

**HOW TO COMPLETE YOUR
TRANSIENT ACCOMMODATIONS TAX
ANNUAL RETURN AND RECONCILIATION
(FORM TA-2)**

CHANGES TO NOTE

Effective for taxable years beginning after December 31, 2010, time share plan managers are to file Form TA-2 to report the annual fair market rental values and the transient accommodations tax on time share occupancy (TSO tax) due for the taxable year. (Note: the Transient Accommodations Tax - Time Share Occupancy Annual Return & Reconciliation, Form TA-43, has been made obsolete.)

Starting July 1, 2011, pursuant to Act 103, Session Laws of Hawaii 2011, there is levied and shall be assessed and collected each month a daily tax of \$10 for every transient accommodation that is furnished on a complimentary or gratuitous basis, or otherwise at no charge, including transient accommodations furnished as part of a package.

INTRODUCTION

These instructions will assist you in filling out your Transient Accommodations Tax Annual Return and Reconciliation (Form TA-2) correctly.

The transient accommodations tax (TAT) is levied on the gross rental or gross rental proceeds derived from furnishing transient accommodations. For periods ending before July 1, 2009, the rate is 7.25%; for periods beginning after June 30, 2009 and ending before July 1, 2010, the rate is 8.25%; and for periods after June 30, 2010, the rate is 9.25%.

A "transient accommodation" is an apartment, house, condominium, beach house, hotel room or suite, or similar living accommodation furnished to a transient person for less than 180 consecutive days in exchange for payment in cash, goods, or services.

"Gross rental or gross rental proceeds" includes amounts paid to you in the form of cash, goods, or services as compensation for furnishing a transient accommodation without any deductions for costs incurred in the operation of the transient accommodation.

Starting July 1, 2011, a daily tax of \$10 is levied for every transient accommodation that is furnished at no charge.

The TSO tax is levied on the occupant of a resort time share vacation unit at the rate of 7.25% of the unit's fair market rental value. The time share plan manager shall be liable for and pay to the State the TSO tax.

"Fair market rental value" is defined as an amount equal to one-half the gross daily maintenance fees that are paid by the owner, are attributable to the time share unit, and include maintenance costs, operational costs, insurance, repair costs, administrative costs, taxes, other than transient accommodation taxes, and other costs including payments required for reserves or sinking funds. The taxpayer shall use gross maintenance fees, unless the taxpayer proves or the Director of Taxation determines that the gross daily maintenance fees do not fairly represents fair market rental value taking into account comparable transient accommodation rentals or by other appraisal methods.

The Form TA-2, is used to summarize your TAT and TSO tax activities for the taxable year. It may also be used to correct errors on the periodic tax returns (Form TA-1). As long as your total gross rental or gross rental proceeds, fair market rental values, taxes due, penalty and interest are accurately reported and paid in full on your periodic returns, no additional tax will be due when filing the annual return. Form TA-2 must be filed in addition to (not in lieu of) the periodic transient accommodations tax returns. To correct a previously filed Form TA-2, file an amended return on Form TA-2. (Note: the Amended Transient Accommodations Tax Annual Return & Reconciliation, Form TA-12, has been made obsolete.)

If you do not have any gross rental or gross rental proceeds and do not have any fair market rental values for the entire year, enter "0.00" on line 14. Please note that this return must be filed.

The annual tax return must be filed on or before the 20th day of the 4th month following the close of your taxable year. For example, if you are a calendar-year taxpayer (i.e., your tax year ends on December 31), then your annual tax return must be filed on or before April 20 of the following year.

If you are unable to file the annual return by the due date, you may request an extension to file Form TA-2.

If you have any questions, please contact the customer service representative at:

Voice: 808-587-4242
1-800-222-3229 (Toll-Free)
Fax: 808-587-1488

Mail: Taxpayer Services Branch
P. O. Box 259
Honolulu, HI 96809-0259
E-mail: Taxpayer.Services@hawaii.gov

Telephone for the Hearing Impaired:
808-587-1418
1-800-887-8974 (Toll-Free)

To properly enter the necessary information into our computer system, the annual tax return must be filled in completely and accurately.

If a payment is being made with Form TA-2, make your check or money order payable to "Hawaii State Tax Collector." Write "TA", the filing period, your Hawaii Tax I.D. No., and your daytime phone number on the check. Attach your check or money order where indicated on the front of Form TA-2.

FILLING IN YOUR FORM TA-2 (ANNUAL RETURN AND RECONCILIATION)

Follow the example presented in *italics* in the sample form. The circled numbers on the sample form correspond to the steps in the instructions.

Example: ABC Resort (ABC), with Hawaii Tax I.D. No. W12345678-01, files its annual return for the taxable year. ABC has one resort on Oahu and one on Maui.

THE TOP OF THE TAX RETURN (fig. 3.1)

STEP 1 — Enter the numeric (two digit) month, day, and year your tax year ends in the area provided.

ABC Resort is a calendar year taxpayer and entered "12/31/12".

STEP 2 — Write your name in the area provided.

STEP 3 — Enter your Hawaii Tax I.D. No. in the area provided.

STEP 4 — Enter the last 4 digits of your FEIN or SSN in the area provided.

FORM TA-2 (REV. 2010) STATE OF HAWAII — DEPARTMENT OF TAXATION
TRANSIENT ACCOMMODATIONS TAX ANNUAL RETURN & RECONCILIATION

THIS SPACE FOR DATE RECEIVED STAMP **26**

Barcode: QCB101

Tax Year Ending **1** 12 / 31 / 11 **3**
 (MM/DD/YY)

Check this box if this is an AMENDED Return

NAME **2** ABC Resort

HAWAII TAX I.D. NO. W 1 2 3 4 5 6 7 8 - 0 1

LAST 4 DIGITS OF YOUR FEIN OR SSN: 1 2 3 4 **4**

fig. 3.1

COMPUTING THE TAXES (fig. 3.2)

CHECK OR MONEY ORDER HERE •	TAXATION DISTRICT	GROSS RENTAL OR GROSS RENTAL PROCEEDS (a)	EXEMPTIONS/DEDUCTIONS (EXPLAIN ON REVERSE SIDE) (b)	TAXABLE PROCEEDS (c)	RATE	TAXES (d)	
	PART I — For Periods ending BEFORE July 1, 2009						
1	OAHU				.0725		1
2	MAUI, MOLOKAI, LANAI				.0725		2
3	HAWAII				.0725		3
4	KAUAI				.0725		4
PART II — For Periods beginning AFTER June 30, 2009 and ending BEFORE July 1, 2010							
5	OAHU				.0825		5
6	MAUI, MOLOKAI, LANAI				.0825		6
7	HAWAII				.0825		7
8	KAUAI				.0825		8
PART III — For Periods beginning AFTER June 30, 2010							
9	OAHU	5 120,000.00	6 0.00	8 120,000.00	.0925	5 11,100.00	9
10	MAUI, MOLOKAI, LANAI	240,000.00	0.00	240,000.00	.0925	22,200.00	10
11	HAWAII				.0925		11
12	KAUAI				.0925		12

fig. 3.2

STEP 8 — Subtract the amount in column (b), if any, from column (a) and enter the result in column (c). Column (c) is your taxable proceeds.

ABC does not have any exemptions or deductions so \$120,000 is entered on line 9, column (c), and \$240,000 is entered on line 10, column (c).

STEP 9 — Part VIII — RECONCILIATION OF GROSS RENTAL OR GROSS RENTAL PROCEEDS (fig. 3.5). Add lines 1 through 12, column (a), of the front page LESS the gross rental proceeds attributable to transient accommodations furnished at no charge and reported on column (a), lines 9 through 12 on the front page, and enter this total on line 1. The total on line 1 does not include general excise and transient accommodations taxes visibly passed on.

Line 2. Enter the total general excise taxes visibly passed on for the year.

Line 3. Add lines 1 and 2. This amount is the gross proceeds from furnishing transient accommodations reportable on line 13, Column c of your General Excise/Use Tax Annual Return & Reconciliation (Form G-49).

ABC visibly passed-on \$15,000 in general excise taxes for the taxable year [(\$120,000 x 4.5%) + (\$240,000 x 4%)]. ABC enters \$360,000 in gross rental proceeds on line 1, \$15,000 on line 2, and \$375,000 on line 3.

PART VIII — RECONCILIATION OF GROSS RENTAL OR GROSS RENTAL PROCEEDS		
AMOUNT		
9	360,000 00	1. Gross rental or gross rental proceeds (Total of Column (a), lines 1 through 12, from front page.) (Note: Does NOT include general excise taxes visibly passed on or transient accommodations taxes visibly passed on.)
	15,000 00	2. Total general excise taxes visibly passed on.
	375,000 00	3. Add lines 1 and 2. This amount is your gross proceeds from furnishing transient accommodations that are reportable on line 13, Column c of your General Excise/Use Tax Annual Return & Reconciliation (Form G-49).

fig. 3.5

STEP 10 — Part IV and Part VI are to be completed ONLY by time share plan managers to report total fair market values and TSO tax due for the taxable year.

Complete Part IV and Part VI just as you did on your periodic returns. The difference between the periodic and annual tax returns is that the numbers reported on the annual tax return represent the total fair market rental values in the applicable districts for the entire year.

FINISHING THE TAX RETURN (fig. 3.6)

STEP 11 — Add lines 1 through 13 of column (d), and enter the total on line 14. This is the "TOTAL TAXES DUE". **CAUTION: LINE 14 MUST BE FILLED IN.** If you do not have any gross rental proceeds and therefore have no tax due, enter "0.00" on line 14.

ABC has added \$11,100 and \$22,200 for a total of \$33,300 which is entered on line 14.

PART V — TOTAL ANNUAL RETURN AND RECONCILIATION			
14. TOTAL TAXES DUE. Add Column (d) of lines 1 through 13 and enter result here. If you did not have any activity for the year, enter "0.00" here		33,300 00	14
15. Amounts Assessed during the year	PENALTY		15
	INTEREST		15
16. TOTAL AMOUNT. Add lines 14 and 15.		33,300 00	16
17. TOTAL PAYMENTS MADE LESS ANY REFUNDS RECEIVED FOR THE TAX YEAR.		33,300 00	17
18. CREDIT CLAIMED ON ORIGINAL ANNUAL RETURN (For Amended Return ONLY)			18
19. NET PAYMENTS MADE. Line 17 minus line 18		33,300 00	19
20. CREDIT TO BE REFUNDED. Line 19 minus line 16			20
21. ADDITIONAL TAXES DUE. Line 16 minus line 19			21
22. FOR LATE FILING ONLY →	PENALTY		22
	INTEREST		22
23. TOTAL AMOUNT DUE AND PAYABLE (Add lines 21 and 22)			23
24. PLEASE ENTER THE AMOUNT OF YOUR PAYMENT. Attach a check or money order payable to "HAWAII STATE TAX COLLECTOR" in U.S. dollars drawn on any U.S. bank to Form TA-2. Write "TA", the filing period, and your Hawaii Tax I.D. No. on your check or money order. Mail to: HAWAII DEPARTMENT OF TAXATION, P.O. BOX 2430, HONOLULU, HI 96804-2430 or file and pay electronically at www.ehawaii.gov/efile. If you are NOT submitting a payment with this return, please enter "0.00" here.			24
25. GRAND TOTAL OF EXEMPTIONS/DEDUCTIONS CLAIMED from back of form.		0 00	25

fig. 3.6

STEP 12 — Add all the penalties and interest which have been assessed on taxes owed on the periodic tax returns for the taxable year, enter the results to the right of “PENALTY” and “INTEREST”, and enter the total of the two amounts on line 15.

STEP 13 — Add lines 14 and 15, and enter the total on line 16, “TOTAL AMOUNT”.

STEP 14 — Add the total amount of transient accommodations taxes, penalties, and interest paid with your periodic tax returns, delinquency notices, and assessment notices for the taxable year. Enter this amount, less any refunds received for the tax year, on line 17, “TOTAL PAYMENTS MADE LESS ANY REFUNDS RECEIVED FOR THE TAX YEAR”.

STEP 15 — Leave line 18 blank (to be used for Amended Returns ONLY).

STEP 16 — Subtract line 18 from line 17 and enter the “NET PAYMENTS MADE” on line 19.

STEP 17 — Compare the amounts on lines 16 and 19. If the amount on line 16 is **THE SAME AS** line 19, go on to Step 22.

If the amount on line 16 is **LESS THAN** line 19, subtract line 16 from line 19, and enter the result on line 20, “CREDIT TO BE REFUNDED”. Go to Step 22.

STEP 18 — If the amount on line 16 is **MORE THAN** line 19, subtract line 19 from line 16 and enter the “ADDITIONAL TAXES DUE” on line 21. This is your taxes now due and payable. Calculate penalty and interest on this amount if the annual return is filed after the due date.

STEP 19 — Late Filing of Return—The penalty for failure to file a return on time is assessed on the tax due at a rate of 5% per month, or part of a month, from the due date to the filing date, to a maximum of 25%.

Interest — Interest at the rate of 2/3 of 1% per month, or part of a month, shall be assessed on unpaid taxes and penalties beginning with the first calendar day after the date prescribed for payment, whether or not that first calendar day falls on a Saturday, Sunday, or legal holiday.

Enter the amounts for Penalty and Interest to the right of “PENALTY” and “INTEREST”, respectively, and enter the total of the two amounts on line 22. If you need help computing the penalty and interest, please call the Taxpayer Services Branch for assistance at 808-587-4242 or toll-free at 1-800-222-3229; or leave these lines blank and the Department will compute the charges for you and send you a bill.

STEP 20 — If you have taxes now due, add the amounts on lines 21 and 22 and enter the “TOTAL AMOUNT DUE AND PAYABLE” on line 23.

STEP 21 — **NOTE:** If you are NOT submitting a check with your return, enter “0.00” on line 24.

Write the “AMOUNT OF YOUR PAYMENT”, including any penalty and interest, on line 24. Attach your check or money order for this amount payable to “Hawaii State Tax Collector” in U.S. dollars drawn on any U.S. bank where indicated on the front of the return. Write “TA”, the filing period, your Hawaii Tax I.D. No., and your daytime phone number on your check or money order.

Send your check or money order and the return to:

Hawaii Department of Taxation
P.O. Box 2430
Honolulu, HI 96804-2430

DO NOT SEND CASH. Form TA-2 can also be filed and payment made electronically at www.ehawaii.gov/efile.

STEP 22 — Make sure you have entered the “GRAND TOTAL OF EXEMPTIONS/DEDUCTIONS CLAIMED” from the back of the form, on line 25.

SIGNING THE RETURN (fig. 3.7)

STEP 23 — Sign your tax return. The sole proprietor, a partner or member, corporate officer, or an authorized agent must sign the return, state his/her title, write the date the return is signed, and write a daytime contact phone number.


DECLARATION: I declare, under the penalties set forth in section 231-36, HRS, that this is a true and correct return, prepared in accordance with the provisions of the Transient Accommodations Tax Law, Chapter 237D, HRS and the rules issued thereunder. A CORPORATION OR PARTNERSHIP TAX RETURN MUST BE SIGNED BY AN OFFICER, PARTNER OR MEMBER, OR DULY AUTHORIZED AGENT OF SUCH ENTITY.			
 SIGNATURE	<u>President</u> TITLE	<u>4/20/12</u> DATE	<u>(808) 123-4567</u> DAYTIME PHONE NUMBER
			FORM TA-2 26

fig. 3.7

SENDING IN THE TAX RETURN AND PAYMENT

Attach a check made payable to the “**HAWAII STATE TAX COLLECTOR**” in U.S. dollars to the tax return. Write “TA,” the filing period, your Hawaii Tax I.D. No., and your daytime phone number on the check so that it may be properly credited to your account. Attach your check or money order where indicated on the front of Form TA-2. **Do not send cash.**

Send the tax return and check to:

Hawaii Department of Taxation
P.O. Box 2430
Honolulu, HI 96804-2430

INSTRUCTIONS FOR FILING AN AMENDED FORM TA-2

If you file your Form TA-2 and later become aware of any changes you must make to reported gross rental or gross rental proceeds or exemptions/deductions, you may file an amended return on Form TA-2 to change the Form TA-2 you already filed. (Note: the Amended Transient Accommodations Tax Annual Return & Reconciliation, Form TA-12, has been made obsolete.)

Complete your amended Form TA-2 as follows:

1. Check the box at the top of the front page of the Form TA-2 to designate that this is an amended return (see *fig. 3.1*).
2. Enter the correct amounts of gross rental or gross rental proceeds, exemptions/deductions, taxable proceeds, and taxes due which should have been reported on the original Form TA-2. Follow Steps 1 through 11 above used to complete your original return. (**Note:** Entries which were correctly reported on the original Form TA-2 also must be entered on the appropriate line(s). **Failure to do so will result in a change from the correct amount to -0-.**)
3. Enter on line 15 the amounts of any penalty and/or interest assessed as of the date the amended return is filed. Penalty and interest are generally assessed because the original returns were filed after the filing deadline or because the taxes due were not paid in full by the filing deadline.
4. Enter on line 17 the total amount of taxes, additional assessments, and penalty and/or interest paid less any refunds received for the tax year. Include payments made with the original periodic and annual returns, as well as any supplemental payments made after they were filed. **REMINDER:** Payments are applied first to recover costs incurred by the Department, then to any interest due, then to penalties, and finally, to taxes.
5. Enter on line 18 the amount of credit claimed on your original Form TA-2.
6. Subtract line 18 from line 17 and enter the “NET PAYMENTS MADE” on line 19.
7. If line 16 is LESS THAN line 19, subtract line 16 from line 19 and enter the result on line 20, “CREDIT TO BE REFUNDED”.
8. If line 16 is MORE THAN line 19, subtract line 19 from line 16 and enter the result on line 21, “ADDITIONAL TAXES DUE”.
9. If the amended Form TA-2 is being filed after the due date of the original Form TA-2, and if there is an amount entered on line 21, enter on line 22 the amount of any penalty and/or interest now due. On a timely filed original Form TA-2, a penalty of 20% of the tax due will be assessed if any tax remains unpaid after 60 days from the prescribed due date of the original Form TA-2. The 60-day period is calculated beginning with the prescribed due date, even if the prescribed due date falls on a Saturday, Sunday, or legal holiday. This penalty is applicable to amended Form TA-2s for timely filed original Form TA-2s. Interest at the rate of 2/3 of 1% per month or part of a month shall be assessed on unpaid taxes and penalties assessed beginning with the first calendar day after the date prescribed for payment, whether or not that first calendar day falls on Saturday, Sunday, or legal holiday.
10. Add lines 21 and 22 and enter the total on line 23, “TOTAL AMOUNT DUE AND PAYABLE”.

11. Enter on line 24 the amount of any payment being made with the amended Form TA-2. If the amended Form TA-2 is being filed after the due date of the original Form TA-2, include any additional penalty and interest in your payment. Attach your check or money order for this amount payable to "Hawaii State Tax Collector" in U.S. dollars drawn on any U.S. bank where indicated on the front of the amended Form TA-2. Write "TA", the filing period, your Hawaii Tax I.D. No., and your daytime phone number on your check or money order.

Send your check or money order and the amended Form TA-2 to:

Hawaii Department of Taxation
P.O. Box 2430
Honolulu, HI 96804-2430

DO NOT SEND CASH.

12. If any exemptions/deductions are claimed, complete the reverse side of the amended Form TA-2. The amount and type of exemptions/deductions claimed must be individually listed even if reported correctly on the original Form TA-2 filed.
13. Enter the total of all exemptions/deductions reported on reverse side of the amended Form TA-2 on line 25.
14. Sign your name and write your title, the date, and a daytime contact phone number in the spaces provided on the front page of the amended Form TA-2 (see *fig. 3.7*).

SCHEDULE OF TRANSIENT ACCOMMODATIONS TAX EXCLUSIONS, EXEMPTIONS, AND DEDUCTIONS
(NOTE: ALL SECTION REFERENCES ARE TO THE HAWAII REVISED STATUTES)

Section 237D-1: Gross rental or gross rental proceeds do not include:

- (1) The amount of transient accommodations taxes passed-on, collected, and received from the consumer.
- (2) The amount of general excise taxes passed-on, collected, and received from the consumer.
- (3) Charges for guest amenities, including meals, beverages, telephone calls, laundry, and service charges. (Section 18-237D-1-03(c), Hawaii Administrative Rules)
- (4) Accounts charged off as worthless for income tax purposes by an accrual basis taxpayer. (Section 18-237D-1-03(e), Hawaii Administrative Rules)

Division of gross rental or gross rental proceeds:

Where transient accommodations are furnished by an operator through an arrangement with a travel agency or tour packager at noncommissionable negotiated contract rates and the gross rental or gross rental proceeds are divided between the operator and the travel agent or tour packager, the gross rental or gross rental proceeds to the operator is the respective portion allocated or distributed to the operator, and no more.

Section 237D-3: The following are exempt from the Transient Accommodations Tax:

- (1) Health care facilities including all such facilities enumerated in Section 321-11(10).
- (2) School dormitories of a public or private educational institution providing education in grades kindergarten through twelve, or of any institution of higher education.
- (3) Lodging provided by nonprofit corporations or associations for religious, charitable, or educational purposes; provided that this exemption shall apply only to the activities of the religious, charitable, or educational corporation or association as such and not to any rental or gross rental the primary purpose of which is to produce income even if the income is used for or in furtherance of the exempt activities of such religious, charitable, or educational corporation or association.
- (4) Living accommodations for persons in the military on permanent duty assignment to Hawaii, including the furnishing of transient accommodations to those military personnel who receive temporary lodging allowances while seeking accommodations in Hawaii or while awaiting reassignment to new duty stations outside the State.
- (5) Low-income renters receiving rental subsistence from the state or federal governments and whose rental periods are for durations shorter than sixty days.
- (6) Operators of transient accommodations who furnish accommodations to full-time students enrolled in an institution offering post-secondary education. The director of taxation shall determine what shall be deemed acceptable proof of full-time enrollment. This exemption shall also apply to operators who furnish transient accommodations to students during summer employment.
- (7) Accommodations furnished without charge such as, but not limited to, complimentary accommodations, accommodations furnished to contract personnel such as physicians, golf or tennis professionals, swimming and dancing instructors, and other personnel to whom no salary is paid or to employees who receive room and board as part of their salary or compensation.
- (8) Accommodations furnished to foreign diplomats and consular officials who are holding cards issued or authorized by the United States Department of State granting them an exemption from state taxes.