



Destination Resorts
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December 17, 2012

Grand Champions Villas AOA

Dear Grand Champions Villas Owner:

SUBJECT: Act 326 – Relating to Taxation

See the attached update from the State of Hawaii Department of Taxation related to operators of transient accommodations.

Here are some of the Key Points of the Act:

- Designate a local contact residing on the same island as the transient accommodation.
- Provide the local contact's contact information to any entity with covenants, bylaws or administrative provisions operational with respect to the property on which the transient accommodation exists. Such information must be updated within 60 days of any change.
- Include the local contact's name and phone number in any contract or written rental agreement.
- Display the TAT tax license number on all websites or online link for units that advertising and solicit transient accommodations.

The Department of Taxation will provide a transition period (now to March 31, 2013) to allow taxpayers to comply with the new requirements. The DOTAX will follow up with the Associations as to how the information will be filed with the State.

Sincerely,

Kui Aipa
Controller
Destination Resorts Hawaii

NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



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October 31, 2012

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2012-13

RE: Act 326, Session Laws of Hawaii 2012, Relating to Taxation

This Announcement supersedes Department of Taxation Announcement no. 2012-12, dated August 15, 2012. This Announcement updates Announcement no. 2012-12 by extending the transition period described therein.

House Bill 2078, H.D. 2, S.D. 2, C.D. 1 became law without Governor Neil Abercrombie's signature as Act 326 (the "Act"), effective July 1, 2012.

The Act requires operators of transient accommodations to do the following:

- Designate a local contact residing on the same island as the transient accommodation.
- Provide the local contact's contact information to any entity with covenants, bylaws or administrative provisions operational with respect to the property on which the transient accommodation exists (e.g., an association of apartment owners). Such information must be updated within 60 days of any change.
- Include the local contact's name and phone number in any contract or written rental agreement.
- Provide on a website or by online link and display in all advertisements and solicitations on websites the registration identification number issued under HRS § 237D-4. This registration identification number is also sometimes referred to as the TAT tax license number. Please also note that for some taxpayers the TAT tax license number may contain a different suffix from the taxpayer's GET tax license number.

The Act requires any nongovernmental entity with covenants, bylaws and administrative provisions which is formed pursuant to chapter 514A, 514B or 421J to do the following:

- Provide to the Department of Taxation (the "Department") relevant information related to operators leasing transient accommodations on its property. The relevant information includes the operator's name, address, contact information, registration identification number issued under HRS § 237D-4 (i.e., the TAT tax

license number) and website address if advertising or soliciting the transient accommodation on the internet.

- Provide the relevant information by December 31 of each year, or within 60 days of a change, whichever is later. Further guidance on how taxpayers will provide this relevant information will be forthcoming.

The Department will provide a transition period to allow taxpayers to meet the requirements of this Act. No penalties will be imposed on taxpayers who fail to provide to the Department before April 1, 2013 relevant information related to operators leasing transient accommodations on their property; however a penalty will be imposed if the taxpayer fails to timely provide the relevant information after March 31, 2013. The Department will issue further guidance when it determines the manner and form in which taxpayers should submit this information. The Department notes that the Act's definition of "relevant information" is broader than the information operators are required to submit to the nongovernmental entities (e.g., website address). No penalties will be imposed on taxpayers who fail to provide relevant information where the law does not require an operator to provide that relevant information to the taxpayer.

Additionally, no penalties will be imposed for operators of transient accommodations who fail to designate a local contact before April 1, 2013, nor for operators who fail to provide the local contact's information before April 1, 2013, nor for operators who fail to include the local contact's name or phone number in any contract or written rental agreement executed before April 1, 2013. However, penalties will be imposed for operators who fail to designate a local contact after March 31, 2013, fail to provide the local contact's information after March 31, 2013 or fail to include the local contact's name or phone number in any contract or written rental agreement executed after March 31, 2013.

Further, taxpayers have until April 1, 2013 to comply with the requirement to display registration identification numbers on websites.

For more information related to this Announcement, please contact the Rules Office at 808-587-1577.



FREDERICK D. PABLO
Director of Taxation