



# The Business of Farming:

Getting Started in Hawaii &  
Paying General Excise (GE) Taxes

## What is the Hawaii general excise tax?

- This is a tax levied on most business activity in Hawaii.
- It's also called a "gross income tax" because it's calculated on business' total gross income earned from doing business in Hawaii and
- most importantly, this is not on business' net profit.

Is there a difference between the general excise tax and a sales tax?

Yes! The general excise tax is imposed on the business and applies different rates to gross receipts (sales) from business activities in Hawaii.

These activities include wholesale sales and retail sales of goods and sales of services, such as labor for truck repairs.

A sales tax is imposed on the customer who consumes or uses the goods and it usually only applies only to retail sales. Hawaii does not have a sales tax.

## How do I register for the general excise tax?

- Begin by completing the State of Hawaii Basic Business Application (Form BB-1)
- There is a one-time \$20 fee that's paid when the application is made.
- You can get the application online at the Hawaii Business Express website ( [hbe.ehawaii.gov](http://hbe.ehawaii.gov) ), by fax or mail or from any district tax office, also known as the DCCA Business Action Centers
- When you do the one-stop online through the HBE website, you will also complete your business's registration with the Dept. of Commerce & Consumer Affairs, the Dept. of Taxation and the Dept. of Labor & Industrial Relations.

Some of the information you will need when filling out your BB-1 application:

- FEIN (Federal Employer Identification Number) or a
- TIN (Taxpayer Identification Number) - for a business, this is the same as an FEIN, whether or not you have employees or a
- SSN ( an individual's Social Security Number)
  
- Type of legal organization, such as a Corporation, Partnership, sole proprietorship, a single member Limited Liability Corporation (LLC) or an LLC with more than one member (usually a Partnership, unless the members are married to each other).
  
- Accounting method - usually "Cash" for a small business, but can also be "Accrual" based on the advice of your accountant.

## State of Hawaii General Excise Taxes

### Chapter 237 of the Hawaii General Excise Tax Laws - some terms:

- **Gross income** means the gross receipts, of the taxpayer received as compensation for personal services or derived from trade, business, commerce, or sales...**on a cash basis**. It does not matter if you are a Hawaii resident, nonresident, or part-year resident.
- **Retail Sales** are sales of most tangible, physical products being sold to a consumer and not for re-sale. This can include produce sold at farmers' markets, under Community Supported Agriculture (CSA) agreements or as processed products, such as jarred pickles or jams.

## Chapter 237 of the Hawaii General Excise Tax Laws - some terms (cont'd):

- **Wholesale Sales** are sales to a licensed retail merchant, jobber, other licensed seller or manufacturer for purposes of resale (it is wise to get a copy of the customer's Hawaii resale certificate, Form G-17, to assure that charging the lower GE tax rate is correct) This includes processed and packaged products sold to restaurants or super markets for re-sale.

**Remember:** You as the seller are responsible for paying the correct GE tax, whether or not you have collected that amount from your customer!

## Chapter 237 of the Hawaii General Excise Tax Laws – some terms (cont'd):

- **Service business** includes all activities engaged in for other payment which involves providing a service, including professional and transportation services. Services can be Wholesale Services if the customer has a re-sale certificate, for example, if a meat processing co-op prepares and does FDA inspection of animals raised by a farmer for eventual sale to a super market or farm kiosk.
- **Rentals** include as income received for long term rentals, equipment rentals, and all types of lease or rental agreements.



## Some additional important questions:

- **Can expenses be deducted for general excise tax purposes?**

Very few expenses may be deducted. Most business expenses allowed as deductions on your income tax return (e.g. cost of supplies, utility bills, etc.) are **NOT** deductible on your general excise. Please make note that Hawaii excise taxes are **not the same as business or personal income taxes** that are filed once a year and may be subject to quarterly estimated taxes.

- **Can I charge my customer for the general excise tax?**

You are not required to charge or to pass on the general excise tax to your customer, but you may choose to “charge” your customer for the general excise tax. Many vendors choose to separately itemize this amount on the invoice to your customer.

## Filing the GE Tax (GET) Periodic Return

The GET is a privilege tax imposed on the gross income received by every person engaging in business, including a one-time event (e.g., fundraiser, exhibition, conference) in the State of Hawaii. Use:

- **Form G-45, Periodic General Excise/Use Tax Return**, to report your periodic gross income, exemptions, and the tax attributable to the one-time event. Form G-45 is due on or before the 20th day of the
- following month of the event. The period for filing is dependent on gross income.

**REMINDER:** A county surcharge on the State's general excise and use taxes is imposed on Hawaii taxpayers. Taxpayers **MUST** complete Part V of their periodic and annual general excise/use tax returns to assign their taxes to each county, or may be subject to a 10% penalty for noncompliance.

- **Frequency of Filing Form G-45:**
  - monthly if you will pay more than \$4,000 in GET per year.
  - quarterly if you will pay \$4,000 or less in GET per year.
  - semiannually if you will pay \$2,000 or less in GET per year.

**REMINDER:** If you are filing quarterly or semiannually and your tax liability is more than the amounts listed above, you must change your filing period.

## Filing the GE Tax (GET) Annual Return

- **Form G-49**, requires every taxpayer to file a **General Excise/Use Annual Return and Reconciliation**. This return is used by the taxpayer to reconcile their account for the entire year. It is a summary of business income in the past calendar or fiscal year, whichever is applicable.

**Reminder:** If the periodic returns were completed correctly and the taxes due paid in full, the total taxes due (line 28) will be the same as the total payments made less any refunds received for the tax year (line 31) and no additional tax will be due.

- **Form G-49 is due on or before the 20th day of the fourth month following the close of the tax year.** For taxpayers on a calendar year, this return will be due on April 20th.

## Some Exemptions or Deductions from Hawaii GE Tax:

- **Food Stamps**: Amounts received for purchases made with USDA food coupons or vouchers under the federal food stamp program, or the Special Supplemental Food Program for Women, Infants and Children, are exempt.
- **Out of State Sales**: If the Hawaii business ships 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 next slide for additional information.
- **Orchard Operator**: Amounts received by the operator of orchard properties from the owner of the orchard property specifically to cover the costs of employee wages, salaries, payroll taxes, insurance premiums and benefits (including retirement, vacation, sick pay, and health benefits are exempt.
- **Discounts and Returned Merchandise**: Cash or other discounts on the price of articles sold are considered price adjustments and should be subtracted from gross income

## Some “extra” information: Nexus

In a 2018 decision, *South Dakota v. Wayfair*, the U.S. Supreme Court upheld South Dakota’s “economic nexus” statute, allowing states to collect sales tax from sellers in other states who did not have a physical location in those states.

Today, nearly every state with a sales tax has enacted a similar law, so if your company does business across state lines, it’s a good idea to re-examine your sales tax obligations.

A state is constitutionally prohibited from taxing business activities unless those activities have a substantial “nexus,” or connection, with the state. The Supreme Court ruled that a business could establish nexus through economic or virtual contacts with a state, even if it didn’t have a physical presence. It expanded the definition of “nexus.”) .....cont’d on next slide

One of the most important deductions from Hawaii GE tax is Out of State sales. This relates to on-line sales over your website or products you may sell at a trade show in a state other than Hawaii.

**Remember:** While these sales may not be subject Hawaii GE tax, they may be subject to sales tax in the state where they are shipped or sold for use. Each state has it's own set of rules and, if you have a large volume of such sales, it might be wise to enlist a specialist or purchase software that will make this task easier.

Here are some publication available free of charge from the state of Hawaii to assist you in understanding and preparing General Excise taxes in our State.

- “An Introduction to the Use Tax” brochure - **Website:**  
[https://files.hawaii.gov/tax/legal/brochures/GE\\_brochure.pdf](https://files.hawaii.gov/tax/legal/brochures/GE_brochure.pdf)
- GENERAL INSTRUCTIONS FOR FILING THE GENERAL EXCISE/USE TAX RETURNS – Table of contents shown on the next slide, this includes sample forms and with examples on filling them out. As noted, **Website:**  
<https://files.hawaii.gov/tax/forms/2019/geins.pdf>
- All forms and instructions related to all tax situations in the State of Hawaii  
**Website:**  
[https://tax.hawaii.gov/forms/a1\\_1alphalist/](https://tax.hawaii.gov/forms/a1_1alphalist/) This site contains an alphabetical listing of all forms and publications
- [Economic Nexus in Hawaii](https://blog.taxjar.com/economic-nexus-hawaii/) **Website:** <https://blog.taxjar.com/economic-nexus-hawaii/>



**STATE OF HAWAII DEPARTMENT OF TAXATION  
GENERAL INSTRUCTIONS FOR FILING THE GENERAL EXCISE/USE TAX RETURNS**

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**REMINDER:** A county surcharge on the State’s general excise and use taxes is imposed on Hawaii taxpayers. Taxpayers **MUST** complete Part V of their periodic and annual general excise/use tax returns to assign their taxes to each county, or may be subject to a 10% penalty for noncompliance.

**NOTE:** Periodic general excise/use tax returns (Form G-45), the annual general excise/use tax return (Form G-49), and the Application for Extension of Time to File (Form GEW-TA-RV-6) can be filed and payments made electronically through the State’s Internet portal. For more information, go to **[tax.hawaii.gov/eservices/](http://tax.hawaii.gov/eservices/)**.

**Mailing Address Information**

HAWAII DEPARTMENT OF TAXATION P.O. BOX 1425 HONOLULU, HI 96806-1425

**A copy of these General Instructions is available PDF format at**

**<https://files.hawaii.gov/tax/forms/2019/geins.pdf>**

**It contains sample returns and how to prepare them.**

## State of Hawaii General Excise Taxes - Final Notes

- You must register your business with the Department of Taxation in Hawaii and get a GE Tax identification number
- This number is not only used when filing your GE-45 and GE-49 tax forms, but must be included on your business' information on your Hawaii State Income Tax, Partnership or Corporate Returns.
- The Tax Department will reconcile the business revenue on your State Income Tax Return and the Gross Sales on your annual GE-49 filing. If there is a difference, you will be notified.

Questions ?