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**FINAL JUDGMENTS ENTERED AGAINST ONLINE TRAVEL COMPANIES FOR
\$53.1 MILLION IN GENERAL EXCISE TAXES**

The State of Hawaii has recovered \$53.1 million in general excise taxes, penalties and interest from online travel companies (the “companies”) including Travelocity.Com, LLP, Expedia, Inc., Orbitz, LLC, and Priceline.Com, LLP from tax litigation that began in 2011.

Attorney General Doug Chin said “Online travel companies derive substantial profits from the sale of hotel rooms, rental cars and other services in Hawaii. The importance of the Hawaii Supreme Court ruling is the precedent it establishes. People or companies who provide goods and services through the Internet that are used or consumed in Hawaii are subject to Hawaii taxation, despite being domiciled in other states.”

The Tax Appeal Court previously ruled that the companies owed general excise taxes but not the State’s transient accommodations tax that is assessed on operators of transient accommodations, like hotels. The State and the companies appealed to the Hawaii Supreme Court from these rulings.

On March 17, 2015, the Hawaii Supreme Court upheld the Tax Appeal Court’s ruling that the companies are subject to Hawaii’s general excise tax, but concluded that they are taxable only on their net receipts from the sale of hotel rooms in Hawaii, not their gross receipts. The Court ruled that the companies receive the benefit of an income splitting provision that applies to travel agents in chapter 237, Hawaii Revised Statutes.

The Court rejected the companies’ argument that they were not doing business in Hawaii. The Court stated in its opinion, “the [companies] are not passive sellers of services to Hawai’i consumers. The [companies] actively solicit customers for Hawai’i hotel rooms and actively solicit hotels to contractually provide the right to sell on their website the right of occupancy of hotel rooms.”

The Court remanded the case to the Tax Appeal Court to re-determine the amount of general excise taxes, penalties and interest the companies owe to the State

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of Hawaii. On September 22, 2015, the Tax Appeal Court entered final stipulated judgments setting forth the amounts owed by the companies and the amounts that the State needed to refund from the State's litigated claims fund.

Litigation against the companies for their other State tax obligations for their other business activities in Hawaii during the period 2000 through 2013 is continuing.

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