



DEPARTMENT OF THE ATTORNEY GENERAL

News Release

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News Release 2013-11

TAX APPEAL COURT ENTERS FINAL JUDGMENT AGAINST ONLINE TRAVEL COMPANIES FOR \$246 MILLION IN UNPAID GENERAL EXCISE TAXES

HONOLULU—Tax Appeal Court Judge Gary W.B. Chang today entered a final judgment in favor of the State of Hawaii and against nine Online Travel Companies (“OTCs”) selling Hawaii hotel rooms over the Internet and otherwise. On Monday, the Tax Appeal Court granted the State’s motion for partial summary judgment, deciding that the OTCs owe approximately an additional \$25 million for statutory interest on tax penalties. Altogether the taxes, penalties and interest for the period 2000 through 2011 is approximately \$246 million. If the judgment is sustained after any further appeal, it would result in additional annual general excise tax collections estimated to be approximately \$30 million.

The Tax Appeal Court ruled in favor of the OTCs on the State’s claim that the OTCs owe the State’s Transient Accommodation Tax (“TAT”) over the same 2000 through 2011 tax years. The State intends to appeal from this ruling. The State maintains that the OTCs “furnish” transient accommodations, and that under the State’s TAT law, such persons must pay TAT on their gross rentals. The amount that the State contends is owed is \$429.8 million, which includes taxes, penalties and interest. Should the State prevail on appeal, it is estimated that it would result in additional future annual TAT collections of approximately \$60 million.

Attorney General David M. Louie announced that the State is pleased that the court determined that the OTCs owe the State’s general excise tax, which is imposed on persons for the privilege of doing business in Hawaii. “Clearly, through the sale of millions of hotel room nights in Hawaii to Hawaii and other consumers, in a substantial number of Hawaii hotels, and collecting room rentals in the billions of dollars, the OTCs are doing business in Hawaii,” Louie said.

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