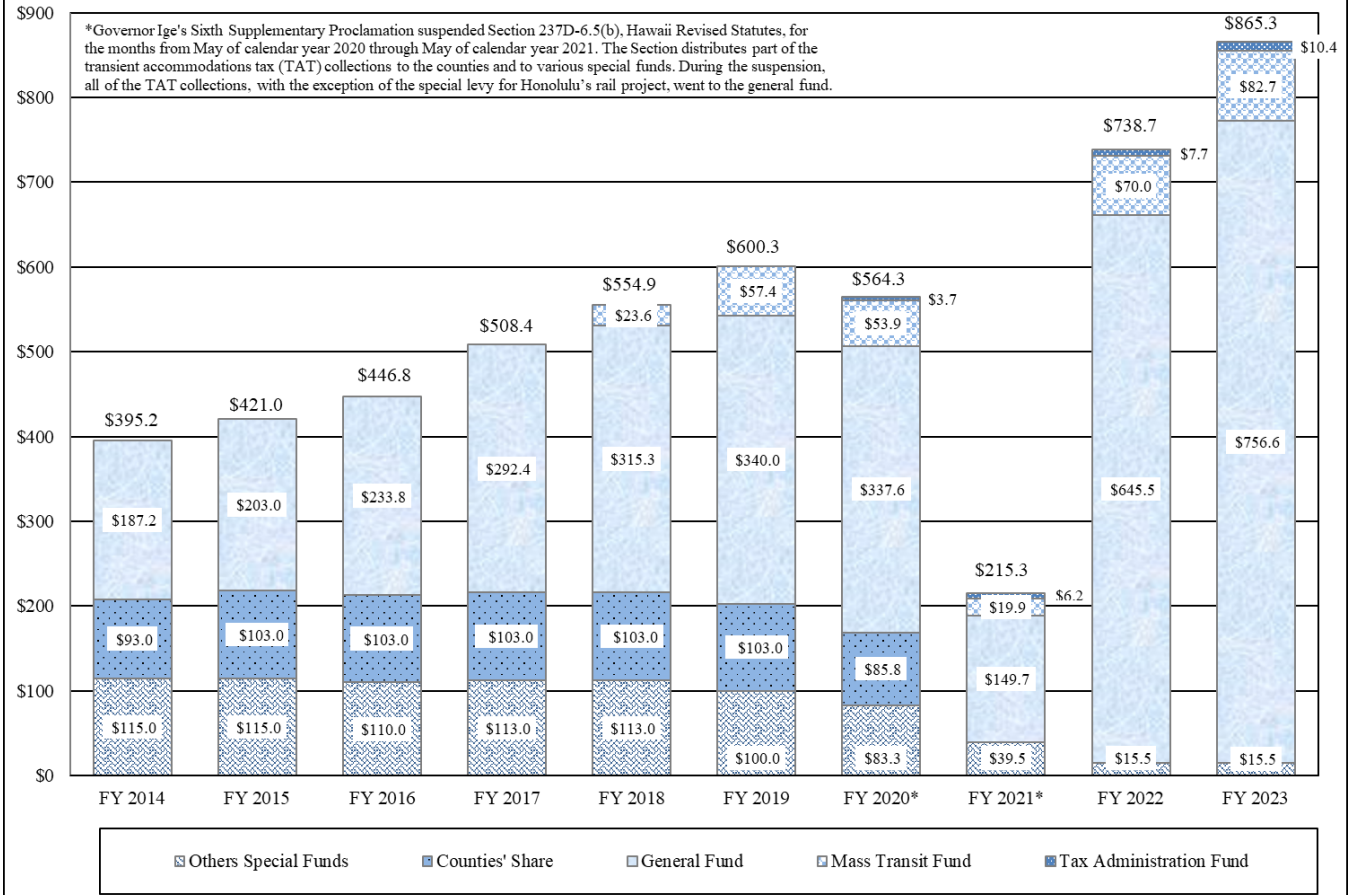
**TAT collections totaled \$865.3 million for FY 2023, an increase of 17.1% from the \$738.7 million collected in FY 2022.** In FY 2023, collections from the TAT were distributed as follows: \$1.5 million went to the Turtle Bay Conservation Easement Special Fund; \$11.0 million went to the Convention Center Enterprise Special Fund; \$3.0 million went to the Special Land and Development Fund; \$82.7 million went to the Mass Transit Fund; \$10.4 million went to the Tax Administration Fund; and the remainder (\$756.6 million) went to the General Fund. Chart 1.7 shows collections of the TAT for FY 2014 through FY 2023. Chart 1.8 shows the allocations of the tax among the various funds. Table 1.4 shows TAT collections and allocations in FY 2022 and FY 2023.

**Chart 1.7 - Transient Accommodations Tax  
Fiscal Years 2014 - 2023**



**Chart 1.8 - Transient Accommodations Tax Distributions  
Fiscal Years 2014 - 2023**

In Millions



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

	FY 2023	FY 2022	Difference	
			Amount	% Change
<b>Collection</b>				
Trans. Accom./Time Share Occ. Tax	\$ 865,234	\$ 738,634	\$ 126,599	17.1
Trans. Accom./Time Share Occ. Fees	23	29	(5)	(18.1)
<b>Total</b>	<b>\$ 865,257</b>	<b>\$ 738,663</b>	<b>\$ 126,594</b>	<b>17.1</b>
<b>Distribution <sup>1</sup></b>				
Turtle Bay Special Fund	\$ 1,500	\$ 1,500	\$ -	-
Convention Center Fund	11,000	11,000	-	-
Tourism Emergency Special Fund	-	-	-	n/m
Land & Development Fund	3,000	3,000	-	-
Mass Transit Fund	82,707	69,992	12,714	18.2
Tax Administration Fund	10,449	7,713	2,736	35.5
General Fund	756,601	645,458	111,144	17.2
<b>Total</b>	<b>\$ 865,257</b>	<b>\$ 738,663</b>	<b>\$ 126,594</b>	<b>17.1</b>

<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.

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

n/m - not meaningful.

## **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 2023, fuel tax collections amounted to \$171.6 million, an increase of 0.6% from the \$170.6 million collected in FY 2022.** Total taxable fuel consumption increased from 964.3 million gallons in FY 2022 to 978.5 million gallons in FY 2023. The biggest consumption of taxable fuel was gasoline (426.4 million gallons). The second biggest consumption was aviation fuel (308.8 million gallons). Together, gasoline and aviation fuel accounted for 75.1% of the total consumption of taxable fuel in FY 2023.

**Collections of the environmental response tax amounted to \$27.5 million in FY 2023, an increase of 5.8% from the \$25.9 million collected in FY 2022.** The environmental response tax rate on each barrel of petroleum product was \$1.05. The tax was levied on 25.0 million barrels of petroleum in FY 2023, up from 23.7 million barrels in FY 2022. The environmental response tax rate on each MMBtu of non-petroleum fossil fuels was nineteen cents. The tax was levied on 6.4 million MMBtu of non-petroleum fossil fuels in FY 2023, up from 5.4 million MMBtu in FY 2022. Chart 1.9 shows collections of the fuel taxes and the gallons consumed of the various fuel types, for FY 2014 through FY 2023. Data for taxable gallons consumed in FY 2022 and FY 2023 are given in Table 1.5.

The revenues from fuel taxes are distributed to several special funds: 1% 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; and 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 2023. 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; four cents went to the Energy Security Special Fund administered by DBEDT to support the Hawai'i clean energy initiative program; five cents went to the Energy Systems Development Special Fund; three cents went to the Electric Vehicle Charging System Subaccount; three cents went to the Hydrogen Fueling System Subaccount; and the remainder (85 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; two cents went to the Energy Systems Development Special Fund; and the remainder (13 cents) went to the General Fund.

Table 1.6 shows how the fuel taxes, and the environmental response tax were allocated in FY 2022 and FY 2023. 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 241, SLH 2022, establishes the Zero-Emission Vehicle Fueling System Rebate Program. Under the rebate program, an eligible entity may claim a rebate of \$200,000 for the installation or upgrade of a hydrogen fueling system that stores or dispenses only renewable hydrogen. The Act also establishes the Hydrogen Fueling System Subaccount within the Public Utilities Commission Special Fund. The Act allocates three cents of the tax on each barrel to the Hydrogen Fueling System Subaccount. The Act reduces the distribution to the Energy Systems Development Special Fund from eight cents to five cents. The Act became effective on July 1, 2022.

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.

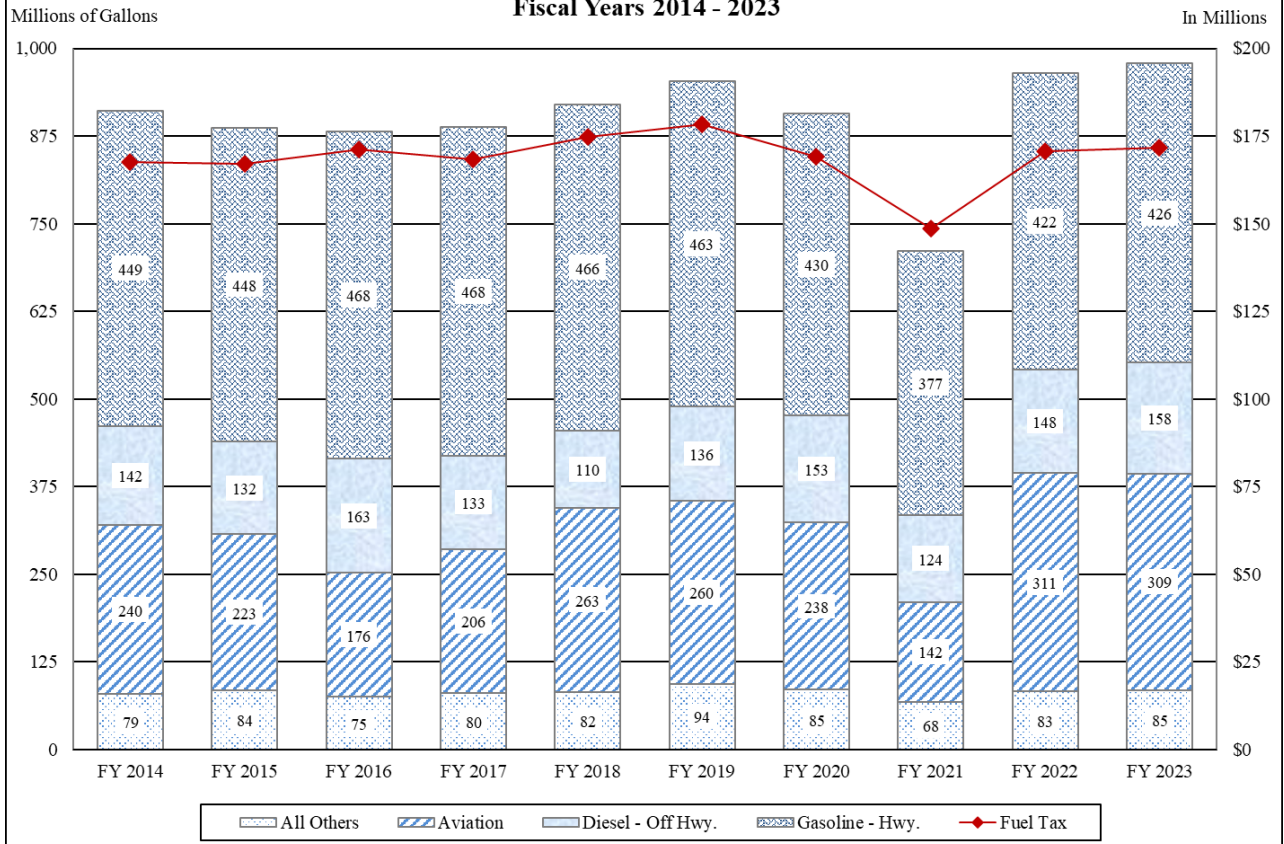
<sup>2</sup> Does not include petroleum products. BTU = British thermal unit.

<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 2014 - 2023**



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

	FY 2023	FY 2022	Difference	
			Amount	% Change
Gasoline	426,416	422,327	4,089	1.0
Diesel Oil - Off Highway	158,413	147,816	10,597	7.2
Diesel Oil - Highway	48,534	50,814	(2,280)	(4.5)
Liq. Pet. Gas - Highway	11	23	(12)	(51.6)
Small Boats - Gasoline	1,223	1,100	123	11.2
Small Boats - Diesel Oil	3,688	4,332	(644)	(14.9)
Aviation Fuel	308,802	311,432	(2,630)	(0.8)
Other Fuel <sup>1</sup>	31,395	26,450	4,945	18.7
Total Gallons	978,483	964,294	14,188	1.5
<b>Environmental Response Tax</b>				
Petroleum Products (Barrel) <sup>2</sup>	24,994,622	23,739,083	1,255,539	5.3
Fossil Fuels (MMBtu) <sup>3</sup>	6,370,028	5,383,257	986,771	18.3

<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 2023 <sup>1</sup>	FY 2022 <sup>2</sup>	Difference	
			Amount	% Change
<b>STATE HIGHWAY FUND</b>				
Gasoline	\$ 67,639	\$ 66,889	\$ 750	1.1
Diesel Oil - Off Highway	1,605	1,506	99	6.5
Diesel Oil - Highway	7,688	8,049	(361)	(4.5)
Liq. Pet. Gas - Highway	1	1	(1) <sup>4</sup>	(51.6)
Other Fuel <sup>3</sup>	654	554	100	18.0
Subtotal	\$ 77,586	\$ 77,000	\$ 587	0.8
Motor Vehicle	143,329	142,806	523	0.4
Rental Vehicle	101,442	79,560	21,881	27.5
TOTAL	\$ 322,357	\$ 299,365	\$ 22,991	7.7
<b>COUNTY HIGHWAY FUNDS</b>				
City and County of Honolulu	\$ 45,452	\$ 45,383	\$ 69	0.2
County of Maui	16,691	16,434	257	1.6
County of Hawaii	21,636	21,547	89	0.4
County of Kauai	5,508	5,402	106	2.0
TOTAL	\$ 89,287	\$ 88,767	\$ 521	0.6
BOATING SPECIAL FUND	\$ 1,686	\$ 1,674	\$ 11	0.7
<b>STATE AIRPORT FUND</b>				
Aviation Fuel	\$ 3,088	\$ 3,114	\$ (26)	(0.8)
ENVIRONMENTAL RESPONSE REVOLVING FUND	\$ 1,313	\$ 1,241	\$ 73	5.9
ENERGY SECURITY FUND	\$ 1,191	\$ 1,111	\$ 80	7.2
ENERGY SYSTEMS DEVELOPMENT FUND	\$ 1,377	\$ 2,007	\$ (630)	(31.4)
ELECTRIC VEHICLE CHARGING SYSTEM SUBACCOUNT	\$ 750	\$ 712	\$ 38	5.3
HYDROGEN FUELING SYSTEM SUBACCOUNT	\$ 750	\$ -	\$ 750	n/m
GENERAL FUND	\$ 22,074	\$ 20,878	\$ 1,195	5.7

<sup>1</sup> Fuel tax collections were \$169,403 thousand for fiscal year 2023. A total of \$2,244 thousand in undistributed fuel taxes from previous years were included in several monthly reports in fiscal year 2023.

<sup>2</sup> Fuel tax collections were \$172,946 thousand for fiscal year 2022, of which \$2,391 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.

n/m - not meaningful.

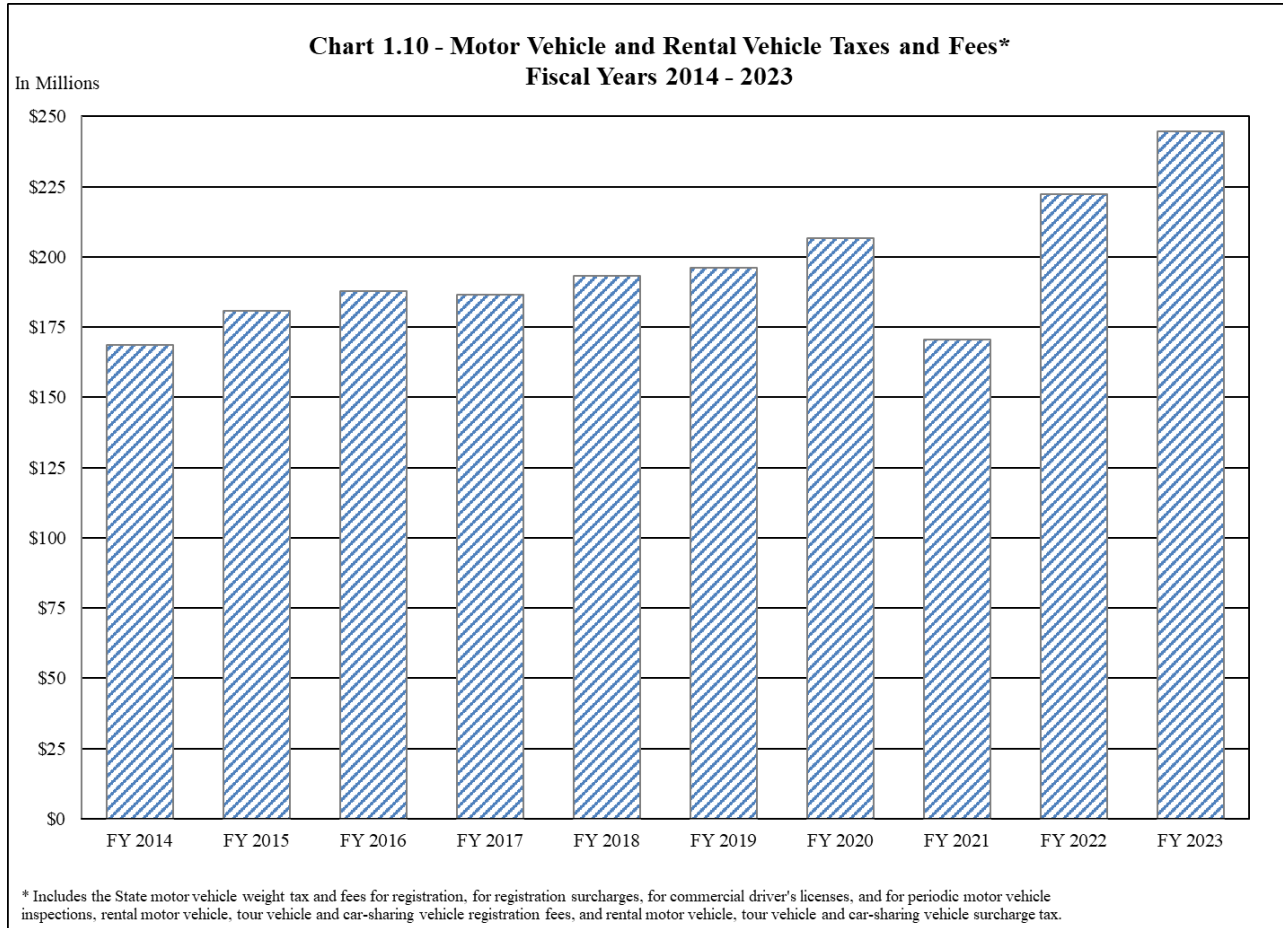
## **1.7 MOTOR VEHICLE AND RENTAL VEHICLE TAXES AND FEES**

### ***1.7.1 Overview***

**Motor vehicle and rental vehicle taxes consist of vehicle registration taxes and taxes on motor vehicle rentals, on tour vehicles, and on 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 \$5.50 per day to \$6.00 per day after December 31, 2022, and before January 1, 2024. The tax on tour vehicles is imposed on the tour vehicle operator. The rate of the tax is \$66 per month for each tour vehicle in the 26-passenger seat and over category, and \$16 per month for each tour vehicle in the 8 to 25 passenger seat categories. 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 slightly in FY 2023, whereas revenues from the State's rental vehicle taxes were up moderately.** The State's motor vehicle taxes and fees totaled \$143.3 million, up from \$142.8 million in FY 2022, an increase of 0.4%. The State's RVST amounted to \$101.4 million in FY 2023, up from \$79.6 million in FY 2022, an increase of 27.5%. Chart 1.10 shows the total motor vehicle taxes and fees for FY 2014 through FY 2023.



## 1.8 CIGARETTE AND TOBACCO TAX

### 1.8.1. Overview

**A range of tobacco taxes are levied on wholesalers and retail merchants of tobacco products.** Wholesalers and dealers, as those terms are defined in section 245-1, 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 2023.** Collections of the cigarette and tobacco tax (including tobacco licenses) totaled \$87.0 million in FY 2023, down from \$96.9 million in FY 2022, a decrease of 10.2%. Chart 1.11 shows the total collections of the tax for FY 2014 through FY 2023. The 16-cent tax per cigarette was distributed as follows in FY 2023: 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 \$1.3 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 2022 and FY 2023.

### 1.8.3 Recent Legislation

Act 62, SLH 2023, increases the wholesaler and dealer license fee from \$2.50 to \$250. It also increases the retail tobacco permit fee from \$20 to \$50 and beginning January 1, 2024, imposes a tax of 70% of the wholesale price of each electronic smoking device or e-liquid sold, used, or possessed by a wholesaler or dealer, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer. The Act became effective on July 1, 2023.

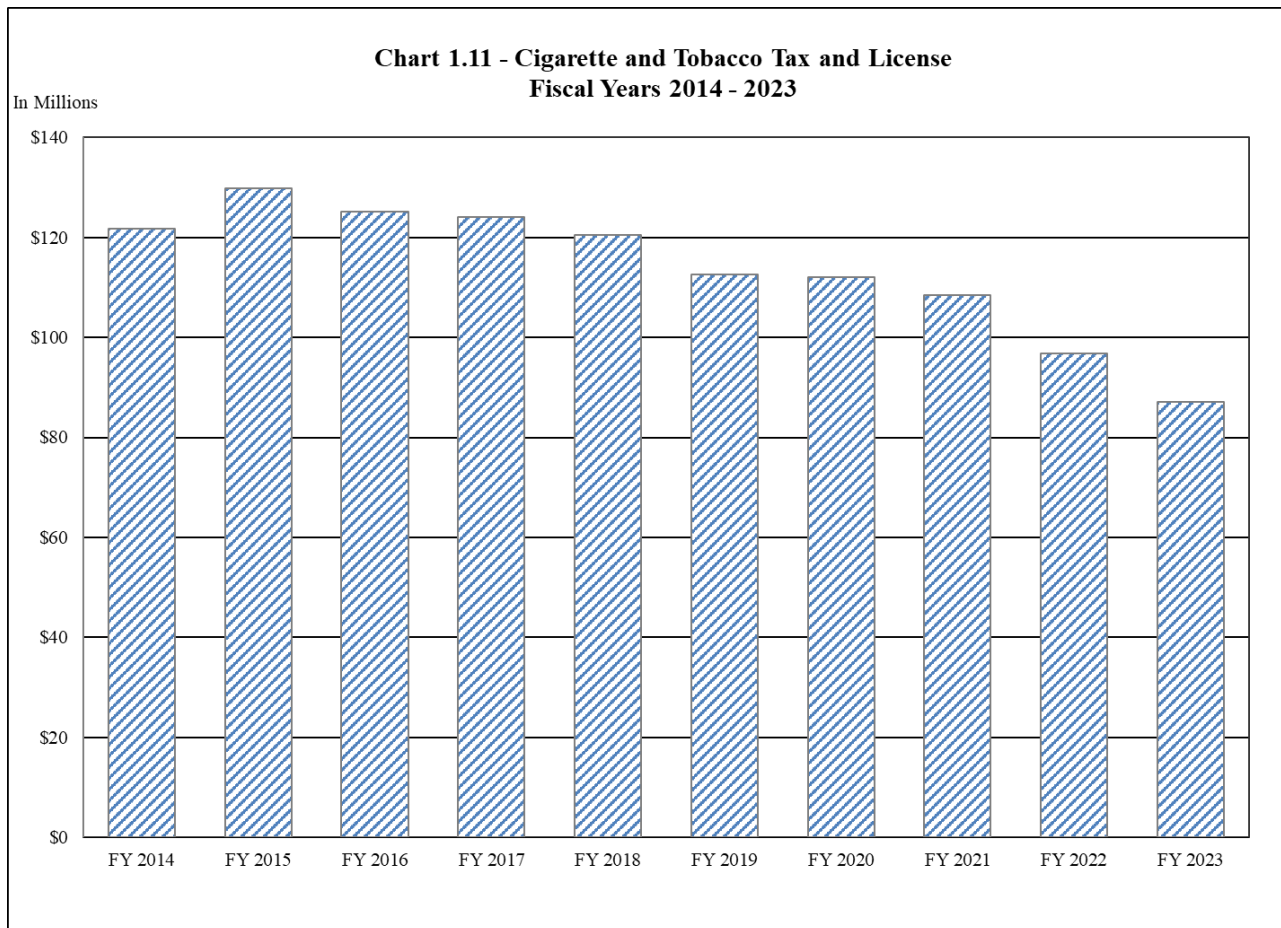


TABLE 1.7 - CIGARETTE AND TOBACCO TAX <sup>2</sup>  
(In Thousands of Dollars)

	FY 2023	FY 2022	Difference	
			Amount	% Change
Collection				
Tobacco and Licenses	\$ 87,016	\$ 96,863	\$ (9,847)	(10.2)
Distribution <sup>1</sup>				
Hawaii Cancer Research Fund	\$ 9,478	\$ 10,583	\$ (1,105)	(10.4)
Trauma System Fund	5,332	5,953	(622)	(10.4)
Emergency Medical Services Fund	5,924	6,615	(691)	(10.4)
Community Health Centers Fund	5,924	6,615	(691)	(10.4)
Cigarette Stamp Administrative and Enforcement Funds	1,289	1,439	(150)	(10.4)
Tax Administration Fund	-	-	-	n/m
General Fund	59,070	65,658	(6,589)	(10.0)
Total	\$ 87,016	\$ 96,863	\$ (9,847)	(10.2)

<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.

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

n/m - not meaningful.

## 1.9 PUBLIC SERVICE COMPANY TAX

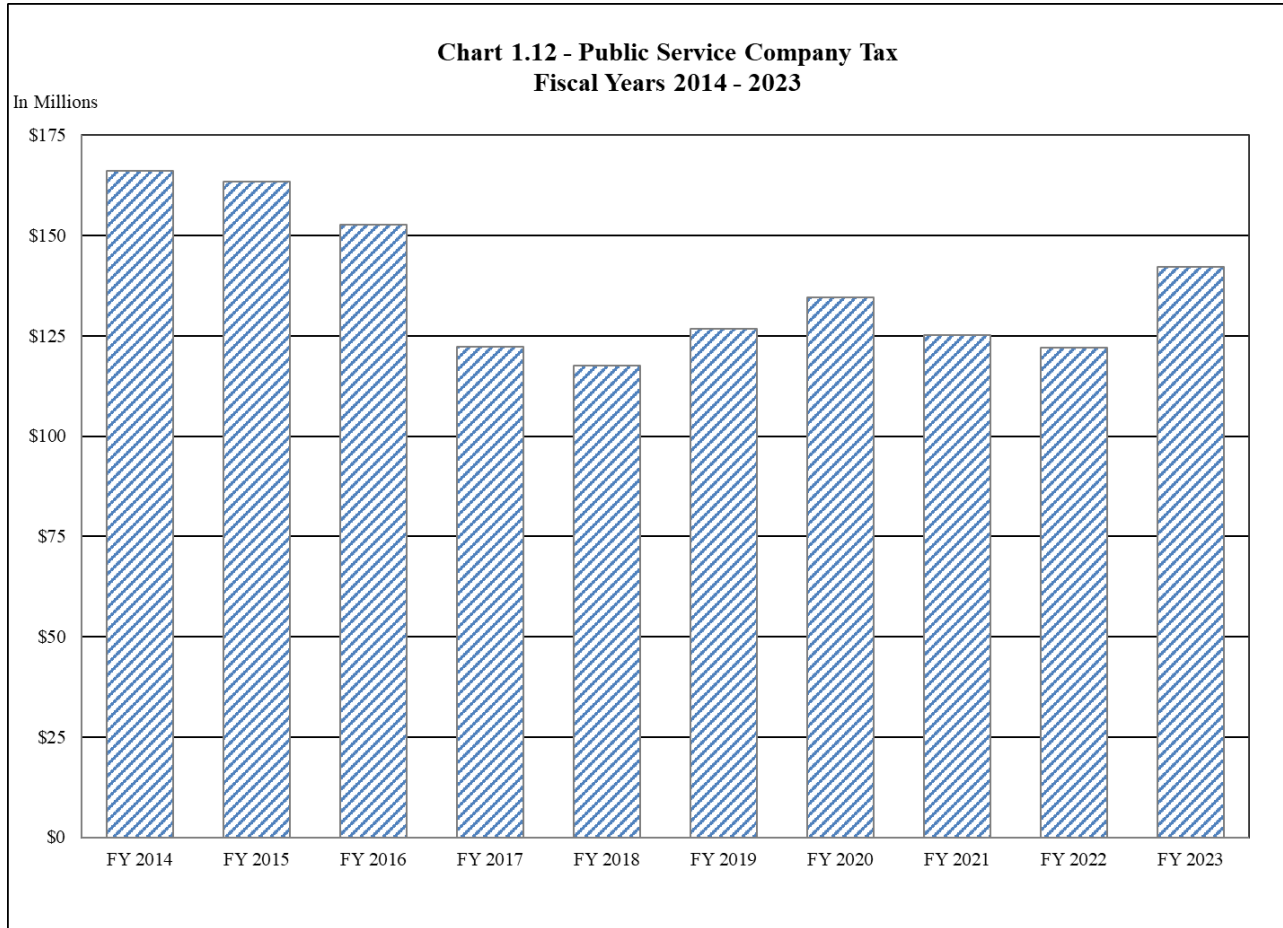
### 1.9.1 Overview

**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 increased moderately in FY 2023.** The PSC tax yielded \$142.2 million in tax, penalty, and interest in FY 2023, an increase of 16.5% from the \$122.1million collected in FY 2022. 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 2014 through FY 2023.





## 1.10 UNEMPLOYMENT INSURANCE TAX

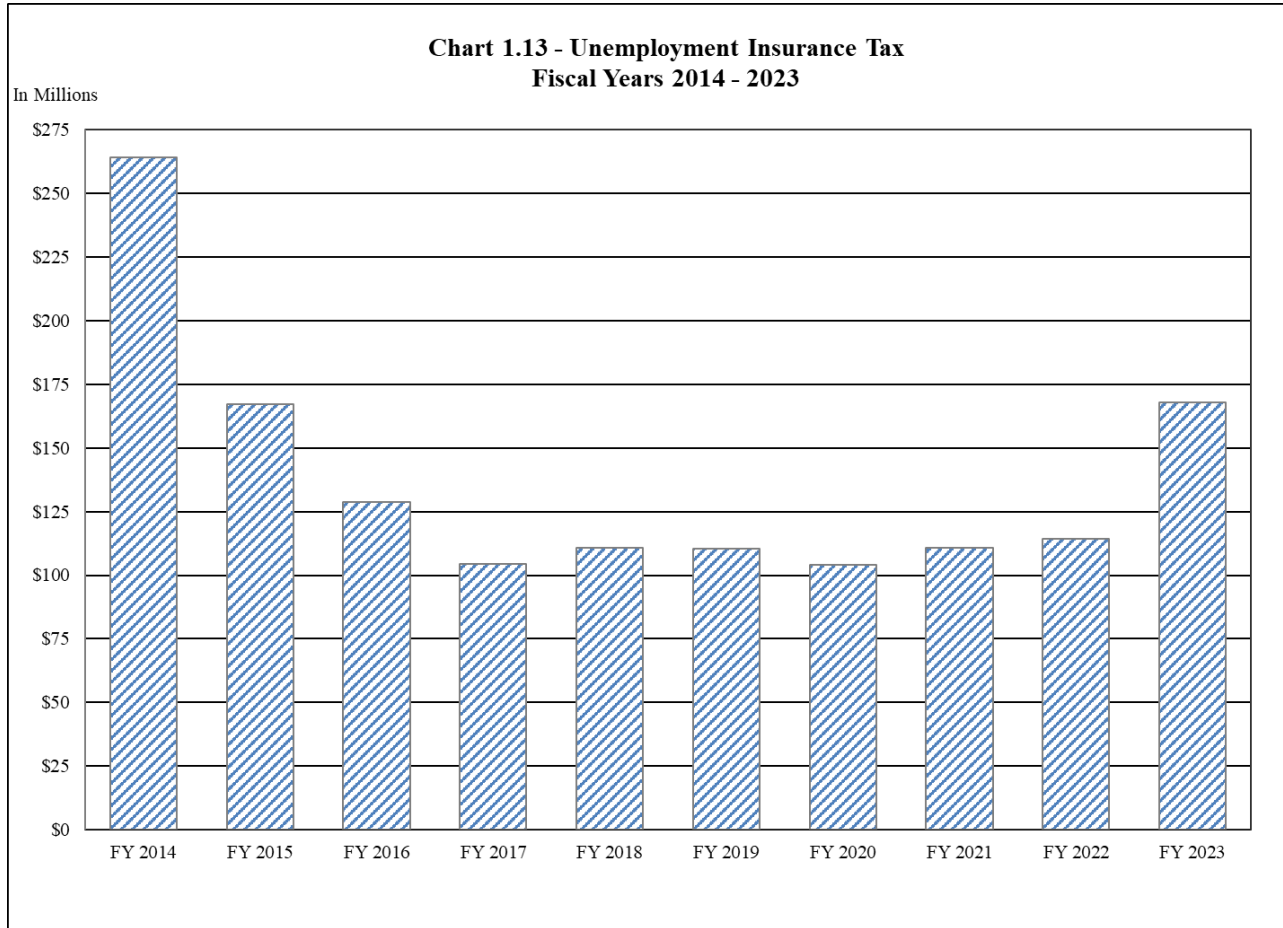
### 1.10.1 Overview

**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 2023, the tax base ranged from \$51,600 in CY 2022 to \$56,700 in CY 2023 and the contribution rate for new employers ranged from 3.0% in CY 2022 to 4.0% in CY 2023. 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

**Revenues from the UI tax increased significantly in FY 2023.** For FY 2023, revenue from the UI tax totaled \$167.9 million, up by 46.7% from \$114.4 million collected in FY 2022. Chart 1.13 shows collections of the UI tax for FY 2014 through FY 2023.





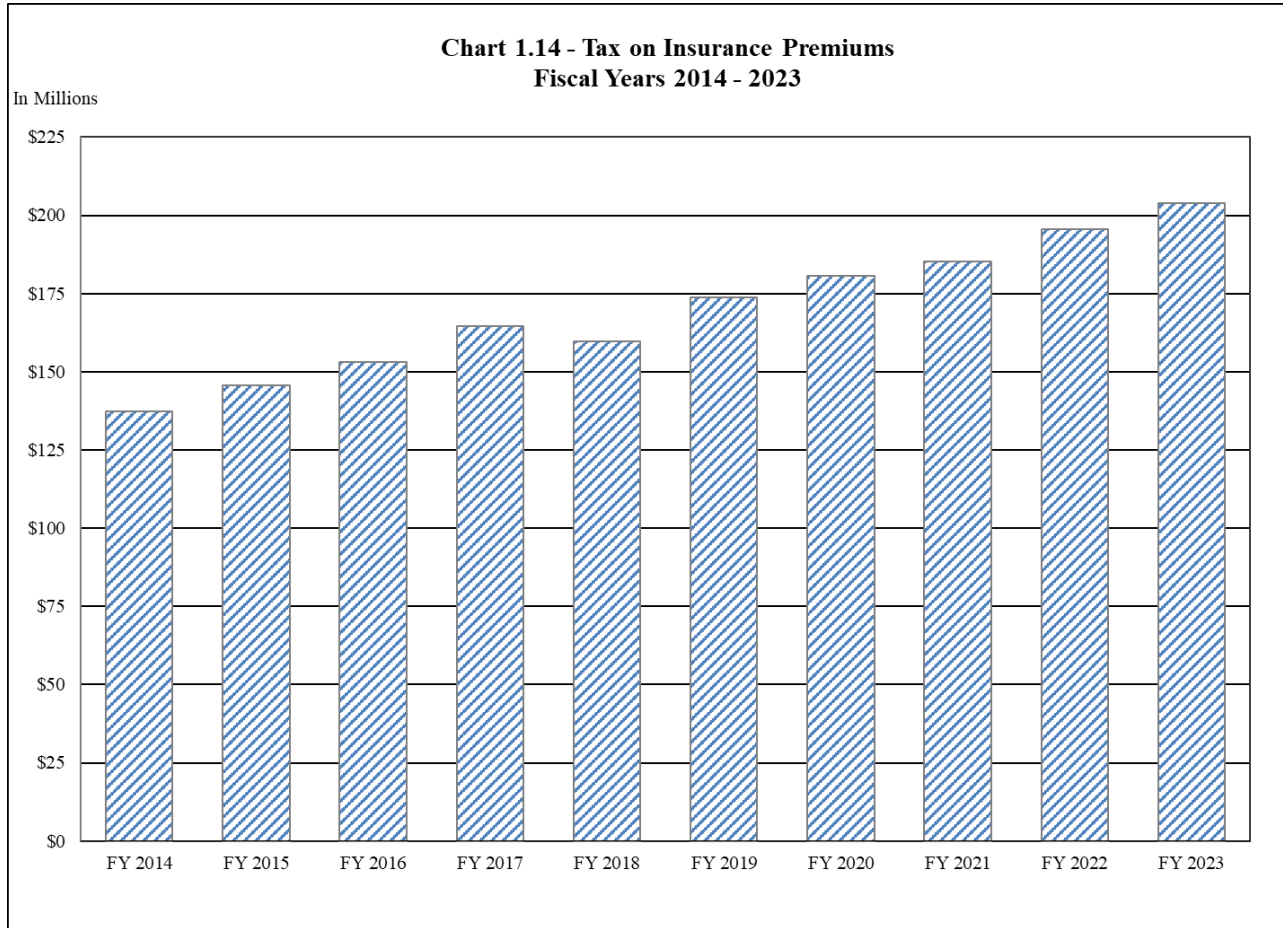
## 1.11 INSURANCE PREMIUM TAX

### 1.11.1 Overview

**The tax on insurance premiums applies to insurance companies (underwriters) for premiums written in Hawai‘i.** 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 in FY 2023, a total of \$203.8 million,** compared to \$195.6 million in FY 2022, an increase of 4.2%. Chart 1.14 shows collections of the tax for FY 2014 through FY 2023.



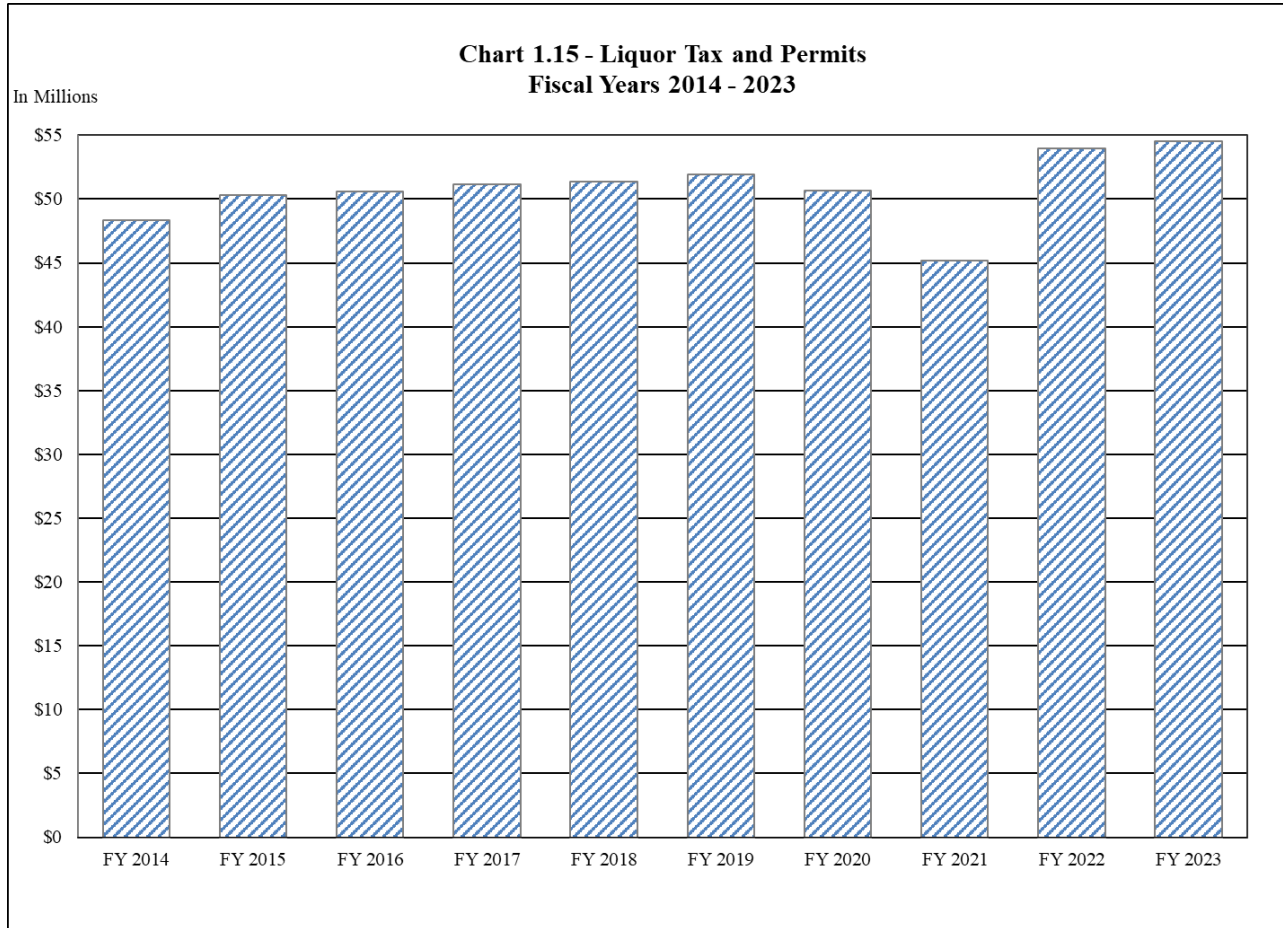
## 1.12 LIQUOR TAX

### 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 increased in FY 2023, a total of \$54.5 million, an increase of 1.0% from the \$54.0 million collected in FY 2022.** Chart 1.15 shows collections of the liquor tax and permit fees for FY 2014 through FY 2023.



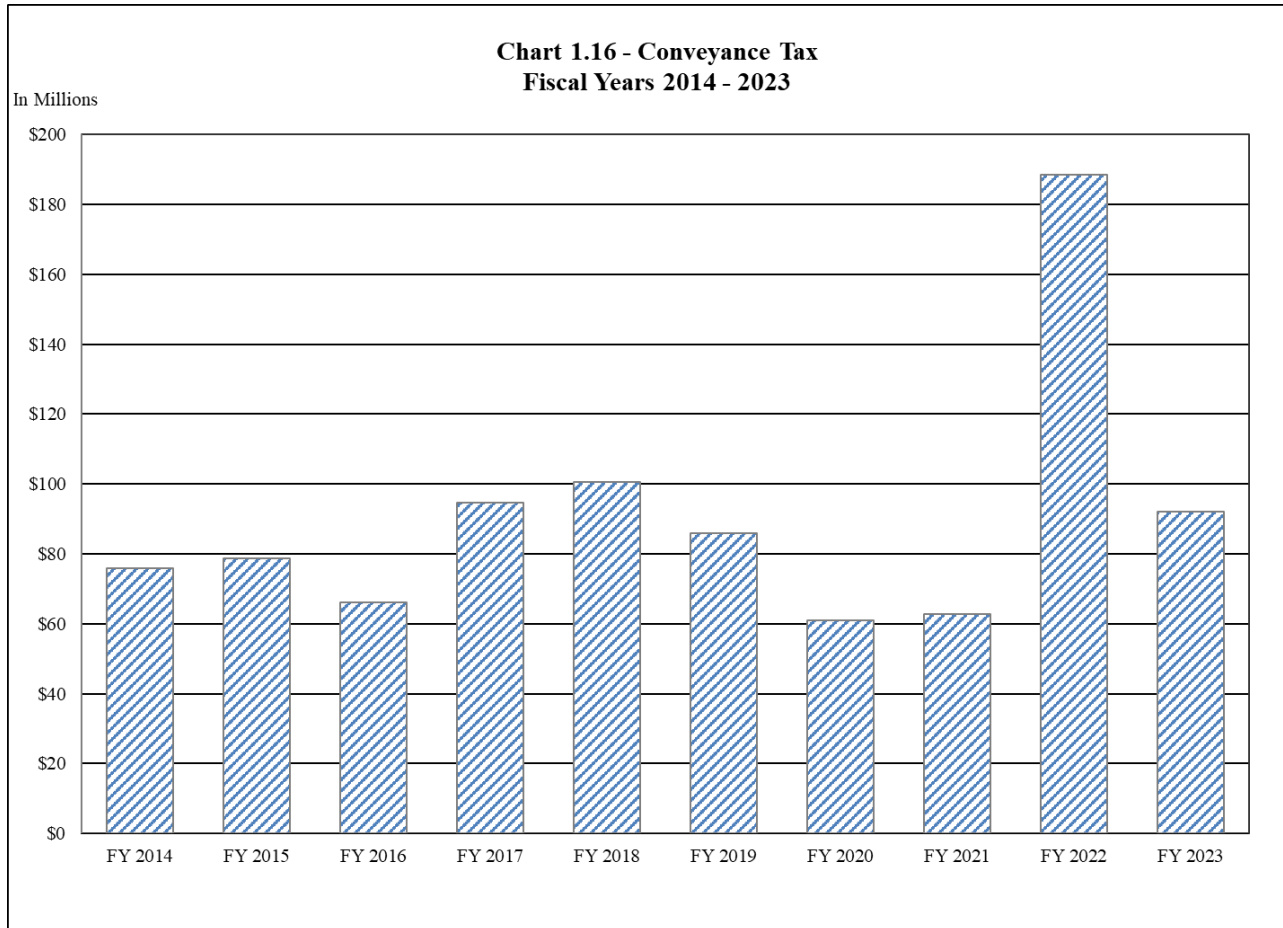
## 1.13 CONVEYANCE TAX

### 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 2023, revenue from the conveyance tax totaled \$92.1 million, down from \$188.4 million in FY 2022, a significant decrease of 51.1%.** The revenues for FY 2023 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 2014 through FY 2023.



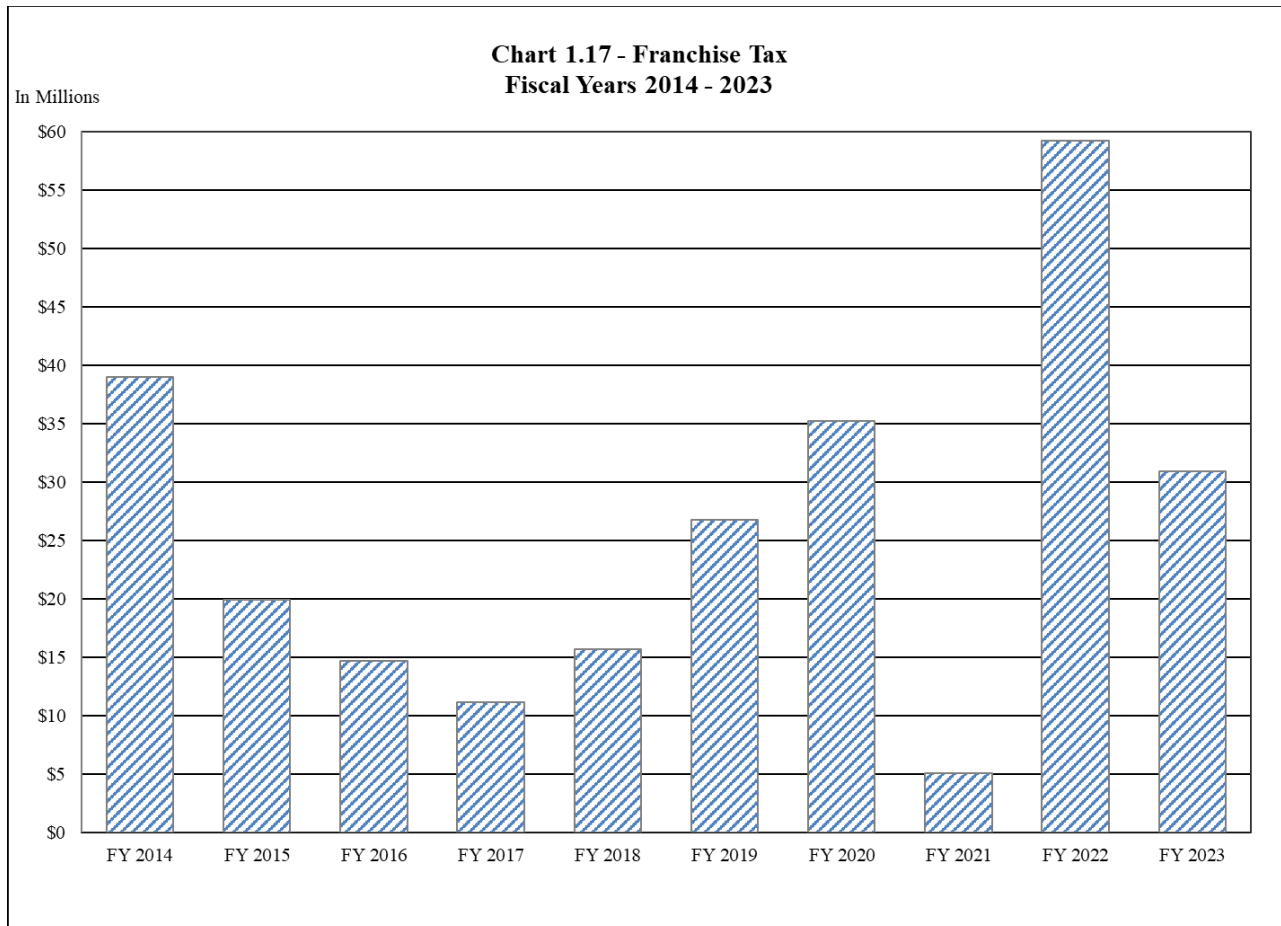
## 1.14 TAX ON BANKS AND OTHER FINANCIAL CORPORATIONS

### 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 2023, franchise tax collections totaled \$31.0 million, down from \$59.3 million in FY 2022, a marked decrease of 47.7%. Collections of the tax were low in FY 2021, due partly to \$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 2014 through FY 2023.





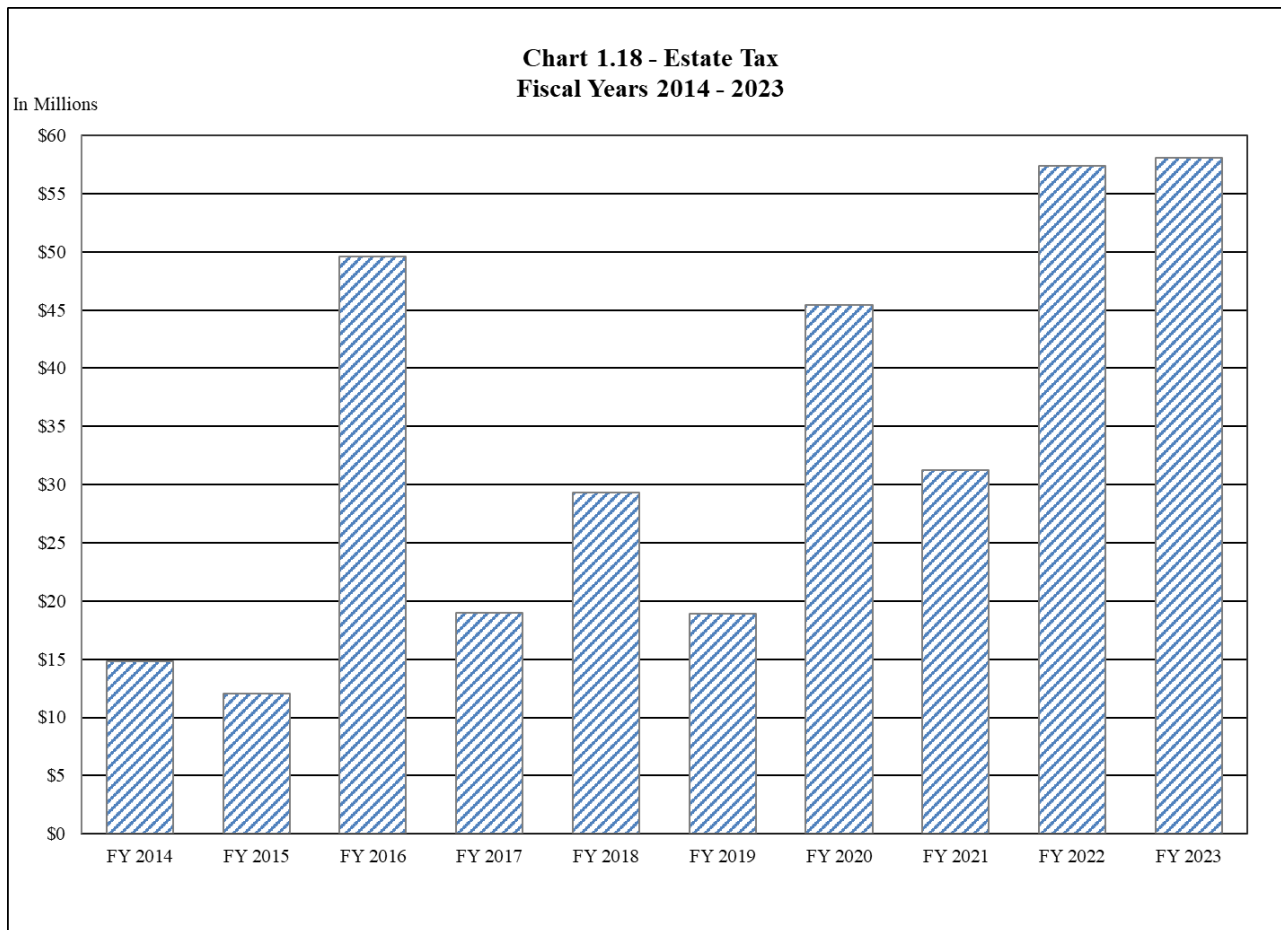
## 1.15 ESTATE AND TRANSFER TAX

### 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 2023, estate tax collections totaled \$58.1 million, up from \$57.4 million collected in FY 2022. Chart 1.18 shows collections of the estate and transfer tax for FY 2014 through FY 2023.



## 1.16 COUNTY SURCHARGE TAX

### 1.16.1 Overview

The county surcharge is a tax applied on top of the State's 4.0% GET. The Department is required to administer and collect the surcharge for the counties. The State retains 1% of the county surcharge collections to reimburse it for administrative costs.

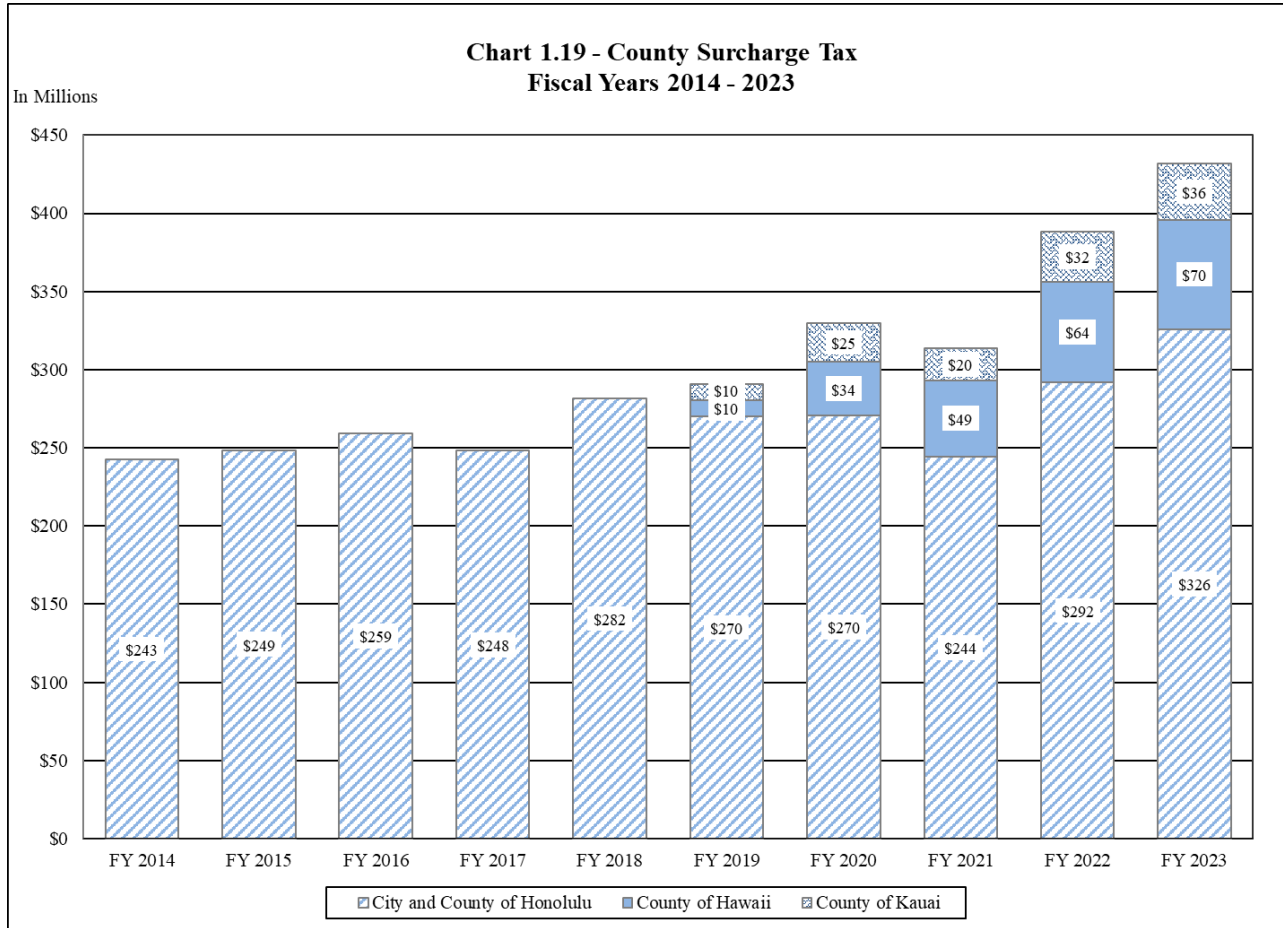
The county surcharge must be adopted by county ordinance at a rate of no greater than 0.5%. As of June 30, 2023, the following counties have adopted the surcharge:

County	Surcharge Rate	Effective Date
Honolulu	0.5%	January 1, 2007 – December 31, 2030
Kaua'i	0.5%	January 1, 2019 – December 31, 2030
Hawai'i	0.25%	January 1, 2019 – December 31, 2019
	0.5%	January 1, 2020 – December 31, 2030

Act 48, SLH 2023, extends the period in which Maui County may adopt a surcharge on state tax from March 31, 2019 to December 31, 2023. Any surcharges adopted after December 31, 2022 must be used for housing infrastructure. The Act also authorizes Kaua'i County and Hawai'i County to amend their ordinances to change the authorized uses of surcharge revenues to include housing infrastructure. The Act took effect on June 1, 2023.

### 1.16.2 Revenue

For FY 2023, collections of county surcharges totaled \$431.6 million, an increase of 11.2% from the \$388.2 million collected in FY 2022. Starting in January 2019, the new surcharges imposed by the County of Hawai'i and the County of Kaua'i were included in the county surcharge collections. In FY 2023, collections from the county surcharges were distributed as follows: \$326.0 million went to the City and County of Honolulu; \$70.0 million went to the County of Hawai'i; and \$35.6 million went to the County of Kaua'i. Chart 1.19 shows collections of the county surcharges for FY 2014 through FY 2023.



### 1.17 TOTAL TAX COLLECTIONS

**Total tax collections in FY 2023 amounted to \$10.44 billion, down by 0.2% from the \$10.46 billion collected in FY 2022.** The Department collected the great majority of the total taxes (\$10.0 billion), but the counties collected \$143.3 million in State motor vehicle weight taxes and registration fees, the Insurance Commissioner (in the Department of Commerce and Consumer Affairs) collected \$203.8 million in insurance premium taxes, and the Bureau of Conveyances (in the Department of Land and Natural Resources) collected \$92.1 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 2023		FY 2022	
	Amount Collected	% of Total	Amount Collected	% of Total
Banks - Financial Corps.	\$ 30,969	0.30	\$ 59,252	0.57
Conveyance	92,132	0.88	188,418	1.80
Employment Security Contributions	167,886	1.61	114,431	1.09
Fuel <sup>3, 4</sup>	171,647	1.64	170,555	1.63
Environmental Response	27,455	0.26	25,949	0.25
General Excise and Use	4,442,651	42.56	4,009,909	38.33
County Surcharge <sup>5</sup>	431,568	4.13	388,211	3.71
Income - Corporations	316,599	3.03	256,033	2.45
Income - Individuals	3,100,465	29.70	3,761,269	35.95
Inheritance and Estate	58,083	0.56	57,405	0.55
Insurance Premiums	203,791	1.95	195,607	1.87
Liquor and Permits	54,513	0.52	53,983	0.52
Motor Vehicle Tax and Fees <sup>1</sup>	143,329	1.37	142,806	1.37
Rental Vehicle Tax and Fees	101,450	0.97	79,576	0.76
Public Service Companies	142,195	1.36	122,068	1.17
Tobacco and Licenses	87,016	0.83	96,863	0.93
Trans. Accom. Fees	23	0.00	29	0.00
Trans. Accom. Tax	865,234	8.29	738,634	7.06
All Others <sup>2</sup>	781	0.01	840	0.01
<b>TOTAL</b>	<b>\$10,437,786</b>	<b>100.00</b>	<b>\$10,461,837</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 \$169,403 thousand for fiscal year 2023. A total of \$2,244 in undistributed fuel taxes from previous years were included in several monthly reports in fiscal year 2023.

<sup>4</sup> Fuel tax collections were \$172,946 thousand for fiscal year 2022, of which \$2,391 thousand could not be distributed because the required tax returns were not available.

<sup>5</sup> Includes amounts allocated as of June 30, 2023 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 \$10.44 billion in total tax collections in FY 2023, \$9.20 billion or 88.1% was deposited into the State's General Fund.** The four counties received \$89.3 million from county fuel taxes. In addition, \$431.6 million of county surcharge was collected for the City and County of Honolulu, the County of Hawai'i, and the County of Kaua'i (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, \$322.4 million. All the unemployment insurance tax (the employment security contributions) went into the Unemployment Trust Fund for unemployment benefits. Table 1.9 shows allocations of taxes to the State's General Fund in FY 2022 and FY 2023. The distributions of the total tax collections among all funds in FY 2022 and FY 2023 are shown in Table 1.10.

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

SOURCE OF REVENUE	FY 2023		FY 2022	
	Amount Collected	% of Total	Amount Collected	% of Total
Banks - Financial Corps.	\$ 28,969	0.31	\$ 57,252	0.61
Conveyance	49,032	0.53	145,318	1.55
General Excise and Use	4,408,473	47.92	3,978,993	42.52
Income - Corporations	316,831	3.44	255,621	2.73
Income - Individuals	3,099,886	33.69	3,759,753	40.17
Inheritance and Estate	58,083	0.63	57,405	0.61
Insurance Premiums	203,791	2.22	195,607	2.09
Liquor and Permits	54,513	0.59	53,983	0.58
Public Service Companies	142,195	1.55	122,068	1.30
Tobacco and Licenses	59,070	0.64	65,658	0.70
Trans. Accom. Tax	756,578	8.22	645,429	6.90
Environmental Response Tax	22,074	0.24	20,878	0.22
All Others *	812	0.01	882	0.01
<b>TOTAL</b>	<b>\$ 9,200,305</b>	<b>100.00</b>	<b>\$ 9,358,848</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)

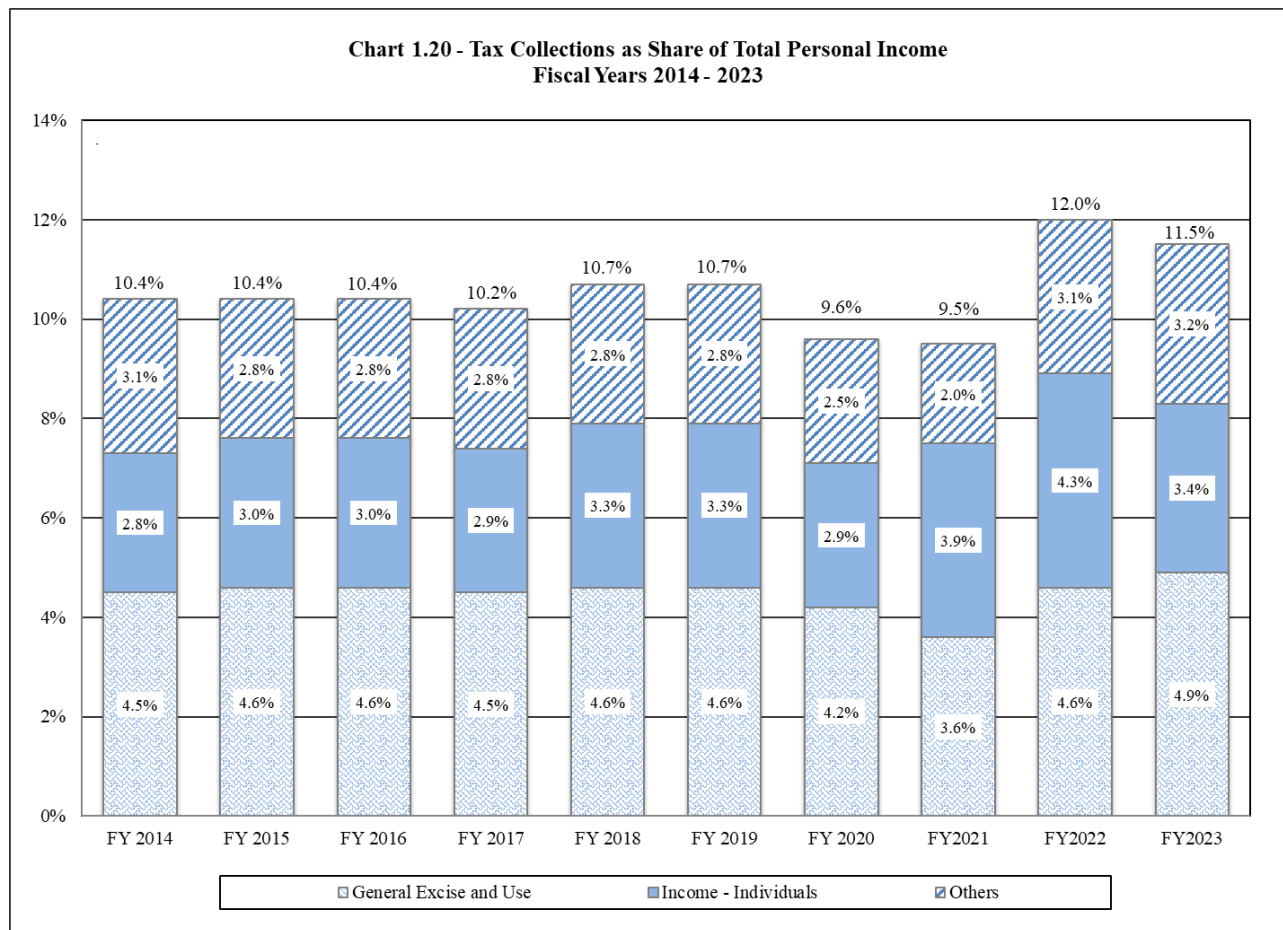
	FY 2023		FY 2022	
	Amount Distributed	% of Total	Amount Distributed	% of Total
<b>STATE FUND</b>				
State General Fund	\$ 9,200,305	88.14	\$ 9,358,848	89.46
State Highway Fund	322,357	3.09	299,365	2.86
State Airport Fund	3,088	0.03	3,114	0.03
Boating Special Fund	1,686	0.02	1,674	0.02
Environmental Fund	1,313	0.01	1,241	0.01
Cigarette Stamp Admin/Enf. Fund	1,289	0.01	1,439	0.01
Compliance Resolution Fund	2,000	0.02	2,000	0.02
Election Campaign Fund	91	0.00	102	0.00
Unemployment Trust Fund	167,886	1.61	114,431	1.09
Rental Housing Fund	38,000	0.36	38,000	0.36
Convention Center Fund	11,000	0.11	11,000	0.11
Land Conservation Fund	5,100	0.05	5,100	0.05
Tourism Emergency Special Fund	-	-	-	-
School Repairs and Maintenance Fund	56	0.00	62	0.00
Public Libraries Fund	124	0.00	134	0.00
Domestic Violence/Child Abuse Neglect Fund	125	0.00	138	0.00
Cancer Research Fund	9,478	0.09	10,583	0.10
Trauma System Fund	5,332	0.05	5,953	0.06
Emergency Medical Service Fund	5,924	0.06	6,615	0.06
Community Health Centers Fund	5,924	0.06	6,615	0.06
Energy Security Fund	1,191	0.01	1,111	0.01
Energy Systems Development Fund	1,377	0.01	2,007	0.02
Electric Vehicle Charging System Subaccount	750	0.01	712	0.01
Hydrogen Fueling System Subaccount	750	0.01	-	-
Turtle Bay Conservation Easement Fund	1,500	0.01	1,500	0.01
Land and Development Fund	3,000	0.03	3,000	0.03
Mass Transit Special Fund	82,707	0.79	69,992	0.67
Tax Administration Fund	44,579	0.43	40,122	0.38
Subtotal - State	\$ 9,916,931	95.01	\$ 9,984,860	95.44
<b>COUNTY SURCHARGE <sup>1</sup></b>	\$ 431,568	4.13	\$ 388,211	3.71
<b>REVENUES TRANSFERRED TO COUNTIES</b>				
Other County Revenues				
Fuel Tax	\$ 89,287	0.86	\$ 88,767	0.85
Subtotal - Counties	\$ 520,855	4.99	\$ 476,977	4.56
<b>TOTAL</b>	<b>\$10,437,786</b>	<b>100.00</b>	<b>\$10,461,837</b>	<b>100.00</b>

<sup>1</sup> Includes amounts allocated as of June 30, 2023 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.

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 decreased in FY 2023.** Table 1.11 provides data on total tax collections for FY 2014 through FY 2023. Chart 1.20 shows total tax collections relative to total personal income (TPI) in the State for FY 2014 through FY 2023.<sup>2</sup> From FY 2014 to FY 2016, the ratio of tax collections to TPI stayed the same. From FY 2016 to FY 2017, the ratio declined but increased from FY 2017 to FY 2019. The ratio from FY 2019 to FY 2022 indicated the impacts of the pandemic and change in net income tax filing deadline. From FY 2019 to FY 2021, the ratio fell but went up from FY 2021 to FY 2022. From FY 2022 to FY 2023, the ratio went down. Article VII, Section 9 of the 1978 Hawai'i 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, FY 2014 THROUGH FY 2023  
(In Thousands of Dollars)

SOURCE OF REVENUE	Fiscal Year				
	2014	2015	2016	2017	2018
General Excise and Use	\$2,880,541	\$3,048,207	\$3,206,154	\$3,239,225	\$3,395,566
Income - Individuals	1,745,810	1,988,194	2,116,859	2,095,898	2,430,356
Transient Accom. Tax and Fees	395,242	420,981	446,794	508,377	554,912
Unemployment Insurance	264,178	167,248	128,577	104,313	110,885
Motor and Rental Vehicle <sup>1</sup>	168,726	180,755	187,704	186,490	193,241
Fuel and Environmental <sup>3</sup>	193,550	193,082	198,136	194,761	201,778
Public Service Companies	166,179	163,481	152,760	122,159	117,641
Tobacco and Licenses	121,742	129,851	125,093	124,066	120,522
Insurance Premiums	137,179	145,679	153,173	164,688	159,814
Income - Corporations	87,021	52,319	93,036	173,666	131,119
Liquor and Permits	48,305	50,281	50,590	51,167	51,383
Conveyance	75,831	78,702	66,083	94,537	100,603
Banks - Financial Corporations	38,983	19,930	14,691	11,174	15,712
<b>Total Collections <sup>2</sup></b>	<b>\$6,581,424</b>	<b>\$6,900,042</b>	<b>\$7,249,205</b>	<b>\$7,338,382</b>	<b>\$7,895,708</b>

SOURCE OF REVENUE	Fiscal Year				
	2019	2020	2021	2022	2023
General Excise and Use	\$3,541,389	\$3,436,138	\$3,080,194	\$4,009,909	\$4,442,651
Income - Individuals	2,568,616	2,359,816	3,355,452	3,761,269	3,100,465
Transient Accom. Tax and Fees	600,334	564,318	215,316	738,663	865,257
Unemployment Insurance	110,309	104,068	110,591	114,431	167,886
Motor and Rental Vehicle <sup>1</sup>	196,120	206,714	170,723	222,381	244,779
Fuel and Environmental <sup>3</sup>	206,345	195,259	172,063	196,504	199,102
Public Service Companies	126,691	134,639	125,201	122,068	142,195
Tobacco and Licenses	112,518	111,983	108,454	96,863	87,016
Insurance Premiums	173,844	180,753	185,337	195,607	203,791
Income - Corporations	163,676	8,407	186,680	256,033	316,599
Liquor and Permits	51,913	50,674	45,178	53,983	54,513
Conveyance	85,965	61,110	62,725	188,418	92,132
Banks - Financial Corporations	26,808	35,271	5,079	59,252	30,969
<b>Total Collections <sup>2</sup></b>	<b>\$8,275,024</b>	<b>\$7,825,208</b>	<b>\$8,168,623</b>	<b>\$10,461,837</b>	<b>\$10,437,786</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, 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> 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>3</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. Fuel tax collections were \$172,946 thousand for fiscal year 2022, of which \$2,391 thousand could not be distributed because the required tax returns were not available. Fuel tax collections were \$169,403 thousand for fiscal year 2023. A total of \$2,244 thousand in undistributed fuel taxes from previous years were included in several monthly reports in fiscal year 2023.

## 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 Taxpayer Advocate is 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 434 in FY 2023. The Department's operating expenses were \$26.1 million. The Department collected \$10.00 billion in taxes in FY 2023. This implies that the cost of collecting each \$100 of taxes was about 27 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, 89% of all returns processed in the fiscal year were processed electronically.

**The Compliance Division's Tax Collections program collected \$231 million in delinquent taxes in FY 2023,** compared to \$232 million for FY 2022. The Field Audit and Office Audit programs issued assessments worth \$472 million in FY 2022, from which \$59 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.** In addition to providing various services to both individual and business taxpayers, the Taxpayer Services Branch (TPS) performs functions relating to tax registration and taxpayer account management. The Document Processing Branch (DP) manages the receiving, editing and centralized processing of tax information and processes payments received from both paper and electronic filings, and is further responsible for securing and depositing tax payments. The Revenue Accounting Branch (RA) maintains revenue control and reconciliation functions for all State tax revenues. RA is also responsible for the preparation of various revenue related reports, such as the monthly Preliminary Report (on revenues collected) and the Statement of Tax Operations (STO).

**In FY 2023, 91% of all general excise, transient accommodation and other non-income taxpayers used Hawaii Tax Online (HTO) for filing returns.** This is an increase of 2% over FY 2022. HTO offers efficiencies for both the taxpayer and TSP.

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

### 2.2.2 Taxpayer Services Branch

TPS is made up of three main sections: (1) Customer Inquiry; (2) Account Management; and (3) Tax Registration.

#### Customer Inquiry

Customer Inquiry provides taxpayer assistance by phone and in-person at the TPS windows. A total of 18,658 customer were assisted at the windows in FY 2023. The average was 1,554 customers per month with a high of 2,200 serviced in the month of April.

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.

FY	Total Incoming Calls	Total Calls to Attendants	Total Calls Answered	Answer Rate
<b>2023</b>	<b>346,172</b>	<b>242,358</b>	<b>101,747</b>	<b>42%</b>
2022	202,275	159,401	94,853	60%
2021	211,014	173,097	134,192	78%
2020	233,582	154,549	126,287	82%
2019	270,290	170,168	127,092	75%
2018	346,644	158,414	116,697	74%
2017	671,606	131,299	90,786	69%

#### 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 the Department's computer system during processing and placed on a work list for manual review.

In FY 2023, the team reviewed and posted 183,757 returns, payments, and other documents to the system that the system was initially unable to process. Corrections have decreased by 11% during FY 2023, due in large part to the increase in electronic filings, which create fewer errors on the returns. The table below reflects monthly average postings of documents work-listed since FY 2016:

FY	# of Postings
<b>2023</b>	<b>15,313</b>
2022	17,131
2021	16,708
2020	18,841
2019	17,444
2018	23,843
2017	22,135
2016	18,162

## Tax Registration

The Tax Registration Section process business license applications and renewals. In FY 2023, 50,683 business license applications were processed, compared to 44,350 applications the previous fiscal year. 39,209, or 77%, of the applications were filed online using Hawai'i Business Express and HTO, compared to 57% in FY 2022. The Tax Registration Section also processes powers of attorney forms, changes of address, and verified practitioner registrations.

### **2.2.3 Document Processing Branch**

The Document Processing Branch (DP) processes all tax returns and documents; receives, secures, deposits, and accounts for tax payments; and ensures proper electronic storage and retrieval of documents. DP is comprised of five sections: (1) Receiving and Sorting; (2) Data Preparation; (3) Imaging and Data Entry; (4) Quality Assurance; and (5) Monetary Control.

For FY 2023, there were 340,837 (11%) paper tax returns and 2,663,707 (89%) electronic tax returns processed. There was over \$9.82 billion in tax-related payments received. 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 prepare all Journal Vouchers and Summary Warrant Vouchers. RA is also responsible for error resolution, reconciliation and reporting functions for all State tax revenues. Specific tasks include the preparation of the Daily Cash Collection Report (Oahu District), the Preliminary Report, and the Statement of Tax Operations (STO).

The monthly Preliminary Report, which is released by the fifth working day of each month, is a summary of all revenues received by the Department, less the amount of tax refunds paid. The STO is a formal, detailed report of State revenues that is based on the Preliminary Report and is prepared by the tenth working day of each month. RA has consistently and diligently met the critical deadlines for these reports throughout this fiscal year, as well as in past years.

RA also performs manual accounting activities for all miscellaneous tax collections (with the exception of the estate and transfer tax), prepares journal entries associated with the various administratively-established trust accounts and for other legislatively mandated purposes, maintains the manual accounting system for all protested payments and tax appeals, provides allocation reports to the Department of Accounting & General Services (DAGS) and the Department of Budget & Finance (B&F), accounts for all tax refunds, and handles all refund exception activities, such as returned checks, tracers, or forgeries.

## **2.3 COMPLIANCE DIVISION**

### **2.3.1 Overview**

The Compliance Division maximizes taxpayer compliance with Hawaii's tax laws by civil and criminal enforcement of tax laws in a fair, consistent, and efficient manner. The Compliance



Division is composed of the O‘ahu Office Audit Branch, the O‘ahu Field Audit Branch, the O‘ahu Collections Branch, and the Maui, Hawai‘i, and Kaua‘i District Tax Offices. In addition to these branches and districts, there are also the Criminal Investigation Section (CIS), Special Enforcement Section (SES), and the Tax Fraud Unit (TFU). The Division has the following four programs to meet the objectives of the voluntary compliance, self-assessment tax system: (1) auditing/assessment, (2) collection, (3) civil and criminal investigation, and (4) taxpayer services.

**In FY 2023, the Special Enforcement Section (SES) collected \$44.2 million in impact revenue, a 9% increase.** The Office Audit program assessed \$429.8 million in FY 2023, compared to \$95.1 million in FY 2022, an increase of 351.8%. The Field Audit program completed 142 audits in FY 2023, compared to 148 audits in FY 2022, a decrease of 6 audits or (4.1%). The Tax Collections program collected \$186.5 million in delinquent taxes, compared to \$184.7 million in FY 2022, an increase of 1.8 million or 1.0%. The Criminal Investigation Section recovered \$450 thousand in restitution, assessments, penalties, and interest generated through its efforts. The Voluntary Disclosure Program brought in revenue of \$9.9 million. Last, but not least, the Taxpayer Services on the Neighbor Islands (Kaua‘i, Maui, Moloka‘i, Kona, and Hilo), had 107,512 taxpayer service contacts in FY 2023, compared to 104,286 in FY 2022.

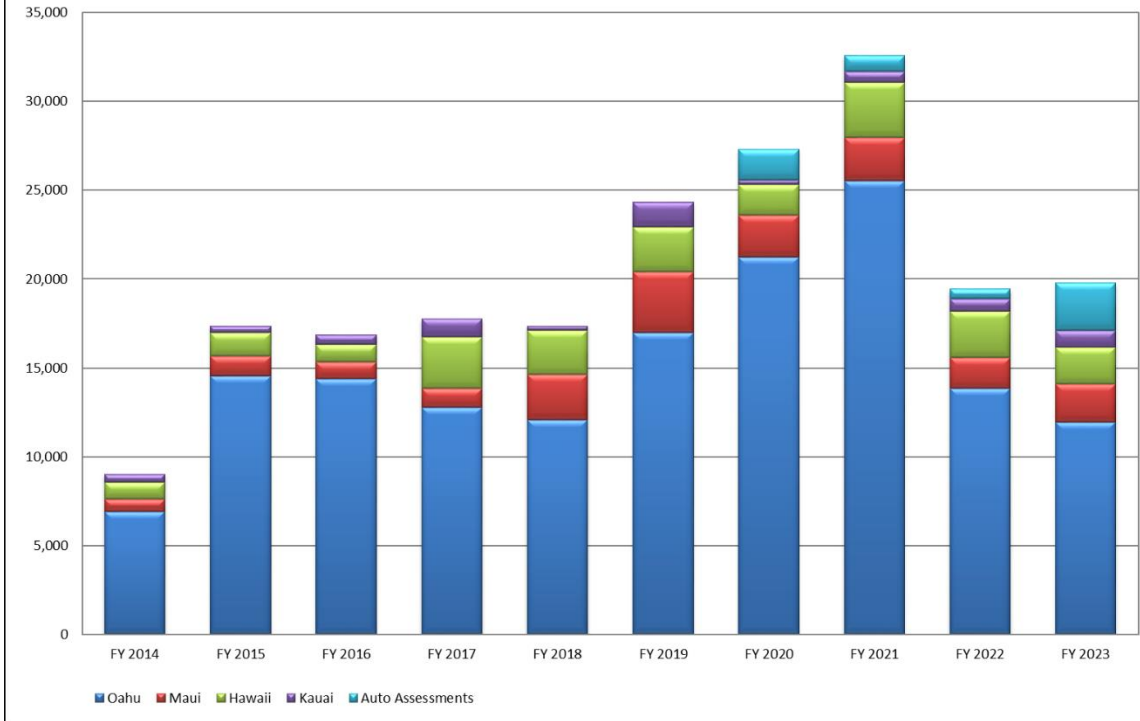
### ***2.3.2 Office Audit Branch***

**The Office Audit Branch performed examinations and audits to enhance voluntary compliance.** In FY 2023, the Office Audit Branch completed 11,944 cases, a decrease of 13.7% (1,896 cases) compared to FY 2022, the total dollars assessed was \$ 402,175,104 million, an increase of 454.2% (\$329,605,722 million) compared to FY 2022. The main reason for the increase is due to Office Audit performing audits in expanded subject matters, rather than simple tax return examinations.

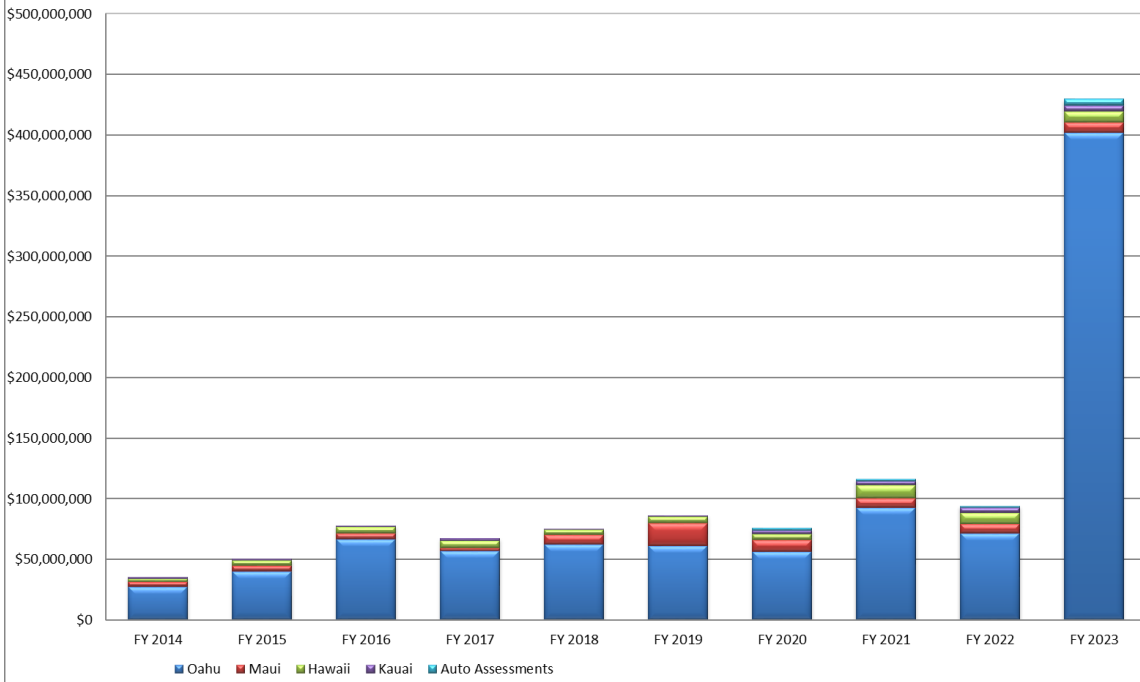
### ***2.3.3 Field Audit Branch***

**The Field Audit Branch performed audits involving intricate auditing procedures to enhance voluntary compliance.** In FY 2023, the number of audits completed by Field Audit Branch was 142 cases, a decrease of 4.0% (6 cases), and the total dollar assessed was \$42.0 million, a decrease of 58.0% (\$57.7 million). Charts 2.9 and 2.10 show the number of audits completed and the dollars assessed by Field Audit for FY 2014 through FY 2023. The Field Audit Branch collected \$23.7 million from assessments.

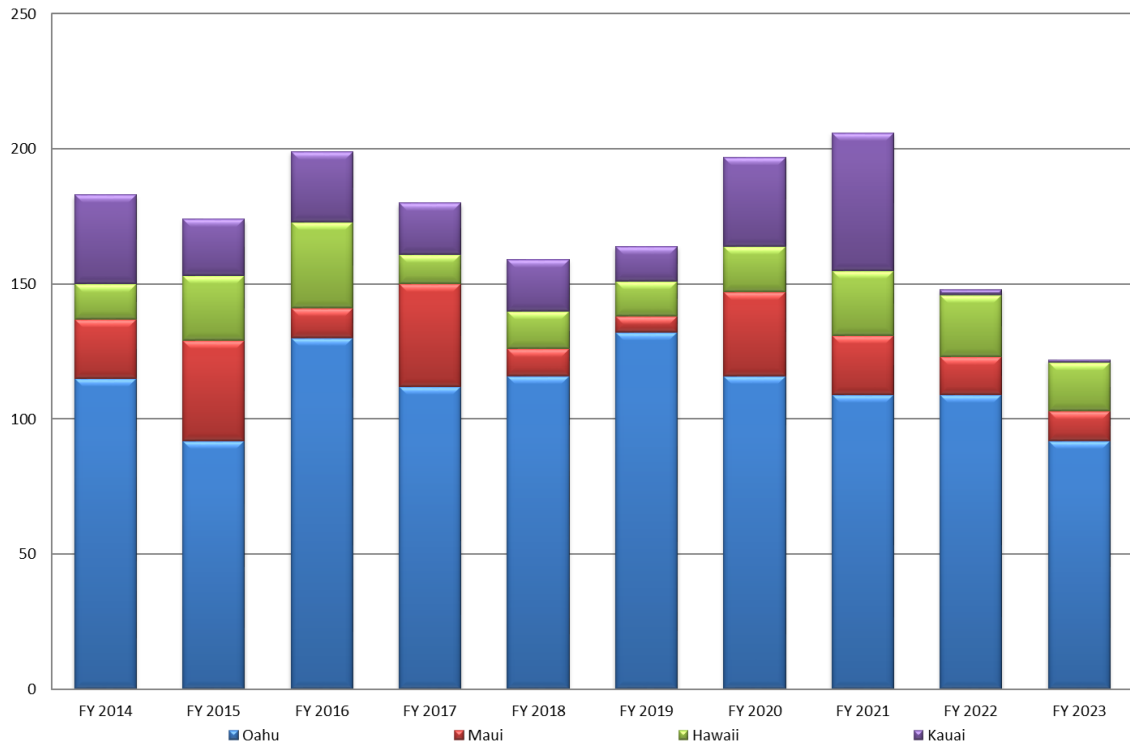
**Chart 2.7 - Office Audit: Number of Completed Audits**



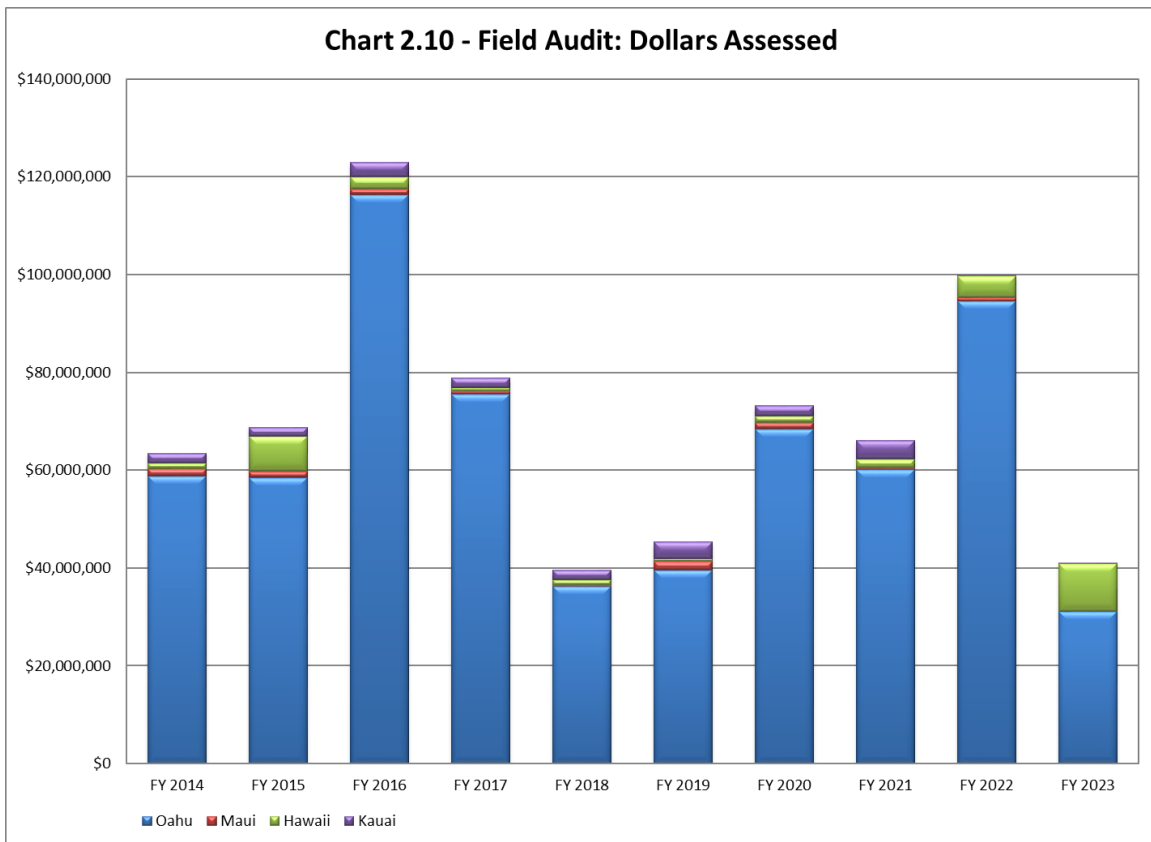
**Chart 2.8 - Office Audit: Dollars Assessed**



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

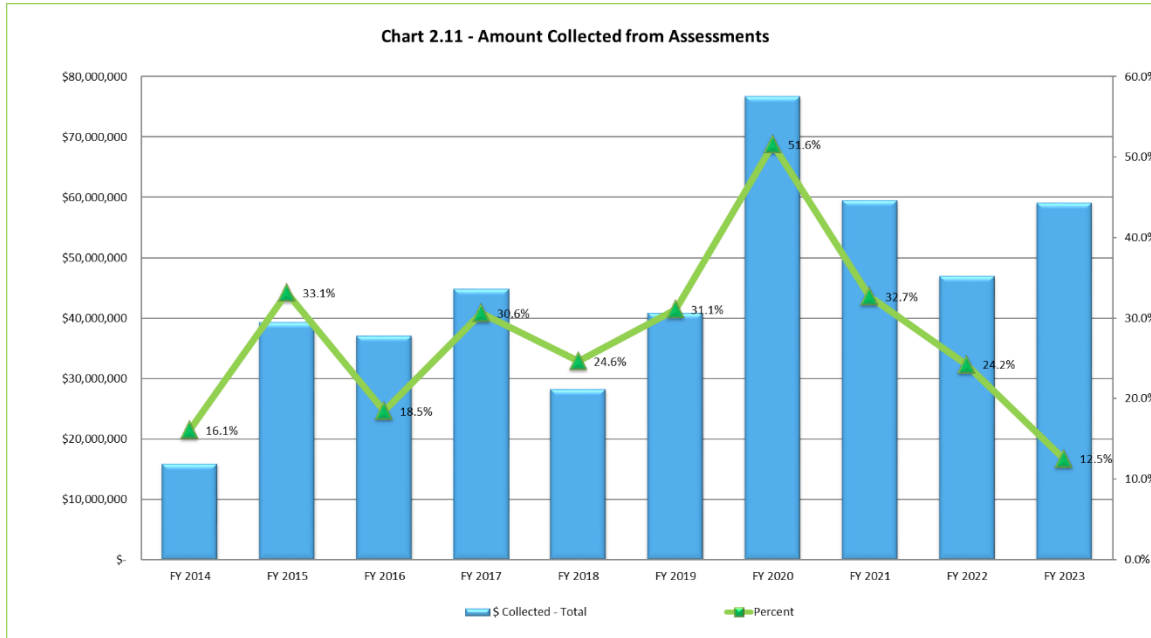


**Chart 2.10 - Field Audit: Dollars Assessed**



**2.3.4 Revenue - Office and Field Audit Assessments**

**The amount recovered as of the end of FY 2023 from audit assessments issued during FY 2023 totaled \$59 million.** The amount recovered as of end of FY 2022 from assessments issued during FY 2022 totaled \$47 million. Chart 2.11 shows the amount collected from assessments.



**TABLE 2.1 - AMOUNTS ASSESSED FOR FY 2023**

	<u>Office Audit</u>		<u>Field Audit</u>	
	Number of Audits	Dollars Assessed	Number of Audits	Dollars Assessed
Oahu	11,944	\$ 402,175,104	92	\$ 31,097,000
Maui	2,166	\$ 8,591,265	11	\$ 68,259
Hawaii	2,065	\$ 8,890,125	18	\$ 9,772,909
Kauai	946	\$ 4,698,160	1	\$ 64,428
Automated Assessments	2,647	\$ 5,456,302		
Returns				
Classifying Office			20	\$ 974,536
Total FY 2023	19,768	\$ 429,810,956	142	\$ 41,976,952
Total FY 2022	19,440	\$ 95,133,405	148	\$ 99,695,958
Difference	328	\$ 334,677,551	(6)	\$ (57,719,006)

### 2.3.5 Special Projects

The O‘ahu Office Audit Branch conducted the following highlighted special projects during FY 2023:

- Non-Filers: The examination of non-filer tax accounts resulted in \$32.0 million in assessments and adjustments.
- Special Enforcement, Fraud & Criminal Sections: The examination of tax accounts, including correspondence, review of tax information, and preparation of assessments, resulted in \$4.4 million in assessments and adjustments.
- Supplemental Audit Scope: The examination of unreported and under-reported income and overstated deductions pertaining to general excise tax and net income taxes resulted in the following:
  - Audit adjustments relating to the Hawaii Real Property Tax Act (HARPTA) amounted to an aggregate \$3.9 million reduction of refunds claimed.
  - Adjustments of net operating losses deducted amounted to \$13.3 million in additional taxes assessed.
  - Specific augmented focused audits amounted to \$317 million in assessments.

The O‘ahu Field Audit Branch conducted the following special projects during the fiscal year:

- Motion Picture, Digital Media and Film Production Income Tax Credit: Eight audit cases were completed resulting in \$2.9 million in assessments.
- Multistate Tax Commission (MTC) Audits: Eight multistate audit cases initially examined by the MTC were audited and assessed for Hawai‘i tax adjustments resulting in \$1.9 million in assessments.
- Foreign Trade Zone Audits: 25 audit cases were completed resulting in \$3.1 million in assessments.
- General Excise Tax Exemption for Sales to Non-profit Entities: 13 audit cases were completed resulting in \$2.6 million in assessments.
- Classification Audits: 18 audit cases were completed resulting in \$2.5 million in assessments.
- Capital Goods Excise Tax Credit (CGETC): Two audit cases on CGETC were completed resulting in \$2.8 million in assessments.

- Contracting and Subcontract Deductions Audits: 4 audit cases were completed resulting in \$3.7 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 \$2.9 million in assessments and adjustments.

The Maui Field Audit section conducted the following special projects during the fiscal year:

- Completed 11 audits, resulting in \$68,259 in assessments and recovered 60% or \$40,955 of those assessments.

The Hawai'i District Office Audit Section conducted the following special projects during the fiscal year:

- HARPTA Reviews: Audit adjustments relating to HARPTA resulted in approximately \$1.4 million reductions of refunds claimed.
- Non-Filers: The examinations in this area resulted in \$1.0 million in assessments and adjustments.

The Hawai'i District Field Audit Section conducted the following special projects during the fiscal year:

- Contracting and Subcontract Deductions: Three audits were conducted involving subcontract deductions that resulted in approximately \$421,000 in assessments.
- General Excise Tax Exemption: Multiple audits of general excise tax exemptions were conducted that resulted in approximately \$4.8 million in assessments.

The Kaua'i Office Audit Section conducted the following special projects during the fiscal year:

- HARPTA Refund Reviews: Completed 161 refund reviews which led to examination of 350 income, general excise/county surcharge, and transient accommodations tax returns. Of these returns, 330 were adjusted, resulting to approximately \$1.5 million in assessments and 88% or \$1.4 million recovered from those assessments.
- Non-filers: Completed 100 examinations, resulting to adjustments of 98 tax returns, approximately \$402,000 in assessments, and 20% or \$193,000 recovered from those assessments.
- Discovery: Completed 168 examination, leading to adjustments of 163 tax returns, \$906,000 in assessments and 21% or \$193,000 recovered from those assessments.

The Kaua'i Field Audit did not conduct any special projects due to lack of staff. The office is recruiting

to fill the vacancy.

The Returns Classifying Office conducted the following special projects during the fiscal year:

- Audit selection: Reviewed and referred potential audit candidates to Office Audit, Field Audit or Special Enforcement Section.
- Refund review: Initial review of large refunds.

### 2.3.6 Taxpayer Assistance Provided

**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 O‘ahu Office Audit, Field Audit, and Collection units also provided support services to the neighbor island district tax offices and to the O‘ahu Taxpayer Services Branch when requested. Table 2.2 summarizes the number of times that taxpayer assistance was provided by the Maui, Hawai‘i, and Kaua‘i District Tax Offices.

**TABLE 2.2 - TAXPAYER ASSISTANCE PROVIDED BY MAUI, HAWAI‘I, AND KAUA‘I DISTRICT OFFICES**

	FY2023	FY2022	Difference	Percentage
Counter	33,973	12,439	21,534	173%
Phone Services	56,906	76,096	(19,190)	(25%)
Tax Clearances	2,301	1,703	598	35%
Correspondence	13,732	24,161	(10,429)	(43%)
Total Service	107,512	103,970	3,542	3%

**The Compliance Division’s taxpayer services sections in the districts routinely provide telephone and counter services** for the neighbor islands and can use the statewide tax data system to assist with any tax inquiry.

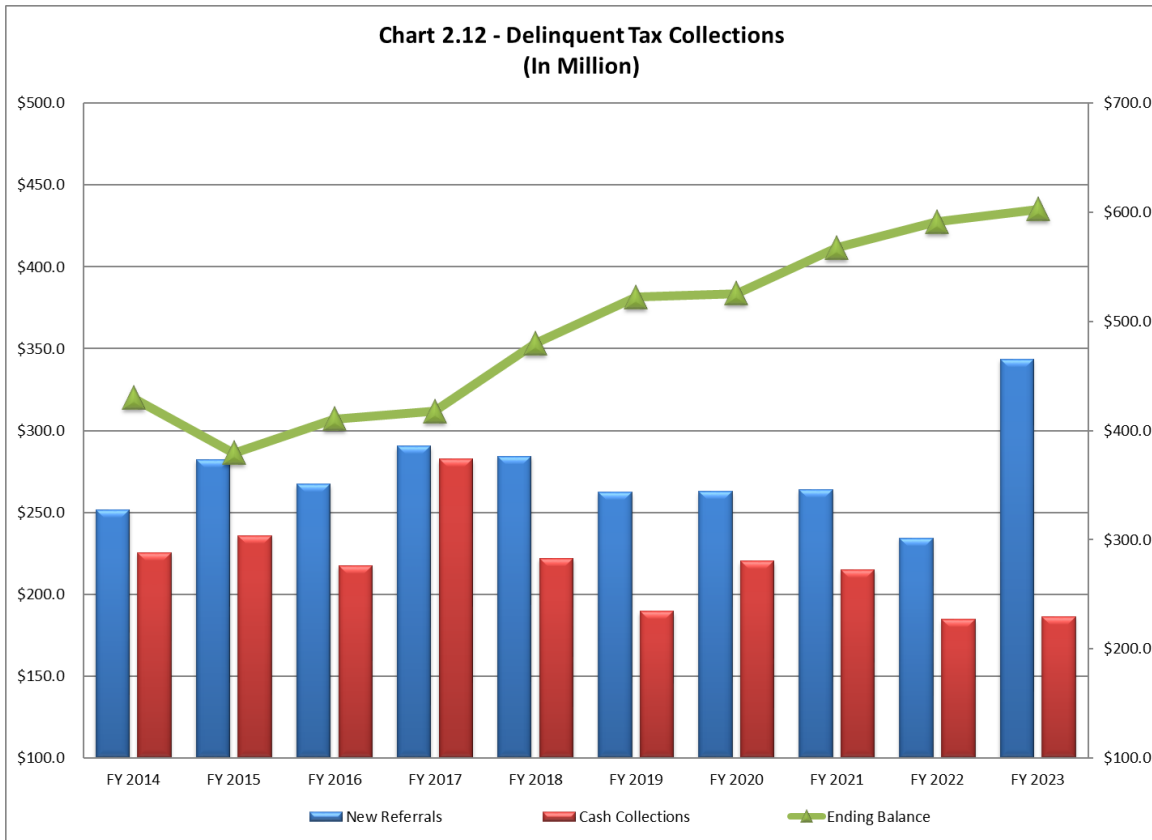
**Full services for walk-in taxpayer assistance were available at the neighbor island offices throughout the fiscal year.** Tax returns and payments submitted to the district offices continued to be a priority for the imaging and processing of those documents at each respective district office. In addition, the taxpayer services staff continued to provide resources to help with the processing of tax returns, payments, correspondences, and other related tasks.

**Providing assistance to 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 Compliance Division will continue to engage in taxpayer empowering activities as a large part of its mission.

**2.3.7 Collection Branch**

The Compliance Division’s Tax Collections program consists of the O’ahu collection branch and the collection sections in the Maui, Hawai’i, and Kaua’i District Tax Offices. Collections of delinquent taxes totaled \$186.5 million for FY 2023, as compared to \$184.7 million for FY 2022, an increase of \$1.8 million or 1.0%.

The O’ahu collection branch accounted for 72% of the statewide delinquent tax collections in FY 2023. Chart 2.12 shows delinquent collections for FY 2014 through FY 2023. For comparison, Table 2.3 shows major performance measures for FY 2023 and FY 2022, including penalty and interest on outstanding tax delinquencies. During this fiscal year, the O’ahu collection branch increased training, filled vacancies and focused on enforcing Hawai’i’s tax laws while striving to be fair, consistent, and reasonable while collecting delinquent debt.



**TABLE 2.3 - MAJOR PERFORMANCE MEASURES FOR FY 2023 AND FY 2022**

Measure	FY 2023	FY 2022	Difference	Percentage
Delinquent Taxes (\$ Millions)	\$ 602.7	\$ 591.3	\$ 11.4	1.9%



Delinquent Penalties, Interest, Other (\$ Millions)	\$ 760.9	\$ 631.9	\$ 129.0	20.4%
Total New Delinquent Referrals (\$ Millions)	\$ 343.6	\$ 234.4	\$ 109.2	46.6%
Total Cash Collected (\$ Millions)	\$ 186.5	\$ 184.7	\$ 1.8	1.0%
Uncollectible Tax Write-Offs (\$ Millions)	\$ 20.2	\$ 26.1	\$ (5.9)	22.6%
Payment Plan Initiated	10,373	12,3150	(1,777)	(14.6%)
Tax Liens Filed	12,058	5,923	6,135	103.6%
Levies Served	38,712	23,624	15,088	63.9%

### ***2.3.8 Criminal Investigation Section***

**During FY 2023, the Criminal Investigation Section (CIS) hired four new criminal investigators.** CIS is currently operating with four out of six investigator positions filled. CIS is currently conducting 12 criminal tax investigations into entities with legitimate sources of income.

**During FY 2023, CIS referred two cases for prosecution to the State of Hawai‘i Department of the Attorney General.**

**Audit referrals attributed to completed or closed investigations were referred to the appropriate Field Audit Branch, O‘ahu Office Audit Branch or Neighbor Island District Office for further civil examinations.** In FY 2023, 10 referrals were made to the O‘ahu Office Field/Office Audit Branches resulted in \$181,701 in additional assessments for CIS.

**An additional \$266,805 in criminal collections and secured returns were made in FY 2023.** It is estimated that CIS investigative efforts will have yielded approximately \$450,000 in restitution, assessments, penalties, and interest that would not have been realized by the State of Hawai‘i.

**CIS is an important component of the Department of Taxation.** By investigating potential criminal violations of the State of Hawai‘i tax laws, the public will have more confidence in the Department of Taxation, which will have a positive effect on voluntary compliance.

### ***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, and in FY 2022 the authority of SES to examine any sector of Hawaii’s economy for non-compliance was clarified and codified.

**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 FY 2023 SES faced several challenges, the most significant of which were overcoming a severe staffing shortage, hiring and training new investigators, all while undertaking a physical move to a different office.** Despite these challenges, SES was able to sustain the momentum established in previous years by continuing to grow revenue collections from \$40,768,932 in FY 2022, to \$44,245,670 for FY 2023. This represents an 8.5% increase in total revenue over the previous fiscal year.

**With regard to TAT revenue, SES’s efforts this past fiscal year resulted in \$10,164,931 collected, an increase of \$2,427,763 over the previous year (31.4% increase).** When \$8,574,912 of GET collections related to transient accommodations are added in, total revenue attributable to SES's efforts with regard to transient accommodations amounts to \$18,739,843.

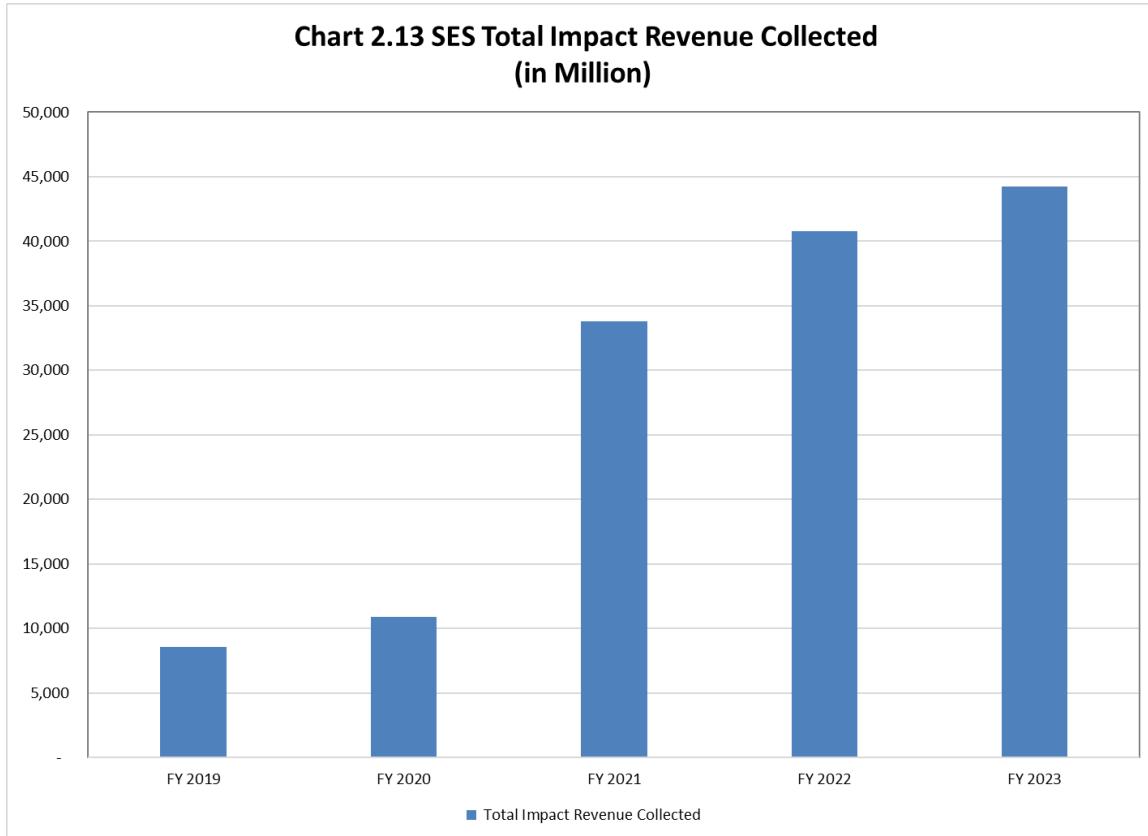
**As the Covid-19 pandemic situation has stabilized, SES reinstated field visits to businesses and vendor events that had previously been suspended.** In FY 2023, SES conducted site visits to 52 locales, during which 1,123 businesses were visited.

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

	<u>FY 2023<sup>2</sup></u>	<u>FY 2022<sup>2</sup></u>	<u>FY 2021<sup>4</sup></u>
Complaints Received	61	142	271
Businesses Educated	1123	0	0
Number of Site Visits	52	0	0
GET Impact Revenue Collected	\$34,080,740	\$33,031,764	\$27,533,247
TAT Impact Revenue Collected	<u>10,164,931</u>	<u>7,737,168</u>	<u>6,239,863</u>
Total Impact Revenue Collected	<b>\$44,245,671</b>	<b>\$40,768,932</b>	<b>\$33,773,110</b>

<sup>1</sup> In FY2022 and FY2021, the numbers for Businesses Educated on Tax Compliance, and the Number of Site Visits Throughout the State, are reflective of the suspension of SES site visits to businesses and vendor events due to the Covid-19 pandemic.

<sup>2</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 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.



### 2.3.10 Tax Fraud Unit (Ad Hoc)

**Fraudulent tax filings have increased over the years, creating a significant threat to the state's tax revenues.** The Tax Fraud Unit (TFU) was created in 2013 to address this growing problem resulting from identity theft and other related tax frauds. Tax fraud promoters and return preparers have grown increasingly bolder and more sophisticated, utilizing the internet to gain access to a wide audience, causing various tax schemes to grow at an exponential rate.

**The TFU researches, develops, and identifies investigative leads for the Criminal Investigation Section and audit leads for the Field and Office Audit Sections.** The TFU is also responsible for detecting, investigating, and stopping fraudulent refunds. TFU continued to utilize complex manual tools and advanced automated tools, including Tax System Modernization (TSM) data and the related Fraud Manager program, to identify fraudulent returns. They performed in-depth, technical analyses of the identified tax returns to determine whether the tax return is legitimate or fraudulent.

**The TFU reviewed tax returns stopped by the TSM Fraud Manager.** The TFU stopped approximately 658 of these fraudulent returns, totaling more than \$2.5 million in refund claims.

**The TFU works with the Federation of Tax Administrators, IRS, electronic return originators, financial institutions, and return preparers to share information regarding questionable tax return schemes.**

The following are the fraud unit results for fiscal year ending 2021, 2022 and 2023:

<b>FYE</b>	<b>Fraudulent Refunds Stopped</b>	<b>Amount</b>
2021	1,682	\$3,790,228
2022	1,843	\$5,200,932
2023	658	\$2,569,927

The TFU will continue to be innovative in trying to detect and prevent fraudulent tax return schemes by using all resources available to the Department of Taxation.

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

**Pursuant to Tax Information Release No. 2020-03 Re: Voluntary Disclosure Practice, Compliance Division reviewed 144 cases which resulted in revenue of \$8.1 million through the program.** In addition, the voluntary disclosure team also concluded 32 voluntary disclosure cases received from the MTC, resulting in revenue of \$1.8 million.

## **2.4 STAFF OFFICES**

### **2.4.1 Administrative Services Office**

**The Administrative Services Office (ASO) provides general internal assistance to the Director's Office** and all programs in the areas of fiscal and budget, procurement and contract, human resources, and facility and property management.

#### **2.4.1.2 Fiscal & Budget**

**In discharging its duties and responsibilities, the Department incurred operating expenses of \$26.1 million for the year.** The Department collected \$9.83 billion in net tax revenues in FY 2023, so the cost to collect \$100.00 of taxes was about \$0.27. For FY 2023, \$30.5 million was appropriated for the Department.

**The ASO handles all procurement of goods and services for the Department, including all neighbor island district offices.** ASO staff are trained to ensure all procurements conform with HRS Chapter 103D – The Hawaii Public Procurement Code. Throughout the fiscal year, ASO staff evaluate the Department’s needs and procure the necessary goods and services to ensure continued and seamless operations. ASO staff work directly with Department managers to ensure operational needs are met to service the taxpayer community.

#### **2.4.1.3 Human Resources**

**Under the ASO, the Human Resources (HR) Office administers the Department’s People Program.** This includes providing talent management services in areas like recruitment, employee relations, professional development, personnel transactions, and HR records management. In FY23, HR helped the Department fill 28 vacancies despite facing unprecedented hiring challenges due to the current job market. In looking toward FY 24, recruitment will continue to be a priority focus, with HR working to fill 21 newly funded positions allocated by the legislature during the past session.

#### ***2.4.1.5 Facility and Property Management***

**The ASO also assists all programs in the areas of facility and property management.** The following projects were completed in FY 2023:

- Reconfiguration of office and installation of furniture for SES
- Relocation and office rearrangement of the Information Technology Services Office (ITSO) staff and SES staff
- Blinds replacement for Oahu offices
- Replacement of cypher locks in Department offices that show sign of deterioration
- E-waste & bulky items disposal

The following projects were initiated in FY 2023 and still on-going:

- Installation of partition panels for Receiving & Sorting Section and Tax Registration Section in Tax Services & Processing Division
- Installation of new electrical circuits to provide dedicated power to intermediate distribution frames that provide network connectivity for Department staff
- Space planning and remodeling for O‘ahu offices

#### ***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 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, the Director's Office, and the Department, on legislative and tax policy.** Prior to the start of a Legislative Session, the Rules staff provides comments on proposed tax legislation submitted by other executive branch agencies.

**During the 2023 Legislative Session, the Rules staff identified and analyzed approximately 439 measures proposing tax law changes.** The measures were tracked throughout the Legislative Session and written testimonies were prepared for each tax measure 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. When necessary, the Rules Office issued guidance in the form of Tax Announcements to the public explaining new and changing measures signed into law during the Legislative Session.

**Similar to Tax Announcements, the Rules staff also prepares Tax Information Releases, letter rulings, and other publications.** During FY 2023, six Tax Announcements and two Tax Information Releases were issued. Additionally, the Rules staff responded to requests for formal letter ruling requests and information letter requests.

**The Rules staff also assists the Department's compliance personnel with tax disputes and other administrative tax controversies.** For example, the Rules staff assists the Department's Compliance Office with interpreting issues under audit and advising on settlement negotiations and closing agreements. The Rules staff also provided training for Department personnel and provided presentations at the Department's annual workshops for tax practitioners.

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

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

**In FY 2023, Technical Section staff responded to 1,950 emails and 4,026 telephone calls, from both tax professionals and individual taxpayers, answering questions about the application of the tax laws and the operation of various tax forms.** The Technical Section further supports the Department by providing guidance and assistance to other offices when questions arise concerning the interaction between the tax law and the forms used to implement successful tax filing.

**The Technical Section makes determinations of tax status, and answers tax questionnaires submitted by other government agencies, educational institutions, or major tax research database providers.** The Technical Section also analyzes and reviews certain applications for tax exemptions. In FY 2023, the Technical Section received and processed 178 applications from organizations requesting exemption from the general excise tax under section 237-23(b), HRS. Additionally, the Technical Section received and processed 2,292 applications for exemption from the conveyance tax.

**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 2023, they reviewed or revised 465 tax forms, 59 tax form instructions, 14 letter templates for the Tax Modernization System, and 38 Tax Publications.

**During the 2023 Legislative Session, the Technical Section also helped review, provide comments, and develop recommendations for legislative bills concerning tax law.** They further assisted with review of administrative rules, Tax Announcements, and Tax Information Releases to ensure conformity of content in consideration of the forms used for the various topics covered.

#### ***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 (10) the Liquor report.

**The TRP Office produced six annual reports** including the Department of Taxation's Annual Report. The Office published reports on Tax Credits Claimed by Hawai'i taxpayers, Hawai'i Individual Income Tax Statistics, Hawai'i Business Income Tax Statistics, Hawai'i General Excise and Use Tax Exemptions, and Earned Income Tax Credits.

**For the 2023 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 responded to requests from the public regarding statistics and trends of the Hawai'i 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 revenue forecasts 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 Hawai'i 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 operates 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 acquiring, managing, and maintaining the appropriate technology services to effectively and securely service Department users, taxpayers, and external partners.** The main functions of ITSO include: (1) managing, maintaining, enhancing, and supporting Tax System Modernization (TSM) applications and equipment; (2) reviewing, testing, and implementing tax law changes into TSM; (3) managing applications and infrastructure that support Department operations and security; (4) providing technical support to department users and external partners; (5) setting the strategies and overall IT policies for the Department; (6) participating in and responding to IT security audits.

**ITSO updates and enhances the TSM system to improve tax administration.** In FY 2023, ITSO performed software development and testing to implement 592 requests to make corrections,

enhancements, or maintenance updates to the TSM system. An identity verification service was added to identify fraudulent returns by verifying taxpayer identity and return information against known fraud schemes.

**ITSO continues modernization of the TSM system.** In FY 2023, ITSO continued to keep the TSM system modernized by implementing a major upgrade to the payment and cashiering platform and four minor application version upgrades. The upgrades included new functionality, security updates, and corrections for the TSM system.

**ITSO implements tax law changes and form updates for new tax years.** ITSO updated 16 Hawai'i State tax forms for the 2022 tax year. ITSO software developers and business analysts designed, implemented, and tested software updates to issue and manage the Act 115, SLH 2022 (Constitutional Refund). ITSO worked with internal users and external departments to issue over 619,000 Act 115 refunds to taxpayers. ITSO coordinated with Department of Business Economic Development and Tourism (DBEDT) and internal users to design, implement a new filing method, update software, create new reports, and educate the film industry on Act 217, SLH 2022 (loan-out companies' GET withholding by production companies claiming film tax credits). ITSO also worked with internal users to create a new process to implement Act 78, SLH 2021 (new filing and reporting requirements for REITs operating in Hawaii). ITSO provided on-going support and data sharing with the City and County of Honolulu, Hawai'i county, Kaua'i county, and Maui county and their vendors to administer the county TAT as authorized by Act 1, SLH 2021.

**ITSO develops updates to meet IRS and payment requirements.** In FY 2023, ITSO developed and implemented a solution to meet IRS 1098-F reporting requirements to report certain fines, penalties, and other amounts paid. A new solution was also implemented to perform account validation for ACH payments to meet recently updated National Automated Clearing House Association (NACHA) operating rules.

**ITSO System Networking team upgrades and maintains the Department's IT infrastructure and applications.** In FY 2023, new firewalls and network switches were installed to modernize the network infrastructure and improve the department's network security.

**ITSO supports Department users through the IT Service Desk.** In FY 2023, ITSO supported Department users by resolving over 200 tickets per month. The tickets include IT issues, managing users access and passwords, updating equipment and software, and updating internal and external department websites.

**ITSO maintains the department IT controls and compliance with state and IRS guidelines.** ITSO completed the annual IRS Safeguard Security Report and biannual IRS Corrective Action Plan to document the department's compliance with IRS security requirements and remediation of audit findings from prior audits.

#### ***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 the Department's customary channels.** This program aided 1,217 taxpayers during FY 2023. Indirectly, the Taxpayer Advocate assisted the Department in



resolving systemic issues when addressing taxpayer matters. Accomplishments also include speaking engagements, teaching, and participating in tax workshops and educational outreaches to tax professionals and the general public.

2.5 MANAGEMENT PERSONNEL

As of June 30, 2023

**OFFICE OF THE DIRECTOR**

Director of Taxation ..... Gary S. Suganuma  
Deputy Director of Taxation ..... Kristen M.R. Sakamoto

**STAFF OFFICES**

Special Assistant to the Director..... Gary Yamashiroya  
Administrative Rules Officer.....Denise Inouye  
    Technical Section Supervisor..... Vacant  
Tax Research & Planning Officer.....Seth Colby  
    Senior Economist ..... Yvonne Chow  
Information Technology Services Officer ..... Corey Higa  
Administrative Services Officer .....Min Meng  
    Human Resource Officer..... Vacant  
Taxpayer Advocate..... Jaysen Morikami  
Administrative Appeals Officer..... Adriane Aarona

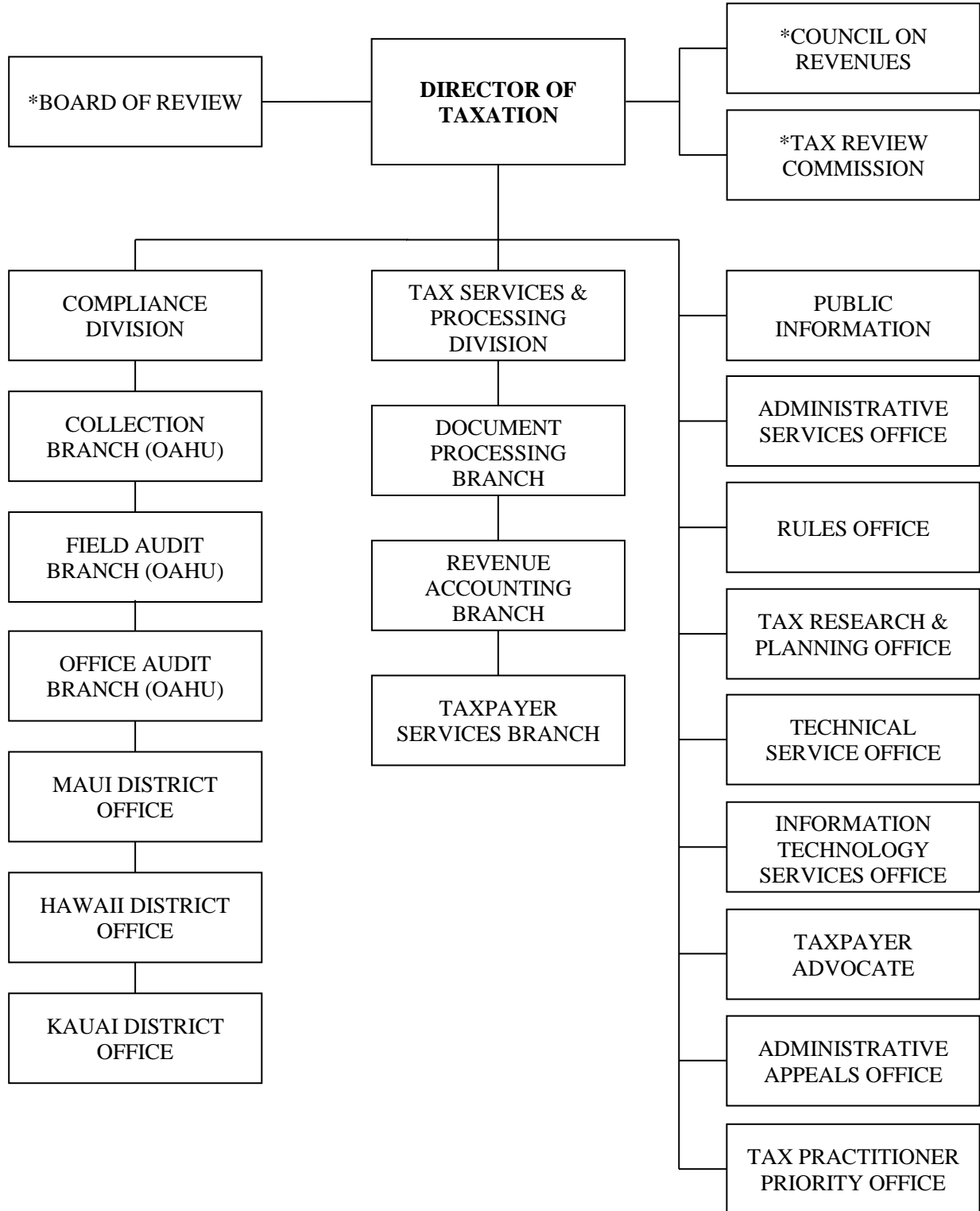
**OPERATIONS STAFF**

Taxation Compliance Administrator .....Regina Yuen  
    Tax Compliance Coordinator .....Susan Adamson  
    Oahu Field Audit Branch Chief.....Madelaina Lai  
    Oahu Office Audit Branch Chief.....Donald Kuriki  
    Oahu Collection Branch Chief .....Lynn Araki-Regan  
    Maui District Tax Manager ..... Tricia Oftana  
    Hawaii District Tax Manager ..... Duquesne Hulihee  
    Kauai District Tax Manager .....Connie Balisacan

Taxation Services Administrator ..... Nicki Ann Thompson  
    Document Processing Operations Manager ..... Kharlou Cuizon  
    Revenue Accounting Branch Chief..... Jennifer Oshiro  
    Taxpayer Services Branch Chief ..... Gale Magee

## 2.6 ORGANIZATION CHART

Department of Taxation  
State of Hawai'i



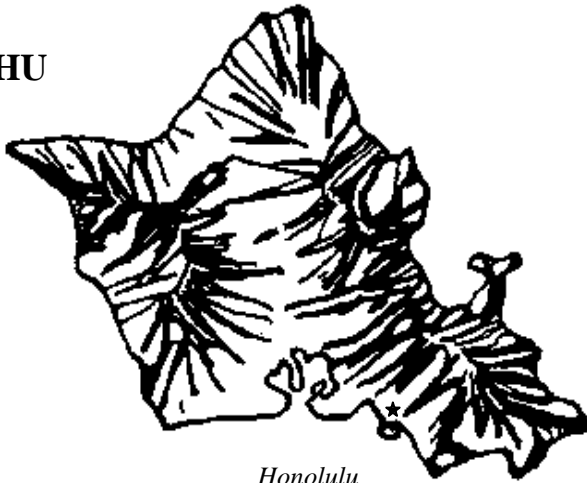
\*For Administrative Purposes.

**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

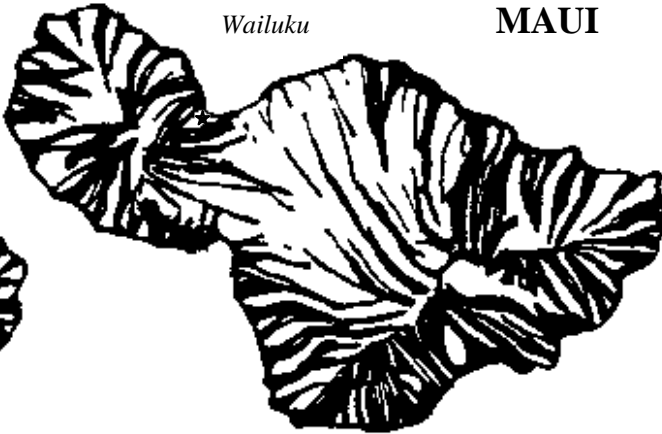


*Kaunakakai*

**MOLOKAI**

*Wailuku*

**MAUI**



**LANAI**



**KAHOOLAWE**

**Maui Office**  
54 South High Street  
Wailuku, Hawaii 96793

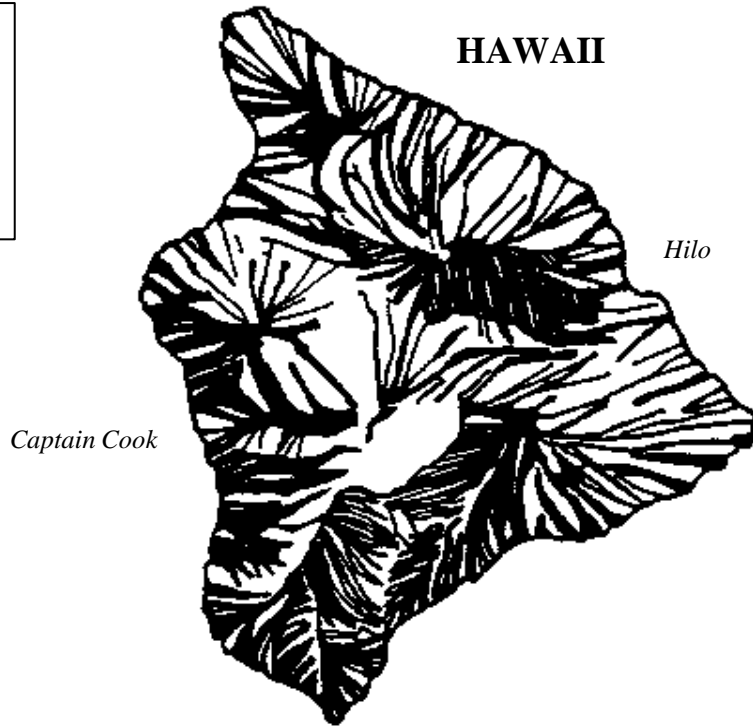
**Molokai Office**  
35 Ala Malama Street #101  
Kaunakakai, Hawaii 96748

### THIRD TAXATION DISTRICT

County of Hawaii

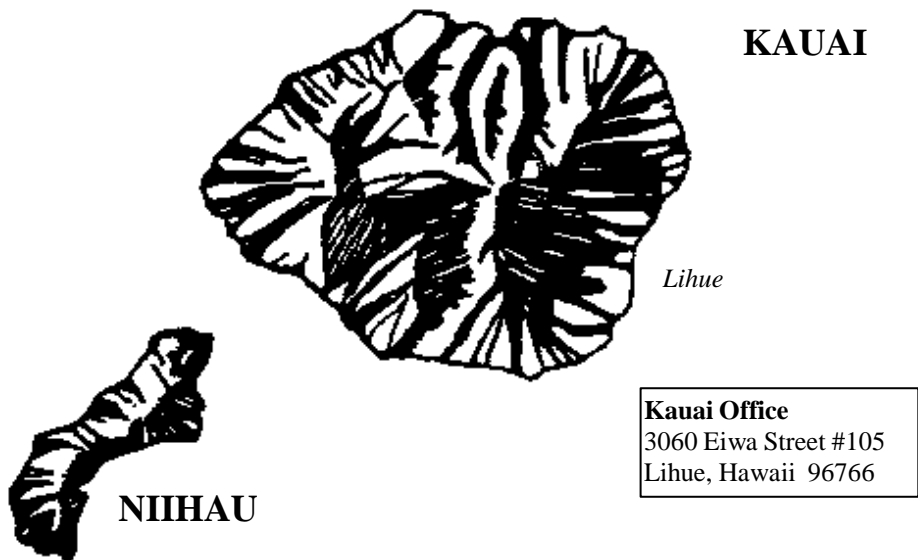
**Hilo Office**  
75 Aupuni Street  
Hilo, Hawaii 96720

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



### FOURTH TAXATION DISTRICT

County of Kauai



## 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 2023, the AAO received 134 appeal applications and closed 124 cases.** There were 33 cases pending as of June 30, 2023. The appeals received by the AAO increased by 10% from fiscal year 2022 while the appeals closed by the AAO decreased by 11%.

## AAO CASELOAD, FY 2023

Appeals Received

134

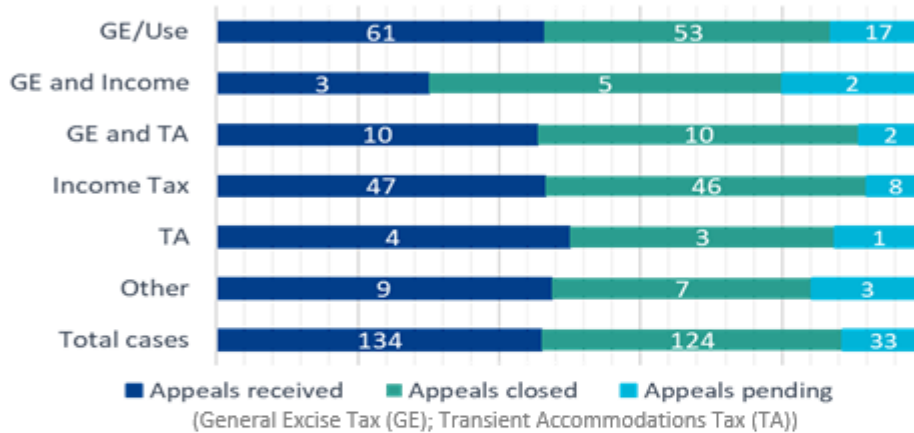
Appeals Closed

124

Appeals Pending

33

### AAO Cases by Tax Type, Fiscal Year 2023



743

appeals closed since the 2016 launch of the AADR program.

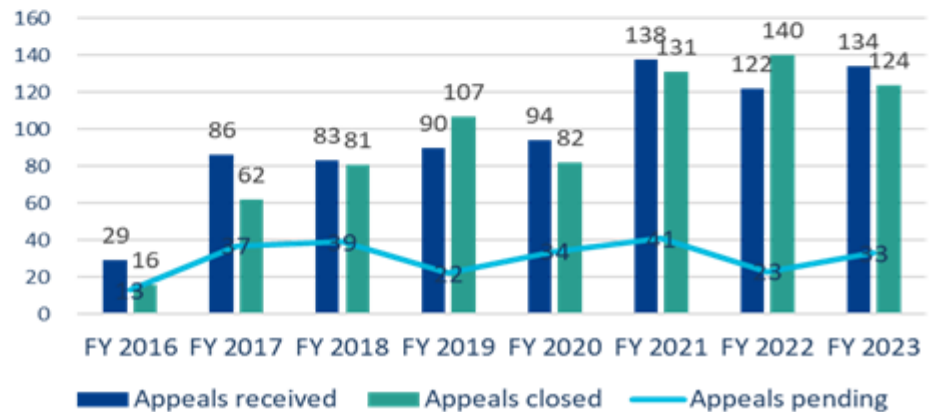
Appeals filed increased by

10%

Appeals closed decreased by

11%

### AAO Caseload, Fiscal Years 2016 - 2023



### 3.2 TAXATION BOARD OF REVIEW

The Statewide Taxation Board of Review was established on June 28, 2021, pursuant to Hawaii Revised Statutes (HRS) sections 26-10(d) and 232-6. SLH 2021). Originally, separate boards existed for each taxation district. Pursuant to Act 118, SLH 2021, section 232-6, HRS, was amended to replace the separate district boards with a single statewide board of up to ten volunteer members. Subsequently, the statute was further amended by Act 218, SLH 2022 to allow for a

three-member paid board. The board currently consists of two holdovers from the prior volunteer board pending appointment of the new paid board. The board began the fiscal year with 120 pending tax appeals. In FY 2023, 7 new appeals were filed, 7 appeals withdrawn, and 21 appeals settled; a total of 99 appeals to the Taxation Board of Review were pending at the end of the fiscal year.

The following table details appeals to the Board of Taxation Review by taxation district:

Taxation District	Field	First	Second	Third	Fourth	TOTAL
Appeals Pending (Beginning)	80	20	0	9	11	120
New Appeals	3	0	0	2	2	7
Appeals Withdrawn	3	1	0	2	1	7
Appeals Settled	4	10	0	4	3	21
BOR Appeals Pending (Ending)	76	9	0	5	9	99

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

#### I. CONCLUDED MATTERS

During the last fiscal year, the Tax and Charities Division (“Division”) concluded 738 Department of Taxation (“Department”) matters (excluding legislative matters).

Tax Appeals	-	7
Bankruptcies	-	332
Foreclosures	-	374
Quiet Title	-	11
Subpoenas	-	3
Miscellaneous cases	-	6
Advice & Counsel	-	1
Admin. Rules	-	1
Contracts	-	3

#### II. AMOUNTS COLLECTED

In fiscal year 2022-23, the Division collected the following amounts for the Department:

Tax Appeal	1,607,500.00
Foreclosure	147,610.41
Bankruptcy	991,969.13

**TOTAL:                   \$ 2,747,079.54**

\* The total collections reflected above from tax appeal cases includes amounts received or to be received by the Department pursuant to settlement, as well as amounts that the Department is entitled to collect, or does not have to refund, pursuant to court order or judgment.



### III. COURT CASES

#### *Concluded Tax Appeal Court Cases*

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

Taxpayer appealed income taxes for tax years 2012 through 2014, inclusive. Taxpayer claimed that he properly filed returns to qualify for High Technology Business Investment Tax Credits per § 235-110.9, HRS; however, the Department claimed that it did not receive the returns. This case was settled.

In the Matter of the Tax Appeal of Christopher Bonner, Case No. 1 CTX 21-0000555 Tax Appeal Court, State of Hawaii.

Taxpayer appealed final assessments of general excise and transient accommodations taxes, penalties, and interest for tax years 2019 on unreported gross rental or gross rental proceeds. Taxpayer claimed he did not operate a transient accommodation in 2019. This case was settled.

In the Matter of the Tax Appeal of DLMC, Inc., dba Kama'aina Health Care Services, 1CTX 21-0001598, Tax Appeal Court, State of Hawaii.

Taxpayer appealed from a final assessment of additional general excise tax, penalties, and interest for overreporting wholesale services and underreporting professional services for tax years 2016-2020. This case was settled.

In the Matter of the Tax Appeal of Isaac W. Choy, Director of Taxation, State of Hawaii v. Lester Toma, dba Pacific Pallet and Pacific Pallet, Inc., 1CTX-22-0000237, Tax Appeal Court, State of Hawaii

The Department appealed a Board of Review decision allowing Taxpayers to claim a wholesale general excise tax rate for the sale of pallets instead of at the retail sales general excise tax rate as required by § 237-13(2)(A), HRS. This case was settled.

In the Matter of the Tax Appeal of Andy's Bush Sales Corp, Case No. 1CTX-22-0000246, Tax Appeal Court, State of Hawaii.

Taxpayer appealed from a collection referral related to a previously issued final assessment of general excise tax. Taxpayer asserted that the sales of goods shipped out of state are not subject to the general excise tax; however, it failed to appeal timely the final assessment. The Tax Appeal Court granted the Department's Motion to Dismiss.

In the Matter of the Tax Appeal of Credit Card Services, Inc., Case No. 1 CTX 23-0000596, Tax Appeal Court, State of Hawaii.

Taxpayer appealed final assessment of general excise and/or use tax, penalties, and interest for tax years 2016 through 2021 on unreported or underreported gross income. Taxpayer claimed, among other things, that it only received commission income, did not receive a merchant discount, and that the final assessment overstated the amount of Taxpayer's taxable income. This case was settled by the DOTAX AAO and dismissed in Tax Appeal Court.

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 appealed 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 § 237-41.5, HRS. Taxpayer also argued that he did not receive the proposed assessment. This case was settled by the DOTAX AAO and dismissed in Tax Appeal Court.

#### *Concluded Miscellaneous Tax Cases*

United States of America v. Camela Marshall, et al., Case No. 1:21-cv-00328-LEK-RT, In the United States District Court for the District of Hawaii.

This action was brought by the United States to reduce to judgment its federal income tax assessment and penalties against Defendant Camela Marshall, to permit a sale of her real property. The Department was named as a defendant due to state tax liens against Defendant Marshall. The parties stipulated to the priority of liens in the event the Court permitted a sale of the subject property. Subsequently, the United States entered into a settlement agreement with the defendant, which did not include the sale of her property. The court ordered dismissal of the case, pursuant to the United States' stipulation with the Department on lien priority. In the event Defendant breaches her agreement, the United States may refile proceedings.

#### **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. Trial is not set.

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 assessments 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. Taxpayers' counsel withdrew from this case and Taxpayers are seeking new counsel. Trial is not set.

In the Matter of the Tax Appeal of Kalani M. Rodrigues, Case No. 1 T.X. 12-1-0238, Tax Appeal Court, State of Hawaii.

Taxpayer appeals assessment of additional general excise and/or use tax, penalties and interest based on: (1) the denial of the 0.5% wholesale rate; and (2) unreported imports of goods for consumption. Trial is set for July 8, 2024.

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 is not set.

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 is not set.

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 have been submitted and we are awaiting the Tax Appeal Court's 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 and Taxpayer is seeking new counsel. Trial is not set.

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 and Taxpayer is seeking new counsel. Trial is not set.

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 is set for January 22, 2024.

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 appealed 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.

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 § 235-12.5, HRS, 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 and we are awaiting a ruling from the Tax Appeal Court.

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.

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 June 3, 2024.

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 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 September 16, 2024. 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 July 15, 2024.

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 § 237-9.3, HRS. Trial is not set.

In the Matter of the Tax Appeal of Diamond Resorts Hawaii Collection Development LLC aka 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, 1 CTX 20-0000059, 1 CTX 21-0001553, and 1 CTX 22-0000090, Tax Appeal Court, State of Hawaii.

Taxpayer appeals denial of refund claim for general excise taxes for tax years 2013 through 2020, 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 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 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' net income returns that characterized the payments from the partnership as guaranteed payments. Taxpayer claims the payments were actually partnership distributions not subject to general excise taxes. 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 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 § 235-17, HRS, based on the failure to provide adequate substantiation to support their claims for the credit. Taxpayers were also assessed general excise taxes, 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 § 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. At issue is the Department's methods of determining and noticing personal liability particularly as to establishing a responsible person's willful failure to pay general excise tax. Trial is not set.

In the Matter of the Tax Appeal of Brian Toker, Case No. 1 T.X. 21-1-0000059, Tax Appeal Court, State of Hawaii.

Taxpayer appealed from notices of personal liability of general excise and withholding taxes for tax years 2018 through 2020, inclusive. Taxpayer claimed, among other things, that the notices improperly held 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 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 § 237-13(7), HRS. In addition, Taxpayers claim 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 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, 1 CTX 21-0001555, 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 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.

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 § 237-18(a), HRS. The parties entered into a stipulation to allow Taxpayer to participate in the DOTAX AAP. 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 § 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 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 § 235-17, HRS. Taxpayers did not provide adequate substantiation to the Department to support their claims for the credit. Taxpayers were also assessed general excise taxes, 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 § 237-29.53, HRS. Trial is not set.

In the Matter of the Tax Appeal of ECO Lawn and Landscape LLC, Case No. 1 CTX-21-0000920, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of general excise tax. Taxpayer asserts that income



received was misclassified as payments to an independent contractor instead of wages. Trial is not set.

In the Matter of the Tax Appeal of Nathan E. Rhodes, Case No. 1CTX-21-0000942, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of general excise tax. Taxpayer asserts that income received was misclassified as payments to an independent contractor instead of wages. Trial is not set.

In the Matter of the Tax Appeal of James S. Sparkman, 1 CTX-21-0001502, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from a Final Notice of Personal Liability for General Excise Tax for the unpaid general excise taxes of Mercury Mo-Dyne LLC for tax years 2010-2018, and from a Notice of Final Assessment of Withholding Tax for unpaid withholding tax for tax years 2018 and 2019. Taxpayer claims, among other things, that the notice and assessment 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 Appeal of W Steak Waikiki, LLC, Case No. 1 CTX 21-0001533 Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessment of general excise and/or use tax, penalties, and interest for tax years 2017 through 2019 on unreported or underreported gross income. Taxpayer claims tips to servers should not be included in gross income and the Department failed to account for some credit card fees. Trial is not set.

In the Matter of the Tax Appeal of Turo Inc., Case No. 1 CTX-21-0001547, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of general excise tax for tax year 2020. Taxpayer alleges that (1) the Department overstated its income, (2) § 237-4.5, HRS, does not apply, (3) § 237-18(f), HRS, applies, and (4) the application of penalties under § 231-36.6, HRS, and interest is not appropriate. Trial is not set.

In the Matter of the Tax Appeal of PEMCO, LTD., Case No. 1CTX-21-0001554, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of general excise tax. Taxpayer asserts that the final assessment incorrectly included income from services exported out of state. Trial is not set.

In the Matter of the Tax Appeal of Turo Inc., Case No. 1 CTX-21-0001599, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of general excise tax for tax years 2012-2019. Taxpayer alleges that (1) it lacked physical presence in Hawaii; (2) the imposition of the general excise tax violates the Due Process Clauses of the U.S. and Hawaii Constitutions and is inconsistent with the Department's policies (3) the Department overstated its income, (4) penalties under §§ 231-39(1), 237-8.6, HRS, and 231-36.6, HRS, are not proper, and (5) imposition of interest is not proper. Trial is not set.

In the Matter of the Tax Appeal of Booking.com B.V., Case No. 1CTX-21-0001613, Tax Appeal Court,

State of Hawaii.

Taxpayer appeals final assessment of general excise tax. Taxpayer asserts that it has no taxable nexus and that the assessment discriminates against interstate commerce in violation of the commerce clause and violates equal protection under the United States Constitution. Trial is not set.

In the Matter of the Tax Appeals of Michelle Harris, Case Nos. 1 CTX 22-0000127, 1 CTX 22-0000128, 1 CTX 22-0000129, 1 CTX 22-0000130, 1 CTX 22-0000131 and 1 CTX 22-0000132, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of transient accommodations tax, penalties, and interest for tax years 2015 through 2020 on unreported gross rental or gross rental proceeds. Taxpayer claims amounts assessed are not owed and proceeds are from long-term rentals. Trial is not set.

In the Matter of the Tax Appeal of Ricardo and Lauri Galindez, Case No. 1 CTX 22-00147, Tax Appeal Court, State of Hawaii.

Taxpayers appeals final assessment of income taxes due to disallowance of losses and deductions for changes that are directly connected with Taxpayers' entities, including Island Productions, LLC, which are currently under appeal. Trial is not set.

Director of Taxation v. Macy's West Stores, Inc., 1CTX-22-0000238, Tax Appeal Court States of Hawaii.

The Department appeals a Board of Review decision in Taxpayer's favor. The Department asserts discounts for retail goods sold in its stores were the equivalent of income for advertising services performed on the retailer's behalf. Taxpayer claims the amounts were a nontaxable discount not subject to general excise taxes. Trial is not set.

In the Matter of the Tax Appeal of Isaac W. Choy, Director of Taxation, State of Hawaii vs. George and Raenae Baily, Case No. 1 CTX-22-0000244, Tax Appeal Court, State of Hawaii.

The Department appeals the Board of Review decision of general excise and income taxes owed following taxpayers' bankruptcy proceedings. Trial is not set.

In the Matter of the Tax Appeal of Security Hunter, Inc., Case No. 1 CTX 22-00248, Tax Appeal Court, State of Hawaii.

Taxpayer appealed final assessment of income taxes due to disallowance of exemptions under § 237-25, HRS, for Taxpayer's income from selling tangible personal property, or prewritten software to the United States Navy. Taxpayer appealed to the DOTAX AAO. Trial is not set.

In the Matter of the Tax Appeal of Decoder Films, ,Inc., 1CTX-22-0000327, Tax Appeal Court, State of Hawaii.

Taxpayers was assessed additional GET, penalties and interest on income it received related to the production of films for Netflix. Taxpayer claims the gross receipts were for exported services and exempt from general excise tax or, alternatively, the income received must be apportioned between the other states Taxpayer operates within. Trial is not set.

In the Matter of the Tax Appeal of R & KA Equipment LLC, Case No. 1CTX-22-0000424, Tax Appeal Court, State of Hawaii

Taxpayer appeals the Board of Review decision for general excise taxes owed for 2010. Taxpayer argues it is entitled to the wholesale rate of 0.5% for activities performed. Trial is not

set.

Director of Taxation v. WBC Solar, LLC, 1CTX-22-0000428, Tax Appeal Court, State of Hawaii

The Department appeals a Board of Review decision filed on August 18, 2022, in favor of Taxpayer regarding claims of the renewable energy credit provided under section 235-12.5, HRS. Part of the dispute regards whether the renewable energy system was for commercial use only or included partly residential use.

In the Matter of the Tax Appeal of Roy J. Tjioe, 1CTX-22-0000431, Tax Appeal Court, State of Hawaii

Taxpayer appeals the denial of deductions claimed on his income tax returns. Taxpayer claims that his issues are related to the issues in Island Production Services and related entities' tax appeals that have yet to be litigated or settled. Trial is not set.

In the Matter of the Tax Appeal of Hiregenics Inc., 1 CTX 22-0000977, Tax Appeal Court, State of Hawaii.

Taxpayer claims that it did not know that the Department assessed it for general excise taxes. Because Taxpayer did not respond to notices, the Department levied funds from Taxpayer's bank account. Taxpayer alleges that levied funds were paid under protest, allowing it to file a complaint under § 40-35, HRS. Trial is not set.

In the Matter of the Tax Appeal of Hawaiian Airlines, 1CTX-22-0000983, Tax Appeal Court, State of Hawaii.

Taxpayer filed an appeal requesting a refund of general excise taxes paid pursuant to an assessment against The Boeing Company for tax years 2013-2018, that it paid in accordance with a contract. Taxpayer claimed that the amounts in question are exempt under § 237-24.9, HRS. Trial is not set.

In the Matter of the Tax Appeal of Daniel O Nelson, Case No. 1 CTX 23-0000487, 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. At issue is the Department's methods of determining and noticing personal liability particularly as to establishing a responsible person's willful failure to pay general excise tax. Trial is not set.

In the Matter of the Tax Appeal of Din Livne, 1CTX-23-0000490, Tax Appeal Court, State of Hawaii

Taxpayer appeals from a Final Notice of Personal Liability for General Excise Tax for the unpaid general excise taxes of DALOCKSMITH LLC. Taxpayer claims, among other things, that the Department has no information to support a determination that Taxpayer wilfully failed to pay, or to caused to be paid the taxes at issue. Trial is not set.

In the Matter of the Tax Appeals of PPF Services, LLC, Case Nos. 1 CTX 23-0000492 and 1 CTX 23-0000493, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of additional general excise taxes, penalties, and interest for tax years 2019 through 2020. Taxpayer argues that it did not underreport professional services and the exemption for exported services under § 237-29.53, HRS should have been allowed. Taxpayer also appeals the final assessment of additional net income taxes, penalties, and interest, for tax years 2019 through 2020 that disallowed the Motion Picture, Digital Media, and Film Production Income Tax Credit under section 235-17, HRS. Trial is not set.

In the Matter of the Tax Appeal of Dustin Amodo, Case No. 1 CTX 23-0000561, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of income taxes based on a proposed change to Taxpayer's federal income tax return. Taxpayer claims that the proposed federal change is pending appeal and the Department's final assessment is premature. Trial is not set.

In the Matter of the Tax Appeals of TranSystems Corporation, Case Nos. 1 CTX 23-0000571, 1 CTX 23-0000572, 1 CTX 23-0000573, 1 CTX 23-0000574, 1 CTX 23-0000575, 1 CTX 23-0000576, 1 CTX 23-0000577, 1 CTX 23-0000578, 1 CTX 23-0000579, 1 CTX 23-0000580, 1 CTX 23-0000581, 1 CTX 23-0000582, 1 CTX 23-0000583 and 1 CTX 23-0000584, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise and/or use tax, penalties, and interest for tax years 2008 through 2021 on unreported or underreported gross income. Taxpayer claims, among other things, that the services rendered by Taxpayer were not used or consumed within this State, the assessment is based on application of incorrect tax rate, and the imposition of the subject tax is unconstitutional. Trial is not set.

In the Matter of the Tax Appeal of Hawaiian Airlines, Case No. 1CTX-23-0000593, Tax Appeal Court, State of Hawaii.

Taxpayer filed an appeal requesting a refund of general excises taxes paid for tax years 2014 and 2015. Taxpayer claims the Department wrongfully disallowed certain exemptions and apportionment claims. Trial is not set.

In the Matter of the Tax Appeal of SM Films, LLC, Case No. 1CTX-23-0000597, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of general excise taxes. Taxpayer was denied the exported services exemption. Trial is not set.

In the Matter of the Tax Appeal of SM Films, LLC, Case No. 1CTX-23-0000598, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of income taxes. Taxpayer is appealing the denial of the film tax credit and the assessment of underreported gross receipts and overreported business expenses. Trial is not set.

In the Matter of the Tax Appeal of New Gears Inc., Case No. 1 CTX 23-0000599, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of general excise taxes. Taxpayer contends that the sales did not occur within the State. Trial is not set.

In the Matter of the Tax Appeal of Jensen USA, Inc. Case No. 1 CTX 23-0000600, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from final assessments of general excise and use taxes for tax, penalties, and interest for tax years 2009 – 2017. Taxpayer claims, among other things, that the assessments overstate Taxpayer's general excise tax liability due to Taxpayer's de minimis business and other activities within the State. Trial is not set.

In the Matter of the Tax Appeal of Din Livne and Natalie Schwab, Case No. 1 CTX-23-0000604, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from final assessment of income tax for tax year 2019 issued pursuant to § 231-101, HRS. Taxpayers claim, among other things, that the assessment fails to allow certain deductions and adjustments. Trial is not set.

In the Matter of the Tax Appeal of The Club at Kukuiula, Case No. 1 CTX 23-0000605, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of general excise taxes. Taxpayer argues that funds received were a subsidy from its owner and therefore, is not business income subject to general excise taxes. Trial is not set.

In the Matter of the Tax Appeal of J Stephen Goodfellow, Case No. 1 CTX-23-0000606, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the partial denial of a capital goods excise tax credit pursuant to § 235-110.7, HRS, and imposition of late filing penalty pursuant to § 231-39, HRS, for Tax Year 2018. Trial is not set.

In the Matter of the Tax Appeal of Hawaii Media Inc., Case no. 1 CTX-23-0000609, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the final assessment of income taxes that are directly connected to SM Films, LLC, which is also pending appeal. Taxpayer is appealing the denials of the film tax credit and pass-through net loss from SM Films, LLC. Trial is not set.

In the Matter of the Tax Appeal of Daniel A. Rosner, Case No. 1 CTX 23-0000610, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from a final assessment of income tax for tax, penalties and interest for tax year 2019. Taxpayer claims, among other things, that Taxpayer is entitled to pass-through net loss and qualified film production costs from HMI for the tax year in dispute and that the assessment overstates Taxpayer's flow-through income from HMI. Trial is not set.

In the Matter of the Tax Appeal of Dean C. Des Jarlais, Case No. 1 CTX-23-0000611, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from a final assessment of income tax for tax year 2019. Taxpayer claims, among other things, that he is entitled to pass-through net loss from Hawaii Media Inc. (HMI), he is entitled to the motion picture, digital media, and film production income tax credit, and the assessment overstates his flow-through income from HMI. Trial is not set.

In the Matter of the Tax Appeal of J T Thorpe & Son, Inc., Case No. 1 CTX 23-0000620, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise taxes for tax years 2019 through 2021. Taxpayer claims, among other things, that its services provided in a foreign trade zone are exempt from general excise tax. Trial is not set.

In the Matter of the Tax Appeals of Island Production Services IV, Case No. 1 CTX 23 -0000643, Tax Appeal Court, State of Hawaii.

Taxpayers appeal final assessment of general excise taxes, penalties, and interest due to the denial of Taxpayers' use of the wholesale rate and the denial of the exemption for exported

services under § 237-29.53, HRS. Trial is not set.

In the Matter of the Tax Appeals of Island Production Services IV, Case No. 1 CTX 23 -0000644, Tax Appeal Court, State of Hawaii.

Taxpayers appeal final assessment of net income taxes, penalties, and interest due to the disallowance of the Motion Picture, Digital Media, and Film Production Income Tax Credit provided under § 235-17, HRS, based on the failure to provide adequate substantiation to support their claims for the credit. Trial is not set.

### **Pending Miscellaneous Tax Cases**

State of Hawaii Ex Rel. Theodore Metrose v. Par Hawaii Refining, LLC, et al., Case No. 1CCV-21-0000632 GWBC, Circuit Court of the First Circuit, State of Hawaii.

Relator filed the instant action pursuant to Chapter 661, HRS, on behalf of the State alleging that Taxpayer has improperly underpaid or has failed to pay taxes relating to its business activities within the Hawaii Foreign Trade Zone and/or subzones. The State has intervened in the action. Trial is not set.

Island Productions IV, LLC, et al. v. Gary S. Suganuma, et al., Case No. 1CCV-22-0001459, Circuit Court of the First Circuit, State of Hawaii.

Plaintiffs request declaratory relief, alleging that Hawaii Administrative Rules §§ 18-235-17-01 to 18-235-17-19 were promulgated in violation of the Hawaii Administrative Procedure Act and Small Business Regulatory Flexibility Act. Trial is not set. The court granted Plaintiffs' request for stay to permit the parties to settle pending Island Productions cases.

### **Pending Appellate Court Cases**

Booking.com v. Isaac Choy, in his official capacity as Director of Taxation, and State of Hawaii Department of Taxation, CAAP 22-0000441, Intermediate Court of Appeals, 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. The Court granted Defendants' Motion to Dismiss for lack of subject matter jurisdiction over a case affecting the assessment and collection of taxes. Plaintiff appealed to the ICA and the appeal is proceeding.

Hawaiian Airlines, Inc. v. Department of Taxation, CAAP-22-0000349, Intermediate Court of Appeals of the State of Hawaii/Case No. 1 CTX 21-0000493, Tax Appeal Court, State of Hawaii.

Taxpayer alleged it paid under protest general excise taxes assessed against The Boeing Company in accordance with a contract and filed the complaint under § 40-35, HRS. Taxpayer claimed that the amounts in question are exempt under section 237-24.9, HRS. The tax appeal court granted the Department's motion to dismiss the case for lack of subject matter jurisdiction. Taxpayer appealed the tax appeal court's final judgment pursuant to the order dismissing the case.

## **4.0 ADMINISTRATIVELY ATTACHED ENTITIES**

As of June 30, 2023

### **COUNCIL ON REVENUES**

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