



Tax News Flash

In This Acuity Update:

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- **Yes, Even Tax-Exempt Organizations Need to File It Sometimes**

New GET Form Due 12/1/2011 for Most Taxpayers

On September 26, the Department of Taxation released [Announcement 2011-26](#). In it, the Department said that the Legislature enacted a new reporting requirement this year (Act 105, Session Laws of Hawaii 2011). So the Department has a new form, called a GE-1.

- If you file a GET return and have taken ANY exemption on your GET annual return (year ending in 2010 or later), you must file this form. If you're a tax-exempt organization, there are special rules which we'll talk about in the next section.
- You must file this form online, at www.ehawaii.gov/efile. If you haven't registered there, you need to do so because there is no paper filing option.
- You must file this form for 2010, 2011, and 2012.
- For any tax year ending on or before 7/31/2011, the form is due on 12/1/2011. This means that all taxpayers who claimed any exemption in 2010 must file by 12/1/2011.
- In years ending on 8/1/2011 or later, your filing is due when the G-49 is due. The Announcement doesn't say anything about what happens if your annual return is on extension, but the form asks how much in the way of exemptions was claimed on the annual return so it would make sense to have the extension work for both the annual and this form.
- If for some reason you have more than one GET number, you need to file this form for EACH number. A consolidated filing is not allowed.
- The form basically asks taxpayers to categorize the exemptions they took on their annual returns and enter them online. The form also collects demographic data such as number of employees, how much the employees were paid, business location, and NAICS code (North American Industrial Classification System, which gives you a six digit number corresponding to the type of business you have; this number is probably on your income tax return).
- We have attached a sample form and its instructions.

Yes, Even Tax-Exempt Organizations Need to File It Sometimes

What if you're a tax-exempt organization? Then the newly issued [TIR 2011-4](#) gives us some special rules.

- If you haven't filed Form G-6 or G-6S to have the Department recognize your exemption for GET purposes, then you need to file a GE-1.
- If you are recognized as a GET exempt organization, then you don't need to file a GE-1 unless you have "business income" and are using a GET exemption *other than* HRS §237-23, the one that normally applies to tax-exempt organizations.
 - For example: X, an accrual basis charity, rents a corner of its office building to Y, an unrelated charity. Y goes broke and dissolves, leaving some rent unpaid. X takes a deduction for the bad debt on its 2011 GET return. X must file a GE-1.

TIR 2011-4 also has some words of warning.

It reminds tax-exempts that "the main types of income received by a nonprofit organization are (1) contributions, donations, gifts, and bequests; (2) dues; (3) income resulting from the nonprofit organization's exempt function or purpose; and (4) fundraising income."

The first two categories don't have to be reported on a GET return. In fact, an exempt organization having only this type of revenue doesn't have to file a return at all – BUT if there is no return, the statute of limitations never starts running.

Some exempt organizations have some investment income, such as dividends and interest. This type of income presently doesn't have to be reported on a GET return so we would lump this kind of revenue in with gifts and dues.

The last category is always taxable and does have to be reported.

Some organizations have the third type of income. For example, an exempt school may charge tuition. A hula halau may take in some admission fees for a performance by its members. An exempt hospital may receive fees for treating patients. For these organizations, there is a trap. If the organization is required to file a Form 990 or 990-EZ return, it needs to file a GET return and disclose the exempt function income on that return. If it doesn't and one year goes by, then the exempt function income **can all become taxable** – meaning 4% or 4.5% tax, together with penalties and interest – courtesy of HRS §237-9.3, a present that the Legislature left us last year. If the organization only needs to file the Form 990-N postcard, it doesn't have to worry about this issue. For earlier Accuity coverage of this 2010 law, [click here](#).

If you have questions about any of these news items,
your client service team at Accuity can bring you the resources that you may need.

Please do not hesitate to contact your client service team for more information or Thomas Yamachika at thomas.yamachika@accuityllp.com



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Pursuant to the provisions of Treasury Circular 230 and comparable State law, any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of (i) avoiding penalties under the Internal Revenue Code or any comparable state law, or (ii) promoting, marketing or recommending to another party any transaction or matter addressed herein.

**SURVEY of GENERAL EXCISE/USE TAX
EXEMPTIONS and DEDUCTIONS**

Tax Year Ending 12/31/2010

Name: _____ Hawaii Tax ID #: W _____-01
 Last 4-digits of FEIN/SSN: _____ Contact Person: _____
 Address: _____
 Mailing Address, if different than above: _____
 Domestic Phone Number: _____ Foreign Phone Number: _____
 Email: _____
 Are you amending a survey already filed for this tax year? Yes No

SECTION 1 - ACTIVITIES

1a. North American Industry Classification System (NAICS) and Business Activity. Enter the 6-digit industry classification code that most closely matches your **main business activity**. This would be the principal business or professional activity code that you are required to enter on your federal income tax return. _____
 Describe fully the type of business activities you are engaged in, concentrating on your principal activity and the product/service. Include the percentage based on gross receipts if you are engaged in more than one type of activity.

1b. As of the end of your taxable year, how many years has your organization performed the activity listed in 1a:

- 0-3 years 4-6 years 7-9 years 10 years or more

1c. Enter the range in U.S. dollar amount for the **world-wide gross** proceeds or gross income received by the taxpayer for the tax year. _____

1d. Enter the amount of gross proceeds or gross income received by the organization from its activities in **Hawaii** for the tax year: \$ _____

SECTION 2 - HAWAII WORKFORCE OF THE COMPANY

2a. Did you have any employees in Hawaii during the Tax Year Ending _____? Yes No

2b. Enter the **total number of full and part-time PERMANENT employees in Hawaii** during the weeks that include December 12th of Tax Year Ending **12/31/2010**.

Number of Employees	During the week that includes 12/12/2010
Full-time:	
Part-time:	

2c. What is the **ANNUALIZED average wage** for all **FULL-time permanent employees** reported in 2b: \$ _____

2d. Enter the **number of full-time and part-time permanent employees** reported in 2b into the **appropriate wage bands**, as computed on an annualized basis:

Type of Position	Less than \$30,000	\$30,000 - \$59,999	\$60,000 - \$99,999	\$100,000 or more
Full-time:				
Part-time:				

2e. Enter the **total number of temporary or seasonal workers** used by the organization in Hawaii during your tax year: _____

2f. Enter the total number of temporary or seasonal workers reported in question 2e in groups **based upon the duration of employment** :

0 - 30 Days	31 - 60 Days	61 - 90 Days	91 Days or more

SECTION 3 - EXEMPTIONS AND DEDUCTIONS

3a. **TOTAL EXEMPTIONS/DEDUCTIONS.** Enter the **total amount** of the exemptions and deductions your organization claimed on Form G-49 (Line 36) for the tax year.
 \$ _____

FORM GE-1 (EFile)
(2011)

3b. GENERAL EXCISE/USE TAX EXEMPTIONS/DEDUCTIONS - Please select the General Excise/Use Tax exemptions or deductions your organization claimed on Form G-49 for the tax year by checking the box. Once checked, enter the total amount(s) claimed for each exemption or deduction.

<input type="checkbox"/> Affordable Housing (§46-15.1, 201H-36, and 237-29)	\$ _____	<input type="checkbox"/> Merchants' Association Dues (§237-24.3(9))	\$ _____
<input type="checkbox"/> Air Pollution Control Facilities (§237-27.5 and §238-3(k))	\$ _____	<input type="checkbox"/> Non-profit Organizations (§237-23)	\$ _____
<input type="checkbox"/> Aircraft Leasing (§237-24.3(12))	\$ _____	<input type="checkbox"/> Orchard Operator (§237-24.7(4))	\$ _____
<input type="checkbox"/> Aircraft Service and Maintenance Facility (§237-24.9 and §238-1)	\$ _____	<input type="checkbox"/> Out of State Sales (§237-29.5(1))	\$ _____
<input type="checkbox"/> Bad Debts (§237-3(b))	\$ _____	<input type="checkbox"/> Out of State Services or Contracting to Foreign Customers (§238-1)	\$ _____
<input type="checkbox"/> Call Centers (§237-29.8)	\$ _____	<input type="checkbox"/> Petroleum Refining (§237-27)	\$ _____
<input type="checkbox"/> Certain Convention, Conference, and Trade Show Fees (§237-16.8)	\$ _____	<input type="checkbox"/> Professional Employment Organizations (§237-24.75(3))	\$ _____
<input type="checkbox"/> Common Paymaster Exemption (§237-23.5(b))	\$ _____	<input type="checkbox"/> Reimbursement of Payroll Costs (§237-24.7(9))	\$ _____
<input type="checkbox"/> Contracting Activity in an Enterprise Zone (§209E-11)	\$ _____	<input type="checkbox"/> Sales of Fresh Foods, Liquor, and Tobacco to Common Carrier (§237-24.3(2) and §238-3(g))	\$ _____
<input type="checkbox"/> Diplomats and Consular Officials, Sales to (§237-24.3(11) and §238-1)	\$ _____	<input type="checkbox"/> Sales to Federal Government and Credit Unions (§237-25(a))	\$ _____
<input type="checkbox"/> Disability Provisions (§237-24(13))	\$ _____	<input type="checkbox"/> Scientific Contracts (§237-26 and §238-3(j))	\$ _____
<input type="checkbox"/> Drugs and Prosthetic Devices (§237-24.3(7) and §238-1)	\$ _____	<input type="checkbox"/> Services Related to Ships and Aircraft (§237-24.3(4))	\$ _____
<input type="checkbox"/> Employee Benefit Plans (§237-24.3(5))	\$ _____	<input type="checkbox"/> Shipbuilding and Ship Repairs (§237-28.1)	\$ _____
<input type="checkbox"/> Enterprise Zones (§209E-11)	\$ _____	<input type="checkbox"/> Shipping and Handling of Agricultural Commodities (§237-24.3(1))	\$ _____
<input type="checkbox"/> Exported Services (§237-29.53)	\$ _____	<input type="checkbox"/> Small Business Innovation Research Grants (§237-24.7(10))	\$ _____
<input type="checkbox"/> Federal Cost-Plus Contractors (§237-13(3)(C))	\$ _____	<input type="checkbox"/> Stock Exchange Transactions (§237-24.5)	\$ _____
<input type="checkbox"/> Federally Preempted Amounts (§237-22)	\$ _____	<input type="checkbox"/> Subcontract Deduction (§237-13(3)(B))	\$ _____
<input type="checkbox"/> Food Stamps (§237-24.3(6))	\$ _____	<input type="checkbox"/> Sugar Cane Payments to Independent Producers (§237-24(14))	\$ _____
<input type="checkbox"/> Foreign Trade Zone Sales (§212-8)	\$ _____	<input type="checkbox"/> Taxes Passed On: Fuel Taxes (§237-24(8))	\$ _____
<input type="checkbox"/> Geothermal Power (§182-16)	\$ _____	<input type="checkbox"/> Taxes Passed On: Liquor Taxes (§237-24(9))	\$ _____
<input type="checkbox"/> Hawaii Convention Center Operator (§237-24.75(2))	\$ _____	<input type="checkbox"/> Taxes Passed On: Cigarette and Tobacco Taxes (§237-24(10))	\$ _____
<input type="checkbox"/> Hotel Operator (§237-24.7(1))	\$ _____	<input type="checkbox"/> Taxes Passed On: Federal Excise Taxes (§237-24(11))	\$ _____
<input type="checkbox"/> Hotel Suboperator (§237-24.7(1))	\$ _____	<input type="checkbox"/> Taxes Passed On: Federal Taxes on Sugar Manufactured in Hawaii (§237-24(12))	\$ _____
<input type="checkbox"/> Insurance Proceeds Received Because of a Natural Disaster (§237-24.7(6))	\$ _____	<input type="checkbox"/> Taxes Passed On: Transient Accommodations Taxes (§237-24.3(8))	\$ _____
<input type="checkbox"/> Intercompany Charges (§237-23.5(1))	\$ _____	<input type="checkbox"/> Taxes Passed On: Rental Motor Vehicle and Tour Vehicle Taxes (§237-24.7(3))	\$ _____
<input type="checkbox"/> Labor Organizations (§237-24.3(10))	\$ _____	<input type="checkbox"/> Trade-Ins (§237-3(b))	\$ _____
<input type="checkbox"/> Leases and Subleases of Real Property (§237-16.5)	\$ _____	<input type="checkbox"/> TRICARE (§237-24(17))	\$ _____
<input type="checkbox"/> Maintenance Fees (§237-24.3(3))	\$ _____	<input type="checkbox"/> Wholesale Amusements (§237-4(a)(13))	\$ _____
<input type="checkbox"/> Maintenance Fees (§237-24(16))	\$ _____	<input type="checkbox"/> Wholesale Transactions (§237-29.55)	\$ _____
<input type="checkbox"/> Mass Transit (§237-24.7(2))	\$ _____		

FORM GE-1 (EFile)
(2011)

Did you have any Oahu sourced activity during Tax Year Ending 12/31/2010 ? Yes No

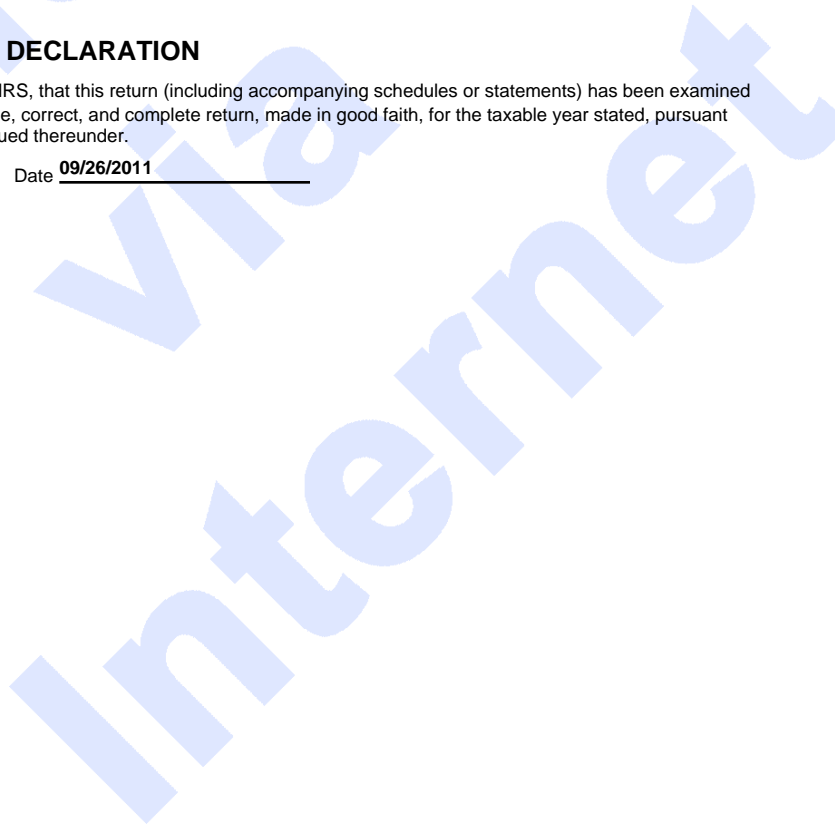
3c. COUNTY SURCHARGE EXEMPTIONS/DEDUCTIONS - Check the type of City and County of Honolulu Surcharge exemptions/deductions your organization claimed on Form G-49 for the tax year. Enter the total amount(s) claimed for each exemption or deduction.

<input type="checkbox"/> Air Pollution Control Facilities (§237-27.5 and §238-3(k))	\$ _____	<input type="checkbox"/> Sales of Fresh Foods, Liquor, and Tobacco to Common Carrier (§237-24.3(2) and §238-3(g))	\$ _____
<input type="checkbox"/> Aircraft Leasing (§237-24.3(12))	\$ _____	<input type="checkbox"/> Sales to the Federal Government and Credit Unions (§237-25(a))	\$ _____
<input type="checkbox"/> Aircraft Service and Maintenance Facility (§237-24.9 and §238-1)	\$ _____	<input type="checkbox"/> Services Related to Unloading/Loading Ships and Aircraft (§237-24.3(4)(A))	\$ _____
<input type="checkbox"/> Call Centers (§237-29.8)	\$ _____	<input type="checkbox"/> Services Related to Pilotage and Towage Fees (§237-24.3(4)(B))	\$ _____
<input type="checkbox"/> Certain Contracts Entered into before 06/30/2006 (§237-8.6(c))	\$ _____	<input type="checkbox"/> Services Related to Pilots & Government Officials (§237-24.3(4)(C))	\$ _____
<input type="checkbox"/> Certain Convention, Conference, and Trade Show Fees (§237-16.8)	\$ _____	<input type="checkbox"/> Shipbuilding and Ship Repairs (§237-28.1)	\$ _____
<input type="checkbox"/> Certain Oahu Sales (§237-8.6)	\$ _____	<input type="checkbox"/> Shipping and Handling of Agricultural Commodities (§237-24.3(1))	\$ _____
<input type="checkbox"/> Contracting Activity in an Enterprise Zone (§209E-11)	\$ _____	<input type="checkbox"/> Small Business Innovation Research Grants (§237-24.7(10))	\$ _____
<input type="checkbox"/> Enterprise Zones (§209E-11)	\$ _____	<input type="checkbox"/> Stock Exchange Transactions (§237-24.5)	\$ _____
<input type="checkbox"/> Federal Cost-Plus Contractors (§237-13(3)(C))	\$ _____	<input type="checkbox"/> Subcontract Deduction (§237-13(3)(B))	\$ _____
<input type="checkbox"/> Labor Organizations (§237-24.3(10))	\$ _____	<input type="checkbox"/> Sugar Cane Payments to Independent Contractors (§237-24(14))	\$ _____
<input type="checkbox"/> Leases and Subleases of Real Property (§237-16.5)	\$ _____	<input type="checkbox"/> Wholesale Amusements (§237-4(a)(13))	\$ _____
<input type="checkbox"/> Petroleum Refining (§Section 237-27)	\$ _____		

DECLARATION

I declare, under the penalties set forth in section 231-36, HRS, that this return (including accompanying schedules or statements) has been examined by me and, to the best of my knowledge and belief, is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the General Excise and Use Tax Laws and the rules issued thereunder.

Your Signature: _____ Date 09/26/2011





DEPARTMENT OF
TAXATION
STATE OF HAWAII

**Schedule GE-1
Instructions
(2011)**

STATE OF HAWAII -- DEPARTMENT OF TAXATION
**SURVEY OF GENERAL EXCISE/USE TAX
EXEMPTIONS AND DEDUCTIONS**

[Download GE-1 Instructions PDF](#)

General Instructions:

Act 105, Session Law of Hawaii 2011, requires the Director of Taxation to collect information on all exclusions or exemptions of all amounts, persons, or transactions from general excise and use tax.

Who Must File

Schedule GE-1 must be filed by all taxpayers claiming any general excise and/or use tax exemption(s) and/or deduction(s) for tax years 2010, 2011, and 2012, except for certain nonprofit organizations that have applied for and received approval from the Department of Taxation for an exemption from the general excise tax.

Where and How to File

Schedule GE-1 must be filed electronically on the Department of Taxation's Electronic Services website at <https://www.ehawaii.gov/efile>. To file this form, a taxpayer must first register and create an account at the Electronic Services website. Please be sure to register ALL of the Hawaii Tax I.D. Numbers registered to you. If you have already registered and created an account, log in, select the Hawaii Tax I.D. Number you are filing for, and click on the Schedule GE-1 under the Business Taxes section to begin the survey.

Taxpayers with Multiple General Excise/Use Tax Hawaii Tax I.D. Numbers - If you have more than one GE Hawaii Tax I.D. number, you must file a Schedule GE-1 for each Hawaii Tax I.D. number. Do NOT combine the information into one filing. If you haven't done so, please be sure to register ALL of the Hawaii Tax I.D. numbers registered to you.

Form Due Date

For any tax year ending on or before **July 31, 2011**, this form is due on **December 1, 2011**. For tax years ending **after July 31, 2011**, this form is due when your Form G-49 (Annual Return and Reconciliation of General Excise/Use Tax Return) is due. See the examples listed below.

If your tax year ends on:	Then Schedule GE-1 is due:
06/30/2010	12/01/2011
12/31/2010	12/01/2011
07/31/2011	12/01/2011
12/31/2011	04/20/2012
08/31/2012	12/20/2012

Period Covered by this Form

File Schedule GE-1 each year for tax years ending in 2010, 2011, and 2012.

Navigation of the Survey

You may edit any information before submitting by either using the action buttons at the bottom of the web page (e.g., Next, Previous) or the "breadcrumbs" at the top of the page. Breadcrumbs look like:

[Taxpayer Information](#) » [Section 1](#) » [Section 2](#) » [Section 3](#) » [Confirm](#)

and are located at the top of the survey page. The breadcrumbs will take you to the specific page you select by clicking on the text. The grayed text is the web page that you are currently on. The breadcrumb for a specific page will only appear after you have actually entered that page using the action buttons at the bottom of the page.

Specific Instructions:

Taxpayer Information

Tax Year Ending - The month and day fields for the tax year ending are pre-populated from the taxpayer's profile. From the drop-down menu, select the year (i.e., 2010, 2011, or 2012) for the filing period for which you are reporting.

Name, Address, Contact Information - All fields have been pre-populated from the taxpayer's registration and tax account profile. If any of the information in the yellow highlighted fields is incorrect, please return to the registration screen by clicking on the "Update Profile" button to update this information. You cannot make changes to these fields on the existing web page.

The contact person, mailing address, telephone number(s), and email address fields can be updated with information relating specifically to this survey. The contact person, telephone number(s), and email address provided should be that of the person responsible for providing the information contained in Schedule GE-1. Updating the information on this page will not change the information in your profile. If wish to update this information in your profile, please select the "Update Profile" button at the bottom of the web page.

Amended Survey - If you are amending a survey that you have previously filed, then select "yes". If not, select "no".

Section One: Activities

Question 1a - North American Industry Classification System (NAICS) and Business Activity, please enter the 6-digit industry classification code that most closely matches your main business activity. This is the principal business or professional activity code that you are required to enter on your federal income tax return. For more information, see the federal instructions for reporting your business income or click on the [North American Industry Classification System](#) link to access the U.S. Census Bureau's NAICS website. Then in the space below the NAICS code, describe fully the type of business activities you are engaged in, concentrating on your principal activity and the product/service. If you are engaged in more than one type of activity, indicate the percentage of each type of activity based on your gross receipts. Examples: General Contractor - building construction (single-family residential 70%, hotel 10%, commercial 10%, industrial 10%); Manufacturing - men's aloha shirts; Retail - sporting goods; Wholesale and Retail - cosmetics (wholesale 90%, retail 10%).

Question 1b - Select the range of years, including the current tax year, you have performed the principal activity listed in 1a.

Question 1c - Select the range that represents your world-wide gross proceeds or gross income for the tax year. For purposes of this form, the gross proceeds are the amounts from all taxable types of activities (e.g., wholesaling, retailing, leasing, contracting, etc.) that are deemed gross income under Hawaii's General Excise Tax Law from your world-wide sources. For example, if you are a retailer, report your world-wide gross proceeds from retailing. If you also sold stock, you would not include these amounts because a gain from the sale of stock is not a business activity nor gross income.

Question 1d - Enter the amount of gross proceeds or gross income received by the taxpayer from its activities in Hawaii for the tax year. This amount should have also been in Question 1c.

Section Two: Hawaii Workforce of the Company

Question 2b - Enter the total number of paid employees the organization employed in full-time and part-time positions during the week that included December 12th of your tax year. In order for a position to be treated as full-time or part-time, the employer must intend for the position to be filled for at least 52 consecutive weeks or 12 consecutive months, excluding any leaves of absence. A part-time position is a position in which the employee may work less than the hours required for a full-time position. A full-time position is a position in which the employee works an average 40 hours per week. Only include individuals who received a W-2 from the business and were not hired under contract with a temporary-hire agency.

Question 2c - Average the annualized wage for all full-time permanent employees reported in 2b.

Question 2d - Annualize the salary paid to all full-time and part-time employees who were employed during the week that included December 12th of the tax year and enter the aggregate number of employees for each wage band.

Question 2e - Enter the total number of individuals that provided services to the business in a position to be filled for less than 52 consecutive weeks or 12 consecutive months. These individuals include seasonal workers and

individuals hired under a contract with a temporary-hire agency. Only include individuals who received a W-2 from the business or were paid according to a contract with a temporary-hire agency.

Question 2f - Divide the total number of temporary or seasonal workers indicated in the answer to Question 2e into groups according to how long they provided services to the business.

Section Three: General Excise and Use Tax Exemptions and Deductions

Question 3a - Enter the total amount of the exemptions and deductions the taxpayer claimed on Form G-49 (Line 36) for the tax year. Make sure you have entered the "GRAND TOTAL OF EXEMPTIONS/DEDUCTIONS CLAIMED" from Schedule GE (Form G-49), General Excise/Use Tax Schedule of Exemptions and Deductions, on line 36.

Question 3b - Select the box for the exemption and deductions your organization claimed on Form G-49 for the tax year. Enter the amount of general excise/use tax exemptions and deductions the taxpayer claimed. Select each exemption or deduction claimed, but do not select more than one exemption for the same income. For example, if you had income that could have been nontaxable under 2 different exemptions, do not duplicate the exemption by claiming it under 2 different sections.

Question 3c - Select the box for the City and County of Honolulu surcharge exemptions and deductions the taxpayer claimed on Form G-49 for the tax year. Enter the amount of general excise/use tax exemptions and deductions the taxpayer claimed. Select each exemption or deduction claimed, but do not select more than one exemption for the same income. For example, if you had income that could have been nontaxable under 2 different exemptions, do not duplicate the exemption by claiming it under 2 different sections.

Confirmation Screen

Please review all of the information you have entered. If any of the information is incorrect, click on the "Edit" link of the applicable section to return to that section. When you have finished making your corrections, click the "Save" button at the bottom of the page, and then click on the "Confirm" breadcrumb at the top of the page to return to the confirmation screen.

To submit your survey, enter your full legal name and select the "SUBMIT" button. **Schedule GE-1 will not be filed until you select the 'Submit' button.**

If you submit your survey and later find that you need to make changes, you may amend the survey. To amend a previously filed survey, under the Taxpayer Information screen, select from the drop-down menu the tax year (i.e., 2010, 2011, or 2012) for the filing period for which you are amending. Then select "yes" for the question, "**Are you amending a survey already filed for this tax year?**"

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