



STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

November 8, 2006

Dear General Excise Taxpayer:

Starting January 1, 2007, a new ½% County Surcharge tax must be paid on income earned from business conducted on Oahu. Details about who must pay the new tax, how to pay it, and other information are **on the back of this letter**.

Neighbor island businesses who sell goods or services to customers on Oahu and who have an office or an employee on Oahu or an employee/agent traveling to Oahu to conduct business may also be subject to the new County Surcharge Tax.

Additionally, beginning January 1, 2007, all taxpayers completing the General Excise tax forms must report their taxes by taxation district (See Q5 on the back of this letter).

Further information can be obtained by attending one of the County Surcharge Tax Informational Briefings listed below.

Oahu Sessions

November 28, 2006
6:30 - 7:30 p.m.
Kapolei High School
Auditorium
91-5007 Kapolei Pkwy

November 30, 2006
6:00 - 7:00 p.m.
Windward Community
College, Hale Akoakoa
45-720 Keaahala Rd.

December 1, 2006
12:00 - 1:00 p.m.
Hawaii State Capitol
Auditorium
415 S. Beretania St.

December 13, 2006
6:00 - 7:00 p.m.
McKinley High School
Harada Hall
1039 S. King St.

Neighbor Island Sessions

November 29, 2006
10:00 - 11:00 a.m.
J.W. Cameron Center
95 Mahalani Street
Wailuku, Maui

November 29, 2006
2:00 - 3:00 p.m.
Lahaina Civic Center
1840 Honoapiilani Hwy.
Lahaina, Maui

December 5, 2006
2:00 - 3:00 p.m.
Natural Energy Laboratory of
Hawaii Authority (NELHA)
Conference Room
73-4460 Queen Ka'ahumanu
Hwy, Kailua-Kona, Hawaii

December 6, 2006
10:00 - 11:00 a.m.
Molokai Education Center
375 Kamehameha V Hwy.
Kaunakakai, Molokai

December 7, 2006
10:00 - 11:00 a.m. &
2:00 - 3:00 p.m.
State Office Building
Conference Room A, B, C
75 Aupuni Street
Hilo, Hawaii

December 8, 2006
10:30 - 11:30 a.m.
Lanai Community Center
8th Street
Lanai City, Lanai

December 12, 2006
10:00 - 11:00 a.m. &
2:00 - 3:00 p.m.
State Office Building
2nd Floor Conference Room
3060 Eiwa Street
Lihue, Kauai

You may also visit our website at www.hawaii.gov/tax/surcharge.

Sincerely,

A handwritten signature in black ink, appearing to read "Kurt Kawafuchi".

Kurt Kawafuchi
Director

An Introduction to the County Surcharge Tax

Q1. What is the County Surcharge tax, when does it start, and how much is the tax?

- The County Surcharge tax is a new tax *added* to the General Excise (GE) tax to pay for Oahu's mass transit system.
- It begins on January 1, 2007.
- The tax rate is ½%. When added to the 4% GE tax, the total tax rate is 4.5% (for transactions subject to the County Surcharge tax).

Q2. Who must pay the County Surcharge tax and what transactions are subject to the new tax?

- Businesses and landlords must generally pay the new ½% County Surcharge tax on any Oahu related transactions subject to the 4% general excise tax.
- Neighbor island (and out-of-state) businesses that **do not** deliver any goods or services to Oahu, and landlords that **do not** have any rental property on Oahu are **not** subject to the new ½% County Surcharge tax.
- Neighbor island (and out-of-state) businesses that deliver goods or services to Oahu and have a 'physical presence' on Oahu, and landlords that have rental property on Oahu are subject to the new ½% County Surcharge tax ('Physical presence' means, for example, having an office on Oahu, an employee or agent on Oahu, or a sales representative or agent traveling to Oahu to do business.)
- In general, any income earned from any transaction related to an Oahu customer is subject to the County Surcharge tax.
 - Business activities that are subject to the 4% GE tax rate, such as retailing of goods & services, contracting, renting or leasing real property or tangible personal property, commissions, and interest income are subject to the ½% County Surcharge tax.

Q3. What is the maximum tax rate I can collect from my customer to cover my General Excise and County Surcharge tax liability?

The maximum you can collect from your customer is 4.712%. However, you are not required by law to pass on these taxes to your customer.

Q4. How will I pay the tax? What forms will I use? When will I receive the forms?

The County Surcharge tax is included and paid on the same forms as the GE tax forms. The forms G-45 (GE/Use Tax Return) and G-49 (Annual Return & Reconciliation Return) will have 2 new sections, Part IV City & County of Honolulu Surcharge and Part V Schedule of Assignment of Taxes by District. The due dates to turn in your forms and payments remain unchanged and you will still only have to write one check to the State Tax Collector (or, if required or desired, electronically to the Department of Taxation).

The revised G-45 and G-49 forms will be available in the 2007 GE tax booklets. The booklets for Monthly filers will be mailed out in late December 2006; Quarterly filers in late February 2007, and Semiannual filers in late May 2007. For fiscal year filers, replacement booklets containing the revised forms from the January 2007 period will be mailed in December 2006. These forms are also available on our website at www.hawaii.gov/tax. Please do not use the **old** G-45 or G-49 forms when filing 2007 monthly, quarterly, or semi-annual returns, and annual returns.

Q5. Beginning January 1, 2007 should I keep track of my transactions by the different taxing districts that I'm conducting business in?

Yes. Beginning January 1, 2007, if you do business on more than one island, you will need the ability to separate your transactions by taxing districts (Oahu, Maui, Kauai, Hawaii) so that the amounts can be properly reported in Part IV (for any Oahu sales) and Part V (for assignment of taxes by District) of the newly revised GE Tax forms G-45 and annual G-49. A new worksheet (G-75) in the GE booklet instructions will aid you in segregating your sales by district and completing Part V.

Q6. How can I get additional information about the County Surcharge tax?

Visit the Department's website at www.hawaii.gov/tax/surcharge. Or, you may call our Call Center customer service representatives at 808-587-4242 or toll-free from the neighbor islands and continental U.S. at 1-800-222-3229, Monday thru Friday, 7:45 a.m. to 4:30 p.m. (excluding State holidays) or during our temporary expanded Call Center hours/days starting November 9, 2006 and ending June 29, 2007, Monday thru Friday 7:00 a.m. thru 5:00 p.m. (excluding State holidays). The Call Center will also be open on Saturdays, from November 18, 2006 through December 2, 2006, 8:00 a.m. to 4:30 p.m.

You may also attend one of our informational briefings listed on the other side of these Questions & Answers.

(If you need this document in an alternate format, such as large print, or if you need a sign language interpreter to attend a briefing session call the phone number above in Question #6 at least 2 weeks ahead of time.)