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September 25, 2023

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2023-05

RE: Maui County Surcharge on General Excise Tax and Rate of Tax Visibly Passed on to Customers, Effective January 1, 2024

On July 19, 2023, Maui County enacted Ordinance No. 5551, which authorizes the imposition of a county surcharge (CS) on general excise tax (GET) for Maui County at the rate of 0.5%, beginning on January 1, 2024 and ending on December 31, 2030.[1] As the retail GET rate is 4%, the total rate of tax imposed on transactions subject to the Maui CS will be 4.5%.

Generally, the CS only applies to transactions where the retail rate of 4% applies; the CS does not apply to wholesale sales or insurance commission where the GET rates are 0.5% and 0.15%, respectively. For guidance regarding the sourcing of income between counties, please see Hawaii Administrative Rules sections 18-237-8.6-01 to 10.

Rate of Tax Visibly Passed on to Customers

GET is levied on the gross receipts of a business, including amounts that are passed on and collected as GET from customers. To account for this imposition, the maximum rate that may be passed on to customers is higher than the statutory rate of 4.5% (4% GET + 0.5% Maui CS). However, a seller is prohibited by consumer protection law from visibly collecting more than the actual amount owed.

The maximum rate that may be visibly passed on in Maui County is 4.712%. This pass-on rate is limited to six decimal places and is calculated as follows:

- When taxes are visibly passed on, the gross receipts consist of the retail sales price and the tax.
- The retail price represents 95.5% of the gross receipts and the tax represents 4.5% of the gross receipts.
- The tax stated as a percent of the price is 0.047120 or 4.712% (4.5% divided by 95.5%).

[1] Act 48, Session Laws of Hawaii (2023), extended the period in which the counties could adopt a GET surcharge by county ordinance. Honolulu, Kaua‘i, and Hawai‘i counties have all previously adopted this surcharge.

It is important to note that the 4.712% rate is the maximum rate of tax that may be visibly passed on. Sellers may also pass on the tax at the statutory rate of 4.5%, or may elect not to visibly pass on the tax at all.

The following example illustrates why the maximum visible pass on rate is greater than the statutory rate:

- Assume that the purchase price of an item is $1,000, that the pass-on rate is 4.5%, and the amount passed on and collected as tax is $45.00.
- The GET due is $41.80 ($1,045.00 x 4%) and the Maui CS due is $5.22 ($1,045.00 x 0.5%) for a total of $47.02 due.
- The amount visibly passed on as taxes was $2.02 less than was due on the transaction. If the taxes were passed on at the maximum rate of 4.712%, $47.12 would have been collected as tax on the transaction. The GET due would have been $41.89 ($1,047.12 x 4%), and the Maui CS due would have been $5.23 ($1,047.12 x 0.5%), for a total of $47.12 due.

For additional information about the Maui County surcharge (Ordinance No. 5551), please contact the Maui County Department of Finance by email at finance@mauicounty.gov or by phone at (808) 270-7722. For general information about the GET, see Tax Facts 37-1. If you have any questions regarding this Announcement, please contact the Technical Section by email at tax.technical.section@hawaii.gov or by phone at (808) 587-1577.

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