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Exhibit 1

DAVID Y. IGE
GOVERNOR

JOSH GREEN, M.D.
LT. GOVERNOR

ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII

DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1500

FOR INTERNAL USE ONLY

ADMINISTRATIVE DIRECTIVE
NO. 2021-01
DATE: April 27, 2021

DEPARTMENT OF TAXATION
OFFICE OF THE DIRECTOR

Assessment of Penalties

The purpose of this Administrative Directive is to assess all applicable penalties under Title 14, Hawaii Revised Statutes (HRS). In furtherance of penalty assessments, the following guidance and delegation are confirmed:

- Tax Audit Guideline 2009-01: Hawaii Civic Tax Penalty Matrix dated October 26, 2009
- Delegation of Authority No. 2015-01 dated March 11, 2015
- Compliance Division Memo 2021-01: Application of E-filing Penalty on Assessments

Additional guidance is hereby given on the Failure to Pay Tax Due to Negligence Penalty under HRS §231-39(b)(2)(A):

> If any part of any underpayment is due to negligence or intentional disregard of rules (but without intent to defraud), there shall be added to the tax an amount up to twenty-five per cent of the underpayment as determined by the director.

This penalty shall be applied to both filed and non-filed periods as in prior administrations. Negligence or disregard of rules or regulations include, but are not limited to, the following circumstances:

- A taxpayer fails to make a reasonable attempt to ascertain the correctness of a deduction, credit or exclusion on a return which would seem to a reasonable and prudent person to be "too good to be true" or unreasonable under the circumstances.
- A taxpayer carelessly, recklessly, or intentionally disregards Hawaii tax rules and regulations.
- A taxpayer visibly passed on tax to a customer but has not filed a return or remitted the tax.
- A taxpayer previously filed tax returns but stopped filing.
- A taxpayer fails to respond to auditor/examiner's audit requests, in a timely manner. A failure to respond to a second request within ten business day will be deemed negligent. If taxpayer later responds and can show that the non-filed return was not due to negligence or intentional disregard of rules, the penalty may be removed.

The long-standing use of common penalties is hereby also approved and confirmed:

Penalty	HRS	Amount	Stackable	Needs Director Approval
Failure to File Tax Return	§231-39(b)(1)	5% per month, up to 25%	Yes	No
Substantial Understatement or Misstatement of Tax	§231-36.6	20%; check threshold	Yes[1]	Yes, see delegation
Erroneous Refund Claims	§231-36.8	20%; check threshold	Yes[2]	Yes, see delegation
Failure to Pay Tax Due to Negligence	§231-39(b)(2)(A)	25%	Yes	No
Failure to Pay Tax Due to Fraud	§231-39(b)(2)(B)	50%	No	No
Understatement of Tax Liability by Tax Return Preparer	§231-36.5	$500 or $1,000	Yes	Yes
Promoting Abusive Tax Shelters	§231-36.7	up to $1,000	Yes	Yes
County Surcharge Non-Compliance Penalty	§237-8.6(g)	10%	Yes	No
Mandatory Electronic Filing	§231-8.5	2%; check tax types and thresholds	Yes	No
Underpayment of Estimated Tax (UET)	§235-97(f)	2/3 of 1% per month	Yes[3]	No

ISAAC W. CHOY
Director of Taxation

Attachments:

Tax Audit Guideline 2009-01: Hawaii Civic Tax Penalty Matrix dated October 26, 2009
Delegation of Authority No. 2015-01 dated March 11, 2015
Compliance Division Memo 2021-01: Application of E-filing Penalty on Assessments

[1, 2] Substantial understatement under HRS §231-36.6 and erroneous claim for refund under HRS §231-36.8 are prohibited from being stacked together under Hawaii law.

[3] UET penalty can only be assessed on a non-filer and shall not be assessed when a return has been filed.

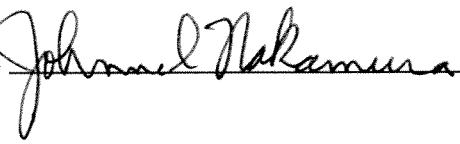
Department of Taxation

TAX AUDIT GUIDELINE 2009-01

[redacted]

TO: COMPLIANCE DIVISION

FROM: RULES OFFICE

[Rules Officer Approval ]

RE: HAWAII CIVIL TAX PENALTY MATRIX

DATE: OCTOBER 26, 2009

The purpose of this document is to provide Compliance Division personnel with an analytical matrix of the various civil penalties assessable under Title 14, Hawaii Revised Statutes. These penalties are specifically discussed because they require the Auditor's discretion and judgment in assessment. This document serves as a high level "issue spotting" tool that may be utilized when considering whether a penalty is appropriate for a particular case.

This analytical guideline is for internal use only, is intended to be a reference tool, and is not authoritative. Relevant Hawaii and federal statutes, administrative rules and regulations, case law, and formal Department of Taxation positions (TIRs) will control over this document.

Civil Penalty Checklist In Order of Relevant Consideration

- ☐ Failure to File Tax Return
- ☐ Substantial Understatement or Misstatement of Tax
- ☐ Erroneous Refund Claim
- ☐ Negligence
- ☐ Fraud
- ☐ Understatement of Tax Liability by Tax Return Preparer (assessed against preparer)
- ☐ Promoting Abusive Tax Shelter (assessed against promoter)

Failure to File Tax Return—HRS § 231-39(b)(1)

- Imposes a penalty equal to 5% of the amount of tax required to be shown on the return per month, not to exceed 25% of the amount of tax, for failing to file a tax return required by law.
- Extensions to file are taken into account in determining whether a return is filed timely. Therefore, where an extension is filed, the deadline for purposes of the penalty is extended.
- Penalty does not apply to failure to file declarations of estimated tax under HRS § 235-97.
- Penalty may be remitted if failure to file is due to "reasonable cause and not due to neglect."
- An erroneous belief that no tax liability was due or owing is not "reasonable cause." *In re Grayco Land & Escrow*, 57 Haw. 436.
- "'Reasonable cause' has been interpreted to mean no more than the exercise of ordinary business care and prudence. However, a mere showing of absence of willful neglect is insufficient to avoid the penalty.****It is generally recognized that the presence of certain factors, in addition to the honest belief of the taxpayer, constitutes reasonable cause for the failure to file a return, *e.g.*, the advice of a competent accountant or attorney." *In re Grayco Land & Escrow*, 57 Haw. 436.

Substantial Understatement or Misstatement of Tax—HRS § 231-36.6

- Imposes a penalty equal to 20% of the portion of an underpayment attributable to an understatement of tax.
- There is an understatement of tax for a taxable year where the understatement exceeds the greater of 10% of the tax required to be shown on the return; or $1,500 ($30,000 for C Corps).
- Understatement amount is reduced by portions attributable to positions with substantial authority or where adequately disclosed and there is a reasonable basis.
- "Understatement" means the excess of the amount of tax required to be shown on the return over the amount of tax shown on the return.
- This penalty is in addition to any other penalty assessable.
- The Director must approve assessment of this penalty.

Erroneous Refund Claims—HRS § 231-36.8

- Imposes a penalty equal to 20% of the excessive amount associated with erroneous claims for refund or credit.
- "Excessive amount" means the amount by which the amount of refund or credit claimed exceeds the amount of credit or refund allowable.
- No penalty is assessable where the penalty is less than $400. Therefore, there can be no penalty where the excessive amount is less than $2,000. Temp. HAR § 18-231-36.8-01-6676T(e).
- No penalty is assessable where there is a reasonable basis for the claim.
- "Reasonable basis" means a standard of care that is not frivolous or patently improper. The position must be more than arguable and have at least one or more supporting authorities. Such a position is one where a person knowledgeable in tax law would lead the person that the position has a 1-in-4 chance (25%) of success on the merits.

Reasonable basis includes innocent mistakes and inadvertent math errors. There is no reasonable basis where a person knows the position or claim will not qualify.

- The burden of proof is on the taxpayer.
- The Director must approve assessment of this penalty.

Failure to Pay Tax Due to Negligence—HRS § 231-39(b)(2)(A)

- Imposes a penalty of up to 25% of an underpayment due to negligence or intentional disregard of rules (but without intent to defraud).
- "The term 'negligence' includes any failure to make a reasonable attempt to comply with the provisions of the [tax] laws or to exercise ordinary and reasonable care in the preparation of a tax return. 'Negligence' also includes any failure by the taxpayer to keep adequate books and records or to substantiate items properly." Treas. Reg. § 1.6662-3(b)(1).
- "The term 'disregard' includes any careless, reckless or intentional disregard of rules or regulations****A disregard of rules or regulations is 'careless' if the taxpayer does not exercise reasonable diligence to determine the correctness of a return position that is contrary to the rule or regulation. A disregard is 'reckless' if the taxpayer makes little or no effort to determine whether a rule or regulation exists, under circumstances which demonstrate a substantial deviation from the standard of conduct that a reasonable person would observe. A disregard is 'intentional' if the taxpayer knows of the rule or regulation that is disregarded." Treas. Reg. § 1.6662-3(b)(2).
- There is no reasonable cause exception to this penalty.
- Burden of proof is on the taxpayer.

Failure to Pay Tax Due to Fraud—HRS § 231-39(b)(2)(B)

- Imposes a penalty of up to 50% of an underpayment required to be shown on a return due to fraud. If a fraud penalty is assessed, there can be no civil penalty for failure to file.
- Whether fraud exists depends upon the facts of each case. Unless admitted by the taxpayer, fraud is typically proven circumstantially by demonstrated "badges of fraud."
- A fraud penalty would be appropriate where an underpayment is due to falsity, evasion, concealment, or other similar facts.
- Burden of proof is on the government to show fraud.
- There is no reasonable cause exception to this penalty.
- Filing amended returns to correct fraudulent original returns does not preclude assessing the fraud penalty on original returns. *Frank v. Comm.*, 13 TC 253 (1949).

Understatement of Tax Liability by Tax Return Preparer—HRS § 231-36.5

- Generally, imposes a $500 penalty on a tax return preparer who understates a person's tax liability by taking an unreasonable position.
- Imposes a $1,000 penalty on a tax return preparer who willfully understates a person's tax liability or recklessly disregards any tax law or rule in understating a person's tax liability based upon an unreasonable position.
- Penalties apply per return prepared.
- An understatement due to an unreasonable position occurs when:
    - Any part of a return or claim is based on a position that does not have substantial authority;

    - The tax return preparer knew or should have known of the unreasonable position; and
    - The position was not disclosed or was frivolous.
- A position is disclosed where there is an attachment of an analysis of the position and there was a reasonable basis for the position.
- "Substantial authority" means statutes, rules, rulings, announcements, TIRs, committee reports, etc.
- "Tax return preparer" is broad and includes persons beyond those signing the return.
- "The tax return preparer is not required to audit, examine or review books and records, business operations, documents, or other evidence to verify independently information provided by the taxpayer, advisor, other tax return preparer, or other party. The tax return preparer, however, may not ignore the implications of information furnished to the tax return preparer or actually known by the tax return preparer. The tax return preparer must make reasonable inquiries if the information as furnished appears to be incorrect or incomplete." Temp. HAR § 18-231-36.5-01-6694T(a)(1).
- The Director must approve assessment of this penalty.
- Tax preparers have appeal rights pursuant to HRS § 231-36.5 independent of the audit of the tax return at issue. See Rules Office for procedural guidance on issuing this penalty and preparer's appeal rights.
- A tax preparer may be enjoined for certain prohibited acts. Injunctions are handled by the AG after referral from the Department.

Promoting Abusive Tax Shelters—HRS § 231-36.7

- Imposes a penalty of $1,000 or the amount of gross income received, whichever is less, for the promotion of an abusive tax shelter. Each act of promoting a tax shelter constitutes a separate violation.
- A person "promotes an abusive tax shelter" by:
    - Organizing or assisting in the organization, or participating in the sale of an interest in an entity or other plan or arrangement; and
    - In connection with such activity, a statement is made or a person is caused to make a statement respecting whether a deduction or credit is allowed, income may be excluded, or other tax benefit may be secured;

  that the person promoting knows or has reason to know is false or fraudulent or is a gross valuation overstatement.
- Penalty may be remitted with respect to a gross valuation overstatement if there was a reasonable basis and the valuation was made in good faith.
- "Gross valuation misstatement" means a statement of value for property or services where the value stated exceeds 200% of the correct value and the value is directly related to an amount of credit or deduction allowable.
- A safe harbor from this penalty is available where a tax shelter promoter obtains a favorable ruling from the Department. Temp. HAR § 18-231-36.7-01-6700T(d).
- This penalty is in addition to any other penalty assessable.
- The Director must approve assessment of this penalty.
- See Rules Office for procedural guidance on issuing this penalty and preparer's appeal rights.
- A promoter may be enjoined for certain prohibited acts. Injunctions are handled by the AG after referral from the Department.

DAVID Y. IGE
GOVERNOR

SHAN TSUTSUI
LT. GOVERNOR

MARIA E. ZIELINSKI
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

DELEGATION OF AUTHORITY

NO. 2015-01
Date: March 11, 2015
(Supersedes No. 2011-01)

DEPARTMENT OF TAXATION
OFFICE OF THE DIRECTOR

DELEGATION OF AUTHORITY TO APPROVE PENALTIES AND FINES AS REQUIRED UNDER §231-10.6, HRS

Section 231-10.6, Hawaii Revised Statutes, requires the approval of the Director before penalties and fines are assessed against a return preparer or taxpayer for understatement of tax liabilities, promotion of abusive tax shelters, erroneous claims for refund or credit, or substantial understatements or misstatements of tax.

The current procedure of the Field Audit Branch requires the auditor to send a memo to the Director through the Compliance Division Administrator, the Field Audit Branch Chief, and the Group Chief. Similarly, the current procedure of the District Offices requires the auditor to send a memo to the Director through the Compliance Division Administrator, the District Tax Manager, and the Supervisor. Since all proposed assessments are reviewed at two levels, adequate safeguards are in place to ensure the penalties are imposed according to the statutes.

To expedite the closing of audits and the issuance of assessments, the authority to approve the assessment of penalties of no more than $20,000 per assessment is delegated to the Field Audit Branch Chief, the Office Audit Branch Chief and the District Tax Managers.

MARIA E. ZIELINSKI
Director of Taxation

State of Hawaii

DEPARTMENT OF TAXATION

Interoffice Memorandum

TO: Compliance All

THRU: Kevin Wakayama, Tax Compliance Administrator

FROM: Regina Yuen, Tax Compliance Coordinator

SUBJECT: Compliance Division Memo 2021-01
Application of E-filing Penalty on Assessments

DATE: February 25, 2021

This memo provides guidance on applying the e-filing penalty on assessments.

Act 66, Session Laws of Hawaii 2018, amended HRS §231-8.5, to enable the Department to require certain taxpayers, including general excise and transient accommodations taxpayers whose liability exceeds $4,000 for the taxable year, and corporate income tax return taxpayers to file returns electronically. The Department will impose a two percent penalty on the amount of tax required to be shown on the return if the return is not filed electronically unless failure is due to reasonable cause and not due to neglect.

The e-filing penalty should be assessed in the following situations:

- The 2% e-filing penalty was applied to taxpayer's filed return for the period.
- If taxpayer is a non-filer, e-filing penalty applies if taxpayer is required to file electronically.

If the assessment is made before due date of the return on a non-filer, the e-filing penalty should not be imposed.

The e-filing penalty can be assessed manually on an assessment by checking off the "eFile Penalty" box under non-interest bearing penalty and county surcharge (if applicable) in the penalties tab of audit worksheet.

General Excise (G-49), Transient Accommodations (TA-2) and Corporate Income Tax (N-30) are subject to e-filing penalty effective for taxable period beginning on or after January 1, 2020. Please refer to attached list for more information, include other tax types subject to the penalty and its effective date.

Electronic-filing (e-filing) requirements are different from electronic payment (e-pay) requirements.

Tax Types Required to E-file, with Effective Date

Tax Return Type	Forms	Effective for Taxable Period beginning on or after	Tax Announcement (Notice required under section 231-8.5(c)(2), HRS)
Cigarette & Tobacco tax	• M-19 • M-110	September 1, 2019	Tax Announcement No. 2019-02
Fuel tax	• M-20A • M-22 • M-36	September 1, 2019	Tax Announcement No. 2019-02
Liquor tax	• M-18	September 1, 2019	Tax Announcement No. 2019-02
Rental motor vehicle, tour vehicle, and car sharing vehicle surcharge tax	• RV-2 • RV-3	October 1, 2019	Tax Announcement No. 2019-06 AMENDED
Corporate income tax returns	• N-30	January 1, 2020	Tax Announcement 2019-10
Withholding tax returns for employers whose annual liability exceeds $40,000 (HW-3 is not required beginning Tax Year 2020.)	• HW-3 • HW-14 • HW-26	January 1, 2020	Tax Announcement 2019-11 AMENDED
Franchise tax	• F-1	January 1, 2020	Tax Announcement 2019-12 AMENDED
Public service company tax	• U-6	January 1, 2020	Tax Announcement 2019-13 AMENDED
Estate and generation-skipping transfer tax	• M-6	January 1, 2020	Tax Announcement 2019-14 AMENDED
General excise tax returns for taxpayers whose annual liability exceeds $4,000	• G-45 • G-49	July 1, 2020 for periodic returns January 1, 2020 for annual returns	Tax Announcement 2019-16
Transient accommodations tax returns for taxpayers whose annual liability exceeds $4,000	• TA-1 • TA-2	July 1, 2020 for periodic returns January 1, 2020 for annual returns	Tax Announcement 2019-17

Additional tax type with mandatory e-filing requirements will be added in the future.

Exhibit 2

REQUEST TO ACCESS A GOVERNMENT RECORD

This is a model form that may be used by a Requester to provide sufficient information for an agency to process a record request. Although the Requester is not required to use this form or to provide any personal information, the agency needs enough information to contact the Requester with questions about this request or to provide its response. This request may not be processed if the agency has insufficient information or is unable to contact the Requester.

DATE: May 18, 2023

TO: Department of Taxation
Agency that Maintains the Government Record

Public Information Officer, Tax.PIO@hawaii.gov
Agency's Contact Information

FROM: Thomas Yamachika, Tax Foundation of Hawaii
Requester's Name or Alias

126 Queen Street, Suite 305, Honolulu, HI 96813, phone (808) 536-4587, tom@tfhawaii.org
Requester's Contact Information

_____

AS THE REQUESTER, I WOULD LIKE THE FOLLOWING GOVERNMENT RECORD:

Describe the government record as specifically as possible so that it can be located. Try to provide a record name, subject matter, date, location, purpose, or names of persons to whom the record refers, or other information that could help the agency identify the record. A complete and accurate description of the requested government record will prevent delays in locating the record. Attach additional pages if needed.

All Administrative Directives issued by the Department of Taxation. These records are referred to on page 56 of the Annual Report (2021-22) of the Department of Taxation.

I WOULD LIKE: (Please check one or more of the options below, as applicable)

☐ **To inspect the government record**

☒ **A copy of the government record: (**Please check only one of the options below.) See the next page for information about fees and costs that you may be required to pay for agency services to process your record request. Note: Copying and transmission charges may also apply to certain options.

- ☐ Pick up at agency (**date and time**): _____
- ☐ Mail (address): _____
- ☒ E-mail (address): tom@tfhawaii.org
- ☐ Fax (toll free and only if available; provide fax number): _____
- ☐ Other, if available (please specify): _____

☐ If the agency maintains the records in a form other than paper, please advise in which **format you would prefer to have the record**.

☐ Electronic ☐ Audio ☐ Other (please specify):_____

☒ Check this box **if you are attaching a request for waiver of fees in the public interest** (See waiver information on next page).

FEES FOR PROCESSING PUBLIC RECORD REQUESTS

You may be charged fees for the services that the agency must perform when processing your request for public records, including fees for making photocopies and other lawful fees. **The first $30 of fees charged for searching for a record, reviewing, and segregating will not be charged to you. Any amount over $30 will be charged to you.** Fees are as follows:

Search for a Record	$2.50 for 15 minutes
Review and Segregation of a Record	$5.00 for 15 minutes

Generally, no search, review, and segregation fees may be charged if you are making a request for personal records that are about you.

WAIVER OF FEES IN THE PUBLIC INTEREST

As an alternative to the $30 fee waiver (not in addition to), the agency may waive the first $60 of fees for searching for, reviewing and segregating records when the waiver would serve the public interest. If you wish to apply for a waiver of fees in the public interest, you must attach to this request a statement of facts, including your identity as the requester, to show how the waiver of fees would serve the public interest. The criteria for this waiver, found at section 2-71-32, Hawaii Administrative Rules, are

(1) The requested record pertains to the operations or activities of an agency;
(2) The record is not readily available in the public domain; and
(3) The requester has the primary intention and the actual ability to widely disseminate information from the government record to the public at large.

COSTS

The Agency may charge you any other lawful fees and the costs to copy and deliver your personal or public record request.

AGENCY RESPONSE TO YOUR REQUEST FOR ACCESS

The agency to which you addressed your request must respond within a set time period. The agency will normally respond to you within 10 business days from the date it receives your request; however, in ***extenuating circumstances,*** the agency must respond within 20 business days from the date of your request. If you have questions about the response time or the records being sought, you should first contact the agency and request to consult with the agency's UIPA contact person.

Please note that the Office of Information Practices (OIP) does not maintain the records of other agencies and a requester must seek records directly from the agency. If the agency denies or fails to respond to your written request for records or if you have other questions regarding compliance with the UIPA, then you may contact OIP at 808-586-1400, oip@hawaii.gov, or 250 South Hotel Street, Suite 107, Honolulu, Hawaii 96813.

REQUESTER'S RESPONSIBILITIES

You have certain responsibilities under section 2-71-16, Hawaii Administrative Rules, which include making arrangements to inspect and copy records, providing further clarification or description of the requested record as instructed by the agency's notice, and making a prepayment of fees and costs, if assessed. The rules and additional training materials are available online at **oip.hawaii.gov** or from OIP.

STATEMENT SUPPORTING REQUESTED WAIVER OF FEES IN THE PUBLIC INTEREST

During a recent discussion with Department of Taxation personnel, Administrative Directives were identified as statements of policy internal to the agency that are followed by agency personnel. During the conversation, one was identified as containing criteria for agency personnel to grant or deny penalty waivers. The Foundation believes that these statements govern the operations of the Department. The Directives presently are not published on the Department's website.

The Tax Foundation of Hawaii has been recognized as having a "historical purpose as a governmental financial accountability watchdog." *Tax Foundation of Hawaii v. State,* 439 P.3d 127, 155 (Haw. 2019). The Foundation believes that these statements have great significance to taxpayers and tax preparers, and is fully prepared to publish them on its own website and to make them available to tax professionals through trade associations such as the Hawaii State Bar Association and the Hawaii Society of Certified Public Accountants.

Exhibit 3

TAX FOUNDATION
OF HAWAII

126 Queen Street, Suite 304, Honolulu, Hawaii 96813, Telephone 536-4587, *www.tfhawaii.org*

OFFICERS

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Chair

Ronald I. Heller
Vice Chair

Thomas Yamachika
President/Secretary

Daniel K. Grebence
Vice President/Treasurer

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June 11, 2023

Via email: tax.pio@hawaii.gov

Hawai'i Department of Taxation
Public Information Officer

Dear Public Information Officer:

Thank you for the Notice to Requester dated June 2, 2023, which we are including with this letter for completeness.

Your response asks for further clarification of the request.

I am seeking "Administrative Directives" issued by the Department. The Department's own Annual Report describes these documents as being prepared by Rules Office staff. For example, the following appears in the Department's 2021 annual report:

> **The Rules staff also prepared Tax Announcements, Tax Information Releases, letter rulings, Administrative Directives, and other publications.** During FY 2021, seven Tax Announcements and eight Tax Information Releases were issued. Since 2009, when it became the Department's policy to publicly release taxpayer letter rulings in redacted form, 61 redacted letter rulings have been released.

(Bold in original, highlighting added.) Indeed, several of the Annual Reports refer to these documents as "publications," although they do not seem to be readily accessible to the public, and that is why we are requesting them.

To be clear, our request is not for "administrative directives" in the generic sense. For example, we are not interested in generic memoranda to staff, which would be innumerable. We seek only the Administrative Directives referred to in the annual report. The term appears to describe a class of publication containing agency policy pronouncements.

I trust this has provided clarification sufficient for you to identify the documents being requested. If you require further information, please contact me.

Sincerely,

Thomas Yamachika
President

Exhibit 4

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR

STATE OF HAWAI'I
DEPARTMENT OF TAXATION

LINDA CHU TAKAYAMA
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

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ENERGYMAN LTD.
59-032 HOLAWA ST
HALEIWA HI 96712-9706

Date: June 10, 2019
Letter ID: L1519166976
Hawaii Tax ID: GE-085-075-5584-01R

NOTICE OF FINAL ASSESSMENT OF GENERAL EXCISE AND/OR USE TAX

Important Notice: RESPONSE REQUIRED IMMEDIATELY

The adjustments shown on this Notice of Final Assessment has been made in accordance with the provisions of Hawaii Revised Statutes (HRS). Please review this Notice of Final Assessment carefully as it provides detailed information about the assessment and payment due. The total amount is now due and payable.

If you have a Power of Attorney (POA) representative for General Excise and/or Use Tax and the filing periods audited, a copy of this letter containing the information related to the impacted filing periods has also been mailed to the representative.

What do you need to do?
You must take action immediately:

- If you **agree** with this Notice of Final Assessment, please mail your payment with the Payment Voucher (bottom of page 3 of this letter) to the address printed on the voucher or use Hawaii Tax Online (hitax.hawaii.gov, "Make Payment" under Quick Links).
- If you **disagree** with this assessment, you may appeal in accordance with the Hawaii Taxpayer Bill of Rights (page 2 of this letter).

What happens if you do not take action?
If you do not take action immediately, additional interest will be assessed and the total amount due may be referred for further collection actions.

Thank you for your prompt attention to this matter.

DIRECTOR OF TAXATION
By:

Donald Kuriki
Tax Assessor I

PREPARER:
A. Velasco
OAHU Office Audit Branch
PO Box 259
Honolulu HI 96809-0259
Telephone: (808) 587-1770

NOTICE OF FINAL ASSESSMENT OF GENERAL EXCISE AND/OR USE TAX

ASSESSMENT SUMMARY

Tax Account No: GE-085-075-5584-01R
Letter ID: L1519166976

Taxpayer Name: ENERGYMAN LTD.
Address: 59-032 HOLAWA ST
HALEIWA HI 96712-9706

Proposed Assessment Mail Date: May 9, 2019

Final Assessment Mail Date: June 10, 2019
Preparer: A. Velasco

This Notice of Final Assessment addresses the following tax filing period(s):

Filing Period	Total Amount Due on Filing Period
Dec 31, 2014	$ 6,570.57
Dec 31, 2015	$ 982.44
Dec 31, 2016	$ 38,329.51
Dec 31, 2017	$ 6,767.36
Total Amount Due	**$ 52,649.88**

Additional details regarding the filing period(s) above are provided in the pages following.

To pay the Total Amount Due:

- Mail a payment using the Payment Voucher below.
- Pay online at hitax.hawaii.gov (Under Quick Links, choose "Make Payment" and select Voucher Media #).

Cut carefully along this line to detach.

STATE OF HAWAII, DEPARTMENT OF TAXATION

PAYMENT VOUCHER

Do not photocopy this voucher. Do not send multiple checks with this voucher.

Audit Payment
Name: ENERGYMAN LTD.
ID Type: Media Number (01)
ID: 11925537921
Voucher Date: Jun-10-2019
Letter ID: L1519166976

Make check payable to: Hawaii State Tax Collector
Mail to: PO Box 259 Honolulu, HI 96809-0259

Amount Due: 52,649.88

Pay Online at hitax.hawaii.gov

12319999 0005264988 01 00011925537921 00 12319999 020

NOTICE OF FINAL ASSESSMENT OF GENERAL EXCISE AND/OR USE TAX

DETAILS FOR TAX FILING PERIOD

Filing Period Beginning: January 1, 2014
Filing Period Ending: December 31, 2014

Tax Account No: GE-085-075-5584-01R
Letter ID: L1519166976

Proposed Assessment Mail Date: May 9, 2019

Final Assessment Mail Date: June 10, 2019
Preparer: A. Velasco

Taxpayer Name: ENERGYMAN LTD.
Address: 59-032 HOLAWA ST
HALEIWA HI 96712-9706

Provided below is detailed information regarding this period's assessment. Following the reasons for the assessment, is the Audit Adjustment Summary which details the adjustments that were made and the resulting penalty, interest, and balance or credit due.

Audit Assessment Reason(s):

The assessments/adjustments shown are made in accordance with the provisions of Chapter 237, Hawaii Revised Statutes (HRS). The information for this assessment was obtained from your Federal Tax Information and from your Hawaii S Corporation Income Tax Return.

Commissions Underreported Under Section 237-13(9), HRS.

County Surcharge Underreported Under section 237-8.6, HRS.

Form 1120S - Gross Receipts or Sales: $165,188.

As filed - $103,098.

Additional tax/difference - $62,090.

A 25% penalty is assessed under section 231-39(b)(1), HRS, for the failure to timely file the required return by the original or extended due date.

A 25% penalty is assessed under section 231-39(b)(2)(A), HRS, for the failure to pay the tax due to negligence or intentional disregard of the rules.

A 10% penalty is assessed under section 237-8.6(g), HRS, for the failure to file the schedule or the failure to correctly report the assignment of the general excise tax by taxation district on the schedule.

Audit Adjustment(s) Summary:

Description	As Filed	As Adjusted	Additional Taxable	Rate	Additional Tax
Commissions	$ 103,098.00	$ 165,188.00	$ 62,090.00	0.0400	$ 2,483.60
Oahu Surcharge	$ 103,098.00	$ 165,188.00	$ 62,090.00	0.0050	$ 310.45

Computation of Total Amount Due on this Period:

Total Additional Tax	$ 2,794.05
Failure to Timely File Penalty @ 25%	$ 698.50
County Surcharge Penalty @ 10%	$ 743.35
Other Penalty @ 25%	$ 698.51
Non-Interest Bearing Penalty	$ 0.00
Interest @ 8% to 6/20/2019	$ 1,636.16
Fees	$ 0.00
Assessment Amount Due	**$ 6,570.57**
Refund(s), Payment(s) or Credit(s) on this Tax Filing Period	$ 0.00
Pre-Assessment Liability	$ 0.00
Interest on Pre-Assessment Liability	$ 0.00
Total Amount Due on this Tax Filing Period	**$ 6,570.57**

NOTICE OF FINAL ASSESSMENT OF GENERAL EXCISE AND/OR USE TAX

DETAILS FOR TAX FILING PERIOD

Filing Period Beginning: January 1, 2015
Filing Period Ending: December 31, 2015

Tax Account No: GE-085-075-5584-01R
Letter ID: L1519166976

Proposed Assessment Mail Date: May 9, 2019

Final Assessment Mail Date: June 10, 2019
Preparer: A. Velasco

Taxpayer Name: ENERGYMAN LTD.
Address: 59-032 HOLAWA ST
HALEIWA HI 96712-9706

Provided below is detailed information regarding this period's assessment. Following the reasons for the assessment, is the Audit Adjustment Summary which details the adjustments that were made and the resulting penalty, interest, and balance or credit due.

Audit Assessment Reason(s):

The assessments/adjustments shown are made in accordance with the provisions of Chapter 237, Hawaii Revised Statutes (HRS). The information for this assessment was obtained from your Federal Tax Information and from your Hawaii S Corporation Income Tax Return.

Commissions Underreported Under Section 237-13(9), HRS.

County Surcharge Underreported Under section 237-8.6, HRS.

Form 1120S - Gross Receipts or Sales: $94,975.

As filed - $90,721.

Additional tax/difference - $4,254.

A 25% penalty is assessed under section 231-39(b)(1), HRS, for the failure to timely file the required return by the original or extended due date.

A 25% penalty is assessed under section 231-39(b)(2)(A), HRS, for the failure to pay the tax due to negligence or intentional disregard of the rules.

A 10% penalty is assessed under section 237-8.6(g), HRS, for the failure to file the schedule or the failure to correctly report the assignment of the general excise tax by taxation district on the schedule.

Audit Adjustment(s) Summary:

Description	As Filed	As Adjusted	Additional Taxable	Rate	Additional Tax
Commissions	$ 90,721.00	$ 94,975.00	$ 4,254.00	0.0400	$ 170.16
Oahu Surcharge	$ 81,396.00	$ 94,975.00	$ 13,579.00	0.0050	$ 67.90

Computation of Total Amount Due on this Period:

Total Additional Tax	$ 238.06
Failure to Timely File Penalty @ 25%	$ 59.55
County Surcharge Penalty @ 10%	$ 427.39
Other Penalty @ 25%	$ 59.52
Non-Interest Bearing Penalty	$ 0.00
Interest @ 8% to 6/20/2019	$ 197.92
Fees	$ 0.00
Assessment Amount Due	**$ 982.44**
Refund(s), Payment(s) or Credit(s) on this Tax Filing Period	$ 0.00
Pre-Assessment Liability	$ 0.00
Interest on Pre-Assessment Liability	$ 0.00
Total Amount Due on this Tax Filing Period	**$ 982.44**

NOTICE OF FINAL ASSESSMENT OF GENERAL EXCISE AND/OR USE TAX

DETAILS FOR TAX FILING PERIOD

Filing Period Beginning: January 1, 2016
Filing Period Ending: December 31, 2016

Tax Account No: GE-085-075-5584-01R
Letter ID: L1519166976

Proposed Assessment Mail Date: May 9, 2019

Final Assessment Mail Date: June 10, 2019
Preparer: A. Velasco

Taxpayer Name: ENERGYMAN LTD.
Address: 59-032 HOLAWA ST
HALEIWA HI 96712-9706

Provided below is detailed information regarding this period's assessment. Following the reasons for the assessment, is the Audit Adjustment Summary which details the adjustments that were made and the resulting penalty, interest, and balance or credit due.

Audit Assessment Reason(s):

The assessments/adjustments shown are made in accordance with the provisions of Chapter 237, Hawaii Revised Statutes (HRS). The information for this assessment was obtained from your Federal Tax Information and from your Hawaii S Corporation Income Tax Return.

Commissions Underreported Under Section 237-13(9), HRS.

County Surcharge Underreported Under section 237-8.6, HRS.

Form 1120S - Gross Receipts or Sales: $468,778.

As filed - $15,213.

Additional tax/difference - $453,565.

A 25% penalty is assessed under section 231-39(b)(1), HRS, for the failure to timely file the required return by the original or extended due date.

A 25% penalty is assessed under section 231-39(b)(2)(A), HRS, for the failure to pay the tax due to negligence or intentional disregard of the rules.

A 10% penalty is assessed under section 237-8.6(g), HRS, for the failure to file the schedule or the failure to correctly report the assignment of the general excise tax by taxation district on the schedule.

Audit Adjustment(s) Summary:

Description	As Filed	As Adjusted	Additional Taxable	Rate	Additional Tax
Commissions	$ 15,213.00	$ 468,778.00	$ 453,565.00	0.0400	$ 18,142.60
Oahu Surcharge	$ 15,213.00	$ 468,778.00	$ 453,565.00	0.0050	$ 2,267.83

Computation of Total Amount Due on this Period:

Total Additional Tax	$ 20,410.43
Failure to Timely File Penalty @ 25%	$ 5,102.60
County Surcharge Penalty @ 10%	$ 2,109.50
Other Penalty @ 25%	$ 5,102.61
Non-Interest Bearing Penalty	$ 0.00
Interest @ 8% to 6/20/2019	$ 5,604.37
Fees	$ 0.00
Assessment Amount Due	**$ 38,329.51**
Refund(s), Payment(s) or Credit(s) on this Tax Filing Period	$ 0.00
Pre-Assessment Liability	$ 0.00
Interest on Pre-Assessment Liability	$ 0.00
Total Amount Due on this Tax Filing Period	**$ 38,329.51**

NOTICE OF FINAL ASSESSMENT OF GENERAL EXCISE AND/OR USE TAX

DETAILS FOR TAX FILING PERIOD

Filing Period Beginning: January 1, 2017
Filing Period Ending: December 31, 2017

Tax Account No: GE-085-075-5584-01R
Letter ID: L1519166976

Proposed Assessment Mail Date: May 9, 2019

Final Assessment Mail Date: June 10, 2019
Preparer: A. Velasco

Taxpayer Name: ENERGYMAN LTD.
Address: 59-032 HOLAWA ST
HALEIWA HI 96712-9706

Provided below is detailed information regarding this period's assessment. Following the reasons for the assessment, is the Audit Adjustment Summary which details the adjustments that were made and the resulting penalty, interest, and balance or credit due.

Audit Assessment Reason(s):

The assessments/adjustments shown are made in accordance with the provisions of Chapter 237, Hawaii Revised Statutes (HRS). The information for this assessment was obtained from your Federal Tax Information and from your Hawaii S Corporation Income Tax Return.

Commissions Unreported Under Section 237-13(9), HRS.

County Surcharge Unreported Under section 237-8.6, HRS.

Form 1120S - Gross Receipts or Sales: $101,886.

A 25% penalty is assessed under section 231-39(b)(1), HRS, for the failure to timely file the required return by the original or extended due date.

A 25% penalty is assessed under section 231-39(b)(2)(A), HRS, for the failure to pay the tax due to negligence or intentional disregard of the rules.

A 10% penalty is assessed under section 237-8.6(g), HRS, for the failure to file the schedule or the failure to correctly report the assignment of the general excise tax by taxation district on the schedule.

Audit Adjustment(s) Summary:

Description	As Filed	As Adjusted	Additional Taxable	Rate	Additional Tax
Commissions	$ 0.00	$ 101,886.00	$ 101,886.00	0.0400	$ 4,075.44
Oahu Surcharge	$ 0.00	$ 101,886.00	$ 101,886.00	0.0050	$ 509.43

Computation of Total Amount Due on this Period:

Total Additional Tax	$ 4,584.87
Failure to Timely File Penalty @ 0%	$ 0.00
County Surcharge Penalty @ 10%	$ 458.49
Other Penalty @ 25%	$ 1,146.22
Non-Interest Bearing Penalty	$ 0.00
Interest @ 8% to 6/20/2019	$ 577.78
Fees	$ 0.00
Assessment Amount Due	**$ 6,767.36**
Refund(s), Payment(s) or Credit(s) on this Tax Filing Period	$ 0.00
Pre-Assessment Liability	$ 0.00
Interest on Pre-Assessment Liability	$ 0.00
Total Amount Due on this Tax Filing Period	**$ 6,767.36**