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**HAWAII SUPREME COURT RULES ONLINE TRAVEL COMPANIES MUST PAY
MILLIONS IN BACK TAXES FOR HAWAII HOTEL ROOM SALES**

HONOLULU - The Hawaii Supreme Court ruled today that 9 online travel companies, including Expedia, Orbitz, Priceline and Travelocity, owe up to tens of millions of dollars in back taxes to the State of Hawaii for selling Hawaii hotel rooms over the Internet.

“This landmark ruling is the first time the Supreme Court ruled that online commerce may be just as subject to pay general excise (GE) taxes as local brick-and-mortar businesses,” announced Attorney General Doug Chin. “It is the result of years of effort by the Attorney General’s office to collect state taxes from national companies who profited from selling Hawaii hotel rooms.”

In 2010, the state tax department issued GE tax and TAT assessments against the online travel companies for back taxes starting from 2000. The online travel companies refused to pay, arguing that their revenue generating activities did not occur in the State of Hawaii. In today’s ruling, the Supreme Court upheld the very broad reach of Hawaii’s general excise tax and stated that general excise tax applies to “virtually any economic activity imaginable.”

The Court pointed out that the general excise tax law applies to persons who do business in the State even when they don’t have a physical presence in Hawaii. The online travel companies “were not passive sellers of services to Hawaii consumers.” The Court reasoned:

[I]t is clear the occupancy rights that [these companies] are selling to transients are wholly consumable and only consumable in Hawaii. Even though an [online travel company’s] agreement with a transient may take place outside of Hawaii, the agreement is effected with the intent that performance would occur entirely in Hawaii.

Today’s ruling affirms the Tax Appeal Court’s judgment upholding the State’s assessments of penalties and interest against online travel companies for failing to file tax returns and failing to pay general excise taxes during the period 2000 through 2011.

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“The amount of taxes, penalties and interest owed by these online travel companies will be substantial, up to tens of millions of dollars,” said Deputy Attorney General Hugh Jones, lead state attorney in the litigation since 2010.

“On top of those back taxes, we believe online travel companies must pay GE taxes to the State of Hawaii for the past years up to the present and going forward, based on this ruling,” said Chin. “It’s a privilege to do business in Hawaii. Bottom line, these online travel companies derived substantial revenues from the sale of Hawaii hotel rooms and they need to pay their fair share.”

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