

STEP-BY-STEP INSTRUCTIONS FOR FILLING IN YOUR FORM G-45 (PERIODIC RETURN)

(The circled numbers in the figures correspond to the steps in the instructions.)

**Periodic general excise/use tax return (Form G-45) may be electronically filed (e-filed) with the Department of Taxation.
For more information, go to www.ehawaii.gov/efile.**

About this Form

The Form G-45 has been redesigned for electronic scanning that permits faster processing with fewer errors. In order to avoid unnecessary delays caused by manual processing, taxpayers should follow the guidelines listed below:

1. Print amounts only on those lines that are applicable.
2. Use only a black or dark blue ink pen. Do not use red ink, pencil, or felt tip pens.
3. Because this form is read by a machine, please print your numbers inside the boxes like this:

1234567890X
4. Do NOT print outside the boxes.
5. Fill in ovals completely. Do not or the ovals.
6. Do NOT enter cents. All numbers that are required to be rounded to the nearest dollar should **NOT** be printed over the zeros printed in the handprint boxes used to designate cents.
7. Do NOT use dollar signs, slashes, dashes or parenthesis in the boxes.
8. Photocopying of this form could cause delays in processing your return.

Rounding to Whole Dollars in Columns a, b, and c

The Department of Taxation is requiring taxpayers to round off cents to the nearest whole dollar for all dollar entries in Columns a, b, and c. To do so, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example: \$1.49 becomes \$1 and \$2.50 becomes \$3. If you have to add two or more amounts to figure the amount to enter in the column, include the cents when adding and round off only the total.

CAUTION: DO NOT enter the cents in Columns a, b, and c. The system will read all numbers entered as whole dollar amounts.

When Form G-45, Column b is Greater Than Column a

In the event that your exemptions/deductions (Column b) for the period exceeds your gross income (Column a), it is highly recommended that you enter an amount in Column b that is equal to but not more than Column a. The remainder of the available exemption/deduction would then be reported on the subsequent period's Form G-45. You are unable to claim a refund for the amount that results in a negative tax consequence on the periodic return.

Ko Olina Resort and Marina Attractions and Educational Facilities Tax Credit

If you are claiming this credit, see Form N-336 for more information.

FORM G-45
(Rev. 2007)



AC071

STATE OF HAWAII — DEPARTMENT OF TAXATION

**GENERAL EXCISE/USE
TAX RETURN**

DO NOT WRITE IN THIS AREA

10

Fill in this oval **ONLY** if this is an **AMENDED** return

Month Quarter Semiannual

PERIOD END: /

HAWAII TAX I.D. NO. **W** -

NAME:

Last 4 digits of your FEIN or SSN

Figure 1. Top of the Return

THE TOP OF THE TAX RETURN

Step 1 — Fill in (darken) the oval for "Month" and complete the filing period information with the appropriate numeric (*two digit*) month and year of your filing period (e.g., *Month of January 2008 = 01/08*).

Step 2 — Write your name here. Individuals, write your last name first.

Step 3 — If you have received notification of your one-time event identification number, enter your number in the area provided. If you have not been assigned a number, leave the area blank.

Step 4 — Enter the last 4 digits of your FEIN or SSN.

PART I - GENERAL EXCISE and USE TAXES @ 1/2 OF 1% (.005)											
RE	1. Wholesaling	5			6			7			Neg
		00	00	00	00	00	00	00	00		

Figure 2. How to Fill in the Columns for General Excise Taxes

**PART I
GENERAL EXCISE TAXES @ 1/2 OF 1% (.005)**

NOTE: Sugar processing and pineapple canning should be reported under the "Manufacturing" activity.

Step 5 — Enter the gross income from your business activity or activities in Column a on the appropriate business activity line(s). If you did not derive any income from your business activity during this period, enter zero (0) on the applicable line(s).

If a promoter, a contractor, or other person withheld general excise or use tax and paid it to the Department of Taxation on your behalf, do not enter the amount paid or the income on which tax was withheld. These amounts will, however, need to be included on your annual reconciliation return.

Step 6 — If you have allowable exemptions or deductions, enter the total in Column b on the appropriate business activity line or lines. If you do not have any exemptions or deductions, enter zero (0) on the applicable line or lines. IF Column b is more than Column a, see "When Form G-45, Column b is greater than Column a" above.

IMPORTANT: Most deductions allowed on net income tax returns (e.g., operating expenses or cost of goods sold) are NOT deductible on general excise tax returns.

Step 7 — For each activity you engage in, subtract Column b from Column a and enter the result in Column c, Taxable Income. If the result is zero, enter zero (0).

OR MON	5. Use Tax on Imports For Resale	8			9			10		
		00	00	00	00	00	00	00	00	

Figure 3. How to Fill in the Columns for Use Taxes

USE TAXES @ 1/2 OF 1% (.005)

Step 8 — Enter the landed value of tangible personal property, services, or contracting imported into Hawaii in Column a.

Step 9 — If you have allowable exemptions or deductions, enter the total in Column b. If you do not have any exemptions or deductions, enter zero (0). IF Column b is more than Column a, see "When Form G-45, Column b is Greater Than Column a" .

A use tax and general excise tax offset may be claimed for taxes paid to another state on property, services, or contracting imported into the State for resale.

CAUTION: Taxes paid for manufacturing, extraction, and the like, as well as license fees or transfer taxes, MAY NOT be taken as a credit against Hawaii use taxes due.

The following steps should be taken to claim the offset when reporting the use tax on the Forms G-45 and G-49.

Offset the use tax:

Step A— Enter the value of the imported property in Column a of Use Tax on Imports For Resale or Use Tax on Imports for Consumption, as applicable, and determine the exact amount of use tax due on that property.

Step B— Compare the use tax due (Step A) with the sales or use tax paid to another state on that property. Divide the LESSER of the two amounts by the applicable tax rate, and enter the result in Column b.

Step C— Subtract Column b from Column a, and enter the result in Column c.

Offset the general excise tax:

Step D— Enter the gross income from the sale of the imported property in Column a of the applicable line, and deter-

mine the exact amount of general excise tax due on that property.

Step E— Subtract the use tax due on that property (Step A) from the sales or use tax paid to another state on that item.

Step F— Compare the general excise tax due (Step D) with the remaining sales or use tax paid (Step E). Divide the LESSER of the two amounts by 0.005 or 0.04, as applicable, and enter the result in Column b.

Step G— Subtract Column b from Column a, and enter the result in Column c.

EXAMPLE

Taxpayer A purchases widgets in State X on which \$125 of sales tax is paid, and imports the widgets into Hawaii for resale at retail. The landed value of the widgets is \$1,500, and they are sold at retail for \$2,700.

Step A— $\$1,500 \times 0.005 = \7.50

Step B— $\$7.50 \div 0.005 = \$1,500$

Step C— $\$1,500 - \$1,500 = \$0$

Step D— $\$2,700 \times 0.04 = \108

Step E— $\$125 - 7.50 = \117.50

Step F— $\$108 \div 0.04 = \$2,700$

Step G— $\$2,700 - \$2,700 = \$0.00$

Step 10 — Subtract Column b from Column a, and enter the result in Column c. This is the taxable value.

PART III — INSURANCE COMMISSIONS @ .15% (.0015)

Step 19 — Enter your insurance commissions in Column a.

Step 20 — If you have allowable exemptions or deductions, enter the total in Column b. If you do not have any exemptions or deductions, enter zero (0).

PART IV — CITY & COUNTY OF HONOLULU

SURCHARGE TAX @ ½ OF 1% (.005)

Step 23 — Enter your gross Oahu taxable income in Column a.

- If you did business only in the Oahu District, enter the amount from Form G-45, Part II, line 17.
- If you did business in more than one District, including the Oahu District, enter the amount from Form G-75, Part II, column a, line 17, Oahu District Taxable Income.

Step 24 — If you have allowable County exemptions or deductions, enter the total in Column b. If you do not have any exemptions or deductions, enter zero (0).

Allowable County exemptions and deductions include:

- The **additional** sublease deduction from Form G-72, line 6;

Step 21 — Subtract Column b from Column a, and enter the result in Column c, Taxable Income, and on Page 2, line 23, Column (a) (see Figures 7 and 9). IF Column b is more than Column a, see "When Form G-45, Column b is Greater Than Column a".

Step 22 — Follow Step 15 for any amounts claimed in Column b.

- The **additional** deduction for wholesale amusements from Form G-81, line 6;
- Amounts of sales assigned to the Oahu Taxation District by a seller who does not have Oahu nexus; and
- Gross receipts received under a written contract entered into before June 30, 2006, which does not allow for the pass-on of an increased rate of tax.

Step 25 — Subtract Column b from Column a, and enter the result in Column c, Taxable Income, and on Page 2, line 24, Column (a) (see Figures 7 and 9). IF Column b is more than Column a, see "When Form G-45, Column b is Greater Than Column a".

Step 26 — Follow Step 15 for any amounts claimed in Column b.

BUSINESS ACTIVITIES	VALUES, GROSS PROCEEDS OR GROSS INCOME	EXEMPTIONS/DEDUCTIONS (Attach Schedule GE)	TAXABLE INCOME (Column a minus Column b)
PART III - INSURANCE COMMISSIONS @ .15% (.0015)			
18. Insurance Commissions	19 00	20 00	21 00 <input type="checkbox"/> Neg
			Enter this amount on line 23, Column (a)
PART IV - CITY & COUNTY OF HONOLULU SURCHARGE TAX @ ½ OF 1% (.005)			
19. Oahu Surcharge	23 00	24 00	25 00 <input type="checkbox"/> Neg
			Enter this amount on line 24, Column (a)

Figure 7. Calculating the General Excise Tax on Insurance Commissions @ .15% (.0015) and the City & County of Honolulu Surcharge Tax @ ½ of 1% (.005)

PART V — SCHEDULE OF ASSIGNMENT OF TAXES BY DISTRICT

Step 27 — If you did not have any activity for the period, darken the oval for your District. Otherwise:

- 1) IF you did business only in the OAHU District, darken the oval "Oahu".
- 2) IF you did business in only ONE District OTHER THAN Oahu, darken the oval for that taxation district.

- 3) IF you did business in MORE THAN one District, darken the oval "MULTI" and attach Form G-75, General Excise/Use Taxes By Districts Worksheet.

IMPORTANT: ALL taxpayers MUST complete Part V and may be subject to a penalty of 10% of the combined State and county surcharge taxes for noncompliance.

PART V — SCHEDULE OF ASSIGNMENT OF TAXES BY DISTRICT (ALL taxpayers MUST complete this Part and may be subject to a 10% penalty for noncompliance.) See Instructions. **DARKEN** the oval of the taxation district in which you have conducted business. IF you did business in MORE THAN ONE district, darken the oval "MULTI" and attach Form G-75.

20. Oahu Maui Hawaii Kauai MULTI **27**

Figure 8. Completing the Schedule of Assignment of Taxes By District

PART VI — TOTAL PERIODIC RETURN

Step 28 — Multiply the taxable income amount on line 21, Column (a) by the tax rate of .005 (line 21, Column (b)) and enter the result, including the cents, on line 21, Column (c). The result is

the General Excise and Use Taxes @ ½ of 1% (.005) due. If the result is zero, enter "0.00".

PART VI - TOTAL PERIODIC RETURN

	TAXABLE INCOME Column (a)		TAX RATE Column (b)		TOTAL TAX Column (c) = Column (a) X Column (b)
21. Enter the amount from Part I, line 7	\$ 14 .00	x	.005	=	\$ 28
22. Enter the amount from Part II, line 17	\$ 16 .00	x	.04	=	\$ 29
23. Enter the amount from Part III line 18, Column c	\$ 21 .00	x	.0015	=	\$ 30
24. Enter the amount from Part IV, line 19, Column c	\$ 25 .00	x	.005	=	\$ 31
25. TOTAL TAXES DUE. Add column (c) of lines 21 through 24 and enter result here. If you did not have any activity for the period, enter "0.00" here					32 <input type="checkbox"/> Neg
26. Amounts Assessed During the Period. (For Amended Return ONLY)	PENALTY \$ 33 INTEREST \$				26.
27. TOTAL AMOUNT. Add lines 25 and 26.					34
28. TOTAL PAYMENTS MADE FOR THE PERIOD (For Amended Return ONLY)					35
29. CREDIT TO BE REFUNDED. Line 28 minus line 27 (For Amended Return ONLY)					36
30. ADDITIONAL TAXES DUE . Line 27 minus line 28 (For Amended Return ONLY).					37
31. FOR LATE FILING ONLY → PENALTY \$ 38 INTEREST \$					31.
32. TOTAL AMOUNT DUE AND PAYABLE (Original Returns, add lines 27 and 31; Amended Returns, add lines 30 and 31)					39
33. PLEASE ENTER THE AMOUNT OF YOUR PAYMENT. Attach a check or money order payable to "HAWAII STATE TAX COLLECTOR" in U.S. dollars to Form G-45. Write "GE", the filing period, and your Hawaii Tax I.D. No. on your check or money order. If you are NOT submitting a payment with this return, please enter "0.00" here.					40
34. GRAND TOTAL OF EXEMPTIONS/DEDUCTIONS CLAIMED. (Attach Schedule GE) If Schedule GE is not attached, exemptions/deductions claimed will be disallowed.					41 00

Figure 9. Completing the Periodic Return (Form G-45)

Step 29 — Multiply the taxable income amount on line 22, Column (a) by the tax rate of .04 (line 22, Column (b)) and enter the result, including the cents, on line 22, Column (c). The result is the General Excise and Use Taxes @ 4% (.04) due. If the result is zero, enter "0.00".

Step 30 — Multiply the taxable income amount on line 23, Column (a) by the tax rate of .0015 (line 23, Column (b)) and enter the result, including the cents, on line 23, Column (c). The result is the general excise tax on Insurance Commissions @ .15% (.0015) due. If the result is zero, enter "0.00".

Step 31 — Multiply the taxable income amount on line 24, Column (a) by the tax rate of .005 (line 24, Column (b)) and enter the result, including the cents, on line 24, Column (c). The result is the City & County of Honolulu Surcharge Tax @ 1/2 of 1% (.005) due. If the result is zero, enter "0.00".

Step 32 — Add the amounts in Column (c) of lines 21 through 24. Enter the sum on line 25. This is the "TOTAL TAXES DUE". If the result is a negative figure, darken the "Neg" box to the right of the amount field. You are unable to claim a refund with an original Form G-45. A refund can be claimed when filing your annual return and reconciliation (Form G-49) or when filing an amended Form G-45.

CAUTION: LINE 25 MUST BE FILLED IN. If you did not have any activity for the period, enter "0.00" here.

Step 33 — Leave line 26 blank (to be used for Amended Returns ONLY).

Step 34 — Enter the amount from line 25 on line 27, "TOTAL AMOUNT".

Step 35 — Leave line 28 blank (to be used for Amended Returns ONLY).

Step 36 — Leave line 29 blank (to be used for Amended Returns ONLY).

Step 37 — Leave line 30 blank (to be used for Amended Returns ONLY).

Step 38 — If you file a tax return after the due date, and if there is tax due on the return, then you must compute penalty and interest charges. After computing the amounts, enter the results to the right of "PENALTY \$" and "INTEREST \$" and enter the total of the two amounts on line 31.

If you need help computing the penalty and interest, please call the Taxpayer Services Branch for assistance at 808-587-4242 or

toll-free 1-800-222-3229; or leave these lines blank, and the Department will compute the charges for you and send you a bill.

Step 39 — Add the amounts on lines 27 and 31, and enter the "TOTAL AMOUNT DUE AND PAYABLE" on line 32.

Step 40 — **NOTE:** If you are NOT submitting a check with your return, enter "0.00" on line 33.

Write the "AMOUNT OF YOUR PAYMENT", including any penalty and interest, on line 33. Attach your check or money order for this amount payable to "Hawaii State Tax Collector" in U.S. dollars drawn on any U.S. bank where indicated on the front of the return. Write "GE", the filing period, and your Hawaii Tax I.D. No. on your check or money order.

Send your check or money order and the return to:

Hawaii Department of Taxation
P.O. Box 1425
Honolulu, HI 96806-1425

DO NOT SEND CASH.

Step 41 — If you have claimed any exemptions/deductions for the period, be sure you have attached a completed Schedule GE (Form G-45/G-49), General Excise/Use Tax Schedule of Exemptions and Deductions, and enter the "GRAND TOTAL OF EXEMPTIONS/DEDUCTIONS CLAIMED" from Schedule GE (Form G-45/G-49) on line 34.

Step 42 — Sign your name and write your title and the date in the spaces provided on Page 1 of the Form G-45 (see Figure 5).

IMPORTANT: *Please fill in each column of your business activity(ies) with a dollar amount or zero (0) or processing errors will result. Also, write "GE", the filing period (e.g., "Jan 2008"), your one-time event I.D. number (if available), and "Form G-45" on your check or money order so it will be properly credited if it is accidentally separated from your tax return.*

AMENDED RETURNS

If you file your Form G-45 and later become aware of any changes you must make to reported income or exemptions/deductions, you may file an amended return on Form G-45 to change the Form G-45 you already filed.

Do **NOT** file an amended Form G-45 if the General Excise/Use Tax Annual Return & Reconciliation, Form G-49, has already been filed for the tax year.

Complete your amended Form G-45 as follows:

1. Darken the oval at the top of Page 1 of the Form G-45 to designate that this is an amended return (see Figure 1).
2. Enter the correct amounts of values, gross proceeds or gross income, exemptions/deductions, taxable income, and taxes due which should have been reported on the original Form G-45. Follow Steps 1 through 32 above used to complete your original return. (**Note:** Entries which were correctly reported on the original Form G-45 also must be entered on the appropriate line(s). **Failure to do so will result in a change from the correct amount to -0-.**)
3. As of the date the amended return is filed, enter on line 26 the amounts of any penalty and/or interest assessed for the period. Penalty and interest are generally assessed because the original return was filed after the filing deadline or because the taxes due were not paid in full by the filing deadline.
4. Enter on line 28 the total amount of taxes, additional assessments, and penalty and/or interest paid for the period. Include payments made with the original periodic return as well as any supplemental payments made after the original periodic return was filed. **REMINDER:** Payments are applied first to recover costs incurred by the Department, then to any interest due, then to penalties, and finally, to taxes.
5. If line 27 is LESS THAN line 28, subtract line 27 from line 28 and enter the result on line 29, "CREDIT TO BE REFUNDED".
6. If line 27 is MORE THAN line 28, subtract line 28 from line 27 and enter the result on line 30, "ADDITIONAL TAXES DUE".
7. If the amended Form G-45 is being filed after the due date of the original Form G-45, and if there is an amount entered on line 30, enter on line 31 the amount of any penalty and/or interest now due. On a timely filed original Form G-45, a penalty of 20% of the tax due will be assessed if any tax remains unpaid after 60 days from the prescribed due date of the original Form G-45. The 60-day period is calculated beginning with the prescribed due date, even if the prescribed due date falls on a Saturday, Sunday, or legal holiday. This penalty is applicable to amended Form G-45s for timely filed original Form G-45s. Interest at the rate of 2/3 of 1% per month or part of a month shall be assessed on unpaid taxes and penalties assessed beginning with the first calendar day after the date prescribed for payment, whether or not that first calendar day falls on Saturday, Sunday, or legal holiday.
8. Add lines 30 and 31 and enter the total on line 32, "TOTAL AMOUNT DUE AND PAYABLE".
9. Enter on line 33 the amount of any payment being made with the amended Form G-45. If the amended Form G-45 is being filed after the due date of the original Form G-45, include any additional penalty and interest in your payment. Attach your check or money order for this amount payable to "Hawaii State Tax Collector" in U.S. dollars drawn on any U.S. bank where indicated on the front of the amended Form G-45. Write "GE", the filing period, and your Hawaii Tax I.D. No. on your check or money order.
Send your check or money order and the amended Form G-45 to:
Hawaii Department of Taxation
P.O. Box 1425
Honolulu, HI 96806-1425
DO NOT SEND CASH.
10. If any exemptions/deductions are claimed, complete and attach Schedule GE to the amended Form G-45. The amount and type of exemptions/deductions claimed must be individually listed even if reported correctly on the original Form G-45 filed.
11. Enter the total of all exemptions/deductions reported on Schedule GE on line 34.
12. Sign your name and write your title and date in the spaces provided on Page 1 of the amended Form G-45 (see Figure 4).
IMPORTANT: *Please fill in each column of your business activity(ies) with a dollar amount or zero (0) or processing errors will result. Also, write "GE", the filing period, and your Hawaii Tax I.D. No. on your check or money order, if applicable, so that it may be properly credited if it is accidentally separated from the tax return.*

SCHEDULE OF GENERAL EXCISE TAX EXEMPTIONS AND DEDUCTIONS

(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES)

Unless the following instructions tell you not to report the exempt or deducted amounts, you must explain on Schedule GE (Form G-45/G-49) the exemptions and deductions taken under Column b preceded by statement of activity code and amount claimed. For circumstances under which an exemption or a deduction is permitted or allowed, refer to the following sections:

Affordable Housing: Gross income received by a qualified person or firm for the planning, design, financing, construction, sale, rental, or lease of a housing project certified by a qualified state agency or a county is exempt. For more information, get Form G-37 or contact the Hawaii Housing Finance and Development Corporation. Report and explain these amounts. (Section 46-15.1 or 201H-F.)

Air Pollution Control Facilities: Sales of certain new facilities, and of tangible personal property used in their construction, use, or maintenance, are exempt. These facilities must be certified by the Department of Health at least once every five years. Report and explain these amounts. (Section 237-27.5.)

Aircraft Leasing: Amounts received as rent for the rental or leasing of aircraft or aircraft engines that is used by the lessee for interstate air transportation of passengers and goods are exempt. (Section 237-24.3(12).)

Aircraft Service and Maintenance Facility: Amounts received from the servicing and maintenance of certain types of aircraft, or from the construction of a qualified aircraft service and maintenance facility in the State are exempt. Report and explain these amounts. (Section 237-24.9.)

Alcohol Fuels: Effective July 1, 2007, retail sales of alcohol fuel, which includes gasohol that is at least 10% alcohol by volume, are exempt. Report and explain these amounts. (Section 237-)

Alimony: Alimony and other similar payments and settlements are exempt. Do not report these amounts. (Section 237-24(7).)

Bad Debts: For accrual basis taxpayers, accounts that are actually charged off as worthless for income tax purposes may be deducted in Column b. No deduction may be taken for a bad debt reserve. If accounts written off are later collected, the collection is included in Column a for the period in which it was received. (Section 237-3(b).)

Call Centers: Amounts received by a telecommunications common carrier from a person operating a call center are exempt. The gross income received by a call center for customer services and support is also exempt. Report and explain these amounts. (Section 237-29.8.)

Casual Sales: Proceeds from a casual sale are not taxed. A casual sale means an occasional, isolated, irregular, infrequent, or incidental sale or transaction involving tangible personal property that is not ordinarily sold in the usual course of a trade or business. Sales of inventory, or sales that are carried out on a systematic basis, such as when a rental car company sells its rental cars in order to make way for new ones to rent, do not qualify as casual sales. For details, see section 18-237-1, Hawaii Administrative Rules. Do not report these amounts. (Section 237-2.)

Certain Convention, Conference, and Trade Show Fees: All of the value or gross income derived by a fraternal benefit, religious, charitable, scientific, educational, or other nonprofit organization under section 501(c) of the Internal Revenue Code from fees for convention, conference, or trade show exhibit or display spaces is exempt. Report and explain these amounts. (Section 237-16.8.)

Common Paymaster Exception: If employees work for more than one related corporation, one of the corporations may pay the employees on behalf of all employers. If so, the intercompany transfers of funds to the common paymaster are exempt from tax and need not be reported. See section 237-23.5(b). For hotels whose employees are paid by hotel operators, see section 237-24.7(1). For orchards whose employees are paid by orchard operators, see section 237-24.7(4).

Contracting Activity in an Enterprise Zone: Gross proceeds received by a contractor for construction within an enterprise zone performed for a qualified business within an enterprise zone are exempt. The designation of enterprise zones and the certification of qualified businesses are administered by the Department of Business, Economic Development, and Tourism. (Section 209E-11.)

Damages for Personal Injuries and Property Damage: Compensatory damages for personal injuries or defamation, or compensatory damages for damage to property, are exempt. Do not report these amounts. (Section 237-24(5).) Punitive damages, and any damages for breach of contract, are taxable if the damages are connected to business in which you are or were engaged.

Diplomats and Consular Officials, Sales to: Amounts received from foreign diplomats and consular officials who are holding cards issued by the U.S. Department of State granting them an exemption from state taxes are exempt. The tax exemption, however, is not applicable to taxes imposed on telecommunication services, other utilities, or gasoline purchases. Report and explain these amounts. For more information, see Department of Taxation Announcement No. 2000-07. Report and explain these amounts. (Section 237-24.3(11).)

Disability Provisions: There is an exemption for the first \$2,000 of gross income earned by any blind, deaf, or totally disabled person. (Section 237-24(13).)

Discounts and Returned Merchandise: Cash or other discounts on the price of articles sold are considered price adjustments and should be considered in figuring the amount to report in Column a. Cash or store credit that is given for returned merchandise is deductible and should be entered in Column b of the same line on which the merchandise sales were reported. (Section 237-3(b).)

Dividends and Distributions: Dividends and other distributions of income or profit from corporations, partnerships, and trusts are not taxable. Do not report these amounts. (Section 237-3(b).) The exemption does not apply if the distribution is a payment due to transaction of business with the shareholder, partner, member, or beneficiary.

Drugs and Prosthetic Devices: Sales to individuals by a hospital, infirmary, medical clinic, health care facility, pharmacy, or practitioner li-

censed to administer drugs or prosthetic devices are exempt. Report and explain these amounts. Prosthetic devices do not include such items as glasses, hearing aids, or dentures. For more information, see Tax Information Release No. 86-4. (Section 237-24.3(7).)

Employee Benefit Plans: Amounts received by an employee benefit plan as contributions, dividends, and interest are exempt. Amounts received by a nonprofit organization or office as payments for costs and expenses incurred for the administration of an employee benefit plan are also exempt. Do not report these amounts. (Section 237-24.3(5).)

Enterprise Zones: There are tax incentives for employers doing business in properly designated enterprise zones. Designation of zones, and certification of employers and businesses in those zones, are administered by the Department of Business, Economic Development, and Tourism. (Section 209E-11.)

Exported Services: The value or gross proceeds arising from contracting or services performed in Hawaii for a customer located outside of the State are exempt, provided the customer furnishes a Form G-61 to the vendor certifying that the contracting or service purchased is for resale, consumption, or use outside of the State. Report and explain these amounts. (Section 237-29.53.)

Federal Cost-Plus Contractors: If you are a federal cost-plus contractor, you may elect to deduct any amounts that you were reimbursed under the contract for materials, plant, or equipment. To claim the deduction, you must certify that you are taxable with respect to the gross proceeds of the sale, and that you elect to have the tax on the gross income computed the same as upon a sale to the state government. Please attach the certification on a separate sheet. (Section 237-13(3)(C).)

Federally Preempted Amounts: Gross income is not taxed if the Constitution and laws of the United States prohibit the State of Hawaii from taxing it. If you are claiming this exemption, you must enter the amount claimed to be exempt in Column b, and on Schedule GE (Form G-45/G-49). Your explanation of this exemption must include a description of the constitutional provision or federal statute which you claim entitles you to the exemption. If possible, please include a reference to the United States Code (U.S.C.) to identify any federal law. (Section 237-22.)

If your business earns interest from buying U.S. Treasury obligations or similar instruments, check Tax Information Release No. 84-1 for a list of obligations for which interest is exempt. If the kind of bond or obligation that you have is listed as exempt, please identify the type of obligation that it is, and refer to "TIR No. 84-1" in your explanation of the exemption.

Food Stamps: Amounts received for purchases made with USDA food coupons or vouchers under the federal food stamp program, or the Special Supplemental Food Program for Women, Infants and Children, are exempt. Report and explain these amounts. (Section 237-24.3(6).)

Foreign Trade Zone Sales: Sales of products which are admitted into a foreign trade zone and made directly to any common carrier in interstate or foreign commerce for consumption out-of-state are exempt, provided that the sale takes place

entirely within the zone. Report and explain these amounts. (Section 212-8.)

Foster Parents: Foster parents are not taxable on amounts they receive from the State or eleemosynary child-placing organizations for their care of children in foster homes. Do not report these amounts. (Section 237-24(15).)

Geothermal Power: Amounts received from selling geothermal power are exempt. Do not report these amounts. (Section 182-16.)

Gifts and Bequests: Any property acquired by gift, bequest, or devise is exempt. Do not report these amounts. (Section 237-24(2).)

Hawaii Convention Center Operator: Amounts received after June 13, 2007, by the operator of the Hawaii convention center for reimbursement of costs or advances made pursuant to a contract with the Hawaii tourism authority under section 201B-7. (Section 237-24.75(2).)

Hotel Operator: Amounts received by the operator of a hotel from the owner of the hotel or from a timeshare association (effective January 1, 2008) specifically to cover the costs of employee wages, salaries, payroll taxes, insurance premiums and benefits (including retirement, vacation, sick pay, and health benefits) are exempt. Report and explain these amounts. (Section 237-24.7(1).)

Hotel Suboperator: Effective January 1, 2008, amounts received by the suboperator of a hotel from the owner of the hotel, from a timeshare association, or from the operator of the hotel specifically to cover the costs of employee wages, salaries, payroll taxes, insurance premiums and benefits (including retirement, vacation, sick pay, and health benefits) are exempt. Report and explain these amounts. (Section 237-24.7(1).)

Insurance Proceeds: Amounts received under life insurance contracts because of the death of the insured (section 237-24(1)), amounts received under life insurance, endowment, or annuity contracts paid either during the term of the contract or at maturity (section 237-24(2)), or amounts received under an accident, health, or worker's compensation policy because of personal injuries, death, or sickness (section 237-24(3)), are all exempt; do not report these amounts.

If a person receives amounts under fire or accident policies to repair or replace damaged property, the amounts could qualify as money received because of casual sales (discussed earlier). Amounts paid under business interruption insurance contracts to replace lost income, or amounts paid under any insurance contracts to repair or replace inventory property, including crop losses, are considered taxable. Report all of these amounts on the "All Others" line in Part II of Forms G-45 and G-49, even if the insurance proceeds replace inventory property that otherwise would have been sold at wholesale. For more information, see Tax Information Release No. 92-7. If the damage or loss of inventory property took place in an area declared a natural disaster area, an exemption should be claimed (described below under "Insurance Proceeds Received Because of a Natural Disaster").

Insurance Proceeds Received Because of a Natural Disaster: If you receive amounts under property and casualty insurance policies for damage or loss of inventory used in a trade or business located within an area declared a natural disaster area by the Governor, this exemption applies. Report and explain these amounts. (Section 237-24.7(6).)

Intercompany Charges: Charges for legal, accounting, managerial, and administrative services (including related overhead costs) furnished by one related entity to another, or interest on loans or advances to related entities, are not taxable. Effective July 1, 2001, the amount received, charged, or attributable to services using computer software and hardware, information technology services, and database management that is furnished by one related entity to another related entity is exempt. Related entities are generally those related through 80% common ownership and at least 80% of the total voting power; see Section 237-23.5(a), for more information. These amounts must be reported and explained. (Section 237-23.5(a).)

Labor Organizations: A labor organization that is exempt from federal income tax under Section 501(c)(5) of the Internal Revenue Code is not taxable on rents for real property leased to (A) another labor organization, or (B) a trust providing membership service programs such as a pension plan, a common fund for medical or hospital care, or apprenticeship and training. (Section 237-24.3(10).)

Leases and Subleases of Real Property: A deduction is allowed a taxpayer who leases real property from a lessor under a written lease, and subsequently subleases that same real property to a sublessee under a written lease. The deduction is computed by multiplying the gross proceeds paid by the taxpayer to the lessor by a rate to be phased in over a 7-year period as follows: 1998 - 0.125; 1999 - 0.25; 2000 - 0.375; 2001 - 0.50; 2002 - 0.625; 2003 - .75; and 2004 and thereafter - 0.875. The taxpayer calculates the sublease deduction using Form G-72. These amounts must be reported and explained. (Section 237-16.5.)

Maintenance Fees: Maintenance fee payments by condominium owners to the manager, submanager (effective January 1, 2008), or board of directors of an association of apartment owners (AOAO) in reimbursement of sums paid for common expenses are exempt income for the AOAO. The same exemption applies when owners pay these fees to the manager, submanager (effective January 1, 2008), or board of directors of nonprofit homeowners' or community associations (Section 237-24.3(3)), or to qualifying cooperative housing corporations. (Section 237-24(16).) Do not report these amounts.

Mass Transit: Income of the operator of a mass transit system (of motorized buses) is exempt, if a political subdivision owns the property and the facilities of the county transportation system (including buses, real estate, parking garages, fuel pumps, etc.). Do not report these amounts. (Section 237-24.7(2).)

Merchants' Association Dues: Amounts received from the membership of an unincorporated merchants' association as dues for advertising or promotion are exempt, as long as the advertising and promotion are for the benefit of the membership as a whole and not for an individual member or subgroup of members. Do not report these amounts. (Section 237-24.3(9).)

Non-profit Organizations: Amounts received by certain non-profit fraternal, religious, charitable, scientific, educational, community or social welfare groups and hospitals, infirmaries and sanitaria organizations may be exempt. Do not report these amounts. (Section 237-23(a).) However, ALL fundraising activities of these organizations are taxable and must be reported. See Tax Information Release Nos. 89-6, 89-13, 91-2, and 91-4, and Tax Facts No. 98-3 for more information.

Orchard Operator: Amounts received by the operator of orchard properties from the owner of the orchard property specifically to cover the costs of employee wages, salaries, payroll taxes, insurance premiums and benefits (including retirement, vacation, sick pay, and health benefits) are exempt. Report and explain these amounts. (Section 237-24.7(4).)

Out of State Sales: The value or gross proceeds received by a manufacturer, producer, or seller of tangible personal property shipped to a point outside of the State where it is resold or otherwise consumed or used outside the State are exempt. Report and explain these amounts. For more information, see Tax Information Release No. 98-5. (Section 237-29.5(1).)

Petroleum Refining: Petroleum products refined in Hawaii that will be further refined by another taxpayer are exempt. Report and explain these amounts. (Section 237-27.)

Professional Employment Organizations: Amounts received after June 30, 2007, by a professional employment organization (PEO) from a client company equal to amounts that are disbursed by the PEO for employee wages, salaries, payroll taxes, insurance premiums, and benefits, including retirement, vacation, sick leave, health benefits, and similar employment benefits with respect to assigned employees at a client company are exempt; provided that this exemption shall not apply to a PEO upon failure of the PEO to collect, account for, and pay over any income tax withholding for assigned employees or any federal or state taxes for which the PEO is responsible. Report and explain these amounts. (Section 237-24.75(3).)

Real Estate Sales: Gross proceeds from the sale of land in fee simple are generally exempt and do not have to be reported. If leasehold land is sold, especially by the lessor, part of the proceeds from the sale may be considered rent and would need to be reported on the "Other Rental" line in Part II of Forms G-45 and G-49. For details, see General Excise Tax Memorandum No. 3 and General Excise Tax Memorandum No. 3A. Land in fee simple does not include furniture, fixtures, and equipment. If these items are being sold, see "Casual Sales" above. (Section 237-3(b).)

Contractors, developers, and dealers in real estate must report the gross sale proceeds from their projects in Column a, and include in Column b (and explain on Schedule GE (Form G-45/G-49)) the amount attributable to the sale of land in fee simple.

Reimbursements of Payroll Costs: Amounts received by a management company from related entities engaged in the business of selling interstate or foreign telecommunication services as reimbursements of payroll costs incurred in managing or operating the related entities' employees are exempt. Related entities are generally those related through 80% common ownership and at least 80% of the total voting power. These amounts must be reported and explained. (Section 237-24.7(9).)

Sales of Fresh Foods, Liquor, and Tobacco to Common Carriers: Sales of liquor, certain tobacco, and fresh food products to transportation companies for out-of-state use (or use on vessels) are exempt. Report and explain these amounts. (Section 237-24.3(2).)

Sales to the Federal Government and Credit Unions: Sales of tangible property to the federal government and state and federal credit unions are exempt. This exemption does not apply to federal cost-plus contractors or service providers

(even if the service provider separately bills for the item of tangible personal property). (*Section 237-25(a)*.) Note: Service provided to the federal government is taxable.

Scientific Contracts: Gross proceeds from certain scientific contracts with the federal government are exempt. Report and explain these amounts. For more information, see Tax Information Release No. 35-71. (*Section 237-26*.)

Senior Citizens' Fair: Proceeds of an annual senior citizens' fair held by a county commission on aging or appropriate county agencies on aging are exempt. Do not report these amounts. (*Section 349-10*.)

Services Related to Ships and Aircraft: Amounts received from the loading or unloading of ships or aircraft; tugboat services including pilotage fees and towage of ships, barges, or vessels in and out of harbors or from one pier to another; and the transportation of pilots or governmental officials to ships, barges or vessels off-shore; rigging gear; checking freight and similar services; standby charges; and use of moorings and running mooring lines are exempt. Report and explain these amounts. (*Section 237-24.3(4)*.)

Shipbuilding and Ship Repairs: Gross proceeds arising from shipbuilding and ship repairs rendered to surface vessels federally owned or engaged in interstate or international trade are exempt. Report and explain these amounts. (*Section 237-28.1*.)

Shipping and Handling of Agricultural Commodities: Amounts received for loading, unloading and shipping of agricultural commodities between islands in the State from a producer or produce dealer are exempt. These amounts must be reported and explained. (*Section 237-24.3(1)*.)

Small Business Innovation Research Grants: Amounts received as grants awarded by the High Technology Development Corporation under section 206M-15, HRS, that supplement federal small business innovation research phase I awards or contracts are exempt. Report and explain these amounts. (*Section 237-24.7(10)*.)

Stock Exchange Transactions: Certain amounts received by a domestic or foreign stock exchange, and certain amounts received by exchange members by reason of executing a securities or product transaction on an exchange, are exempt. The exemption does not apply to commission or other income received by brokers or dealers from their customers. Report and explain these amounts. (*Section 237-24.5*.)

Stocks, Bonds, and Commodity Futures: Gross proceeds from the sale of securities, commodity futures, and bonds are exempt and do not have to be reported. (*Section 237-3(b)*.) If you are selling bonds with accrued but unpaid interest, the interest is considered income that is received when the bond is sold. The interest does not qualify for this exclusion and may need to be reported on the "Interest" line in Part II of Forms G-45 and G-49. For example, if you purchased an out-of-state municipal bond at a discounted price and sell it for an appreciated price, the difference is considered accrued, but unpaid, interest and that portion would be taxable and reported on the "Interest" line in Part II of Forms G-45 and G-49. **Please note:** Federal bonds' accrued interest are exempted. See "Federally Preempted Amounts" discussed earlier.

Subcontract Deduction: A prime contractor (or a developer) may be eligible for a deduction in the amount of payments made to a subcontractor or a specialty contractor. To claim the deduction, the contractor must list the subcontractor and the subcontractor's Hawaii Tax I.D. No. on Schedule GE (Form G-45/G-49). Report and explain these amounts. For more information, contact your district tax office for instructions. (*Section 237-13(3)(B)*.)

Sugar Cane Payments to Independent Producers: Certain payments to independent sugar cane producers are exempt. Report and explain these amounts. (*Section 237-24(14)*.)

Taxes Passed On: Amounts received to pay the following taxes are exempt. Each amount should be reported and explained.

- Fuel taxes collected by distributors. (*Section 237-24(8)*.)

- Hawaii liquor taxes collected by dealers. (*Section 237-24(9)*.)
- Hawaii cigarette and tobacco taxes paid by wholesalers. (*Section 237-24(10)*.)
- Federal excise taxes imposed on articles sold at retail and collected from purchasers. (*Section 237-24(11)*.)
- Federal taxes imposed on sugar manufactured in Hawaii. (*Section 237-24(12)*.)
- Transient accommodations taxes visibly passed on. (*Section 237-24.3(8)*.)
- Rental motor vehicle and tour vehicle surcharge taxes visibly passed on. (*Section 237-24.7(3)*.)

Trade-Ins: For trade-ins, a merchant reduces the price of the new article by the amount of the trade-in allowance. The trade-in allowance is considered a price adjustment and is subtracted from the new article's sales price and the net amount is reported in column a. Any later sale of the traded-in article is reportable at the time of that sale. (*Section 237-3(b)*.)

Wages: Amounts received as salaries or wages for services rendered by an employee to an employer are exempt. If your employer is withholding payroll taxes on these wages, you do not have to report them. If you are being paid as an independent contractor, or if payroll taxes are not being withheld, these amounts are taxable. (*Section 237-24(6)*.)

Wholesale Transactions: Amounts received from the sales of tangible personal property imported into the State by a licensed taxpayer to another licensed taxpayer for further resale at wholesale are exempt. Report and explain these amounts. (*Section 237-29.55*.)

DIVISION OF GROSS INCOME AMONG TAXPAYERS

In general, as mentioned above, the general excise tax is imposed on gross income and no deductions are allowed for costs of producing that income. In the following special situations, however, the law recognizes the division of gross receipts among the taxpayers responsible for those receipts. Taxpayers in these situations report their respective shares of the gross income received.

Coin Operated Devices: Gross receipts are divided between the owner (or operator) of the device and the owner (or operator) of the premises on which the machine is located. (*Section 237-18(a)*.)

Insurance Agents and Realtors: Gross commissions are divided among licensed non-em-

ployee insurance agents, or among licensed non-employee realtors. (*Section 237-18(e)*.) Generally, commission sellers pay tax on commissions earned, and the principal pays tax on gross sales, not the amount net of commissions.

Motor Carriers: Where the transportation of passengers or property is furnished through arrangements between motor carriers, the gross income received for the transportation services is divided between the motor carriers. (*Section 237-18(h)*.)

Producers and Promoters: When a person furnishing or producing an event or spectacle (such as a film distributor) and a promoter (such as a theater owner) stage an event, the promoter pays the tax and withholds the producer's share of the

tax from the portion of the income payable to the producer. If the producer is a tax exempt entity, such as a properly registered nonprofit organization, then the promoter is not taxed on the producer's share of the income and the promoter does not have to withhold tax. (*Section 237-18(b)*.)

Tour Packagers: Gross revenues can be divided between a tour packager or travel agent and a provider of tourism related services. (*Section 237-18(f)*.) In addition, gross revenues can be divided between a tour packager and a provider of transient accommodations at noncommissioned negotiated contract rates. (*Section 237-18(g)*.) For more information, see Tax Information Release No. 91-8 and Attorney General Opinion 65-6.

SCHEDULE OF USE TAX EXEMPTIONS AND DEDUCTIONS

(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES)

Unless the following instructions tell you not to report the exempt or deducted amounts, you must explain on Schedule GE (Form G-45/G-49) the exemptions and deductions taken under Column b preceded by statement of activity code and amount claimed.

For circumstances under which an exemption or a deduction is permitted or allowed, refer to the following sections:

Air Pollution Control Facilities: An air pollution control facility itself, and any tangible personal property furnished in conjunction with the construction, reconstruction, erection, operation, use, or maintenance of an air pollution control facility is exempt. These facilities must be certified by the Department of Health at least once every five years. Report and explain these amounts. (Section 238-3(k).)

Aircraft Service and Maintenance Facility: Materials, parts, or tools imported or purchased by a person with a general excise tax license and which are used for certain types of aircraft service and maintenance, or for the construction of a qualified aircraft service and maintenance facility, are exempt. (Section 238-1.)

Casual Purchases: A sale of tangible personal property by someone not in the business of selling the property is called a casual sale. (See "Casual Sales," above.) Because gross income derived from a casual sale is excluded from gross income subject to the general excise tax, the landed value of tangible personal property acquired in a casual sale also is not subject to the use tax. For example, if you purchase a used car from an individual selling his or her personal car and import that car into Hawaii, report the landed value of the car but claim this exemption. (Section 238-1.)

Contracting: The use of imported contracting by a building industry contractor who has a general excise tax license, is engaged in business as a contractor, and otherwise would be subject to the use tax on the imported contracting is exempt. Report and explain these amounts. See Tax Information Release No. 2001-2 for more information. (Section 238-1)

Diplomats and Consular Officials: The use of property, services, or contracting imported by foreign diplomats and consular officials holding cards issued by the U.S. Department of State granting them an exemption from state taxes are exempt. The tax exemption, however, is not applicable to taxes imposed on telecommunication services, other utilities, or gasoline purchases. Report and explain these amounts. For more information, see Department of Taxation Announcement No. 2000-07. (Section 238-1.)

Director of Taxation's Authority to Exempt, Exclude or Apportion the Use Tax: Imports of property, services, or contracting to the extent that the general excise tax would have applied to a similarly-situated taxpayer engaged in a local transaction. The Director of Taxation (Director) has the authority to:

- (1) Exempt or exclude from the use tax, property, services, or contracting, or the use of property, services, or contracting exempted from the general excise tax; or
- (2) Apportion the gross value of services or contracting sold to customers within the State by persons engaged in business both within and without the State to determine the value of that portion of the services or contracting that is subject to the general excise tax for the purposes of section 237-21, HRS.

The Director will use the authority to exempt, exclude, or apportion the value of imported property, services, or contracting when an exemption, exclusion, or apportionment of gross receipts would be allowed under the General Excise Tax Law in the case of a similar local transaction. See Tax Information Release No. 2001-2 for more information. (Section 238-3(a))

Drugs and Prosthetic Devices for Personal Use: If you are an individual who bought drugs or prosthetic devices from a hospital, infirmary, medical clinic, health care facility, pharmacy, or a practitioner licensed to administer the drug to an individual, the landed value of the drugs or prosthetic devices is exempt from use tax. Do not report these amounts. (Section 238-1.)

Liquor or Tobacco: Liquor or tobacco products imported and then sold in interstate commerce for sale out of state, or sold to a common carrier for consumption on a vessel or airplane, are exempt. Report and explain these amounts. (Section 238-3(g).)

Producers: Certain property used by licensed producers is either taxed at a ½% rate or is exempt, depending on whether the imported property is going to be resold at retail. For example, if a farmer sells eggs to grocery stores as well as to neighbors and friends, then the chicken feed the farmer imports is taxed. That portion of the feed used to feed chickens whose eggs the farmer consumes is imported for consumption, and is reported on the "Use Tax on Imports For Consumption" line in Part II of Forms G-45 and G-49. The portion attributable to retail sales is imported for resale, and is reported on the "Use Tax on Imports For Resale at 4%" line in Part I of Forms G-45 and G-49. The remainder is imported for wholesale, and is exempt; include those amounts on the "Use Tax on Imports For Resale at 4%" line in Part I of Forms G-45 and G-49, Columns a and b, and explain this on Schedule GE (Form G-45/G-49). (Section 238-4.) For more information, see Administrative Rules Section 18-238-4.

Scientific Use Property: Property which is to be affixed to, or which is to become a physical, integral part of a scientific facility, or which is to be entirely consumed during the performance of a service required by a scientific contract with the United States Government, is exempt. Report and explain these amounts. For more information, see Tax Information Release No. 35-71. (Section 238-3(j).)

Services or Contracting to Foreign Customers: The use of services or contracting imported for resale to a foreign customer who will resell, consume or use the service or contracting outside of the State is exempt. Report and explain these amounts. (Section 238-1.)

SCHEDULE OF COUNTY SURCHARGE EXEMPTIONS AND DEDUCTIONS

(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES UNLESS NOTED)

Taxpayers with certified disabilities are not subject to the County Surcharge.

IMPORTANT: The City and County of Honolulu Surcharge (County Surcharge) applies to Oahu income subject to the General Excise or Use Tax at the 4% rate. The exemption and deductions listed above for the General Excise and Use Taxes also apply for the County Surcharge. (Section 237-8.6(a)) **Do not deduct these amounts in Part IV of Form G-45 or G-49.** In addition to the exemptions and deductions listed above, the following amounts are not subject to the County Surcharge:

Certain contracts: Written contracts entered into before June 30, 2006 that do not allow for the passing on of increased rates of taxes are exempt from the County Surcharge. (Section 237-8.6(c))

Wholesale amusements: The amount of wholesale amusements not deducted from general excise tax gross receipts under section 237-4(a)(13) is not subject to the County Surcharge. Since these amounts are effectively taxed at the rate of ½ of 1%, the County Surcharge does not apply. The amount of the County Surcharge deduction is computed on Form G-81, line 6.

Sublease deduction: The amount of rent paid to a landlord that is subleased to a tenant and is not deducted from general excise tax gross receipts under section 237-16.5 is not subject to the County Surcharge. Since these amounts are effectively taxed at ½ of 1%, the County Surcharge does not apply. The amount of the County Surcharge sublease deduction is computed on Form G-72, line 6.