JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

GARY S. SUGANUMA
DIRECTOR OF TAXATION

KRISTEN M.R. SAKAMOTO
DEPUTY DIRECTOR

DEPT. COMM. NO. 366

STATE OF HAWAI'I
**DEPARTMENT OF TAXATION**
*Ka 'Oihana 'Auhau*
P.O. BOX 259
HONOLULU, HAWAI'I 96809
PHONE NO: (808) 587-1540
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March 19, 2026

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

The Honorable Nadine K. Nakamura
Speaker and Members of the
House of Representatives
Thirty-Third State Legislature
State Capitol, Room 431
Honolulu, HI 96813

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

For your information and consideration, the Department of Taxation (Department) hereby transmits a copy of the 2024-2025 Annual Report, as required by Act 100, SLH 1999.

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/

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

Sincerely,

Gary Suganuma

Gary S. Suganuma
Director of Taxation

Enclosure

# ANNUAL REPORT 2024-2025



## DEPARTMENT OF TAXATION
## STATE OF HAWAI‘I

# DIRECTOR'S MESSAGE

The fiscal year (FY) period from July 1, 2024, to June 30, 2025, proved to be another successful year for the Department of Taxation. State tax collections were $11.46 billion in FY 2025, an increase from $11.08 billion in FY 2024. The largest tax type by revenue is the general excise tax. In FY 2025, the State collected $4.6 billion from this tax, a 3.3% increase from the previous year. The individual income tax collections, the second largest tax type, increased by 0.2% compared to the previous year, with $3.3 billion collected.

The Compliance Division issued $214 million of assessments and conducted 27,709 audits. The Collections Services Office kept up its pace of recouping moneys owed for unpaid taxes, collecting $284 million during the fiscal year. The Special Enforcement Section continued to play a pivotal role in the enforcement of short-term rentals, recovering $36 million in unpaid taxes last year. The Taxpayer Processing and Services Division was able to respond to the high demand for inquiries and requests. All in all, we were able to take on additional tasks and produce outcomes that helped the people of the State.

Sincerely,

/s/

Gary S. Suganuma
Director of Taxation

## DOTAX by the Numbers

| | FY 2025 | FY 2024 | Change |
|---|---|---|---|
| **Total Taxes Collected (billions)** | **$11.46** | $11.08 | $0.38 |
| DOTAX (billions) | $10.71 (94% of total taxes) | $10.25 (93% of total taxes) | $0.47 |
| Other Departments (billions) | $0.74 | $0.83 | ($0.09) |
| **DOTAX Taxes Collected**[1] | | | |
| General Excise (billions) | $4.63 | $4.48 | $0.15 |
| Individual Income (billions) | $3.29 | $3.28 | $0.01 |
| Other (billions) | $2.80 | $2.49 | $0.31 |
| **Returns Processed** | | | |
| Paper (#) | 282,875 | 354,125 | (71,250) |
| Electronic (#) | 2,899,620 | 2,784,173 | 115,447 |
| **Taxpayers Served** | | | |
| Phone (#) | 241,905 | 223,879 | 18,026 |
| Answer Rate | 62% | 62% | 0% |
| Licenses Processed (#) | 43,920 | 41,682 | 2,238 |
| **Audit** | | | |
| Audits Issued (#) | 27,709 | 20,557 | 7,152 |
| Assessments (millions) | $213.7 | $233.0 | ($19.3) |
| **Collections** | | | |
| New Debts (millions) | $355.9 | $329.7 | $26.2 |
| Recoveries (millions) | $283.7 | $294.4 | ($10.7) |
| Uncollectible (millions) | $3.5 | $26.4 | ($22.9) |
| Ending Delinquent Balance (millions) | $1,648.9 | $1,434.3 | $214.6 |
| **Operating Costs (millions)** | $40.7 ($0.38/ $100 collected) | $30.2 ($0.29/ $100 collected) | $10.5 |
| **Staffing** | 436 | 436 | 0 |

# 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 and to retain employees by supporting career advancement opportunities within the Department of Taxation.

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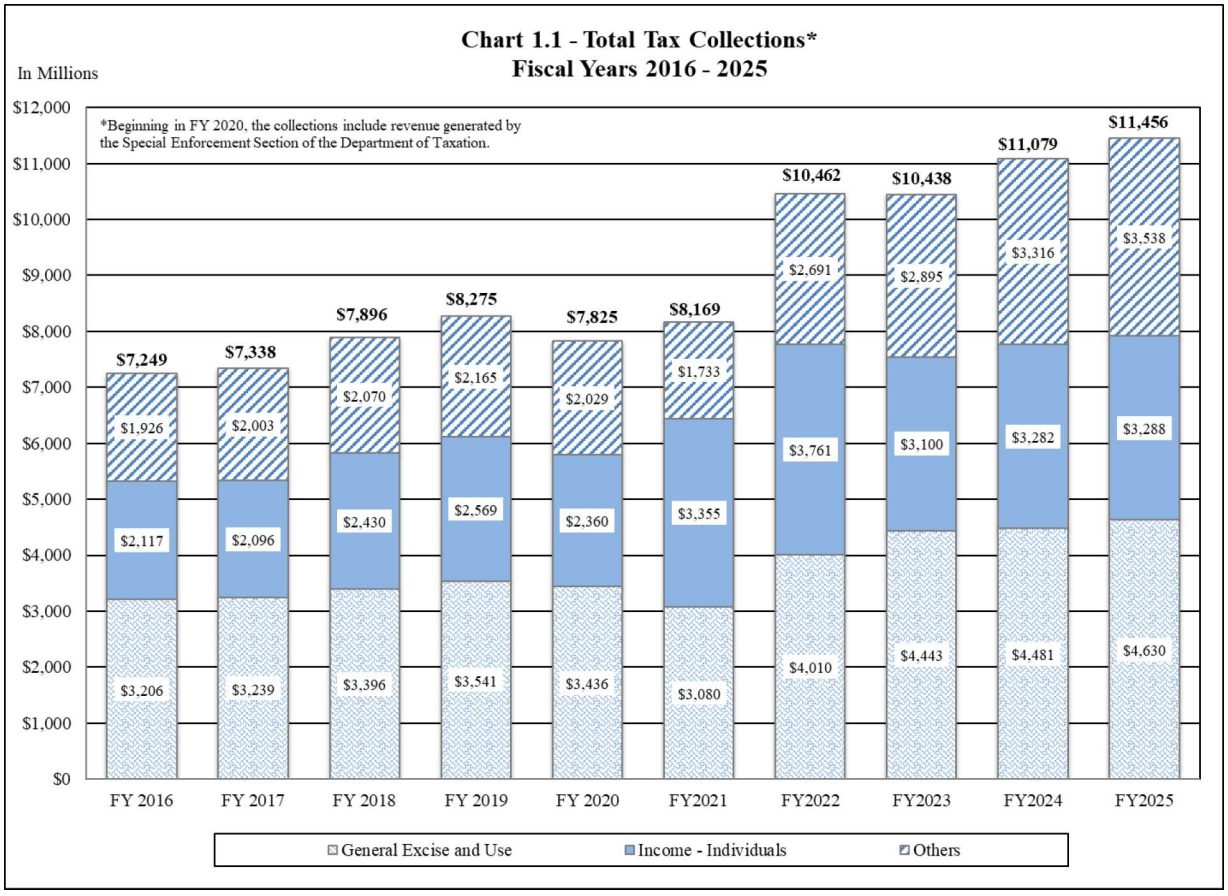
# 1.0 COLLECTION AND DISTRIBUTION OF TAXES

## 1.1 OVERVIEW

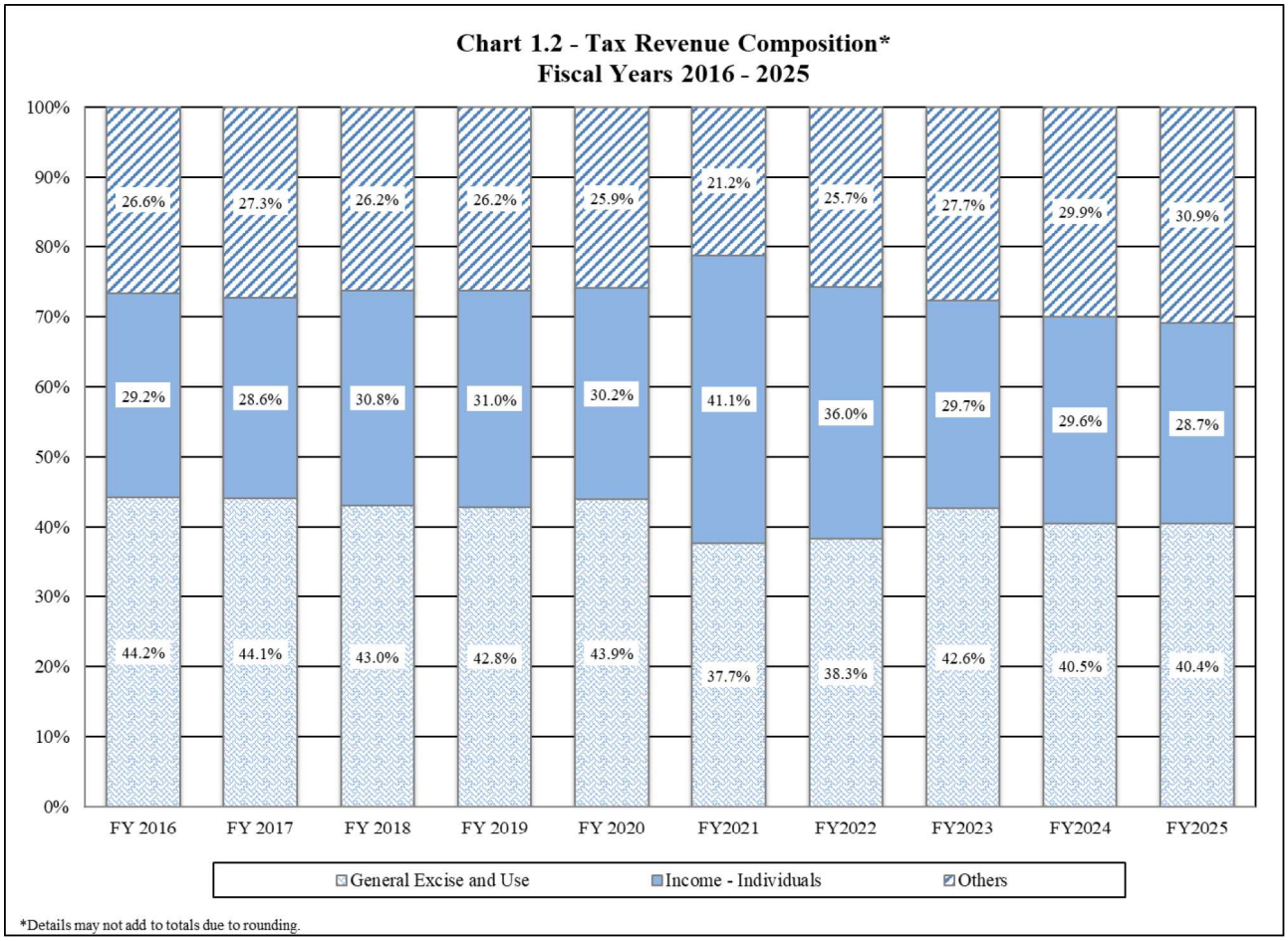
**The Department of Taxation ("Department" or DOTAX) is responsible for the revenue collection of most taxes levied by the State.** DOTAX also collects the fuel taxes imposed by the counties, and the county surcharges imposed by the City and County of Honolulu, the County of Maui, the County of Hawai'i, and the County of Kaua'i. In fiscal year (FY) 2025, DOTAX collected a total of $10.71 billion in net tax revenues, up from $10.25 billion collected in FY 2024.

The Department's Office of Tax Research and Planning (TRP) tracks revenues from taxes collected by DOTAX as well as other state 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 $11.46 billion in FY 2025, up from $11.08 billion in FY 2024.** 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. The collections stayed flat in FY 2023, but growth resumed in FY 2024 and FY 2025. Chart 1.1 shows the main components of the total tax collections for FY 2016 through FY 2025.

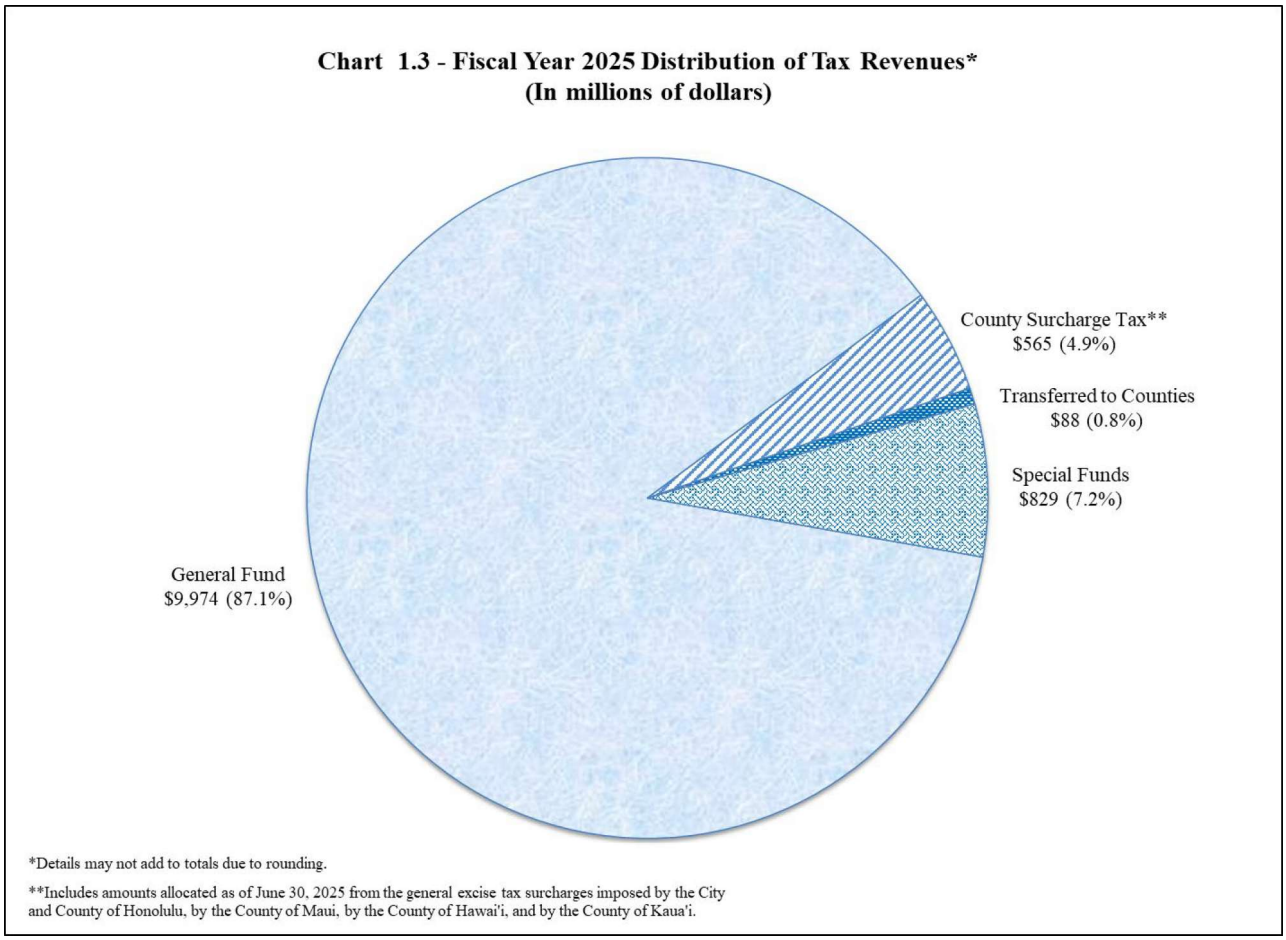


**The composition of the State's revenue collections followed trends seen in previous years.** The State's biggest sources of tax revenue are the general excise tax (GET)[1] and the individual income tax (IIT). In FY 2025, net GET collections amounted to $4.63 billion and accounted for 40.4% of total tax collections, and net collections of the IIT amounted to $3.29 billion and accounted for 28.7% of total tax collections. Chart 1.2 shows the shares of total tax collections accounted for by the GET and the IIT for FY 2016 through FY 2025.




**Of the total tax collections in FY 2025, $9.97 billion, or 87.1%, 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 $653.0 million, or 5.70% 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 Maui, the County of Hawai'i, and the County of Kaua'i. The remaining $829.2 million, or 7.2%, was transferred to various other State special funds. Chart 1.3 shows how the total tax collections were distributed in FY 2025.

[1] 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.



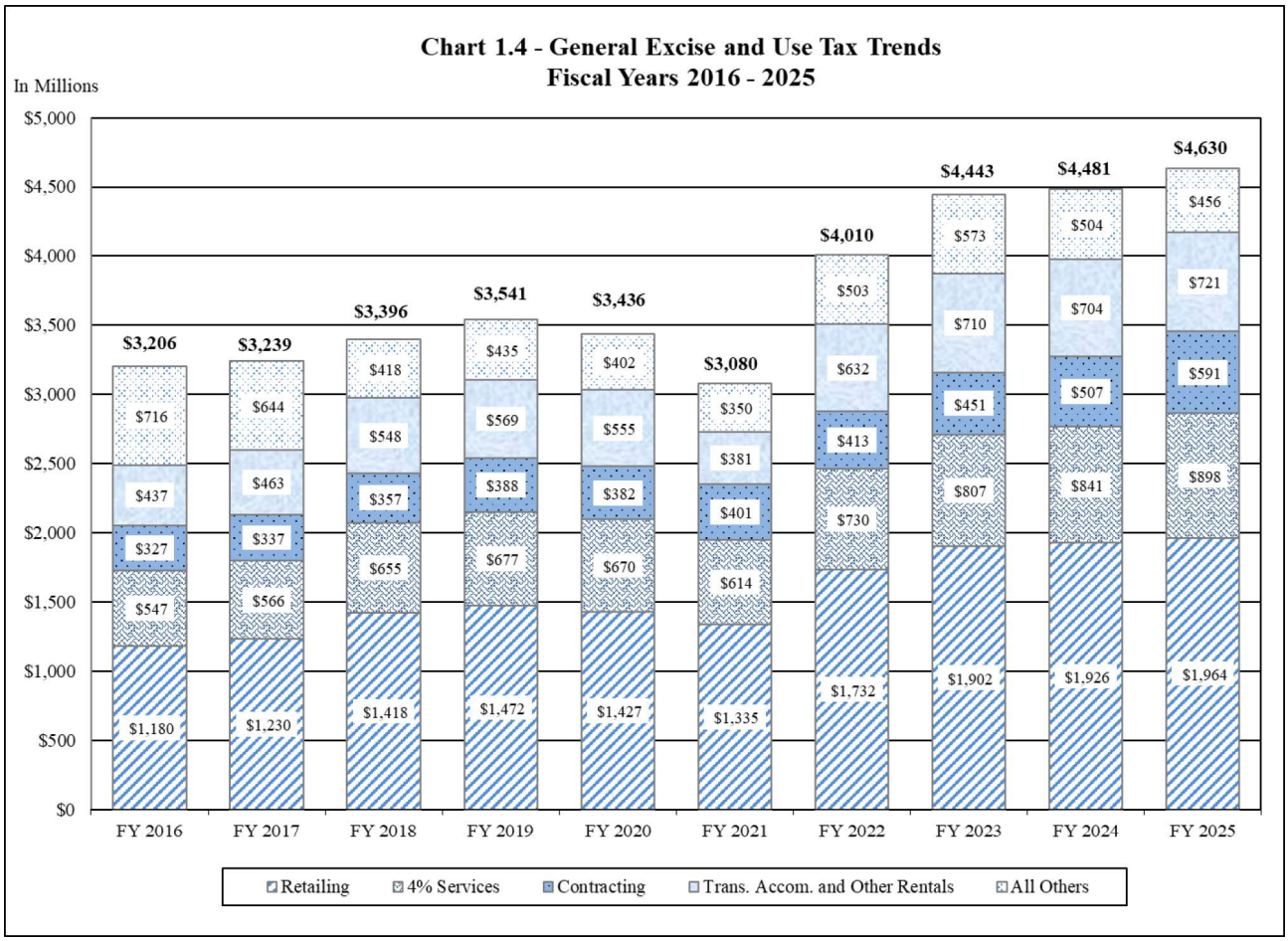

## 1.2 GENERAL EXCISE AND USE TAXES

### *1.2.1 Overview*

**The GET typically 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 0.5% 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 4.0% 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 $4.48 billion in FY 2024 to $4.63 billion in FY 2025, a rise of 3.3%.** Chart 1.4 shows the total revenues from the GET and from the tax levied on the various income categories for FY 2016 through FY 2025. Table 1.1 shows GET collections in greater detail for FY 2024 and FY 2025.




### *1.2.3 Recent Legislation*

Act 109, Session Laws of Hawai‘i (SLH) 2023 repealed chapter 346E, Hawaii Revised Statutes (HRS), relating to the nursing facility tax, and section 237-24.7, HRS, which provides a GET exemption on taxes on nursing facility income imposed by chapter 346E, HRS, and passed on and collected by operators of nursing facilities. Act 109 became effective on June 22, 2023.

Act 47, SLH 2024 exempted from the GET amounts received by a hospital, infirmary, medical clinic, health care facility, pharmacy, or medical or dental practitioner for healthcare-related goods or services purchased under the Medicaid, Medicare, or TRICARE programs. Act 47 took effect on January 1, 2026.

TABLE 1.1 - GENERAL EXCISE AND USE TAX BASE AND TAXES
FOR FISCAL YEARS ENDING JUNE 30, 2025 AND 2024 [2]
(In Thousands of Dollars)

| SOURCE OF REVENUE | Rate | FY 2025 | FY 2024 | Difference Amount | Difference % Change |
|---|---|---|---|---|---|
| TAX BASE | | | | | |
| Retailing | | $ 49,108,102 | $ 48,141,723 | $ 966,379 | 2.0 |
| Services | | 22,450,093 | 21,020,037 | 1,430,056 | 6.8 |
| Contracting | | 14,786,428 | 12,685,925 | 2,100,503 | 16.6 |
| Trans. Accom. Rentals | | 7,463,315 | 7,582,691 | (119,376) | (1.6) |
| All Other Rentals | | 10,560,608 | 10,006,339 | 554,270 | 5.5 |
| All Others (4%) | | 7,309,223 | 7,573,841 | (264,617) | (3.5) |
| Subtotal | | $ 111,677,769 | $ 107,010,555 | $ 4,667,214 | 4.4 |
| Producing | | $ 372,322 | $ 393,477 | $ (21,156) | (5.4) |
| Manufacturing | | 448,740 | 454,855 | (6,116) | (1.3) |
| Wholesaling | | 25,672,888 | 25,599,743 | 73,145 | 0.3 |
| Use (1/2%) | | 8,099,226 | 8,853,826 | (754,600) | (8.5) |
| Services (Wholesale) | | 1,427,866 | 1,254,264 | 173,601 | 13.8 |
| Insurance Solicitors | | 753,158 | 720,295 | 32,863 | 4.6 |
| Subtotal | | $ 36,774,198 | $ 37,276,462 | $ (502,263) | (1.3) |
| TOTAL - ALL ACTIVITIES | | $ 148,451,967 | $ 144,287,016 | $ 4,164,951 | 2.9 |
| TAX | | | | | |
| Retailing | 4.00% | $ 1,964,324 | $ 1,925,669 | $ 38,655 | 2.0 |
| Services | 4.00% | 898,004 | 840,801 | 57,202 | 6.8 |
| Contracting | 4.00% | 591,457 | 507,437 | 84,020 | 16.6 |
| Trans. Accom. Rentals | 4.00% | 298,533 | 303,308 | (4,775) | (1.6) |
| All Other Rentals | 4.00% | 422,424 | 400,254 | 22,171 | 5.5 |
| All Others (4%) | 4.00% | 292,369 | 302,954 | (10,585) | (3.5) |
| Subtotal | | $ 4,467,111 | $ 4,280,422 | $ 186,689 | 4.4 |
| Producing | 0.50% | $ 1,862 | $ 1,967 | $ (106) | (5.4) |
| Manufacturing | 0.50% | 2,244 | 2,274 | (31) | (1.3) |
| Wholesaling | 0.50% | 128,364 | 127,999 | 366 | 0.3 |
| Use (1/2%) | 0.50% | 40,496 | 44,269 | (3,773) | (8.5) |
| Services (Wholesale) | 0.50% | 7,139 | 6,271 | 868 | 13.8 |
| Insurance Solicitors | 0.15% | 1,130 | 1,080 | 49 | 4.6 |
| Subtotal | | $ 181,235 | $ 183,861 | $ (2,626) | (1.4) |
| Unallocated [1] | | $ (17,949) | $ 16,773 | $ (34,722) | (207.0) |
| TOTAL - ALL ACTIVITIES | | $ 4,630,396 | $ 4,481,056 | $ 149,340 | 3.3 |

[1] Includes collections from penalty and interest, assessments and corrections, delinquent collections, refunds, protested payments, settlements and business activities of disabled persons.

[2] Beginning in FY 2020, the collections include revenue generated by the Special Enforcement Section of the Department of Taxation.

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

## 1.3 INDIVIDUAL INCOME TAX

### *1.3.1 Overview*

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

### *1.3.2 Revenue*

**Collections of IIT in FY 2025 were $3.29 billion,** up by 0.2% from the $3.28 billion collected in FY 2024**.** The biggest part of IIT collections is taxes withheld on employee wages. In FY 2025, withholding tax collections were $2.740 billion, a decrease of 1.2% from FY 2024. New withholding tables were in effect as of January 1, 2025, due to Act 46, SLH 2024, which is a multi-year individual-income-tax-cut bill, discussed below. Total IIT refunds in FY 2025 were $890.3 million, up 4.5% from the $844.8 million refunded in FY 2024, as a natural consequence of Act 46, SLH 2024.

Chart 1.5 shows total collections of the IIT, along with wage withholding, payments with returns, estimated taxes, and refunds, for FY 2016 through FY 2025.

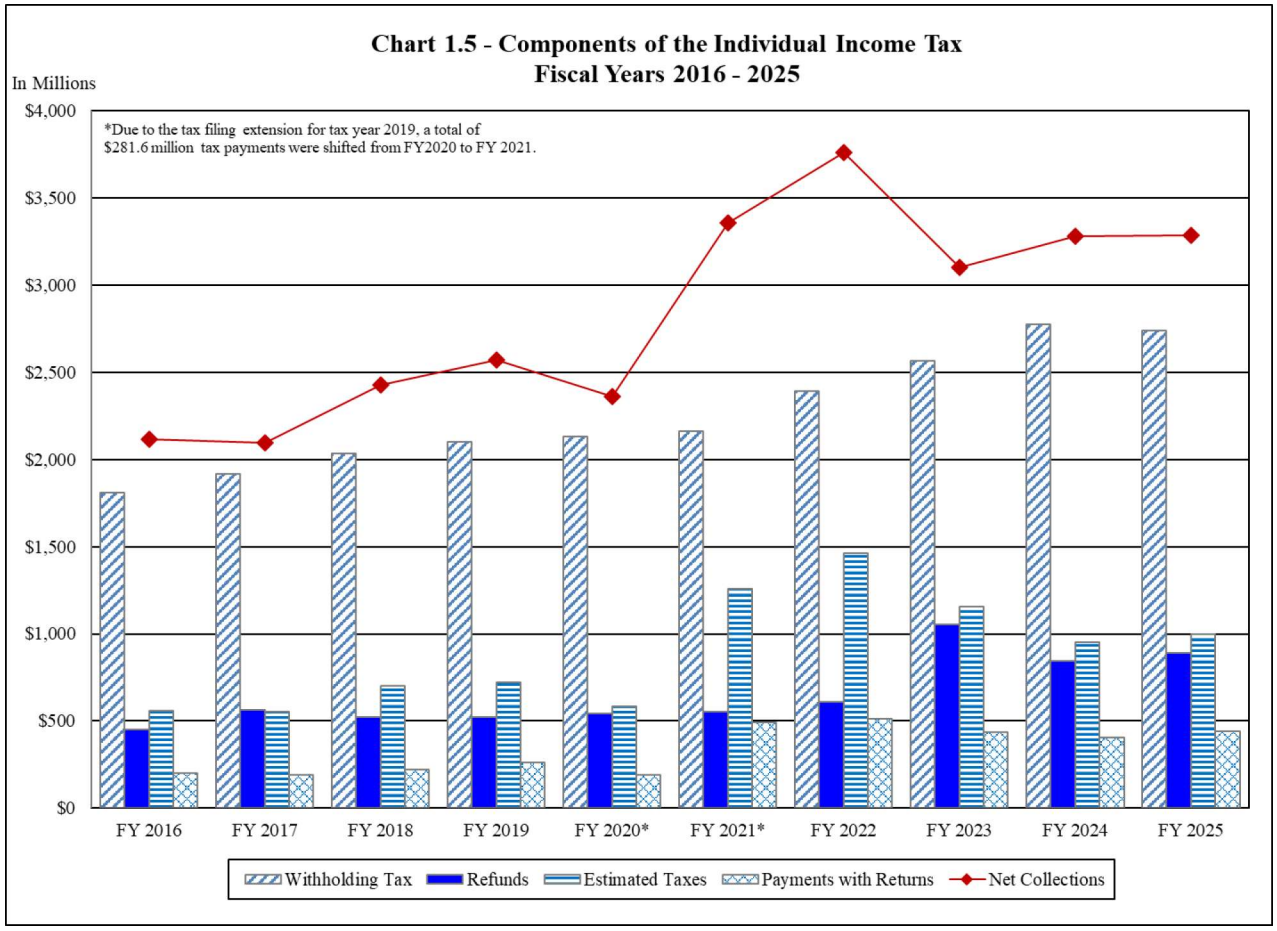


Table 1.2 shows the figures for total collections of IIT, broken down by its components, in FY 2024 and FY 2025.

TABLE 1.2 - TAXES PAID BY INDIVIDUALS [1]
(In Thousands of Dollars)

| | | | Difference | |
|---|---|---|---|---|
| | FY 2025 | FY 2024 | Amount | % Change |
| Declaration of Estimated Taxes | $ 996,947 | $ 950,068 | $ 46,879 | 4.9 |
| Payment with Return | 441,533 | 403,142 | 38,391 | 9.5 |
| Withholding Tax on Wages | 2,739,876 | 2,773,118 | (33,242) | (1.2) |
| Subtotal | $4,178,356 | $4,126,328 | $ 52,028 | 1.3 |
| Refunds | 890,263 | 844,803 | 45,460 | 5.4 |
| NET | $3,288,093 | $3,281,525 | $ 6,568 | 0.2 |

[1] 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.

### *1.3.3 Recent Legislation*

Act 50, SLH 2024 amended the pass-through entity (PTE) tax base by imposing the tax on the sum of the distributive shares and guaranteed payments of all "qualified member[s]," which is defined as all members of an electing PTE that are individuals, trusts, or estates. Act 50 also lowered the PTE tax rate from 11 percent to 9 percent. Additionally, Act 50 allowed a qualified member of an electing PTE to carry forward any excess credit over liability to be used as a credit against the member's net income tax liability in subsequent years until exhausted. Act 50, SLH 2024 became effective on June 19, 2024, and applies to taxable years beginning after December 31, 2023.

Act 58, SLH 2025 further amends the PTE tax for taxable years beginning after December 31, 2024. Act 58 requires all qualified members claiming a credit for PTE tax to adjust their taxable income by adding the qualified member's share of taxes paid by the electing PTE. Act 58 became effective on May 15, 2025, and applies to taxable years beginning after December 31, 2024.

Act 163, SLH 2023 amended 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 earned income tax credit (EITC) by increasing the amount of the credit from 20% to 40% of the federal EITC allowed. The Act also amended 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.

Act 46, SLH 2024 provides a major individual income tax cut for taxpayers with a multi-year implementation plan. Act 46 incrementally increases standard deduction amounts, with amendments taking effect in tax years 2024, 2026, 2028, 2030, and 2031. Act 46 also widens the income tax brackets by increasing the income limits in each bracket, with amendments taking effect in tax years 2025, 2027, and 2029.

Act 139, SLH 2024 repealed the provision that previously made the base amount in the Internal Revenue Code inapplicable to the research activities tax credit and allowed credits for all qualified research expenses to be taken without regard to previous years' expenses. Act 139 also amended the definition of "qualified high technology business" to a small business that conducts more than 50 percent of its activities in qualified research in Hawai‘i and is registered to do business in Hawai‘i. A small business is defined as a company with no more than 500 employees. Finally, Act 139 extended the sunset date of the research activities tax credit to December 31, 2029. Act 139 became effective on July 1, 2024 and applies to taxable years beginning after December 31, 2023.

Act 24, SLH 2025, amends section 235-61, HRS, relating to the withholding of tax on wages, to repeal the maximum 8 percent tax rate that may be considered in determining the amount of income tax that must be withheld, repeal the requirement that a standard deduction allowance must be treated as if it was denominated as a withholding exemption, and permit the Director of Taxation to prescribe a standard deduction allowance in an amount more or less than one whole exemption. Act 24 became effective on April 23, 2025, and applies to taxable years beginning after December 31, 2024.

Act 25, SLH 2025 clarifies that nonresidents who claim the refundable EITC under section 235-55.75, HRS, are required to adjust the amount claimed using the ratio of their Hawai‘i adjusted gross income to federal adjusted gross income. Act 25 also eliminates the unlimited carryforward on nonrefundable EITC for tax year 2022. Act 25 became effective on April 23, 2025, and applies to taxable years beginning after December 31, 2024.

## 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 $400.4 million in FY 2025, a decrease of 17.3% from the previous year's total of $484.4 million.** Total CIT refunds in FY 2025 were $210.2 million, an increase of 121.6% from the $94.8 million in FY 2024. In FY 2025, the CIT collections accounted for just 3.5% of total tax collections. Chart 1.6 shows total collections of the CIT, broken down by its components, for FY 2016 through FY 2025.

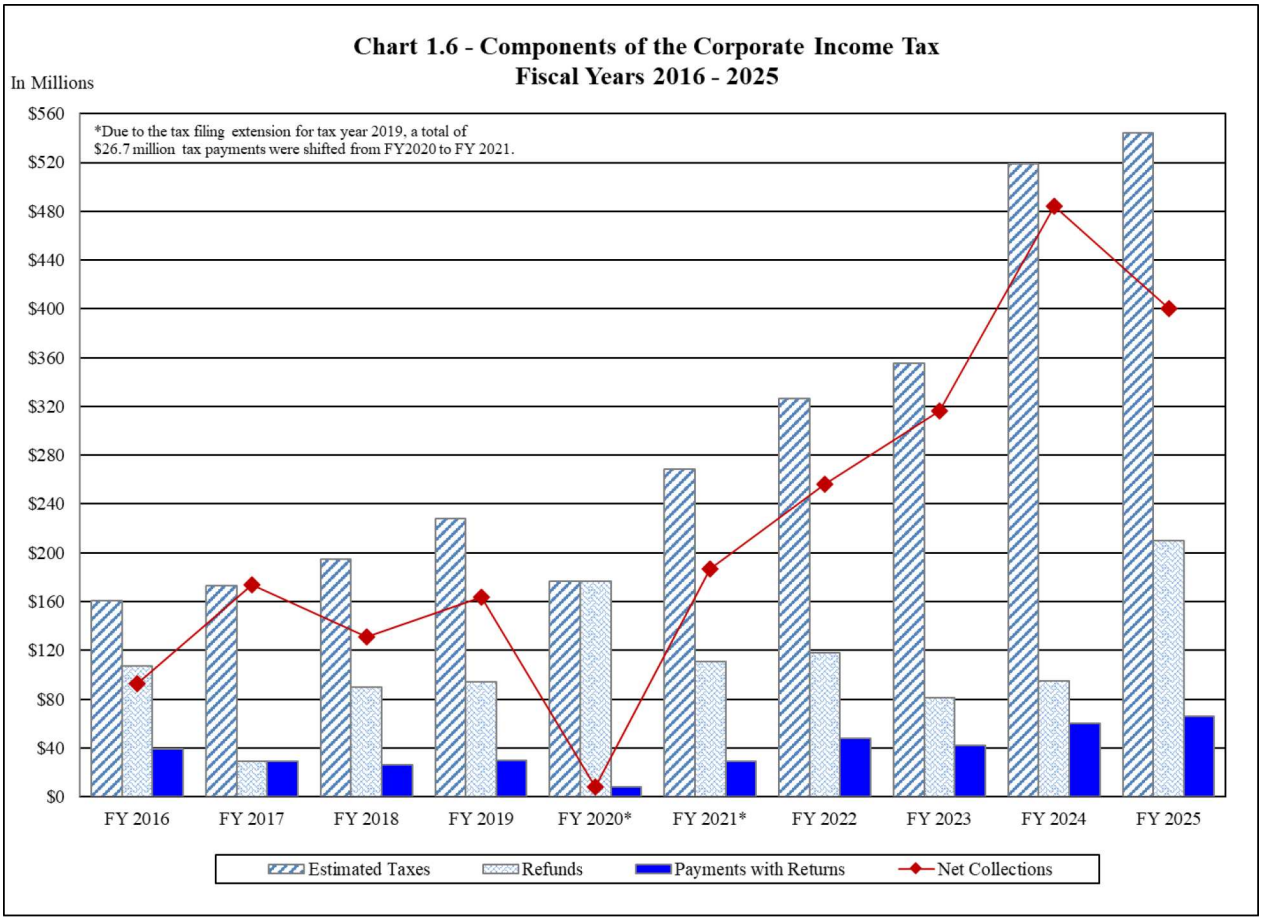



Table 1.3 shows data on collections of the CIT for FY 2024 and FY 2025.

TABLE 1.3 - TAXES PAID BY CORPORATIONS [1]
(In Thousands of Dollars)

| | | | Difference | |
|---|---|---|---|---|
| | FY 2025 | FY 2024 | Amount | % Change |
| Declaration of Estimated Taxes | $ 544,431 | $ 519,113 | $ 25,318 | 4.9 |
| Payment with Return | 66,117 | 60,075 | 6,041 | 10.1 |
| Subtotal | $ 610,548 | $ 579,188 | $ 31,359 | 5.4 |
| Refunds | 210,164 | 94,818 | 115,346 | 121.6 |
| NET | $ 400,384 | $ 484,370 | $ (83,986) | (17.3) |

[1] 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 accommodations tax (TAT) is the State's third largest source of tax revenue**. 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 timeshare 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 $816.2 million for FY 2025, a decrease of 1.5% from the $828.3 million collected in FY 2024.** In FY 2025, 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; $78.8 million went to the Mass Transit Fund; $36.3 million went to the Tax Administration Fund; and the remainder ($685.6 million) went to the General Fund. Chart 1.7 shows collections of the TAT for FY 2016 through FY 2025.

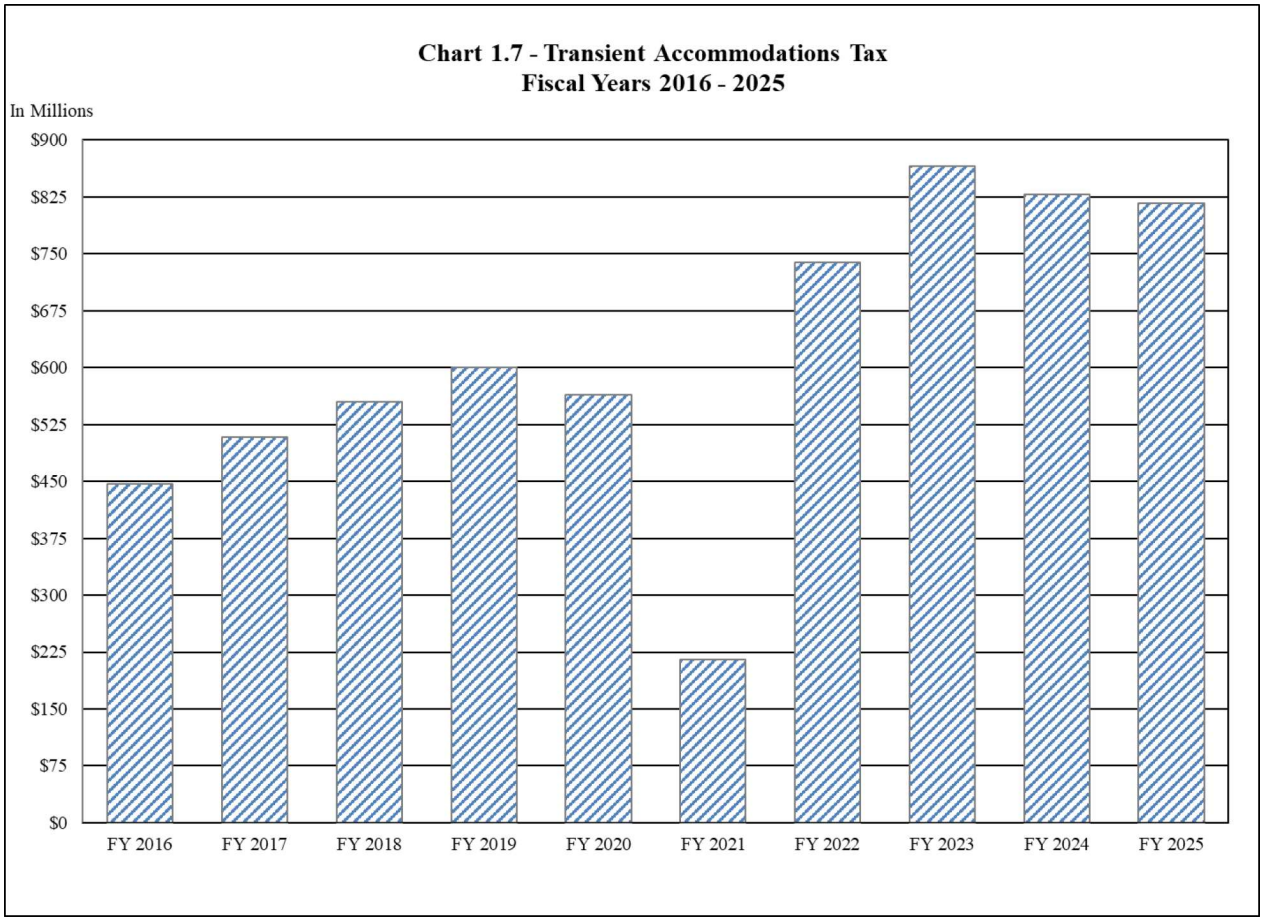
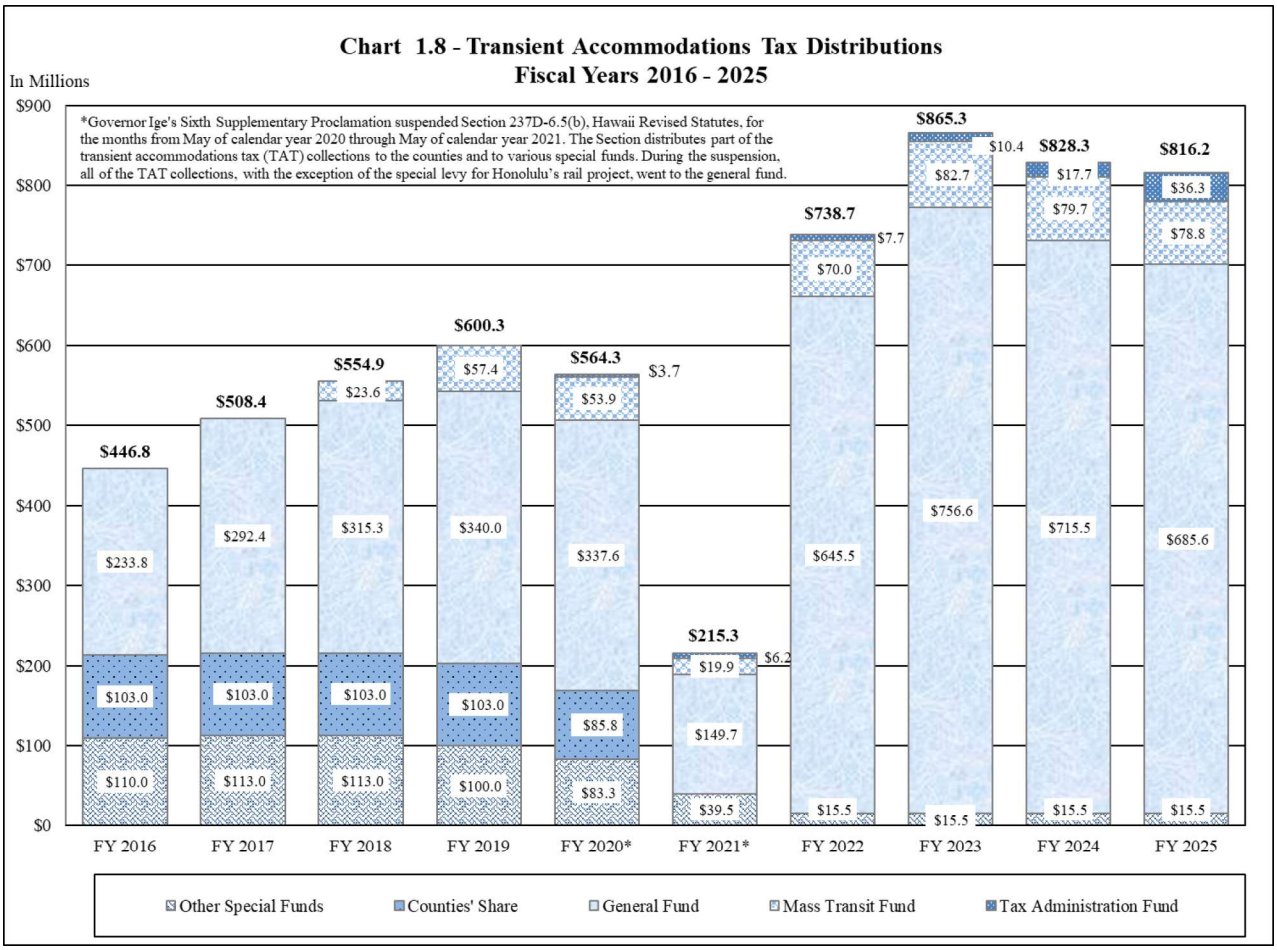


Chart 1.8 shows the tax allocations among the various funds. Table 1.4 shows TAT collections and allocations in FY 2024 and FY 2025.




### *1.5.3 Recent Legislation*

Act 96, SLH 2025 increases the TAT by 0.75 percent (climate impact/green fee) for the period beginning on January 1, 2026, until December 31, 2030. Act 96 also newly imposes the TAT on cruise ship operators' gross rental proceeds derived from cruise fares, prorated by the ratio of days docked in any port in the State to the total number of days of the voyage. Act 96 became effective on January 1, 2026.

TABLE 1.4 - TRANSIENT ACCOMMODATIONS TAX [2]
(In Thousands of Dollars)

| | FY 2025 | FY 2024 | Difference Amount | Difference % Change |
|---|---|---|---|---|
| Collection | | | | |
| Trans. Accom./Time Share Occ. Tax | $ 816,184 | $ 828,327 | $ (12,144) | (1.5) |
| Trans. Accom./Time Share Occ. Fees | 16 | 19 | (3) | (16.1) |
| Total | $ 816,200 | $ 828,346 | $ (12,147) | (1.5) |
| Distribution [1] | | | | |
| 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 | 78,758 | 79,668 | (910) | (1.1) |
| Tax Administration Fund | 36,305 | 17,685 | 18,620 | 105.3 |
| General Fund | 685,637 | 715,493 | (29,856) | (4.2) |
| Total | $ 816,200 | $ 828,346 | $ (12,147) | (1.5) |

[1] For details on distribution see section 237D-6.5, HRS.

[2] 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 the next page. There is a $5 liquid fuel retail dealer permit that must be renewed by December 31 each year.

### *1.6.2 Revenue*

**For FY 2025, fuel tax collections amounted to $168.0 million, a decrease of 0.4% from the $168.6 million collected in FY 2024.** Total taxable fuel consumption decreased from 928.9 million gallons in FY 2024 to 904.4 million gallons in FY 2025. The biggest consumption of taxable fuel was gasoline (421.5 million gallons). The second biggest consumption was aviation fuel (264.2 million gallons). Together, gasoline and aviation fuel accounted for 75.8% of the total consumption of taxable fuel in FY 2025.

SCHEDULE OF FUEL TAX RATES PER GALLON [4]
(Effective July 1, 2020)

| TYPE OF FUEL | STATE TAX | COUNTY TAX | TOTAL TAX |
|---|---|---|---|
| GASOLINE AND DIESEL OIL (HIGHWAY): | | | |
| City & County of Honolulu | 16.0 ¢ | 16.5 ¢ | 32.5 ¢ |
| County of Maui [3] | 16.0 | 24.0 | 40.0 |
| County of Hawaii | 16.0 | 23.0 | 39.0 |
| County of Kauai | 16.0 | 17.0 | 33.0 |
| LIQUEFIED PETROLEUM GAS (HIGHWAY): | | | |
| 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 |
| ETHANOL (HIGHWAY): | | | |
| 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 |
| METHANOL (HIGHWAY): | | | |
| 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 |
| BIODIESEL (HIGHWAY): | | | |
| 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 ¢ |
| COMPRESSED NATURAL GAS (HIGHWAY): | | | |
| City & County of Honolulu | 4.0 ¢ | 8.2 ¢ | 12.2 ¢ |
| County of Maui [3] | 4.0 | 11.9 | 15.9 |
| County of Hawaii | 4.0 | 11.4 | 15.4 |
| County of Kauai | 4.0 | 8.4 | 12.4 |
| LIQUEFIED NATURAL GAS (HIGHWAY): | | | |
| City & County of Honolulu | 4.0 ¢ | 8.2 ¢ | 12.2 ¢ |
| County of Maui [3] | 4.0 | 11.9 | 15.9 |
| County of Hawaii | 4.0 | 11.4 | 15.4 |
| County of Kauai | 4.0 | 8.4 | 12.4 |
| BIODIESEL BLEND (HIGHWAY): | | | |
| County of Maui | 3.9 ¢ | 6.0 ¢ | 9.9 ¢ |
| ENVIRONMENTAL RESPONSE, ENERGY, & FOOD SECURITY TAX | | | |
| All Counties, per barrel of petroleum products [1] | 105.0 ¢ | 0.0 ¢ | 105.0 ¢ |
| All Counties, per million BTU of fossil fuels [2] | 19.0 | 0.0 | 19.0 |

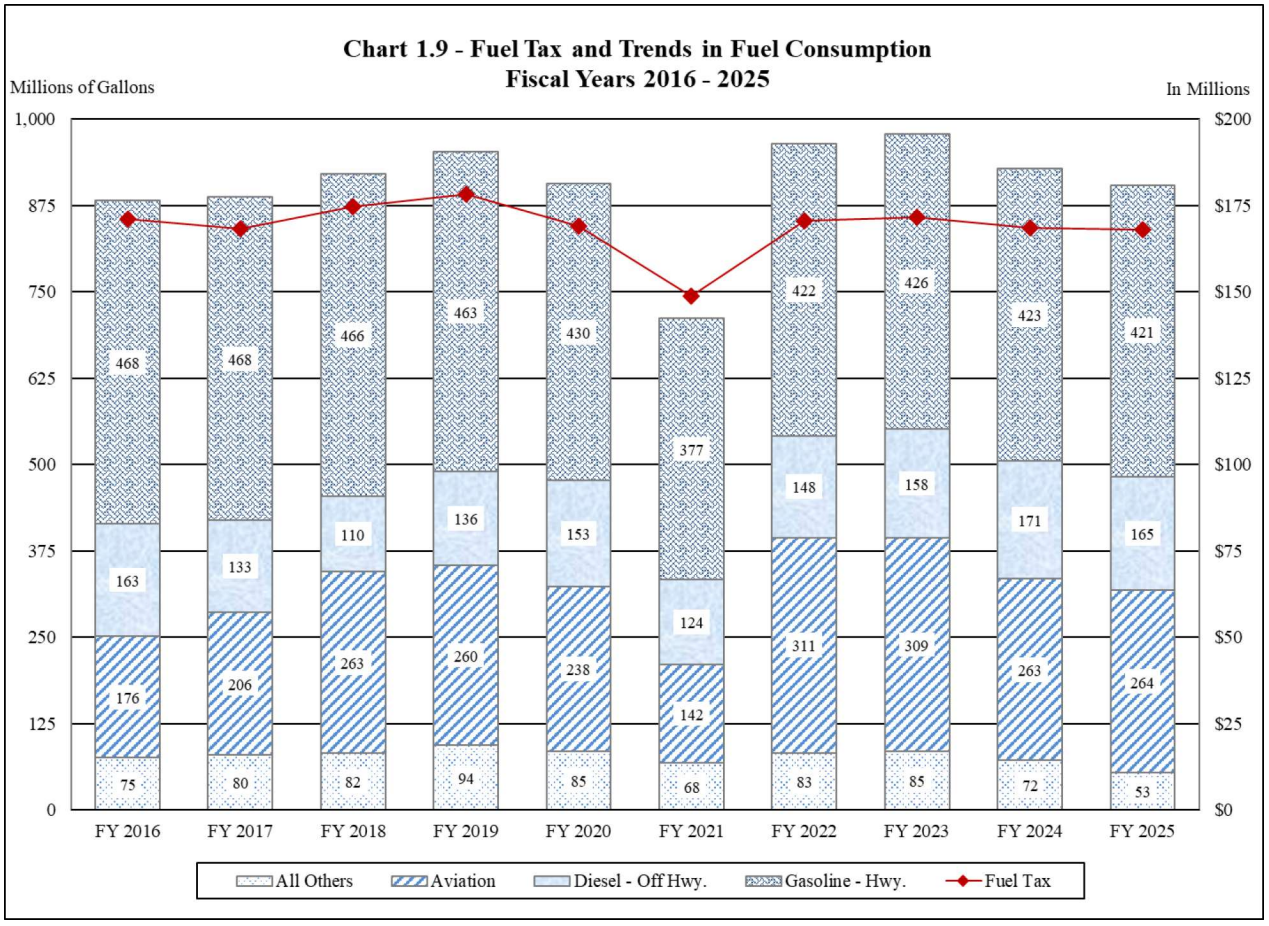
[1] Does not include aviation fuel.

[2] Does not include petroleum products. BTU = British thermal unit.

[3] Effective July 1, 2020, pursuant to Maui County Resolution No. 20-82.

[4] 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.

**Collections of the environmental response tax amounted to $27.1 million in FY 2025, a decrease of 0.7% from the $27.3 million collected in FY 2024.** The environmental response tax rate on each barrel of petroleum product was $1.05. The tax was levied on 24.8 million barrels of petroleum in FY 2025, down from 24.9 million barrels in FY 2024. The environmental response tax rate on each MMBtu of non-petroleum fossil fuels was nineteen cents. The tax was levied on 5.6 million MMBtu of non-petroleum fossil fuels in FY 2025, down from 5.9 million MMBtu in FY 2024. Chart 1.9 shows collections of the fuel taxes and the gallons consumed of the various fuel types, for FY 2016 through FY 2025.




Data for taxable gallons of fuel consumed in FY 2024 and FY 2025 are given in Table 1.5.

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

| | | | Difference | |
|---|---|---|---|---|
| | FY 2025 | FY 2024 | Amount | % Change |
| Gasoline | 421,488 | 422,849 | (1,361) | (0.3) |
| Diesel Oil - Off Highway | 165,190 | 171,145 | (5,954) | (3.5) |
| Diesel Oil - Highway | 45,380 | 44,347 | 1,033 | 2.3 |
| Liq. Pet. Gas - Highway | 2 | (8) | 10 | (123.3) |
| Small Boats - Gasoline | 1,359 | 1,234 | 125 | 10.1 |
| Small Boats - Diesel Oil | (3,036) | 2,957 | (5,993) | (202.7) |
| Aviation Fuel | 264,233 | 263,319 | 914 | 0.3 |
| Other Fuel [1] | 9,746 | 23,023 | (13,277) | (57.7) |
| Total Gallons | 904,362 | 928,865 | (24,503) | (2.6) |
| Environmental Response Tax | | | | |
| Petroleum Products (Barrel) [2] | 24,811,797 | 24,947,134 | (135,337) | (0.5) |
| Fossil Fuels (MMBtu) [3] | 5,643,785 | 5,865,341 | (221,556) | (3.8) |

[1] Other fuel includes ethanol, methanol, biodiesel, naphtha, compressed natural gas, and liquefied natural gas.
[2] Barrel = 42 U.S. gallons of petroleum products.
[3] MMBtu = 1 million British thermal units.
NOTE: Due to rounding, details may not add to totals.

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 2025. 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 the Department of Business, Economic Development & Tourism 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 2024 and FY 2025. The table also shows allocations of motor vehicle taxes and fees, and rental motor vehicle taxes to the State Highway Fund.

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

| | FY 2025 [1] | FY 2024 [1] | Difference Amount | Difference % Change |
|---|---|---|---|---|
| STATE HIGHWAY FUND | | | | |
| Gasoline | $ 66,909 | $ 67,063 | $ (154) | (0.2) |
| Diesel Oil - Off Highway | 1,605 | 1,724 | (118) | (6.9) |
| Diesel Oil - Highway | 7,175 | 7,177 | (2) | (0.0) |
| Liq. Pet. Gas - Highway | 0 [4] | (0) [4] | 1 | (124.4) |
| Other Fuel [3] | 219 | 483 | (264) | (54.6) |
| Subtotal | $ 75,909 | $ 76,446 | $ (537) | (0.7) |
| Motor Vehicle | 145,418 | 143,094 | 2,325 | 1.6 |
| Rental Vehicle | 117,978 | 105,647 | 12,332 | 11.7 |
| TOTAL | $ 339,306 | $ 325,187 | $ 14,119 | 4.3 |
| COUNTY HIGHWAY FUNDS | | | | |
| City and County of Honolulu | $ 44,814 | $ 45,100 | $ (286) | (0.6) |
| County of Maui | 16,645 | 15,558 | 1,087 | 7.0 |
| County of Hawaii | 20,824 | 21,708 | (884) | (4.1) |
| County of Kauai | 5,479 | 5,451 | 28 | 0.5 |
| TOTAL | $ 87,761 | $ 87,817 | $ (56) | (0.1) |
| BOATING SPECIAL FUND | $ 1,653 | $ 1,659 | $ (6) | (0.4) |
| STATE AIRPORT FUND | | | | |
| Aviation Fuel | $ 2,642 | $ 2,664 | $ (21) | (0.8) |
| ENVIRONMENTAL RESPONSE REVOLVING FUND | $ 1,297 | $ 1,306 | $ (9) | (0.7) |
| ENERGY SECURITY FUND | $ 1,162 | $ 1,174 | $ (12) | (1.0) |
| ENERGY SYSTEMS DEVELOPMENT FUND | $ 1,353 | $ 1,365 | $ (11) | (0.8) |
| ELECTRIC VEHICLE CHARGING SYSTEM SUBACCOUNT | $ 744 | $ 748 | $ (4) | (0.5) |
| HYDROGEN FUELING SYSTEM SUBACCOUNT | $ 744 | $ 748 | $ (4) | (0.5) |
| GENERAL FUND | $ 21,824 | $ 21,968 | $ (144) | (0.7) |

[1] Fuel tax collections were $167,969,542 for fiscal year 2025, of which $3,791 could not be distributed because the required tax returns were not available.

[2] Fuel tax collections were $168,803 thousand for fiscal year 2024, of which $217 thousand could not be distributed because the required tax returns were not available.

[3] Other fuel includes ethanol, methanol, biodiesel, naphtha, compressed natural gas, and liquefied natural gas.

[4] Less than -$500.

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

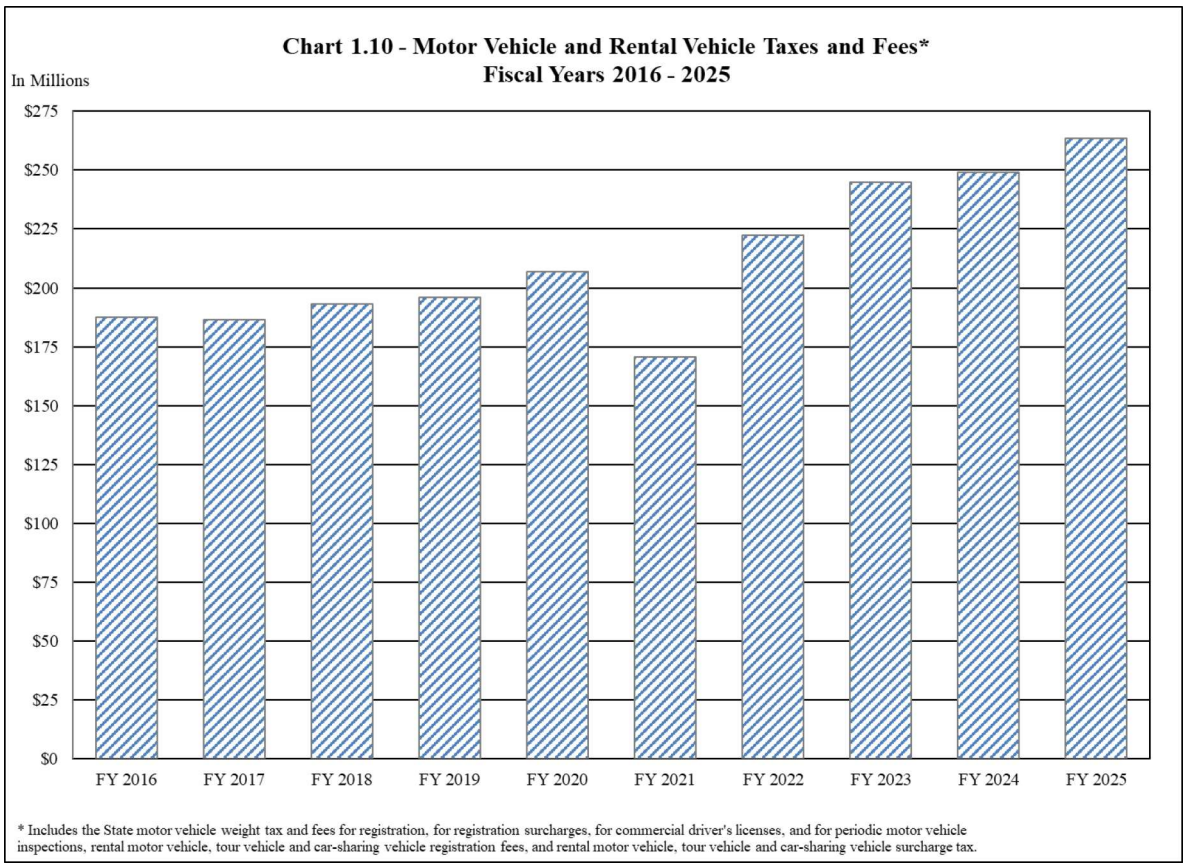
## 1.7 MOTOR VEHICLE AND RENTAL VEHICLE TAXES AND FEES

### *1.7.1 Overview*

**Motor vehicle and rental vehicle taxes consist of vehicle registration taxes 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 $6.00 per day to $6.50 per day effective January 1, 2024, and increased again from $6.50 per day to $7.00 per day effective January 1, 2025. 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 marginally in FY 2025, whereas revenues from the State's rental vehicle taxes were up moderately.** The State's motor vehicle taxes and fees totaled $145.4 million, up from $143.1million in FY 2024, an increase of 1.6%. The State's RVST amounted to $118.2 million in FY 2025, up from $106.1 million in FY 2024, an increase of 4.6%. Chart 1.10 shows the total motor vehicle taxes and fees for FY 2016 through FY 2025.



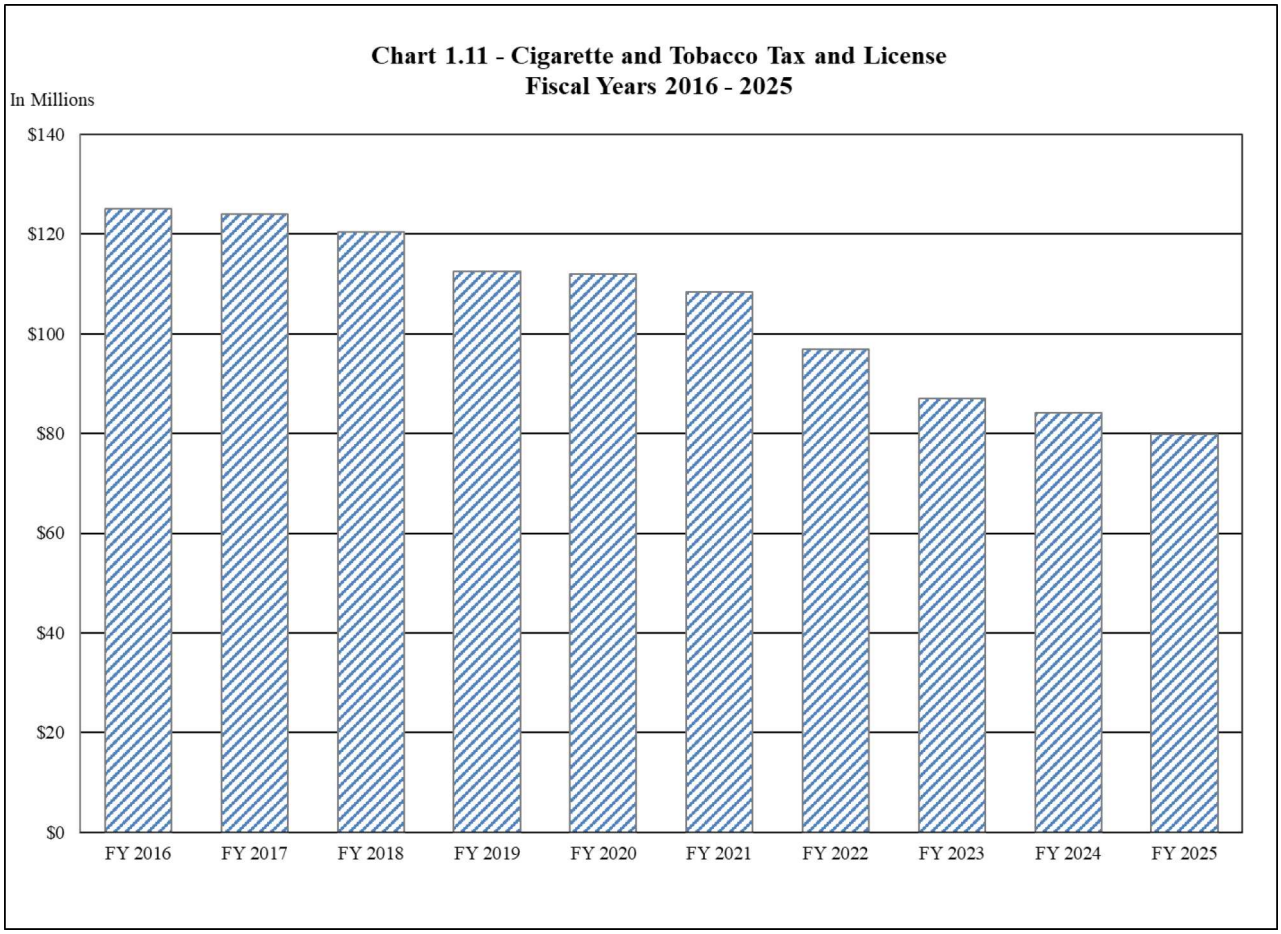
## 1.8 CIGARETTE AND TOBACCO TAX

### *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), including electronic smoking devices and e-liquids, is 70% of the wholesale price. A $250 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 $50 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 2025.** Collections of the cigarette and tobacco tax (including tobacco licenses) totaled $79.9 million in FY 2025, down from $84.2 million in FY 2024, a decrease of 5.1%. Chart 1.11 shows the total collections of the taxes for FY 2016 through FY 2025.



The 16-cent per cigarette tax was distributed as follows in FY 2025: 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 2024 and FY 2025.

TABLE 1.7 - CIGARETTE AND TOBACCO TAX [2]
(In Thousands of Dollars)

| | | | Difference | |
|---|---|---|---|---|
| | FY 2025 | FY 2024 | Amount | % Change |
| Collection | | | | |
| Tobacco and Licenses | $ 79,887 | $ 84,166 | $ (4,280) | (5.1) |
| Distribution [1] | | | | |
| Hawaii Cancer Research Fund | $ 7,789 | $ 8,607 | $ (818) | (9.5) |
| Trauma System Fund | 4,381 | 4,841 | (460) | (9.5) |
| Emergency Medical Services Fund | 4,868 | 5,379 | (511) | (9.5) |
| Community Health Centers Fund | 4,868 | 5,379 | (511) | (9.5) |
| Cigarette Stamp Administrative and Enforcement Funds | 1,059 | 1,171 | (111) | (9.5) |
| Tax Administration Fund | 125 | 138 | (13) | (9.5) |
| General Fund | 56,797 | 58,652 | (1,854) | (3.2) |
| Total | $ 79,887 | $ 84,166 | $ (4,280) | (5.1) |

[1] Details on distributions of the revenues are given in section 245-15, HRS.

[2] 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.

### *1.8.3 Recent Legislation*

Act 62, SLH 2023, increased the wholesaler and dealer license fee from $2.50 to $250 and increased the retail tobacco permit fee from $20 to $50. Beginning January 1, 2024, Act 62 imposed 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.

Act 95, SLH 2025, amends section 245-3(a), HRS, by increasing the cigarette tax from 16 cents to 18 cents for each cigarette or little cigar sold, used or possessed by a wholesaler or dealer on and after January 1, 2026. Act 95 also amends the allocation of cigarette tax revenues in section 245-3, HRS. Act 95 took effect on December 31, 2025, with the cigarette tax increase being effective as of January 1, 2026.

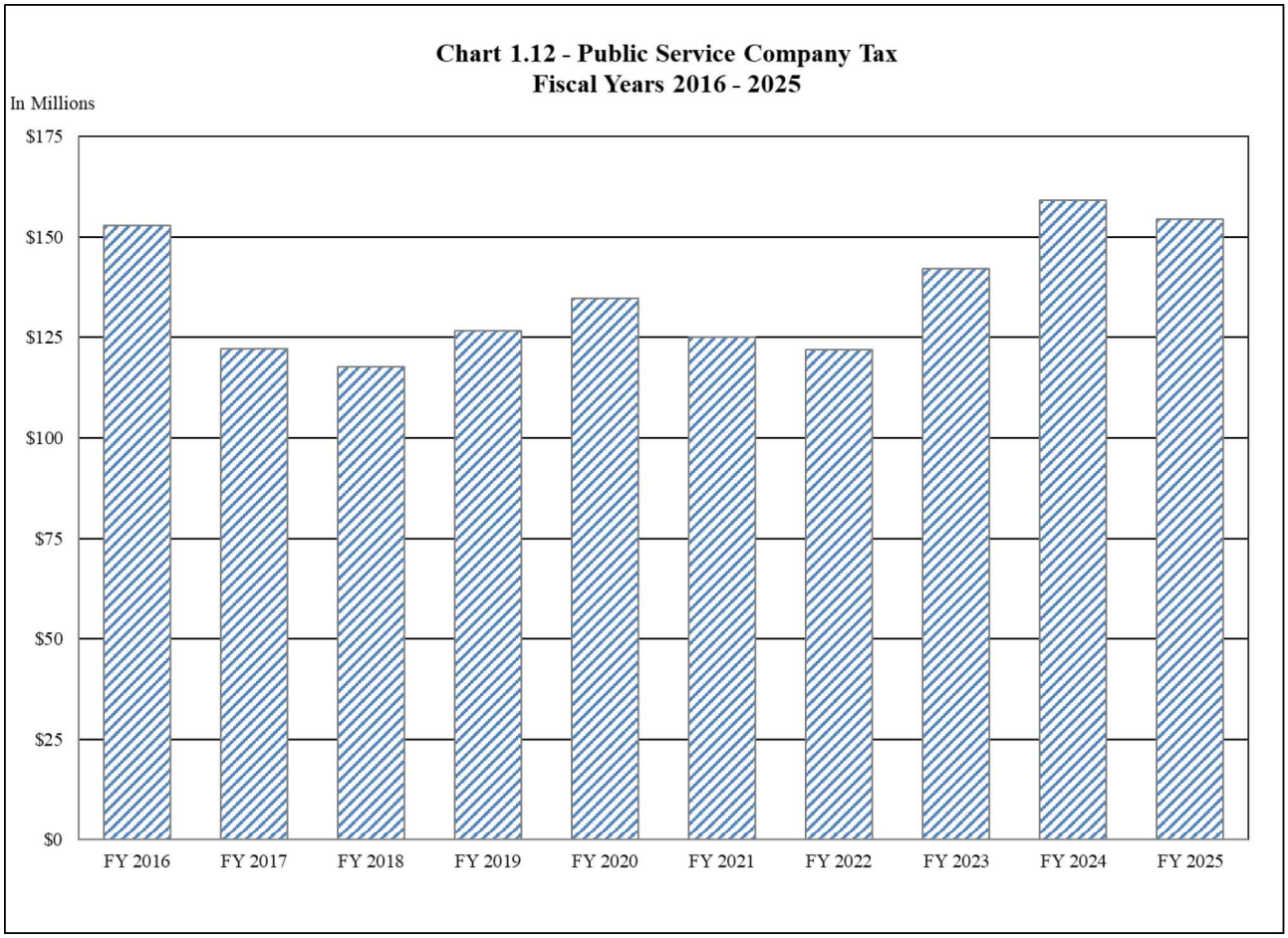
## 1.9 PUBLIC SERVICE COMPANY TAX

### *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 PSCs 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 paid directly 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 were slightly down in FY 2025.** The PSC tax yielded $154.5 million in tax, penalty, and interest in FY 2025, a decrease of 3.0% from the $159.2 million collected in FY 2024. All State revenues from the PSC tax are allocated to the General Fund. Chart 1.12 shows the total tax collections for FY 2016 through FY 2025.



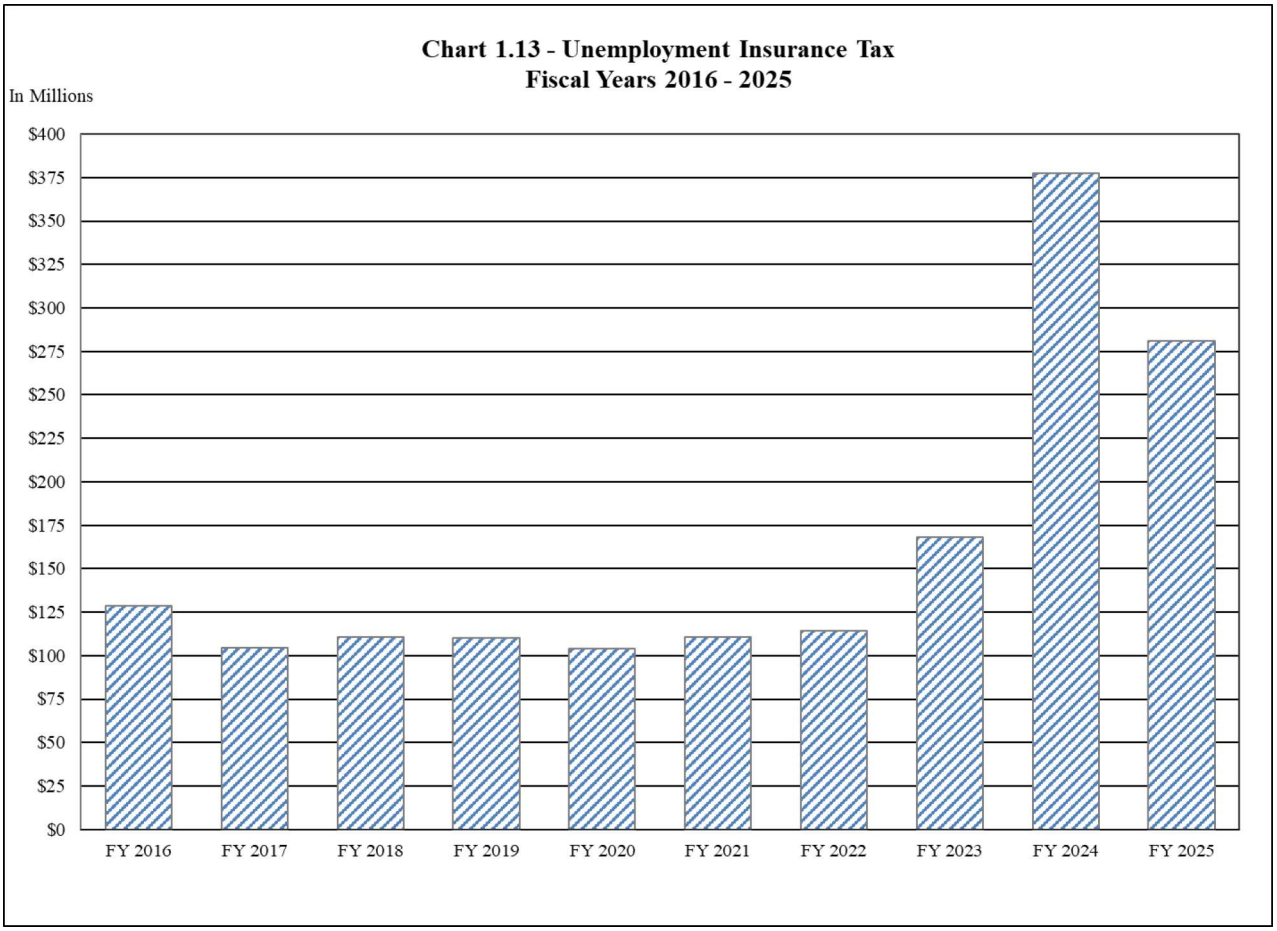
## 1.10 UNEMPLOYMENT INSURANCE TAX

### *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 2025, the tax base ranged from $59,100 in CY 2024 to $62,000 in CY 2025 and the contribution rate for new employers ranged from 3.0% in CY 2024 to 2.4% in CY 2025. 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 decreased in FY 2025 after a significant jump in FY 2024.** For FY 2025, revenue from the UI tax totaled $281.2 million, down by 25.5% from $377.5 million collected in FY 2024. Chart 1.13 shows collections of the UI tax for FY 2016 through FY 2025.



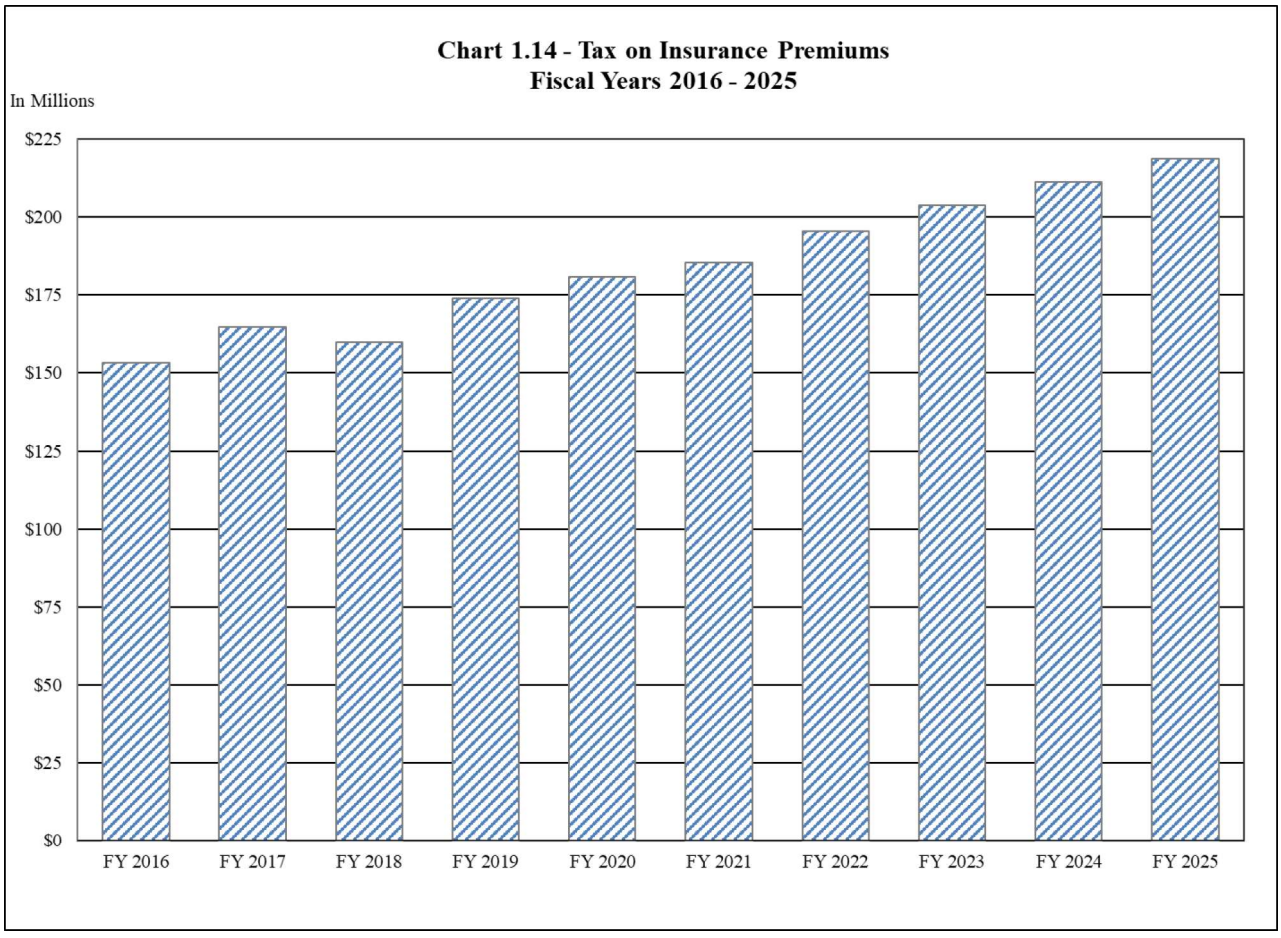
## 1.11 INSURANCE PREMIUM TAX

### *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 for 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 rose to $218.8 million in FY 2025, up from $211.4 million in FY 2024, representing a 3.5% increase**. Chart 1.14 shows collections of the tax for FY 2016 through FY 2025.



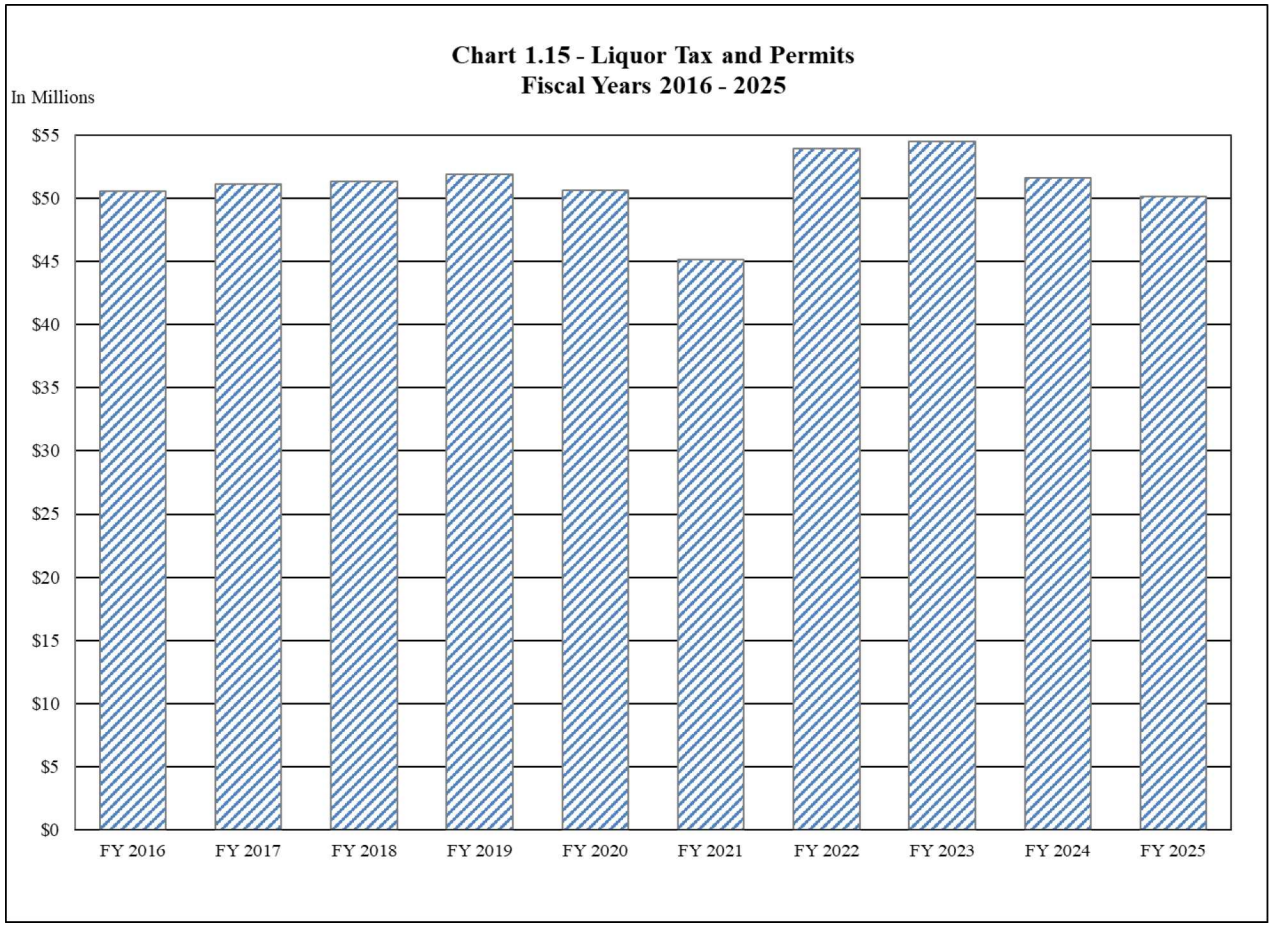
## 1.12 LIQUOR TAX

### *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 decreased by 2.8% to $50.1 million in FY 2025 from $51.6 million in FY 2024.** Chart 1.15 shows collections of the liquor tax and permit fees for FY 2016 through FY 2025.




## 1.13 CONVEYANCE TAX

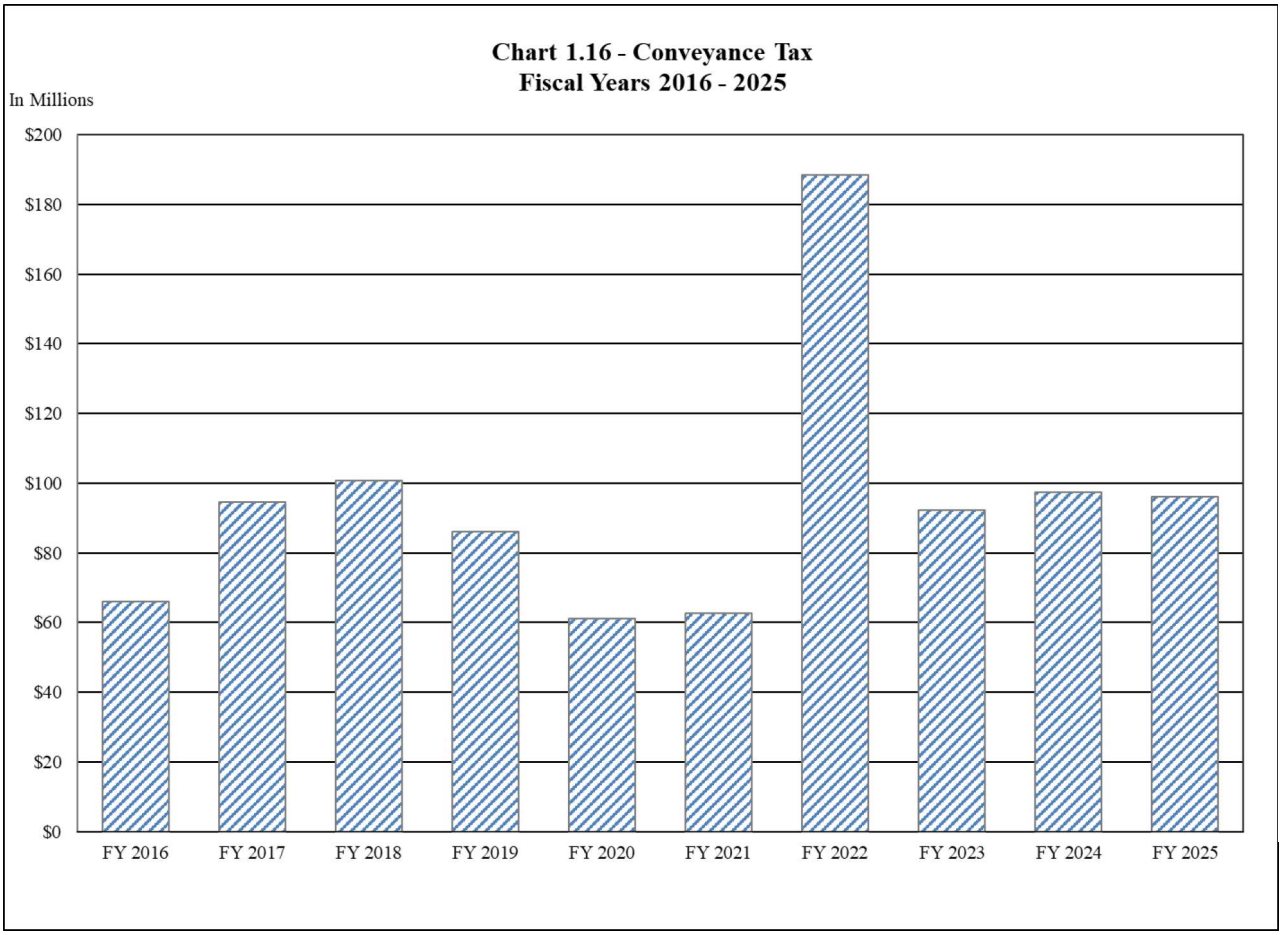
### *1.13.1 Overview*

**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*

**In FY 2025, conveyance tax revenue totaled $96.0 million, down from $97.4 million in FY 2024—a decline of 1.4%.** The revenues for FY 2025 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 FY2016 through FY 2025.



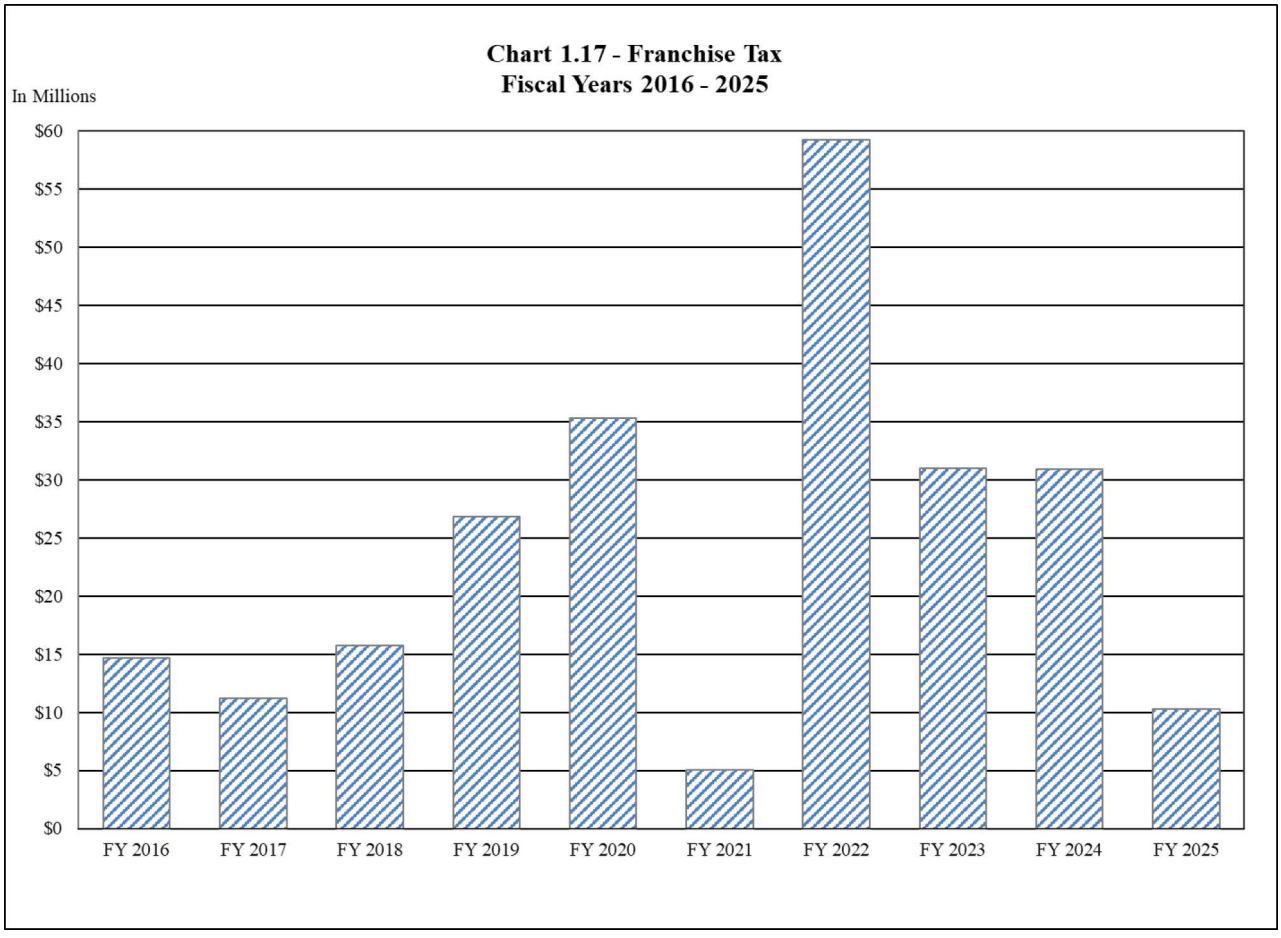
## 1.14 TAX ON BANKS AND OTHER FINANCIAL CORPORATIONS

### *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 2025, franchise tax collections totaled $10.3 million, down from $30.9 million in FY 2024, a decrease of 66.7%.** Chart 1.17 shows collections of the franchise tax for FY 2016 through FY 2025.



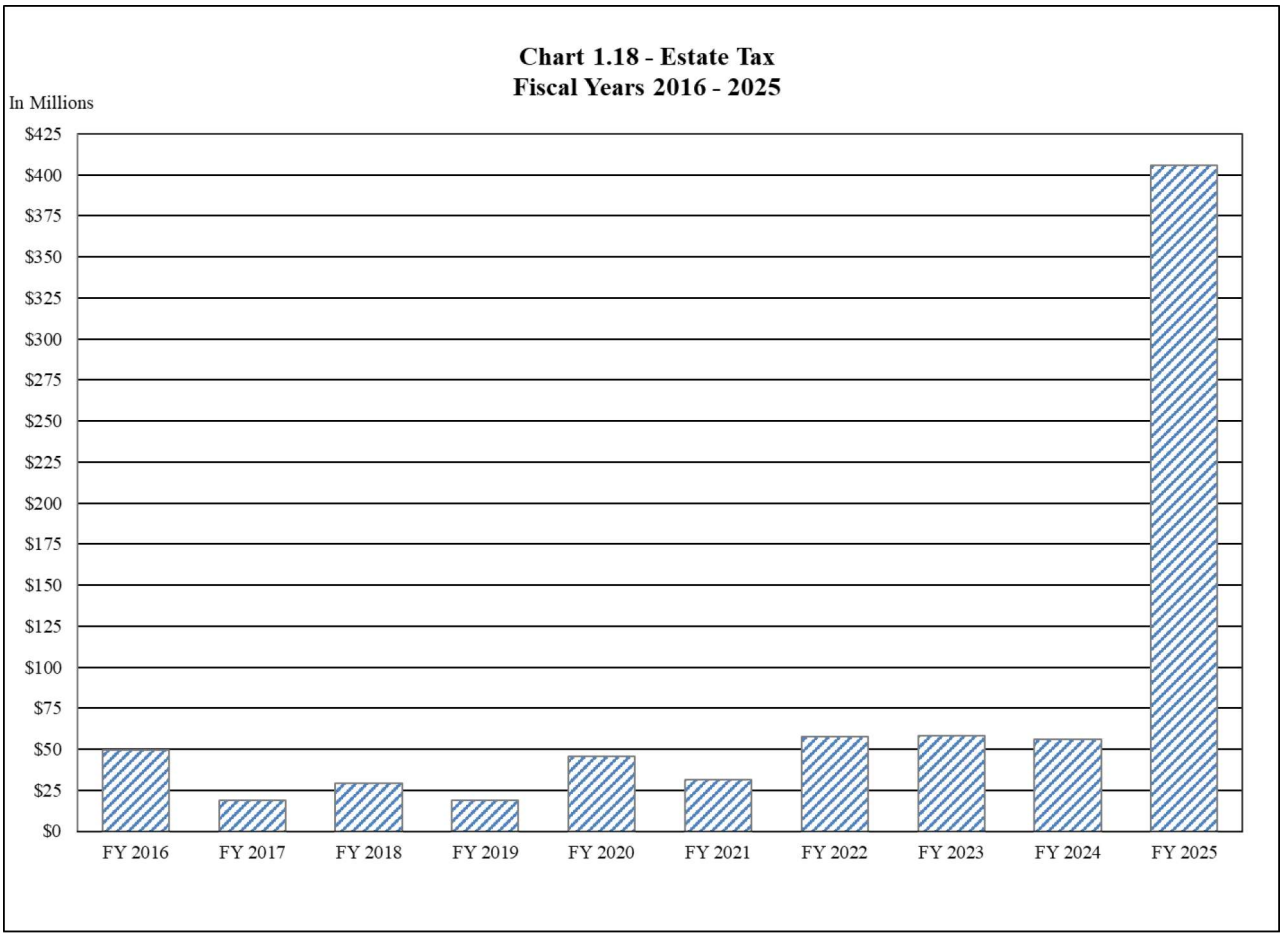
## 1.15 ESTATE AND TRANSFER TAX

### *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 2025, estate tax collections totaled $405.8. million, up from $55.8 million collected in FY 2024.** The dramatic increase in FY 2025 reflects a one-off boost of $315 million in September 2024 and is not part of the normal trend over the years. Chart 1.18 shows collections of the estate and transfer tax for FY 2016 through FY 2025.



## 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.** DOTAX is required to administer and collect the surcharge for the counties. The State retains 1% of the county surcharge collections as reimbursement 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, 2024, the following counties have adopted the surcharge:

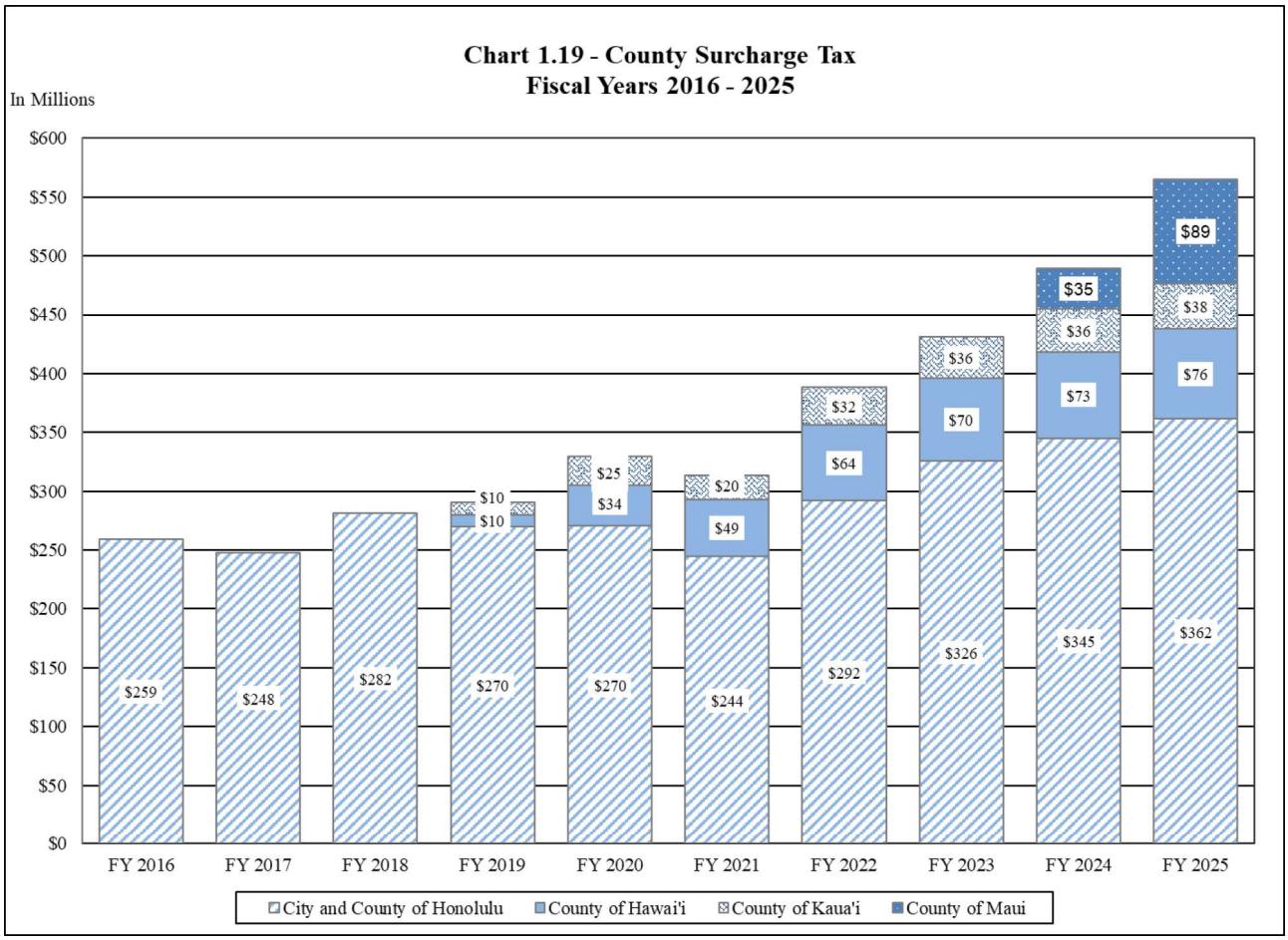
| County | Surcharge Rate | Effective Date |
|---|---|---|
| Honolulu | 0.5% | January 1, 2007 – December 31, 2030 |
| Kaua'i | 0.5% | January 1, 2019 – December 31, 2030 |
| Hawai'i* | 0.5% | January 1, 2020 – December 31, 2030 |
| Maui | 0.5% | January 1, 2024 – December 31, 2030 |

*Hawai'i County surcharge was 0.25% from January 1, 2019 to December 31, 2019.

Act 48, SLH 2023, extended 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 authorized 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 2025, collections of county surcharges totaled $565.3 million, an increase of 15.4% from the $489.7 million collected in FY 2024.** Starting in January 2024, the new surcharge imposed by the County of Maui was included in the county surcharge collections. In FY 2025, collections from the county surcharges were distributed as follows: $361.5 million went to the City and County of Honolulu; $76.4 million went to the County of Hawai'i; $38.5 million went to the County of Kaua'i, and $88.9 million went to the County of Maui. Chart 1.19 shows collections of the county surcharges for FY 2016 through FY 2025.




## 1.17 TOTAL TAX COLLECTIONS

**Total tax collections in FY 2025 amounted to $11.5 billion, up by 3.4% from the $11.08 billion collected in FY 2024.**

DOTAX collected the great majority of the total taxes ($10.8 billion), but the counties collected $145.4 million in state motor vehicle weight taxes and registration fees, the Insurance Commissioner (in the Department of Commerce and Consumer Affairs) collected $218.8 million in insurance premium taxes, and the Bureau of Conveyances (in the Department of Land and Natural Resources) collected $96.0 million in conveyance taxes. The total tax collections are shown in Table 1.8.

TABLE 1.8 - TAX COLLECTIONS [6]
(In Thousands of Dollars )

| SOURCE OF REVENUE | FY 2025 Amount Collected | FY 2025 % of Total | FY 2024 Amount Collected | FY 2024 % of Total |
|---|---|---|---|---|
| Banks - Financial Corps. | $ 10,296 | 0.09 | $ 30,912 | 0.28 |
| Conveyance | 96,045 | 0.84 | 97,411 | 0.88 |
| Employment Security Contributions | 281,225 | 2.45 | 377,458 | 3.41 |
| Fuel [3, 4] | 167,966 | 1.47 | 168,586 | 1.52 |
| Environmental Response | 27,125 | 0.24 | 27,309 | 0.25 |
| General Excise and Use | 4,630,396 | 40.42 | 4,481,056 | 40.45 |
| County Surcharge [5] | 565,256 | 4.93 | 489,688 | 4.42 |
| Income - Corporations | 400,384 | 3.49 | 484,370 | 4.37 |
| Income - Individuals | 3,288,093 | 28.70 | 3,281,525 | 29.62 |
| Inheritance and Estate | 405,766 | 3.54 | 55,794 | 0.50 |
| Insurance Premiums | 218,833 | 1.91 | 211,352 | 1.91 |
| Liquor and Permits | 50,149 | 0.44 | 51,602 | 0.47 |
| Motor Vehicle Tax and Fees [1] | 145,418 | 1.27 | 143,094 | 1.29 |
| Rental Vehicle Tax and Fees | 118,181 | 1.03 | 106,069 | 0.96 |
| Public Service Companies | 154,478 | 1.35 | 159,222 | 1.44 |
| Tobacco and Licenses | 79,887 | 0.70 | 84,166 | 0.76 |
| Trans. Accom. Fees | 16 | 0.00 | 19 | 0.00 |
| Trans. Accom. Tax | 816,184 | 7.12 | 828,327 | 7.48 |
| All Others [2] | 638 | 0.01 | 650 | 0.01 |
| TOTAL | $11,456,335 | 100.00 | $11,078,610 | 100.00 |

[1] 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.

[2] Includes fuel retail dealer's permits, fuel penalty and interest, and general excise tax licenses.

[3] Fuel tax collections were $168,803 thousand for fiscal year 2024, of which $217 thousand could not be distributed because the required tax returns were not available.

[4] Fuel tax collections were $167,969,542 for fiscal year 2025, of which $3,791 could not be distributed because the required tax returns were not available.

[5] Includes amounts allocated as of June 30, 2025 from the surcharges imposed by the City and County of Honolulu, by the County of Maui, by the County of Hawai'i, and by the County of Kaua'i.

[6] 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 $11.46 billion in total tax collections in FY 2025, $9.97 billion or 87.1% was deposited into the State's General Fund.** The four counties received $87.8 million from county fuel taxes. In addition, $565.3 million of county surcharge was collected for the City and County of Honolulu, the County of Hawai'i, the County of Kaua'i, and the County of Maui (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, $339.3 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 2024 and FY 2025.

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

| | FY 2025 | | FY 2024 | |
|---|---|---|---|---|
| SOURCE OF REVENUE | Amount Collected | % of Total | Amount Collected | % of Total |
| Banks - Financial Corps. | $ 8,296 | 0.08 | $ 28,912 | 0.30 |
| Conveyance | 52,945 | 0.53 | 54,311 | 0.57 |
| General Excise and Use | 4,599,977 | 46.12 | 4,446,125 | 46.47 |
| Income - Corporations | 400,297 | 4.01 | 483,676 | 5.05 |
| Income - Individuals | 3,287,127 | 32.96 | 3,280,416 | 34.28 |
| Inheritance and Estate | 405,766 | 4.07 | 55,794 | 0.58 |
| Insurance Premiums | 218,833 | 2.19 | 211,352 | 2.21 |
| Liquor and Permits | 50,149 | 0.50 | 51,602 | 0.54 |
| Public Service Companies | 154,478 | 1.55 | 159,222 | 1.66 |
| Tobacco and Licenses | 56,922 | 0.57 | 58,789 | 0.61 |
| Trans. Accom. Tax | 716,905 | 7.19 | 715,475 | 7.48 |
| Environmental Response Tax | 21,824 | 0.22 | 21,968 | 0.23 |
| All Others * | 642 | 0.01 | 672 | 0.01 |
| TOTAL | $ 9,974,161 | 100.00 | $ 9,568,313 | 100.00 |

* 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.

The distribution of the total tax collections among all funds in FY 2024 and FY 2025 are shown in Table 1.10.

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

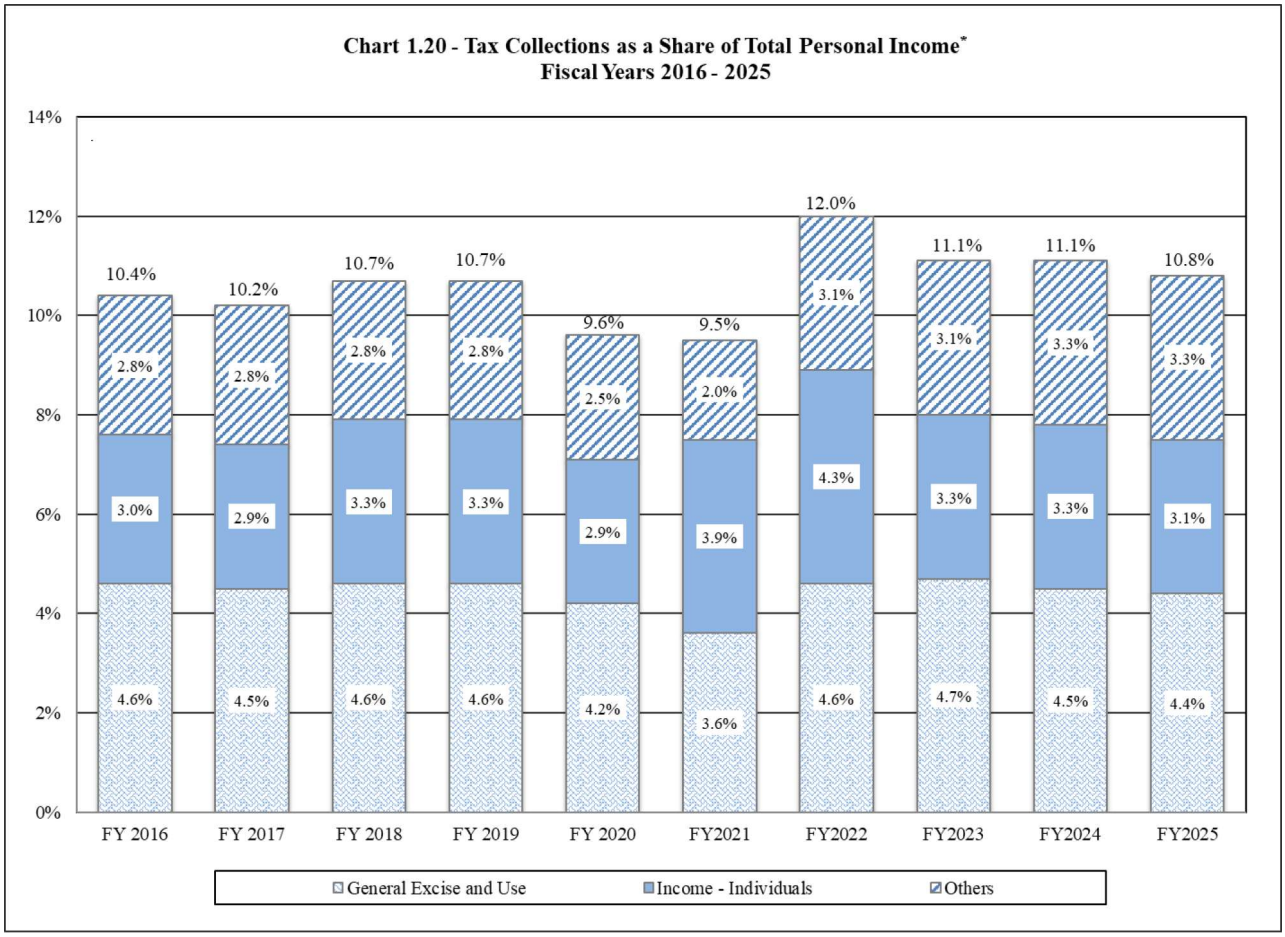
| | FY 2025 | | FY 2024 | |
|---|---|---|---|---|
| | Amount Distributed | % of Total | Amount Distributed | % of Total |
| STATE FUND | | | | |
| State General Fund | $ 9,974,161 | 87.06 | $ 9,568,313 | 86.37 |
| State Highway Fund | 339,319 | 2.96 | 325,187 | 2.94 |
| State Airport Fund | 2,642 | 0.02 | 2,664 | 0.02 |
| Boating Special Fund | 1,653 | 0.01 | 1,659 | 0.01 |
| Environmental Fund | 1,297 | 0.01 | 1,306 | 0.01 |
| Cigarette Stamp Admin/Enf. Fund | 1,059 | 0.01 | 1,171 | 0.01 |
| Compliance Resolution Fund | 2,000 | 0.02 | 2,000 | 0.02 |
| Election Campaign Fund | 83 | 0.00 | 92 | 0.00 |
| Unemployment Trust Fund | 281,225 | 2.45 | 377,458 | 3.41 |
| Rental Housing Fund | 38,000 | 0.33 | 38,000 | 0.34 |
| Convention Center Fund | 11,000 | 0.10 | 11,000 | 0.10 |
| Land Conservation Fund | 5,100 | 0.04 | 5,100 | 0.05 |
| Tourism Emergency Special Fund | - | - | - | - |
| School Repairs and Maintenance Fund | 55 | 0.00 | 61 | 0.00 |
| Public Libraries Fund | 125 | 0.00 | 135 | 0.00 |
| Domestic Violence\Child Abuse Neglect Fund | 125 | 0.00 | 136 | 0.00 |
| Cancer Research Fund | 7,789 | 0.07 | 8,607 | 0.08 |
| Trauma System Fund | 4,381 | 0.04 | 4,841 | 0.04 |
| Emergency Medical Service Fund | 4,868 | 0.04 | 5,379 | 0.05 |
| Community Health Centers Fund | 4,868 | 0.04 | 5,379 | 0.05 |
| Energy Security Fund | 1,162 | 0.01 | 1,174 | 0.01 |
| Energy Systems Development Fund | 1,353 | 0.01 | 1,365 | 0.01 |
| Electric Vehicle Charging System Subaccount | 744 | 0.01 | 748 | 0.01 |
| Hydrogen Fueling System Subaccount | 744 | 0.01 | 748 | 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 | 78,758 | 0.69 | 79,668 | 0.72 |
| Tax Administration Fund | 36,305 | 0.32 | 54,417 | 0.49 |
| Subtotal - State | $10,803,318 | 94.30 | $10,501,105 | 94.79 |
| COUNTY SURCHARGE [1] | $ 565,256 | 4.93 | $ 489,688 | 4.42 |
| REVENUES TRANSFERRED TO COUNTIES | | | | |
| Other County Revenues | | | | |
| Fuel Tax | $ 87,761 | 0.77 | $ 87,817 | 0.79 |
| Subtotal - Counties | $ 653,018 | 5.70 | $ 577,505 | 5.21 |
| TOTAL | $11,456,335 | 100.00 | $11,078,610 | 100.00 |

[1] Includes amounts allocated as of June 30, 2025 from the general excise tax surcharges imposed by the City and County of Honolulu, the County of Maui, the County of Hawai'i, and the County of Kaua'i.

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 2025.** Chart 1.20 shows total tax collections relative to total personal income (TPI) in the State for FY 2016 through FY 2025. The ratio declined from FY 2016 to FY 2017 but increased from FY 2017 to FY 2019. The ratio from FY 2019 to FY 2022 indicated the impacts of the COVID-19 pandemic and the 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. Since FY 2022, the ratio has been on the decline returning to pre-pandemic levels. 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 State's economy. Chapter 37, Part V, General Fund Expenditure Ceiling, HRS, which implements this constitutional requirement, defines State growth as the average annual percentage change in TPI for the three calendar years immediately preceding the fiscal year for which appropriations are to be made. For the current and next succeeding calendar year, for which the U.S. Bureau of Economic Analysis does not publish income data, it means the TPI as estimated by the Council on Revenues.




*The chart uses the most recent figures from the U.S. Bureau of Economic Analysis (BEA) for TPI. The Bureau periodically updates TPI figures, and the updates often extend back for several years.

Table 1.11 provides data on total tax collections for FY 2016 through FY 2025.

TABLE 1.11 - HISTORICAL COLLECTIONS FOR SELECTED TAXES, FY 2016 THROUGH FY 2025
(In Thousands of Dollars)

| SOURCE OF REVENUE | Fiscal Year 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|
| General Excise and Use | $3,206,154 | $3,239,225 | $3,395,566 | $3,541,389 | $3,436,138 |
| Income - Individuals | 2,116,859 | 2,095,898 | 2,430,356 | 2,568,616 | 2,359,816 |
| Transient Accom. Tax and Fees | 446,794 | 508,377 | 554,912 | 600,334 | 564,318 |
| Unemployment Insurance | 128,577 | 104,313 | 110,885 | 110,309 | 104,068 |
| Motor and Rental Vehicle [1] | 187,704 | 186,490 | 193,241 | 196,120 | 206,714 |
| Fuel and Environmental [3] | 198,136 | 194,761 | 201,778 | 206,345 | 195,259 |
| Public Service Companies | 152,760 | 122,159 | 117,641 | 126,691 | 134,639 |
| Tobacco and Licenses | 125,093 | 124,066 | 120,522 | 112,518 | 111,983 |
| Insurance Premiums | 153,173 | 164,688 | 159,814 | 173,844 | 180,753 |
| Income - Corporations | 93,036 | 173,666 | 131,119 | 163,676 | 8,407 |
| Liquor and Permits | 50,590 | 51,167 | 51,383 | 51,913 | 50,674 |
| Conveyance | 66,083 | 94,537 | 100,603 | 85,965 | 61,110 |
| Banks - Financial Corporations | 14,691 | 11,174 | 15,712 | 26,808 | 35,271 |
| Total Collections [2] | $7,249,205 | $7,338,382 | $7,895,708 | $8,275,024 | $7,825,208 |

| SOURCE OF REVENUE | Fiscal Year 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|
| General Excise and Use | $3,080,194 | $4,009,909 | $4,442,651 | $4,481,056 | $4,630,396 |
| Income - Individuals | 3,355,452 | 3,761,269 | 3,100,465 | 3,281,525 | 3,288,093 |
| Transient Accom. Tax and Fees | 215,316 | 738,663 | 865,257 | 828,346 | 816,200 |
| Unemployment Insurance | 110,591 | 114,431 | 167,886 | 377,458 | 281,225 |
| Motor and Rental Vehicle [1] | 170,723 | 222,381 | 244,779 | 249,163 | 263,600 |
| Fuel and Environmental [3] | 172,063 | 196,504 | 199,102 | 195,895 | 195,090 |
| Public Service Companies | 125,201 | 122,068 | 142,195 | 159,222 | 154,478 |
| Tobacco and Licenses | 108,454 | 96,863 | 87,016 | 84,166 | 79,887 |
| Insurance Premiums | 185,337 | 195,607 | 203,791 | 211,352 | 218,833 |
| Income - Corporations | 186,680 | 256,033 | 316,599 | 484,370 | 400,384 |
| Liquor and Permits | 45,178 | 53,983 | 54,513 | 51,602 | 50,149 |
| Conveyance | 62,725 | 188,418 | 92,132 | 97,411 | 96,045 |
| Banks - Financial Corporations | 5,079 | 59,252 | 30,969 | 30,912 | 10,296 |
| Total Collections [2] | $8,168,623 | $10,461,837 | $10,437,786 | $11,078,610 | $11,456,335 |

[1] 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. Fuel tax collections were $167,970 thousand for fiscal year 2025, of which $3,791 thousand could not be distributed because the required tax returns were not available.

[2] Includes the Inheritance and Estate Tax, the County Surcharge, Fuel Permits, Interest and Penalties on Fuel Taxes, General Excise Fees, and Permitted Transfers Tax.

[3] 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. Fuel tax collections were $168,803 thousand for fiscal year 2024, of which $217 thousand could not be distributed because the required tax returns were not available. Fuel tax collections were 167,970 thousand for fiscal year 2025, of which $3,791 thousand could not be distributed because the required tax returns were not available.

# 2.0 TAX ADMINISTRATION

## 2.1 OVERALL PERFORMANCE

**DOTAX consists of two divisions and five staff offices**. The two divisions are the Tax Services and Processing Division and the Compliance Division. The five staff offices, which report to the Office of the Director, are the Administrative Services Office, the Rules Office, the Tax Research and Planning Office, Collection Services Office on O‘ahu, and the Information Technology Services Office. The Taxpayer Advocate and Administrative Appeals Office report directly to the Director.

**DOTAX’s operating budget is a small fraction of total tax revenue.** The total number of authorized permanent positions in the Department was 436 in FY 2025. DOTAX's operating expenses were $40.7 million. DOTAX’s net tax collections were $10.71 billion in FY 2025. This implies that the cost of collecting each $100 of taxes was about 38 cents.

**DOTAX 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; 91.1% of all returns processed in the fiscal year were processed electronically.

**Collections Services Office collected $283.7 million in delinquent taxes in FY 2025.**

**The Compliance Division’s Field and Office Audit Branches issued assessments worth $214 million in FY 2025.**[2]

## 2.2 TAX SERVICES AND PROCESSING DIVISION

### *2.2.1. Overview*

**The Tax Services and Processing Division (TSP) is comprised of three branches: Taxpayer Services, Document Processing, and Revenue Accounting.** Aside from providing various services to both individual and business taxpayers, the Taxpayer Services Branch (TPS) performs functions relating to tax registration and taxpayer account management. The Document Processing Branch 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 maintains revenue control and reconciliation functions for all State tax revenues and 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.

**In FY 2025, 94% of all general excise, transient accommodation and other non-income taxpayers used Hawai‘i Tax Online (HTO) for filing returns.** This is an increase of 2% over FY 2024. HTO offers efficiencies for both the taxpayer and TSP.

[2] 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, which provides information and taxpayer assistance pertaining to all taxes administered by DOTAX;
2. Account Management, which performs computer-based error correction activities to allow expedient processing, posting, and updating of tax returns and payments; and
3. Tax Registration, which processes, issues, and updates all licenses and permits issued by DOTAX.

#### *2.2.2.1 Customer Inquiry Section*

**Customer Inquiry provides taxpayer assistance by phone and in-person at the service windows**.

In FY 2025, TPS assisted 21,816 taxpayers at the service windows. The average number of taxpayers attended per month was 1,818, with a high of 2,990 serviced in the month of April.

Total Incoming Calls to TPS, which include calls handled by the interactive voice recognition system and staff attendants in the call center, was 241,905 in FY 2025. Total Calls to Attendants, which is the number of callers attempting to talk to an attendant, was 169,334. Total Answer Rate, which is the percentage of calls requesting to speak to a person, was 62%. The following table shows call data from FY 2018 to FY 2025:

| FY | Total Incoming Calls | Total Calls to Attendants | Total Calls Answered | Answer Rate |
|---|---|---|---|---|
| **2025** | **241,905** | **169,334** | **104,594** | **62%** |
| 2024 | 223,879 | 138,152 | 85,630 | 62% |
| 2023 | 346,172 | 242,358 | 101,747 | 42% |
| 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% |

#### *2.2.2.2 Account Management Section*

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

In FY 2025, the team reviewed and posted 200,424 returns, payments, and other documents to the system that the system was initially unable to process. The following table shows the monthly average

postings of documents work-listed since FY 2016:

| FY | # of Postings |
|---|---|
| 2025 | 16,702 |
| 2024 | 16,207 |
| 2023 | 15,313 |
| 2022 | 17,131 |
| 2021 | 16,708 |
| 2020 | 18,841 |
| 2019 | 17,444 |
| 2018 | 23,843 |
| 2017 | 22,135 |
| 2016 | 18,162 |

#### *2.2.2.3 Tax Registration Section*

**The Tax Registration Section processes business license applications and renewals.** In FY2025, 43,920 business license applications were processed, compared to 41,682 applications the previous fiscal year; and 33,074 or 75% of the applications were filed online staying at the same rate as in FY 2024. Taxpayers used the Department's online business license application options: Hawai‘i Business Express and HTO. This section processes powers of attorney, change of address for taxpayers and verified practitioner registrations. The Tax Practitioner Specialist assisted tax practitioners through 2,137 calls and 4,385 web messages through this fiscal year.

### *2.2.3 Document Processing Branch*

**The main functions of the Document Processing Branch are to accurately and efficiently process all tax returns and documents; to receive, secure, deposit, and account for tax payments; and to ensure proper electronic storage and retrieval of documents.** This branch is comprised of five sections: Receiving and Sorting, Data Preparation, Imaging and Data Entry, Quality Assurance, and Monetary Control.

**For FY 2025, there were 282,875 (9%) paper tax returns, and 2,899,620 (91%) electronic tax returns processed.** There was over $10.7 billion in tax-related payments received, and 95% of the paper payments were processed in seven days or less.

### *2.2.4 Revenue Accounting Branch*

**The main function of the Revenue Accounting Branch is to maintain accounting records for all tax revenues, refunds and adjustments, district transfers and closing adjustments, and preparation of all Journal Vouchers and Summary Warrant Vouchers.** The Revenue Accounting Branch 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 (O‘ahu 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 DOTAX, 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. The RA Branch has consistently and diligently met the critical deadlines for these reports throughout this fiscal year, as well as in **past years.**

**The Revenue Accounting Branch 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 objective of the Compliance Division is to maximize 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 Oʻahu Office Audit Branch, the Oʻahu Field Audit Branch, and the Maui, Hawaiʻi, and Kauaʻi 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 Compliance 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.

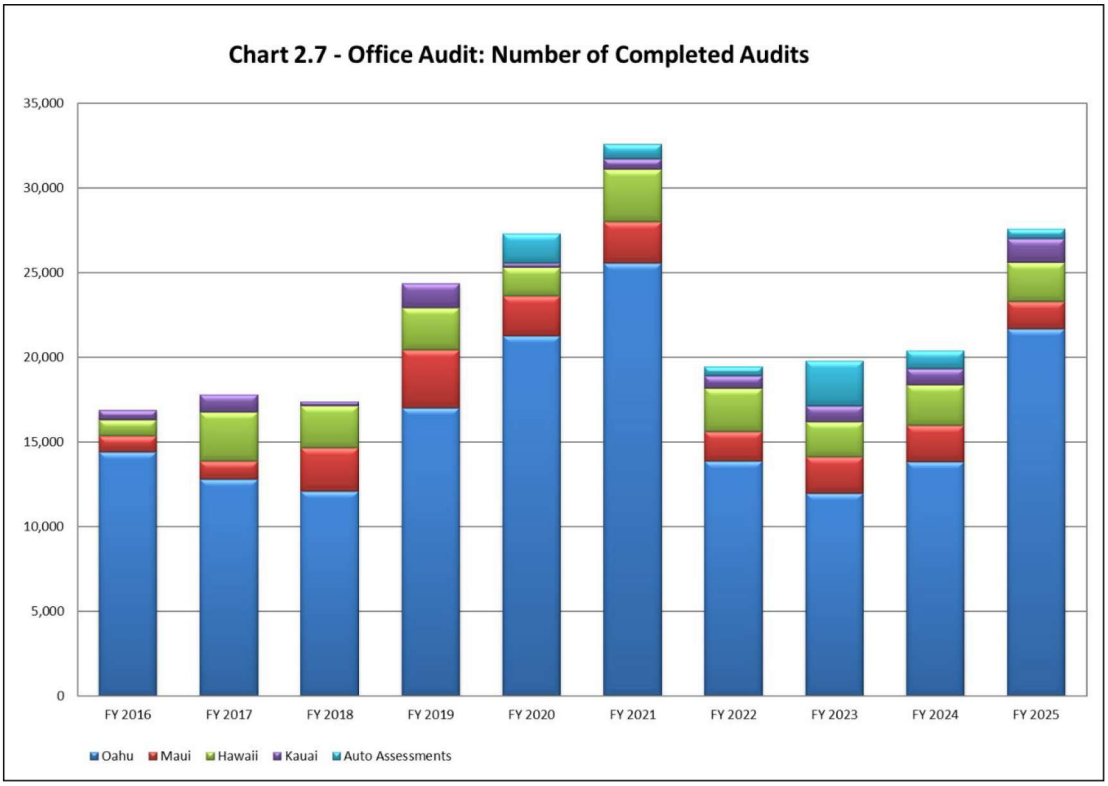
**In FY 2024, the Oahu Collection Branch became the Collection Services Office.** For purposes of this report, the Collection Services Office is included under the Compliance Division. The objective of the Collection Services Office is to recover taxes that are due to the State of Hawaiʻi.

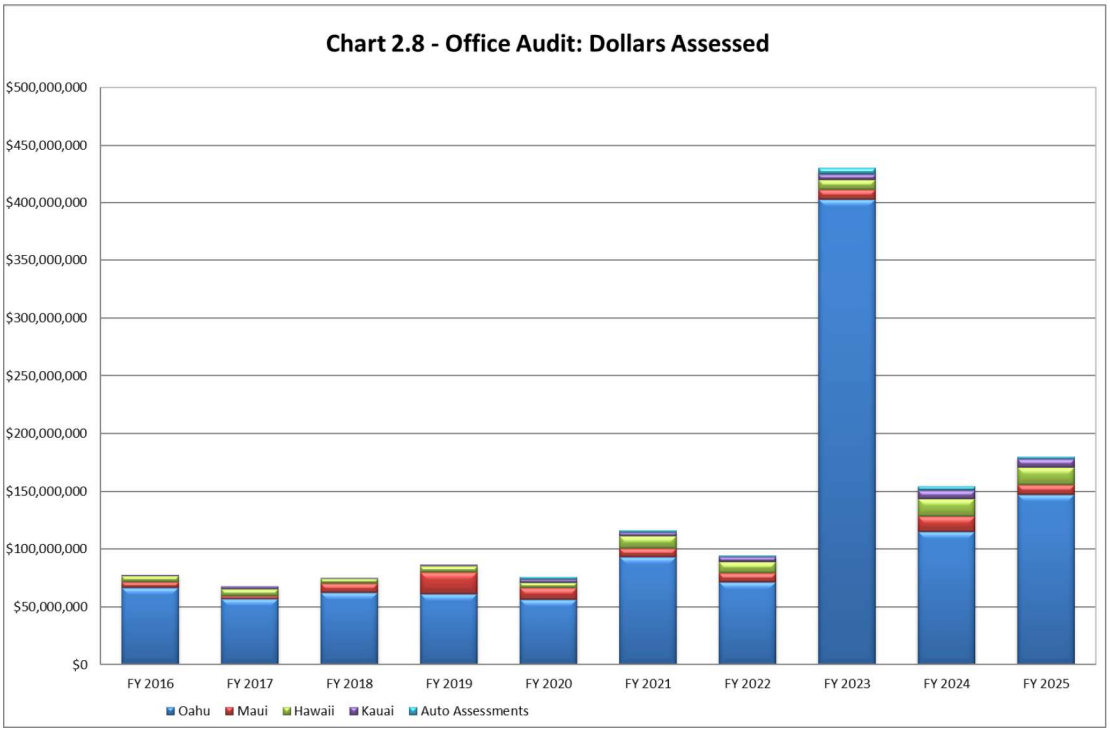
**FY 2025 Highlights** of the Compliance Division include**:**

- **The Special Enforcement Section (SES) made educational visits to over 1,900 taxpayers—more than 300 additional contacts compared to FY 2024.**
- **The Office Audit Program completed 27,566 audits in FY 2025, compared to 20,376 in FY 2024, an increase of 7,190 audits or 35.3%; and assessed $180 million, a 16.7% increase over the prior fiscal year.**
- **The Field Audit Program completed 143 cases and assessed $33.8 million.**
- **CIS recovered about $491 thousand in restitution, assessments, penalties, and interest through its efforts.**
- **The Voluntary Disclosure Program generated $17.6 million in revenue.**
- **Taxpayer Services in neighbor island district offices (Kauaʻi, Maui, Molokaʻi, Kona, and Hilo), helped taxpayers with 91,770 taxpayer service contacts in FY 2025.**
- **Collections of delinquent taxes totaled $283.7 million in FY 2025, as compared to $294.4 million in FY 2024, a decrease of $10.7 million or 3.6%.**

### *2.3.2 Office Audit Branch*

**Office Audit performed examinations and audits to enhance voluntary compliance.** In FY 2025, Office Audit completed 27,566 cases, an increase of 35.3% (7,190 cases) compared to FY 2024; the total amount assessed was $180 million, an increase of 16.7% ($26 million) compared to FY 2024 (please see Charts 2.7 and 2.8.)



### *2.3.3 Field Audit Branch*

**Field Audit performed audits involving intricate auditing procedures to enhance voluntary compliance.** In FY 2025, the number of audits completed by Field Audit was 143 cases, a decrease of 21% (38 cases), and the total amount assessed was $33.8 million, a decrease of 57.1% ($45.1 million). Charts 2.9 and 2.10 show the number of audits completed and the dollars assessed by Field Audit for FY 2016 through FY 2025. Field Audit collected $10.5 million from assessments.

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

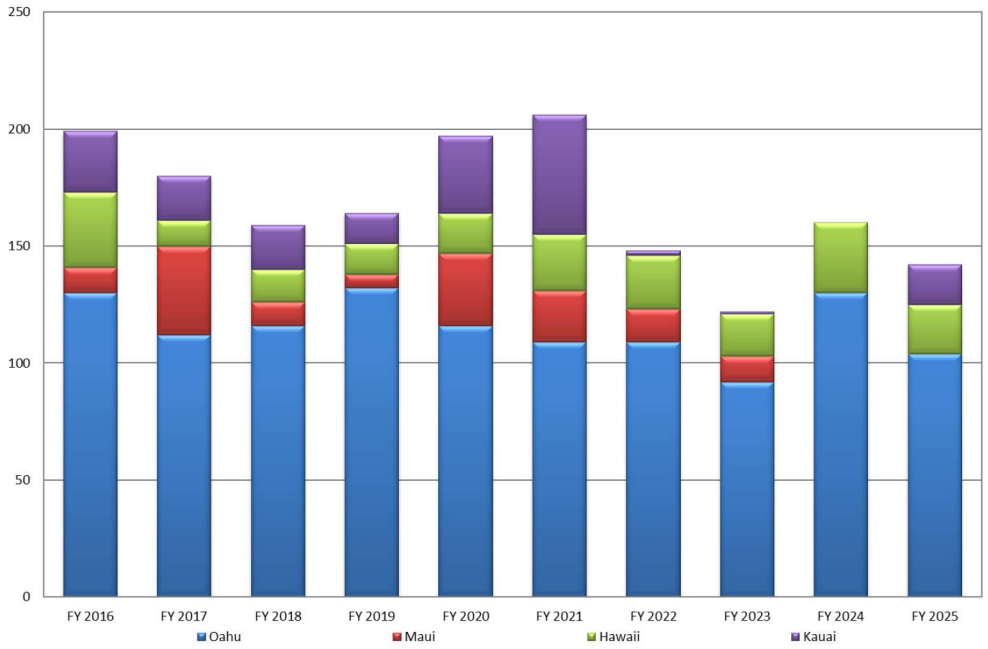
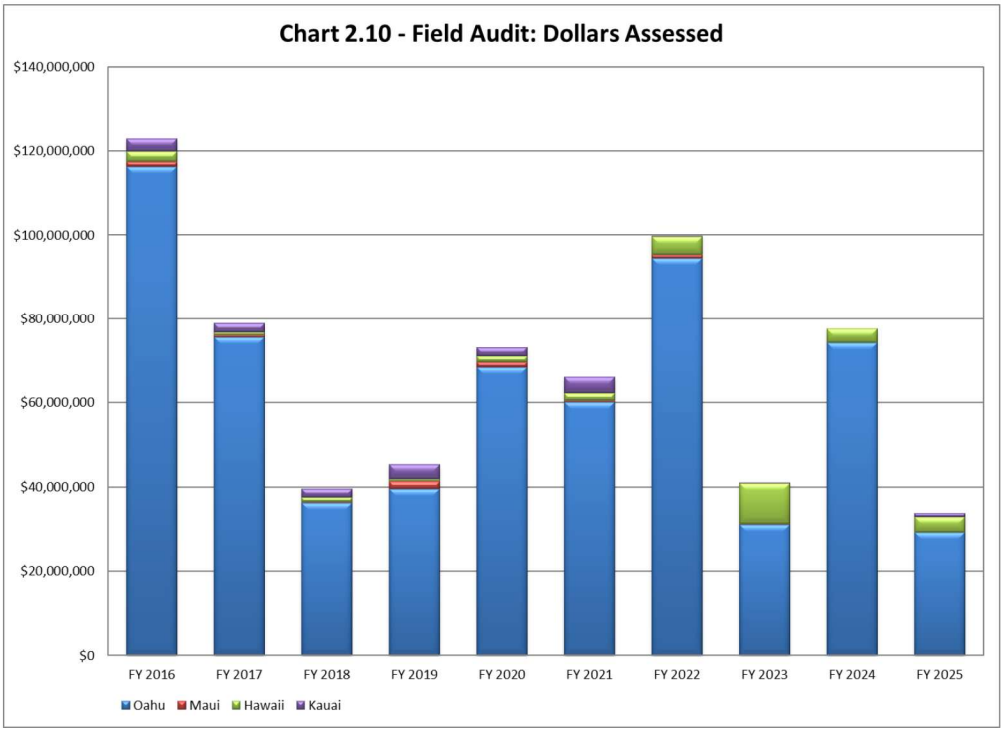



**Chart 2.10 - Field Audit: Dollars Assessed**



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

**The amount recovered as of the end of FY 2025 from audit assessments issued during FY 2025 totaled $50.7 million.** In comparison, the amount recovered as of the end of FY 2024 from assessments issued during FY 2024 was $79.2 million. Chart 2.11 shows the amounts collected from assessments for FY 2016-2025 and Table 2.1 details the number of audits and dollars assessed for FY 2025.

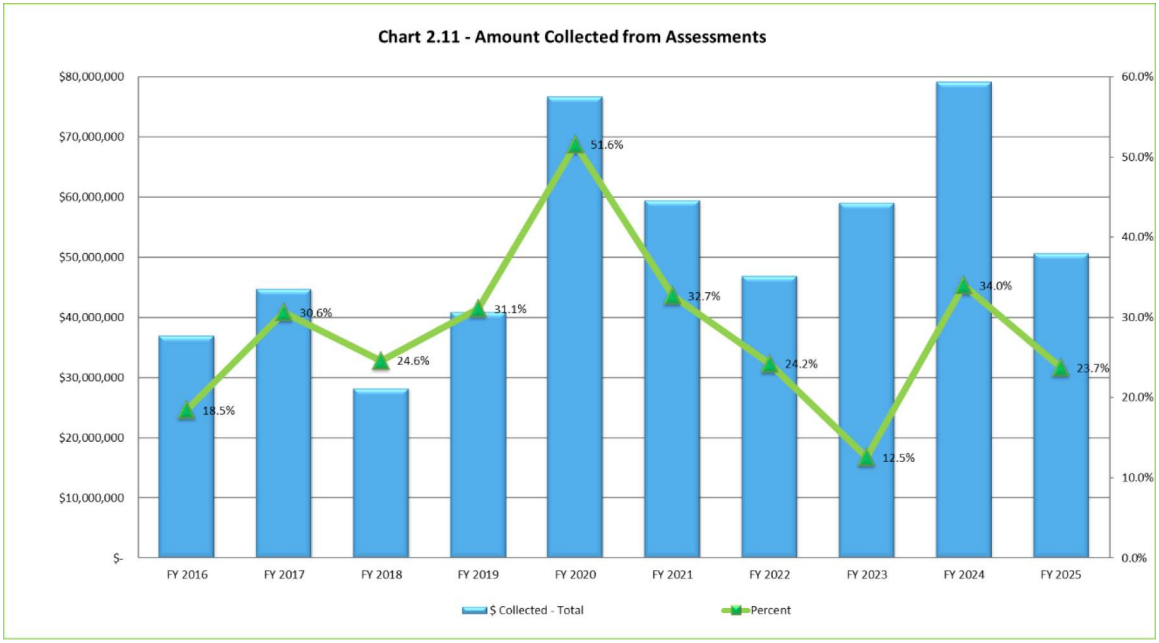



**TABLE 2.1 - AMOUNTS ASSESSED FOR FY 2025**

| | Office Audit | | Field Audit | |
|---|---|---|---|---|
| | Number of Audits | Dollars Assessed | Number of Audits | Dollars Assessed |
| O‘ahu | 21,663 | $ 147,163,861 | 104 | $ 29,159,488 |
| Maui | 1,622 | $ 8,362,497 | 0 | $ 0 |
| Hawai‘i | 2,294 | $ 15,204,685 | 21 | $ 3,750,223 |
| Kaua‘i | 1,399 | $ 7,115,753 | 17 | $ 882,547 |
| Automated Assessments | 588 | $ 2,046,554 | | |
| Returns Classifying Office | | | 1 | $ 35,763 |
| Total FY 2025 | 27,566 | $ 179,893,350 | 143 | $ 33,828,021 |
| Total FY 2024 | 20,376 | $ 154,089,255 | 181 | $ 78,897,812 |
| Difference | 7,190 | $ 25,804,095 | (38) | $ (45,069,791) |

### *2.3.5 Special Projects*

The O‘ahu Office Audit Branch conducted the following special projects during FY 2025:

- Non-Filers: The examination of non-filer tax accounts resulted in $52.8 million in assessments and adjustments.

- SES, TFU & CIS Referrals: The examination of tax accounts inclusive of correspondence, review of tax information and preparation of assessments resulted in $7 million in assessments and adjustments.

- Supplemental Audit Scope: Examination of unreported and under-reported income as well as overstated deductions pertaining to GET and net income taxes are inclusive and highlighted below:

    - Audit adjustments of refunds inclusive of Hawai‘i Real Property Tax Act (HARPTA) and refundable tax credits resulted in an aggregate $4.2 million reduction of refunds claimed.

    - Specific augmented, focused audits generated $68 million in assessments.

The O‘ahu Field Audit Branch conducted the following special projects during FY 2025:

- Motion Picture, Digital Media and Film Production Income Tax Credit: Six audit cases were completed resulting in $55,780 in assessments.

- Restaurant Revitalization Fund: 32 audit cases were completed resulting in $3.8 million in assessments.

- Multistate Tax Commission (MTC) Audits: Six multistate audit cases initially examined by the MTC were audited and assessed for Hawai‘i tax adjustments resulting in $4.4 million in assessments.

- Foreign Trade Zone Audits: Two audit cases were completed resulting in $110,431 in assessments.

- GET exemption for sales to non-profit entities: Five audit cases were completed resulting in $1.18 million in assessments.

- Contracting and subcontract deductions audits: Five audit cases were completed resulting in $1.2 million in assessments.

The Maui Office Audit Section conducted the following special projects during FY 2025:

- Non-filers: The examinations in this area resulted in $3.1 million in assessments and adjustments.

- HARPTA Refund Reviews: Audit adjustments of HARPTA resulted in approximately $2.1 million reductions of refunds claimed.

The Maui Field Audit did not conduct any special projects due to new staff being in training. The office is currently recruiting to fill an additional vacancy.

The Hawai‘i District Office Audit Section conducted the following special projects during FY 2025:

- Refund Reviews: Audit adjustments of HARPTA resulted in an approximately $1 million reduction of refunds claimed.

- Non-Filers: Examinations in this area resulted in $7.5 million in assessments and adjustments.

The Hawai‘i District Field Audit Section conducted the following special projects during FY 2025:

- Restaurant Revitalization Fund Grants: Thirteen audit cases were completed resulting in approximately $562 thousand in assessments.

- GET Exemptions: Three audit cases of GET exemptions were conducted that resulted in approximately $3 million in assessments.

The Kaua‘i Office Audit Section conducted the following special projects during FY 2025:

- Refund Reviews: Conducted reviews of 50 applications for tentative refunds which resulted in reduction of approximately $2.4 million in refunds; completed examination of 92 tax returns which resulted in approximately $1 million in assessments.

- Non-filers: The examinations in this area resulted in approximately $4.1 million in assessments.

- Omission/Underreported Income: Completed examination of 24 tax returns which resulted in approximately $500,000 in assessments.

The Kaua‘i Field Audit conducted the following special projects during FY 2025:

- Business activity classification/Omission: Completed audit of 10 tax returns that resulted in $800,000 in assessments.

### *2.3.6 Taxpayer Assistance Provided*

**Personnel in our neighbor island district tax offices helped taxpayers properly file numerous tax returns and other documents over the telephone, at the service counter, through HTO and via correspondence.** The O‘ahu Office and Field Audit Branches and Collection Services Office

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**

| | FY2025 | FY2024 | Difference | Percentage |
|---|---|---|---|---|
| Counter | 38,985 | 30,969 | 8,016 | 26% |
| Phone Services | 42,145 | 46,970 | (4,825) | (10%) |
| Tax Clearances | 2,163 | 1,767 | 396 | 22% |
| Correspondence | 8,477 | 6,167 | 2,310 | 37% |
| Total Service | 91,770 | 85,873 | 5,897 | 7% |

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

Walk-in taxpayer assistance was fully available at all neighbor island district tax offices throughout the fiscal year. Our offices also maintained a strong focus on tax return imaging and payment processing. In addition, our district taxpayer services staff were dedicated to delivering efficient and effective support and assistance, while promoting self-sufficiency and awareness among taxpayers – especially in navigating the HTO system and comprehending the General Excise Tax (GET) law.

Assisting 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 and will continue to engage in taxpayer empowering activities as an integral part of its mission.

### *2.3.7 Collections*

**The tax collection program consists of the Collection Services Office on O‘ahu and the collection sections in the Maui, Hawai‘i, and Kaua‘i District Tax Offices**. Collections of delinquent taxes totaled $283.7 million for FY 2025, as compared to $294.4 million for FY 2024, a decrease of $10.7 million or 3.6%.

The O‘ahu Collection Services Office accounted for 74% of the statewide delinquent tax collections in FY 2025. Chart 2.12 shows delinquent collections for FY 2016 through FY 2025. For comparison, Table 2.3 shows major performance measures for FY 2025 and FY 2024, including penalty and interest on outstanding tax delinquencies. During FY 2025, we experienced the loss of several collectors and supervisors and were unable to fill the vacancies. We remain committed to enforcing Hawaii’s tax laws while striving to be fair, consistent, and reasonable while collecting delinquent debt.

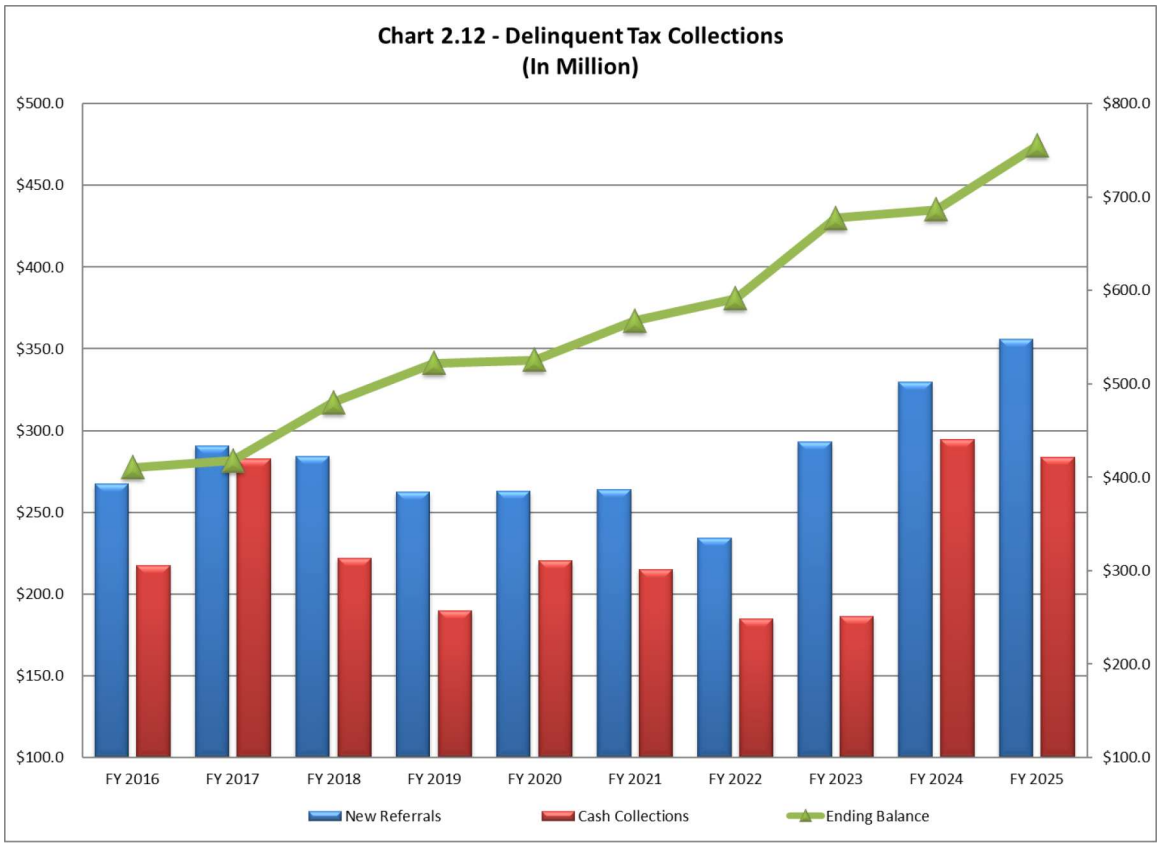



**TABLE 2.3 - MAJOR PERFORMANCE MEASURES FOR FY 2025 AND FY 2024**

| Measure | FY 2025 | FY 2024 | Difference | Percentage |
|---|---|---|---|---|
| Delinquent Taxes ($ Millions) | $ 755.1 | $ 686.4 | $ 68.7 | 10.0% |
| Delinquent Penalties, Interest, Other ($ Millions) | $ 825.1 | $ 739.0 | $ 86.1 | 11.6% |
| Total New Delinquent Referrals ($ Millions) | $ 355.9 | $ 329.7 | $ 26.2 | 7.9% |
| Total Cash Collected ($ Millions) | $ 283.7 | $ 294.4 | $(10.7) | (3.6)% |
| Uncollectible Tax Write-Offs ($ Millions) | $ 3.5 | $ 26.4 | $(22.9) | (86.7)% |
| | | | | |
| Payment Plan Initiated | 6,952 | 8,853 | (1,901) | (21.5%) |
| Tax Liens Filed | 6,825 | 12,809 | (5,984) | (46.7)% |
| Levies Served | 24,012 | 34,795 | (10,963) | (31.3)% |

### *2.3.8 Criminal Investigation Section*

**During FY 2025, the Criminal Investigation Section (CIS) had four criminal investigators. CIS is currently operating with four out of four (4) investigator positions filled.** CIS is currently conducting fourteen (14) criminal tax investigations into entities with legitimate sources

of income.

**During FY 2025, the CIS referred twelve cases for prosecution to the State of Hawai‘i Department of Attorney General.**

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 2025, referrals made to the O‘ahu Field Audit/Office Audit Branches resulted in approximately $1.35 million in additional assessments for CIS.**

**Approximately $491,000 in criminal collections and secured returns were made in FY 2025 due to CIS investigative efforts** and consisted of payments to the State for restitution, assessments, penalties, and interest.

CIS is an important component of DOTAX. By investigating potential criminal violations of the state tax laws, the public will have more confidence in DOTAX, and that will have a positive effect on voluntary compliance.

### *2.3.9 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 conducting 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.

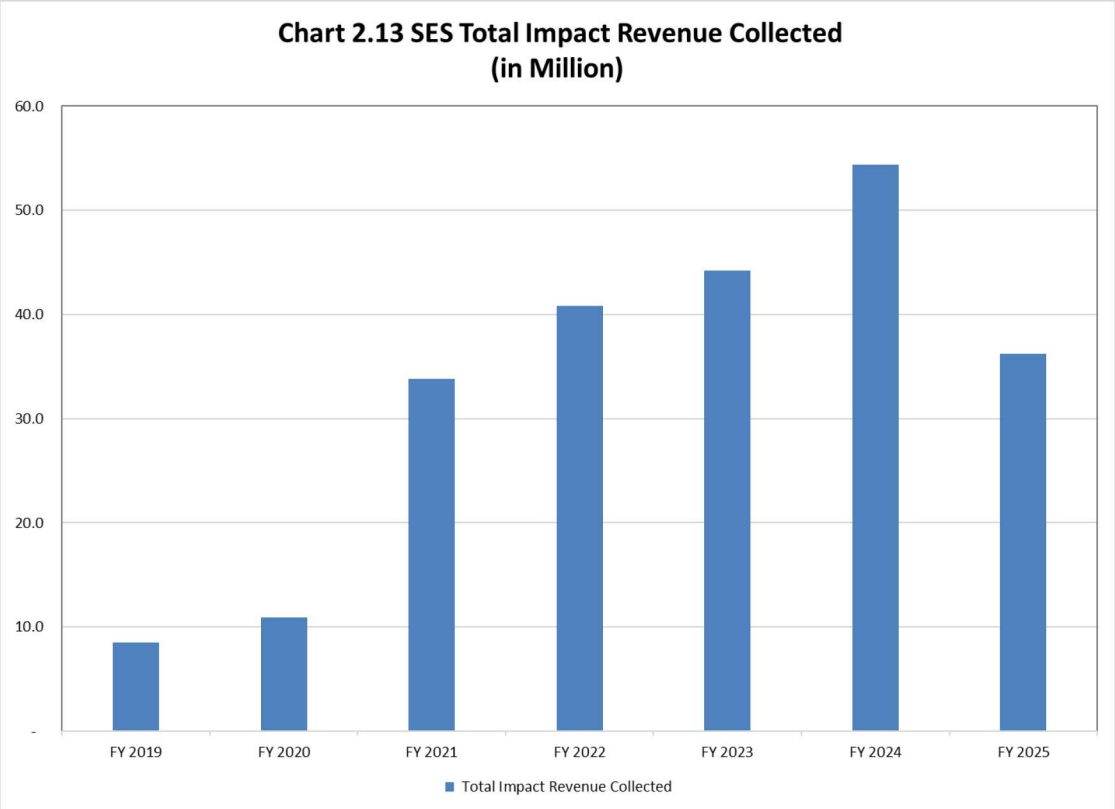
**SES has broad legal authority to conduct civil investigations of suspected tax law violations.** It conducts complex financial investigations to determine correct income that is subject to tax, by securing and examining books, records and other corroborative evidence. It executes a wide range of activities which include investigating complaints; developing leads through various sources; obtaining evidence; securing delinquent and amended tax returns and payments from taxpayers; issuing citations; and 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 2025, SES Total Revenue Collections decreased** by 33.3%, from $54.4 million to $36.3 million. Tax liability booked was also down by 39.8%, from $112.5 million to $67.7 million.

**On a positive note, SES undertook 33 team visits in FY 2025 during which the number of taxpayers/vendors educated rose from 1,610 in the previous fiscal year to 1,948.** In addition, SES issued 34 citations for violations arising from the failure to display a tax registration number in advertisements for transient accommodations.

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

| | FY 2025[2] | FY 2024[2] | FY 2023[3] |
|---|---|---|---|
| Complaints Received | 130 | 37 | 61 |
| Businesses Educated | 1,948 | 1,610 | 1,123 |
| Site Visits | 33 | 40 | 52 |
| | | | |
| GET Impact Revenue Collected | $31,268,161 | $36,813,210 | $34,080,740 |
| TAT Impact Revenue Collected | 5,019,861 | 17,604,866 | 10,164,931 |
| **Total Impact Revenue** | **$36,288,022** | **$54,418,076** | **$44,245,671** |




### *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.** 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 spread their illicit activities, which caused an increase in various tax fraud schemes.

[2] 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.

**TFU researches, develops, and identifies investigative leads for CIS and audit leads for Field and Office Audit Branches.** 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.

TFU reviewed tax returns stopped by the TSM Fraud Manager and stopped approximately 529 of these fraudulent returns, totaling more than $1.5 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 Tax Fraud Unit's results for FY 2018 through 2025:

| FY | Fraudulent Refunds Stopped | Amount |
|---|---|---|
| 2018 | 230 | $ 547,956 |
| 2019 | 651 | $1,871,519 |
| 2020 | 552 | $2,033,848 |
| 2021 | 1,682 | $3,790,228 |
| 2022 | 1,843 | $5,200,932 |
| 2023 | 658 | $2,569,927 |
| 2024 | 462 | $3,092,314 |
| 2025 | 529 | $1,572,575 |

TFU will continue to be innovative and find new ways to detect and prevent fraudulent tax return schemes by using all available DOTAX resources.

### *2.3.11 Voluntary Disclosure Program*

Pursuant to Tax Information Release No. 2020-03 "Re: Voluntary Disclosure Practice", Compliance Division reviewed 106 cases which resulted in revenue of $10.4 million through the program. In addition, the voluntary disclosure team also concluded 31 voluntary disclosure cases received from the Multistate Tax Commission, resulting in revenue of $7.2 million.

## 2.4 STAFF OFFICES

### *2.4.1 Administrative Services Office*

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

#### *2.4.1.2 Fiscal & Budget*

**In discharging its duties and responsibilities, DOTAX incurred operating expenses of $40.7 million for the year.** DOTAX collected $10.71 billion in net tax revenues in FY 2025, so the cost to collect $100.00 of taxes was approximately $0.38. For FY 2025, $43 million was appropriated for DOTAX. The Legislature appropriated $43 million for FY 2026 and $45 million for FY 2027.

**Procurement and Contract**

**ASO handles all procurement of goods and services for DOTAX, including all tax offices on the neighbor islands.** ASO staff are trained to ensure all procurement conform with Chapter 103D HRS, The Hawai'i Public Procurement Code. Throughout the fiscal year, ASO staff evaluates DOTAX's needs and procures the necessary goods and services to ensure continued and seamless operation. ASO staff work directly with Department managers to ensure operational needs are met to service the taxpayer community. Procurements completed in FY 2025 included several upgrades to workspaces which included the neighbor islands and a new security system. ASO manages approximately 15 contracts during the fiscal year.

#### *2.4.1.3 Human Resources*

Under the ASO, the Human Resources (HR) Office serves as DOTAX's support in personnel management functions such as recruitment, classification, employee relations, employee training and development, personnel transactions, and maintenance of personnel records. **In FY 2025, DOTAX had 436 full-time positions. The HR Office continued to focus on recruitment and helped to fill 11 vacancies.** In FY 2026, with recruitment as the continued priority, the HR Office will do its best to fill the current vacancies.

#### *2.4.1.4 Facility and Property Management*

**The ASO also assists programs with facility and property management.** The following projects were completed in FY 2025:

- Installation of modular workstations for the Tax Services & Processing Division
- Conversion of the office space in the Electronic Processing Section into a conference room in the Tax Services & Processing Division
- Installation of a security system for O'ahu offices on the 2nd floor of the building
- Installation of new electrical circuits to provide dedicated power to intermediate distribution frames that provide network connectivity for the DOTAX staff
- E-waste & bulky items disposal

The following projects were initiated in FY 2025 and are still on-going:

- Installation of modular workstations for Administrative Services Office, Information Technology Services Office, Collection Services Office, and Account Management Section
- 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 assists in the Department’s implementation of new legislation and in creating and maintaining the Department’s tax rules, forms, form instructions, and publications. The Rules Office also assists the Department’s compliance personnel with tax disputes and other administrative tax controversies. The Rules Office is comprised of the Rules Staff and the Technical Section.

#### *2.4.2.1 Rules Staff*

**During the 2025 Legislative Session, the Rules staff reviewed all 3,172 introduced bills for potential tax law changes.** Of these, the Rules Office identified approximately 424 measures proposing tax law changes. Rules staff tracked these measures and prepared testimony for each measure heard by the Legislature. Rules staff also drafted numerous responses to legislators to respond to specific questions raised during hearings or to address specific concerns of committee members. The Legislative Session produced 10 measures amending state tax laws. These changes were summarized in Tax Announcement 2025-04.

**In response to legislation and inquiries from the public, the Rules staff also prepared Tax Information Releases, letter rulings, and other publications.** In total, five Tax Announcements and four Tax Information Releases were issued. Additionally, the Rules staff responded to requests for formal letter ruling requests and eleven information letter requests received from taxpayers and practitioners.

**The Rules Office adopted administrative rules relating to income tax withholding tables for tax year 2025 and issued two sets of temporary administrative rules in relating to pass-through entity tax legislation and third-party rent collector filing requirements.** The Rules Office was also the primary resource for taxpayers utilizing Hawaii’s pass-through entity tax election, which enabled taxpayers to avoid the federal cap on state and local tax deductions.

The Rules Office also assists other divisions, branches and sections with tax law and policy issues, and further serves as the Department’s liaison to the Attorney General’s office for tax appeals and other litigation cases involving the Department.

#### *2.4.2.2 Technical Section*

**The main function of the Technical Section is to assist taxpayers and tax professionals.** Technical Section also provides internal support to divisions within the Department regarding complex tax matters and tax forms.

**In FY 2025, Technical Section staff responded to 2,455 emails and 327 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, by educational institutions, or by major tax research database providers.** For example, the Technical Section also analyzes and reviews certain applications for tax exemptions. In Fiscal Year 2025, the Technical Section received and processed 301 applications from organizations requesting exemption from the GET under section 237-23(b), HRS. Additionally, the Technical Section received and processed 2,395 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 2025, they reviewed or revised 485 tax forms, 60 tax form instructions, 11 letter templates for the Tax Modernization System, and 39 Tax Publications.

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

**Office of Tax Research and Planning (TRP) produces statistical reports and provides research support and policy analysis**.

TRP's main functions include: (1) Preparing reports on data collected by DOTAX, including monthly reports of the State's various taxes; (2) Providing administrative and technical support to the Council on Revenues; (3) Conducting economic and statistical analyses to help the Department execute its policies and programs; (4) Preparing reports on the revenue consequences of proposed tax legislation; (5) Conducting economic analysis on the State's tax system; and (6) Providing administrative and technical support to the Tax Review Commission when it is in session.

**TRP prepares the following reports on a monthly, fiscal year, and calendar year basis**: (1) State Tax Collections and Distribution; (2) General Excise and Use Tax Collections; (3) Liquid Fuel Tax Collections and Allocations; (4) Liquor Tax Collections and Permits; (5) Cigarette & Tobacco Tax Collections and Allocations; (6) Preliminary Comparative Statement of General Fund Tax Revenues; (7) General Excise and Use Tax Liability by District; and (8) Transient Accommodations Tax Liability by District.

**In FY 2025, TRP produced six annual reports** including DOTAX's Annual Report. TRP also 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 Credit.

**For the 2025 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. TRP also responded to requests from the public about statistics and trends of the Hawai‘i tax system.

**An important function of TRP 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 Constitution.

**TRP 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*

**The Information Technology Services Office (ITSO) is responsible for providing secure, reliable, and modern technology services to support the Department's mission.** ITSO ensures that IT systems and infrastructure meet the operational needs of staff, taxpayers, and external partners while maintaining compliance with federal and state technology and security standards.

**ITSO supports the Department's operations through the following key functions:**

- Management, support, and enhancement of department IT systems (e.g., Tax System Modernization)
- Implementation of legislative and regulatory changes through dedicated software development and business analyst teams
- Maintenance of the Department's IT infrastructure and cybersecurity
- End-user technical support and help desk services
- Development and enforcement of IT strategy and policies
- Data security and compliance with IRS Safeguards requirements

**ITSO implemented enhancements to improve the efficiency and effectiveness of the Department's tax administration.** In FY 2025, ITSO completed a total of 612 software change requests, including system enhancements, fixes, and updates. Notable improvements included the integration and automation of a data exchange with an external collection agency and the implementation of self-service identity verification on HTO, enhancing security and reducing the need for manual assistance or review.

**ITSO continued to modernize the tax system**. In September 2024, ITSO successfully completed the implementation of the GenTax Core21 upgrade. This major system update modernized the underlying codebase and introduced improved user interfaces and enhanced security features. In addition, ITSO completed a follow-up project in May 2025 to implement two minor version updates, ensuring the GenTax software remained current and fully supported.

**ITSO completed system updates for the 2024 tax year.** To support tax law and form changes for the 2024 tax year, ITSO conducted comprehensive software planning, development, testing, and training. System updates were made to accommodate changes in 23 state tax forms and to implement

three major legislative changes. These included the implementation of Rental Collection Agreement filing requirements under Act 76, SLH 2024; an increase to the standard deduction for individual income tax under Act 46, SLH 2024; and updates to the Pass-Through Entity (PTE) tax under Act 50, SLH 2024.

**The ITSO System Networking team continued to upgrade and modernize the Department's infrastructure and applications.** In FY 2025, the team rolled out Microsoft Teams Calling across the Department, which improved internal communication services and reduced telecommunication costs. The team also began the upgrade of departmental computers to Windows 11, enhancing system performance, compatibility, and security. In addition, they continued to implement regular software patching and system upgrades to ensure that all Department systems remained up to date, secure, and compliant with industry standards.

**ITSO supported Department staff through the IT Service Desk.** In FY 2025, the team resolved an average of 173 support tickets per month. Support services included troubleshooting technical issues, managing user access and password resets, updating hardware and software, and maintaining both internal and external Department websites.

**ITSO managed the data protection and cybersecurity compliance of Department systems.** In FY 2025, ITSO ensured compliance with IRS Publication 1075 by submitting the annual IRS Safeguard Security Report and biannual Corrective Action Plan, addressing prior audit findings. The team also updated security policies and procedures, expanded to quarterly security awareness training, and continued regular user access reviews to maintain strong access controls and reduce risk.

### *2.4.6 Taxpayer Advocate*

**The Taxpayer Advocacy Program assists taxpayers who do not have a resolution to their tax related issue after going through normal channels.** This program assisted 1,180 taxpayers during FY 2025.

The Taxpayer Advocate also assisted the Department with identifying and addressing inter-departmental and workflow issues and processing which affect taxpayers.

Other accomplishments of this office included participating in tax workshops and educational outreach to tax professionals and the public.

2.5 MANAGEMENT PERSONNEL
As of June 30, 2025

**OFFICE OF THE DIRECTOR**

Director of Taxation ..... Gary Suganuma
Deputy Director of Taxation ..... Kristen Sakamoto

**STAFF OFFICES**

Administrative Rules Officer ..... Winston Wong
  Technical Section Supervisor ..... Sharlene Tagami
Tax Research & Planning Officer ..... Seth Colby
  Senior Economist ..... Yvonne Chow
Information Technology Services Officer ..... Corey Higa
Administrative Services Officer ..... Min Meng
  Human Resources Officer ..... Virginia Kemmerlin

**OPERATIONS STAFF**

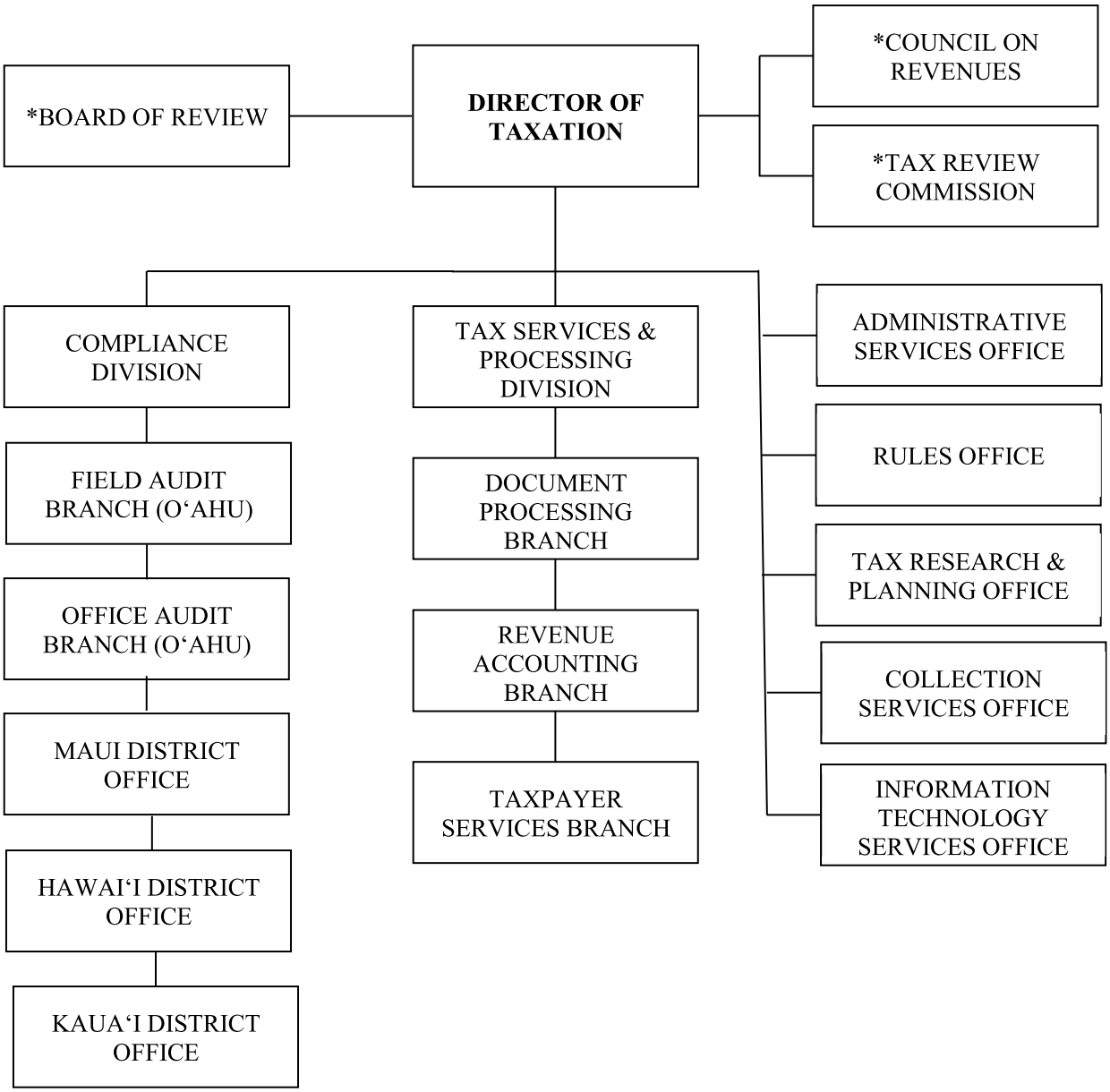
Taxation Compliance Administrator ..... Regina Yuen
  Taxation Compliance Coordinator ..... Susan Adamson
  O‘ahu Field Audit Branch Chief ..... Madelaina Lai
  O‘ahu Office Audit Branch Chief ..... Donald Kuriki
  Maui District Tax Manager ..... Vacant
  Hawai‘i District Tax Manager ..... Duquesne Hulihee
  Kaua‘i District Tax Manager ..... Concepcion Balisacan

Tax Collector ..... Dongyan Wen

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

## 2.6 ORGANIZATION CHART

Department of Taxation
State of Hawai‘i



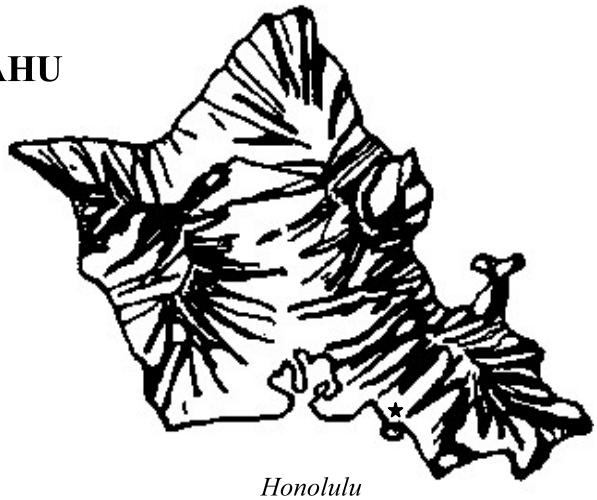

*For Administrative Purposes.

## 2.7 DISTRICT OFFICES

## FIRST TAXATION DISTRICT

City & County of Honolulu

O‘AHU



*Honolulu*

**O‘ahu Office**
830 Punchbowl Street
Honolulu, Hawai‘i 96813

## SECOND TAXATION DISTRICT

Counties of Maui and Kalawa

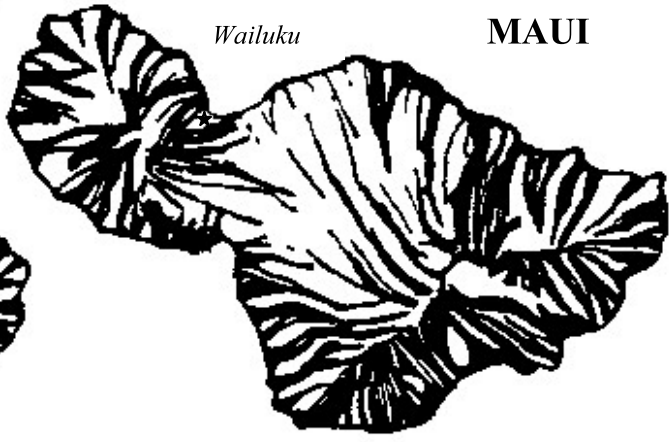


*Kaunakakai*

MOLOKA‘I

*Wailuku*

MAUI





LANA‘I



KAHO‘OLAWE

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

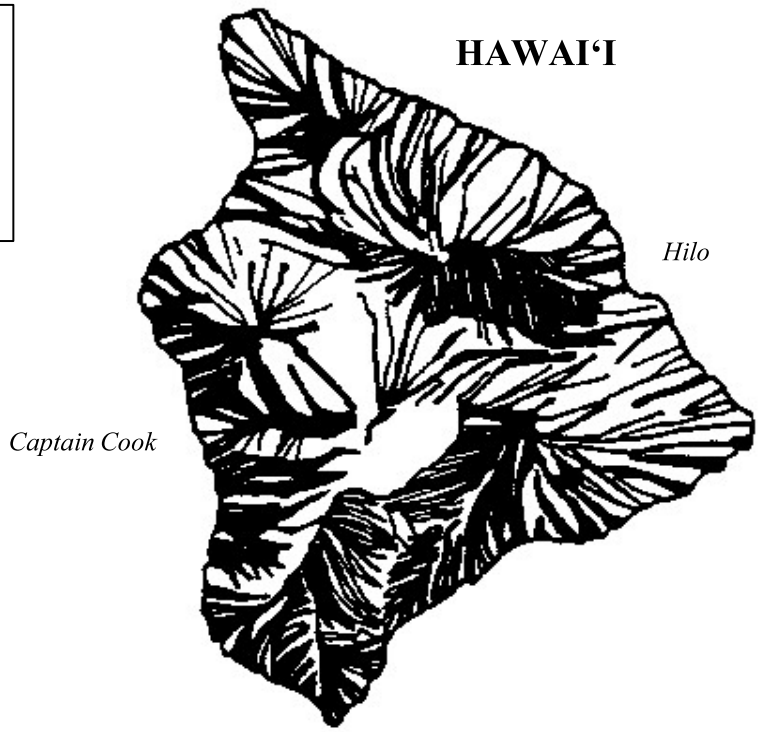
**Moloka‘i Office**
35 Ala Malama Street #101
Kaunakakai, Hawaii 96748

## THIRD TAXATION DISTRICT

County of Hawai‘i

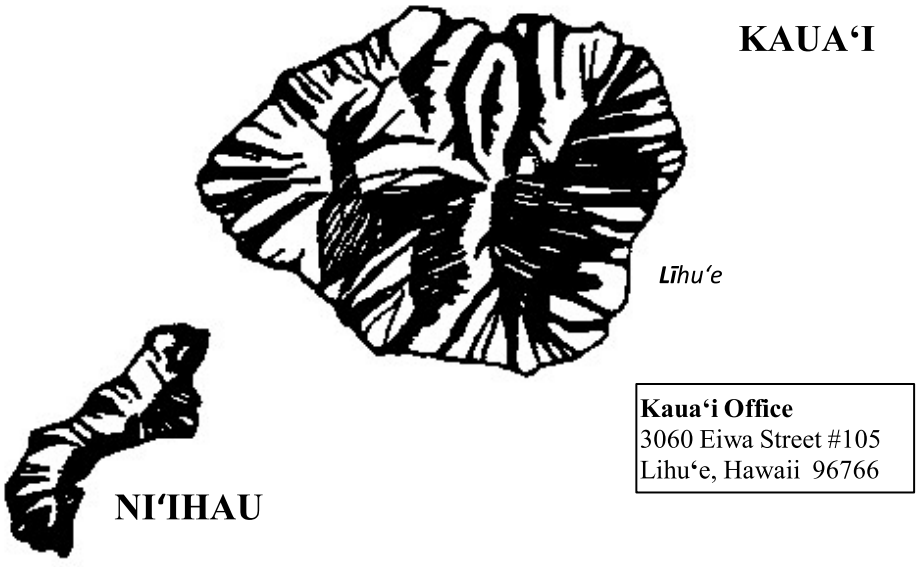
**Hilo Office**
75 Aupuni Street
Hilo, 96720

**Kona Office**
82-6130 Mamalahoa Highway #8
Captain Cook, Hawai‘i 96704




## FOURTH TAXATION DISTRICT

County of Kaua‘i




**Kaua‘i Office**
3060 Eiwa Street #105
Lihu‘e, Hawaii 96766

# 3.0 APPEALS AND LITIGATION

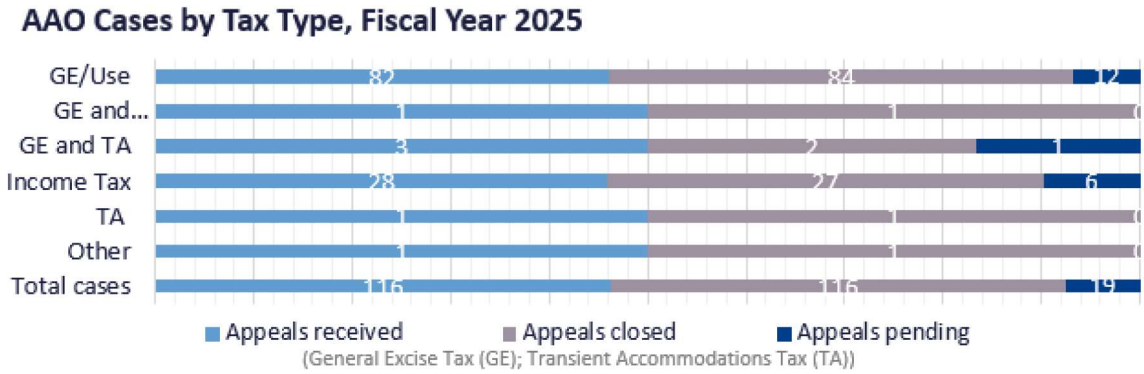
## 3.1 ADMINISTRATIVE APPEALS OFFICE

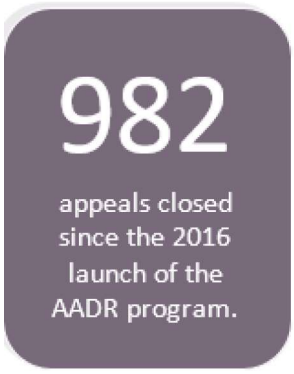
**The Administrative Appeals Office (AAO) operates the Administrative Appeals and Dispute Resolution (AADR) program.** AADR is a streamlined appeals process that assists taxpayers and return preparers with disputes involving proposed assessments, final assessments, and return preparer penalty assessments.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

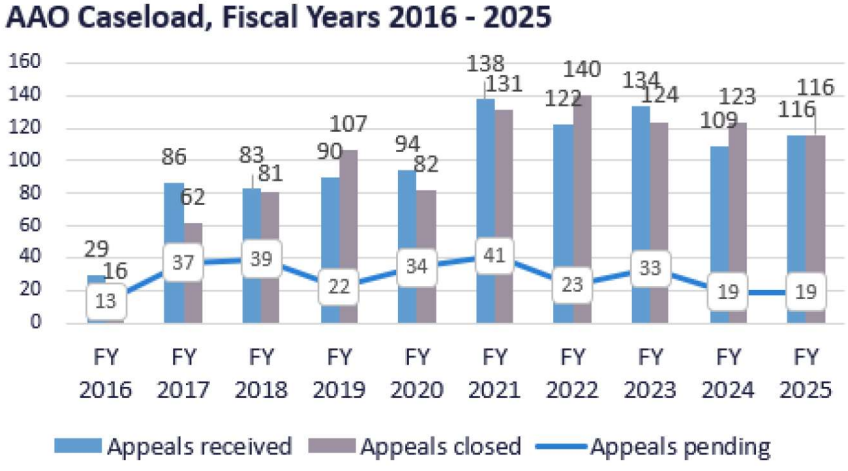
**In FY 2025, the AAO received 116 appeal applications and closed 116 cases.** There were 19 cases pending as of June 30, 2025. The appeals received by the AAO increased by 6.4% from fiscal year 2024, and the appeals closed decreased by 5.7%.

### AAO CASELOAD, FY 2025



## 3.2 TAXATION BOARD OF REVIEW

**Taxpayers may appeal tax disputes to the Taxation Board of Review (BOR) unless the dispute involves the Constitution or laws of the United States.** BOR began the fiscal year with 103 pending tax appeals. In FY 2025, 68 new appeals were filed, 18 appeals were withdrawn, and 4 appeals were transferred to the Tax Appeal Court (TAC). Furthermore, in FY 2025, 5 appeals were dismissed by the BOR as untimely, 10 appeals were settled by closing agreement, and 19 appeals were decided by hearing. A total of 115 appeals to BOR were pending at the end of FY 2025.

The following table details the appeals to the BOR:

| | |
|---|---|
| Appeals Pending (Beginning) | 103 |
| New | 68 |
| Withdrawn | 18 |
| Transferred to TAC | 4 |
| Dismissed | 5 |
| Settled by Closing Agreement | 10 |
| Decision by Hearing | 19 |
| BOR Appeals Pending (Ending) | 115 |

## 3.3 CIVIL DECISIONS, SETTLEMENTS AND OTHER LEGAL MATTERS

### I. CONCLUDED MATTERS

**During the last fiscal year, and up to the present, the Department of the Attorney General, Tax and Charities Division (TCD) concluded 571 Department matters (excluding legislative matters).**

| | | |
|---|---|---|
| Tax Appeals | - | 84 |
| Bankruptcies | - | 340 |
| Foreclosures | - | 116 |
| Quiet Title | - | 7 |
| Subpoenas | - | 10 |
| Miscellaneous cases | - | 7 |
| Advice & Counsel | - | 1 |
| Contracts | - | 1 |
| Admin. Rules & Reg. | - | 2 |
| Other Civil Action | - | 1 |
| Trust | - | 2 |

## II. AMOUNTS COLLECTED

In FY 2025, TCD collected the following amounts for the Department:[4]

| | | |
|---|---|---|
| Tax Appeals | $ | 2,262,753.00 |
| Foreclosures | $ | 249,276.76 |
| Bankruptcies | $ | 1,583,399.13 |
| Trust | $ | none |
| Quiet Title | $ | none |
| **TOTAL:** | **$** | **4,095,428.89** |

## III. COURT CASES

### Concluded Tax Appeal Court 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 Hawai‘i.

Taxpayer appealed from final assessments for general excise taxes for tax years 2004 through 2011, inclusive. Taxpayer challenged the assessments claiming that it lacked nexus with Hawai‘i. This case was settled.

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

Taxpayer appealed from final assessments of income taxes for tax years 2014 through 2017, inclusive. Taxpayer claimed that he may have been entitled to deductions and adjustments. This case was dismissed.

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 Hawai‘i.

Taxpayer appealed final assessments of income taxes for tax years 2008 through 2012, inclusive. Taxpayer claimed that it qualified for the capital goods excise tax credit. This case was settled.

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

Taxpayer appealed from final assessments of general excise and withholding taxes for tax years 2010 through 2018, inclusive. Taxpayer claimed, among other things, that the assessments improperly held her personally liable for the general excise and withholding taxes of a wholly owned corporation. This case was settled.

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

Taxpayer appealed from final assessments of general excise and withholding taxes for tax years 2010 through 2018, inclusive. Taxpayer claimed, among other things, that the assessments

[4] The total collections reflected above from tax appeal cases include 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.

improperly held him personally liable for the general excise and withholding taxes of a wholly owned corporation. This case was settled.

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 Hawai‘i.

Taxpayers were assessed additional general excise taxes, penalties, and interest on services provided in Hawai‘i. This case was settled.

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

Taxpayer appealed a final assessment of transient accommodations tax, penalties, and interest on unreported gross rental or gross rental proceeds. This case was settled.

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

Taxpayer appealed a final assessment of general excise tax, penalties, and interest on underreported services and/or underreported transient accommodations rentals. This case was settled.

Michael Neely v. Department of Taxation, Inc., Case No. 1CTX-20-0000106, Tax Appeal Court, State of Hawai‘i; Case No. 1CTX-24-0000386.

Taxpayer appealed 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 claimed 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. This case was settled.

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

Taxpayer appealed from final assessments of general excise taxes for tax years 2012 through 2017. Taxpayer claimed that the Department improperly disallowed the splitting of gross income from real estate commissions. This case was settled.

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

Taxpayer appealed a Final Notice of Personal Liability for General Excise Tax determining that Taxpayer was personally liable for unpaid general excise taxes of Global Stone Hawai‘i, Inc. At issue was 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. This case was settled.

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

Taxpayer appealed a final assessment of general excise tax for tax year 2020. Taxpayer alleged that (1) the Department overstated its income; (2) § 237-4.5, HRS, did not apply; (3) § 237-18(f), HRS, applied; and (4) the application of penalties under § 231-36.6, HRS, and interest was not appropriate. This case was settled.

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

Taxpayer appealed the final assessment of general excise tax for tax years 2012 through 2019. Taxpayer alleged that (1) it lacked physical presence in Hawai‘i; (2) the imposition of the general excise tax violated the Due Process Clauses of the U.S. and Hawai‘i Constitutions and was 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, were not proper, and (5) imposition of interest was not proper. This case was settled.

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

Taxpayer claimed that it did not know that the Department assessed it for general excise taxes. Because Taxpayer did not respond to assessment and collection notices, the Department levied funds from Taxpayer's bank account. Taxpayer alleged that levied funds were paid under protest, allowing it to file a complaint under § 40-35, HRS. The Tax Appeal Court granted the Department's Motion to Dismiss.

In the Matter of the Tax Appeal of the Department of Taxation, State of Hawai‘i v. Chadwick P. Chun Fat, 1CTX 22-0000982, Tax Appeal Court, State of Hawai‘i.

The Department appealed a decision of the Board of Review finding in favor of Taxpayer and against the Department on the question of whether certain expenses claimed on Taxpayer’s return were legitimate business expenses. This appeal was dismissed.

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

Taxpayer appealed the final assessment of income taxes based on a proposed change to Taxpayer's federal income tax return. Taxpayer claimed that the proposed federal change was pending appeal and the Department's final assessment was premature. Taxpayer's federal appeal was resolved and based on that resolution, the appeal was dismissed.

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

Taxpayer appealed the partial denial of a capital goods excise tax credit pursuant to § 235-110.7, HRS, and imposition of a late filing penalty pursuant to § 231-39, HRS, for tax year 2018. This case was settled.

In the Matter of the Tax Appeal of Health Net Federal Services, LLC, Case No. 1CTX 23-0001205, Tax Appeal Court, State of Hawai‘i.

Taxpayer appealed a final assessment of general excise taxes, penalties, and interest because Taxpayer claimed the assessment, among other things, was preempted by federal law. Taxpayer moved for summary judgment and on July 29, 2025, the Tax Appeal Court entered a Final Judgment in favor of Taxpayer.

In the Matter of the Tax Appeal of James A. Ericson, Case No. 1CTX 24-0000071, Tax Appeal Court, State of Hawai‘i.

Taxpayer appealed from final notices of assessment of general excise and income taxes for tax years 2014 through 2019, inclusive. Taxpayer claimed that the majority of his sales were out-of-state and that he was not liable for any Hawai‘i income taxes. The Department filed a motion to

dismiss for failure to serve the appeal on the Director of Taxation and for missing the statutory deadline to appeal the final assessments. The Tax Appeal Court granted the Department's Motion to Dismiss.

In the Matter of the Tax Appeal of Dan W. Izawa, Case No. 1CTX 23-0000650, Tax Appeal Court, State of Hawai‘i.

Taxpayer appealed final notices of assessment of general excise tax for tax years 2013 through 2022, asserting that the Department improperly increased his taxable income by failing to allow him the exemption for sales of tangible personal property shipped out of the State, as well a deduction because his rental property was subleased and he obtained the appropriate Form G-71 General Excise Sublease Deduction Certificate. This case was settled.

In the Matter of the Tax Appeal of Gupta Family Properties, LLC, Case No. 1CTX-23-0000663, Tax Appeal Court, State of Hawai‘i.

Taxpayer appealed final assessments of general excise taxes for tax years 2009 through 2022. Taxpayer asserted that it never engaged in business and that report of income received for “rent” was due to an error by its tax preparer. This case was settled.

In the Matter of the Tax Appeal of Partners of Gupta Family Properties, LLC, Case No. 1CTX-23-0000664, Tax Appeal Court, State of Hawai‘i.

Taxpayer appealed a final assessment of income tax after its claim for HARPTA refund was denied and additional tax was assessed. Taxpayer asserted that its basis in the sold properties was in fact much higher than it was able to substantiate on its return. This case was settled.

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

Taxpayer appealed 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 were incorrect. This case was settled.

**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 Hawai‘i.

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 Hawai‘i.

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 Hawai‘i.

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 not set.

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

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 Hawai‘i.

Taxpayer appeals assessment of additional general excise and/or use taxes, 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 Hawai‘i.

Taxpayer appeals from the denial of a refund claim and assessments of general excise taxes related to its skydiving business. Taxpayer contends 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 Hawai‘i.

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 Hawai‘i.

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 Janice P.C. Hori, Case No. 1 T.X. 17-1-1340, Tax Appeal Court, State of Hawai‘i.

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 December 15, 2025.

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

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 are currently unknown. Trial is not set.

In the Matter of the Tax Appeal of Diamond Resorts Hawai‘i 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 Hawai‘i.

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 Hawai‘i 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 Hawai‘i return. Trial is set for 2026.

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

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 Hawai‘i.

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 Hawai‘i Collection Development LLC fka Club Sunterra Development Hawai‘i, 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 Hawai‘i.

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 Hawai‘i 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 set for 2026.

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

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 Hawai‘i. Trial is set for January 19, 2026.

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 Hawai‘i.

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

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

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 Hawai‘i.

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.

In the Matter of the Tax Appeal of Pacific Consultants & Construction Inc., Case No. 1 CTX 20-0000108, Tax Appeal Court, State of Hawai‘i.

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 set for December 8, 2025.

In the Matter of the Tax Appeal of Catherine K. Cobb, now known as Catherine Parry, Case No. 1 CTX 21-0000001, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals "responsible person" penalty assessments of general excise tax and withholding tax for tax years 2015 through 2020, inclusive. Taxpayer asserts that she did not have any control over payment or non-payment of taxes by entity Kailua Print Shop, LLC, and did not willfully fail to pay any tax due. 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 Hawai‘i.

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 set for 2026.

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 Hawai‘i.

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. Case No. 21-00056 settled after referral to AADR; Case No. 21-00057 is still pending. Trial is not set.

In the Matter of the Tax Appeal of Pasha Hawai‘i 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; and In the Matter of the Tax Appeal of Pasha Hawai‘i Transport Lines, LLC, Case No. 1 CTX 21-0001555, Tax Appeal Court, State of Hawai‘i.

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 set for 2026.

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

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 set for April 27, 2026.

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 Hawai‘i.

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 Hawai‘i.

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 set for January 26, 2026.

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 Hawai‘i.

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 set for 2026.

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

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 set for February 6, 2026.

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

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 set for February 6, 2026.

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

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 set for June 22, 2026.

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

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 set for April 20, 2026.

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

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 Hawai‘i.

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 set for March 2, 2026.

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

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 set for 2026.

Director of Taxation v. Macy’s West Stores, Inc., 1CTX-22-0000238, Tax Appeal Court States of Hawai‘i.

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 set for 2026.

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

The Department appeals the Board of Review decision of general excise and income taxes owed following taxpayers’ bankruptcy proceedings. Trial is set for May 11, 2026.

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

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 Hawai‘i.

Taxpayers was assessed additional general excise tax, 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 Hawai‘i

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 set for 2026.

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

The Department appealed 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. Trial is not set.

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

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 set for April 6, 2026.

In the Matter of the Tax Appeal of McKenna-Sunabe Associates, Case No. 1CTX-22-0000978, Tax Appeal Court, State of Hawai‘i.

Taxpayer is an engineering inspection company providing services to Par in a foreign trade zone (FTZ). Taxpayer challenges AG Op 64-52 and TIR 2021-7, that remove the FTZ exemption for its services, as well as the retroactive implementation of the AG Op and TIR to its taxes. Trial is not set.

In the Matter of the Tax Appeal of Keith Zielinski; Case No 1CTX-22-0000981, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals a notice of personal liability for general excise taxes for tax years 2015-2018. Taxpayer claims, among other things, that he did not willfully fail to pay the taxes at issue. Trial is not set.

In the Matter of the Tax Appeal of Hawai‘i Employment Services Inc., Case No. 1CTX-22-0000984, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals final assessments of general excise taxes for tax years 2019 and 2020. 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 Appeal of American Industrial Inc., Case No. 1CTX-22-0000985, Tax Appeal Court, State of Hawai‘i.

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 Appeal of Hawaiian Dredging Construction Company, Inc., Case No. 1CTX-23-00000066, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals the final assessment of income tax for tax years 2010 through 2020, asserting that that Department improperly disallowed certain High Technology Business Investment Tax Credits and Renewable Energy Tax Credits that had been properly and timely claimed. 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 Hawai‘i.

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 Hawai‘i, 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 Hawai‘i

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 willfully failed to pay, or to caused to be paid the taxes at issue. Trial is set for August 3, 2026.

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 Hawai‘i.

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 set for September 7, 2026.

In the Matter of the Tax Appeal of Ardent Services, LLC, Case No. 1CTX-23-0000566, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals final assessments of general excise taxes for tax years 2018 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 Appeal of Nicholas K. Denzer, Case No. 1CTX-23-0000567, Tax Appeal Court, State of Hawai‘i; and Case No. 1CTX-23-0000570, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals the assessment of general excise taxes on 3 Builders Inc. and personal liability pursuant to § 237-41.5, HRS, for taxable years 2010 to 2013, on a Notice of Personal Liability, and on a Final Notice of Personal Liability. Trial has been set for August 3, 2026.

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 Hawai‘i.

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 date is scheduled for June 29, 2026.

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

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 Wrong Missy Productions, Case No. 1CTX23-0000594, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals the assessment of general excise taxes, penalties, and interest because Taxpayer claims that it did not do business in the State of Hawai‘i and therefore, is not subject to the general excise tax. Trial is set for June 8, 2026.

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

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 Hawai‘i.

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 Hawai‘i.

Taxpayer appeals the final assessment of general excise taxes. Taxpayer contends that the sales did not occur within the State and that the Department attributed the sales to the incorrect entity. 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 Hawai‘i.

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 set for July 10, 2026.

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

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 set for October 26, 2026.

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

Taxpayer appeals the final assessment of general excise and use taxes. Taxpayer argues that funds received were a subsidy from its owner and therefore, are not business income subject to general excise taxes. Trial is set for October 5, 2026.

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

Taxpayer appeals the final assessment of income taxes that are directly connected to SM Films, LLC, that 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. 1CTX23-0000610, Tax Appeal Court, State of Hawai‘i.

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 set for November 30, 2026.

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

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 Hawai‘i 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 set for November 30, 2026.

In the Matter of the Tax Appeal of J T Thorpe & Son, Inc., Case No. 1CTX23-0000620, Tax Appeal Court, State of Hawai‘i.

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. 1CTX 23-0000643, Tax Appeal Court, State of Hawai‘i.

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 set for 2026.

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

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 set for 2026.

In the Matter of the Tax Appeal of Richard A. Wheelock, Case No. 1CTX-23-0000660, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals notice of personal liability of general excise taxes, penalties, and interest

because Taxpayer claims that the statute of limitations for assessment of general excise taxes has expired. Trial is set for August 17, 2026.

In the Matter of the Tax Appeal of EAN Holdings, LLC, Case No. 1CTX-24-0000072, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals final assessments of general excise taxes for tax years 2015 and 2016. Taxpayer asserts, among other things, that the Department's assessment overstates its income and improperly applies interest charges. Trial is not set.

In the Matter of the Tax Appeal of Matrix Service Inc., Case No. 1CTX-24-0000073, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals final assessments of general excise taxes for tax years 2019 and 2020. 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 Enterprise Fleet Management, Inc., Case No. 1CTX24-0000076, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals final assessment of general excise taxes, penalties, and interest because Taxpayer claims that the assessment, among other things, overstates Taxpayer's interest and income due to erroneous assessment method and that penalties were improperly assessed. Trial is not set.

In the Matter of the Tax Appeal of Department of Taxation vs. Osborn K. Naweli and Shontaz Naweli, Case No. 1CTX-24-0000078, Tax Appeal Court, State of Hawai‘i.

The Department appeals a Board of Review decision holding that although Taxpayers did not fully and properly substantiate several claimed deductions on their tax returns, Taxpayers' CPA firm had a sufficient reputation for quality and fair dealing that claimed deductions could still be assumed to be valid. Trial is not set.

In the Matter of the Tax Appeal of Ozzy's Construction, Inc., Case No. 1CTX-24-0000079, Tax Appeal Court, State of Hawai‘i.

Taxpayers appeal a Board of Review decision upholding the Department's assessment and determining that Taxpayers' Rent-a-Can business was not eligible for the subcontractor deduction because it did not meet the statutory requirements. Trial is not set.

In the Matter of the Tax Appeal of Hawai‘i Fueling Facilities Corporation, Case No. 1CTX-24-0000080, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals a final assessment of income tax for tax years 2012 through 2017 disallowing Taxpayer's claim for the capital goods excise tax credit under § 235-110.7, HRS. Trial is not set.

In the Matter of the Tax Appeal of Kapiolani Medical Center for Women and Children; and Pali Momi Medical Center, Case No. 1 CTX 24-0000085, Tax Appeal Court, State of Hawai‘i.

Taxpayers appeal from final assessments of general excise and/or use taxes issued to Taxpayer Intuitive Surgical Inc. for tax years 2019 through 2022 for certain sales of equipment to Taxpayers. Taxpayers argue the amounts in question are entitled to the wholesale rate of 0.5%. Trial is not set.

In the Matter of the Tax Appeal of Axis Appraisal Management Solutions, Case No. 1 CTX 24 - 0000086, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals final assessment of general excise taxes, penalties, and interest because Taxpayer claims that it does not do business in the State of Hawai‘i and therefore, is not subject to the general excise tax. Trial is not set.

In the Matter of the Tax Appeal of Bayada Home Health Services, Inc., Case No. 1CTX-24-0000116, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals for refund claim of general excise tax under § 237-23.5(a), HRS, the “related company exemption”. The amount in controversy for tax years 2017 and 2018 is $120,381.95 and $159,282.19, respectively. The Department did not process the amended tax returns within 180 days of the filing of Forms G-49 for the 2017 and 2018 claims for refund. Trial is not set.

Gary S. Suganuma v. Lauran Bromley, et al., Case No. 1CTX-24-0000149, Tax Appeal Court, State of Hawai‘i.

The Department appealed the Board of Review decision in favor of Taxpayers regarding the RETITC. This controversy stems from the Board’s decision to allow Taxpayers to take the credit even though it appeared that the entities that should have claimed the credits, passed it on to Taxpayers, and did not do so in a timely manner pursuant to the relevant statute, § 235-12.5, HRS. Trial is not set.

In the Matter of the Tax Appeal of Lauran and Myrna Bromley, Case No. 1CTX-24-0000150, Tax Appeal Court, State of Hawai‘i.

Taxpayers appeal the Board of Review decision regarding the RETITC, arguing the amount in controversy to be $386,144, which the Board found in favor of the Department. In addition, Taxpayers argue the Board erred when it classified one of the buildings as a multi-family residential property instead of as a commercial property, thereby reducing the maximum allowable RETITC for the systems from $1,353,439.00 to $287,595 for the 2019 and 2020 tax years. Trial is set for May 18, 2026.

In the Matter of the Tax Appeal of Deborah D. Roberts, Case No. 1CTX-24-0000340, Tax Appeal Court, State of Hawai‘i.

Taxpayer alleged to have paid under protest, so this has been construed to be a § 40-35, HRS, complaint. Allegedly, the amount in controversy was negotiated down when it was sent to Collections, however, there was no signed agreement when the Taxpayer paid this amount to the Department. Trial is not set.

In the Matter of the Tax Appeal of Salvatore Abbruzzese LLC, Case No. 1CTX-24-0000369, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals assessment of general excise taxes, penalties, and interest for tax years 2011, 2013; and 2014 for professional services. Taxpayer argues the amounts in question are entitled to the wholesale rate of 0.5% and penalties were improperly assessed. Trial is not set.

In the Matter of the Tax Appeal of Troy Capital, LLC, Case No. 1CTX-25-0000075, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals assessment of general excise taxes of $166,248.59 for tax years 2011 through 2023. Taxpayer is in the business of purchasing debt. However, it argues that it should be classified as a “financial institution." Accordingly, Taxpayer asserts the entire assessment is based

on the erroneous premise that Taxpayer is subject to the Hawai‘i general excise tax. Trial is not set.

In the Matter of the Tax Appeal of Lifecycle Construction Services LLC; Case Nos. 1CTX-25-0000078 - 1CTX-25-0000082, Tax Appeal Court, State of Hawai‘i.

Taxpayer’s appeal of general excise taxes for tax years 2014, and 2016 through 2019 is based on the mistaken premise that the notice of assessment was issued on April 7, 2025. The assessment was dated July 17, 2023. Trial is not set.

In the Matter of the Tax Appeal of Visa, Inc. and Subsidiaries, Case No. 1CTX-25-0000087, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals from a Board of Review Decision in which the Board adjusted Taxpayers' income tax assessment down to $0 for tax years 2018, 2019, 2020. The Board of Review disagreed with the Department’s use of an alternative apportionment method to account for Visa’s business activities. Trial is not set.

In the Matter of the Tax Appeal of Christina B. Zimmerman, Case No. 1 CTX 25 -0000088, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals final assessment of general excise taxes, penalties, and interest because Taxpayer claims that (1) she was a common law employee and thus was exempt from general excise tax under § 237-24(6), HRS; (2) the assessment violates the Excessive Fines Clause of the US Constitution and the Hawai‘i Constitution; (3) the Department’s assessment of penalties for failure to file and for negligence, allegedly authorized by §§ 231-39(b)(1) and 231-39(b)(2)(A), HRS, is unlawful because the alleged tax or deficiency on which the assessment is incorrect; and (4) the imposition of the penalties is unlawful because Taxpayer relied on an appropriately qualified tax practitioner. Trial is not set.

In the Matter of the Tax Appeal of Dr. Ricardo D. Lopez; 1CTX-25-0000093; Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals refund denial for tax year 2020 issued on June 18, 2025. Taxpayer is asserting $5,665 should have been refunded due to income taxes paid to California. Taxpayer’s refund was denied because he did not request the refund within the statute of limitations. The Notice of Appeal was filed but the Department was not served. Trial is not set.

Hawaiian Airlines, Inc. v. Department of Taxation, SCWC-22-0000349, Supreme Court of the State of Hawai‘i; CAAP-22-0000349, Intermediate Court of Appeals of the State of Hawai‘i; Case No. 1 CTX 21-0000493, Tax Appeal Court, State of Hawai‘i.

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 § 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 to the Intermediate Court of Appeals, which affirmed the tax appeal court’s final judgment. Taxpayer filed an application for writ of certiorari to the Hawai‘i Supreme Court which was granted. The Hawai‘i Supreme Court found the tax appeal court had jurisdiction and remanded the case back to tax appeal court. Trial is not set.

In the Matter of the Tax Appeal of Barclays Bank PLC & Affiliates, Case No. 1CTX-24-0000343, Tax Appeal Court, State of Hawai‘i.

Taxpayer appeals the Notices of Final Assessment of Banks and Other Financial Corporations

for tax years 2014 through 2017. Taxpayer disputes the Franchise Tax sales factor adjustment and penalties but otherwise accepts the assessments. Trial is not set.

**Pending Miscellaneous Tax Cases**

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

Relator filed the instant action pursuant to Chapter 661, HRS, on behalf of the State alleging that Taxpayer improperly underpaid or failed to pay taxes relating to its business activities within the Hawai‘i Foreign Trade Zone and/or subzones. The State 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 Hawai‘i.

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

Par Hawai‘i Refining, LLC et al. v. Gary Suganuma, et al., Case No. 1CCV-24-0001369; Circuit Court of the First Circuit, State of Hawai‘i.

Plaintiffs filed a Complaint for Declaratory Judgment alleging that guidance in Tax Information Release 21-7 was unlawful and violative of chapter 91, HRS. Trial is not set.

Jonathan Remund v. Department of Taxation, Hawai‘i Collection Branch, Case No. 3CCV-25-0000016, Circuit Court of the Third Circuit, State of Hawai‘i.

Plaintiff filed a complaint for refund alleging that he filed general excise tax returns and paid all general excise taxes in question periodically but filed annual returns untimely and that the Department should not penalize him for an inadvertent error. Trial is not set.

**Pending Appellate Court Cases**

Maria E. Zielinski v. Blake and Bianca Goodman, CAAP 24-0000229, Hawai‘i Supreme Court, Intermediate Court of Appeals of the State of Hawai‘i; Case No. 1 T.X. 15-1-0221, Tax Appeal Court, State of Hawai‘i.

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. The Department appealed the Board of Review's decision and filed a motion for summary judgment, that the tax appeal court granted. Taxpayers appealed the tax appeal court's summary judgment order to the Intermediate Court of Appeals. The Intermediate Court of Appeals ruled in favor of the Department; however, Taxpayers filed a writ of certiorari to the Hawai‘i Supreme Court that was accepted. Subsequently, the Hawai‘i Supreme Court vacated the judgments of the tax appeal court and the Intermediate Court of Appeals.

Booking.com v. Isaac Choy, in his official capacity as Director of Taxation, and State of Hawai‘i Department of Taxation, CAAP 22-0000441, Intermediate Court of Appeals of the State of Hawai‘i; Case No. 1 CC 19-1-0107-01 JHA, Circuit Court of the First Circuit, State of Hawai‘i.

Plaintiff Booking.com filed a complaint for declaratory relief alleging Hawai‘i Administrative

Rules Rule § 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 Intermediate Court of Appeals.

In the Matter of the Tax Appeal of Hawaiian Airlines, CAAP 24-0000496, Intermediate Court of Appeals of the State of Hawai‘i; Case No. 1 CTX 22-0000983, Tax Appeal Court, State of Hawai‘i.

Taxpayer filed an appeal requesting a refund of general excise taxes paid pursuant to an assessment against The Boeing Company for tax years 2013 through 2018. Taxpayer claimed that the amounts in question are exempt under § 237-24.9, HRS. The tax appeal court denied the Appellant's motion for summary judgment and granted Department's cross-motion for summary judgment. Appellant appealed the tax appeal court's final judgment to the Intermediate Court of Appeals. The Department cross-appealed from the tax appeal court's grant of the Appellant's motion for partial summary judgment (statute of limitations).

Tax Foundation of Hawai‘i v. Department of Taxation, State of Hawai‘i, CAAP-25-0000002, Intermediate Court of Appeals of the State of Hawai‘i, Case No. 1CCV-24-0000661, Circuit Court of the First Circuit, State of Hawai‘i.

Plaintiff filed a Complaint for Declaratory Judgment alleging that guidance contained in an administrative directive was unlawful and violative of chapter 91, HRS. The circuit court granted the Department's motion to dismiss complaint for declaratory judgment, or in the alternative, cross-motion for summary judgement. Plaintiff appealed to the Intermediate Court of Appeals. Plaintiff's application for transfer to the Hawai‘i Supreme Court was denied.

Public First v. Morikone, Case No. SCPW-25-0000419, Hawai‘i Supreme Court.

Public First, a non-party to the Booking.com tax appeal (Case No. 1CTX-21-1613), filed a petition for a writ of mandamus with the Hawai‘i Supreme Court to challenge the Tax Appeal Court's decision to seal certain documents in the tax appeal. The Hawai‘i Supreme Court has not yet acted on the writ.

In the Matter of the Tax Appeal of Rickey and Emilou Mikami v. Director of Taxation, State of Hawai‘i, CAAP 25-0000523, Intermediate Court of Appeals of the State of Hawai‘i; Case No. 1 CTX 20-0000070, Tax Appeal Court, State of Hawai‘i.

Taxpayers appealed from a final assessment of general excise/use taxes for tax years 2016 through 2018. Taxpayers claimed the Department disallowed proper business expenses and deductions. The tax appeal court granted the Director's motion to dismiss for lack of subject matter jurisdiction. Taxpayers appealed to the Intermediate Court of Appeals of the State of Hawai‘i.

In the Matter of the Tax Appeal of PM & AM Research Inc. v. Director of Taxation, State of Hawai‘i, CAAP-25-0000525, Intermediate Court of Appeals of the State of Hawai‘i, Case No. 1CTX-21-0001601, Tax Appeal Court, State of Hawai‘i

Taxpayer appealed from a final assessment of general excise/use taxes for tax years 2014-2016. Taxpayer claimed the Department improperly attributed certain 1099-MISC income to the Taxpayer. The tax appeal court granted the Director's motion to dismiss for lack of subject matter jurisdiction. Taxpayers appealed to the Intermediate Court of Appeals of the State of Hawai‘i. The Intermediate Court of Appeals dismissed Taxpayer's appeal for lack of appellate jurisdiction.

In the Matter of the Tax Appeal of PM & AM Research Inc. v. Director of Taxation, State of Hawai‘i, CAAP-25-0000526, Intermediate Court of Appeals of the State of Hawai‘i; 1CTX-21-0001617, Tax Appeal Court, State of Hawai‘i

Taxpayer appealed from a final assessment of general excise/use taxes for tax years 2013-2017, and 2019. Taxpayer claimed the Department improperly duplicated the final assessment and attributed certain 1099-MISC income to the Taxpayer. Taxpayer also claimed applicable exemptions were not applied. The tax appeal court granted the Director's motion to dismiss for lack of subject matter jurisdiction. Taxpayer appealed to the Intermediate Court of Appeals.

In the Matter of the Tax Appeal of Big Island Science v. Director of Taxation, State of Hawai‘i, CAAP-25-0000527, Intermediate Court of Appeals of the State of Hawai‘i, 1CTX-22-0000123, Tax Appeal Court, State of Hawai‘i

Taxpayer appealed from a final assessment of general excise/use taxes for tax years 2013-2019. Taxpayer claimed the Department incorrectly attributed gross receipts and failed to apply applicable exemptions. The tax appeal court granted the Director's motion to dismiss for lack of subject matter jurisdiction. Taxpayer appealed to the Intermediate Court of Appeals.

In the Matter of the Tax Appeal of Whale Watchers LLC v. Director of Taxation, State of Hawai‘i, CAAP-25-0000528, Intermediate Court of Appeals of the State of Hawai‘i, 1CTX-22-0000124, Tax Appeal Court, State of Hawai‘i

Taxpayer appealed from a final assessment of general excise/use taxes for tax years 2012 through 2019. Taxpayer claimed the Department incorrectly attributed unreported income and failed to incorporate updated information into the assessment. The tax appeal court granted the Director's motion to dismiss for lack of subject matter jurisdiction. Taxpayer appealed to the Intermediate Court of Appeals.

# 4.0 ADMINISTRATIVELY ATTACHED ENTITIES

As of June 30, 2025

## COUNCIL ON REVENUES

Kurt Kawafuchi, Chair
Kristi L. Maynard, Vice-Chair
Marjorie Bennett
Carl S. Bonham
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