LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR

KURT KAWAFUCHI
DIRECTOR OF TAXATION

SANDRA L. YAHIRO
DEPUTY DIRECTOR

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

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

October 24, 2005

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2005-18

Re: Tax Relief for Victims of Hurricane Katrina

Due to Hurricane Katrina, the Department of Taxation (Department) recognizes that affected taxpayers may have difficulty meeting their tax obligations. Therefore, the Department will extend the deadline for filing returns and payment of taxes for "affected taxpayers" until February 28, 2006 by waiving interest and the late filing penalty or failure to pay penalty.

The postponement of deadlines and waiver of interest and penalties apply to any tax return, tax payment or tax deposit with an original or extended due date falling on or after August 29, 2005.

"Affected taxpayers" include those businesses and individuals located in the disaster areas, as well as those whose tax records are located there. Taxpayers need to identify themselves as hurricane victims and should write “Hurricane Katrina" in red ink at the top of their tax forms or any other documents filed with the Department. For a listing of the disaster areas, see the IRS website at http://www.irs.gov/newsroom/.

LEAVE SHARING

The State will also follow the federal tax treatment for leave sharing programs as set forth in IRS Notice 2005-68, 2005-40 I.R.B. 622 (09/08/05). Employees may donate their vacation, sick or personal leave in exchange for their employer making cash payments to qualified tax-exempt organizations providing relief for the victims of Hurricane Katrina. Employees who choose to donate their leave will not be required to include the donated leave in their income for payments made before January 1, 2007, i.e., it will not be considered as constructive receipt of income. However, employees who participate in a leave-sharing donation program cannot claim a charitable contribution deduction for the value of forgone leave since the value of the leave is already excluded from compensation and wages. As for employers, the amount of the contribution may be deducted as a business expense under Internal Revenue Code Section 162 and does not have to be treated as a charitable contribution.

Current forms and other tax information are available at the Department's website at: www.hawaii.gov/tax. If you know which tax form or publication you need, please call the

Department's request line at 808-587-7572, or toll-free from the neighbor islands and continental U.S. at 1-800-222-7572. This service is available 24 hours a day, 7 days a week.



KURT KAWAFUCHI
Director of Taxation