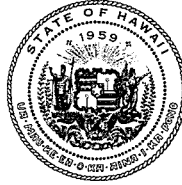


DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LT. GOVERNOR



LINDA CHU TAKAYAMA  
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

DEPT. COMM. NO. 333

STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

January 10, 2019

The Honorable Ronald D. Kouchi,  
President and Members of the Senate  
Thirtieth Legislature  
State of Hawaii  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Scott Saiki,  
Speaker and Members of the House  
of Representatives  
Thirtieth Legislature  
State of Hawaii  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Department of Taxation's Electronic Funds Transfer Penalty Payments Report for Fiscal Year 2018, as required by Section 231-9.9, Hawaii Revised Statutes. In accordance with Section 93-16, Hawaii Revised Statutes, I am also informing you that the report may be viewed electronically at [http://tax.hawaii.gov/stats/a5\\_1annual/](http://tax.hawaii.gov/stats/a5_1annual/).

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Chu Takayama".

LINDA CHU TAKAYAMA  
Director of Taxation

Enclosure

**DEPARTMENT OF TAXATION'S  
ANNUAL REPORT AS REQUIRED BY Section 231-9.9, Hawaii Revised Statutes**

For Fiscal Year 2018 (period between 7/1/2017 - 6/30/2018)

Section 231-9.9, Hawaii Revised Statutes (HRS), authorizes the Director of Taxation to require certain taxpayers to remit taxes by electronic funds transfer (EFT). The Department of Taxation is required to submit an annual report on the number of taxpayers who were assessed the two percent penalty for failing to timely file by an approved EFT method, the amount of each assessment, and the total amount collected.

The mandatory remittance of taxes by means of EFT applies to (1) taxpayers with tax liabilities exceeding \$100,000, and (2) taxpayers with withholding taxes of over \$40,000.

Section 231-9.9(c), HRS, imposes a two percent penalty on the amount of taxes owed if a taxpayer mandated to remit taxes using an approved EFT method fails to do so on or before the date the taxes are due. The penalty may apply to any tax type. The Department may waive the penalty for reasonable cause.

The table below shows the amount of the EFT penalties assessed and collected for fiscal year 2018.

EFT Penalties Assessed  
For the 2018 Fiscal Year  
For the period of 07/01/2017 – 06/30/2018

	Total Penalty Assessed	Total Penalty Collected	Number Assessed
Corporate/Partnership	2,477.90	2,477.90	1
General Excise	1,140,688.44	993,117.41	3,576
Transient Accommodations	92,230.39	58,730.13	125
Withholding	303,723.97	97,071.91	952
Rental and Tour Vehicle	1.05	1.05	1
County Surcharge	99,957.18	87,806.53	2,579
Cigarette and Tobacco	17,248.99	2,728.24	13
Franchise	19,451.21	18,340.75	18
Public Service Company	48,625.82	42,583.15	59
Liquor	1,817.85	0	1
Fuel	9,550.55	0	3
<b>Total</b>	<b>1,735,773.35</b>	<b>1,302,857.07</b>	<b>7,328</b>

The Department's Tax System Modernization (TSM) and Integrated Tax Information Management System (ITIMS) allows for automated assessment of the penalties associated with EFT, allowing the Compliance Division to focus their resources on collecting the assessed EFT penalties and interest.