

2.302 Tax Clearance (Certificate of Vendor Compliance)

I. Valid Tax Clearance

In accordance with Hawaii Revised Statutes § 103-53, the RCUH requires vendors to provide a valid tax clearance from the Hawai'i Department of Taxation and the US Internal Revenue Service to the effect that all tax returns due have been filed and that all taxes, interest, and penalties levied against the vendor have been paid. This tax clearance is a prerequisite for entering into any contract, agreement, or purchase order of \$25,000 or more **and** prior to releasing a final payment for such purchases.

A valid tax clearance is one that has been issued within six (6) months prior to executing the contract, agreement, or purchase order and within two (2) months of invoicing for final payment. A Certificate of Vendor Compliance that reflects a "Compliant" status (for the "Hawaii Department of Taxation" and "Internal Revenue Service") from [Hawai'i Compliance Express \(HCE\)](#), or an approved [Hawaii Tax Clearance Application Form A-6](#), are acceptable in satisfying the tax clearance requirement.

All U.S. and foreign individuals and companies are required to comply with the State of Hawai'i tax clearance requirement. Governmental agencies in the U.S. (i.e., city, county, state, and federal) and any foreign governmental agencies are excepted from the tax clearance requirement. However, the procurement file should contain a letter from the vendor or other credible evidence that the vendor is an instrumentality of a government. See [HRS § 103-53\(e\)](#) for other exceptions.

If a vendor fails to provide a tax clearance within six (6) months of the completion date of the contract or delivery of goods, RCUH will notify the Hawai'i Department of Taxation (a tax clearance obtained for the release of a final payment is valid for two (2) months from the date of issue). Upon request, RCUH may offset the amount of taxes due, against the final payment to the vendor.

In the case of a contract, agreement, or purchase order spanning more than one (1) year, RCUH encourages projects to monitor a vendor's tax status periodically (every six (6) to twelve (12) months) to ensure continued compliance.

II. Responsibilities

A. Principal Investigator

1. Inform vendors of the tax clearance requirement at the time of solicitation.
2. Submit a valid tax clearance to the Fiscal Administrator prior to contract or purchase order execution and with the final payment.

Date Revised: 11/20/2021