

HONOLULU
CIVIL BEAT

Online Travel Companies Owe Hawaii \$170 Million In Unpaid Taxes

By Sara Lin

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Online travel companies have been underpaying general excise and hotel taxes for more than 10 years and now owe Hawaii \$170 million in unpaid hotel occupancy taxes, the Hawaii Attorney General's office said Wednesday.

The websites owing back taxes include industry giants such as Expedia, Orbitz, Travelocity, Hotwire.com, Hotels.com, Priceline and others.

The state Department of Taxation has determined the tax evasion began in 1999 and continued through 2010, with the companies routinely underpaying Hawaii's general excise (GET) and transit accommodations taxes on rooms they rented to online customers.



Chad Blair/Civil Beat

The companies dispute the allegations and have all appealed the tax department's assessments to the Tax Appeal Court. The attorney general's office filed its response on Wednesday.

The state plans to pursue back taxes, penalties and interest owed. The attorney general's office estimates if the companies pay the taxes as they're supposed to, the state can expect an additional \$12 million-\$14 million in annual revenues.

The GET, the number one source of revenue for the state of Hawaii, is assessed on gross income, gross receipts, or gross proceeds of all business activities. In Honolulu, the GET is 4.712 percent. In the rest of the state, the tax is 4.16 percent.

This year, GET collections make up 57 percent of the state's \$4.38 billion general fund.

The transient accommodations tax is assessed on hotels, vacation rentals and other accommodation proceeds for less than 180 days.