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DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2017-04

RE: Mandatory filing frequency to be changed in certain circumstances for general excise, transient accommodations, and rental motor vehicle, tour vehicle, and car-sharing vehicle surcharge taxes

This Tax Announcement describes when the Department of Taxation (Department) will unilaterally change a taxpayer's mandatory general excise tax (GET), transient accommodations tax (TAT), and rental motor vehicle, tour vehicle, and car-sharing vehicle surcharge tax filing and payment frequency to require more frequent filings (RTCVST).

I. Mandatory GET, TAT, and RTCVST tax filing and payment frequency.

Sections 237-30(a), 237D-6(a), and 251-4(a), Hawaii Revised Statutes (HRS), provide that all GET, TAT and RTCVST taxpayers must file periodic returns with the Department and make payments on a monthly basis. Thus, monthly filing and payment of these taxes is the default frequency for all taxpayers subject to these taxes.

Sections 237-30(b), 237D-6(b), and 251-4(b), HRS, provide that the Director of Taxation (Director) may permit taxpayers to file periodic returns on a quarterly or semiannual basis if doing so will not unduly jeopardize the collection of taxes and the taxpayer's tax liability does not exceed certain thresholds.

The tax liability thresholds are:

$4,000 per calendar or fiscal year for a quarterly filing frequency, and
$2,000 per calendar or fiscal year for a semiannual filing frequency.

In practice, the Director has permitted quarterly and semiannual filing frequencies in nearly all situations in which the tax liability thresholds are not exceeded. However, in all instances, quarterly and semiannual filing frequencies are permissive, at the discretion of the Director, and subject to revocation.

II. Monthly or quarterly GET, TAT, or RTCVST returns as a basis for changing filing frequency.

The Department allows taxpayers to file at more frequent intervals than is required by their mandatory filing frequency. Taxpayers filing more frequently than is required are filing returns that cannot be properly tracked. To address this, the Department will change the required filing frequency of taxpayers who file more frequently than is required. Taxpayers who do not want their mandatory filing frequency to be increased to monthly must begin to file properly based on the thresholds set forth above.

Taxpayers Affected

The Department will begin the process of mandating monthly filing beginning in August of 2017. Filing frequency will be changed as follows:

- Quarterly filers will be changed to monthly if a return for the month ending July 31, 2017 (return due August 20, 2017), or any month thereafter, is filed.
- Semi-annual filers will be changed to monthly if a return for the:
  - Month ending July 31, 2017 (return due August 20, 2017), or any month thereafter, is filed, or
  - Quarter ending September 30, 2017 (return due October 20, 2017), or any quarter thereafter, is filed.

Effective Date

Filing frequency changes will be effective for the month following the filing of the return that triggered the filing and payment frequency change. This means that quarterly and semi-annual filers who file a return for month ending July 31, 2017 must begin to file monthly returns starting with the month ending August 31, 2017. Monthly returns must be filed and the tax due must be paid on or before the twentieth day of the calendar month following the month being reported. Failure to comply with the requirements will result in the assessment of penalties and interest.

The filing frequency of quarterly and semi-annual taxpayers who file properly according to their tax liability thresholds will not be changed.

III. Requesting a filing frequency change.

A taxpayer whose filing frequency has been changed may request that the filing frequency be changed to quarterly or semiannual pursuant to sections 237-30, 237D-6, or 251-4, HRS. However, taxpayers who request this change must file with the filing frequency requested on an ongoing basis unless the filing frequency is subsequently changed by the Department.

A filing frequency change may be requested by completing Form BB-1. Check box 1d

and complete lines 2, 3, and 4. Then on page 2, check the box for the appropriate tax type for which you are requesting the change, complete the effective date for the change and check the box for the filing period requested. Please enter "0.00" in the spaces for the fee that is due as there is no charge for a filing frequency change. Sign and date the completed Form BB-1 and mail it to the address at the bottom of page 1.

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Director of Taxation

HRS sections explained: §§ 237-30, 237D-6, 251-4