

Oahu County Surcharge Tax Frequently Asked Questions (FAQs) Updated 2/5/07

The original FAQs and new FAQs have been combined and categorized for readers' ease of use. The new questions and answers appear in blue.

GENERAL

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 began 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. 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 pass on to your customer is 4.712%. However, you are not required by law to pass on these taxes to your customer.

Q3. 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.

Q4. 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.

Q5. I heard that there is a 'transitional rule' that says income from contracts executed before June 30, 2006 that do not allow the business to increase taxes is exempt from the additional ½% County Surcharge tax. Is that correct? Where can I find it in writing that allows this exemption? Where do I record the exemption?

Yes. Income from contracts entered into before June 30, 2006 that do NOT allow an increase in taxes is exempt from the ½% County Surcharge tax for the duration of the contract. The authority for this exemption can be found in Section 237-8.6(c), Hawaii Revised Statutes. The exemption should be shown on the revised Form G-45, Part IV, line b (be sure to attach Schedule GE).

WHO IS SUBJECT TO THE TAX AND WHAT TRANSACTIONS ARE SUBJECT TO THE TAX?

Q1. Who must pay the ½% County Surcharge tax and what transactions are subject to the new tax?

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

Q2. Does the ½% County Surcharge tax apply to insurance commissions?

No. The ½% Oahu County Surcharge tax only applies to transactions that are subject to the 4% General Excise tax rate.

Q3. Does the ½% County Surcharge tax apply to wholesale transactions?

No. The ½% Oahu County Surcharge tax only applies to transactions that are subject to the 4% General Excise tax rate.

Q4. Is rental property on the neighbor islands (Kauai, Hawaii, Maui, Lanai, Molokai) subject to the ½% County Surcharge tax?

No. Rental property located on any island outside of Oahu is not subject to the ½% Oahu County Surcharge tax.

Q5. I'm a resident of a neighbor island and I have a rental property on the Oahu. Is my rental income from the Oahu property subject to the ½% County Surcharge tax?

Yes. Regardless of where the landlord is located, rental property located on Oahu is subject to the ½% Oahu County Surcharge tax.

Q6. Does the ½% County Surcharge tax apply to neighbor island contractors who do work on Oahu?

Yes. If the neighbor island contractor performs work on a job site located on Oahu, the ½% Oahu County Surcharge tax applies.

FORMS

Q1. 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, semi-annual returns and annual returns.

Q2. Can I use the new form (2007 G-45) to file my GE taxes for 2006 or earlier years?

Yes. However, you would not complete Part IV or V.

Q3. Do I have to fill out Part IV and Part V of the revised General Excise tax form (G-45, General Excise/Use Tax Return) if I'm from the neighbor islands (Kauai, Hawaii, Maui, Lanai, Molokai)?

- Yes. All taxpayers required to complete the G-45 must complete Part V, Schedule of Assignment of Taxes by District.
- Only taxpayers subject to the ½% Oahu County Surcharge tax must complete Part IV, City and County of Honolulu Surcharge at 0.5%. Neighbor Island businesses who sell goods or services to Oahu customers and have a physical presence on Oahu would likely pay the ½% Oahu County Surcharge tax on their Oahu sales

transactions. Additionally, neighbor island landlords who rent or lease property on Oahu must pay the ½% Oahu County Surcharge tax on their Oahu rental income.

FILING TIP: When completing Part V, Schedule of Assignment of Taxes by District, be sure to record the total sum of all Hawaii General Excise and Use TAXES PAID at 0.5% (e.g., wholesaling), 0.15% (e.g., insurance commissions), 4.0% (e.g., retailing), and 0.5% (e.g., county surcharge) rates in each applicable taxation district! Do NOT enter the total income amounts.

Q4. If I conduct business on only one island, do I need to complete Part V?

Yes. ALL businesses must complete Part V. If you do business on only one island, you must report all of your taxes in Part V of the island on which you do business. You do not need to put any information in any of the other Taxation Districts.

Q5. I'm trying to complete Part V, Assignment of Taxes by District, of the G-45. Where do I report the taxes from sales on Molokai, Lanai, and Niihau?

Taxes from transactions related to Molokai and Lanai are reported under the "Maui Taxation District". Niihau is reported under the "Kauai Taxation District".

Q6. If I need help completing the revised G-45, General Excise/Use Tax Return, who can I contact?

You may call 587-4242 or toll free 1-800-222-3229.