DEPARTMENT OF TAXATION'S
ANNUAL REPORT AS REQUIRED BY ACT 177, SLH 1997
(AS AMENDED BY ACT 44, SLH 2001)

December 2004

Act 177, SLH 1997, relates to remittance of taxes by means of Electronic Funds Transfer (EFT). This Act requires the Department to submit an annual report on the number of taxpayers who were assessed the two percent penalty for failing to timely file by an approved EFT method, pursuant to section 231-9.9(c), Hawaii Revised Statutes (HRS). The report must also show the amount of each assessment and the total amount collected.

The remittance of taxes by means of EFT applies to (1) taxpayers with tax liabilities exceeding $100,000 who are required by the Department to remit taxes by means of EFT; and (2) taxpayers who (with the approval of the Department) elect to remit taxes by means of EFT (i.e., their tax liability does not exceed $100,000).

Section 231-9.9(c), HRS, imposes a two percent penalty on the amount of taxes owed if a taxpayer fails to remit taxes using an approved EFT method on or before the date the taxes are due unless the failure to remit the taxes using an approved EFT method is due to reasonable cause and not to neglect. Act 44, SLH 2001, removed a disincentive to taxpayer participation in the EFT program by repealing the two percent penalty provision for a taxpayer who elects to participate in the EFT program. However the two percent penalty may still apply to a taxpayer required to file by means of EFT (i.e., a taxpayer with tax liabilities exceeding $100,000). Act 44 became effective on April 26, 2001.

The amount of the EFT penalties imposed for 2004 is not available for taxpayers who remit more than $100,000 a year in general excise, transient accommodations, and withholding taxes. In prior years, the Department's Collections Division has manually captured the EFT penalty data. However, with efforts so focused this year on the conversion of data to the Department's new computer system, Collections did not have the resources available to manually collect the data.

The Department's Electronic Filing Coordinator has requested that an EFT penalty report be generated by the computer system so that this information can be made available in the future.