

General Excise and Use Tax Assignment

Summary of the 3 taxes involved:

1. EXCISE TAX:

The State of Hawai'i is unusual in that it does not have a state sales tax. Many people assume there is a state sales tax because of how businesses choose to (visibly pass) the state excise tax on to their customers. For example – take a look at a sales receipt from one of your recent purchases – you see the tax which has been added to your total. This is what is meant by “visibly pass.”

- a. States with a *sales tax* charge the customer a fee on goods and services provided. Businesses in these states collect the sales tax from the customer and then forward it to the appropriate state agency.
- b. The State of Hawai'i has an excise tax which is a tax on the ***business***, not the consumer. This excise tax is an additional expense incurred by Hawai'i businesses on all goods and services. **See Tax Facts 37-1** for an outline of the General Excise Tax (GET).

Optional: If you want to get more detailed information – See “An Introduction to the General Excise Tax.”

Your Assignment will include the reporting of these taxes via completion of Hawaii State Tax Forms G45, G49 and GE. In addition, you will answer some questions on a short written test. See the Assignment Instructions for more info

2. USE TAX:

The use tax is an excise tax imposed on tangible personal property, services, and/or contracting imported into the State from an unlicensed out-of-state seller for use in the State. The use tax rate is 4% of the landed value of the tangible personal property and 4% of the value of services and/or contracting imported for use in the counties of Maui, Hawaii, and Kauai, and 4.5% if imported for use in the City & County of Honolulu. **See Tax Facts 95-1** for an outline of the Use Tax.

Optional: If you want more detailed information – See “An Introduction to the Use Tax.”

Individuals who have a GET license or a Hawaii Tax ID Number will report use taxes on Forms G45 and G49. Your Assignment will include this situation. If you do not have a GET license or a Hawaii Tax ID Number, Form G26 is used to report and pay use taxes. Your Assignment will not include Form G26.

3. COUNTY SURCHARGE:

Effective January 1, 2007, an additional tax, a county surcharge was added to be used to pay for Oahu's mass transit system. **See Tax Facts County Surcharge FAQs** for more information.

Name: _____

Assignment Instructions

A. PART 1 – Complete the “Hawaii General Excise and Use Tax Written Test” at page 2 below (20 points.)

Read the questions first and then find the answers by reading the resources in the Laulima “2016 GET Assignment” folder. (You can also find the same resources in the Weekly Learning Modules.) Most of the answers can be found in Tax-Facts 37-1, Tax Facts 95-1 and Tax Facts County Surcharge FAQs. You can also refer to the first three pages of the General Instructions for Filing GE/Use Tax Returns.

B. PARTS 2 and 3: Review the SAMPLE General Excise and Use Tax Assignment to help guide you through the completion of this part of the Assignment. Then complete the appropriate forms:

PART 2 complete forms G-45, G-49 and GE for Lomi Salmon Company (30 points)

PART 3 complete forms G-45 and G-49 for Fish and Poi Company (30 points)

Note: the sample is not *exactly* like the Assignment!

To get the forms, you have two options:

1. Use the BLANK hand writable forms provided in Laulima Resources OR
2. Access the Hawai'i state tax website at <http://tax.hawaii.gov/forms> Here you will find the forms in pdf fillable format.

SUBMISSION INSTRUCTIONS:

- a. Scan and submit the Assignment as an attachment via Laulima Assignments, OR
- b. If you do not have access to a scanner, the Assignment can be submitted as follows:
 - i. Drop off your Assignment at my office, BE208. If I am not in the office, give your work to the Secretary or the Student Assistant in BE 213. They will date stamp your work. Do not leave your work in the mailbox on my office door!!! **Make a copy for your own records.**
 - ii. Fax the Assignment with a FAX COVER SHEET and reports *addressed Evelyn Wong @ 808-453-6735.*
 - iii. The last option is to mail the Assignment to me. **Make a copy for your own records.** If your work is lost, I will not be able to give you a grade!!

Mailing address: Evelyn Wong,
Business Division - Leeward CC
96-045 Ala Ike

Name: _____

Pearl City HI 96782

PART 1: Hawai'i General Excise and Use Tax Written Test - 20 points

- 1) What is the main difference between the general excise tax and a sales tax?

- 2) What are the three different **excise tax** rates in Hawai'i?
 - a)
 - b)
 - c)

- 3) What is the maximum tax rate a business can collect from customers to cover their General Excise and County Surcharge liability?
 - a) If the GET rate is 4%? _____
 - b) If the GET rate is 4.5% _____

- 4) If a business passes on the maximum GET and county surcharge allowed to its customer on a \$200 retail sale, how much does the business pay to the state for general excise tax and county surcharge? Show the computation.

- 5) A Hawai'i company imports goods to resell at wholesale. The company sells these goods wholesale to a retailer. Then the retailer sells these goods to a customer.
 - a) Does the wholesaler owe taxes on the wholesale to the retailer? If yes, what is the tax rate?

 - b) Does the retailer owe taxes on the retail sale? If yes, what is the tax rate?

Name: _____

- 6) What are the three possible filing frequency periods for general excise taxes (GET) and the requirements to qualify for each filing period?
 - a)
 - b)
 - c)
- 7) What are the two different **use tax** rates in Hawai'i?
- 8) How much is the county surcharge and why was it implemented?

Name: _____

PART 2: Lomi Salmon Company (30 points)

You are the sole proprietor and owner for an O‘ahu business called Lomi Salmon Company. Use the company name when filing the forms. Your business buys computer-related equipment and supplies from mainland companies and local distributors, and then resells them to local customers. You also charge customers for services you provide for installing, maintenance, and repairs. Your General Excise license number is W12345678-01.

A. File the **semi-annual** G-45, General Excise/Use Tax Return for January 1 to June 30, 2015. Fill in the proper heading on the top of the form. Use the information above as necessary.

Use the following information to complete the body of the form.

Wholesale Services:\$1,500 with no exemptions or deductions

Purchases from mainland for resale at retail: ..\$3,000 with no exemptions

Retail Sales:\$6,000 with \$100 for bad debts written off

Contracting:\$1,000 with no exemptions

Interest income:\$25 with no exemptions

Sign and date the forms with your own name and the appropriate due date (the last date to file this form on time!). You will also need to complete and submit the Schedule GE for the exemptions.

B. File the General Excise/Use Tax Annual Return & Reconciliation. Assume that you have filed both of the required semi-annual returns on their due dates, and the information was exactly the same on both reports as listed above.

Sign and date the annual report with your own name and the appropriate due date (by the last date to file this form on time!). You will also need to complete and submit the Schedule GE for the exemptions.

Name: _____

PART 3: Fish and Poi Company (30 points)

You are the owner of rental properties on O‘ahu and you are doing business under the name of Fish and Poi Company. Use the company name when filing the forms. You collect rent from your tenants each month in the amount of \$3,950 (for a quarterly total of \$11,850). Your General Excise license number is W 98765431-01.

A. File the **quarterly** G-45, General Excise/Use Tax Return for January 1 to March 31, 2015. Fill in the proper heading on the top of the form. Use the information above as necessary.

Use the following information to complete the body of the form.

Other Rentals:\$11,850 with no exemptions or deductions

Sign and date the form with your own name and the appropriate due date (the last date to file this form on time!).

B. File the G-49, General Excise/Use Tax Annual Return & Reconciliation. Assume that you have filed the quarterly returns on their due dates for 2015, and the information was exactly the same on both reports as listed above.

Sign and date the annual report with your own name and the appropriate due date (by the last date to file this form on time!).