



# TAX FACTS 37-1

## General Excise Tax (GET)

This Tax Facts answers common GET questions. Businesses are subject to GET on their gross receipts from doing business in Hawaii. Gross receipts are total business income before any business expenses are deducted.

### 1 Is the GET a sales tax?

No. Hawaii does not have a sales tax. The GET is different from a sales tax because:

- A sales tax is a tax on customers whereas GET is a tax on businesses; and
- Businesses are required to collect sales tax from their customers whereas businesses are not required to collect GET from their customers.

### 2 What are the GET rates for businesses?

Most activities are taxed at 0.5%, 4%, or 4.5%.

| Tax Rate                | Examples of Taxable Activities Include:   |
|-------------------------|---|
| 0.5%                    | Wholesaling goods, manufacturing, producing, providing wholesale services, business activities of disabled people             |
| 4% or 4.5% <sup>1</sup> | Selling retail goods and services, renting, leasing real property, construction contracting, earning commissions <sup>2</sup> |

<sup>1</sup> The 4% rate applies statewide except in a county where the tax rate includes a 0.5% county surcharge for a total tax rate of 4.5%. The county surcharge does not apply to activities taxed at the 0.5% rate (for example, selling wholesale goods) or activities sourced outside a county with a surcharge. (Note: This is not a complete list of tax rates and activities.)

<sup>2</sup> Except for insurance commissions, which are taxed at 0.15%.

### 3 Are businesses required to charge GET?

No. It is common for businesses to charge their customers GET by visibly passing it on, but it is not required by law. Businesses must pay GET whether or not they charge their customers for it.

In certain circumstances, the law prohibits businesses from charging additional fees or amounts including GET. For example, section 431:10-218, Hawaii Revised Statutes (HRS), prohibits insurers or their agents from charging additional fees, including GET, for insurance premiums. Businesses may also be prohibited from charging GET when prices are fixed under the law. For example, towing companies cannot charge GET if it causes the total cost

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to exceed the maximum amount allowed under section 290-11, HRS. For more information, call the Department of Commerce and Consumer Affairs' Office of Consumer Protection at (808) 586-2630.

### 4 If businesses are not required to visibly pass on the GET to their customers, why do they do it?

A business may visibly pass on the GET to its customer in an attempt to recover its GET expense. In addition, a business that is subject to Hawaii's transient accommodations tax (TAT) can exclude the GET that is visibly passed on to their guest from its gross rental income subject to TAT.

### 5 If a business does not visibly pass on the GET to its customer, does this mean there is no tax?

No. The GET is a part of the price the customer is charged whether it is visibly passed on or not. The tax law prohibits the business from claiming there is no tax charged if the business is subject to GET on the sale. Businesses who violate this provision may be fined up to \$50 (section 237-49, HRS).

### 6 Can businesses charge customers GET?

Yes. Businesses that are subject to GET can pass it on to their customers. For example, if a business owes \$4.16 GET on a sale, it may visibly pass on this amount to its customer provided that the customer agrees to pay it as part of the sale.

### 7 How much can businesses charge their customers?

For example, if the sales price is \$100:

| Business's GET rate: | Maximum rate it can charge: | Maximum GET it can charge: | Total Price: |
|----------------------|-----------------------------|----------------------------|--------------|
| 4%                   | 4.166% <sup>3</sup>         | \$4.16                     | \$104.16     |
| 4.5%                 | 4.712% <sup>3</sup>         | \$4.71                     | \$104.71     |

<sup>3</sup> The maximum rate is greater than the tax rate because businesses are taxed on their gross receipts including GET that is charged to customers. This rate allows businesses to cover their entire GET expense.

## 8 Can businesses charge more than the maximum rates?

No. Consumer protection laws prohibit businesses from charging customers more GET than the business will pay on the transaction. The Office of Consumer Protection will take immediate action against businesses that charge more tax than what is actually due. For more information, call the Office of Consumer Protection at (808) 586-2630.

## 9 Do businesses have to tell their customers if they plan to visibly pass on GET?

Yes. Businesses must tell their customers if they plan to visibly pass on GET and customers must agree to pay it because misrepresenting the actual price violates consumer protection laws. For example, if a customer requests a quote for an item that sells for \$104.71, businesses should quote one of the following:

|                                |                                    |
|--------------------------------|------------------------------------|
| a. Sales price plus GET rate   | \$100 plus 4.712% <sup>4</sup> GET |
| b. Sales price plus GET amount | \$100 plus \$4.71 <sup>5</sup> GET |
| c. Total price including GET   | \$104.71 <sup>6</sup>              |

(<sup>4</sup>4.166% for the Maui county or 4.712% for the Hawaii/Oahu/Kauai county.)

(<sup>5</sup>\$4.16 for the Maui county or \$4.71 for the Hawaii/Oahu/Kauai county.)

(<sup>6</sup>\$104.16 for the Maui county or \$104.71 for the Hawaii/Oahu/Kauai county.)

## 10 If a wholesaler sells an item to a retailer who then sells that same item to me, isn't that double taxation?

No. Double taxation occurs when the same sales transaction is taxed twice. In this situation, there are two sales transactions and each is separately taxed. The wholesaler is taxed

at 0.5% on its sale to the retailer. The retailer is taxed at 4% (plus the county surcharge if applicable) on its sale to you.

## 11 Can businesses charge GET to tax-exempt organizations such as nonprofits, government agencies, and credit unions?

Yes. Sales to tax-exempt customers are generally subject to GET. There are no GET exemptions based on a customer's tax-exempt status. As a result, we do not issue tax exemption certificates to tax-exempt organizations, government agencies, or credit unions to exempt their purchases from Hawaii businesses.

Many nonprofit and religious organizations like universities and churches are exempt from federal and state income taxes, but since the GET is imposed on businesses and not customers, sales to these organizations are subject to GET. Therefore, a business may charge GET to a tax-exempt organization when the organization makes purchases from the business. Similarly, sales to (federal, state, and county) government agencies including the military and credit unions are also generally taxable; however, if a business sells goods to the federal government or a credit union, the sale is exempt and the business may claim a deduction (see the GET return instructions for more information).

## 12 Are nonresidents exempt from paying the GET on goods purchased in Hawaii?

There is no GET exemption for goods sold in Hawaii to nonresidents. We do not issue tax exemption certificates to tourists or other nonresidents to exempt their purchases from Hawaii businesses. However, if the Hawaii business ships the goods directly to the customer's out-of-state residence, then the sale is exempt and the business may claim a deduction. If the customer takes delivery of the goods in Hawaii and then ships the goods out-of-state, the sale is subject to GET. See Tax Information Release No. 98-5, "General Excise Tax Exemption for Tangible Personal Property, Including Souvenirs and Gift Items, Shipped out of the State," and Form G-61, "Export Exemption Certificate for General Excise and Liquor Taxes," for more information.

### Where to Get Forms and Information

Website: [tax.hawaii.gov](http://tax.hawaii.gov)

Telephone: 808-587-4242

Toll-Free: 1-800-222-3229

Telephone for the hearing impaired: 808-587-1418

Toll-Free: 1-800-887-8974

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