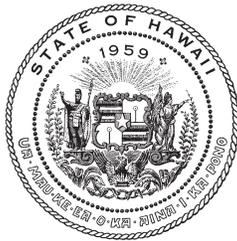


2004



Form N-15

STATE OF HAWAII — DEPARTMENT OF TAXATION

Hawaii Nonresident and Part-Year Resident Income Tax Forms and Instructions

THIS PACKAGE CONTAINS: Form N-15, Individual Income Tax Return — Nonresident and Part-Year Resident; Schedule CR Schedule of Tax Credits; Schedule X, Tax Credits for Hawaii Residents; Form N-101A, Application For Automatic Extension of Time To File Hawaii Individual Income Tax Return; Form N-200V Individual Income Tax Payment Voucher; Hawaii Taxpayer Bill of Rights; and Tax Facts No. 95-1, All About the Hawaii Use Tax

MESSAGE FROM THE DIRECTOR

OUR MISSION is to administer the tax laws of the State of Hawaii in a consistent, uniform, and fair manner.

The employees of the Department of Taxation strive to accomplish this mission each and every day. We welcome input from the public and we are committed to continuous review and improvement of our services.

You, too, can help us be more efficient just by filing your tax returns correctly and on time with the correct amount of payment. That is harder than it sounds, of course, but simple things like checking all entries before submitting your return, and filing it on or before April 20, 2005, make a big difference. Start early; the earlier you start, the more time you'll have to obtain missing documents, and the less likely you'll be to make an error. Refunds are also processed faster if you file early instead of filing close to the due date. Keep a copy of your return, worksheets, and supporting documents; if a question should arise it will help you understand and resolve the problem with us if you have your tax return information in front of you. A copy also will help you to prepare your return next year.

Publications, forms (including forms with writable fields), and instructions are available on our website at www.state.hi.us/tax. You can also obtain copies at any district tax office, or by calling our 24-hour Forms by Fax/Mail request line at 808-587-7572 or toll-free from the neighbor islands and continental U.S. at 1-800-222-7572.

Finally, we continue to welcome your written suggestions for improving our forms, instructions, and services. Please mail your suggestions to the Department of Taxation, P.O. Box 259, Honolulu, HI 96809-0259, or e-mail them to Tax.Directors.Office@hawaii.gov.

DUE DATE: APRIL 20, 2005

For tax information, call 808-587-4242
(or toll-free 1-800-222-3229)

Make your check payable to the
"Hawaii State Tax Collector"

KURT KAWAFUCHI
Director of Taxation

State of Hawaii
Department of Taxation
P.O. Box 3559
Honolulu, Hawaii 96811-3559

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Changes for 2004

- Your social security number is no longer printed on your mailing label. You must write your social security number in the space provided on your tax return.
- All individual income tax returns should be filed with the district tax office located on Oahu since the filing of tax documents is being centralized on Oahu. See page 5 for the mailing address.
- Adopts the federal provision relating to the above-the-line deduction for overnight travel expenses of National Guard and Reserve members. (Act 89, SLH 2004)
- Adopts the federal provision relating to the above-the-line deduction for contributions to health savings accounts. (Act 89, SLH 2004)
- Adopts the federal provision relating to the special rule for excluding the gain from the sale of a principal residence for members of the uniformed services or foreign service. (Act 89, SLH 2004)
- Adopts the federal provision relating to the expansion of combat zone filing rules to persons deployed outside the U.S. who are participating in contingency operations as designated by the Secretary of Defense. (Act 89, SLH 2004)
- Adopts the federal provisions affecting medical savings accounts to the extent applicable to Hawaii taxation. (Act 89, SLH 2004)
- Provides an income tax deduction of up to \$3,000 per exceptional tree for expenditures to maintain an exceptional tree on the taxpayer's property. (Act 195, SLH 2004)
- Contribution of \$2 (\$4 if filing a joint return and your spouse wants to contribute) may be made to the Hawaii Public Libraries Special Fund. (Act 193, SLH 2003)
- Extends the provisions for the High Technology Business Investment Tax Credit, Technology Infrastructure Renovation Tax Credit, and the Tax Credit for Research Activities through 2010. (Act 215, SLH 2004)
- Changes the name of the ethanol investment tax credit to the ethanol facility tax credit and makes certain amendments including a provision that if the tax credit is claimed for a taxable year no other income tax credit may be claimed for the same taxable year. (Act 140, SLH 2004)

Important Reminders for 2004

- At the top of Form N-15, you must check the applicable box to indicate whether you are a nonresident or part-year resident. If one of the boxes is not checked, your return may be processed incorrectly and may result in a delay.
- Keep a copy of the worksheets you complete in the instructions for your records.
- If you are unable to file by April 20, 2005, you are granted an automatic 4-month extension of time to file Form N-15 without filing Form N-101A (or any other form). You may file Form N-101A if you want to make a payment with Form N-101A. You may use federal Form 4868 instead of Form N-101A by substituting the appropriate amounts for Hawaii income tax purposes. Also, any reference to U.S. should be crossed off and replaced with Hawaii.
- Please complete all required entries on your tax return and make sure all required forms and statements are attached. Failure to do so may result in a notice of adjustment being sent to you and you may be required to file an amended tax return to correct missing entries or provide missing forms or statements.
- Line 41 on Form N-15 MUST be filled in. Failure to do so could cause delays in processing your return.
- Please be sure to check the appropriate filing status box.
- Please check all arithmetic on the return. A correct return will help us process your return efficiently and issue refunds quickly.
- If you are married and filing separate returns, the refund from your spouse's return cannot be applied to your liability.
- Include your spouse's social security number if you are married whether a joint or separate return is filed. If your spouse is an alien and was issued an ITIN by the IRS, enter your spouse's ITIN. If your spouse has applied for an ITIN but the IRS has not yet issued the ITIN, write "Applied For".
- Attach your employee earning statements (HW-2's or federal W-2's) to the front of your return.
- If someone prepares your tax return and charges you a fee, the preparer must sign and complete the Paid Preparer's Information box.
- Please mail in your return on or before April 20, 2005 to: Hawaii Department of Taxation, P. O. Box 3559, Honolulu, HI 96811-3559.
- Please place proper postage on the envelope before mailing. If there is insufficient postage on the envelope, it will be returned to you by the U.S. Postal Service.
- Keep a copy of your return for your records.

Items to Note

- The Hawaii Taxpayer Bill of Rights is reprinted on page 54.
- Tax Facts is a Department of Taxation initiative for getting information to the public on tax topics which may be applicable or of interest to you. The Tax Facts issue reprinted on page 55 covers the use tax which is one of the least understood taxes in Hawaii. Many taxpayers are not aware they may be subject to the use tax if they buy a mail order catalog product or purchase goods, including a car, outside of Hawaii.
- Hawaii has not adopted the federal provisions contained in (1) the Job Creation and Worker Assistance Act of 2002 relating to the 30 percent bonus depreciation, and (2) the Jobs and Growth Tax Relief Reconciliation Act of 2003, including the 50 percent bonus depreciation and the increase of the maximum IRC section 179 deduction to \$100,000.
- The federal provisions in the (1) Working Families Tax Relief Act of 2004 which provides for the extension of expired or expiring provisions, including the above-the-line deduction for certain expenses of eligible educators, the full deduction for qualified clean fuel vehicle property, and new contributions to the archer medical savings accounts; and (2) American Jobs Creation Act of 2004 which allows an itemized deduction for state and local sales taxes have not been adopted for Hawaii income tax purposes at the present time. A conformity bill will be introduced to the 2005 Hawaii Legislature which may adopt certain of the provisions. You cannot claim any of the federal provisions on your Hawaii income tax return until it has been enacted by the State of Hawaii.

STATE OF HAWAII — DEPARTMENT OF TAXATION RELATED FEDERAL/HAWAII TAX FORMS

Federal Form Number	Title or Description of Federal Form	Comparable Hawaii Form	Copy of Fed. Form May Be Submitted+
W-2	Wage and Tax Statement	HW-2	Yes
W-4	Employee's Withholding Allowance Certificate	HW-4	No
W-10	Dependent Care Provider's Identification and Certification	HW-16	No
1040	U.S. Individual Income Tax Return	N-12	No
1040 Sch A	Itemized Deductions	None	No
Sch B	Interest and Ordinary Dividends	None	No
Sch C	Profit or Loss from Business	None	Not Required
Sch C-EZ	Net Profit From Business	None	Not Required
Sch D	Capital Gains and Losses	None	No
Sch E	Supplemental Income and Loss	None	Not Required
Sch F	Farm Income and Expenses	None	Not Required
Sch J	Farm Income Averaging	N-168	No
Sch R	Credit for the Elderly or the Disabled	None	No
1040A	U.S. Individual Income Tax Return (short form)	N-13	No
1040ES	Estimated Tax for Individuals	N-1	No
1040EZ	Income Tax Return for Single and Joint Filers With No Dependents	None	No
1040NR	U.S. Nonresident Alien Income Tax Return	None	No
1040-V	Payment Voucher	N-200V	No
1040X	Amended U.S. Individual Income Tax Return	N-188X	No
1045	Application for Tentative Refund	N-109	No
1128	Application To Adopt, Change, or Retain a Tax Year	None	Yes
1310	Statement of Person Claiming Refund Due a Deceased Taxpayer	N-110	No
2038	Questionnaire — Exemption Claimed for Dependent	None	No
2106	Employee Business Expenses	None	Yes
2106-EZ	Unreimbursed Employee Business Expenses	None	Yes
2120	Multiple Support Declaration	None	Yes
2210	Underpayment of Estimated Income Tax by Individuals and Fiduciaries	N-210	No
2441	Child and Dependent Care Expenses	Schedule X	No
2688	Application for Additional Extension of Time to File U.S. Individual Income Tax Return	N-101B	Yes
2848	Power of Attorney and Declaration of Representative	N-848	Yes
3903	Moving Expenses	N-139	No
4562	Depreciation and Amortization	None	Yes
4684	Casualties and Thefts	None	Yes
4797	Sales of Business Property	Sch D-1	No
4835	Farm Rental Income and Expenses	None	Yes
4852	Employee's Substitute Wage & Tax Statement	L-15	No
4868	Application for Automatic Extension of Time to File U.S. Individual Income Tax Return	N-101A	Yes
4952	Investment Interest Expense Deduction	N-158	No
4970	Tax on Accumulated Distribution of Trusts	N-405	No
4972	Tax on Lump-Sum Distributions	N-152	No
5213	Election to Postpone Determination (Hobby Losses)	None	Yes
5329	Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs	None	No
5884	Work Opportunity Credit	N-884	No
6198	At-Risk Limitations	None	Yes
6252	Installment Sale Income	None	Yes
6781	Gains and Losses From Section 1256 Contracts and Straddles	None	Yes
8283	Noncash Charitable Contributions	None	Yes
8332	Release of Claim to Exemption for Child of Divorced or Separated Parents	None	Yes
8582	Passive Activity Loss Limitations	None	Yes
8586	Low-Income Housing Credit	N-586	No
8615	Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,600	N-615	No
8814	Parent's Election to Report Child's Interest and Dividends	N-814	No
8824	Like-Kind Exchanges	None	Yes
8829	Expenses for Business Use of Your Home	None	Yes
8853	Archer MSAs and Long-Term Care Insurance Contracts	None	No

+If "Yes" is indicated and there is no Hawaii equivalent form, the federal form must be used.

To request tax forms by fax or mail, you may call 808-587-7572 or toll-free 1-800-222-7572.

You may also obtain tax forms through the Department of Taxation's Internet address at www.state.hi.us/tax.

Form N-15

General Instructions

Who Must File

1. Every individual doing business in Hawaii during the taxable year must file a return, whether or not the individual derives any taxable income from that business. "Doing business" includes all activities engaged in or caused to be engaged in with the object of gain or economic benefit, direct or indirect, except personal services performed as an employee under the direction and control of an employer. For example, every person receiving rents from property owned in Hawaii is "doing business" and must file a return whether or not the person's expenses exceed the gross rental income.

2. Every individual receiving more than the following amounts of gross income subject to taxation under Hawaii Income Tax Law, including amounts received as salaries or wages for services rendered by an employee to an employer, must file a return:

For Individuals Under Age 65	
Filing Status	Gross Income of
Married filing separately	\$1,990
Single or legally separated	\$2,540
Single, head of household	\$2,690
Qualifying widow(er) with a dependent child	\$2,940
Married couple filing jointly	\$3,980

For Individuals Age 65 or older	
Filing Status	Gross Income of
Married filing separately	\$3,030
Single or legally separated	\$3,580
Single, head of household	\$3,730
Qualifying widow(er) with a dependent child	\$3,980
Married couple filing jointly, one is 65 or older	\$5,020
Married couple filing jointly, both are 65 or older	\$6,060

These threshold amounts will be higher for persons who are blind, deaf, or totally disabled, and who have completed and filed a certification with the Department of their disability on Form N-172 **before** filing their income tax return.

For individuals who can be claimed as dependents on the tax return of another taxpayer, the threshold amount is the amount of the dependents' standard deduction.

For nonresident aliens, the threshold amount is \$1,040 for individuals under 65, and \$2,080 for individuals 65 or older.

For nonresident individuals, the threshold amounts stated above must be multiplied by the ratio of Hawaii adjusted gross income to total adjusted gross income from all sources to determine whether the individual must file a return.

3. Individuals who took up residence in Hawaii after attaining the age of 65 years and before July 1, 1976, may elect to be taxed only on Hawaii source income. See *Election Under Act 60, SLH 1976* on this page.

4. Children who receive unearned income during the taxable year and have not attained the age of 14 years before the end of the taxable year must file their own returns to report their income unless their parent or parents report that income. However, the Department of Taxation will, administratively, not require the filing of a State income tax return if the child's total earned and/or unearned income for the taxable year is \$500 or less and the application of the standard deduction amount results in no taxable income for the child. Children who must file a return may need to file Form N-615, Computation of Tax for Children Under Age 14 Who Have Investment Income of More than \$1,000. Parents may report income of their children by filing Form N-814, Parent's Election to Report Child's Interest and Dividends.

5. If you need to report additional tax from Form N-2, Distribution from an Individual Housing Account; Form N-103, Sale of Your Home; Form N-152, Tax on Lump-Sum Distributions; Form N-312, Recapture of Capital Goods Excise Tax Credit; Form N-318, Recapture of High Technology Business Investment Tax Credit; Form N-405, Tax on Accumulation Distribution of Trusts; Form N-586, Recapture of Low-Income Housing Tax Credit; or Form N-814, Parent's Election to Report Child's Interest and Dividends, then you must file a return regardless of income level.

Who Should File

Even if you do not have to file, you should file to get a refund if too much income tax was withheld from your pay. Also, if you are eligible for refundable credits, you need to file a return to claim the credits.

Residents and Nonresidents

Resident

A resident is taxed on income from all sources.

A resident must file an Individual Income Tax Return—Resident (Form N-11, N-12, or N-13), if required to do so.

A Hawaii resident is (1) Every individual domiciled in Hawaii, and (2) Every other individual whether domiciled in Hawaii or not, who resides in Hawaii for other than a temporary or transitory purpose. An individual domiciled outside Hawaii is presumed to be a resident if he or she spends more than 200 days in Hawaii during the taxable year. This presumption may be overcome by evidence satisfactory to the Department of Taxation that the individual maintained a permanent place of abode outside the State and was in the State for a temporary or transitory purpose. No person shall be deemed to have gained or lost a residence simply because of his or her presence or absence in compliance with military or naval orders of the United States, while engaged in aviation or navigation, or while a student at any institution of learning. See Tax Information Release No. 97-1, "Determination of Residence Status".

Nonresident

A Hawaii nonresident is an individual who is in Hawaii for a temporary or transient purpose, and whose permanent domicile is not Hawaii.

A nonresident must file an Individual Income Tax Return—Nonresident and Part-Year Resident (Form N-15), if required to do so. A nonresident will be taxed on income from Hawaii sources only.

A nonresident married to a Hawaii resident may choose to file a joint return with the resident spouse on Form N-11, N-12, or N-13; **however, the nonresident will then be taxed on all income from all sources.** For more information, see *Married Filing Joint Return* on page 7.

Election Under Act 60, SLH 1976

Individuals who took up residence in Hawaii after attaining the age of 65 years and before July 1, 1976, may elect to be taxed only on Hawaii source income. To make the election, attach a signed statement to Form N-12 setting forth the date that the individual established residence in Hawaii and the individual's date of birth (which must be before July 1, 1911). Individuals making this election must file a return regardless of the amount of income earned, and **may not use Form N-11 or N-13.**

Part-Year Resident

A part-year resident is an individual who was a Hawaii resident for part of the year, and who was a nonresident during the other part of the year. This includes those who moved to Hawaii during the year and those who moved away from Hawaii during the year.

A part-year resident must file an Individual Income Tax Return—Nonresident and Part-Year Resident (Form N-15), if required to do so. A part-year resident will be taxed on all income from all sources during the period of residency, and on income from Hawaii sources only during the period of nonresidency.

Domicile Defined

The term "domicile" means the place where an individual has a true, fixed, permanent home and principal establishment, and to which place the individual has, whenever absent, the intention of returning. It is the place in which an individual has voluntarily fixed the habitation of himself or herself and family, **not for a mere special or temporary purpose, but with the present intention of making a permanent home.** Three things are necessary to create a new domicile: first, abandonment of the old domicile; second, the intent to establish a new domicile; and third, actual physical presence in the new domicile. Once a domicile is established, the intent to abandon it is not itself sufficient to create a new domicile; a new domicile must be shown.

Reminder: If you are in Hawaii because of military orders and do not intend to make Hawaii your permanent home, you are not considered a Hawaii resident for income tax purposes, even though you have been in Hawaii for more than 200 days in 2004. File a resident return with your home state, and file a Hawaii nonresident and part-year resident return (Form N-15) to report your Hawaii income.

Resident and Nonresident Examples

Note: For more information, see Tax Information Release No. 90-3, "Income Taxation and Eligibility for Credits of an Individual Taxpayer Whose Status Changes from Resident to Nonresident or from Nonresident to Resident", Tax Information Release No. 90-10, "Clarification of Taxation and the Eligibility for Personal Exemptions and Credits of Residents and Nonresidents in the Military and Spouses and Dependents of Persons in the Military", and Tax Information Release No. 97-1, "Determination of Residence Status".

Example 1—A Hawaii resident who enlists in the military normally will remain a Hawaii resident regardless of the length of absence from Hawaii while stationed outside of Hawaii.

Example 2—A Hawaii resident working in a foreign country will remain a Hawaii resident unless permanent resident status is granted by the foreign country.

Example 3—Foreign students who are granted entry into the United States on an "F" visa are nonresidents for Hawaii tax purposes. Researchers and faculty members who are granted entry into the United States on "H", "J", or "Q" visas, and who have been in Hawaii for more than 200 days during the taxable year may be considered Hawaii residents.

Example 4—Spouses of those in the military service do not become Hawaii residents if their principal reason for moving to Hawaii was the transfer of the service member spouse to Hawaii, and if it is their intention to leave Hawaii when the service member spouse either is transferred to another military station or leaves the service.

Example 5—A Hawaii resident who marries a nonresident will remain a Hawaii resident unless the three requirements for changing his or her domicile are also met. (Refer to "Domicile Defined" on page 4.) This situation applies in reverse to a nonresident who marries a resident. A person's residence status will not change just because of marriage.

Which Form to File

You must file resident Form N-11, N-12, or N-13, as appropriate, if you were a resident for the full year. File Form N-15 if you were a nonresident for the full year or a part-year resident.

Generally, you MUST use Form N-11 if:

- You filed a federal resident tax return (Form 1040, 1040A, 1040EZ, or 1040-TEL) for the calendar year;
- You were a resident for the **full** year, or, if married filing jointly, **either** spouse was a resident for the full year (however, the nonresident spouse would be taxed on their worldwide income for the full year);
- You do not make the *Election Under Act 60, SLH 1976* described on page 4; and
- If you are married:
 - Your filing status is the same on your federal and Hawaii tax returns, **or**
 - You are filing a joint Hawaii return and both you and your spouse are filing federal returns.
- But if you qualify to file Form N-13, you may file it instead of Form N-11.

Note: If a resident taxpayer died during the year, a return for that taxpayer (including a joint return for a surviving spouse) must be filed on Form N-11 if the corresponding federal return is filed. If a corresponding federal return is not filed, use Form N-12. See *Death of Taxpayer* on page 6.

You MUST use Form N-15 if:

- You were a nonresident for the **full** year, or, if married filing jointly, **both** spouses were nonresidents for the full year.
- You are taking up residence in Hawaii during the tax year. (Part-year resident).
- You are giving up residence in Hawaii during the tax year. (Part-year resident).

You MUST use Form N-12 if:

- You are not required to use Form N-11 or Form N-15.
- But if you qualify to file Form N-13, you may file that form instead of Form N-12.

You MAY Be Able to Use Form N-13 if:

- You were a resident for the **full** year, or, if married filing jointly, **either** spouse was a resident for the full year (however, the nonresident spouse would be taxed on their worldwide income for the full year);

- You had only wages, salaries, tips, interest, ordinary dividends, and unemployment compensation, **AND**
- Your taxable income (adjusted gross income less standard deduction and personal exemptions) is less than \$100,000.

Form N-13 is a simplified form. However, Form N-11 or Form N-12 may allow you to pay less tax.

If you are eligible to file Form N-13 but you filed a federal resident return, you may want to file Form N-11 instead because it uses information you already entered on your federal return, and allows you to take the same deductions and credits that would be available on Form N-12.

To see if you qualify to use Form N-13, see the instructions for Form N-13.

When to File

You should file as soon as you can after January 1, but not later than April 20, 2005. If the due date falls on a Saturday, Sunday, or legal holiday, file by the next regular workday. If you file late, you may have to pay penalties and interest if you owe taxes on your return. Please see the instructions for *Penalties and Interest* on page 31. If you cannot meet the deadline, you are not required to file Form N-101A, Application for Automatic Extension of Time to File Hawaii Individual Income Tax Return, (or any other form) to request an automatic 4-month extension of time to file Form N-15. The 4-month extension is automatically granted without a filing of any kind. However, you will not be granted an automatic extension if you are under a court order to file your return by the regular due date.

Form N-101A need only be filed if you are making a payment, in which case Form N-101A must accompany your payment. The extension of time to file is not an extension of time for payment of tax.

Form N-101A can be filed electronically through the State's Internet portal. For more information, go to www.ehawaii.gov/efile. Federal Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, may be used in lieu of Form N-101A.

Note: Returns for fiscal year taxpayers must be filed on or before the 20th day of the fourth month following the close of the fiscal year.

Note: Under Hawaii Income Tax Law, certain tax credits must be claimed within 12 months from the close of the tax year.

The official U.S. Post Office cancellation mark will be considered primary evidence of the date of filing of tax documents and payments. If you want to keep evidence that you mailed your return on time, ask your Post Office for a Certificate of Mailing. It is NOT necessary to get a certified or registered mail return receipt.

Hawaii has adopted the Internal Revenue Code provision to allow documents and payments delivered by a designated private delivery service to qualify for the "timely mailing treated as timely filing/paying rule." The Department of Taxation will conform to the Internal Revenue Service listing of designated private delivery service and type of delivery services qualifying under this provision." Timely filing of mail which does not bear the U.S. Post Office cancellation mark or the date recorded or marked by the designated delivery service will be determined by reference to other competent evidence. The private delivery service can tell you how to get written proof of the mailing date.

Where to File

Please use the addressed envelope that came with your forms. If you do not have an addressed envelope, or if you moved during the year, mail your return to:

Hawaii Department of Taxation
P.O. Box 3559
Honolulu, Hawaii 96811-3559.

Where to Get Information

Taxpayer Services Branch

Website: www.state.hi.us/tax

E-mail: Taxpayer.Services@hawaii.gov

Telephone:

808-587-4242

Toll-Free: 1-800-222-3229

TDD/TTY: 808-587-1418 (For the hearing impaired)

TDD/TTY Toll-Free: 1-800-887-8974 (For the hearing impaired)

Tax forms by Fax/Mail:

808-587-7572

Toll-Free: 1-800-222-7572

Other Information

Death of Taxpayer

Did the taxpayer die before filing a return for 2004? If so, the taxpayer's spouse or personal representative may have to file a return and sign it for the person who died (decedent) if the decedent was required to file a return. A personal representative can be an executor, administrator, or anyone who is in charge of the taxpayer's property.

If the decedent did not have to file a return but either had State income tax withheld, made estimated tax payments, or is eligible for various tax credits, a return must be filed to get a refund.

If your spouse died in 2004 and you did not remarry in 2004, or if your spouse died in 2005 before filing a return for 2004, you may still file a joint return for the 2004 tax year.

A return filed for a deceased taxpayer, including a joint return with a surviving spouse, must have the word "**DECEASED**" written in the upper left hand corner of the return. The word "**DECEASED**" and the date of death also must be written after the deceased taxpayer's first name and middle initial in the name and address area of the tax return.

Generally, the personal representative or other responsible individual must sign the return on behalf of the decedent. **If a refund is due, Form N-110, Statement of Person Claiming Refund Due a Deceased Taxpayer**, must be completed and attached to the return to ensure that the refund check will be issued in the name of the surviving spouse, personal representative, or other responsible individual instead of in the decedent's name. A personal representative or other individual may be required to attach other documents such as the death certificate. See Form N-110 for further information.

Exception for joint returns filed by surviving spouse. If a *joint* return is being filed by the decedent and the decedent's spouse, the spouse should write, "Filing as surviving spouse", on the signature line which the decedent would have signed, and then the surviving spouse should sign his or her name on the other signature line. If a refund is being claimed on the return, Form N-110 is not required. The refund check will be issued to the surviving spouse.

Declaration of Estimated Tax

Basic rules. Individuals who must pay more tax than is withheld, or who have no withholding, may have to file a declaration of estimated tax and pay that tax in a lump sum or installments. Income tax obligations might not be satisfied through withholding when an individual has income not subject to withholding, such as from self-employment, rent, gains from sales of property, interest and dividend income, unemployment compensation, or distributions from deferred compensation plans.

Who Must File a Declaration on Form N-1. An individual subject to Hawaii net income tax generally must file Form N-1, *Declaration of Estimated Tax for Individuals*, unless: (a) his or her estimated tax liability for the taxable year, after taking into account all taxes withheld or collected at the source, is less than \$500, or (b) the taxpayer did not have any tax liability for the preceding taxable year. See Form N-1 for details. Form N-1 can be filed electronically through the State's Internet portal. For more information, go to www.hawaii.gov/efile.

Date and Payment of Estimated Tax. Your declaration for 2005 must be filed on or before April 20, 2005. The tax may be paid in full with the declaration, or in equal installments on or before April 20, 2005, June 20, 2005, September 20, 2005, and January 20, 2006. Each installment payment must be submitted with a payment voucher. Make checks or money orders payable to the "Hawaii State Tax Collector".

Penalties. If you are required to file a declaration but you fail to do so, you may be subject to penalties. See *Penalties and Interest* on page 31.

Multistate Tax Compact Act

Any taxpayer, other than a corporation acting as a business entity in more than one state, who is required by the Hawaii Income Tax Law to file a return and whose only activities in the State consist of sales and who does not own or rent real estate or tangible personal property and whose annual gross sales in or into the State during the tax year are not in excess of \$100,000 may elect to report and pay a tax of .5 percent of such annual gross sales. Taxpayers who elect the foregoing shall file Form N-310 in lieu of Form N-15.

Composite Tax Returns and Payments

Composite tax returns and composite tax payments may be made on behalf of nonresident shareholders of an S corporation, nonresident partners of a partnership, and nonresident members of a limited liability company or limited liability partnership. Instructions for filing a composite Form N-15

for nonresident shareholders, partners, and members are included in the instructions for Forms N-20 and N-35.

Election to File Form N-15 Without Providing Information as to Worldwide Source Income

In lieu of providing information as to worldwide source income, nonresident taxpayers (including nonresident alien taxpayers) and part-year resident taxpayers may elect to file Form N-15 without claiming any standard deduction or personal exemption amounts. Itemized deductions calculated using the ratio of Hawaii adjusted gross income to Total adjusted gross income may not be claimed. Also, tax credits which are based on total adjusted gross income from all sources may not be claimed. To make this election, enter zero on line 38, Ratio of Hawaii AGI to Total AGI.

Steps for Preparing Your Return

These instructions consist of 11 steps. You should complete the first 3 steps that follow BEFORE you begin to fill in your return.

Steps 4 and 5, filling in the return through line 6e, begin on page 7 and end on page 9. Step 6, filling in the rest of the return, is on page 9. The Line-By-Line Instructions for Form N-15 begin on page 9 and end on page 30.

Finally, steps 7 through 11 begin on page 30. These are the steps you should take after your Form N-15, and other schedules and forms you need, are filled in.

If you follow these steps and read the Line-By-Line Instructions, we feel you can fill in your return quickly and accurately. If you have any questions, call our Taxpayer Services staff.

Special Instructions for Nonresident Aliens

Special rules will apply to you if you are considered a nonresident alien or a dual-status alien. For Hawaii income tax purposes, a nonresident alien is an individual who is not a U.S. citizen, and who has not been in Hawaii for more than 200 days during the taxable year, or is in Hawaii for a temporary or transient purpose. A dual-status alien is a person who was a resident alien for part of the year and a nonresident alien for the other part of the year.

The special rules for nonresident and dual-status aliens will not apply if you elect to be taxed as a resident alien on your federal income tax return. You can make this election if either of the following applies to you:

- You were a nonresident alien on the last day of the tax year, and your spouse was a U.S. citizen or resident alien on the last day of the tax year.
- You were a nonresident alien at the beginning of the tax year, but you were a resident alien on the last day of the tax year and your spouse was a U.S. citizen or resident alien on the last day of the tax year. (This also applies if both you and your spouse were nonresident aliens at the beginning of the tax year and both were resident aliens at the end of the tax year.)

See federal Publication 519, U.S. Tax Guide for Aliens, for complete definitions of "resident alien", "nonresident alien", and "dual-status alien".

In certain situations, a taxpayer may be considered a nonresident alien for federal income tax purposes and a resident for Hawaii income tax purposes. In these situations, the special rules applicable to individuals who are considered nonresident aliens for federal income tax purposes will apply when the individual files a Hawaii resident income tax return. See Tax Information Release No. 97-1, "*Determination of Residence Status*".

Step 1

Get all of your income records together.

These include any Forms HW-2 and federal Forms W-2 or 1099 that you received. If you don't receive a Form HW-2 or federal Form W-2 by January 31, or if the one you get isn't correct, please contact your employer as soon as possible. Only your employer can give you a Form HW-2 or federal Form W-2, or correct it. If you cannot get a Form HW-2 or federal Form W-2 by February 15, please contact our Taxpayer Services staff.

If you have someone prepare your return for you, make sure that person has all your income and expense records so he or she can fill in your return correctly. Remember, even if someone else prepares your return incorrectly, YOU are still responsible.

Step 2

If you plan to claim tax credits or itemize deductions, get the information and expense records you need.

These instructions tell you what credits and deductions you can claim. Some of the records you may need are:

- Medical and dental payment records.
- Real estate and income tax receipts.
- Interest payment records for a home mortgage.
- Receipts for charitable contributions.

Step 3

Get any forms, schedules, or information you need.

Nonresident tax form and instruction packages are not automatically mailed to you, unless you checked the box on the Form N-15 you filed last year requesting the packet of forms.

All forms and instructions you need may be picked up at any district tax office. You may also request that the forms be mailed or faxed to you. Please allow approximately 10 days for the mailing of the tax forms. Tax forms are also available on the Internet. See page 5 for the phone number to request the forms you need and for the Department's website address.

Step 4

Check the applicable box to indicate whether you are a nonresident or part-year resident.

At the top of Form N-15, you **must** check the applicable box to indicate whether you are a nonresident or part-year resident. If one of the boxes is not checked, your return may be processed incorrectly and may result in a delay.

If you are a part-year resident, you **must** fill in the period of your Hawaii residency on the line which begins "or other tax year beginning. . ." If the part-year resident box is checked and the line to indicate the taxpayer's tax year is not completed, any claims for the low-income refundable tax credit or the credit for low-income household renters will be disallowed.

Step 5

Fill in your name, address, filing status, and exemptions.

Note: Please check the box above the name and address area of the tax return if you are filing a tax return for the first time or if your address has changed.

Name

You must use your legal name. Nicknames are not permitted. If you have changed your name because of marriage, divorce, etc., make sure you immediately notify the Social Security Administration so that the name on your tax return is the same as the name on the social security records. If these names do not match, your refund may be delayed.

If you file joint returns, write the names in the same order every year. There is a separate line for the spouse's name.

Write any descriptions (e.g. Jr., III, etc.) after your last name.

Address

Write your current mailing address in the space provided. If you receive your mail "in care of" someone else (i.e., your mail is sent to an address belonging to someone other than yourself), fill in that person's name in the space provided for the mailing address. Be sure to write "c/o" before the person's name.

If your address is outside the United States or its possessions or territories, enter the information on the line for "City, town or post office, State and ZIP code" in the following order: city, province or state, postal code, and the name of the country. **Do not** abbreviate the country name.

Important: If your address should change after you file your return, you must notify the Department **in writing** of your new address. Please include your social security number and your signature. Any refund checks due to you will **not** be forwarded to your new address by the U.S. Postal Service.

Social Security Number

Write your social security number in the space provided. If you are married, you must also write your spouse's social security number in the space provided whether joint or separate returns are filed. Your social security

numbers must be written in the same order as your names are written on your return.

If you are an alien and were issued an individual taxpayer identification number (ITIN) by the IRS, enter your ITIN. If you have applied for an ITIN but the IRS has not yet issued the ITIN, write "Applied For".

Occupation

Write your occupation in the space provided. If married and filing a joint return, also write your spouse's occupation in the space provided.

Hawaii Election Campaign Fund

The check boxes for the Hawaii Election Campaign Fund appear on the front side of Form N-15.

This fund was established by the Hawaii State Legislature to support public financing of Hawaii governor's election campaigns.

You may have \$2 go to the fund by checking the "Yes" box. On a joint return, one or both of you may choose to have \$2 go to this fund, or both may choose not to.

If you check "Yes," it will not change the tax or refund shown on your return.

Once made, the designation cannot be revoked.

Residency Status

If you were a nonresident, write the name of the state or foreign country of which you were a permanent resident in 2004 in the space provided.

Filing Status

Check either box 1, 2, 3, 4, or 5 as appropriate. Do not put a check in more than one box.

Note: More than one filing status may apply to you. Choose the one that will give you the lowest tax.

Single

Select box 1, Single, if on December 31, 2004, you were unmarried, divorced, or separated from your spouse under a separate maintenance decree. State law governs whether you are married, divorced, or legally separated.

If you are married on December 31, 2004, consider yourself married for the whole year.

If your spouse died during 2004, consider yourself married to that spouse for the whole year, unless you remarried before the end of 2004.

If you are unmarried and provide a home for certain other persons, you may be able to file as Head of Household. See *Head of Household* on page 8.

If you were married in 2004, had a child living with you, and lived apart from your spouse during the last 6 months of 2004, you may be able to file as Head of Household. See *Married Persons Who Live Apart (and Abandoned Spouses)* on page 8.

Married Filing Joint Return

If you file a joint return, you must report all income, exemptions, deductions, and credits for you and your spouse. Both of you must sign the return, even if only one of you had income.

You and your spouse can file a joint return even if you did not live together for the whole year. Both of you are responsible for any tax due on a joint return, so if one of you doesn't pay, the other may have to.

Note: If you and your spouse file a joint return for the year and later decide to file separately, both you and your spouse **MUST** file amended returns on or before the due date of the original return (April 20). **You may not change your filing status from married filing jointly to married filing separately after that date.**

If your spouse died in 2004 or in 2005 before filing a return for 2004, see *Death of Taxpayer* on page 6.

Tax Savings. If you decide not to file a joint return and plan to file a separate return, see if you can lower your tax by meeting the tests described on page 8 under *Married Persons Who Live Apart (and Abandoned Spouses)*. If you can, you should check Box 4 for Head of Household.

Special Rule for Nonresidents of Hawaii Who File a Joint Return With a Hawaii Resident. If at the end of the taxable year you were a nonresident of Hawaii (but you were a U.S. resident) who is married to a resident of Hawaii, you may choose to file a joint return with the resident spouse. By filing a joint return, however, you and your spouse agree to be taxed on your combined worldwide income.

Special Rule for Nonresident and Dual-Status Aliens. Generally, you cannot file a joint return if either spouse was a nonresident alien at any time

during the tax year. However, nonresident aliens married to U.S. citizens or residents can elect to be taxed as a U.S. resident on their federal income tax return and file joint returns. If you and your spouse have made that election on your federal return, you also may choose to file a joint Hawaii return. By filing a joint return, you and your spouse agree to be taxed on your combined worldwide income.

Special Rule When One Spouse Is a Nonresident or Part-Year Resident. If one spouse is a resident and the couple files a joint return, both spouses are taxed on worldwide income. If at least one spouse is a part-year resident and the couple files a joint return, the couple is taxed on worldwide income for the period in which either spouse was a resident.

Note: For purposes of filing a joint return, common law marriages are not recognized under Hawaii law unless they began in a state which permits common law marriages.

Married Filing Separate Returns

You may file separate returns whether both you and your spouse had income, only one of you had income, or neither of you had income.

If you choose to file separate returns, both you and your spouse must figure your tax the same way. This means that if one of you itemizes your deductions, the other must also itemize their deductions. You each report only your own income, exemptions, deductions, and credits, and you are responsible only for the tax due on your own return.

If you file a separate return, write your spouse's full name in the space after Box 3 and your spouse's social security number in the block provided for that number.

If your spouse does not file a Hawaii tax return, you may be able to claim the exemptions for your spouse. See the instructions for lines 6a and 6b.

Special Rule for Nonresident and Dual-Status Aliens.— Married nonresident aliens must file separate returns. However, nonresident aliens who are married to U.S. citizens or residents and who elect to be taxed as a U.S. resident may file joint returns. However, see *Married Persons Who Live Apart (and Abandoned Spouses)*, below.

Married Persons Who Live Apart (and Abandoned Spouses)

You will be considered unmarried if you meet **ALL** of the following tests:

- 1) You file a separate return,
- 2) You paid more than half the cost of keeping up your home for the tax year,
- 3) Your spouse did not live in your home during the last 6 months of the tax year, and
- 4) Your home was, for more than 6 months of the year, the principal home of your child, stepchild, adopted child, or foster child whom you can claim as a dependent (or whom you could claim as your dependent except that the noncustodial parent will claim the child as a dependent under the rules discussed on page 9, for *Children of Divorced or Separated Parents*).

If you are considered unmarried under these rules, you will qualify to file as Head of Household.

Special Rule for Nonresident and Dual-Status Aliens.— If you were a nonresident or dual-status alien during the tax year, the special rules for *Married Persons Who Live Apart (and Abandoned Spouses)* will not apply to you unless you meet all of the tests above, and you are a resident of Canada or Mexico. If you are considered unmarried under these rules, you may file as a single individual rather than married filing separately. You cannot file as Head of Household.

Head of Household

There are special tax rates for a person who can meet the tests for Head of Household. These rates are lower than the rates for Single or Married Filing Separate Returns.

You may be eligible to file as Head of Household if you were unmarried, or considered unmarried, on the last day of the year. You must have paid more than half the cost of keeping up a home that was the principal home for more than half the year for you and:

- 1) Your unmarried child, grandchild, stepchild, or adopted child. This child does not have to be your dependent.
- 2) Your married child, grandchild, stepchild or adopted child whom you can claim as your dependent without a Multiple Support Declaration (or whom you could claim as your dependent except that the noncustodial parent will claim the child as a dependent under the rules, discussed on page 9, for *Children of Divorced or Separated Parents*).
- 3) Any other relative, including your mother or father, whom you can claim as a dependent without a Multiple Support Declaration. For persons who qualify as a relative, see *Relationship* on page 9.

Also, you may be eligible to file as Head of Household if you were unmarried, or considered unmarried, on the last day of the year, and pay more

than half the cost of keeping up a home that was the principal home for the whole year for your mother or father whom you can claim as a dependent without a Multiple Support Declaration, but who does not live with you.

Note: If you receive payments under the Aid to Families with Dependent Children (AFDC) program and use them to pay part of the cost of keeping up this home, you may not count these amounts as furnished by you.

Special Rule for Nonresident and Dual-Status Aliens.— If you were a nonresident or dual-status alien during the tax year, you cannot file as Head of Household.

Qualifying Widow(er) With Dependent Child

If your spouse died during 2002 or 2003 and you did not remarry before the end of 2004, file a return for 2004 showing only your own income, exemptions, deductions, and credits. However, you can figure your tax at joint return rates if you meet **ALL 3** of the following tests:

- You could have filed a joint return with your spouse for the year your spouse died. (It does not matter whether or not you actually filed a joint return.)
- Your dependent child, stepchild, or foster child lived with you (except for temporary absences for vacation or school).
- You paid over half the cost of keeping up the home for this child for the whole year.

Check Box 5, Qualifying Widow(er) with Dependent Child, and show the year your spouse died in the space provided. Do not claim an exemption for your spouse. (You can claim the exemption only for the year your spouse died.)

If your spouse died in 2004 and you did not remarry, consider yourself married for the whole year. If your spouse died before **2002** and you did not remarry, you may check Box 4 if you met the tests under **Head of Household**. Otherwise you must file as Single. Also see page 6 of instructions, *Death of Taxpayer*.

Special Rule for Nonresident and Dual-Status Aliens.— The special rules for Qualifying Widow(er) With Dependent Child will not apply unless the surviving spouse meets all of the tests above, and was a resident alien or U.S. citizen the year their spouse died. The residency status refers to the surviving spouse's actual status, and not the election that some nonresident aliens make to be taxed as U.S. residents.

Exemptions

Lines 6a and 6b

Regular

You can take one exemption for yourself unless you can be claimed as a dependent on another person's tax return. Take two exemptions if you are married and filing a joint return.

If you are married filing separately, you can take your spouse's exemptions only if your spouse is not filing a return, had no income, and was not the dependent of someone else. If your spouse meets these qualifications, check the box under line 6b.

If at the end of the taxable year, you were divorced or legally separated, you cannot take an exemption for your former spouse. If you were separated by a divorce that is not final (interlocutory decree), you may take an exemption for your spouse if you file a joint return.

If your spouse died during the taxable year and you did not remarry before the end of the taxable year, check the boxes for the exemptions you could have taken for your spouse on the date of death.

Age 65 or Over

You can take the extra exemption for age 65 or over only for yourself and your spouse. You cannot take them for your dependents.

Age is determined as of December 31. However, if your 65th birthday was on January 1, 2005, you can take the extra exemption for age in 2004.

If you are married filing separately, you may NOT claim the extra exemption for age 65 or over for your spouse.

Lines 6c and 6d

Children and Other Dependents

Enter the number of your dependent children listed in the box for line 6c. Enter the number of other dependents listed in the box for line 6d. Enter on lines 6c and 6d the full names, social security numbers, and other information for your dependent children and other dependents. Each dependent must have a social security number.

Each person you claim as a dependent has to meet **ALL 5** of these tests:
a. income;

- b. support;
- c. married dependent;
- d. citizenship or residence; and
- e. relationship.

These tests are explained below.

a. Income

The dependent received less than \$3,100 gross income. (This test does not have to be met for your child who was under age 19 at the end of the year, or a full-time student at least 5 months of the year and under 24 years of age at the end of the year. Please see instructions for *Student Dependent* on this page.)

Note: *Gross income does not include nontaxable benefits such as social security or welfare benefits.*

b. Support

The dependent received over half of his or her support from you, or is treated as receiving over half of his or her support from you, under the rules for *Children of Divorced or Separated Parents*, or *Dependent Supported by Two or More Taxpayers*, on this page. If you file a joint return, the support can be from you or your spouse.

In figuring total support, you must include money the dependent used for his or her own support, even if this money was not taxable (for example, social security benefits, gifts, savings, welfare benefits, etc.). If your child was a student, do not include amounts he or she received as scholarships.

Support includes items such as food, a place to live, clothes, medical and dental care, and education. In figuring support, use the actual cost of these items. However, the cost of a place to live is figured at its fair rental value.

Do not include in support items such as income and social security taxes, premiums for life insurance, or funeral expenses.

Capital Items—You must include capital items such as a car or furniture in figuring support, but only if they are actually given to, or bought by, the dependent for his or her use or benefit. Do not include the cost of a capital item such as furniture for the household or for use by persons other than the dependent.

c. Married Dependent

The dependent did not file a joint return with his or her spouse. However, if neither the dependent nor the dependent's spouse is required to file, but they file a joint return to get a refund of tax withheld, you may claim him or her if the other four tests are met.

d. Citizenship or Residence

The dependent was a citizen or resident of the United States, a resident of Canada or Mexico, or an alien child adopted by and living with a U.S. citizen in a foreign country.

e. Relationship

The dependent met test 1 or 2 below:

1. Was related to you (or your spouse if you are filing a joint return) in one of the following ways:

Child	Grandchild	Mother-in-law	or, if related
Mother	Stepchild	Father-in-law	by blood:
Father	Stepbrother	Brother-in-law	Uncle
Brother	Stepsister	Sister-in-law	Nephew
Sister	Stepmother	Daughter-in-law	Aunt
Grandparent	Stepfather	Son-in-law	Niece

2. Was any other person who lived in your home as a member of your household for the whole year. A person is not a member of your household if at any time during your tax year the relationship between you and that person is against local law.

The word child includes:

- Your son, daughter, stepson, or stepdaughter.
- A child who lived in your home as a member of your family if placed with you by an authorized placement agency for legal adoption.
- A foster child (any child who lived in your home as a member of your family for the whole year).

Student Dependent. Even if your child had income of \$3,100 or more, you can claim the child as a dependent if he or she can meet tests **b**, **c**, and **d** above; was under 24 years of age at the end of the year, AND

- was a full-time student at a school during any 5 months of 2004, or
- took a full-time on-farm training course during any 5 months of 2004. (The course had to be given by a school or a State or local government agency.)

The school must have a regular teaching staff, a regular course of study, and a regularly enrolled body of students in attendance.

The word school includes:

- elementary, junior and senior high schools;
- colleges and universities; and
- technical, trade, and mechanical schools.

However, school does not include on-the-job training courses or correspondence schools.

Children of Divorced or Separated Parents. The parent having custody of a child for the greater portion of the year (the custodial parent) will generally be entitled to the dependency exemption. This rule applies to parents not living together during the last six months of the calendar year and those divorced or separated under a separation agreement.

This general rule does not apply in the case of the following three exceptions:

- a. There is a multiple support agreement in effect;
- b. The custodial parent has agreed to release his or her claim to the dependency exemption to the noncustodial parent in a decree or agreement in effect before January 1985, and the noncustodial parent furnishes at least \$600 support for the child within the taxable year; OR
- c. The custodial parent relinquishes the exemption and provides the noncustodial parent with a written statement that the custodial parent will not claim the dependency exemption for the taxable year. This statement must be attached to the return of the noncustodial parent who claims the exemption. A copy of federal Form 8332 may be used for this purpose.

Support by the spouse of a remarried parent will be treated as support provided by that parent.

Dependent Supported by Two or More Taxpayers. Sometimes two or more taxpayers together pay more than half of another person's support, but no one alone pays over half of the support. One of the taxpayers may claim the person as a dependent only if the tests for income, married dependent, citizenship or residence, and relationship discussed earlier (tests **a**, **c**, **d**, and **e**) are met.

In addition, the taxpayer who claims the dependent must:

- a. have paid more than 10% of the dependent's support; and
- b. attach to his or her tax return a signed federal Form 2120, Multiple Support Declaration, from every other person who paid more than 10% of the support. This form states that the person who signs it will not claim an exemption in 2004 for the person he or she helped to support.

Birth or Death of Dependent. You can take an exemption for a dependent who was born or who died during the taxable year if he or she met the tests for a dependent while alive. This means that a baby who lived only a few minutes can be claimed as a dependent.

Line 6e

Add the numbers you entered in the boxes 6a, 6b, 6c and 6d. Enter the total in the box on line 6e.

Step 6

Fill in your return.

Line-By-Line instructions for filling in Form N-15 begin on this page and end on page 30. Please read and follow the instructions carefully.

Line-By-Line Instructions— Form N-15

Lines 7 through 36

Form N-15 has two columns for lines 7 through 36; Total Income, Column A and Hawaii Income, Column B.

You must report in Column A, your total income (regardless of source) and adjustments to your total income as if you were a full year Hawaii resident.

If you are a **nonresident, report in Column B**, only income derived from Hawaii sources and the allowable adjustments to your Hawaii income.

If you are a **part-year resident, report in Column B**, your total income (regardless of source) and adjustments to your total income during the period of residency, and only income derived from Hawaii sources and the allowable adjustments to your Hawaii income for the period of nonresidency.

The following is a general discussion of income from Hawaii sources, and allowable adjustments to Hawaii income.

Income

Nonresidents should report in Column B, gross income from property owned, personal services performed, trade or business carried on, and every other source in the State (Hawaii). Part-year residents should report in Column B, gross income (regardless of source) for the period of residency, and gross income from property owned, personal services performed,

trade or business carried on, and every other source in the State (Hawaii) for the period of nonresidency.

In determining whether income has its source in the State or outside the State, the following rules should be applied:

- The source of income from either real or tangible personal property, is the place where the property is "owned", which means the place where the property has its situs.
- Intangible property will be deemed to have its situs at the place of the owner's domicile, unless the property has acquired a business situs at another place, in which event, the place of the business situs is the place where the property is owned.
- Chattel real, such as a leasehold, has its situs where the real property is located.
- The source of income from carrying on a trade or business is the place where the trade or business is carried on. If the trade or business is carried on both within and without the State, the portion of the income attributable to the State should be determined as provided by section 235-5, HRS.
- Income from the performance of personal services has its source at the place where the services are performed.
- A gain or loss on the sale or other disposition of property has its source at the place where the property was owned, that is, where it had its situs, at the time of the sale or other disposition.

Examples of Includable and Excludable Income

The following examples will help you understand what kind of Hawaii source income must be reported as Gross Income in the Hawaii Gross Income Column B of your income tax return during the period of nonresidency, and what items are exempt from tax.

Examples of Income You Must Report

The following kinds of income should be reported on Form N-15, Column B, and related forms and schedules.

- Wages, including salaries, bonuses, commissions, fees, and tips.
- U.S. Cost of Living Allowances.
- Living Quarter Allowances.
- Interest on:
 - Hawaii tax refunds;
 - Interest received from an agreement of sale of real property located in Hawaii.
- Unemployment compensation benefits received from Hawaii.
- Temporary Disability Insurance Benefits received in Hawaii to the extent that such amounts:
 - are attributable to contributions by your employer which were not includable in your gross income, OR
 - are paid by your employer.
- Business expense reimbursements you received as an employee in Hawaii that are more than you spent for those expenses.
- Refunds of State and local taxes if you deducted the taxes in an earlier year and got a tax benefit. See details on page 12 of instructions.
- Gains or losses from the sale or exchange of Hawaii real estate, securities, or other property.
- Profits or losses from Hawaii businesses or professions.
- Your share of profits or losses from partnerships and small business corporations carried on in Hawaii.
- Your share of trust or estate income or losses from activities carried on in Hawaii.
- Rent from property located in Hawaii.
- Contest prizes with source in Hawaii.
- Certain alimony and separate maintenance payments. Refer to the instructions for *Alimony Paid* on page 18.
- Capital gains and losses from assets with situs in Hawaii.

Example: Hawaii Income of a Part-Year Resident.

T, an unmarried cash basis calendar year taxpayer, was a resident of Arizona on January 1, 2004. T moved to Hawaii on April 1, 2004, and continued to work as an insurance agent. T is a Hawaii resident for the remainder of 2004.

- 1) On March 20, 2004, T received \$20,000 as gain from the sale of Arizona real property held for investment. The \$20,000 gain is out-of-state income earned when T was a nonresident. None of it should be reported in Column B.
- 2) T earned commissions of \$25,000 for policies sold after April 1, 2004. The commissions are from a trade or business carried on in Hawaii, and are Hawaii source income. The commissions were earned when T was a Hawaii resident. All of these commissions should be reported in Column B.

3) T also earned initial and renewal commissions of \$12,000 for policies sold before April 1, 2004, \$4,000 of which T earned before April 1, 2004. The \$12,000 in commissions earned before April 2004 is from a trade or business carried on in Arizona, and is thus out-of-state income. However, only \$4,000 was earned when T was a nonresident. The remaining \$8,000 should be reported in Column B.

4) Finally, T had signed a business consulting contract with one Arizona client, for which T was paid an additional \$1,200 for services rendered throughout the year. It cannot be determined whether the remaining \$1,200 in commission income was generated while T was a Hawaii resident. Thus, because T was a resident for nine months in 2004, 9/12 x \$1,200, or \$900, shall be reported in Column B unless T demonstrates otherwise to the satisfaction of the Department.

Examples of Income You Do Not Report

- Pensions you receive upon retirement where no employee contributions are involved.
- All Government payments and benefits made to veterans and their families.
- Dividends on veterans' Government Insurance.
- Dividends from stocks. Generally, the source of income from an intangible asset (e.g. stock of a corporation) is the owner's place of permanent residence or domicile. This means that a nonresident owning intangible assets and receiving income therefrom, even though the dividend may have been paid by a Hawaii corporation, would not be subject to Hawaii income tax because the nonresident's permanent residence or domicile is not Hawaii. However, such income would be subject to Hawaii income tax if the intangible asset acquired a situs in Hawaii.
- Benefits paid by the Hawaii Retirement System or similar public (Federal, City, County, or other State) retirement system.
- Workers' compensation, insurance, damages, etc., for bodily injury or sickness.
- Interest on Federal, Hawaii State and County municipal bonds. Also, U.S. Savings Bonds.
- Interest on bonds issued by the Governments of Puerto Rico, U.S. Virgin Islands and Guam.
- Life insurance proceeds upon death.
- Federal Social Security benefits.
- Railroad Retirement Act benefits.
- Gifts, inheritances, bequests.
- Compensation by Hawaii or the U.S. to a patient affected with Hansen's disease.
- Child support.
- Welfare benefits.
- Compensation for services as a member of the uniformed services of the U.S.
- Contributions to deferred compensation plans with respect to service for state and local governments or to an annuity purchased by qualified non-profit organizations and public schools.
- Royalties and other income derived from patents, copyrights, and trade secrets developed and arising out of a qualified high technology business.
- All income earned and proceeds derived from stock options or stock, including stock issued through the exercise of stock options or warrants, from a qualified high technology business or from a holding company of a qualified high technology business by an employee, officer, or director of the qualified high technology business, or investor who qualifies for the high technology business investment tax credit.
- Amounts paid after 1999 as restitution payments made to Holocaust victims (or their heirs or estate).
- Amount of payment stipend waived by Department of Education coaches and dispensed to the school for the benefit of the coach's team.

Rounding Off to Whole Dollars

The Department of Taxation is requiring individual taxpayers to round off cents to the nearest whole dollar for all dollar entries on the tax return and schedules. To do so, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example: \$1.39 becomes \$1 and \$2.69 becomes \$3. If you have to add two or more amounts to figure the amount to enter on a line, schedule, or worksheet, you may choose to use one of two methods. Once a method of rounding is established, you must use the same method throughout the return. The first method is to include the cents when adding and round off only the total. The other method is to round off each entry. For example: You received two W-2 forms, one showing Hawaii withholding of \$50.55 and one showing Hawaii withholding of \$185.73. For rounding method 1, show your total Hawaii withholding

as \$236, $(\$50.55 + \$185.73 = \$236.28$ rounded to \$236). For rounding method 2, show your total Hawaii withholding as \$237, $(\$50.55$ rounded to \$51.00 + $\$185.73$ rounded to $\$186.00 = \$51 + \$186 = \237).

Line 7

Wages, Salaries, Tips, Etc.

Report as income any salaries, wages, or other compensation received by you, or available to you. You must report the full amount of your wages, salaries, fees, commissions, tips, bonuses, and other payments for your personal services even though taxes and other amounts have been withheld by your employer.

Note: You must report on line 7 all wages, etc., paid for your personal services, even if the income was signed over to a trust, (including an IRA), another person, a corporation, or tax exempt organization.

Include in this total:

- The amount shown on Form HW-2 in the box Wages, Tips, Other Compensation. If you received federal Form W-2, report the amount in box 16, State wages, tips, etc. If you did not receive a Form HW-2 or federal Form W-2, see page 6, Step 1 of instructions.
- Tips received that you did not report to your employer. You must report as income the amount of allocated tips shown on your federal W-2 form(s) unless you can prove a lesser amount with adequate records.
- Payment in merchandise, etc. — If your employer pays part or all of your wages in merchandise, services, stock or other things of value, you must determine the fair market value of such items and include it in your wages.
- Fair market value of meals and living quarters if given by your employer as a matter of your choice and not for your employer's convenience. (Don't report the value of meals given you at work if they were provided for your employer's convenience. Also do not report the value of living quarters you had to accept as a condition of employment).
- Strike and lockout benefits paid by a union from union dues. Include cash and the fair market value of goods received. Don't report benefits that were meant as a gift.
- Amounts received as Cost of Living Allowance, Living Quarter Allowance, and Temporary Disability Insurance.
- The taxable portion of employer-paid dependent care benefits from Schedule X, Part III, line 10. If you are including these benefits, write "DCB" on the dotted line next to line 7.
- The taxable portion of employer-provided adoption benefits. Use the *Adoption Benefits Worksheet* on page 40 to help you figure the taxable portion. If you are including these benefits, write "AB" on the dotted line next to line 7.

Enter in Column A, the amount of salaries, wages, or other compensation earned from all sources that would be taxable if you were a full year Hawaii resident.

Nonresidents: Enter in Column B, the amount of salaries, wages, or other compensation earned for services rendered in Hawaii.

Part-year residents: Enter in Column B, the amount of salaries, wages, or other compensation earned from all sources for the period of residency; and the amount of salaries, wages, or other compensation earned for services rendered in Hawaii for the period of nonresidency.

Line 8

Interest Income

Report any interest you received or that was credited to your account so you could withdraw it. (It does not have to be entered in your passbook.) Each payer of interest should send you a federal Form 1099-INT or 1099-OID. If you were charged an interest penalty for early withdrawal of your savings, see the instructions for line 30 on page 18.

Examples of Interest Income You MUST Report

You must report interest on:

- Accounts with banks, credit unions, and savings and loan associations.
Note: Do not report interest earned on *Individual Retirement Accounts, Individual Housing Accounts, Individual Development Accounts, Qualified Tuition Programs, Medical Savings Accounts, and Health Savings Accounts*.
- Building and loan accounts.
- Notes and loans.
- Tax refunds (report only the interest on this line; also see the instructions for line 10).
- Bonds and debentures.

Note: Municipal bonds that are issued by another State are **taxable** in Hawaii. However, interest on Hawaii State and County municipal bonds, and bonds issued by the Governments of Puerto Rico, U.S. Virgin Islands, and Guam are exempt in Hawaii. Also, U.S. Savings Bonds and U.S. Treasury obligations are **exempt** in Hawaii. For more information about what kinds of obligations are exempt, see Tax Information Release No. 84-1, "Taxability of Interest on U.S. Obligations".

- Money market funds. But if the payer gives you a federal Form 1099-DIV, report the income as *dividends* on line 9.

Generally, the source of income from an intangible asset is the owner's place of permanent residence or domicile. This means that a nonresident owning intangible assets and receiving income (interest income, dividend income) therefrom, even though the interest income may have been paid by a Hawaii bank or the dividend may have been paid by a Hawaii corporation, would not be subject to Hawaii income tax because the nonresident's permanent residence or domicile is not Hawaii. However, such income would be subject to Hawaii income tax if the intangible asset acquired a situs in Hawaii, such as interest received on an agreement of sale of real property located in Hawaii, or dividends received by an S Corporation situated in Hawaii, which are passed through to the S Corporation's nonresident shareholders.

Enter in Column A, the amount of interest income derived from all sources that would be taxable if you were a full year Hawaii resident.

Nonresidents: Enter in Column B, the amount of interest income derived from intangible assets that have acquired a situs in Hawaii. Use the *Interest Worksheet* on page 36 to help you figure the amount of your taxable interest to enter in Column B.

Part-year residents: Enter in Column B, the amount of interest income derived from all sources for the period of residency; and the amount of interest income derived from intangible assets that have acquired a situs in Hawaii for the period of nonresidency. Use the *Interest Worksheet* on page 36 to help you figure the amount of your taxable interest to enter in Column B.

Line 9

Ordinary Dividends

Note: Dividends from stock, including stock issued through the exercise of stock options or warrants, from a qualified high technology business or from a holding company of a qualified high technology business by an employee, officer, or director of the qualified high technology business, or investor who qualifies for the high technology business investment tax credit is excluded from Hawaii income taxes.

Enter your total ordinary dividends. Ordinary dividends are dividends that are paid out of earnings and profits and are ordinary income. Assume that any dividend you receive is an ordinary dividend unless the paying corporation tells you otherwise. Payers include nominees or other agents. Each payer should send you a federal Form 1099-DIV. (If the payer gives you a federal Form 1099-INT or 1099-OID, report the income as interest on line 8.)

Do Not Report as Dividends

- Mutual insurance company dividends that reduced the premiums you paid.
- Amounts paid on deposits or accounts from which you could withdraw your money such as mutual savings banks, cooperative banks, and credit unions. These amounts are reported as interest on line 8.
- Stock dividends or stock splits. Although these distributions generally are not taxable to you, they may be taxable in certain situations. See federal Publication 17, "Your Federal Income Tax", for more information.
- Capital gain distributions. If your Form 1099-DIV shows capital gain distributions (Box 2a), that amount is reported on line 13.
- Nontaxable distributions. Some distributions are nontaxable because they are a return of your investment (Box 3 of Form 1099-DIV). They will not be taxed until you recover your cost. You must reduce your cost (or other basis) by the amount of nontaxable distributions received. After you get back all of your cost (or other basis), you must report these distributions as capital gains.
See the discussion for line 8 regarding the source of income from an intangible asset.

Enter in Column A, the amount of ordinary dividends derived from all sources that would be taxable if you were a full year Hawaii resident.

Nonresidents: Enter in Column B, the amount of ordinary dividends derived from intangible assets that have acquired a situs in Hawaii.

Part-year residents: Enter in Column B, the amount of ordinary dividends derived from all sources for the period of residency; and the amount of ordinary dividends derived from intangible assets that have acquired a situs in Hawaii for the period of nonresidency.

Line 10

Taxable Refunds of State and Local Income Taxes

If you received a refund or credit in 2004 for state or local income taxes you paid before 2004, you may have to report it as income on your Hawaii income tax return. You should receive federal Form 1099-G, or similar statement, showing the refund.

Any part of a refund for state or local income taxes paid before 2004 that you were entitled to receive in 2004 but chose to apply to your 2004 estimated state income tax is considered to have been received in 2004.

Do not report your refund as income if the refund was for a year in which you did not itemize your deductions.

If part of your refund was interest, report that amount on Form N-15, line 8.

If you received a refund of 2003 taxes and you itemized deductions in 2003, figure the taxable portion of your refund using the *State Tax Refund Worksheet* on page 36. When completing the *State Tax Refund Worksheet* on page 36, enter an amount on line 2e only if the residential construction and remodeling tax credit was claimed for construction or renovation costs for a residential unit that does not constitute business property. Enter the taxable portion on line 10, Columns A and B.

If your refund included taxes from any previous year in which you itemized deductions, a similar calculation must be done for each previous year.

If your 2003 Hawaii adjusted gross income was over \$100,000 (\$50,000 for married taxpayers filing separately), you may be able to report a smaller amount of your tax refund as income because your itemized deductions were reduced in 2003. To compute the proper amount, see federal Publication 525, "Taxable and Nontaxable Income", under *Itemized deductions limited*. In the computation, however, the Hawaii standard deduction amounts must be used, the amount of the refund due to the Hawaii credits listed in the *State Tax Refund Worksheet* is subtracted, and the base amount for the limitation of itemized deductions remains at \$100,000 (\$50,000 for married taxpayers filing separately). If you use this calculation, enter the result on Form N-15, line 10, Columns A and B.

Line 11

Alimony Received

Alimony or separate maintenance payments that you received are taxable income to you. Report this income on line 11. However, if you received payments while you were a nonresident, a special rule may apply. See section 18-235-5-03(e), Hawaii Administrative Rules.

If you received payments under a divorce or separation instrument executed after 1984, see the instructions for line 31 for information on the rules that apply in determining whether these payments qualify as alimony.

Enter in Column A, the amount of alimony received from all sources that would be taxable if you were a full year Hawaii resident.

Nonresidents: Enter in Column B, the amount of alimony received from a contributing spouse who is a resident, and where the payments are attributable to property owned in Hawaii that is transferred (in trust or otherwise) in discharge of a legal obligation to make alimony payments.

Part-year residents: Enter in Column B, the amount of alimony received from all sources for the period of residency; and the amount of alimony received as discussed above for nonresidents for the period of nonresidency.

Line 12

Business or Farm Income or (Loss)

If you operated a business or practiced a profession as a sole proprietorship (or an entity classified as a sole proprietorship), this line is used to report the net income or loss from the business. Farming income or losses are also reported on this line.

If your business consists of renting property, report it on line 17.

If you receive royalty income, report it on line 17.

Enter your net income or loss. Net income or loss can be calculated on federal Schedules C, C-EZ, or F.

For expenses that are part business and part personal, deduct only the business part. For example, if only half of your car usage was for business, deduct only half of the cost of operating the car. Deduct interest, taxes, and casualty losses not related to your business as itemized deductions. See the instructions for Form N-15, lines 39a to 39f.

Sales, exchanges, and involuntary conversions (including casualty or theft) of trade or business property may give rise to ordinary income or

(loss), or capital gain or (loss). Report ordinary income or losses on line 14. Report capital gains or losses on line 13.

Note: If you conduct business in Hawaii and another state or country, you determine the Hawaii portion of that business income by using the "three factor formula", which is generally based on the average percentage in Hawaii of your property, payroll, and sales.

Enter in Column A, the amount of business or farm income or (loss) from all sources that would be taxable if you were a full year Hawaii resident.

Nonresidents: Enter in Column B, the amount of business or farm income or (loss) with situs in Hawaii.

Part-year residents: Enter in Column B, the amount of business or farm income or (loss) from all sources for the period of residency; and the amount of business or farm income or (loss) with situs in Hawaii for the period of nonresidency.

Information Returns

You may have to file information returns for wages paid to employees, certain payments of fees and other non-employee compensation, interest, rents, royalties, annuities, and pensions. For more information, see the instructions for Form HW-3, Employer's Return and Reconciliation of Hawaii Income Tax Withheld from Wages, and N-196, Hawaii Annual Information Return.

Line 13

Capital Gain or (Loss)

Note: Losses sustained from the sale of stocks or other interests issued through the exercise of the stock options or warrants granted by a qualified high technology business are deductible for Hawaii income tax purposes. Also, the sale of stock options or stock, including stock issued through the exercise of stock options or warrants, from a qualified high technology business or from a holding company of a qualified high technology business by an employee, officer, or director of the qualified high technology business, or investor who qualifies for the high technology business investment tax credit is excluded from Hawaii income taxes.

Note: The special federal election for capital assets acquired in tax years beginning before January 1, 2001 (election under section 311 of the Taxpayer Relief Act of 1997) is not available for Hawaii income tax purposes.

This line is used to report:

- Gains or losses from the sale or involuntary conversion of capital assets not held for business or profit.
- Capital gain distributions reported on federal Form 1099-DIV.

The capital gains or losses from the following transactions may also be reported on this line, however, complete Schedule D-1 to determine whether the gain or loss is ordinary or capital. Ordinary income or loss is reported on line 14.

- The sale, exchange, or involuntary conversion (other than casualty or theft) of business property, certain depreciable and amortizable property, certain oil, gas and geothermal property, and IRC section 126 property.
- The involuntary conversion (other than casualty or theft) of capital assets held for business or profit.
- The disposition of other assets not mentioned above.

If property is involuntarily converted because of a casualty or theft, use federal Form 4684, Casualties and Thefts.

Enter in Column A, the amount of capital gains or losses derived from all sources that would be taxable if you were a full year resident.

Nonresidents: Enter in Column B, the amount of capital gains or losses on the disposition of capital assets with situs in Hawaii. Use the *Capital Gain/Loss Worksheet* on page 36 to figure the amount of your capital gains or losses to enter in Column B. Before starting the worksheet, determine your **sales price** and **cost basis** for the capital assets you sold, and the gain or loss you realized for each capital asset.

Part-year residents: Enter in Column B, the amount of capital gains or losses derived from all sources for the period of residency; and the amount of capital gains or losses on the disposition of capital assets with situs in Hawaii for the period of nonresidency. Use the *Capital Gain/Loss Worksheet* on page 36 to figure the amount of your capital gains or losses to enter in Column B. Before starting the worksheet, determine your **sales price** and **cost basis** for the capital assets you sold, and the gain or loss you realized for each capital asset.

Capital Asset

Most property you own and use for personal purposes, pleasure, or investment is a capital asset. For example, your house, furniture, car, stocks, and bonds are capital assets.

A capital asset as defined by law is any property held by a taxpayer except:

- a. Stock in trade or other property included in inventory or held for sale to customers.
- b. Accounts or notes receivable you received for services in the ordinary course of your trade or business or from the sale of any property described in a. or for services you performed as an employee.
- c. Depreciable property used in your trade or business even if it was fully depreciated.
- d. Real property (real estate) used in your trade or business.
- e. A copyright, literary, musical or artistic composition, letter, memorandum, or similar property,
 1. created by your personal efforts, or
 2. prepared or produced for you (in the case of a letter, memorandum, or similar property), or
 3. that you received from a taxpayer mentioned in 1 or 2, in a way (such as by gift) that entitled you to the basis of the previous owner.
- f. U.S. Government publications (including the Congressional Record) that you received from the government other than by purchase at the normal sales price, or that you got from another taxpayer who had received it in a similar way if your basis is determined by reference to the previous owner.

A transfer of patent rights is generally considered a sale or exchange of a capital asset held for more than one year.

A nonbusiness bad debt must be treated as a short-term capital loss.

Short-Term or Long-Term

Separate your capital gains and losses according to how long you held or owned the property. The holding period for long-term capital gains and losses is more than one year. The holding period for short-term capital gains and losses is one year or less.

To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it. Use the trade dates for date acquired and date sold for stocks and bonds on an exchange or over-the-counter market.

Capital Gain Distributions

If a dividend payor, such as a mutual fund company, reports a capital gain distribution to you on Form 1099-DIV, this amount is treated as a long-term capital gain regardless of how long you have held your shares. See federal Publication 550 for more details.

Limits on Capital Losses

The limit on capital losses that can be applied against other income after offsetting capital gains is \$3,000. If you are married and filing separately, the limit is \$1,500.

Unused capital losses are carried over to later years until fully used (15 years carryforward for qualified high technology businesses).

The amount of your capital loss carryover is the amount of your capital loss that exceeds the lesser of:

- 1) Your allowable capital loss deduction for the year, or
- 2) Your taxable income increased by your allowable capital loss deduction for the year and your deduction for personal exemptions.

If your deductions exceed your gross income for the tax year, use your negative taxable income in computing the amount in item (2).

Losses That Are Not Deductible

Do not deduct a loss from the sale or exchange of property directly or indirectly between any of the following:

- Members of a family.
- A corporation and an individual or a fiduciary owning more than 50 percent of the corporation's stock (not counting liquidations).
- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary and a fiduciary or beneficiary of another trust created by the same grantor.
- An individual and a tax-exempt organization controlled by the individual or the individual's family.
- A partnership and a corporation if the same taxpayers own directly or indirectly more than 50% of the capital interest, or profits interest, in the partnership and corporation.

If you sell or otherwise dispose of (1) an asset used in an activity to which the "at-risk" rules apply or (2) any part of your interest in an activity to which the "at-risk" rules apply (see IRC section 465), combine the gain or loss on the disposition with the profit or loss from the activity. If you have a net loss, you may be subject to the "at-risk" provisions.

Special Cases

The following items may require special treatment:

- Transactions by a securities dealer.
- Wash sales of stock or securities.
- Bonds and other evidence of indebtedness if an original issue discount is a factor.
- Gain on the sale of qualified reinvested dividends from a qualified public utility.
- Certain real estate subdivided for sale which may be considered a capital asset.
- Distributions received from an employee pension, profit-sharing, or stock bonus plan (see Form N-152, Tax on Lump-Sum Distributions).
- Gain on the sale of depreciable property between husband and wife or between shareholder and a controlled corporation treated as ordinary gain.
- Gain on disposition of stock in a Domestic International Sales Corporation.
- Gain or loss on options to buy or sell, including closing transactions.
- Transfer of property to a foreign corporation as paid-in surplus or as a contribution to capital, or to a foreign trust or partnership.
- Transfer of property to a partnership which would be treated as an investment company if the partnership was incorporated.

Transfer of Appreciated Property to a Political Organization

If you transfer property to a political organization when the fair market value of the property is more than your adjusted basis, treat the transaction as a property sale on the transfer date. Report the fair market value of the property at the time of the transfer as the sales price. Ordinary income or capital gains provisions apply as if a sale took place.

Exchange of Like-Kind Property

Report the exchange of "like-kind" property on federal Form 8824, Like-Kind Exchanges, and attach the form to your return. You must report it even though no gain or loss is recognized when you exchange business or investment property for property of "like-kind." (This does not include stock in trade or other property held primarily for sale. It also does not include stocks, bonds, notes, choses in action, certificates of trust or beneficial interest, or other securities or evidences of indebtedness or interest.)

Small Business Stock

Subject to limitations, you may deduct the loss on the sale, exchange, or worthlessness of small business stock (IRC section 1244) as an ordinary loss on line 14. However, gains are reported as capital gains on this line.

Disposition of Business Property

A sale or other disposition of property used in a trade or business, or of an interest in a partnership, may result in either ordinary income or loss, or capital gain or loss. Schedule D-1 should be used to determine whether the gain or loss is ordinary or capital. Ordinary income or loss is reported on line 14.

Also, if the capital goods excise tax credit has been taken on the property, some of the credit may be recaptured. See Form N-312 for further information.

Sale of Your Home

Use Form N-103 to determine the gain or loss from the sale of your main home.

Report a taxable gain from the sale of your main home as a gain from the sale of a capital asset. A loss from such a sale is not deductible.

You can exclude up to \$250,000 (\$500,000 for certain married persons filing a joint return) of gain from the sale of your main home if both 1 and 2 below apply:

1. Neither you nor your spouse, if filing a joint return, are excluding gain from the sale of another home after May 6, 1997, and
2. You or your spouse, if filing a joint return, owned and lived in the home for periods adding up to at least 2 years within the 5-year period ending on the date of sale.

Note: Act 89, SLH 2004, provides an exception to the two-out-of-five year rule for certain uniformed and foreign service personnel with respect to the \$250,000 gain exclusion for home sales.

See the instructions for Form N-103 for further information.

Installment Sales

If you sold property at a gain, and are to receive any payment in a tax year after the year of sale, you must use the installment method and federal Form 6252, Computation of Installment Sale Income, unless you elect not

to. Also use federal Form 6252 if you received a payment in 2004 from a sale made in an earlier year on the installment method.

You may not use the installment method to report income from the sale of stock or securities traded on an established securities exchange. All payments to be received under this type of sale are treated as received in the year of sale.

If you want to elect out of the installment method, you must attach a statement to your return making this election and reporting the full amount of the sale.

Gains and Losses from Section 1256 Contracts and Straddles

For information on how to report gains and losses from regulated futures contracts and straddles, see federal Form 6781.

Undistributed Long-term Capital Gains from Regulated Investment Companies

Include in income as a long-term capital gain the amount which constitutes your share of the undistributed capital gains of a regulated investment company. If a regulated investment company informs you that it has undistributed gains and has told you that it has paid tax to the State of Hawaii because of those gains, you may be entitled to a credit that should be claimed on Schedule CR, line 21b.

Line 14

Supplemental Gains or (Losses)

In general, this line is used to report:

- The sale, exchange, or involuntary conversion (other than casualty or theft) of business property, certain depreciable and amortizable property, certain oil, gas and geothermal property, and IRC section 126 property.
- The involuntary conversion (other than casualty or theft) of capital assets held for business or profit.
- The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your business.

Enter in Column A, the amount of ordinary gains or losses derived from all sources that would be taxable if you were a full year resident.

Nonresidents: Enter in Column B, the amount of ordinary gains or losses on the disposition of assets with situs in Hawaii.

Part-year residents: Enter in Column B, the amount of ordinary gains or losses derived from all sources for the period of residency; and the amount of ordinary gains or losses on the disposition of assets with situs in Hawaii for the period of nonresidency.

Line 15

IRA Distributions

IRA and Coverdell Education Savings Account (ESA) distributions are not taxable to nonresidents, however, if a nonresident later becomes a resident of Hawaii, the amount of IRA and Coverdell ESA distributions received after acquiring the Hawaii residency status may be taxable.

An IRA includes a traditional IRA, Roth IRA, simplified employee pension (SEP) IRA, and a savings incentive match plan for employees (SIMPLE) IRA.

For more information, see federal Publication 590, Individual Retirement Arrangements (IRAs) and federal Publication 970, Tax Benefits for Education.

Enter in Column A, the amount of IRA and Coverdell ESA distributions that would be taxable if you were a full year resident.

Nonresidents: Enter zero in Column B.

Part-year residents: Enter in Column B, the amount of IRA distributions that would be taxable for the period of residency.

Line 16

Pensions and Annuities

Note: *Public Law 104-95, prohibits any state from imposing an income tax on the retirement income of any individual who is not a resident or domiciliary of that state.*

Use line 16 to report annuity income that is fully or partially taxable. Also use this line to report distributions from profit-sharing plans and employee-savings plans.

Enter in Column A, the amount that would be taxable if you were a full year resident.

Nonresidents: Enter zero in Column B.

Part-year residents: Enter in Column B, the amount that would be taxable for the period of residency.

Nontaxable Distributions

Employer-Funded Pension Plans

The following three types of distributions are not taxed by Hawaii and do not need to be reported on line 16:

- (1) Pension or annuity distributions from a public (i.e. government) retirement system (e.g. federal civil service annuity, military pension, state or county retirement system).
- (2) Distributions from a private employer pension plan received upon retirement (including early retirement and disability retirement) if the employee did not contribute to the pension plan.
- (3) Distributions from a pension plan at age 70-1/2 that are made to comply with the federal mandatory payout rule do qualify as a retirement payment whether or not the employee is still working full time.

Distributions from a private employer pension plan received upon retirement are partially taxed by Hawaii if the employee contributed to the pension plan.

Rollover IRAs

A rollover IRA is treated as a continuation of the original plan that provided the money that is rolled over. If distributions from the original plan would be characterized as a qualified distribution, distributions out of the rollover IRA need not be reported as well.

Example - In 1997, an individual received a lump sum distribution from an employer-funded profit-sharing plan upon retirement. The individual did not contribute to the profit-sharing plan. The entire lump sum distribution was rolled over to an IRA. In 2004, the individual rolled over \$50,000 from the IRA to a Roth IRA. The entire amount rolled over to the Roth IRA represents the lump sum distribution received by the individual upon retirement and earnings thereon. Since the lump sum distribution that the individual received upon retirement qualifies as a pension, the amount rolled over from the regular IRA to the Roth IRA also qualifies as a pension. Therefore, the amount rolled over to the Roth IRA is exempt from Hawaii's income tax.

Taxable Pensions and Annuities

Early Distributions

Early distributions from a pension plan that are subject to the 10 percent federal penalty tax do not qualify and are taxable. If you are receiving an early distribution, include the gross amount in line 16, Column A.

Deferred Compensation Plans

Distributions from a deferred compensation plan may be fully or partly taxable. A deferred compensation plan includes any plan in which the employee has a choice of whether to contribute money into the plan or take that amount in cash or property. Examples include 401(k) plans, salary reduction Simplified Employee Pension (SARSEP) plans, the Federal Thrift Savings Plan, and section 457 plans like the State of Hawaii Deferred Compensation Plan. Attach Schedule J (Form N-11/N-12/N-15/N-40) to figure the taxable amount to include in line 16, Column A.

Annuity Plans

Retirement vehicles that you fund yourself, such as annuity plans and Individual Retirement Accounts (IRAs) that are not funded through a Simplified Employee Pension (SEP) plan, are considered to be your own investments. Distributions from these plans may be fully or partly taxable, depending on whether your IRAs include deductible or nondeductible contributions. Attach Schedule J (Form N-11/N-12/N-15/N-40) to figure the taxable amount to include in line 16, Column A.

Rollover IRAs

A rollover IRA is treated as a continuation of the original plan that provided the money that is rolled over. If distributions from the original plan would be characterized as taxable, distributions out of the rollover IRA would be taxable as well. Attach Schedule J (Form N-11/N-12/N-15/N-40) to figure the taxable amount to include in line 16, Column A.

Example - In 1997, an individual received a lump sum distribution from an employer-funded profit-sharing plan upon separation from service before retirement. The individual did not contribute to the profit-sharing plan. The entire lump sum distribution was rolled over to an IRA. In 2004, the individual rolled over \$50,000 from the IRA to a Roth IRA. The entire amount rolled over to the Roth IRA represents the lump sum distribution received by the individual upon separation from service and earnings thereon. Since the lump sum distribution that the individual received upon separation from service does not qualify as a pension (the distribution is not paid upon retirement, disability, or death), the amount rolled over from the regu-

lar IRA to the Roth IRA also does not qualify as a pension. Therefore, the amount rolled over to the Roth IRA is taxable for Hawaii's income tax.

Hybrid Plans

If you received a distribution from a plan that is partly pension and partly deferred compensation, such as a 401(k) plan with a profit sharing component or an employer matching program, a SEP plan with employer contributions as well as a salary reduction option, or a similar hybrid plan, attach Schedule J (Form N-11/N-12/N-15/N-40) to figure the taxable amount to include in line 16, Column A.

Lump-Sum Distributions

If you received a lump-sum distribution from a pension plan and you are electing to use the special ten-year averaging method, attach Schedule J (Form N-11/N-12/N-15/N-40) and Form N-152, Tax on Lump Sum Distributions, to figure the taxable amount.

Note: *If your lump-sum distribution included capital gain amounts, you may be able to reduce your tax by including the capital gain amounts on Form N-152 and electing the capital gains treatment. See Form N-152 Instructions for more information.*

Caution: *Certain transactions, such as loans against your interest in a qualified plan, may be treated as taxable distributions.*

For more information on the taxation of pensions, see sections 18-235-7-01 to 18-235-7-03, Hawaii Administrative Rules, Tax Information Release No. 90-4, "Taxability of Benefit Payments from Pension Plan to Participants who Attain Age 70-1/2 as Required by the Internal Revenue Code Section 401(a)(9)(C)", and Tax Information Release No. 96-5, "Taxation of Pensions Under the Hawaii Net Income Tax Law: Deferred Compensation Arrangements; Rollover IRAs; Sub-Accounts of Pension Plans; Social Security and Railroad Retirement Act Benefits; Limitation on Deductions for Contributions to a Nonqualified Plan".

Line 17

Rents, Royalties, Partnerships, Estates or Trusts

Enter your net income or loss from rents, royalties, partnerships, S corporations, estates, trusts, and REMICs. Net income or loss can be calculated on federal Schedule E.

Enter in Column A, the net income or loss from rents, royalties, partnerships, S corporations, estates, trusts, and REMICs from all sources that would be taxable if you were a full year resident.

Nonresidents: Enter in Column B, the net income or loss from rents, royalties, partnerships, S corporations, estates, trusts, and REMICs with situs in Hawaii.

Part-year residents: Enter in Column B, the net income or loss from rents, royalties, partnerships, S corporations, estates, trusts, and REMICs from all sources for the period of residency; and the net income or loss from rents, royalties, partnerships, S corporations, estates, trusts, and REMICs with situs in Hawaii for the period of nonresidency.

Note: *The paying entity may send you a Hawaii Schedule K-1 that will tell you how much income was Hawaii source income; if it does not, you still need to find this information out from the paying entity. For part-year residents, if you are unable to determine how much was earned during the period of residency, prorate it over the year. For example, if a part-year resident was a resident for 4 months and was told by a partnership that the resident's share of income was \$45,000, out of which \$15,000 was Hawaii source income, then the taxable portion would be \$15,000 Hawaii source income plus one-third (4 months / 12 months) of the non-Hawaii source income of \$30,000 (\$45,000 - \$15,000), for a total of \$25,000 (\$15,000 + 1/3 of \$30,000).*

Line 18

Unemployment Compensation

Unemployment compensation (insurance) you received is taxable.

You should receive federal Form 1099-G, or similar statement, showing the total unemployment compensation paid to you during the year. For payments in 2004 you should receive this statement by January 31, 2005.

Note: *Supplemental unemployment benefits received from a company-financed supplemental unemployment benefit fund are wages. They are not considered unemployment compensation. Report these benefits on Form N-15, line 7.*

Enter in Column A, the amount of unemployment compensation received from all sources.

Nonresidents: Enter in Column B, the amount of unemployment compensation received from Hawaii.

Part-year residents: Enter in Column B, the amount of unemployment compensation received from all sources for the period of residency; and the amount of unemployment compensation received from Hawaii for the period of nonresidency.

Line 19

Other Income

Use line 19 to report any income you can't find a place for on your return or other schedules. Also show the nature and source of the income.

Caution: *Do not report any income from self-employment on line 19. If you do have any income from self-employment, you must report it on line 12.*

Examples of income to be reported on line 19 are:

- **Prizes, awards and gambling winnings.** Proceeds from lotteries, raffles, etc., are gambling winnings. You must report the full amount of your winnings on this line. You cannot offset losses against winnings and report the difference.
If you had any gambling losses, you may take them as a miscellaneous itemized deduction not subject to the 2% AGI limitation on line 39f. However, you cannot deduct more losses than the winnings you report.
- **Repayment of items that you deducted in an earlier year**, such as medical expenses or real estate taxes, if the deduction reduced your tax.
- Amounts you recovered on **bad debts** that you deducted in an earlier year.
- **Fees received for jury duty and precinct election board duty.** These fees are taxable, but you may be able to deduct part or all of your jury duty pay if you were required to turn it over to your employer. See the instructions for line 35 on page 18.
- **Individual Housing Account (IHA) distributions.** If you purchased a principal residence with an Individual Housing Account (IHA), or you are notified by an IHA trustee that you have received a taxable distribution, report the taxable amount on line 19.

If you purchased residential property before January 1, 1990, with a distribution from an IHA, you must include in gross income in the year the property is sold, conveyed, or transferred an amount equal to the amount of the distribution, unless an election was made to include one-tenth of the distribution in gross income each year for ten years. In addition, a penalty is added to your gross income. Attach Form N-103, Sale of Your Home, to figure the additional gross income.

If you purchased residential property after December 31, 1989, you must include in gross income one-tenth of the distribution each year for ten years. If you sell the property purchased with an IHA distribution before the end of the ten-year period, the remaining amount of the distribution not previously reported must be included in gross income in the year of sale. In addition, a penalty is added to your tax liability. Attach Form N-103, Sale of Your Home, to figure the additional tax liability.

If you purchased residential property after December 31, 1996, with a distribution from an IHA established prior to January 1, 1990, and you have made the election to do so, you must include in gross income in the year the property is sold, conveyed, or transferred an amount equal to the amount of the distribution. In addition, a penalty is added to your gross income. Attach Form N-103, Sale of Your Home, to figure the additional gross income.

If you use an IHA distribution for any purpose other than to purchase a first principal residence in Hawaii, or if you borrow against the IHA for such a purpose, the distribution (or the loan amount) is taxable, and a 10% penalty tax is imposed. The additional tax is the same amount shown in Box 4 of Form N-2, Distribution from an Individual Housing Account, and must be included on line 44.

If you establish an IHA and later marry a person owning residential property, the IHA will terminate and distribute all of the assets to you. In this case, you must include the total distribution in your gross income. No penalty tax is imposed, but the 10% is still withheld. Be sure to claim the withheld amount on line 47.

If an individual establishes an IHA and then dies or becomes totally disabled, special rules apply. For more information, see sections 18-235-5.5(r) and (s), Hawaii Administrative Rules.

- **Scholarships and Fellowships.** If you received a scholarship or fellowship that was granted after August 16, 1986, part or all of it may be taxable even if you didn't receive a federal W-2 form. If you were a degree candidate, the amounts you used for expenses other than tuition and course-related expenses are taxable. For example, amounts used for room, board, and travel are taxable. If you were not a degree candidate, the full amount of the scholarship or fellowship is taxable. Include the taxable amount on line 19.

• **Taxable medical savings account distributions.** Distributions from medical savings accounts which were used for purposes other than medical expenses are taxable.

• **Qualified state tuition program distributions not used to pay for qualified higher education expenses.**

Hawaii has adopted the federal provisions relating to the qualified tuition programs (also known as a 529 program) except for the 10% tax on distributions not used for educational expenses. A qualified tuition program (QTP) is a program set up to allow you to either prepay, or contribute to an account established for paying, a student's qualified higher education expenses at an eligible educational institution. A program can be established and maintained by a state, an agency or instrumentality of a state, or an eligible educational institution. You cannot deduct either payments or contributions to a QTP.

The part of a distribution representing the amount paid or contributed to a QTP is not included in income. This is a return of the investment in the program.

The beneficiary generally does not include in income any earnings distributed from a QTP established and maintained by a state, an agency or instrumentality of a state, or an eligible educational institution if the total distribution is less than or equal to adjusted qualified higher education expenses. However, the beneficiary must include in income any earnings distributed before January 1, 2004, from a QTP established and maintained by an eligible educational institution.

For more information, see federal Publication 970, Tax Benefits for Education.

• **Taxable health savings account distributions.** Distributions from health savings accounts which were used for purposes other than medical expenses are taxable.

• **Net operating loss.—**

Note: *Hawaii did not adopt the 5-year net operating loss carryback provision of the Job Creation and Worker Assistance Act (Public Law No. 107-147).*

Note: *A qualified high technology business may apply to the Hawaii Department of Taxation to sell its unused net operating loss carryover to another taxpayer (after December 31, 2000, and before January 1, 2004). The buyer shall claim the purchased net operating loss deduction in the year in which the sale is approved. If you purchased a qualifying net operating loss from a qualified high technology business, include the amount of the purchased net operating loss on this line. Also, attach a statement to your tax return with the following information: 1) name(s) and identification number(s) of the qualified high technology business(es) from which the net operating loss(es) was purchased, 2) amount of the net operating loss purchased from each qualified high technology business, and 3) amount paid to the qualified high technology business for the net operating loss.*

If, in 2004, your business or profession lost money, or you had a casualty loss, or a loss from the sale or other disposition of depreciable property or real property used in your trade or business, you can apply the losses against your 2004 income. If the losses exceed your income, the excess is a "net operating loss".

In general, net operating losses arising in taxable years beginning after August 5, 1997, may be used to reduce your income for the 2 years before 2004 and the 20 years after, or you may elect to use it to reduce your income for the 20 following years without carrying the loss to the 2 prior years. The portion of a net operating loss for a tax year that's an "eligible loss" may be carried back to the 3 preceding tax years. In the case of an individual, eligible losses are property losses arising from fire, storm, shipwreck, or other casualty, or from theft. In the case of a taxpayer that's a small business (a sole proprietorship whose average annual gross receipts are \$5 million or less for the tax year in which the loss arose), or engaged in the trade or business of farming, eligible losses are net operating losses attributable to Presidentially declared disasters.

If you carryback the loss and are due a refund from the carryback, you must file an amended return on Form N-15. Nonresidents and part-year residents cannot file Form N-109, Application for Tentative Refund from Carryback of Net Operating Loss. A separate amended Form N-15 must be completed for each year you request an adjustment. Attach a computation of your net operating loss; and copies of your original 2004 federal Form 1040, and federal Schedules A, B, and D to the amended Form N-15. If these items are not attached, the processing of your amended Form N-15 may be delayed. For more information on filing an amended return on Form N-15, see page 31.

If you elect to carry the loss forward instead, you must attach a statement to this effect on a timely filed return (including extensions). If you make such an election, it cannot be changed later.

If you had a loss in a prior year to carry forward to 2004; enter it as a "minus" figure on line 19. Attach a separate sheet showing how you figured the amount.

Note: *Although nonresidents and part-year residents cannot file Form N-109, Schedule A (Form N-109) may be used to figure the amount of the net operating loss that is available for carryback or carryforward.*

Line 20

Total Income

Add the amounts in Column A and B for lines 7 through 19. If any of these amounts are negative, first add all the positive amounts. Next, add all the negative amounts. Then, subtract the total of the negative amounts from the total of the positive amounts and enter the result on line 20. If the result is negative, enter it in (parentheses).

Adjustments to Income

Line 21

Deduction for Clean-Fuel Vehicles

You are allowed a limited deduction for the cost of clean-fuel vehicle property you place in service during the tax year. The maximum clean-fuel vehicle deduction is reduced by 25% for property placed in service in 2004.

Enter in Column A, the amount allowed as a deduction for clean-fuel vehicles.

Nonresidents and part-year residents: Compute your allowable deduction for Column B as follows:

- 1) Divide your Hawaii adjusted gross income by your total adjusted gross income from all sources.
- 2) Multiply the resulting percentage by the amount allowed as a deduction in Column A.

For more information, see the instructions for federal Form 1040 and federal Publication 535, Business Expenses.

Line 22

Certain Business Expenses of Reservists, Performing Artists, and Fee-Basis Government Officials

If you are a member of a reserve component of the Armed Forces of the United States and you travel more than 100 miles away from home in connection with your performance of services as a member of the reserves, you can include your expenses for reserve travel over 100 miles from home, up to the federal rate, from line 10 of federal Form 2106 or line 6 of federal Form 2106-EZ on line 22.

If you are a qualified performing artist, you can include your performing-arts-related-expenses from line 10 of federal Form 2106 or line 6 of federal Form 2106-EZ on line 22.

If you are a fee-basis state or local government official, include your employee business expenses from line 10 of federal Form 2106 or line 6 of federal Form 2106-EZ on line 22.

Enter in Column A, the same amount allowed on your federal return as a deduction for certain business expenses of reservists, performing artists, and fee-basis government officials.

Nonresidents and part-year residents: Compute your allowable deduction for Column B as follows:

- 1) Divide your total reservists, performing artists, and fee-basis government officials income subject to taxation in Hawaii by the total reservists, performing artists, and fee-basis government officials income computed without regard to source.
- 2) Multiply the resulting percentage by the deduction allowed on your federal return.

For more information, see the instructions for federal Form 1040 and federal Form 2106. Complete and attach federal Form 2106 or federal Form 2106-EZ to your return.

Line 23

Individual Retirement Arrangements (IRAs)

Enter the combined amount of your IRA deduction and your spouse's IRA deduction.

Note: *You cannot deduct contributions to a Roth IRA or a Coverdell ESA.*

Enter in Column A, the same amount allowed on your federal return as an IRA deduction.

Nonresidents and part-year residents: Compute your allowable deduction for Column B as follows:

- 1) Divide your total earned income subject to taxation in Hawaii by the total earned income computed without regard to source.
- 2) Multiply the resulting percentage by the deduction allowed on your federal return.

For more information, see the instructions for federal Form 1040.

Line 24

Student Loan Interest Deduction

You may take this deduction only if **ALL** four of the following apply.

1. You paid interest in 2004 on a qualified student loan (see below).
2. Your filing status is any status except married filing separately.
3. Your Hawaii modified adjusted gross income (AGI) is less than: \$65,000 if single, head of household, or qualifying widow(er); \$130,000 if married filing jointly.
4. You are not claimed as a dependent on someone's (such as your parent's) 2004 tax return.

If you paid interest on a qualified education loan (see below), you may be able to deduct up to \$2,500 of the interest on this line.

Qualified student loan. This is any loan you took out to pay the qualified higher education expenses for yourself, your spouse, or anyone who was your dependent when the loan was taken out. The person for whom the expenses were paid must have been an eligible student. However, a loan is not a qualified student loan if (a) any of the proceeds were used for other purposes or (b) the loan was from either a related person or a person who borrowed the proceeds under a qualified employer plan or a contract purchased under such a plan. To find out who is a related person, see federal Publication 970.

Qualified higher education expenses generally include tuition, fees, room and board, and related expenses such as books and supplies. The expenses must be for education in a degree, certificate, or similar program at an eligible educational institution. An eligible educational institution includes most colleges, universities, and certain vocational schools. You must reduce the expenses by the following benefits:

- Employer-provided educational assistance benefits that are not included in box 1 of your federal W-2 form(s).
- Excludable U.S. Series EE and I savings bond interest from federal Form 8815.
- Nontaxable qualified state tuition program earnings.
- Nontaxable earnings from Coverdell ESA.
- Any scholarship, educational assistance allowance, or other payment (but **not** gifts, inheritances, etc.) excluded from income.

For more details on these expenses, see federal Publication 970.

An **eligible student** is a person who:

- Was enrolled in a degree, certificate, or other program (including a program of study abroad that was approved for credit by the institution at which the student was enrolled) leading to a recognized educational credential at an eligible educational institution, and
- Carried at least half the normal full-time workload for the course of study he or she was pursuing.

How To Figure the Deduction. Use the *Student Loan Interest Deduction Worksheet* on page 40 to figure your deduction.

Line 25

Health Savings Account Deduction

Enter in Column A, the same amount allowed on your federal return as a health savings account deduction.

Nonresidents and part-year residents: Compute your allowable deduction for Column B as follows:

- 1) Divide your total earned income subject to taxation in Hawaii by the total earned income computed without regard to source.
- 2) Multiply the resulting percentage by the deduction allowed on your federal return.

For more information, see the instructions to federal Form 1040.

Line 26

Moving Expenses

Employees and self-employed persons (including partners) can deduct certain moving expenses.

You can take this deduction if you moved in connection with your job or business and your new workplace is at least 50 miles farther from your old home than your old home was from your old workplace. If you had no for-

mer workplace, your new workplace must be at least 50 miles from your old home.

A nonresident may only deduct expenses connected with a move to or within the State of Hawaii. Hawaii allows a moving expense deduction for animal quarantine costs (up to 120 days) incurred.

A nonresident or a part-year resident giving up their Hawaii residency may not deduct moving expenses to a new place of employment outside the State of Hawaii. In this situation, zero should be entered on line 26, Column B.

For more details, see Form N-139. Complete and attach the form to your return.

Line 27

One-half of Self-Employment Tax

If you are self-employed, you will be able to deduct as a business expense 50% of the amount of self-employment taxes paid for the tax year.

Enter in Column A, the same amount allowed on your federal return as a deduction for self-employment tax.

Nonresidents and part-year residents: Compute your allowable deduction for Column B as follows:

- 1) Divide your total self-employment income subject to taxation in Hawaii by the total self-employment income computed without regard to source.
- 2) Multiply the resulting percentage by the deduction allowed on your federal return.

For more information see the instructions for federal Form 1040.

Line 28

Self-Employed Health Insurance Deduction

If you are self-employed, you will be able to deduct as a business expense 100% of the amount you pay for medical insurance covering yourself, your spouse, and your dependents provided that your net earned income from your Hawaii business is at least equal to the deduction.

However, if in addition to running your own business, you are an employee of another person, you will not be able to deduct the medical insurance costs you pay if you are eligible to participate in a plan maintained by your employer. This is also true even if it is your spouse who is employed and you are eligible to participate in your spouse's company plan.

For the period of nonresidency, the following limitations may also apply to your health insurance deduction:

- Only the amount paid for medical insurance coverage for the period you were self-employed within Hawaii is eligible for the deduction.
- The net earned income from your Hawaii business must be at least equal to the deduction.

For more information, see the instructions for federal Form 1040.

Line 29

Self-Employed SEP, SIMPLE, and Qualified Plans

Caution: You must have earnings from self-employment to claim this deduction. Sole proprietors and partners enter the allowable deduction for contributions to your SEP, SIMPLE, and qualified plans (H.R. 10 plans or Keogh plans) on line 29.

There are two types of Keogh (H.R. 10) retirement plans:

- **Defined-contribution plan.** — This plan provides an individual account for each person in the plan. In general, if contributions to the plan are geared to the employer's profits, the plan is a profit-sharing plan. If contributions are not based on the employer's profits, the plan is a money purchase pension plan.
- **Defined-benefit plan.** — The deduction for this type of plan is determined by the investment needed to fund a specific benefit at retirement age. Write "DB" on the line to the left of the amount if you have a defined-benefit plan.

Enter in Column A, the same amount allowed on your federal return as a SEP, SIMPLE, and qualified plan deduction.

Nonresidents and part-year residents: Compute your allowable deduction for Column B as follows:

- 1) Divide your total self-employment income subject to taxation in Hawaii by the total self-employment income computed without regard to source.
- 2) Multiply the resulting percentage by the deduction allowed on your federal return.

For more information, see the instructions for federal Form 1040.

Line 30

Interest Penalty on Early Withdrawal of Savings

The federal Form 1099-INT given to you by your bank or savings and loan association will show the amount of any interest penalty you were charged because you withdrew funds from your time savings deposit before its maturity. Enter this amount on line 30, Column A. (Be sure to include the interest income on Form N-15, line 8, Column A.)

The penalty cannot be deducted on your Hawaii return if none of the interest from the account was taxable as Hawaii income. If part of the interest was from an account that was taxable as Hawaii income, compute your allowable deduction as follows:

- 1) Divide the amount of interest received on that account subject to taxation in Hawaii by the total interest received on that account.
- 2) Multiply the resulting percentage by the total penalty charged to that account.

Enter this amount on line 30, Column B. (Be sure to include the taxable interest income on Form N-15, line 8, Column B.)

Line 31

Alimony Paid

You can deduct (subject to Department of Taxation Rules) periodic payments of alimony or separate maintenance made under a court decree. You can also deduct payments made under a written separation agreement or a decree for support. Don't deduct lump-sum cash or property settlements, voluntary payments not made under a court or a written separation agreement, or amounts specified as child support.

If you paid alimony to one person, enter the name and social security number of the recipient on the dotted line to the right of line 31.

If you paid alimony to more than one person, enter the social security number of one of the recipients. Show the social security number(s) and the amount paid to the other recipient(s) on an attached statement. Enter your total payments on line 31.

Generally, you may deduct any payment made in cash to, or on behalf of, your spouse or former spouse under a divorce or separation instrument executed after 1984 if **ALL** 5 of the following apply:

- 1) The instrument does not prevent the payment from qualifying as alimony.
- 2) You and your spouse or former spouse did not live together when the payment was made if you were separated under a decree of divorce or separate maintenance.
- 3) You are not required to make any payment after the death of your spouse or your former spouse.
- 4) The payment is not treated as child support.
- 5) For instruments executed in 1985 or 1986, the minimum term rule is met.

If your alimony payments decrease or terminate during the first 3 calendar years, you may be subject to the recapture rule.

Deduction from gross income for alimony and separate maintenance payments shall be allowed only to the extent of the ratio of gross income attributed to this State to the entire gross income computed without regard to source in this State; provided that as used in this sentence "gross income" means gross income as defined in the Internal Revenue Code, minus the deductions defined in section 62 of the Internal Revenue Code, other than the deductions for alimony and separate maintenance payments.

Example:	Total Income	Hawaii Income
Income after allowable deductions (Form N-15, page 1, line 36)*	\$100,000	\$60,000
Computation for allowable alimony deduction: \$ 60,000 / \$100,000 = 60% x \$10,000 = \$6,000		
Alimony paid (Form N-15, page 1, line 31)	\$10,000	\$6,000

*Excluding amount paid for alimony.

For more information see federal Publication 504, Tax Information for Divorced or Separated Individuals.

Line 32

Payments to an Individual Housing Account

You may be able to deduct from your gross income up to \$5,000, paid in cash during the taxable year into a trust account which is established for savings for a down payment on your first principal residence in Hawaii. A deduction not to exceed \$10,000 shall be allowed for a married couple filing a joint return. No deduction shall be allowed on any amounts distributed less than 365 days from the date on which a contribution is made to the account. Any deduction claimed for a previous taxable year for amounts distributed less than 365 days from the date on which a contribu-

tion was made shall be disallowed and the amount deducted shall be included in the previous taxable year's gross income and the tax reassessed. The account, established along the same lines as an individual retirement account (IRA), is to encourage first-time home buyers to save money for a down payment on a home. The interest income earned on the account within the taxable year shall not be included in gross income.

The "first principal residence" means a residential property purchased with the payment or distribution from the individual housing account which shall be owned and occupied as the only home by an individual who did not have any previous interest in, individually, or if the individual is married, whose spouse did not have any interest in a residential property inside or outside the State of Hawaii within the last 5 years prior to opening the IHA.

The amounts paid in cash allowable as a deduction for all taxable years are limited to \$25,000, in the aggregate, excluding interest earned or accrued. This limitation also applies to married individuals having separate accounts, the sum of such separate accounts and the deduction shall not exceed \$25,000 in the aggregate, excluding interest income earned or accrued.

Other requirements:

- The trustee must be a qualified bank, savings and loan association, credit union, or depository financial services loan company. Check with your financial institution if it is a qualified institution under Hawaii IHA rules.
- The entire interest of the trust account shall be distributed to the taxpayer(s) not later than 120 months after the date on which the first contribution is made to the trust.

Enter the amount of your payments to an IHA in Columns A and B.

For more information, see section 18-235-5.5, Hawaii Administrative Rules.

Line 33

Military Reserve or Hawaii National Guard Duty Pay Exclusion

The first \$1,750 received by each member of the reserve components of the army, navy, air force, marine corps, coast guard of the United States of America, and the Hawaii national guard, as compensation for performance of duty as such is not taxable for Hawaii net income tax purposes but limited to that income that would have been subject to taxation in Hawaii.

If you qualify, enter in Columns A and B the smaller of:

- \$1,750, or
- Your pay, as shown on Box 16 of the Form W-2 sent to you by your reserve component.

If you are married filing a joint return, and you and your spouse qualify, add the exclusions for both of you and enter the total on line 33, Columns A and B.

Line 34

Exceptional Trees Deduction

Act 195, SLH 2004, allows an income tax deduction of up to \$3,000 per exceptional tree for qualified expenditures you made during the taxable year to maintain the tree on your private property. The tree must be designated as an exceptional tree by the local county arborist advisory committee under chapter 58, HRS. Qualified expenditures are those expenses you incurred to maintain the exceptional tree (excluding interest) that are deemed "reasonably necessary" by a certified arborist. No deduction is allowed in more than one taxable year out of every three consecutive taxable years. The deduction is allowed for amounts paid in taxable years beginning after December 31, 2003.

An affidavit signed by a certified arborist stating that the amount of expenditures are deemed reasonably necessary must be attached to your tax return. The affidavit also must include the following information: (1) type of tree, (2) location of tree, and (3) description and amount of expenditures made in 2004 to maintain the tree. The affidavit must be notarized.

Enter the amount of qualified expenditures you made during 2004 in Columns A and B.

Line 35

Total Adjustments

Add lines 21 through 34. Enter the total on this line. Include in the total on line 35:

- Contributions to an Archer MSA. You may claim the same amount allowed on your Federal return as an Archer MSA deduction. Include the contributions you made during 2004 and write in the total on Form N-15, line 35 "Archer MSA Deduction" in the space to the left of the total.

- Contributions by an individual development account (IDA) holder to their IDA. Include the contributions made during 2004 and write in the total on Form N-15, line 35 "IDA Contribution" in the space to the left of the total.
- Jury duty pay you are required to give to your employer because your employer continues to pay your salary while you serve on the jury. Include the amount you repaid during 2004 and write in the total on Form N-15, line 35 "Jury Pay" in the space to the left of the total.

Line 36

Adjusted Gross Income

Line 20 minus line 35. If line 36 is less than zero (0), you may have a net operating loss that you can carry to another tax year. If you carry the loss back to earlier years, see Form N-109.

Deductions and Taxable Income Computation

Line 37

Enter amount from line 36, Column B.

Line 38

Ratio of Hawaii AGI to Total AGI

Divide line 36, Column B, by line 36, Column A. Compute the ratio to 3 decimal places and round it to 2 decimal places. For example, line 36, Column A is \$90,000; and line 36, Column B is \$60,000. The ratio of Hawaii AGI to total AGI is 0.67 ($60,000/90,000 = 0.666$ rounded to 0.67).

Note: If line 36, Column A is zero or a negative number (loss) and line 36, Column B is a positive number, enter 1.00 on line 38. If line 36, Column B is zero or a negative number (loss), enter zero on line 38. If both line 36, Columns A and B are negative numbers (losses), enter zero on line 38. If line 36, Column B is greater than line 36, Column A, enter 1.00 on line 38. If Column A is not completed, enter zero on line 38.

Note: If you can be claimed as a dependent on another person's return check the box under line 38. Complete the worksheet on page 24 and enter the appropriate amount on line 40a if you do not itemize your deductions.

Lines 39a to 39f

Itemized Deductions

Taxpayers who itemize their deductions may deduct certain kinds of expenses from their adjusted gross income.

Taxpayers who do not itemize their deductions may reduce their adjusted gross income by the amount of the prorated standard deduction appropriate to their filing status. The amount of the prorated standard deduction is determined on lines 40a and 40b.

You will fall into one of the three classes below:

- You MUST itemize deductions,
- You choose to itemize, or
- You do not itemize.

The three classes are described as follows:

You MUST Itemize Deductions

You must itemize deductions if:

- You are married, filing a separate return, and your spouse itemizes.
- You are making a return under IRC section 443(a)(1) for a period of less than 12 months on account of a change in your annual accounting period.
- You were a nonresident alien or dual-status alien during the taxable year.

You Choose to Itemize

You may choose to itemize your deductions if you are:

- Married and filing a joint return, or a Qualifying widow(er) with dependent child, and your itemized deductions are more than \$1,900 multiplied by your ratio of Hawaii AGI to Total AGI.
- Married and filing a separate return, and your itemized deductions are more than \$950 multiplied by your ratio of Hawaii AGI to Total AGI.
- Single, and your itemized deductions are more than \$1,500 multiplied by your ratio of Hawaii AGI to Total AGI.
- A Head of Household, and your itemized deductions are more than \$1,650 multiplied by your ratio of Hawaii AGI to Total AGI.
- A dependent of another taxpayer and your itemized deductions are more than the greater of (1) \$500; or (2) your earned income up to the amount of

the standard deduction for your filing status; multiplied by your ratio of Hawaii AGI to Total AGI.

You Do Not Itemize

If your itemized deductions are less than the prorated standard deduction amount for your filing status (or you choose not to itemize), go to line 40a and enter your standard deduction amount there (unless you MUST itemize as described earlier).

If you itemize, you can deduct part of your medical and dental expenses, and amounts you paid for certain taxes, interest, contributions, casualty and theft losses, and other miscellaneous expenses. These deductions are explained on the pages that follow.

Please note that a nonresident (i.e., a U.S. resident who is not a resident of Hawaii, a nonresident alien or a dual status alien) and a part-year resident (for the period of nonresidency) may not be allowed a deduction at all or allowed a deduction only in part even if such a deduction is otherwise provided for in the law.

A deduction is not allowed at all if it can be tied to a specific investment, property, or activity carried on outside Hawaii, or which results in income which is not subject to taxation by Hawaii. Examples include income taxes paid to a state other than Hawaii on wages earned as an active duty serviceman stationed in Hawaii and mortgage interest connected with property located outside Hawaii.

A deduction may be allowed either in full or in part depending on which of the following three classes of deductions it falls in.

Class I: If the deduction is connected with income arising in Hawaii and taxable to a nonresident under Hawaii income tax law, it is allowed in full.

Deductions in this class include:

- All the ordinary and necessary expenses of conducting a business;
- Income tax paid to Hawaii;
- Interest paid in connection with taxable income;
- Casualty losses incurred in a trade or business; and
- Losses sustained in transactions entered into for profit in real property and tangible personal property.

Class II: If the deduction is connected with property (other than property associated with income arising in Hawaii falling in Class I) having a tax situs in Hawaii, it is allowable in full. Deductions in this class include:

- Real property tax on a residence located in Hawaii;
- Interest on a mortgage connected with property located in Hawaii; and
- Casualty and theft losses on nonbusiness property located in Hawaii allowed only to the extent that the total losses, after the \$100 deduction, exceed 10% of the adjusted gross income.

Class III: If a deduction allowed under Hawaii law is not tied to a specific investment, property, or activity carried on outside Hawaii or which results in income not subject to taxation by Hawaii, and does not fall in either Class I or II above, it is allowed only to the extent of the ratio of adjusted gross income attributable to Hawaii to the total adjusted gross income attributable to worldwide sources. Deductions in this class include:

- Medical expenses; and
- Contributions.

If you do itemize, your deductions are generally figured on *Worksheets NR-1 to NR-6* on page 37 if you are a nonresident, or on *Worksheets PY-1 to PY-6* on page 38 if you are a part-year resident. Enter the amounts on Form N-15, lines 39a to 39f.

Line 39a

Medical and Dental Expenses

Before you can figure your total deduction for medical and dental expenses, you must complete your Form N-15 through line 37.

Only that part of your medical and dental expenses that is more than 7.5% of your Hawaii adjusted gross income is deductible.

Include medical and dental bills you paid for:

- Yourself;
- Your spouse;
- All dependents you list on your return;
- Your child whom you do not claim as a dependent because of the rules explained on page 9 for *Children of Divorced or Separated Parents*; and
- Any person that you could have listed as a dependent on your return if that person had not received \$3,100 or more of gross income or had not filed a joint return.

Example — You gave more than half of your mother's support but cannot list her as a dependent because she received \$3,100 of wages during

2004. If part of your support was the payment of her medical bills, you can include that part in your medical expenses.

You should include all amounts you paid during 2004, but do not include amounts repaid to you, or paid to anyone else, by hospital, health or accident insurance, or your employer, or paid through a medical savings account.

Examples of Medical and Dental Payments You CAN Deduct

To the extent you were not reimbursed, you can deduct what you paid for:

- Qualified long-term care services.
- Premiums for qualified long-term care contracts, subject to dollar limitations based on a person's age. See the federal instructions to Form 1040 for the dollar limits.
- Hospital, medical, dental, and extra Medicare (Medicare B) insurance.
- Prescription drugs and insulin.
- Medical doctors, dentists, eye doctors, gynecologists, chiropractors, osteopaths, podiatrists, psychiatrists, psychologists, physical therapists, acupuncturists, and psychoanalysts (medical care only).
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths the doctor ordered.
- Nursing help. If you pay someone to do both nursing and housework, you can deduct only the cost of nursing help.
- Hospital care (including meals and lodging), clinic costs, lab fees.
- Medical treatment at a center for drug addicts or alcoholics.
- Medical aids such as hearing aids (and batteries), false teeth, eyeglasses, contact lenses, braces, orthopedic shoes, crutches, wheelchairs, guide dogs and the cost of maintaining the dogs.
- Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for gas and oil to go to and from the place you received medical care; or you can claim 14 cents a mile. Add parking and tolls to the amount you claim under either method.
- Cosmetic surgery or procedure that is necessary to correct a deformity arising from, or directly related to:
 - A congenital abnormality;
 - a personal injury resulting from an accident or trauma; or
 - a disfiguring disease.

Examples of Medical and Dental Payments You CANNOT Deduct

You cannot deduct the following:

- The basic cost of Medicare Insurance (Medicare A).
Note: *If you are 65 or over and are not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.*
- Life insurance or income protection policies.
- The 1.45% hospital insurance benefits tax withheld from your pay as part of the social security tax or paid as part of the self-employment tax.
- Nursing care for a healthy baby. (Part-year residents may qualify for the child care credit; see Schedule X, Part III.)
- Illegal operations or drugs.
- Nonprescription medicines or drugs.
- Travel your doctor told you to take for rest or change.
- Funeral, burial, or cremation costs.
- Amounts paid for cosmetic surgery which is directed at improving the appearance and does not meaningfully promote the proper function of the body or prevent or treat illness or disease.

Note: *If expenses for cosmetic surgery are NOT deductible as medical expenses, then amounts paid for insurance coverage for such expenses are NOT deductible. Furthermore, if an employer health plan reimburses you for such expenses, the reimbursement must be included in your gross income.*

Nonresidents: If you itemized deductions on your 2004 federal return, enter the number from line 1 of federal Form 1040, Schedule A on *Worksheet NR-1*, line 4. If you did **not** itemize on your 2004 federal return, consult the instructions above to see which medical and dental expenses you may deduct. Complete *Worksheet NR-1* on page 37.

Part-year residents: If you itemized deductions on your 2004 federal return, enter the number from line 1 of federal Form 1040, Schedule A on *Worksheet PY-1*, line 4. If you did **not** itemize on your 2004 federal return, consult the instructions above to see which medical and dental expenses you may deduct. Complete *Worksheet PY-1* on page 38.

Line 39b

Taxes

Certain taxes you paid during the year can be deducted.

Taxes You CAN Deduct

State and Local Income Taxes

Note: *The federal provision which allows an itemized deduction for state and local sales taxes has not been adopted for Hawaii income tax purposes at the present time.*

Include on this line:

- State and local income taxes withheld from your salary (as shown on your federal Form W-2) and withheld from your unemployment compensation (as shown on your federal Form 1099-G) and any estimated tax payments made in 2004, including payments for a prior year;
- Any part of a prior year refund of state or local income taxes that you chose to have credited to your 2004 estimated state or local income taxes; and
- The NET amount of taxes withheld from the sale of Hawaii real property interests.

Do not reduce your deduction by any tax refund or credit for prior year state and local income taxes you received in 2004. See instead the instructions for line 10.

For more information about the treatment of taxes withheld from the sale of real property interests, see Tax Information Release No. 2002-2, "Withholding of State Income Taxes on the Disposition of Hawaii Real Property".

Real Estate Taxes

Include taxes that you paid on property you own that was not used for business.

If your mortgage payments include your real estate taxes, deduct only the amount equal to the real estate taxes actually paid by the mortgage company to the taxing authority.

Personal Property Taxes

Include personal property tax you paid, but only if it is based on value alone and it is charged on a yearly basis.

Note: *Hawaii does not have a personal property tax. However, you may include personal property taxes you paid to other states.*

Other Taxes

Include any other deductible tax such as foreign income taxes.

Taxes You CANNOT Deduct

- Federal income tax.
- Social security tax (FICA).
- Medicare tax.
- Railroad retirement tax (RRTA).
- Federal excise tax on personal property, transportation, telephone, and gasoline.
- Custom duties.
- Federal estate and gift taxes. (However, see *Miscellaneous Deductions* on page 23).
- Certain state and local taxes, including:
 - a. General sales taxes.
 - b. Tax on gasoline.
 - c. Hawaii motor vehicle registration fees, including car inspection fees.
 - d. Tax on liquor, beer, wine, cigarettes and tobacco.
 - e. Assessments for sidewalks or other improvements to your property.
 - f. Taxes paid for your business or profession. (These business taxes are deducted elsewhere.)
 - g. Tax you paid for someone else.
 - h. License fees. (Marriage, driver's, dog, hunting, auto, etc.)
 - i. Inheritance tax.

Nonresidents: Consult the instructions above to see which taxes you may deduct. Please note that you may only deduct Hawaii income taxes paid or withheld, and real estate taxes paid on property located in Hawaii. Complete *Worksheet NR-2* on page 37.

Part-year residents: If you itemized deductions on your 2004 federal return, you may enter the same amount from Form 1040, Schedule A, line 9 on *Worksheet PY-2*, line 12.

Exception: If you are a federal employee receiving a Cost Of Living Allowance (COLA), not all of your Hawaii income taxes are deductible for federal purposes. (See IRS Revenue Ruling 74-140, 1974-1 C.B. 50, for

more information.) Enter on line 8 of *Worksheet PY-2* on page 38 the **entire** amount of state and local income taxes you paid in 2004, even if you reported a different amount on line 5 of federal Form 1040, Schedule A. Enter the amounts from lines 6, 7, and 8 of federal Schedule A on lines 9, 10, and 11, respectively, of *Worksheet PY-2*. If you did **not** itemize deductions on your 2004 federal return, consult the instructions above to see which taxes you may deduct. Complete *Worksheet PY-2* on page 38.

Line 39c

Interest Expense

You should show on *Worksheet NR-3* or *PY-3* interest on non-business items only. Business-related interest is deducted elsewhere.

Except for certain mortgage interest, the amount of your personal interest expense (such as credit card interest) is **not** allowed as an itemized deduction on *Worksheet NR-3* or *PY-3*.

Home Mortgage Interest. — In most cases, you will be able to deduct all of your home mortgage interest. The following rules apply to any loans secured by your main home, including first and second mortgages, home equity loans and refinanced mortgages. Whether your home mortgage interest is deductible depends on the date you took out the mortgage, the amount of the mortgage and your use of its proceeds.

If ALL of your mortgages fit into one or more of categories **a.**, **b.**, and **c.** below, you can deduct all of the interest on those mortgages. If one or more of your mortgages does not fit into any of the categories below, see federal Publication 936, Limits on Home Mortgage Interest Deduction, to figure the amount of interest you can deduct.

a. Mortgages you took out on your main home ON or BEFORE October 13, 1987. These mortgages also include line-of-credit mortgages you had on October 13, 1987, and mortgages you had on October 13, 1987, that you refinanced after that date. But see *Special Rules* if you refinanced or borrowed additional amounts on a line-of-credit mortgage after October 13, 1987.

b. Mortgages you took out on your main home AFTER October 13, 1987, to buy, build, or improve your home, but only if these mortgages plus any mortgages in **a.** above totaled \$1 million or less throughout 2004. The limit is \$500,000 or less if married filing separately.

c. Mortgages you took out AFTER October 13, 1987, on your main home, OTHER THAN to buy, build, or improve your home, but only if these mortgages totaled \$100,000 or less throughout 2004. The limit is \$50,000 or less if married filing separately.

An example of a mortgage used for purposes other than to buy, build, or improve your home is a home equity loan you used to pay off credit card bills, to buy a car, or to pay tuition costs.

Special Rules

Refinanced Mortgages. — If you had a mortgage on your home on October 13, 1987, and refinanced it after that date for no more than the balance of the existing mortgage, all of the new mortgage is treated as a mortgage described in **a.** above. But, if you refinanced it for more than the balance of the existing mortgage, only the part of the new mortgage equal to the amount you owed on the mortgage at the time you refinanced is treated as a mortgage described in **a.** The part of the new mortgage that is more than the balance of the existing mortgage is a mortgage described in **b.** or **c.** (or **b.** and **c.** if a **mixed-use mortgage** — see below).

Line-of-Credit Mortgages. — If you had a line-of-credit mortgage on your home on October 13, 1987, and you borrowed additional amounts on this line of credit after that date, the additional amounts borrowed are treated as a mortgage taken out after October 13, 1987, and are subject to the rules under **b.** or **c.** (or **b.** and **c.** if a **mixed-use mortgage** — see below).

Mixed-Use Mortgages. — If you took out a new mortgage after October 13, 1987, (including refinancing for more than what you owe or borrowing additional amounts on a line-of-credit mortgage you had on October 13, 1987), for purposes described in both **b.** and **c.** above, you have a mixed-use mortgage. The mortgage proceeds used to buy, build, or improve the home fit into category **b.** and the rest of the proceeds fit into category **c.**

Example. You took out a mortgage on your home for \$200,000 in 1980. You file as single for 2004. In March 2004, when the home had a fair market value of \$400,000, and you owed \$195,000 on the mortgage, you took out a home equity loan for \$120,000. In 2004, you used \$90,000 of the home equity loan proceeds for home improvements, and \$30,000 for other purposes. You can deduct all of the interest on both mortgages. The first mortgage qualifies because it was taken out on or before October 13, 1987. The home equity loan qualifies under the dollar limits in **b.** and **c.** The part of the mortgage subject to the dollar limit in **b.** (\$90,000) plus the first mortgage of

\$195,000 totaled less than \$1 million. The part of the mortgage subject to the dollar limit in **c.** (\$30,000) was less than \$100,000.

Note: *Additional limits apply if the total amount of all mortgages exceeds the fair market value of the home. See federal Publication 936.*

What is a Home. — A home may be a house, condominium, cooperative, mobile home, boat, or similar property. It must provide basic living accommodations including sleeping space, a toilet, and cooking facilities.

More Than One Home. — If you had a main home and a second home, the dollar limits explained in **b.** and **c.** above apply to the total mortgages on both homes.

Investment interest deduction. — Investment interest is interest paid on money you borrowed that is allocable to property held for investment. It does not include any interest allocable to a passive activity.

Note: *Expenses and interest for royalties and other income derived from any patents, copyrights, and trade secrets by an individual or a qualified high technology business are deductible.*

Complete and attach Form N-158, Investment Interest Expense Deduction, to figure your deduction.

Exception. You do not have to file Form N-158 if ALL of the following apply:

- Your only investment income was from interest or dividends,
- You have no other deductible expenses connected with the production of the interest or dividends,
- Your investment interest expense is not more than your investment income,
- You have no carryovers of investment interest expense from 2003, and
- You have no passive activity losses.

For more details, see federal Publication 550, Investment Income and Expenses.

Interest Expense You CANNOT Deduct

Do not include the interest you paid for —

- Personal Interest.
- Indebtedness of another person, when you are not legally liable for payment of the interest.
- A gambling debt or other nonenforceable obligation.
- Money you borrowed to buy tax-exempt securities or single-premium life insurance.
- Any kind of business transaction. Business interest expenses are reported elsewhere.

See the instructions for federal Form 1040, Schedule A—Interest Expense for more information.

Nonresidents: Consult the instructions above to see which interest expense you may deduct. Please note that you may only deduct home mortgage interest secured by a property located in Hawaii and points paid thereon. Complete *Worksheet NR-3* on page 37.

Part-year residents: If you itemized deductions on your 2004 federal return, you may write the amount from line 14 of your 2004 federal Schedule A on *Worksheet PY-3*, line 23.

Exception:

- If you had to file a 2004 federal Form 4952, you must refigure your investment interest deduction for state tax purposes on Hawaii Form N-158. Enter the amount from Form N-158 on line 22 of *Worksheet PY-3*. Enter the amounts from lines 10, 11, and 12 of federal Form 1040, Schedule A, on the corresponding lines of *Worksheet PY-3*. Attach Form N-158 to your return.
- If you filed a 2004 federal Form 8396, and you reduced your deduction for home mortgage interest on federal Form 1040, Schedule A, by the amount on line 3 of federal Form 8396, you must refigure your home mortgage interest for state tax purposes. Include the amount from line 3 of federal Form 8396 on line 19 of *Worksheet PY-3*. Enter the amounts from lines 11, 12, and 13 of federal Form 1040, Schedule A, on the corresponding lines of *Worksheet PY-3*.

If you did **not** itemize deductions on your 2004 federal return, consult the instructions above to see which interest expense you may deduct. Complete *Worksheet PY-3* on page 38.

Line 39d

Gifts to Charity

Note: *Matching contributions to a fiduciary organization pursuant to chapter 257, HRS, Individual Development Account, qualifies as a charitable deduction. However, the individual development account contribution tax credit will not be allowed for the portion of the contribution for which the charitable deduction was taken.*

Contributions You CAN Deduct

You may deduct what you gave to organizations that are religious, charitable, educational, scientific, or literary in purpose. You may also deduct what you gave to organizations that work to prevent cruelty to children or animals. An organization that tells you it is a "501(c)(3) organization" is telling you that it falls into this category.

Examples of these organizations are:

- Churches, temples, synagogues, Salvation Army, Red Cross, CARE, Goodwill Industries, United Way, Boy Scouts, Girl Scouts, Boys Club of America, etc.
- Fraternal orders, if the gifts will be used for the purposes listed above.
- Veterans' and certain cultural groups.
- Nonprofit schools, hospitals, and organizations whose purpose is to find a cure for or help people who have arthritis, asthma, birth defects, cancer, cerebral palsy, cystic fibrosis, diabetes, heart disease, hemophilia, mental illness or retardation, multiple sclerosis, muscular dystrophy, tuberculosis, etc.
- Federal, State, and local governments if the gifts are solely for public purposes.

Contributions can be cash (including checks and money orders), property, or out-of-pocket expenses you paid to do volunteer work for the kinds of organizations described above. If you drive to and from the volunteer work, you can take 14 cents a mile or the actual cost of gas and oil. Add parking and tolls to the amount you claim under either method. (But don't deduct any amounts that were repaid to you.)

If you made a gift **and received a benefit in return**, such as food, entertainment, or merchandise, you may deduct only the amount that is more than the value of the benefit. For example, if you paid \$70 to a charitable organization to attend a fund raising dinner and the value of the dinner was \$40, you may deduct only \$30.

If you do not know whether you can deduct what you gave to an organization, check with that organization.

Contributions You CANNOT Deduct

- Political contributions (but see instructions for Miscellaneous Deductions, line 39f).
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets.
- Tuition to a private school.
- The value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally until the entire interest has been transferred).
- Gifts to:
 - a. Individuals.
 - b. Foreign organizations.
 - c. Groups that are run for personal profit.
 - d. Groups whose purpose is to lobby for changes in the law.
 - e. Civic leagues, social and sports clubs, labor unions, and chambers of commerce.

Limit on the Amount You May Deduct

See federal Publication 526 to figure the amount of your deduction if **any** of the following applies:

- Your cash contributions, or contributions of ordinary income property, are more than 30% of your Hawaii adjusted gross income.
- Your gifts of capital gain property are more than 20% of your Hawaii adjusted gross income.
- You gave gifts of property that increased in value, or gave gifts of the use of property.

Gifts by Cash or Check

On *Worksheet NR-4*, line 17; or *Worksheet PY-4*, line 30; enter the total contributions you made in cash or by check (including out-of-pocket expenses).

Note: Charitable contributions of \$250 or more must be substantiated by a written acknowledgment from the donee organization to be deductible.

Other Than by Cash or Check

On *Worksheet NR-4*, line 18; or *Worksheet PY-4*, line 31; enter the total contributions you made other than by cash or check. If you gave property, you should keep records stating the kind of property you gave, the name of the organization you gave it to, the date you gave it, how you figured its

value at the time you gave it, and whether it was capital gain or ordinary income property. If you determine the value of a gift by an appraisal, keep a signed copy of it.

For gifts valued at over \$500, attach a statement to Form N-15 showing:

- a. The address of the organization.
- b. A description of the property.
- c. Any condition attached to the gift.
- d. How you got the property.
- e. The cost or other basis of the property if:
 1. You owned it less than five years, or
 2. You must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.
- f. How you figured your deduction if you choose to reduce your deduction for contributions of capital gain property.
- g. If the gift was a "qualified conservation contribution" under IRC section 170(h), also include the fair market value of the underlying property before and after the gift, the type of legal interest donated, and describe the conservation purpose furthered by the gift. Federal Form 8283 may be used for this purpose.

If you donate property to an organization for which you claim a deduction of over \$5,000 (\$10,000 for stock except publicly traded stock) for a single item (plus all similar items donated to one or more organizations), you must attach an appraisal of the donated property's fair market value to your return. The appraisal must be obtained from a qualified independent appraiser. A copy of federal Form 8283 may be used for this purpose as well.

If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale.

Note: If you donate a car, see federal Publication 4303, *A Donor's Guide to Car Donations*.

Nonresidents: If you itemized deductions on your 2004 federal return, write the amount from line 18 of Form 1040, Schedule A on *Worksheet NR-4*, line 20.

You should complete all lines on *Worksheet NR-4* on page 37 if:

- Your charitable contribution deduction was limited based upon your federal adjusted gross income. You must refigure your charitable contribution deduction for state tax purposes using your Hawaii adjusted gross income, or
- You have a contribution carryover from prior years and the amount is different for federal and State tax purposes.

If you did not itemize deductions on your 2004 federal return, consult the instructions above to see which contributions you may deduct. Complete *Worksheet NR-4* on page 37.

Part-year residents: If you itemized deductions on your 2004 federal return, write the amount from line 18 of Form 1040, Schedule A on *Worksheet PY-4*, line 33.

You should complete all lines on *Worksheet PY-4* on page 38 if:

- Your charitable contribution deduction was limited based upon your federal adjusted gross income. You must refigure your charitable contribution deduction for state tax purposes using your Hawaii adjusted gross income, or
- You have a contribution carryover from prior years and the amount is different for federal and State tax purposes.

If you did **not** itemize deductions on your 2004 federal return, consult the instructions above to see which contributions you may deduct. Complete *Worksheet PY-4* on page 38.

Line 39e

Casualty and Theft Losses

Use line 39e to report casualty or theft loss(es) of property that is not trade, business, or rent or royalty property.

Losses You CAN Deduct

You may be able to deduct all or part of each loss caused by theft, vandalism, fire, storm, and car, boat, and other accidents or similar causes.

If you have a nonbusiness casualty loss that is covered by insurance, you cannot take the casualty loss deduction unless you file a timely insurance claim for that loss. You can deduct nonbusiness casualty or theft losses only to the extent that:

- a. The amount of EACH separate casualty or theft loss is more than \$100, and

b. The total amount of ALL losses during the year is more than 10% of your adjusted gross income on Form N-15, line 36, column B.

You may also deduct the costs of proving that you had a property loss. Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.

Losses You CANNOT Deduct

- Money or property misplaced or lost.
- Breakage of china, glassware, furniture, and similar items under normal conditions.
- Progressive damage to property (buildings, clothes, trees, etc.) caused by termites, moths, other insects, or disease.

Nonresidents: Complete federal Form 4684, Casualties and Thefts, to figure your loss. Please note that the property must be in Hawaii and the casualty and theft loss must have occurred in Hawaii. Write the amount from line 16 of federal Form 4684 on line 22 of *Worksheet NR-5* on page 37, fill in *Worksheet NR-5*, and attach a copy of federal Form 4684 to Form N-15.

Part-year residents: Complete federal Form 4684, Casualties and Thefts, to figure your loss. Write the amount from line 16 of federal Form 4684 on line 35 of *Worksheet PY-5* on page 38, fill in *Worksheet PY-5*, and attach a copy of federal Form 4684 to Form N-15.

Line 39f

Miscellaneous Deductions

In General

Most miscellaneous deductions cannot be deducted in full. You must subtract 2% of your Hawaii adjusted gross income from the total.

Generally, the 2% limit applies to job expenses you paid for which you were not reimbursed. The limit also applies to tax preparation fees and certain expenses you paid to produce or collect taxable income or certain tax-exempt income.

The 2% limit does not apply to certain other miscellaneous expenses that you may deduct. These expenses, such as gambling losses (to the extent of winnings) and certain job expenses of handicapped employees, can be deducted in full. See federal Publication 529, Miscellaneous Deductions, for more information.

Expenses Subject to the 2% Limit

Employee Business Expenses

Report job expenses you paid for which you were not reimbursed. Attach a copy of federal Form 2106 or 2106-EZ, if:

1. You claim any travel, transportation, meal, or entertainment expenses for your job; or
2. Your employer paid you for any of your job expenses reportable as an employee business expense.

Examples of employee business expenses to include are:

- Travel, transportation, meal, or entertainment expenses.
- Union dues.
- Safety equipment, small tools, and supplies you needed for your job.
- Uniforms your employer said you must have, and which you may not usually wear away from work.
- Protective clothing required in your work, such as hard hats, and safety shoes and glasses.
- Physical examinations your employer said you must have.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.
- Business use of part of your home, but only if you use that part exclusively and on a regular basis in your work and for the convenience of your employer. For details, including limits that apply, see federal Publication 587, Business Use of Your Home.
- Education expenses you paid that were required by your employer, or by law or regulations, to keep your salary or job. In general, you may also include the cost of keeping or improving skills you must have in your job. For more details, see federal Publication 508, Educational Expenses. Some education expenses are not deductible. See *Expenses You MAY NOT Deduct* on this page.

Tax Preparation Fees

Report the total fees you paid to prepare your federal and Hawaii tax return, including fees paid for filing your return electronically. But **do not** include fees deducted elsewhere, such as business expenses.

Other Expenses

Note: *Expenses and interest for royalties and other income derived from any patents, copyrights, and trade secrets by an individual or a qualified high technology business are deductible.*

Report the total amount you paid to produce or collect taxable income and certain tax-exempt income as stated in the above note, and manage or protect property held for earning income. But **do not** include expenses deducted elsewhere. Attach a statement showing the type and amount of each expense to Form N-15. Examples of these expenses are:

- Safe deposit box rental.
- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (e.g., trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on uninsured deposits in an insolvent or bankrupt financial institution. For details, including limits on the amount you can deduct, see federal Publication 529.
- Deduction for repayment of amounts under a claim of right whether more or less than \$3,000. See *Repayments* in federal Publication 525, Taxable and Nontaxable Income, for more information.
- Certain expenses related to an activity not engaged in for profit. For details, get federal Publication 535, Business Expenses.
- Amount paid for the purchase of a net operating loss from a qualified high technology business.

Expenses NOT Subject to the 2% Limit

Other Deductions

Report only the following expenses:

- Gambling losses, but only to the extent of gambling winnings that were reported on Form N-15, line 19.
- Federal estate tax on income in respect of a decedent.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Certain unrecovered investment in an annuity (IRC section 72(b)(3)). For details, see federal Publication 575, Pension and Annuity Income.
- Impairment-related work expenses of a handicapped person.

List the type and amount of each expense and attach a copy of the list to your return. For more information on these expenses, get federal Publication 529, Miscellaneous Deductions.

Political Contributions

Report:

- Political contributions not in excess of \$250 in the year (up to \$500 on a joint return) to a central or county committee of a political **party** whose candidate was on the ballot for the immediately previous general election; and
- Contributions to **candidates** who agreed to abide by the campaign spending limits set by law, but you can't deduct more than \$1,000 in a year (\$2,000 on a joint return) total, and you can't deduct more than \$250 (\$500 on a joint return) to any one candidate.

In order to claim a deduction to candidates who agreed to abide by the campaign spending limits, you must attach a receipt to Form N-15. Canceled checks or copies of the same shall be considered adequate forms of receipt.

If you do not know whether the candidate agreed to abide by the campaign spending limits, contact the Campaign Spending Commission.

Expenses You MAY NOT Deduct

Some expenses are not deductible at all. Examples are:

- Political contributions to candidates who did not agree to abide by the campaign spending limits.
- Personal legal expenses.
- Lost or misplaced cash or property (but see casualty and theft losses).
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Expenses of going to or from work.
- Education that you need to meet minimum requirements for your job or that will qualify you for a new occupation.
- Expenses of:
 - a. Travel as a form of education.
 - b. Attending a seminar, convention, or similar meeting unless it is related to your employment.
 - c. Adopting a child, including a child with special needs.

- Fines and penalties.
- Expenses of producing tax-exempt income, except for expenses for royalties and other income derived from any patents, copyrights, and trade secrets by an individual or a qualified high technology business.

Nonresidents: As a nonresident of Hawaii, all miscellaneous deductions allowed under Hawaii law may not be allowed to you. If it is allowed, you must additionally determine if it is allowed in full or whether it is subject to limitation by the ratio of Hawaii adjusted gross income to total adjusted gross income.

In general, a miscellaneous deduction is not allowed if the expense incurred can be directly associated with activities or properties producing income which is not taxable to Hawaii.

A miscellaneous deduction is allowed in full if the expense incurred can be directly associated with activities or properties producing income which is taxable to Hawaii.

A miscellaneous deduction is limited by the ratio of Hawaii adjusted gross income to total adjusted gross income if the expense cannot be linked to a specific activity or property.

Consult the instructions above to see which miscellaneous deductions you may deduct.

Part-year residents: If you did **not** itemize deductions on your 2004 federal return, consult the instructions above to see which miscellaneous deductions you may deduct.

If you itemized deductions on your 2004 **federal** return, take the amounts on Form 1040, Schedule A, lines **23 and 27** and write them on lines 47 and 56 of *Worksheet PY-6* on page 38. Then, complete the worksheet.

Note for nonresidents and part-year residents: If you made **political contributions** in 2004, you may be able to deduct some or all of your contributions regardless of the amount of your adjusted gross income. See Political Contributions on page 23.

Line 39g

Total Itemized Deductions

Your state income tax will be less if the total of your itemized deductions is larger than your prorated standard deduction. To figure your itemized deductions, fill in lines 39a to 39f.

If the amount on Form N-15, line 36, Column B, is \$100,000 or less (\$50,000 if married filing separately), add lines 39a through 39f, and enter the result on line 39g.

People with higher incomes may not be able to deduct all of their itemized deductions. If the amount on Form N-15, line 36, Column B, is more than \$100,000 (\$50,000 if married filing separately), use the worksheet on page 39 to figure the amount you may deduct.

Line 40a

Standard Deduction

Taxpayers who do not itemize their deductions may reduce their adjusted gross income by the amount of their prorated standard deduction appropriate to their filing status. The amount of the standard deduction for each filing status is listed below. Enter the amount appropriate to your filing status on line 40a.

Filing Status	Standard Deduction
Single	\$1,500
Married filing jointly	1,900
Married filing separately	950
Head of Household	1,650
Qualifying Widow(er)	1,900

Standard Deduction for Dependents. If you can be claimed as a dependent by someone else and you do not itemize your deductions, your standard deduction is limited to the greater of \$500 or your earned income (up to the full standard deduction for your filing status). The standard deduction for an individual who can be claimed as a dependent on the tax return of another taxpayer is computed as follows:

- Enter your earned income (defined below). If none, enter zero. **A.** _____
- Minimum amount. **B.** 500.00
- Compare** the amounts on lines A and B above. Enter the **LARGER** of the two amounts here. **C.** _____
- Maximum amount. Enter the full standard deduction for your filing status, shown in the chart, here. **D.** _____
- Compare** the amounts on lines C and D above. Enter the **SMALLER** of the two amounts here and on Form N-15, line 40a. **E.** _____

Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income. Generally, your earned income is the total of the amount(s) you reported on Form N-15, lines 7 and 12, Column A, minus the amount, if any, on line 27, Column A.

Special Rule for Nonresident and Dual-Status Aliens.— If you were a nonresident or dual-status alien during the tax year, you cannot claim the standard deduction. You must itemize any allowable deductions.

Line 40b

Prorated Standard Deduction

Multiply line 40a by the ratio on line 38.

Line 41

Line 37 minus line 39g or 40b, whichever applies. (This line **MUST** be filled in.)

Line 42a

Exemptions

Regular Exemptions

Multiply \$1,040 by the total number of exemptions you claimed on line 6e. **Remember, if you can be claimed as a dependent on another person's tax return, you may not claim an exemption for yourself.**

Blind, Deaf, or Totally Disabled — Definition, Certification, and Exemptions

Check the appropriate box(es) on line 42a if you are blind, deaf or totally disabled and your impairment has been certified. You **must** submit a completed Form N-172 **prior** to filing your return in order to claim this exemption. **If you do not, the exemption will be disallowed and your return processed without the disability exemption(s) claimed.**

"Blind" means a person whose central visual acuity does not exceed 20/200 in the better eye with correcting lenses, or whose visual acuity is greater than 20/200 but is accompanied by a limitation in the field of vision such that the widest diameter of the visual field subtends an angle no greater than 20 degrees.

"Deaf" means a person whose average loss in the speech frequencies (500-2000 Hertz) in the better ear is 82 decibels, A.S.A., or worse.

"Person totally disabled" means a person who is totally and permanently disabled, either physically or mentally, which results in the person's inability to engage in any substantial gainful business or occupation. It is presumed that a person whose earned income, before deductions and exemptions, exceeds \$30,000 per year is engaged in a substantial, gainful business or occupation.

The impairment of sight, deafness or disability shall be certified on the basis of a written report on an examination performed by a qualified ophthalmologist, qualified optometrist or a qualified otolaryngologist, licensed audiologist, or a qualified physician, as the case may be, on Form N-172.

A blind, deaf or totally disabled person who qualifies, may be allowed a Disability Exemption of \$7,000. The Disability Exemption is in lieu of the regular personal exemption of \$1,040. The following maximum exemptions are allowed:

One individual (any filing status) —	\$7,000
Husband and Wife (non-disabled spouse <i>under</i> 65) —	\$8,040
Husband and Wife (non-disabled spouse age 65 or over) —	\$9,080
Husband and Wife (both disabled) —	\$14,000

Note: *If you claim this special exemption you will not be able to claim the additional exemptions for your children or other dependents, or for being 65 or older.*

Enter the appropriate amount on line 42a.

For more information, see Tax Information Release No. 89-3, "State Tax Benefits Available to Persons with Impaired Sight, Impaired Hearing, or Who are Totally Disabled" and Tax Information Release No. 94-2, "State Tax Benefits Available to Persons Totally Disabled".

Line 42b

Prorated Exemption

Multiply line 42a by the ratio on line 38.

Line 43

Taxable Income

Line 41 minus line 42b, but not less than zero.

Tax Computation

Line 44

Tax

To figure your tax, you will use one of the following methods. Read the conditions below to see which you should use, and check the appropriate box on line 44. Then, go to the Tax Computation Worksheet on page 39.

Tax Table

If your taxable income is less than \$100,000, you MUST use the Tax Table to find your tax.

Be sure you use the correct column in the Tax Table. After you have found the correct tax, enter that amount on line 44.

There is an example at the beginning of the table to help you find the correct tax.

Tax Rate Schedules

You must use the Tax Rate Schedules to figure your tax if your taxable income is \$100,000 or more.

Alternative Tax on Capital Gains

If you have a **Hawaii** net capital gain, you may be able to reduce your tax using the *Tax on Capital Gains Worksheet* on page 39 if your taxable income is over \$40,000 (\$20,000 for Single, and Married Filing Separately, or \$30,000 for Head of Household classifications). If your taxable income is \$40,000 (\$20,000 for Single, and Married Filing Separately, or \$30,000 for Head of Household classifications) or under, do not use the *Tax on Capital Gains Worksheet* on page 39.

Form N-168

An individual engaged in a farming business may elect to average their farm income over a three-year period. See Form N-168 for more information.

Form N-615

If a child under age 14 has investment income of more than \$1,000, use Form N-615 to see if any of the child's investment income is taxed at the parent's rate and, if so, to figure the child's tax. See Form N-615 for more information.

Total Tax Liability

Use the *Tax Computation Worksheet* on page 39 to figure your total tax liability.

Nonrefundable Credits

Line 45

Total Nonrefundable Tax Credits

If you are claiming any nonrefundable tax credits, you must use Schedule CR, Schedule of Tax Credits, to summarize the total nonrefundable tax credits claimed. Complete Part I of Schedule CR, and enter the amount from Schedule CR, line 13, on Form N-15, line 45. Attach Schedule CR directly behind Form N-15. The following nonrefundable tax credits are included on Schedule CR:

Credit for Income Taxes Paid to Other States and Countries

Note: This credit may **not** be claimed by nonresidents, unless they are married and filing a joint resident or joint part-year resident return.

If you have out-of-state income that is taxed by another state or foreign country and also by Hawaii, you may claim a credit against your Hawaii income for the net income tax you paid to the other state or foreign country on income you reported in Column B while you were a Hawaii resident if you meet the following conditions:

The income was earned while you were a **Hawaii resident** (or you are married and filing a joint resident or joint part-year resident return) and was not exempt from Hawaii income tax;

- You did not file an *Election Under Act 60, SLH 1976* (see page 4);
- The income on which the state or foreign tax is imposed was derived or received from sources outside Hawaii;

- You were liable for and paid tax to the foreign jurisdiction (net amount of tax paid to a foreign jurisdiction after all credits, reductions, and refunds allowed or allowable by the laws of the foreign jurisdiction have been deducted);
- The tax paid to the other state or foreign country is an income-based tax that is imposed on both residents and nonresidents of the other state or foreign country, rather than a sales, gross receipts, withholding, or value added tax (i.e., taxes withheld on dividends paid from foreign investments do not qualify);
- No credit is allowed if the foreign income is excluded on the federal return;
- No credit is allowed if the foreign tax credit is allowed on the federal return;
- The income must be taxed by the other state or foreign country for the same taxable year for which the Hawaii credit is claimed;
- No credit is allowed for penalties or interest paid to the other state or foreign country; and
- No credit is allowed for city or local income taxes paid to another state.

To figure the allowable amount of the credit, fill in the *Other State and Foreign Tax Credit Worksheet* on page 39. On line 5 of the worksheet, enter the net amount of tax paid to the other state after all credits, reductions, and refunds allowed or allowable by the laws of the other state have been deducted (net tax liability).

Required Attachments. If you entered any amount on line 5, you must attach a copy of the tax return(s) from the other state(s). If you entered any amount on line 6, you must attach a copy of all federal Form(s) 1116 that you are filing this year. If you are not required to file federal Form 1116, attach a copy of the payee statement (such as federal Form 1099-DIV or 1099-INT) that you received for your foreign source income.

Out-of-State Tax Refund. If you claim this credit and you later receive a tax refund from the other state or foreign country, you MUST report this to the Department of Taxation. You may be subject to penalties if you fail to make this report.

For more information, see section 235-55, HRS, and section 18-235-55, Hawaii Administrative Rules.

Credit for Beneficiaries of Foreign Trusts

Any resident beneficiary of a trust with a situs in another State may claim a credit for income taxes paid by the trust to the other State on any income that is attributable to assets other than intangibles. This credit is not allowed for trusts that are residents in a foreign country (or in any territory or possession of the United States).

The trust will inform you of what your share of the trust's income is, and how much of it is long-term capital gains. Include these amounts on lines 3 and 4, respectively, of the *Other State and Foreign Tax Credit Worksheet* on page 39.

The trust will also tell you your share of the tax the trust paid to the other state. Find out how much of the trust's income was attributable to real property and tangible personal property (**not** including stocks, bonds, mortgages, and other intangibles). Divide that number by the total amount of the trust's income, and multiply your share of the out-of-state tax by that percentage. Include this amount on line 5 of the *Other State and Foreign Tax Credit Worksheet* on page 39.

Credit for Shareholders of S Corporations

A shareholder of an S corporation shall be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to a state which does not measure the income of S corporation shareholders by the income of the S corporation. The term "net income tax" means any tax imposed on or measured by a corporation's net income.

The S corporation will inform you of what your share of its income is, and how much of it is long-term capital gains. Include these amounts on lines 3 and 4, respectively, of the *Other State and Foreign Tax Credit Worksheet* on page 39.

The S corporation will also tell you your share of the tax paid to the other state. Include this amount on line 5 of the *Other State and Foreign Tax Credit Worksheet* on page 39.

Special Rule for Part-Year Residents: If you are a part-year resident, you are only allowed a credit for the period in which you were a resident. In using the *Other State and Foreign Tax Credit Worksheet* on page 39, **do not include** income that was earned during the period of nonresidence, deductions that were connected with that income, or taxes paid or payable on that income. For more information, see Tax Information Release No. 90-3, *Income Taxation and Eligibility for Credits of an Individual Taxpayer Whose Status Changes from Resident to Nonresident or Nonresident to Resident*.

Energy Conservation Tax Credit

Note: *The energy conservation tax credit expired on June 30, 2003. You may claim the tax credit only if (1) you received a distributive share of the tax credit from a partnership, trust, estate, or S corporation, or (2) you have a carryover of the tax credit from a prior year. For nonresidents, the distributive share of the tax credit must be from a Hawaii partnership, trust, estate, or S corporation.*

Each individual **resident** taxpayer who files a net income tax return for 2004 may claim a tax credit against his or her income tax liability for a solar or wind energy system, heat pump, or ice storage system installed and placed in service **before July 1, 2003**. A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-157, Credit for Energy Conservation.

To claim this credit. Complete Form N-157 and Schedule CR and attach them to your return.

Enterprise Zone Tax Credit

A qualified enterprise zone business is eligible to claim a credit for a percentage of net income tax due the State attributable to the conduct of business within a zone and a percentage of the amount of unemployment insurance premiums paid based on the payroll of employees employed at the business firm establishments in the zone. The applicable percentage is 80% the first year; 70% the second year; 60% the third year; 50% the fourth year; 40% the fifth year; 30% the sixth year; and 20% the seventh year. This credit is not refundable and any unused credit may NOT be carried forward.

For more information, see Form N-756, Enterprise Zone Tax Credit.

To claim this credit. Complete Form N-756 and Schedule CR and attach them to your return.

Low-Income Housing Tax Credit

Note: *Do not confuse this credit with the credit for low-income household renters.*

Note: *Nonresidents may claim this credit **only** if they received a distributive share of low-income housing tax credit from a Hawaii partnership, trust, estate, or S corporation.*

Hawaii's low-income housing tax credit is equal to 30% of the tax credit allocated by the Housing and Community Development Corporation of Hawaii for qualified buildings located within the State of Hawaii.

Contact the Housing and Community Development Corporation of Hawaii for qualifying requirements and further information.

To claim this credit. Complete Form N-586 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Credit for Employment of Vocational Rehabilitation Referrals

The amount of the tax credit for the taxable year shall be equal to 20% of the qualified first-year wages for that year. The amount of the qualified first-year wages which may be taken into account with respect to any individual shall not exceed \$6,000.

"Qualified wages" means the wages paid or incurred by the employer during the taxable year to an individual who is a vocational rehabilitation referral and more than one-half of the wages paid or incurred for such an individual is for services performed in a trade or business of the employer. "Qualified first-year wages" means, with respect to any vocational rehabilitation referral, qualified wages attributable to service rendered during the one-year period beginning with the day the individual begins work for the employer.

The credit allowed shall be claimed against net income tax liability for the taxable year. A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-884, Credit for Employment of Vocational Rehabilitation Referrals.

To claim this credit. Complete Form N-884 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

High Technology Business Investment Tax Credit

Note: *Act 215, SLH 2004, extends the high technology business investment tax credit through 2010.*

The credit is 35% of the investment in the year the investment is made, 25% for the first year following the year the investment was made, 20% for the second year following the investment, and 10% for each of the third and fourth years following the investment. The credit is subject to limitations and recapture requirements.

The credit allowed shall be claimed against net income tax liability for the taxable year. A tax credit which exceeds the taxpayer's income tax liability for any of the five years that the credit is taken may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-318, High Technology Business Investment Tax Credit.

To claim this credit. Complete Form N-318 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Individual Development Account Contribution Tax Credit

A taxpayer contributing matching funds to an individual development account may claim a tax credit of 50% of the amount contributed for taxable years beginning after December 31, 1999, and before January 1, 2005.

The credit allowed shall be claimed against net income tax liability for the taxable year. A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-320, Individual Development Account Contribution Tax Credit.

To claim this credit. Complete Form N-320 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Technology Infrastructure Renovation Tax Credit

Note: *Act 215, SLH 2004, extends the technology infrastructure renovation tax credit through 2010.*

The amount of the tax credit for the taxable year is equal to 4% of renovation costs incurred to provide a commercial building with technology-enabled infrastructure. Renovation costs are costs incurred to plan, design, install, construct, and purchase technology-enabled infrastructure equipment to provide a commercial building with technology-enabled infrastructure. Technology-enabled infrastructure means: (1) high speed telecommunications systems that provide Internet access, direct satellite communications access, and videoconferencing facilities; (2) physical security systems that identify and verify valid entry to secure spaces, detect invalid entry or entry attempts, and monitor activity in these spaces; (3) environmental systems to include heating, ventilation, air conditioning, fire detection and suppression, and other life safety systems; and (4) backup and emergency electric power systems. The credit shall not be available for taxable years beginning after December 31, 2010.

The credit allowed shall be claimed against net income tax liability for the taxable year. A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-326, Technology Infrastructure Renovation Tax Credit.

To claim this credit. Complete Form N-326 and Schedule CR and attach them to your return.

Credit for School Repair and Maintenance

Licensed contractors, pest control operators, and professional engineers, architects, surveyors and landscape architects who are subject to Hawaii's income tax may claim an income tax credit for contributions of in-kind services for the repair and maintenance of public schools. The credit shall be an amount equal to 10% of the value of the services contributed. Certain other limitations and restrictions apply.

The credit allowed shall be claimed against net income tax liability for the taxable year. A tax credit which exceeds the taxpayer's income tax liability

may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-330, Credit for School Repair and Maintenance.

To claim this credit. Complete Form N-330 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Hotel Construction and Remodeling Tax Credit

Note: *The 10% nonrefundable hotel construction and remodeling tax credit may not be claimed for qualified construction or renovation costs incurred after June 30, 2003. You may claim the 10% nonrefundable tax credit only if (1) you received a distributive share of the tax credit from a partnership, trust, estate, or S corporation, or (2) you have a carryover of the tax credit from a prior year.*

Each taxpayer subject to Hawaii's net income tax and transient accommodations tax may claim a hotel construction and remodeling tax credit for each qualified hotel facility located in Hawaii. The credit is 10% of the qualified construction or renovation costs incurred during the taxable year for costs incurred **before July 1, 2003**.

The credit allowed shall be claimed against net income tax liability for the taxable year. A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-314, Hotel Construction and Remodeling Tax Credit, and Tax Information Release No. 2000-2, *Hotel Construction and Remodeling Tax Credit*.

To claim this credit. Complete Form N-314 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Residential Construction and Remodeling Tax Credit

Note: *The residential construction and remodeling tax credit may not be claimed for construction or renovation costs incurred after June 30, 2003. You may claim the tax credit only if (1) you received a distributive share of the tax credit from a partnership, trust, estate, or S corporation, or (2) you have a carryover of the tax credit from a prior year.*

Each homeowner, developer, or lessee subject to Hawaii's net income tax may claim a residential construction and remodeling tax credit of 4% of the qualified construction or renovation costs incurred during the taxable year for residential real property located in Hawaii. The tax credit is available for taxable years beginning after December 31, 2000, for qualified construction or renovation costs incurred after that date and **before July 1, 2003**.

The credit allowed shall be claimed against net income tax liability for the taxable year. A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-332, Residential Construction and Remodeling Tax Credit, and Tax Information Release No. 2002-3, *Residential Construction and Remodeling Tax Credit*.

To claim this credit. Complete Form N-332 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Renewable Energy Technologies Income Tax Credit

Each resident taxpayer who files an individual income tax return for 2004 may claim a tax credit against his or her individual income tax liability for an eligible renewable energy technology system installed and placed in service **after June 30, 2003**. The tax credit shall apply only to the actual cost of the solar thermal, wind powered, or photovoltaic energy system, including accessories and installation, and shall not include the cost of consumer incentive premiums unrelated to the operation of the system or offered with the sale of the system (such as "free gifts", offers to pay electricity bills, or rebates) and costs for which another credit is claimed. The dollar amount of any new federal energy tax credit similar to this credit that is established after June 30, 2003, and any utility rebate, shall be deducted from the cost of the qualifying system and its installation before determining the State credit. A tax credit which exceeds the taxpayer's income tax liability may be

used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

The tax credit may be claimed for the following renewable energy technology systems installed and placed in service **after 6/30/03**:

Type of Renewable Energy Technology System	Tax Credit Rate
1. Solar thermal energy systems	
a. Single-family residential property.	The lesser of 35% of the actual cost of the system or \$1,750.
b. Multi-family residential property.	Per unit: The lesser of 35% of each unit's actual cost of the system or \$350.
c. Commercial property.	The lesser of 35% of the actual cost of the system or \$250,000.
2. Wind powered energy systems	
a. Single-family residential property.	The lesser of 20% of the actual cost of the system or \$1,500.
b. Multi-family residential property.	Per unit: The lesser of 20% of each unit's actual cost of the system or \$200.
c. Commercial property.	The lesser of 20% of the actual cost of the system or \$250,000.
3. Photovoltaic energy systems	
a. Single-family residential property.	The lesser of 35% of the actual cost of the system or \$1,750.
b. Multi-family residential property.	Per unit: The lesser of 35% of each unit's actual cost of the system or \$350.
c. Commercial property.	The lesser of 35% of the actual cost of the system or \$250,000.

For more information, see Form N-334, Renewable Energy Technologies Income Tax Credit.

To claim this credit. Complete Form N-334 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Line 46

Line 44 minus line 45. Enter the result on this line, but not less than zero.

Tax Already Paid

Line 47

Total Hawaii Income Tax Withheld

Add the Hawaii income tax withheld as shown on your Forms HW-2, N-2, and N-4, and federal Forms W-2 and 1099-G (unemployment compensation). Enter the total on this line. Attach a copy of Forms HW-2, N-2, and N-4, and federal Forms W-2 and 1099-G showing the withholding.

Note: *If taxes were withheld on the sale of Hawaii real property, report this amount on line 48, "2004 Estimated Tax Payments".*

Line 48

2004 Estimated Tax Payments

Enter on this line only your estimated Hawaii income tax payments you made on Form N-1 for 2004. Do not include your 2003 overpayment that you requested to have applied to your 2004 estimated tax (this amount is to be reported on line 49).

Also include on this line the amount of taxes withheld on the sale of Hawaii real property computed as follows:

- Amount of taxes withheld as shown on Form(s) N-288A, "Statement of Withholding on Dispositions by Nonresident Persons of Hawaii Real Property Interests" . _____
- Amount of refund you already applied for on Form(s) N-288C, "Application for Tentative Refund of Withholding on Dispositions of Hawaii Real Property Interests" _____
- Line 1 minus line 2. Include this amount on Form N-15, line 48. _____

Note: *Attach a copy of the Form(s) N-288A showing the withholding.*

If the tax was withheld for you through a partnership, estate, trust, or S corporation, see the Instructions for *Pro Rata Share of Taxes Withheld and Paid by a Partnership, Estate, Trust, or S Corporation on the Sale of Hawaii Real Property Interests* on page 29.

Enter the amounts paid on Forms N-1 and N-288A (less amount of refund applied for on Form N-288C) in the appropriate spaces. Add the amounts paid on Forms N-1 and N-288A (less amount of refund applied for on Form N-288C), and enter the result on line 48.

If you and your spouse paid joint estimated tax but are now filing separate income tax returns, either of you can claim all of the amount paid or you can each claim a part of it. Please be sure to show both social security numbers (or ITINs) on the separate returns. If you or your spouse paid separate estimated tax, but you are now filing a joint income tax return, add the amounts you each paid.

Follow the above instructions even if your spouse died during the year.

Line 49

2003 Overpayment Applied to 2004 Estimated Tax

Enter on this line any overpayment from your 2003 return that you applied to your 2004 estimated tax as shown on line 55 of your 2003 Form N-15.

Line 50

Amount Paid with Extension(s)

If you made a payment with Form N-101A (or federal Form 4868) and/or N-101B (or federal Form 2688), enter the amount you paid on this line.

Refundable Credits

IMPORTANT! If the amount of payments plus these credits is at least \$1 more than your tax, the difference will be refunded to you. It is very important that you *carefully* read the following instructions for each of these credits to ensure that you properly claim all the credits to which you are entitled.

Warning: Many of the following credits **MUST** be claimed on or before the end of the twelfth month following the end of the taxable year (December 31, 2005, for calendar year taxpayers). If you do not claim these credits within that period, the credits are **waived** and **cannot** be claimed later, even on an amended return.

Line 51

Low-Income Refundable Tax Credit

Note: This credit may **not** be claimed by nonresidents.

If your total adjusted gross income was \$20,000 or less, you may qualify for this credit. See the instructions for Schedule X, Part I, on page 32. Figure the credit on Schedule X, Part I, and enter the amount of the credit here.

Note: Do not claim this credit if you are being claimed or eligible to be claimed as a dependent by any taxpayer for federal or Hawaii income tax purposes.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Line 52

Credit for Low-Income Household Renters

Note: This credit may **not** be claimed by nonresidents.

If you occupy and pay rent for real property within the State as your residence, your total adjusted gross income was less than \$30,000, and the rent you paid during 2004 was more than \$1,000, you may qualify for this credit. To see if you qualify, see the instructions for Schedule X, Part II, on page 32. If you qualify, figure the credit on Schedule X, Part II, and enter the amount of the credit here.

Note: Do not claim this credit if you are being claimed or eligible to be claimed as a dependent by any taxpayer for federal or Hawaii income tax purposes.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Line 53

Credit for Child and Dependent Care Expenses

Note: This credit may **not** be claimed by nonresidents.

Certain payments made for child and dependent care (including payments made to the State of Hawaii A+ Program) may be claimed as a credit against your tax due. To see if you qualify, see the instructions for Schedule X, Part III, on page 33. If you qualify, figure the credit on Schedule X, Part III, and enter the amount of the credit here.

Note: Do not claim this credit if you are being claimed or eligible to be claimed as a dependent by any taxpayer for federal or Hawaii income tax purposes.

Line 54

Credit for Child Passenger Restraint System

Each individual taxpayer who files an individual income tax return for the taxable year may claim a tax credit for 2004 for the purchase of **one or more new** child passenger restraint systems which comply with federal motor vehicle safety standards.

Note: This credit is \$25 **per return** regardless of the cost or the number of restraint systems purchased.

To claim this credit. Enter \$25 on line 54, and attach a copy of the sales invoice, which states the type of child restraint system purchased, to your return.

Your claim for this credit may be rejected if the invoice is not attached, or if 1) or 2) applies but no statement or explanation is attached.

- 1) If the invoice doesn't have your name on it, you must attach a statement saying that you and nobody else is claiming the credit for the purchase described in the invoice.
- 2) If the invoice has somebody else's name on it, you must attach an explanation.

Deadline for claiming this credit. Claims for the tax credit, including any amended claims thereof, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Line 55

Total Refundable Tax Credits from Schedule CR

If you are claiming any of the following refundable tax credits, you must use Schedule CR, Schedule of Tax Credits, to summarize the total refundable tax credits claimed. Complete Part II of Schedule CR, and enter the amount from Schedule CR, line 22, on Form N-15, line 55. Attach Schedule CR directly behind Form N-15. The following refundable tax credits are included on Schedule CR:

Capital Goods Excise Tax Credit

A 4% credit is available to Hawaii businesses that acquire qualifying business property and place it in service during the taxable year.

For more information, see the instructions for Form N-312 and Tax Information Release No.88-6, *Capital Goods Excise Tax Credit*, Tax Information Release No. 88-8, *Capital Goods Excise Tax Credit Recapture*, and Tax Information Release No. 89-4, *The Taxpayer Who Is Entitled To The Capital Goods Excise Tax Credit When the Parties Characterize a Transaction As A Sale-Leaseback*.

To claim this credit. Complete Form N-312 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Fuel Tax Credit for Commercial Fishers

Each principal operator of a commercial fishing vessel who files an individual income tax return may claim an income tax credit for certain fuel taxes paid during the year.

To claim this credit. Complete Form N-163 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Hotel Construction and Remodeling Tax Credit

Each taxpayer subject to Hawaii's net income tax and transient accommodations tax may claim a hotel construction and remodeling tax credit for each qualified hotel facility located in Hawaii. The credit is 4% of the qualified construction or renovation costs incurred during the taxable year for costs incurred **after June 30, 2003**.

To claim this credit. Complete Form N-314 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Motion Picture and Film Production Income Tax Credit

A taxpayer may claim an income tax credit of up to 4% of costs incurred, and of up to 7.25% of transient accommodations costs incurred in Hawaii in the production of motion picture or television films.

To claim this credit. Complete Form N-316 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Tax Credit for Research Activities

Note: *Act 215, SLH 2004, extends the tax credit for research activities through 2010.*

This 20% credit is based on the federal credit for research activities except that the federal base amounts are excluded and research must have been conducted in Hawaii. The credit shall not be available for taxable years beginning after December 31, 2010.

To claim this credit. Complete Form N-319 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Drought Mitigating Water Storage Facility Income Tax Credit

A refundable credit in the amount of 4% is available for qualifying costs incurred and paid by farmers or ranchers for a qualified water storage facility. A qualified water storage facility is a water storage facility that is part of a conservation plan approved by the local soil and water conservation district. Qualifying costs are any costs incurred and paid by the taxpayer after December 31, 2000, for the new construction of a qualified water storage facility or the repair or reconstruction of an existing qualified water storage facility, including the costs of new equipment related to the construction or repair of the new or existing qualified water storage facility, but does not include amounts received through grant or subsidy from any federal or state government.

To claim this credit. Complete Form N-328 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Ethanol Facility Tax Credit

Note: *Act 140, SLH 2004, changed the name of the ethanol investment tax credit to the ethanol facility tax credit.*

A credit is allowable for the investment in a qualified ethanol facility that is in production on or before January 1, 2012.

To claim this credit. Complete Form N-324 and Schedule CR and attach them to your return.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Other Credits

Pro Rata Share of Taxes Withheld and Paid by a Partnership, Estate, Trust, or S Corporation on the Sale of Hawaii Real Property Interests

If the tax was withheld by a partnership, estate, trust or S corporation, and you are taxable on a pro rata share of the entity's gain on the sale, include ONLY the amount of your pro rata share of any net income taxes withheld and paid by the partnership, estate, trust or S corporation on Schedule CR, line 21a, and attach a copy of the Schedule K-1 issued to you by the partnership, estate, trust, or S corporation.

Note: *If the partnership, estate, trust or S corporation filed a Form N-288C, "Application for Tentative Refund of Withholding on Dispositions of Hawaii Real Property Interests", you may not claim this credit for your share of the amount being refunded to the entity.*

Credit From a Regulated Investment Company

A shareholder of a regulated investment company is allowed a credit for the tax paid to the State by the company on the amount of capital gains

which by section 852(b)(3)(D) of the Internal Revenue Code is required to be included in the shareholder's return. The regulated investment company will notify you of the undistributed capital gains amount and the tax paid, if any. If this credit applies to you, include the amount on Schedule CR, line 21b, and attach an explanation.

Line 56

Total Payments and Credits

Add lines 47 through 55. Enter the amount on this line.

Refund or Balance Due

Line 57

Amount Overpaid

If line 56 is larger than line 46, line 56 minus line 46 is the amount overpaid.

The Hawaii School-Level Minor Repairs and Maintenance Special Fund provides moneys for school-level minor repairs and maintenance. If you have an overpayment of at least \$2 (\$4 if married and filing a joint return), you can choose to contribute to the Hawaii school-level minor repairs and maintenance special fund (line 60).

The Hawaii Public Libraries Special Fund provides moneys to support the operations of the library system. If you have an overpayment of at least \$2 (\$4 if married and filing a joint return), you can choose to contribute to the Hawaii public libraries special fund (line 61).

Line 58

Applied to 2005 Estimated Tax

Enter the amount from line 57 that you want applied to your estimated tax for 2005.

We will apply amounts to your account unless you attach a request to apply it to your spouse's account. The request should include your spouse's social security number and full name.

Line 59

Line 57 minus line 58.

Line 60

Contribution to the Hawaii School-Level Minor Repairs and Maintenance Special Fund

If you want to contribute to the Hawaii school-level minor repairs and maintenance special fund, enter \$2 (\$4 if your spouse also wants to contribute and you are filing jointly). No other amounts can be accepted. Your contribution will reduce your refund. Once made, the contribution cannot be revoked.

Line 61

Contribution to the Hawaii Public Libraries Special Fund

If you want to contribute to the Hawaii public libraries special fund, enter \$2 (\$4 if your spouse also wants to contribute and you are filing jointly). No other amounts can be accepted. Your contribution will reduce your refund. Once made, the contribution cannot be revoked.

Line 63

Refund

Line 59 minus line 62. This is the amount that will be refunded to you.

Note: *If you are filing your return after the prescribed due date, the refund shown may be limited or disallowed due to the statute of limitations. In general, a claim for refund or credit for overpaid income taxes must be filed within three years after the return is filed for the taxable year, within three years of the due date for filing the return, or within two years from when the tax is paid, whichever is later. For purposes of determining whether a refund or credit is allowed, taxes paid on or before the due date of the return (e.g. taxes withheld from an employee's pay, or estimated tax payments) are considered paid on the due date of the return, without considering an extension of time to file the return.*

Line 64

Balance Due

If line 46 is larger than line 56, line 46 minus line 56 is your balance due.

Use Form N-200V, Individual Income Tax Payment Voucher, to send your payment to the Department of Taxation.

Attach your check or money order and Form N-200V to the front of Form N-15. Write your social security number and "2004 Form N-15" on your check or money order.

Note: If you include penalty and/or interest for the late filing of your return with your payment, identify and enter these amounts on a separate sheet of paper and attach to Form N-15. Do not include the penalty and/or interest amounts for the late filing of your return in the Balance Due on line 64.

Note: If you cannot pay the full amount you owe, you can enter a payment agreement by requesting for a payment agreement after you receive the billing notice. Please be aware that penalty and interest continue to accrue on the unpaid tax amount even though you have not received the billing notice. Payments will be accepted and applied to your tax liability; however, to ensure your payments are applied correctly, your check or money order must have: (1) your name clearly printed on the check as it is printed on the tax return (if filing a joint return, also print your spouse's name), (2) your social security number (if filing a joint return, also write your spouse's social security number), and (3) the tax year and form number you filed (e.g., 2004 N-15).

Line 65

Estimated Tax Penalty

See the instructions for *Penalties and Interest* on page 31 and Form N-210, Underpayment of Estimated Tax by Individuals and Fiduciaries, to see if you owe a penalty for the underpayment of estimated taxes.

If you owe a penalty, enter the penalty amount on Form N-15, line 65. Do not include the penalty amount on line 57 or line 64. If you have any taxes due, include the amount of the penalty on Form N-200V. If you have an overpayment, your overpayment will be reduced automatically by the amount of the penalty.

Check the box at line 65 if Form N-210 is attached.

Line 66

2005 Forms

If you would like us to mail you a packet of forms for next year's filing, check the box at line 66, and you will receive the 2005 Form N-15 packet.

If you will be a full-year resident for 2005, and need the 2005 Forms N-11/N-12 packet, see page 5 for the phone number to request the forms you need.

Line 67

Sale of a Qualified High Technology Business' Net Operating Loss

A qualified high technology business may apply to the Hawaii Department of Taxation to sell its unused net operating loss carryover to another taxpayer (after December 31, 2000, and before January 1, 2004). Proceeds from the sale are not considered taxable income for the selling company.

Enter the amount of proceeds from the sale of a qualified high technology business' net operating loss on this line. Also, attach a statement to your tax return with the following information: 1) name(s) and identification number(s) of the person(s) to whom you sold your net operating loss, and 2) amount of the net operating loss sold to each person.

Now continue with Step 7 below.

Step 7

Check your return to make sure it is correct.

Step 8

Third Party Designee

If you want to authorize the Department of Taxation to discuss your tax return with a person that you designate, enter the name of your third party designee, telephone number, and identification number. You are authoriz-

ing the Department to call your third party designee to answer any questions that may arise during the processing of your tax return.

Note: This designation is not a full power of attorney and does not replace Form N-848.

Step 9

Sign and date your return.

Form N-15 is not considered a valid return unless you sign it. If you are unable to sign the return (due to disease or injury, etc.), you can appoint an agent to sign your return. A return signed by an agent must have a power of attorney attached that authorizes the agent to sign for you. You can use Form N-848, Power of Attorney.

Be sure to date your return. If you have someone else prepare your return, you are still responsible for the correctness of the return.

Joint Return. Your spouse must also sign Form N-15 if it is a joint return. If your spouse cannot sign because of disease or injury and tells you to sign, you can sign your spouse's name in the proper space on the return followed by the words "By (your name), Husband (or Wife)." Be sure to also sign in the space provided for your signature. Attach a dated statement, signed by you, to the return. The statement should include the form number of the return you are filing, the tax year, and the reason your spouse cannot sign, and that your spouse has agreed to your signing for him or her.

If you are the guardian of your spouse who is mentally incompetent, you can sign the return for your spouse as guardian.

If your spouse is unable to sign the return because he or she is serving in a combat zone, and you do not have a power of attorney or other statement, you can sign for your spouse. Attach a signed statement to your return that explains that your spouse is serving in a combat zone.

If your spouse cannot sign the joint return for any other reason, you can sign for your spouse only if you are given a valid power of attorney. Attach the power of attorney to your tax return.

If you are filing a joint return as the surviving spouse, see *Death of Taxpayer* on page 6.

Child's Return. If your child cannot sign the return, sign your child's name in the space provided. Then, add "By (your signature), parent for minor child."

Step 10

Did you have someone else prepare your return?

If you fill in your own return, the Paid Preparer's space should remain blank. If someone prepares your return and does not charge you, that person should not sign your return.

Generally, anyone who is paid to prepare your tax return must sign your return and fill in the other blanks in the Paid Preparer's Information area of your return. The preparer may furnish his or her alternative identifying number for income tax return preparers (PTIN) instead of his or her social security number.

If you have questions about whether a preparer is required to sign your return, please contact our Taxpayer Services staff.

The preparer required to sign your return MUST complete the required preparer information and:

- Sign it, by hand, in the space provided for the preparer's signature. (Signature stamps or labels are not acceptable.)
- Give you a copy of your return in addition to the copy to be filed with the Department of Taxation.

Step 11

Attachments

Attach a copy of your Form(s) HW-2, N-2, and N-4, or federal Form(s) W-2 and 1099-G (unemployment compensation), to the front of Form N-15 in the area designated. To the back of your return attach, in the following order:

- Schedule CR.
- Any other schedules, in alphabetical order.
- Other Hawaii – series forms, in numerical order.
- Any other federal forms, in numerical order, used as a substitute for state forms (see *Related Federal/Hawaii Tax Forms* on page 3).
- A copy of your federal income tax return.
- Any other required attachments.

A return without the required schedules, forms, and attachments is incomplete. You must file a *complete* return on time to avoid paying penalties and interest for late filing.

If you need more space on forms or schedules, attach separate sheets and use the same arrangement as the printed forms. But show your totals on the printed forms. Please use sheets that are the same size as the forms and schedules. Be sure to put your name and social security number on these separate sheets.

If you owe tax, be sure to use Form N-200V to send your payment to the Department of Taxation. Attach your check or money order and Form N-200V to the front of Form N-15.

Reminders

Processing of Your Tax Return

In general, refunds due to you are issued within 8 weeks from the date your return is filed with the Department of Taxation. However, it may take additional time if you filed your return close to the April 20 filing deadline, if errors were made in completing your return, or you moved and did not change your address in writing with the Department of Taxation.

You may call our Taxpayer Services Branch to obtain automated information about your individual income tax refunds 24 hours a day, 7 days a week. Automated refund information should be available 4 to 6 weeks after your return is filed with the Department of Taxation.

Penalties and Interest

Late Filing of Return. The law provides a penalty of 5% of the tax due for each month, or part of a month, the return is late (maximum 25%) unless you can show reasonable cause for the delay. If you file a return late, attach a full explanation to your return.

Extensions. If you are unable to file your Hawaii tax return by April 20, 2005, you are not required to file Form N-101A, Application for Automatic Extension of Time to File Hawaii Individual Income Tax Return, (or any other form) to request an automatic 4-month extension of time to file Form N-15. The 4-month extension is automatically granted without a filing of any kind. However, you will not be granted an automatic extension if you are under a court order to file your return by the regular due date.

Form N-101A need only be filed if you are making a payment, in which case Form N-101A must accompany your payment. Federal Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, may be used in lieu of Form N-101A. You should estimate the amount of tax you think will be due, and pay any tax you think you will owe. If, after April 20, you find that your estimate of the tax due was too low, you should pay the additional tax as soon as possible to avoid further accumulation of penalties and interest. Pay any estimated additional tax with another Form N-101A or federal Form 4868.

Interest. Interest will be charged on taxes not paid by their due date, even if an extension of time to file is granted. The interest rate for not paying tax when due is 2/3 of 1% of the unpaid amount for each month or part of a month it remains unpaid.

Failure to pay tax after filing timely returns. If a return is timely filed and the tax due is not completely paid within 60 days of the prescribed due date of the return, an amount up to 20% of the unpaid tax will be added to the tax due.

Underpayment of estimated taxes. You may be subject to a penalty for not paying enough estimated tax if your tax payments, including withholding, do not total the smallest of:

- 1) 60% of the 2004 tax liability; or
- 2) 100% of the tax shown on the 2003 return.

There are special rules for farmers and fishermen.

For more information, see Form N-210, Underpayment of Estimated Tax by Individuals and Fiduciaries.

Change of Address

If your mailing address changes after you file your return, you must notify the Department **in writing** of the change in addition to notifying the post office serving your former address. Failure to do so may prevent any refund

due to you from being delivered (the U.S. Postal Service is not permitted to forward your State refund check), and delay important notices or correspondence to you regarding your return. Be sure to include your name(s) and social security number(s) as printed on your return in any correspondence with the Department.

How Long Should Records Be Kept?

Keep records of income, deductions, and credits shown on your tax return, as well as any worksheets you used, until the statute of limitations runs out for that return. Usually this is three years from the date the return was due or filed, whichever is later. Also keep copies of your filed tax returns and any Forms W-2 or 1099 you received as part of your records. You should keep some records longer. For example, property records (including those on your home) should be kept as long as they are needed to figure the basis of the original or replacement property. For more details, see federal Publication 552, Recordkeeping for Individuals.

Amended Return

If you file your income tax return and later become aware of any changes you must make to income, deductions, or credits, you may file an amended return on Form N-15 to change the Form N-15 you already filed. Use the Form N-15 for the year you are amending. (You cannot file a 2003 amended return on a 2004 Form N-15.) Write the word "**AMENDED**" in the upper left hand corner of the return, and fill in the return with all of the correct information. Attach a statement to the amended return explaining the changes to income, deductions, and credits.

If you **paid additional tax** with your original return, include that amount in the total on line 21c of Schedule CR. Write "Additional tax paid with original return" on the dotted line to the left of the total. If you **claimed a refund** on your original return, subtract that amount from line 21c of Schedule CR. If line 21c of Schedule CR was blank on your original return, show the refund amount in parentheses.

For information on the statute of limitation periods within which you may file an amended return to claim a refund or credit of overpaid taxes, see the instructions for line 63 (Refund) on page 29.

You can get prior year forms from our website, by calling our Forms by Fax/Mail request line, and at any district tax office. See page 5 for the phone number to request the forms you need and for the Department's website address.

You may **not** file an amended return on Form N-188X, Amended Individual Income Tax Return, to amend a Form N-15.

Change in Federal Taxable Income

In general, a change to your federal return, whether it is made by you (on federal Form 1040X) or by the Internal Revenue Service, must be reported to the State of Hawaii.

- 1) Section 235-101(b), HRS, requires a report (an amended return) to the Director of Taxation if the amount of IRC taxable income is changed, corrected, adjusted or recomputed as stated in (3).
- 2) This report must be made:
 - a) Within 90 days after a change, correction, adjustment or recomputation is finally determined.
 - b) Within 90 days after an amended return is filed.
- 3) A report within the time set out in (2) is required if:
 - a) The amount of taxable income as returned to the United States is changed, corrected, or adjusted by an officer of the United States or other competent authority.
 - b) A change in taxable income results from a renegotiation of a contract with the United States or a subcontract thereunder.
 - c) A recomputation of the income tax imposed by the United States under the Internal Revenue Code results from any cause.
 - d) An amended income tax return is made to the United States.
- 4) The statutory period for the assessment of any deficiency or the determination of any refund attributable to the report shall not expire before the expiration of one year from the date the Department is notified by the taxpayer or the Internal Revenue Service, whichever is earlier, of such a report in writing.

Instructions for Schedule X — Tax Credits

Note: *These credits may not be claimed by nonresidents.*

Purpose

Use Schedule X to claim the low-income refundable tax credit, credit for low-income household renters, and the credit for child and dependent care expenses. **Even if you have no taxable income, you should complete and file Schedule X to claim these credits so they can be refunded to you.**

Warning: *The low-income refundable tax credit and the credit for low-income household renters MUST be claimed on or before the end of the twelfth month following the end of the taxable year. If you do not claim these credits within that period, the credits are waived and cannot be claimed later, even on an amended return.*

Part I

Low-Income Refundable Tax Credit

Each resident taxpayer who files an individual income tax return for the taxable year, including those who have no income or no income taxable under chapter 235, HRS, may claim this credit provided that the taxpayer is not eligible to be claimed as a dependent for federal or State income tax purposes by another taxpayer.

Qualified Exemptions

The low-income refundable tax credit may be claimed for each **resident** individual who:

- Was a resident of Hawaii and was physically present in Hawaii for more than nine months during the taxable year;
- Is not claimed and is not eligible to be claimed as a dependent by any taxpayer for federal or Hawaii individual income tax purposes; and
- Was not confined in jail, prison, or a youth correctional facility for the full taxable year.

For Whom the Credit May Be Claimed

A part-year resident taxpayer filing Form N-15 may claim the credit for any of the following people who are “qualified exemptions” as defined above:

- The taxpayer’s self;
- The taxpayer’s spouse, if the spouse is filing jointly with the taxpayer;
- The taxpayer’s dependents; and
- The taxpayer’s minor children receiving support from the Department of Human Services of the State, social security survivor benefits, and the like.

Birth or Death of a Qualified Exemption

- A person who dies during the year may be a qualified exemption so long as the person was alive and physically present within the State for more than nine months. If a person who was continuously living in Hawaii died after September 30, 2004, that person could still be a qualified exemption.
- A child who is born during 2004 could be a qualified exemption if the mother was physically present in the State while pregnant with the child and the total days of gestation and life after birth total more than nine months during the taxable year.

Line 1

Adjusted Gross Income

If the total adjusted gross income shown on your return (Form N-15, line 36, Column A) is over \$20,000, stop here; you cannot take this credit. However, you may claim the credit for a minor child receiving support from the Department of Human Services, etc.

Married filing separately. If you are married filing separately, you must add your spouse’s adjusted gross income to your own. If you are married filing separately and your spouse is a nonresident, you need to determine your spouse’s adjusted gross income from all sources, within and outside of Hawaii, and add that amount to your own adjusted gross income. If the total is over \$20,000, you cannot claim this credit.

Line 2

Qualified Exemptions

On line 2, enter the names of all qualified exemptions. Start with yourself, enter your spouse’s name if you are filing a joint return, and list your dependent children. List **only** persons who are qualified exemptions.

If married filing separately, only one spouse may claim the dependents.

Enter the number of qualified persons on line 2.

Line 3

Minor Children Receiving Public Support

On line 3, list your minor children who are also qualified exemptions, and who receive more than half of their support from the Department of Human Services, Social Security benefits, and other government payments. If you are married filing separately, only one spouse may claim each child. Enter the number of children here, and on the space provided beside Form N-15, line 51.

Line 5

Enter your spouse’s adjusted gross income from all sources, within and outside of Hawaii, whether your spouse is a resident or a nonresident.

Line 10

Amount of the Credit

Add lines 8 and 9. Enter this amount on Form N-15, line 51.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Part II

Credit for Low-Income Household Renters

Each **resident** taxpayer who occupies and pays rent for real property within the State as his or her residence and who files an individual income tax return for the taxable year, including those who have no income or no income taxable under chapter 235, HRS, may claim a tax credit of \$50 per **qualified exemption**, including the additional exemption for taxpayers age 65 or over, provided the following four conditions are met:

- The taxpayer is not eligible to be claimed as a dependent for federal or State income tax purposes by another taxpayer;
- The taxpayer has adjusted gross income of less than \$30,000; and
- The taxpayer has paid more than \$1,000 in rent during the taxable year.
- The rented property is NOT exempt from real property tax. Rent paid for property which is partially or fully exempt from real property tax will not qualify for the credit. For example, county or State low-income housing projects, military housing, dormitories in schools, residential real property owned by a nonprofit organization, and homes in which the owner occupies a portion of the property, may have been granted real property tax exemptions by the county. If such exemptions, whether partial or full exemptions, have been granted, the rent paid for such properties will not qualify for the credit. To verify if real property tax exemptions have been granted on the rented property, please inquire with either the landlord, rental agent, or the Real Property Tax Office in the county in which the property is located.

Note: *Minor children receiving more than half of their support from the State Department of Human Services, Social Security benefits, and the like, are NOT considered qualified exemptions for purposes of claiming this credit. A child listed in line 3 of Part I does not count toward this credit.*

A “**residence**” is defined as the dwelling place that constitutes the principal residence of the taxpayer or his or her immediate family in this State.

“**Rent**” means the amount paid in cash in any taxable year for the occupancy of a residence. Rent does not include:

- Charges for utilities, parking stalls, storage of goods, yard services, furniture, furnishings, and the like;
- Rental claimed as a deduction from gross income or adjusted gross income for income tax purposes;

- Ground rental paid for use of land only; and
- Rental allowances or rental subsidies received (i.e. housing allowance received from the armed forces or the Hawaii Housing Authority.).

Line 1

Adjusted Gross Income

If the total adjusted gross income (Form N-15, line 36, Column A) shown on your return is more than \$30,000, **stop here**; you cannot take this credit.

Married filing separately. If you are married filing separately, you must add your spouse's adjusted gross income to your own. If you are married filing separately and your spouse is a nonresident, you need to determine your spouse's adjusted gross income from all sources, within and outside of Hawaii, and add that amount to your own adjusted gross income. If the **total** is more than \$30,000, you cannot claim this credit.

Line 2

Resident for More Than Nine Months

If you are a part-year resident who has been in Hawaii for 9 months or less in 2004, **stop here**; you cannot take this credit.

Line 3

Dependent of Another Taxpayer

If you can be claimed as a dependent on another person's return, **whether or not** that person claims you, **stop here**; you cannot take this credit.

Line 4

Your Addresses

List your most recent address. Fill in all of the required information. If you lived in more than one location during 2004, attach a separate sheet listing the same information for the other locations.

Do not list any location that was partly or wholly exempt from real property tax, such as:

- County or State low-income housing projects;
- Military housing;
- Dormitories in schools;
- Residential real property owned by a nonprofit organization; or
- Homes in which the owner occupies a portion of the property.

Line 5

Rent You Paid

Enter the total amount of rent **you paid** during 2004 to all of the locations listed on line 4. If you are sharing or were sharing the rent with somebody else, list only your share of the rent here.

Line 6

Exclusions

Enter that portion of the amount on line 5 which:

- Is for ground rent, utilities, goods, or services;
- You claimed as a deduction anywhere on your tax return; or
- You were reimbursed, through a rental allowance or rental subsidy from any source.

Line 7

Line 5 minus line 6. If this amount is less than \$1,000, **stop here**; you cannot take this credit.

Line 8

Qualified Exemptions

- Enter the number from Schedule X, Part I, line 2. If you did not claim the low-income refundable tax credit, complete Part I, line 2, and enter amount here.
- Enter the number of persons who would have been listed in Part I, line 2 as qualified exemptions except that they were in prison, a youth correctional facility, or jail for the entire taxable year.
- If you are a qualified exemption and you are age 65 or over, enter 1. Otherwise, enter 0.

- If you are married and filing a joint return or married and filing separately where your spouse is not filing a Hawaii return, had no income, and was not the dependent of someone else; and your spouse is a qualified exemption; and your spouse is age 65 or over; enter 1. Otherwise, enter 0.
- Add lines a through d. Enter the result here and on line 8 of Schedule X, Part II.

Line 9

Amount of the Credit

Line 8 times \$50. Enter this amount on Form N-15, line 52.

Deadline for claiming this credit. Claims for this credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of your taxable year.

Part III

Credit for Child and Dependent Care Expenses

Note: *Part-year residents may only claim child and dependent care expenses during the period of Hawaii residency.*

If you maintain a household that included a child under age 13 or a dependent or spouse incapable of self-care, you may be allowed this credit for expenses you paid during the taxable year to care for your dependent so you could work.

Who May Claim the Credit

If you are a **resident** taxpayer who files an individual income tax return for a taxable year, you are not claimed or eligible to be claimed as a dependent on another taxpayer's federal or Hawaii income tax return, and you maintain a household which includes one or more qualifying persons (defined below), you may be allowed a credit against your income tax. The credit ranges from 15% to 25% of employment-related expenses (up to certain limitations) PAID during the taxable year in order to enable you to work either full or part time for an employer or as a self-employed individual.

Maintaining a Household

You will be treated as maintaining a household for any period only if you furnish over half the cost of maintaining the household for that period. If you are married during that time, you and your spouse must provide over half the maintenance cost for the period.

The expenses of maintaining a household include property taxes, mortgage interest, rent, utility charges, upkeep and repairs, property insurance, and food consumed on the premises. They do not include the cost of clothing, education, medical treatment, vacations, life insurance, and transportation.

Qualifying Person

A qualifying person is any one of the following persons:

- Any person under age 13 whom you claim as a dependent (but see Special Rule (4) below, *Children of Divorced or Separated Parents*).
- Your disabled spouse who is mentally or physically unable to care for himself or herself.
- Any disabled person who is mentally or physically unable to care for himself or herself and whom you claim as a dependent, or could claim as a dependent except that he or she had income of \$3,100 or more.

Employment-related Expenses

Employment-related expenses are those paid for the following, but only if paid to enable you to be gainfully employed:

(1) *Expenses for Household Services.* Expenses will be considered for household services in your home if they are for the ordinary and usual services necessary for the operation of the home, and bear some relationship to the qualifying person. For example, payment for services of a domestic maid or cook ordinarily will be considered expenses for household services if performed at least partially for the benefit of the qualifying person.

(2) *Expenses for the Care of a qualifying person.* Expenses will be considered for the care of one or more qualifying persons if their main purpose was to assure that individual's well-being and protection. Payments for food, clothing, or education are not such expenses. However, if the care provided includes expenses that cannot be separated, the full amount paid will be considered for the qualifying person's care. Thus, the full amount paid to a nursery school will be considered for the care of a child even

though the school also furnishes lunch. Educational expenses for a child in the first or higher-grade level are not expenses for the child's care.

You may NOT include any amount paid for services outside your household at a camp where the qualifying person stays overnight.

Do not include services outside your household as employment-related expenses for your spouse or a dependent age 13 or older. However, services outside your household are employment-related expenses for a dependent who has not reached his or her 13th birthday or for an individual who regularly spends at least eight hours each day in your household.

You may include expenses incurred for qualified dependent care centers as employment-related expenses. The dependent care center must comply with all applicable laws, rules, and regulations of Hawaii if the center is located within Hawaii. If the center is located outside Hawaii, the center must comply with all applicable laws, rules, and regulations of the state or country in which the center is located. Furthermore, these centers must provide care for more than six individuals (other than individuals who reside at the center), and must receive a fee, payment, or grant providing services for any of the individuals (regardless of whether such center is operated for profit).

Note: *Payments made to the State of Hawaii A+ Program qualify for the credit.*

Medical Expenses

Some dependent care expenses may qualify as medical expenses. If you cannot use all the medical expenses to qualify for this credit because of the dollar limit or earned income limit (explained later), you can take the rest of these expenses as an itemized deduction for medical expenses. But if you deduct the medical expenses first on Worksheet PY-1, you cannot use any part of these expenses on Schedule X.

Special Rules

(1) *Married Couples Must File Joint Returns.* If you are married at the end of the taxable year, the credit for employment-related expenses is allowable only if you and your spouse file a joint return for the taxable year.

(2) *Marital Status.* If you are legally separated from your spouse under a decree of divorce or separate maintenance, you are not considered married.

(3) *Certain Married Individuals Living Apart and Filing Separate Returns.* If during the last 6 months of the taxable year your spouse was not a member of your household and you (a) maintained a household which was for more than one-half of the taxable year the principal place of abode of a qualifying person, and (b) furnished over half of the cost of maintaining such household during the taxable year, then you are not considered married for purposes of the credit or the exclusion.

(4) *Children of Divorced or Separated Parents.* If you were divorced, legally separated, or lived apart from your spouse during the last 6 months of 2004, you may be able to claim the credit even if your child is not your dependent. If your child is not your dependent, he or she is a qualifying person if all five of the following apply:

1. You had custody of the child for the longer period during the year;
2. The child received over half of his or her support from one or both of the parents;
3. The child was in the custody of one or both of the parents over half of the year;
4. The child was under age 13, or was physically or mentally unable to care for himself or herself; and
5. The child is not your dependent because:
 - a. As the custodial parent, you signed federal Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents, or a similar statement, agreeing not to claim the child's exemption for 2004; or
 - b. You were divorced or separated before 1985 and your divorce decree or written agreement states that the other parent can claim the child's exemption, and the other parent provides at least \$600 in child support during the year. **Note:** *This rule does not apply if your decree or agreement was changed after 1984 to specify that the other parent cannot claim the child's exemption.*

(5) *Payments to a Related Individual.* You can count work-related expenses you pay to relatives who are not your dependents, even if they live in your home. However, do not count any amounts you pay to:

1. A dependent for whom you (or your spouse if you are married) can claim an exemption, or
2. Your child who is under age 19 at the end of the year, even if he or she is not your dependent.

Line 1

Care Providers

Complete columns (a) through (e) for each person or organization that provided the care. If you do not give the information asked for in each column, or if the information you give is not correct, your credit and, if applicable, the exclusion of employer-provided dependent care benefits may be disallowed.

You can use **Form HW-16**, "Dependent Care Provider's Identification and Certification", to get the correct information from the care provider. (This form is available at our website, by calling our Forms by Fax/Mail request line, and at any district tax office.) If the provider does not comply with your request to certify the information, complete the entries you can, such as the provider's name and address. Write "See attached" in the columns for which you do not have the provider's certification of information. Attach a statement that you requested the information from the care provider, but the provider did not comply with your request. You must keep records to show that you exercised due diligence in attempting to provide the required information. For more details, including what is considered "due diligence," see federal Publication 503.

Columns (a) and (b). Enter the care provider's name and address. If you were covered by your employer's dependent care plan and your employer furnished the care (either at your workplace or by hiring a care provider), enter your employer's name in column (a), write "See W-2" in column (b), and leave columns (c) through (e) blank. But if your employer paid a third party (not hired by your employer) on your behalf to provide the care, you must give information on the third party in columns (a) through (e).

Column (c). If the care provider is an individual, enter his or her social security number (SSN). If the individual is an alien and was issued an individual taxpayer identification number (ITIN) by the IRS, enter the ITIN. If the individual has applied for an ITIN but the IRS has not yet issued the ITIN, write "Applied For". For other than an individual, enter provider's federal employer identification number (FEIN). If the provider is a tax-exempt organization, write "Tax-Exempt" in column (c).

Column (d). Enter the care provider's Hawaii Tax I.D. Number. If the provider is a tax-exempt charitable organization (IRC section 501(c)(3)), enter "Tax-Exempt".

Column (e). Enter the total amount you **actually paid** during the taxable year to the care provider. Also include amounts your employer paid on your behalf to a third party. It does not matter when the expenses were incurred. Do not reduce this amount by any reimbursement you received.

Line 2

Dependent Care Benefits

If you received dependent care benefits from an employer (you have a federal form W-2 that has an amount in Box 10), enter the amount shown in Box 10 of your W-2 form(s).

If you were self-employed or a partner, include amounts you received under a dependent care assistance program from your sole proprietorship or partnership.

Line 3

Amount Forfeited

If you participated in an employee plan in which the amount you contributed to an employer-paid dependent care benefit plan was deducted from your income, and you did not receive the full benefit from this plan, you may be entitled to deduct the amount forfeited on this line. (See your employer for the forfeited amount you are allowed to deduct.)

Line 7

Your Earned Income

In general, earned income is wages, salaries, tips, and other employee compensation. It also includes net earnings from self-employment. For more information, see the instructions to lines 17 and 18 below.

Line 8

Spouse's Earned Income

If your filing status is Married Filing Jointly, enter your spouse's earned income on this line.

If your filing status is Married Filing Separately, see *Certain Married Individuals Living Apart and Filing Separate Returns* on this page. If you are considered unmarried under that rule, enter your earned income (from line

7) on this line. If you are **not** considered unmarried under that rule, enter your spouse's earned income on line 8.

If your spouse was a student or disabled in 2004, see *Spouse Who Is a Full-time Student or Is Disabled* discussed on this page.

All other taxpayers should enter the amount on line 7.

Line 10

Taxable Benefits

Enter the amount from the following worksheet.

- a Enter the amount from Schedule X, Part III, line 2 that you received from your sole proprietorship or partnership. If you did not receive any such amounts, enter -0-..... _____
- b Enter the amount from Schedule X, Part III, line 4. _____
- c Line b minus line a..... _____
- d Enter \$5,000 (\$2,500 if married filing separately and you were required to enter your spouse's earned income on Schedule X, Part III, line 8). _____
- e Enter the amount from Schedule X, Part III, line 9. _____
- f **Deductible benefits.** Enter the smallest of line a, line d, or line e. Also, include this amount on the appropriate line(s) of your return..... _____
- g Enter the **smaller** of line d or line e. _____
- h Enter the amount from line f..... _____
- i **Excluded benefits.** Line g minus line h. If zero or less, enter -0-..... _____
- j **Taxable benefits.** Line c minus line i. If zero or less, enter -0-. Enter the result here and on line 10 of Schedule X, Part III. Also, include this amount on line 7 of Form N-15. On the corresponding dotted line write "DCB"..... _____

Line 15

Qualifying Person(s)

Complete columns (a) through (d) for each qualifying person. If you have more than three qualifying persons, attach a statement to your return with the required information. Be sure to put your name and social security number on the statement. Also, write "See attached" on the dotted line next to line 16.

Column (a). Enter each qualifying person's name.

Column (b). Enter the qualifying person's relationship to you.

Column (c). Enter the qualifying person's social security number.

Column (d). Enter the qualified expenses you incurred and paid in 2004 for the person listed in column (a). Do not include in column (d) qualified expenses:

- You incurred in 2004 but did not pay until 2005. You may be able to use these expenses to increase your 2005 credit.
- You incurred in 2003 but did not pay until 2004. Instead, see the instructions for line 22 on this page.
- You prepaid in 2004 for care to be provided in 2005. These expenses may only be used to figure your 2005 credit.

Lines 17 and 18

Earned Income Limit

The amount of your qualified expenses cannot be more than your earned income or, if married filing a joint return, the smaller of your earned income or your spouse's earned income.

In general, earned income is wages, salaries, tips, and other employee compensation. It also includes net earnings from self-employment.

Unmarried taxpayers. If you are unmarried at the end of 2004 or are treated as being unmarried at the end of the year, enter your earned income on line 17.

Married Taxpayers. If you are married filing a joint return, figure each spouse's earned income separately and disregard community property laws. Enter your earned income on line 17 and your spouse's earned income on line 18.

Spouse Who Is a Full-time Student or Is Disabled. If your spouse was a full-time student or was mentally or physically unable to care for himself or herself, figure your spouse's earned income on a monthly basis to determine your spouse's earned income for the year. For each month that your spouse was disabled or a full-time student, your spouse is considered to have earned income of not less than \$200 a month (\$400 a month if more than one qualifying person was cared for in 2004). But if your spouse also worked during any month and earned more than that amount, use his or her actual earned income.

For any month that your spouse was not disabled or a full-time student, use your spouse's actual earned income if your spouse worked during the month.

If, in the same month, both you and your spouse were full-time students and did not work, you cannot use any amount paid that month to figure the credit. The same applies to a couple who did not work because neither was capable of self-care.

A full-time student is one who was enrolled in a school for the number of hours or classes that is considered full time. The student must have been enrolled at least 5 months during 2004.

Self-employment income. You must reduce your earned income by any loss from self-employment. If you only have a loss from self-employment, or your loss is more than your other earned income, you cannot take the credit.

Line 22

Amount of the Credit

If you had qualified expenses for 2003 that you did not pay until 2004, you may be able to increase the amount of credit you can take in 2004. To do this, multiply the 2003 expenses you paid in 2004 by the applicable percentage from the table on line 21 that applies to your 2003 adjusted gross income. Your 2003 expenses must be within the 2003 limits. Attach a computation showing how you figured the increase. If you can take a credit for your 2003 expenses, write "PYE" and the amount of the credit on the dotted line next to line 22. Enter the total amount of the credit on line 22. Also enter this amount on Form N-15, line 53.

Worksheets

Interest Worksheet

1. Enter the total interest on Form(s) 1099-INT and 1099-OID, and other interest received, including interest on out-of-state municipal bonds and municipal bond mutual funds, U.S. Savings Bonds and other federal obligations, Hawaii bonds, and Guam, Puerto Rico, and U.S. Virgin Island bonds
2. Enter the interest on U.S. Savings Bonds and other federal obligations; Hawaii bond interest; and Guam, Puerto Rico, and U.S. Virgin Islands bond interest
3. Enter the interest earned by an Individual Retirement Account, Individual Housing Account, Individual Development Account, Qualified Tuition Program, Medical Savings Account, and Health Savings Account. .
4. Add lines 2 and 3.....
5. Line 1 minus line 4. Enter the result on Form N-15, line 8, Column A.....
6. Enter the amount of interest income on line 5 that was derived from all sources for the period of residency. (**Note:** Nonresidents, enter zero.).....
7. Enter the amount of interest income on line 5 that was derived from intangible assets that have acquired a situs in Hawaii for the period of nonresidency (e.g., interest income received on an agreement of sale of real property located in Hawaii).....
8. Add lines 6 and 7. Enter the result on Form N-15, line 8, Column B

Form N-15 – State Tax Refund Worksheet

1. Enter your State tax overpayment (line 54) from your 2003 return.....
 2. Enter from your 2003 Form N-15 the following:
 - a. Low-income refundable tax credit (line 48)
 - b. Credit for low-income household renter (line 49)
 - c. Credit for child and dependent care expenses (line 50) ...
 - d. Credit for child passenger restraint system(s) (line 51)
 - e. Residential construction and remodeling tax credit (Schedule CR, line 11).....
 3. Add lines 2a through 2e
 4. Line 1 minus line 3. If zero or less, stop here; otherwise continue on to line 5.....
 5. Enter amount from your 2003 Form N-15, line 36g.....
 6. Enter the amount shown below for the filing status you claimed on your 2003 Form N-15
- | | |
|--|---------|
| Single— | \$1,500 |
| Married filing jointly or
qualifying widow(er)— | 1,900 |
| Married filing separately— | 950 |
| Head of household— | 1,650 |
7. Enter the ratio of your Hawaii AGI to Total AGI (line 35) from your 2003 return*
 8. Multiply line 6 by line 7.....
 9. Line 5 minus line 8. Enter the result, but not less than zero
 10. Compare the amounts on lines 4 and 9 above and enter the **SMALLER** of the two amounts here and on Form N-15, line 10, Columns A and B. This is the **taxable** part of your refund

***Note:** If Form N-11, N-12, or N-13 was filed in 2003, enter 1.

Form N-15 – Capital Gain/Loss Worksheet

- Note:** Report only **Hawaii** capital gain/loss.
1. Enter the net gain or (loss) from sales of capital assets held for one year or less
 2. Enter the short-term capital gain or (loss) reported to you on any Schedule(s) K-1
 3. Enter the short-term capital gain or (loss) not included on lines 1 and 2, such as from federal Forms 4684, 6252, 6781, and 8824.....
 4. Short-term gain from stock acquired through stock options from qualified high technology businesses..... ()
 5. Enter your short-term capital loss carryover from 2003.... ()
 6. **Net short-term gain/(loss).** Combine lines 1 through 5.
 7. Enter the net gain or (loss) from sales of capital assets held for more than one year
 8. Enter the capital gain distributions reported to you on Form 1099-DIV.....
 9. Enter the long-term capital gain or (loss) reported to you on any Schedule(s) K-1
 10. Enter the long-term capital gain or (loss) not included on lines 7 to 9, such as from federal Forms 2439, 4684, 6252, 6781, and 8824; and Hawaii Schedule D-1 ..
 11. Long-term gain from stock acquired through stock options from qualified high technology businesses..... ()
 12. Enter your long-term capital loss carryover from 2003..... ()
 13. **Net long-term gain/(loss).** Combine lines 7 through 12.
 14. **Net capital gain/(loss).** Combine lines 6 and 13
- If both lines 13 and 14 are gains, enter the amount from line 14 on Form N-15, line 13, Column B. You may be able to reduce your tax by using the *Tax on Capital Gains Worksheet* on page 39 if your taxable income is over \$40,000 (\$20,000 for Single, and Married Filing Separately; or \$30,000 for Head of Household classifications). Enter the amounts from lines 13 and 14 on the *Tax on Capital Gains Worksheet*, lines 4 and 7, respectively, on page 39.
- If line 14 is a (loss), continue with the rest of the worksheet below to figure what to enter on Form N-15 and how much of your loss you can carry over to next year.
15. Enter (\$3,000), or, if married filing separately, (\$1,500) ...
 16. Compare lines 14 and 15, and write the smaller loss here. Enter this amount on Form N-15, line 13, Column B
- Use the worksheet below to figure the amount of capital loss you can carry over to next year.**
- Capital Loss Carryovers to 2005**
17. Enter the amount from Form N-15, line 41. If the amount is negative, write it as a (loss)
 18. Enter the amount on line 16 as a positive number
 19. Combine lines 17 and 18. If this amount is zero or less, enter -0-
 20. Enter the smaller of line 18 or line 19
 21. If you have a net short-term loss on line 6, enter that amount as a positive number here. Otherwise, enter -0- here and go to line 26
 22. If you have a net long-term gain on line 13, enter that number here. Otherwise, enter -0- here
 23. Enter the amount from line 20
 24. Add lines 22 and 23
 25. Line 21 minus line 24. If zero or less, enter -0-. This is your **short-term capital loss carryover to 2005**
 26. If you have a net long-term loss on line 13, enter that amount as a positive number here. Otherwise, **stop here**
 27. If you have a net short-term gain on line 6, enter that number here. Otherwise, enter -0- here
 28. Line 20 minus line 21. If zero or less, enter -0-
 29. Add lines 27 and 28
 30. Line 26 minus line 29. If zero or less, enter -0-. This is your **long-term capital loss carryover to 2005**

Worksheets (continued)

Itemized Deductions Worksheet - For Nonresidents

<p>1. Enter the amount from Form N-15, line 36, Column B (Hawaii adjusted gross income)..... _____</p> <p>2. Enter the amount from Form N-15, line 36, Column A (adjusted gross income from all sources)..... _____</p> <p>3. Line 1 divided by line 2 _____</p> <p>WORKSHEET NR-1— Medical and Dental Expenses</p> <p>4. Enter amount of medical and dental expenses (see page 19 of Instructions) _____</p> <p>5. Multiply line 3 by line 4..... _____</p> <p>6. Multiply line 1 by 7.5% (.075)..... _____</p> <p>7. Line 5 minus line 6. If zero or less, enter zero. Enter the result here and on Form N-15, line 39a _____</p> <p>WORKSHEET NR-2 – Taxes You Paid</p> <p>8. Hawaii income taxes paid or withheld _____</p> <p>9. Real estate taxes paid on property located in Hawaii _____</p> <p>10. Other taxes. (List) _____</p> <p>11. Add lines 8 through 10. Enter the total here and on Form N-15, line 39b..... _____</p> <p>WORKSHEET NR-3 – Interest You Paid</p> <p>Caution: Enter only home mortgage interest secured by a property located in Hawaii and points paid thereon.</p> <p>12. Home mortgage interest and points reported to you on federal Form 1098 _____</p> <p>13. Home mortgage interest not reported to you on federal Form 1098..... _____</p> <p>14. Points not reported to you on Form 1098 (see federal instructions to Form 1040, Schedule A, line 12 for special rules) _____</p> <p>15. Investment interest from property having situs in Hawaii (attach Form N-158)..... _____</p> <p>16. Add lines 12 through 15. Enter the total here and on Form N-15, line 39c _____</p> <p>WORKSHEET NR-4—Gifts to Charity</p> <p>17. Enter amount of gifts by cash or check (if any gift of \$250 or more, see page 22 of Instructions) _____</p> <p>18. Other than by cash or check (if any gift of \$250 or more, see page 22 of Instructions) (attach required statement if over \$500) _____</p>	<p>19. Carryover from prior year _____</p> <p>20. Add lines 17 through 19 _____</p> <p>21. Multiply line 3 by line 20. Enter total here and on Form N-15, line 39d _____</p> <p>WORKSHEET NR-5—Casualties and Thefts</p> <p>22. Total casualty and theft loss(es) from Form 4684, line 16 (<i>not the same as Schedule A, line 19</i>) on property located in Hawaii..... _____</p> <p>23. Multiply line 1 by 10% (0.10) _____</p> <p>24. Line 22 minus line 23. If this line is zero or less, stop here. Otherwise, enter this amount on Form N-15, line 39e _____</p> <p>WORKSHEET NR-6—Miscellaneous Deductions</p> <p>25. Unreimbursed employee business expenses—job travel, union dues, job education—related to a job whose income is subject to taxation in Hawaii (attach federal Form 2106 or Form 2106-EZ if required)..... _____</p> <p>26. Other miscellaneous deductions directly associated with activities or properties producing income which is taxable to Hawaii (see page 23 of Instructions) _____</p> <p>27. Other miscellaneous deductions that cannot be linked to a specific activity or property _____</p> <p>28. Multiply line 3 by line 27 _____</p> <p>29. Add lines 25, 26, and 28 _____</p> <p>30. Multiply line 1 by 2% (0.02) _____</p> <p>31. Line 29 minus line 30. Enter the result, but not less than zero _____</p> <p>32. Other deductions not subject to 2% AGI limit (see instructions on page 23) which are directly associated with activities or properties producing income which is taxable to Hawaii _____</p> <p>33. Other deductions not subject to 2% AGI limit that cannot be linked to a specific activity or property _____</p> <p>34. Multiply line 3 by line 33..... _____</p> <p>35. Add lines 31, 32, and 34. Enter total here and on Form N-15, line 39f _____</p>
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Worksheets (continued)

Itemized Deductions Worksheet - For Part-Year Residents

<p>1. Enter the amount from Form N-15, line 36, Column B (Hawaii adjusted gross income)..... _____</p> <p>2. Enter the amount from Form N-15, line 36, Column A (adjusted gross income from all sources)..... _____</p> <p>3. Line 1 divided by line 2 _____</p> <p>WORKSHEET PY-1— Medical and Dental Expenses</p> <p>4. Enter amount of medical and dental expenses (see page 19 of Instructions) _____</p> <p>5. Multiply line 3 by line 4..... _____</p> <p>6. Multiply line 1 by 7.5% (.075)..... _____</p> <p>7. Line 5 minus line 6. If zero or less, enter zero. Enter the result here and on Form N-15, line 39a _____</p> <p>WORKSHEET PY-2 – Taxes You Paid</p> <p>8. State and local income taxes paid or withheld..... _____</p> <p>9. Real estate taxes..... _____</p> <p>10. Personal property taxes..... _____</p> <p>11. Other taxes..... _____</p> <p>12. Add lines 8 through 11..... _____</p> <p>13. Taxes on out-of-state income earned while nonresident (such as tax withheld on an out-of-state job); and real property taxes paid on property located out-of-state while nonresident..... _____</p> <p>14. Taxes on Hawaii income OR on income earned while resident in Hawaii; and real property taxes paid on property located in Hawaii OR paid on property located out-of-state while resident in Hawaii..... _____</p> <p>15. Add lines 13 and 14..... _____</p> <p>16. Line 12 minus line 15..... _____</p> <p>17. Multiply line 3 by line 16..... _____</p> <p>18. Add lines 14 and 17. Enter the total here and on Form N-15, line 39b..... _____</p> <p>WORKSHEET PY-3 – Interest You Paid</p> <p>19. Home mortgage interest and points reported to you on federal Form 1098..... _____</p> <p>20. Home mortgage interest not reported to you on federal Form 1098..... _____</p> <p>21. Points not reported to you on Form 1098 (see federal instructions to Form 1040, Schedule A, line 12 for special rules)..... _____</p> <p>22. Investment interest (attach Form N-158)..... _____</p> <p>23. Add lines 19 through 22..... _____</p> <p>24. Home mortgage interest, points, and investment interest paid on property located out-of-state while nonresident..... _____</p> <p>25. Home mortgage interest, points, and investment interest paid on property located in Hawaii OR paid on property located out-of-state while resident in Hawaii..... _____</p> <p>26. Add lines 24 and 25..... _____</p> <p>27. Line 23 minus line 26..... _____</p> <p>28. Multiply line 3 by line 27..... _____</p> <p>29. Add lines 25 and 28. Enter the total here and on Form N-15, line 39c..... _____</p> <p>WORKSHEET PY-4—Gifts to Charity</p> <p>30. Enter amount of gifts by cash or check (if any gift of \$250 or more, see page 22 of Instructions)..... _____</p> <p>31. Other than by cash or check (if any gift of \$250 or more, see page 22 of Instructions) (attach required statement if over \$500)..... _____</p>	<p>32. Carryover from prior year..... _____</p> <p>33. Add lines 30 through 32..... _____</p> <p>34. Multiply line 3 by line 33. Enter total here and on Form N-15, line 39d..... _____</p> <p>WORKSHEET PY-5—Casualties and Thefts</p> <p>35. Total casualty and theft loss(es) from Form 4684, line 16 (<i>not the same as Schedule A, line 19</i>)..... _____</p> <p>36. Casualty and theft losses on property located out-of-state while nonresident..... _____</p> <p>37. Casualty and theft losses on property located in Hawaii OR on property located out-of-state while resident in Hawaii..... _____</p> <p>38. Add lines 36 and 37..... _____</p> <p>39. Line 35 minus line 38..... _____</p> <p>40. Multiply line 3 by line 39..... _____</p> <p>41. Add lines 37 and 40..... _____</p> <p>42. Multiply line 1 by 10% (0.10)..... _____</p> <p>43. Line 41 minus line 42. If this line is zero or less, stop here. Otherwise, enter this amount on Form N-15, line 39e..... _____</p> <p>WORKSHEET PY-6—Miscellaneous Deductions</p> <p>44. Unreimbursed employee business expenses—job travel, union dues, job education (attach federal Form 2106 or Form 2106-EZ if required)..... _____</p> <p>45. Tax preparation fees..... _____</p> <p>46. Other expenses (investment, safe deposit box, etc.) (list type and amount, and attach the list to your return)..... _____</p> <p>47. Add lines 44 to 46..... _____</p> <p>48. Miscellaneous deductions directly associated with activities or properties producing income which is not taxable to Hawaii..... _____</p> <p>49. Miscellaneous deductions directly associated with activities or properties producing income which is taxable to Hawaii (see page 23 of Instructions)..... _____</p> <p>50. Add lines 48 and 49..... _____</p> <p>51. Line 47 minus line 50..... _____</p> <p>52. Multiply line 3 by line 51..... _____</p> <p>53. Add lines 49 and 52..... _____</p> <p>54. Multiply line 1 by 2% (0.02)..... _____</p> <p>55. Line 53 minus line 54. Enter the result, but not less than zero..... _____</p> <p>56. Other deductions not subject to 2% AGI limit (see instructions on page 23) (list type and amount, and attach the list to your return)..... _____</p> <p>57. Political contributions..... _____</p> <p>58. Add lines 56 and 57..... _____</p> <p>59. Deductions directly associated with activities or properties producing income which is not taxable to Hawaii..... _____</p> <p>60. Deductions directly associated with activities or properties producing income which is taxable to Hawaii (see page 23 of Instructions)..... _____</p> <p>61. Add lines 59 and 60..... _____</p> <p>62. Line 58 minus line 61..... _____</p> <p>63. Multiply line 3 by line 62..... _____</p> <p>64. Add lines 55, 60, and 63. Enter total here and on Form N-15, line 39f..... _____</p>
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Worksheets (continued)

Form N-15 – Total Itemized Deductions Worksheet

1. Add the amounts on Form N-15, lines 39a through 39f ... _____
2. Add the amounts on Form N-15, lines 39a and 39e, any gambling losses included on line 39f, and the amount of investment interest _____
3. Line 1 minus line 2 (If the result is zero or less, **STOP HERE**; enter the amount from line 1 above on Form N-15, line 39g)..... _____
4. Multiply line 3 above by 80% (.80) _____
5. Enter the amount from Form N-15, line 36, Column B _____
6. Enter \$100,000 (\$50,000 if married filing separately) _____
7. Line 5 minus line 6. (If the result is zero or less, **STOP HERE**; enter the amount from line 1 above on Form N-15, line 39g.) _____
8. Multiply line 7 by 3% (.03)..... _____
9. **Compare** the amounts on lines 4 and 8 above. Enter the **SMALLER** of the two amounts here..... _____
10. **Total itemized deductions.** Line 1 minus line 9. Enter the result here and on Form N-15, line 39g..... _____

Tax on Capital Gains Worksheet

Note: Do not use this worksheet if (1) you do not have a **Hawaii** net capital gain, or (2) your taxable income is \$40,000 (\$20,000 for Single, and Married Filing Separately; or \$30,000 for Head of Household classifications) or under.

1. Enter your taxable income from Form N-15, line 43..... _____
2. Enter your net long-term capital gain (Form 1040, Schedule D, line 15; or Form 1040, line 13 if Schedule D is not required) _____
3. Combine your Hawaii long-term adjustments, if any, and enter the total here..... _____
4. Combine lines 2 and 3. This is your Hawaii net long-term capital gain _____
5. Enter your net capital gain (Form 1040, Schedule D, line 16) _____
6. Combine your Hawaii short-term adjustments, if any, and enter the total here..... _____
7. Combine lines 3, 5, and 6. This is your Hawaii net capital gain _____
8. Enter the **smaller** of line 4 or line 7..... _____
9. If you are filing Form N-158, enter the amount from line 4e of Form N-158 _____
10. Line 8 minus line 9..... _____
If this amount is zero or less, **stop here**; you **cannot** use this worksheet to figure your tax.
11. Line 1 minus line 10..... _____
12. Enter the amount shown below for the filing status you claimed..... _____

Single—	\$20,000
Married filing jointly or qualifying widow(er)—	40,000
Married filing separately—	20,000
Head of household—	30,000
13. Enter the **greater** of line 11 or line 12..... _____
14. Line 1 minus line 13. This is the amount of net capital gains eligible for alternative tax. Also enter this amount in the space provided beside Form N-15, line 44..... _____
15. Compute the tax on the amount on line 13 using the Tax Table or Tax Rate Schedules, whichever applies _____
16. Multiply line 14 by 7.25% (.0725) and enter the result _____
17. Line 15 plus line 16. Enter the result here and on line **a** of the *Tax Computation Worksheet* on this page..... _____

Tax Computation Worksheet

- a Enter the tax amounts calculated from the Tax Table, Tax Rate Schedule, Tax on Capital Gains Worksheet, Form N-168 or Form N-615..... _____
 - b Enter any additional tax from Form N-2, Distribution from an Individual Housing Account. See *Individual Housing Accounts* on page 15..... _____
 - c Enter any additional tax from Form N-103, Sale of Your Home _____
 - d Enter any additional tax from Form N-152, Tax on Lump-Sum Distributions _____
 - e Enter any additional tax from Form N-312, Recapture of Capital Goods Excise Tax Credit _____
 - f Enter any additional tax from Form N-318, Recapture of High Technology Business Investment Tax Credit..... _____
 - g Enter any additional tax from Form N-405, Tax on Accumulation Distribution of Trusts _____
 - h Enter any additional tax from Form N-586, Recapture of Low-Income Housing Tax Credit..... _____
 - i Enter any additional tax from Form N-814, Parent's Election to Report Child's Interest and Dividends _____
 - j Add lines **a** through **i**. This is your total tax. Enter the result here and on Form N-15, line 44 _____
- Note:** If you entered any amount in lines **b** through **i**, check the box before the words "Include separate tax..." on Form N-15, line 44.

Other State and Foreign Tax Credit Worksheet

Note: This credit may **not** be claimed by nonresidents, unless they are married and filing a joint resident or joint part-year resident return.

1. Enter taxable income from Form N-15, line 43 _____
2. Enter amount of long-term capital gain from the space provided beside Form N-15, line 44 _____
3. Enter the amount of your out-of-state income, **including** capital gains. Do **not** include any income that is exempt in Hawaii such as employer-funded pensions.. _____
4. Enter the amount of long-term capital gains from sources outside the State..... _____
5. Enter the amount of tax you paid to **other States** on income you reported in Column B while you were a Hawaii resident, except for tax paid on income that is exempt in Hawaii _____
6. Enter the amount of tax you paid to **foreign countries** or to U.S. possessions, except for tax paid on income that is exempt in Hawaii..... _____
7. Enter the amount of the federal foreign tax credit you were allowed to take this year. Do not include amounts carried over to other years, or amounts from prior years that were carried forward to this year _____
8. Line 6 minus line 7..... _____
9. Line 5 plus line 8. This is the total amount of out-of-state tax eligible for the credit _____
10. Line 1 minus line 3. This is your Hawaii source income .. _____
11. Line 2 minus line 4. This is your Hawaii source long-term capital gain. If line 4 exceeds line 2, enter zero here _____
12. Line 10 minus line 11. This is your Hawaii ordinary income _____
13. Enter your tax amount from line **a** of the *Tax Computation Worksheet* above..... _____
14. Figure the Hawaii tax on the amount on line 12. Use the Tax Table or Tax Rate Schedules..... _____
15. Multiply the amount on line 11 by 7.25% (0.0725) _____
16. Add lines 14 and 15..... _____
17. Line 13 minus line 16..... _____
18. Compare lines 9 and 17. Enter the **smaller** amount here and on Schedule CR, line 1. Any excess **cannot** be carried forward _____

Worksheets (continued)

Adoption Benefits Worksheet

Caution: See the federal instructions to Form 8839, Qualified Adoption Expenses, before completing this worksheet.

	Child 1	Child 2
1. Maximum exclusion per child	\$10,000	\$10,000
2. Did you receive employer-provided adoption benefits for a prior year? No. Enter -0-. Yes. See the federal instructions for the amount to enter	_____	_____
3. Subtract line 2 from line 1	_____	_____
4. Enter the total amount of employer-provided adoption benefits you received in 2004. This amount should be shown in box 12 of your 2004 W-2 form(s) with code "T"	_____	_____
5. Add the amounts on line 4	_____	_____
6. Enter the smaller of line 3 or line 4. But if the child was a child with special needs and the adoption became final in 2004, enter the amount from line 3	_____	_____
7. Add the amounts on line 6. If zero, skip lines 8-11, enter -0- on line 12, and go to line 13.....	_____	_____
8. Enter your Hawaii modified adjusted gross income*	_____	_____
9. Is line 8 more than \$150,000? No. Skip lines 9-10 and enter -0- on line 11. Yes. Subtract \$150,000 from line 8.....	_____	_____
10. Divide line 9 by \$40,000. Enter the result as a decimal (rounded to at least three places). Do not enter more than "1.000"	_____	_____
11. Multiply line 7 by line 10	_____	_____
12. Excluded benefits. Subtract line 11 from line 7	_____	_____
13. Taxable benefits. Is line 12 more than line 5? No. Subtract line 12 from line 5. Also, include this amount, if more than zero, on Form N-15, line 7, Column B. On the dotted line next to line 7, write "AB". Yes. Subtract line 5 from line 12. Enter the result as a negative number. Reduce the total you would enter on Form N-15, line 7, Column B, by the amount on line 13 of this worksheet, and enter the result on Form N-15, line 7, Column B. On the dotted line next to line 7, write "SNE".....	_____	_____

***Hawaii modified adjusted gross income** is your Hawaii adjusted gross income (Form N-15, line 36, Column B), determined without regard to the amount of the student loan interest deduction, plus the amount of employer-provided adoption benefits from the *Adoption Benefits Worksheet*, line 5.

Student Loan Interest Deduction Worksheet

1. Enter the total interest you paid in 2004 on qualified student loans. **Do not** enter more than \$2,500..... _____
2. Enter your Hawaii modified adjusted gross income**.
- Note:** If line 2 is \$65,000 or more if single, head of household, or qualifying widow(er) **OR** \$130,000 or more if married filing jointly, **stop here.** You **cannot** take the deduction.
3. Enter: \$50,000 if single, head of household, or qualifying widow(er);
\$100,000 if married filing jointly. _____
4. Is the amount on line 2 more than the amount on line 3?
No. Skip line 5, enter -0- on line 6, and go to line 7.
Yes. Subtract line 3 from line 2..... _____
5. Divide line 4 by \$15,000 (\$30,000 if married filing jointly). Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000..... _____
6. Multiply line 1 by line 5. _____
7. **Student loan interest deduction.** Subtract line 6 from line 1. Enter the result here and on Form N-15, line 24, Column A. _____
8. Divide your Hawaii adjusted gross income by your total adjusted gross income from all sources. In this step, do not include any adjustments for the student loan interest deduction. Enter the result as a decimal (rounded to at least three places)
9. Multiply line 7 by line 8. Enter the result here and on Form N-15, line 24, Column B

****Hawaii modified adjusted gross income** is your Hawaii adjusted gross income determined without regard to the amount of the student loan interest deduction.

2004 Hawaii Tax Table

Based on Taxable Income
For persons with taxable
incomes of less than
\$100,000

Example: Mr. & Mrs. Brown are filing a joint return. Their taxable income on line 43 is \$23,270. First, they find the \$23,250 - 23,300 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is \$1,090. This is the tax amount they must write on line 44 of their return.

At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
23,250	23,300	1,377	1,090	1,211
23,300	23,350	1,381	1,093	1,214
23,350	23,400	1,385	1,096	1,218

If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —		
At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
Your tax is —					Your tax is —					Your tax is —				
0	50	0	0	0	5,000									
50	100	1	1	1	2,500	2,550	45	35	35	5,000	5,050	148	89	107
100	150	2	2	2	2,550	2,600	46	36	36	5,050	5,100	151	90	108
150	200	2	2	2	2,600	2,650	48	37	37	5,100	5,150	154	92	110
200	250	3	3	3	2,650	2,700	50	37	37	5,150	5,200	157	94	112
					2,700	2,750	51	38	38	5,200	5,250	159	95	113
250	300	4	4	4	3,000									
300	350	5	5	5	2,750	2,800	53	39	39	5,250	5,300	162	97	115
350	400	5	5	5	2,800	2,850	54	40	40	5,300	5,350	165	98	116
400	450	6	6	6	2,850	2,900	56	40	40	5,350	5,400	168	100	118
450	500	7	7	7	2,900	2,950	58	41	41	5,400	5,450	170	102	120
					2,950	3,000	59	42	42	5,450	5,500	173	103	121
500	550	7	7	7	3,000									
550	600	8	8	8	3,000	3,050	61	42	43	5,500	5,550	176	105	123
600	650	9	9	9	3,050	3,100	62	43	44	5,550	5,600	179	106	124
650	700	9	9	9	3,100	3,150	64	44	46	5,600	5,650	181	108	126
700	750	10	10	10	3,150	3,200	66	44	48	5,650	5,700	184	110	128
					3,200	3,250	67	45	49	5,700	5,750	187	111	129
750	800	11	11	11	3,000									
800	850	12	12	12	3,250	3,300	69	46	51	5,750	5,800	190	113	131
850	900	12	12	12	3,300	3,350	70	47	52	5,800	5,850	192	114	132
900	950	13	13	13	3,350	3,400	72	47	54	5,850	5,900	195	116	134
950	1,000	14	14	14	3,400	3,450	74	48	56	5,900	5,950	198	118	136
1,000					3,450	3,500	75	49	57	5,950	6,000	201	119	137
1,000	1,050	14	14	14	6,000									
1,050	1,100	15	15	15	3,500	3,550	77	49	59	6,000	6,050	203	121	139
1,100	1,150	16	16	16	3,550	3,600	78	50	60	6,050	6,100	206	122	142
1,150	1,200	16	16	16	3,600	3,650	80	51	62	6,100	6,150	209	124	145
1,200	1,250	17	17	17	3,650	3,700	82	51	64	6,150	6,200	212	126	148
					3,700	3,750	83	52	65	6,200	6,250	214	127	150
1,250	1,300	18	18	18	6,000									
1,300	1,350	19	19	19	3,750	3,800	85	53	67	6,250	6,300	217	129	153
1,350	1,400	19	19	19	3,800	3,850	86	54	68	6,300	6,350	220	130	156
1,400	1,450	20	20	20	3,850	3,900	88	54	70	6,350	6,400	223	132	159
1,450	1,500	21	21	21	3,900	3,950	90	55	72	6,400	6,450	225	134	161
					3,950	4,000	91	56	73	6,450	6,500	228	135	164
1,500	1,550	21	21	21	4,000									
1,550	1,600	22	22	22	4,000	4,050	93	57	75	6,500	6,550	231	137	167
1,600	1,650	23	23	23	4,050	4,100	96	58	76	6,550	6,600	234	138	170
1,650	1,700	23	23	23	4,100	4,150	99	60	78	6,600	6,650	236	140	172
1,700	1,750	24	24	24	4,150	4,200	102	62	80	6,650	6,700	239	142	175
					4,200	4,250	104	63	81	6,700	6,750	242	143	178
1,750	1,800	25	25	25	4,000									
1,800	1,850	26	26	26	4,250	4,300	107	65	83	6,750	6,800	245	145	181
1,850	1,900	26	26	26	4,300	4,350	110	66	84	6,800	6,850	247	146	183
1,900	1,950	27	27	27	4,350	4,400	113	68	86	6,850	6,900	250	148	186
1,950	2,000	28	28	28	4,400	4,450	115	70	88	6,900	6,950	253	150	189
2,000					4,450	4,500	118	71	89	6,950	7,000	256	151	192
2,000	2,050	29	28	28	4,000									
2,050	2,100	30	29	29	4,500	4,550	121	73	91	6,500	6,550	231	137	167
2,100	2,150	32	30	30	4,550	4,600	124	74	92	6,550	6,600	234	138	170
2,150	2,200	34	30	30	4,600	4,650	126	76	94	6,600	6,650	236	140	172
2,200	2,250	35	31	31	4,650	4,700	129	78	96	6,650	6,700	239	142	175
					4,700	4,750	132	79	97	6,700	6,750	242	143	178
2,250	2,300	37	32	32	4,000									
2,300	2,350	38	33	33	4,750	4,800	135	81	99	6,750	6,800	245	145	181
2,350	2,400	40	33	33	4,800	4,850	137	82	100	6,800	6,850	247	146	183
2,400	2,450	42	34	34	4,850	4,900	140	84	102	6,850	6,900	250	148	186
2,450	2,500	43	35	35	4,900	4,950	143	86	104	6,900	6,950	253	150	189
					4,950	5,000	146	87	105	6,950	7,000	256	151	192

*This column must also be used by qualifying widow(er)

Continued on next page

2004 Hawaii Tax Table (Continued)

If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —		
At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
		Your tax is —					Your tax is —					Your tax is —		
7,000					10,000					13,000				
7,000	7,050	258	153	194	10,000	10,050	442	295	359	13,000	13,050	638	460	534
7,050	7,100	261	154	197	10,050	10,100	445	298	362	13,050	13,100	641	463	537
7,100	7,150	264	156	200	10,100	10,150	448	301	365	13,100	13,150	645	466	540
7,150	7,200	267	158	203	10,150	10,200	451	304	368	13,150	13,200	648	469	543
7,200	7,250	269	159	205	10,200	10,250	454	306	370	13,200	13,250	651	471	546
7,250	7,300	272	161	208	10,250	10,300	458	309	373	13,250	13,300	655	474	550
7,300	7,350	275	162	211	10,300	10,350	461	312	376	13,300	13,350	658	477	553
7,350	7,400	278	164	214	10,350	10,400	464	315	379	13,350	13,400	662	480	556
7,400	7,450	280	166	216	10,400	10,450	467	317	381	13,400	13,450	665	482	559
7,450	7,500	283	167	219	10,450	10,500	470	320	384	13,450	13,500	668	485	562
7,500	7,550	286	169	222	10,500	10,550	474	323	387	13,500	13,550	672	488	566
7,550	7,600	289	170	225	10,550	10,600	477	326	390	13,550	13,600	675	491	569
7,600	7,650	291	172	227	10,600	10,650	480	328	392	13,600	13,650	679	493	572
7,650	7,700	294	174	230	10,650	10,700	483	331	395	13,650	13,700	682	496	575
7,700	7,750	297	175	233	10,700	10,750	486	334	398	13,700	13,750	685	499	578
7,750	7,800	300	177	236	10,750	10,800	490	337	401	13,750	13,800	689	502	582
7,800	7,850	302	178	238	10,800	10,850	493	339	403	13,800	13,850	692	504	585
7,850	7,900	305	180	241	10,850	10,900	496	342	406	13,850	13,900	696	507	588
7,900	7,950	308	182	244	10,900	10,950	499	345	409	13,900	13,950	699	510	591
7,950	8,000	311	183	247	10,950	11,000	502	348	412	13,950	14,000	702	513	594
8,000					11,000					14,000				
8,000	8,050	314	185	249	11,000	11,050	506	350	414	14,000	14,050	706	515	598
8,050	8,100	317	188	252	11,050	11,100	509	353	417	14,050	14,100	709	518	601
8,100	8,150	320	191	255	11,100	11,150	512	356	420	14,100	14,150	713	521	604
8,150	8,200	323	194	258	11,150	11,200	515	359	423	14,150	14,200	716	524	607
8,200	8,250	326	196	260	11,200	11,250	518	361	425	14,200	14,250	719	526	610
8,250	8,300	330	199	263	11,250	11,300	522	364	428	14,250	14,300	723	529	614
8,300	8,350	333	202	266	11,300	11,350	525	367	431	14,300	14,350	726	532	617
8,350	8,400	336	205	269	11,350	11,400	528	370	434	14,350	14,400	730	535	620
8,400	8,450	339	207	271	11,400	11,450	531	372	436	14,400	14,450	733	537	623
8,450	8,500	342	210	274	11,450	11,500	534	375	439	14,450	14,500	736	540	626
8,500	8,550	346	213	277	11,500	11,550	538	378	442	14,500	14,550	740	543	630
8,550	8,600	349	216	280	11,550	11,600	541	381	445	14,550	14,600	743	546	633
8,600	8,650	352	218	282	11,600	11,650	544	383	447	14,600	14,650	747	548	636
8,650	8,700	355	221	285	11,650	11,700	547	386	450	14,650	14,700	750	551	639
8,700	8,750	358	224	288	11,700	11,750	550	389	453	14,700	14,750	753	554	642
8,750	8,800	362	227	291	11,750	11,800	554	392	456	14,750	14,800	757	557	646
8,800	8,850	365	229	293	11,800	11,850	557	394	458	14,800	14,850	760	559	649
8,850	8,900	368	232	296	11,850	11,900	560	397	461	14,850	14,900	764	562	652
8,900	8,950	371	235	299	11,900	11,950	563	400	464	14,900	14,950	767	565	655
8,950	9,000	374	238	302	11,950	12,000	566	403	467	14,950	15,000	770	568	658
9,000					12,000					15,000				
9,000	9,050	378	240	304	12,000	12,050	570	405	470	15,000	15,050	774	570	662
9,050	9,100	381	243	307	12,050	12,100	573	408	473	15,050	15,100	777	573	665
9,100	9,150	384	246	310	12,100	12,150	577	411	476	15,100	15,150	781	576	668
9,150	9,200	387	249	313	12,150	12,200	580	414	479	15,150	15,200	784	579	671
9,200	9,250	390	251	315	12,200	12,250	583	416	482	15,200	15,250	787	581	674
9,250	9,300	394	254	318	12,250	12,300	587	419	486	15,250	15,300	791	584	678
9,300	9,350	397	257	321	12,300	12,350	590	422	489	15,300	15,350	794	587	681
9,350	9,400	400	260	324	12,350	12,400	594	425	492	15,350	15,400	798	590	684
9,400	9,450	403	262	326	12,400	12,450	597	427	495	15,400	15,450	801	592	687
9,450	9,500	406	265	329	12,450	12,500	600	430	498	15,450	15,500	804	595	690
9,500	9,550	410	268	332	12,500	12,550	604	433	502	15,500	15,550	808	598	694
9,550	9,600	413	271	335	12,550	12,600	607	436	505	15,550	15,600	811	601	697
9,600	9,650	416	273	337	12,600	12,650	611	438	508	15,600	15,650	815	603	700
9,650	9,700	419	276	340	12,650	12,700	614	441	511	15,650	15,700	818	606	703
9,700	9,750	422	279	343	12,700	12,750	617	444	514	15,700	15,750	821	609	706
9,750	9,800	426	282	346	12,750	12,800	621	447	518	15,750	15,800	825	612	710
9,800	9,850	429	284	348	12,800	12,850	624	449	521	15,800	15,850	828	614	713
9,850	9,900	432	287	351	12,850	12,900	628	452	524	15,850	15,900	832	617	716
9,900	9,950	435	290	354	12,900	12,950	631	455	527	15,900	15,950	835	620	719
9,950	10,000	438	293	357	12,950	13,000	634	458	530	15,950	16,000	838	623	722

*This column must also be used by qualifying widow(er)

2004 Hawaii Tax Table (Continued)

If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —		
At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
		Your tax is —					Your tax is —					Your tax is —		
16,000					19,000					22,000				
16,000	16,050	842	626	726	19,000	19,050	1,058	818	922	22,000	22,050	1,282	1,010	1,126
16,050	16,100	845	629	729	19,050	19,100	1,061	821	925	22,050	22,100	1,286	1,013	1,129
16,100	16,150	849	632	732	19,100	19,150	1,065	824	929	22,100	22,150	1,290	1,016	1,133
16,150	16,200	853	635	735	19,150	19,200	1,069	827	932	22,150	22,200	1,293	1,019	1,136
16,200	16,250	856	638	738	19,200	19,250	1,072	830	935	22,200	22,250	1,297	1,022	1,139
16,250	16,300	860	642	742	19,250	19,300	1,076	834	939	22,250	22,300	1,301	1,026	1,143
16,300	16,350	863	645	745	19,300	19,350	1,079	837	942	22,300	22,350	1,305	1,029	1,146
16,350	16,400	867	648	748	19,350	19,400	1,083	840	946	22,350	22,400	1,309	1,032	1,150
16,400	16,450	871	651	751	19,400	19,450	1,087	843	949	22,400	22,450	1,312	1,035	1,153
16,450	16,500	874	654	754	19,450	19,500	1,090	846	952	22,450	22,500	1,316	1,038	1,156
16,500	16,550	878	658	758	19,500	19,550	1,094	850	956	22,500	22,550	1,320	1,042	1,160
16,550	16,600	881	661	761	19,550	19,600	1,097	853	959	22,550	22,600	1,324	1,045	1,163
16,600	16,650	885	664	764	19,600	19,650	1,101	856	963	22,600	22,650	1,328	1,048	1,167
16,650	16,700	889	667	767	19,650	19,700	1,105	859	966	22,650	22,700	1,331	1,051	1,170
16,700	16,750	892	670	770	19,700	19,750	1,108	862	969	22,700	22,750	1,335	1,054	1,173
16,750	16,800	896	674	774	19,750	19,800	1,112	866	973	22,750	22,800	1,339	1,058	1,177
16,800	16,850	899	677	777	19,800	19,850	1,115	869	976	22,800	22,850	1,343	1,061	1,180
16,850	16,900	903	680	780	19,850	19,900	1,119	872	980	22,850	22,900	1,347	1,064	1,184
16,900	16,950	907	683	783	19,900	19,950	1,123	875	983	22,900	22,950	1,350	1,067	1,187
16,950	17,000	910	686	786	19,950	20,000	1,126	878	986	22,950	23,000	1,354	1,070	1,190
17,000					20,000					23,000				
17,000	17,050	914	690	790	20,000	20,050	1,130	882	990	23,000	23,050	1,358	1,074	1,194
17,050	17,100	917	693	793	20,050	20,100	1,134	885	993	23,050	23,100	1,362	1,077	1,197
17,100	17,150	921	696	796	20,100	20,150	1,138	888	997	23,100	23,150	1,366	1,080	1,201
17,150	17,200	925	699	799	20,150	20,200	1,141	891	1,000	23,150	23,200	1,369	1,083	1,204
17,200	17,250	928	702	802	20,200	20,250	1,145	894	1,003	23,200	23,250	1,373	1,086	1,207
17,250	17,300	932	706	806	20,250	20,300	1,149	898	1,007	23,250	23,300	1,377	1,090	1,211
17,300	17,350	935	709	809	20,300	20,350	1,153	901	1,010	23,300	23,350	1,381	1,093	1,214
17,350	17,400	939	712	812	20,350	20,400	1,157	904	1,014	23,350	23,400	1,385	1,096	1,218
17,400	17,450	943	715	815	20,400	20,450	1,160	907	1,017	23,400	23,450	1,388	1,099	1,221
17,450	17,500	946	718	818	20,450	20,500	1,164	910	1,020	23,450	23,500	1,392	1,102	1,224
17,500	17,550	950	722	822	20,500	20,550	1,168	914	1,024	23,500	23,550	1,396	1,106	1,228
17,550	17,600	953	725	825	20,550	20,600	1,172	917	1,027	23,550	23,600	1,400	1,109	1,231
17,600	17,650	957	728	828	20,600	20,650	1,176	920	1,031	23,600	23,650	1,404	1,112	1,235
17,650	17,700	961	731	831	20,650	20,700	1,179	923	1,034	23,650	23,700	1,407	1,115	1,238
17,700	17,750	964	734	834	20,700	20,750	1,183	926	1,037	23,700	23,750	1,411	1,118	1,241
17,750	17,800	968	738	838	20,750	20,800	1,187	930	1,041	23,750	23,800	1,415	1,122	1,245
17,800	17,850	971	741	841	20,800	20,850	1,191	933	1,044	23,800	23,850	1,419	1,125	1,248
17,850	17,900	975	744	844	20,850	20,900	1,195	936	1,048	23,850	23,900	1,423	1,128	1,252
17,900	17,950	979	747	847	20,900	20,950	1,198	939	1,051	23,900	23,950	1,426	1,131	1,255
17,950	18,000	982	750	850	20,950	21,000	1,202	942	1,054	23,950	24,000	1,430	1,134	1,258
18,000					21,000					24,000				
18,000	18,050	986	754	854	21,000	21,050	1,206	946	1,058	24,000	24,050	1,434	1,138	1,262
18,050	18,100	989	757	857	21,050	21,100	1,210	949	1,061	24,050	24,100	1,438	1,141	1,265
18,100	18,150	993	760	861	21,100	21,150	1,214	952	1,065	24,100	24,150	1,442	1,145	1,269
18,150	18,200	997	763	864	21,150	21,200	1,217	955	1,068	24,150	24,200	1,445	1,148	1,273
18,200	18,250	1,000	766	867	21,200	21,250	1,221	958	1,071	24,200	24,250	1,449	1,151	1,276
18,250	18,300	1,004	770	871	21,250	21,300	1,225	962	1,075	24,250	24,300	1,453	1,155	1,280
18,300	18,350	1,007	773	874	21,300	21,350	1,229	965	1,078	24,300	24,350	1,457	1,158	1,283
18,350	18,400	1,011	776	878	21,350	21,400	1,233	968	1,082	24,350	24,400	1,461	1,162	1,287
18,400	18,450	1,015	779	881	21,400	21,450	1,236	971	1,085	24,400	24,450	1,464	1,165	1,291
18,450	18,500	1,018	782	884	21,450	21,500	1,240	974	1,088	24,450	24,500	1,468	1,168	1,294
18,500	18,550	1,022	786	888	21,500	21,550	1,244	978	1,092	24,500	24,550	1,472	1,172	1,298
18,550	18,600	1,025	789	891	21,550	21,600	1,248	981	1,095	24,550	24,600	1,476	1,175	1,301
18,600	18,650	1,029	792	895	21,600	21,650	1,252	984	1,099	24,600	24,650	1,480	1,179	1,305
18,650	18,700	1,033	795	898	21,650	21,700	1,255	987	1,102	24,650	24,700	1,483	1,182	1,309
18,700	18,750	1,036	798	901	21,700	21,750	1,259	990	1,105	24,700	24,750	1,487	1,185	1,312
18,750	18,800	1,040	802	905	21,750	21,800	1,263	994	1,109	24,750	24,800	1,491	1,189	1,316
18,800	18,850	1,043	805	908	21,800	21,850	1,267	997	1,112	24,800	24,850	1,495	1,192	1,319
18,850	18,900	1,047	808	912	21,850	21,900	1,271	1,000	1,116	24,850	24,900	1,499	1,196	1,323
18,900	18,950	1,051	811	915	21,900	21,950	1,274	1,003	1,119	24,900	24,950	1,502	1,199	1,327
18,950	19,000	1,054	814	918	21,950	22,000	1,278	1,006	1,122	24,950	25,000	1,506	1,202	1,330

*This column must also be used by qualifying widow(er)

Continued on next page

2004 Hawaii Tax Table (Continued)

If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —		
At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
Your tax is —					Your tax is —					Your tax is —				
25,000					28,000					31,000				
25,000	25,050	1,510	1,206	1,334	28,000	28,050	1,738	1,410	1,550	31,000	31,050	1,969	1,614	1,770
25,050	25,100	1,514	1,209	1,337	28,050	28,100	1,742	1,413	1,553	31,050	31,100	1,973	1,617	1,774
25,100	25,150	1,518	1,213	1,341	28,100	28,150	1,746	1,417	1,557	31,100	31,150	1,977	1,621	1,778
25,150	25,200	1,521	1,216	1,345	28,150	28,200	1,749	1,420	1,561	31,150	31,200	1,981	1,624	1,781
25,200	25,250	1,525	1,219	1,348	28,200	28,250	1,753	1,423	1,564	31,200	31,250	1,985	1,627	1,785
25,250	25,300	1,529	1,223	1,352	28,250	28,300	1,757	1,427	1,568	31,250	31,300	1,989	1,631	1,789
25,300	25,350	1,533	1,226	1,355	28,300	28,350	1,761	1,430	1,571	31,300	31,350	1,993	1,634	1,793
25,350	25,400	1,537	1,230	1,359	28,350	28,400	1,765	1,434	1,575	31,350	31,400	1,997	1,638	1,797
25,400	25,450	1,540	1,233	1,363	28,400	28,450	1,768	1,437	1,579	31,400	31,450	2,001	1,641	1,800
25,450	25,500	1,544	1,236	1,366	28,450	28,500	1,772	1,440	1,582	31,450	31,500	2,005	1,644	1,804
25,500	25,550	1,548	1,240	1,370	28,500	28,550	1,776	1,444	1,586	31,500	31,550	2,008	1,648	1,808
25,550	25,600	1,552	1,243	1,373	28,550	28,600	1,780	1,447	1,589	31,550	31,600	2,012	1,651	1,812
25,600	25,650	1,556	1,247	1,377	28,600	28,650	1,784	1,451	1,593	31,600	31,650	2,016	1,655	1,816
25,650	25,700	1,559	1,250	1,381	28,650	28,700	1,787	1,454	1,597	31,650	31,700	2,020	1,658	1,819
25,700	25,750	1,563	1,253	1,384	28,700	28,750	1,791	1,457	1,600	31,700	31,750	2,024	1,661	1,823
25,750	25,800	1,567	1,257	1,388	28,750	28,800	1,795	1,461	1,604	31,750	31,800	2,028	1,665	1,827
25,800	25,850	1,571	1,260	1,391	28,800	28,850	1,799	1,464	1,607	31,800	31,850	2,032	1,668	1,831
25,850	25,900	1,575	1,264	1,395	28,850	28,900	1,803	1,468	1,611	31,850	31,900	2,036	1,672	1,835
25,900	25,950	1,578	1,267	1,399	28,900	28,950	1,806	1,471	1,615	31,900	31,950	2,040	1,675	1,838
25,950	26,000	1,582	1,270	1,402	28,950	29,000	1,810	1,474	1,618	31,950	32,000	2,044	1,678	1,842
26,000					29,000					32,000				
26,000	26,050	1,586	1,274	1,406	29,000	29,050	1,814	1,478	1,622	32,000	32,050	2,048	1,682	1,846
26,050	26,100	1,590	1,277	1,409	29,050	29,100	1,818	1,481	1,625	32,050	32,100	2,052	1,685	1,850
26,100	26,150	1,594	1,281	1,413	29,100	29,150	1,822	1,485	1,629	32,100	32,150	2,056	1,689	1,854
26,150	26,200	1,597	1,284	1,417	29,150	29,200	1,825	1,488	1,633	32,150	32,200	2,060	1,693	1,857
26,200	26,250	1,601	1,287	1,420	29,200	29,250	1,829	1,491	1,636	32,200	32,250	2,064	1,696	1,861
26,250	26,300	1,605	1,291	1,424	29,250	29,300	1,833	1,495	1,640	32,250	32,300	2,068	1,700	1,865
26,300	26,350	1,609	1,294	1,427	29,300	29,350	1,837	1,498	1,643	32,300	32,350	2,072	1,703	1,869
26,350	26,400	1,613	1,298	1,431	29,350	29,400	1,841	1,502	1,647	32,350	32,400	2,076	1,707	1,873
26,400	26,450	1,616	1,301	1,435	29,400	29,450	1,844	1,505	1,651	32,400	32,450	2,080	1,711	1,876
26,450	26,500	1,620	1,304	1,438	29,450	29,500	1,848	1,508	1,654	32,450	32,500	2,084	1,714	1,880
26,500	26,550	1,624	1,308	1,442	29,500	29,550	1,852	1,512	1,658	32,500	32,550	2,087	1,718	1,884
26,550	26,600	1,628	1,311	1,445	29,550	29,600	1,856	1,515	1,661	32,550	32,600	2,091	1,721	1,888
26,600	26,650	1,632	1,315	1,449	29,600	29,650	1,860	1,519	1,665	32,600	32,650	2,095	1,725	1,892
26,650	26,700	1,635	1,318	1,453	29,650	29,700	1,863	1,522	1,669	32,650	32,700	2,099	1,729	1,895
26,700	26,750	1,639	1,321	1,456	29,700	29,750	1,867	1,525	1,672	32,700	32,750	2,103	1,732	1,899
26,750	26,800	1,643	1,325	1,460	29,750	29,800	1,871	1,529	1,676	32,750	32,800	2,107	1,736	1,903
26,800	26,850	1,647	1,328	1,463	29,800	29,850	1,875	1,532	1,679	32,800	32,850	2,111	1,739	1,907
26,850	26,900	1,651	1,332	1,467	29,850	29,900	1,879	1,536	1,683	32,850	32,900	2,115	1,743	1,911
26,900	26,950	1,654	1,335	1,471	29,900	29,950	1,882	1,539	1,687	32,900	32,950	2,119	1,747	1,914
26,950	27,000	1,658	1,338	1,474	29,950	30,000	1,886	1,542	1,690	32,950	33,000	2,123	1,750	1,918
27,000					30,000					33,000				
27,000	27,050	1,662	1,342	1,478	30,000	30,050	1,890	1,546	1,694	33,000	33,050	2,127	1,754	1,922
27,050	27,100	1,666	1,345	1,481	30,050	30,100	1,894	1,549	1,698	33,050	33,100	2,131	1,757	1,926
27,100	27,150	1,670	1,349	1,485	30,100	30,150	1,898	1,553	1,702	33,100	33,150	2,135	1,761	1,930
27,150	27,200	1,673	1,352	1,489	30,150	30,200	1,902	1,556	1,705	33,150	33,200	2,139	1,765	1,933
27,200	27,250	1,677	1,355	1,492	30,200	30,250	1,906	1,559	1,709	33,200	33,250	2,143	1,768	1,937
27,250	27,300	1,681	1,359	1,496	30,250	30,300	1,910	1,563	1,713	33,250	33,300	2,147	1,772	1,941
27,300	27,350	1,685	1,362	1,499	30,300	30,350	1,914	1,566	1,717	33,300	33,350	2,151	1,775	1,945
27,350	27,400	1,689	1,366	1,503	30,350	30,400	1,918	1,570	1,721	33,350	33,400	2,155	1,779	1,949
27,400	27,450	1,692	1,369	1,507	30,400	30,450	1,922	1,573	1,724	33,400	33,450	2,159	1,783	1,952
27,450	27,500	1,696	1,372	1,510	30,450	30,500	1,926	1,576	1,728	33,450	33,500	2,163	1,786	1,956
27,500	27,550	1,700	1,376	1,514	30,500	30,550	1,929	1,580	1,732	33,500	33,550	2,166	1,790	1,960
27,550	27,600	1,704	1,379	1,517	30,550	30,600	1,933	1,583	1,736	33,550	33,600	2,170	1,793	1,964
27,600	27,650	1,708	1,383	1,521	30,600	30,650	1,937	1,587	1,740	33,600	33,650	2,174	1,797	1,968
27,650	27,700	1,711	1,386	1,525	30,650	30,700	1,941	1,590	1,743	33,650	33,700	2,178	1,801	1,971
27,700	27,750	1,715	1,389	1,528	30,700	30,750	1,945	1,593	1,747	33,700	33,750	2,182	1,804	1,975
27,750	27,800	1,719	1,393	1,532	30,750	30,800	1,949	1,597	1,751	33,750	33,800	2,186	1,808	1,979
27,800	27,850	1,723	1,396	1,535	30,800	30,850	1,953	1,600	1,755	33,800	33,850	2,190	1,811	1,983
27,850	27,900	1,727	1,400	1,539	30,850	30,900	1,957	1,604	1,759	33,850	33,900	2,194	1,815	1,987
27,900	27,950	1,730	1,403	1,543	30,900	30,950	1,961	1,607	1,762	33,900	33,950	2,198	1,819	1,990
27,950	28,000	1,734	1,406	1,546	30,950	31,000	1,965	1,610	1,766	33,950	34,000	2,202	1,822	1,994

*This column must also be used by qualifying widow(er)

Continued on next page

2004 Hawaii Tax Table (Continued)

If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —		
At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
		Your tax is —					Your tax is —					Your tax is —		
34,000					37,000					40,000				
34,000	34,050	2,206	1,826	1,998	37,000	37,050	2,443	2,042	2,226	40,000	40,050	2,680	2,258	2,454
34,050	34,100	2,210	1,829	2,002	37,050	37,100	2,447	2,045	2,230	40,050	40,100	2,684	2,262	2,458
34,100	34,150	2,214	1,833	2,006	37,100	37,150	2,451	2,049	2,234	40,100	40,150	2,688	2,266	2,462
34,150	34,200	2,218	1,837	2,009	37,150	37,200	2,455	2,053	2,237	40,150	40,200	2,692	2,269	2,465
34,200	34,250	2,222	1,840	2,013	37,200	37,250	2,459	2,056	2,241	40,200	40,250	2,697	2,273	2,469
34,250	34,300	2,226	1,844	2,017	37,250	37,300	2,463	2,060	2,245	40,250	40,300	2,701	2,277	2,473
34,300	34,350	2,230	1,847	2,021	37,300	37,350	2,467	2,063	2,249	40,300	40,350	2,705	2,281	2,477
34,350	34,400	2,234	1,851	2,025	37,350	37,400	2,471	2,067	2,253	40,350	40,400	2,709	2,285	2,481
34,400	34,450	2,238	1,855	2,028	37,400	37,450	2,475	2,071	2,256	40,400	40,450	2,713	2,288	2,484
34,450	34,500	2,242	1,858	2,032	37,450	37,500	2,479	2,074	2,260	40,450	40,500	2,717	2,292	2,488
34,500	34,550	2,245	1,862	2,036	37,500	37,550	2,482	2,078	2,264	40,500	40,550	2,721	2,296	2,492
34,550	34,600	2,249	1,865	2,040	37,550	37,600	2,486	2,081	2,268	40,550	40,600	2,725	2,300	2,496
34,600	34,650	2,253	1,869	2,044	37,600	37,650	2,490	2,085	2,272	40,600	40,650	2,730	2,304	2,500
34,650	34,700	2,257	1,873	2,047	37,650	37,700	2,494	2,089	2,275	40,650	40,700	2,734	2,307	2,503
34,700	34,750	2,261	1,876	2,051	37,700	37,750	2,498	2,092	2,279	40,700	40,750	2,738	2,311	2,507
34,750	34,800	2,265	1,880	2,055	37,750	37,800	2,502	2,096	2,283	40,750	40,800	2,742	2,315	2,511
34,800	34,850	2,269	1,883	2,059	37,800	37,850	2,506	2,099	2,287	40,800	40,850	2,746	2,319	2,515
34,850	34,900	2,273	1,887	2,063	37,850	37,900	2,510	2,103	2,291	40,850	40,900	2,750	2,323	2,519
34,900	34,950	2,277	1,891	2,066	37,900	37,950	2,514	2,107	2,294	40,900	40,950	2,754	2,326	2,522
34,950	35,000	2,281	1,894	2,070	37,950	38,000	2,518	2,110	2,298	40,950	41,000	2,758	2,330	2,526
35,000					38,000					41,000				
35,000	35,050	2,285	1,898	2,074	38,000	38,050	2,522	2,114	2,302	41,000	41,050	2,763	2,334	2,530
35,050	35,100	2,289	1,901	2,078	38,050	38,100	2,526	2,117	2,306	41,050	41,100	2,767	2,338	2,534
35,100	35,150	2,293	1,905	2,082	38,100	38,150	2,530	2,121	2,310	41,100	41,150	2,771	2,342	2,538
35,150	35,200	2,297	1,909	2,085	38,150	38,200	2,534	2,125	2,313	41,150	41,200	2,775	2,345	2,541
35,200	35,250	2,301	1,912	2,089	38,200	38,250	2,538	2,128	2,317	41,200	41,250	2,779	2,349	2,545
35,250	35,300	2,305	1,916	2,093	38,250	38,300	2,542	2,132	2,321	41,250	41,300	2,783	2,353	2,549
35,300	35,350	2,309	1,919	2,097	38,300	38,350	2,546	2,135	2,325	41,300	41,350	2,787	2,357	2,553
35,350	35,400	2,313	1,923	2,101	38,350	38,400	2,550	2,139	2,329	41,350	41,400	2,791	2,361	2,557
35,400	35,450	2,317	1,927	2,104	38,400	38,450	2,554	2,143	2,332	41,400	41,450	2,796	2,364	2,560
35,450	35,500	2,321	1,930	2,108	38,450	38,500	2,558	2,146	2,336	41,450	41,500	2,800	2,368	2,564
35,500	35,550	2,324	1,934	2,112	38,500	38,550	2,561	2,150	2,340	41,500	41,550	2,804	2,372	2,568
35,550	35,600	2,328	1,937	2,116	38,550	38,600	2,565	2,153	2,344	41,550	41,600	2,808	2,376	2,572
35,600	35,650	2,332	1,941	2,120	38,600	38,650	2,569	2,157	2,348	41,600	41,650	2,812	2,380	2,576
35,650	35,700	2,336	1,945	2,123	38,650	38,700	2,573	2,161	2,351	41,650	41,700	2,816	2,383	2,579
35,700	35,750	2,340	1,948	2,127	38,700	38,750	2,577	2,164	2,355	41,700	41,750	2,820	2,387	2,583
35,750	35,800	2,344	1,952	2,131	38,750	38,800	2,581	2,168	2,359	41,750	41,800	2,824	2,391	2,587
35,800	35,850	2,348	1,955	2,135	38,800	38,850	2,585	2,171	2,363	41,800	41,850	2,829	2,395	2,591
35,850	35,900	2,352	1,959	2,139	38,850	38,900	2,589	2,175	2,367	41,850	41,900	2,833	2,399	2,595
35,900	35,950	2,356	1,963	2,142	38,900	38,950	2,593	2,179	2,370	41,900	41,950	2,837	2,402	2,598
35,950	36,000	2,360	1,966	2,146	38,950	39,000	2,597	2,182	2,374	41,950	42,000	2,841	2,406	2,602
36,000					39,000					42,000				
36,000	36,050	2,364	1,970	2,150	39,000	39,050	2,601	2,186	2,378	42,000	42,050	2,845	2,410	2,606
36,050	36,100	2,368	1,973	2,154	39,050	39,100	2,605	2,189	2,382	42,050	42,100	2,849	2,414	2,610
36,100	36,150	2,372	1,977	2,158	39,100	39,150	2,609	2,193	2,386	42,100	42,150	2,853	2,418	2,614
36,150	36,200	2,376	1,981	2,161	39,150	39,200	2,613	2,197	2,389	42,150	42,200	2,857	2,421	2,617
36,200	36,250	2,380	1,984	2,165	39,200	39,250	2,617	2,200	2,393	42,200	42,250	2,862	2,425	2,621
36,250	36,300	2,384	1,988	2,169	39,250	39,300	2,621	2,204	2,397	42,250	42,300	2,866	2,429	2,625
36,300	36,350	2,388	1,991	2,173	39,300	39,350	2,625	2,207	2,401	42,300	42,350	2,870	2,433	2,629
36,350	36,400	2,392	1,995	2,177	39,350	39,400	2,629	2,211	2,405	42,350	42,400	2,874	2,437	2,633
36,400	36,450	2,396	1,999	2,180	39,400	39,450	2,633	2,215	2,408	42,400	42,450	2,878	2,440	2,636
36,450	36,500	2,400	2,002	2,184	39,450	39,500	2,637	2,218	2,412	42,450	42,500	2,882	2,444	2,640
36,500	36,550	2,403	2,006	2,188	39,500	39,550	2,640	2,222	2,416	42,500	42,550	2,886	2,448	2,644
36,550	36,600	2,407	2,009	2,192	39,550	39,600	2,644	2,225	2,420	42,550	42,600	2,890	2,452	2,648
36,600	36,650	2,411	2,013	2,196	39,600	39,650	2,648	2,229	2,424	42,600	42,650	2,895	2,456	2,652
36,650	36,700	2,415	2,017	2,199	39,650	39,700	2,652	2,233	2,427	42,650	42,700	2,899	2,459	2,655
36,700	36,750	2,419	2,020	2,203	39,700	39,750	2,656	2,236	2,431	42,700	42,750	2,903	2,463	2,659
36,750	36,800	2,423	2,024	2,207	39,750	39,800	2,660	2,240	2,435	42,750	42,800	2,907	2,467	2,663
36,800	36,850	2,427	2,027	2,211	39,800	39,850	2,664	2,243	2,439	42,800	42,850	2,911	2,471	2,667
36,850	36,900	2,431	2,031	2,215	39,850	39,900	2,668	2,247	2,443	42,850	42,900	2,915	2,475	2,671
36,900	36,950	2,435	2,035	2,218	39,900	39,950	2,672	2,251	2,446	42,900	42,950	2,919	2,478	2,674
36,950	37,000	2,439	2,038	2,222	39,950	40,000	2,676	2,254	2,450	42,950	43,000	2,923	2,482	2,678

*This column must also be used by qualifying widow(er)

Continued on next page

2004 Hawaii Tax Table (Continued)

If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —		
At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
		Your tax is —					Your tax is —					Your tax is —		
43,000					46,000					49,000				
43,000	43,050	2,928	2,486	2,682	46,000	46,050	3,175	2,714	2,913	49,000	49,050	3,423	2,942	3,150
43,050	43,100	2,932	2,490	2,686	46,050	46,100	3,179	2,718	2,917	49,050	49,100	3,427	2,946	3,154
43,100	43,150	2,936	2,494	2,690	46,100	46,150	3,183	2,722	2,921	49,100	49,150	3,431	2,950	3,158
43,150	43,200	2,940	2,497	2,693	46,150	46,200	3,187	2,725	2,925	49,150	49,200	3,435	2,953	3,162
43,200	43,250	2,944	2,501	2,697	46,200	46,250	3,192	2,729	2,929	49,200	49,250	3,439	2,957	3,166
43,250	43,300	2,948	2,505	2,701	46,250	46,300	3,196	2,733	2,933	49,250	49,300	3,443	2,961	3,170
43,300	43,350	2,952	2,509	2,705	46,300	46,350	3,200	2,737	2,937	49,300	49,350	3,447	2,965	3,174
43,350	43,400	2,956	2,513	2,709	46,350	46,400	3,204	2,741	2,941	49,350	49,400	3,451	2,969	3,178
43,400	43,450	2,961	2,516	2,712	46,400	46,450	3,208	2,744	2,945	49,400	49,450	3,456	2,972	3,182
43,450	43,500	2,965	2,520	2,716	46,450	46,500	3,212	2,748	2,949	49,450	49,500	3,460	2,976	3,186
43,500	43,550	2,969	2,524	2,720	46,500	46,550	3,216	2,752	2,952	49,500	49,550	3,464	2,980	3,189
43,550	43,600	2,973	2,528	2,724	46,550	46,600	3,220	2,756	2,956	49,550	49,600	3,468	2,984	3,193
43,600	43,650	2,977	2,532	2,728	46,600	46,650	3,225	2,760	2,960	49,600	49,650	3,472	2,988	3,197
43,650	43,700	2,981	2,535	2,731	46,650	46,700	3,229	2,763	2,964	49,650	49,700	3,476	2,991	3,201
43,700	43,750	2,985	2,539	2,735	46,700	46,750	3,233	2,767	2,968	49,700	49,750	3,480	2,995	3,205
43,750	43,800	2,989	2,543	2,739	46,750	46,800	3,237	2,771	2,972	49,750	49,800	3,484	2,999	3,209
43,800	43,850	2,994	2,547	2,743	46,800	46,850	3,241	2,775	2,976	49,800	49,850	3,489	3,003	3,213
43,850	43,900	2,998	2,551	2,747	46,850	46,900	3,245	2,779	2,980	49,850	49,900	3,493	3,007	3,217
43,900	43,950	3,002	2,554	2,750	46,900	46,950	3,249	2,782	2,984	49,900	49,950	3,497	3,010	3,221
43,950	44,000	3,006	2,558	2,754	46,950	47,000	3,253	2,786	2,988	49,950	50,000	3,501	3,014	3,225
44,000					47,000					50,000				
44,000	44,050	3,010	2,562	2,758	47,000	47,050	3,258	2,790	2,992	50,000	50,050	3,505	3,018	3,229
44,050	44,100	3,014	2,566	2,762	47,050	47,100	3,262	2,794	2,996	50,050	50,100	3,509	3,022	3,233
44,100	44,150	3,018	2,570	2,766	47,100	47,150	3,266	2,798	3,000	50,100	50,150	3,513	3,026	3,237
44,150	44,200	3,022	2,573	2,769	47,150	47,200	3,270	2,801	3,004	50,150	50,200	3,517	3,029	3,241
44,200	44,250	3,027	2,577	2,773	47,200	47,250	3,274	2,805	3,008	50,200	50,250	3,522	3,033	3,245
44,250	44,300	3,031	2,581	2,777	47,250	47,300	3,278	2,809	3,012	50,250	50,300	3,526	3,037	3,249
44,300	44,350	3,035	2,585	2,781	47,300	47,350	3,282	2,813	3,016	50,300	50,350	3,530	3,041	3,253
44,350	44,400	3,039	2,589	2,785	47,350	47,400	3,286	2,817	3,020	50,350	50,400	3,534	3,045	3,257
44,400	44,450	3,043	2,592	2,788	47,400	47,450	3,291	2,820	3,024	50,400	50,450	3,538	3,048	3,261
44,450	44,500	3,047	2,596	2,792	47,450	47,500	3,295	2,824	3,028	50,450	50,500	3,542	3,052	3,265
44,500	44,550	3,051	2,600	2,796	47,500	47,550	3,299	2,828	3,031	50,500	50,550	3,546	3,056	3,268
44,550	44,600	3,055	2,604	2,800	47,550	47,600	3,303	2,832	3,035	50,550	50,600	3,550	3,060	3,272
44,600	44,650	3,060	2,608	2,804	47,600	47,650	3,307	2,836	3,039	50,600	50,650	3,555	3,064	3,276
44,650	44,700	3,064	2,611	2,807	47,650	47,700	3,311	2,839	3,043	50,650	50,700	3,559	3,067	3,280
44,700	44,750	3,068	2,615	2,811	47,700	47,750	3,315	2,843	3,047	50,700	50,750	3,563	3,071	3,284
44,750	44,800	3,072	2,619	2,815	47,750	47,800	3,319	2,847	3,051	50,750	50,800	3,567	3,075	3,288
44,800	44,850	3,076	2,623	2,819	47,800	47,850	3,324	2,851	3,055	50,800	50,850	3,571	3,079	3,292
44,850	44,900	3,080	2,627	2,823	47,850	47,900	3,328	2,855	3,059	50,850	50,900	3,575	3,083	3,296
44,900	44,950	3,084	2,630	2,826	47,900	47,950	3,332	2,858	3,063	50,900	50,950	3,579	3,086	3,300
44,950	45,000	3,088	2,634	2,830	47,950	48,000	3,336	2,862	3,067	50,950	51,000	3,583	3,090	3,304
45,000					48,000					51,000				
45,000	45,050	3,093	2,638	2,834	48,000	48,050	3,340	2,866	3,071	51,000	51,050	3,588	3,094	3,308
45,050	45,100	3,097	2,642	2,838	48,050	48,100	3,344	2,870	3,075	51,050	51,100	3,592	3,098	3,312
45,100	45,150	3,101	2,646	2,842	48,100	48,150	3,348	2,874	3,079	51,100	51,150	3,596	3,102	3,316
45,150	45,200	3,105	2,649	2,846	48,150	48,200	3,352	2,877	3,083	51,150	51,200	3,600	3,105	3,320
45,200	45,250	3,109	2,653	2,850	48,200	48,250	3,357	2,881	3,087	51,200	51,250	3,604	3,109	3,324
45,250	45,300	3,113	2,657	2,854	48,250	48,300	3,361	2,885	3,091	51,250	51,300	3,608	3,113	3,328
45,300	45,350	3,117	2,661	2,858	48,300	48,350	3,365	2,889	3,095	51,300	51,350	3,612	3,117	3,332
45,350	45,400	3,121	2,665	2,862	48,350	48,400	3,369	2,893	3,099	51,350	51,400	3,616	3,121	3,336
45,400	45,450	3,126	2,668	2,866	48,400	48,450	3,373	2,896	3,103	51,400	51,450	3,621	3,124	3,340
45,450	45,500	3,130	2,672	2,870	48,450	48,500	3,377	2,900	3,107	51,450	51,500	3,625	3,128	3,344
45,500	45,550	3,134	2,676	2,873	48,500	48,550	3,381	2,904	3,110	51,500	51,550	3,629	3,132	3,347
45,550	45,600	3,138	2,680	2,877	48,550	48,600	3,385	2,908	3,114	51,550	51,600	3,633	3,136	3,351
45,600	45,650	3,142	2,684	2,881	48,600	48,650	3,390	2,912	3,118	51,600	51,650	3,637	3,140	3,355
45,650	45,700	3,146	2,687	2,885	48,650	48,700	3,394	2,915	3,122	51,650	51,700	3,641	3,143	3,359
45,700	45,750	3,150	2,691	2,889	48,700	48,750	3,398	2,919	3,126	51,700	51,750	3,645	3,147	3,363
45,750	45,800	3,154	2,695	2,893	48,750	48,800	3,402	2,923	3,130	51,750	51,800	3,649	3,151	3,367
45,800	45,850	3,159	2,699	2,897	48,800	48,850	3,406	2,927	3,134	51,800	51,850	3,654	3,155	3,371
45,850	45,900	3,163	2,703	2,901	48,850	48,900	3,410	2,931	3,138	51,850	51,900	3,658	3,159	3,375
45,900	45,950	3,167	2,706	2,905	48,900	48,950	3,414	2,934	3,142	51,900	51,950	3,662	3,162	3,379
45,950	46,000	3,171	2,710	2,909	48,950	49,000	3,418	2,938	3,146	51,950	52,000	3,666	3,166	3,383

*This column must also be used by qualifying widow(er)

Continued on next page

2004 Hawaii Tax Table (Continued)

If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —		
At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
Your tax is —					Your tax is —					Your tax is —				
52,000					55,000					58,000				
52,000	52,050	3,670	3,170	3,387	55,000	55,050	3,918	3,398	3,624	58,000	58,050	4,165	3,626	3,861
52,050	52,100	3,674	3,174	3,391	55,050	55,100	3,922	3,402	3,628	58,050	58,100	4,169	3,630	3,865
52,100	52,150	3,678	3,178	3,395	55,100	55,150	3,926	3,406	3,632	58,100	58,150	4,173	3,634	3,869
52,150	52,200	3,682	3,181	3,399	55,150	55,200	3,930	3,409	3,636	58,150	58,200	4,177	3,637	3,873
52,200	52,250	3,687	3,185	3,403	55,200	55,250	3,934	3,413	3,640	58,200	58,250	4,182	3,641	3,877
52,250	52,300	3,691	3,189	3,407	55,250	55,300	3,938	3,417	3,644	58,250	58,300	4,186	3,645	3,881
52,300	52,350	3,695	3,193	3,411	55,300	55,350	3,942	3,421	3,648	58,300	58,350	4,190	3,649	3,885
52,350	52,400	3,699	3,197	3,415	55,350	55,400	3,946	3,425	3,652	58,350	58,400	4,194	3,653	3,889
52,400	52,450	3,703	3,200	3,419	55,400	55,450	3,951	3,428	3,656	58,400	58,450	4,198	3,656	3,893
52,450	52,500	3,707	3,204	3,423	55,450	55,500	3,955	3,432	3,660	58,450	58,500	4,202	3,660	3,897
52,500	52,550	3,711	3,208	3,426	55,500	55,550	3,959	3,436	3,663	58,500	58,550	4,206	3,664	3,900
52,550	52,600	3,715	3,212	3,430	55,550	55,600	3,963	3,440	3,667	58,550	58,600	4,210	3,668	3,904
52,600	52,650	3,720	3,216	3,434	55,600	55,650	3,967	3,444	3,671	58,600	58,650	4,215	3,672	3,908
52,650	52,700	3,724	3,219	3,438	55,650	55,700	3,971	3,447	3,675	58,650	58,700	4,219	3,675	3,912
52,700	52,750	3,728	3,223	3,442	55,700	55,750	3,975	3,451	3,679	58,700	58,750	4,223	3,679	3,916
52,750	52,800	3,732	3,227	3,446	55,750	55,800	3,979	3,455	3,683	58,750	58,800	4,227	3,683	3,920
52,800	52,850	3,736	3,231	3,450	55,800	55,850	3,984	3,459	3,687	58,800	58,850	4,231	3,687	3,924
52,850	52,900	3,740	3,235	3,454	55,850	55,900	3,988	3,463	3,691	58,850	58,900	4,235	3,691	3,928
52,900	52,950	3,744	3,238	3,458	55,900	55,950	3,992	3,466	3,695	58,900	58,950	4,239	3,694	3,932
52,950	53,000	3,748	3,242	3,462	55,950	56,000	3,996	3,470	3,699	58,950	59,000	4,243	3,698	3,936
53,000					56,000					59,000				
53,000	53,050	3,753	3,246	3,466	56,000	56,050	4,000	3,474	3,703	59,000	59,050	4,248	3,702	3,940
53,050	53,100	3,757	3,250	3,470	56,050	56,100	4,004	3,478	3,707	59,050	59,100	4,252	3,706	3,944
53,100	53,150	3,761	3,254	3,474	56,100	56,150	4,008	3,482	3,711	59,100	59,150	4,256	3,710	3,948
53,150	53,200	3,765	3,257	3,478	56,150	56,200	4,012	3,485	3,715	59,150	59,200	4,260	3,713	3,952
53,200	53,250	3,769	3,261	3,482	56,200	56,250	4,017	3,489	3,719	59,200	59,250	4,264	3,717	3,956
53,250	53,300	3,773	3,265	3,486	56,250	56,300	4,021	3,493	3,723	59,250	59,300	4,268	3,721	3,960
53,300	53,350	3,777	3,269	3,490	56,300	56,350	4,025	3,497	3,727	59,300	59,350	4,272	3,725	3,964
53,350	53,400	3,781	3,273	3,494	56,350	56,400	4,029	3,501	3,731	59,350	59,400	4,276	3,729	3,968
53,400	53,450	3,786	3,276	3,498	56,400	56,450	4,033	3,504	3,735	59,400	59,450	4,281	3,732	3,972
53,450	53,500	3,790	3,280	3,502	56,450	56,500	4,037	3,508	3,739	59,450	59,500	4,285	3,736	3,976
53,500	53,550	3,794	3,284	3,505	56,500	56,550	4,041	3,512	3,742	59,500	59,550	4,289	3,740	3,979
53,550	53,600	3,798	3,288	3,509	56,550	56,600	4,045	3,516	3,746	59,550	59,600	4,293	3,744	3,983
53,600	53,650	3,802	3,292	3,513	56,600	56,650	4,050	3,520	3,750	59,600	59,650	4,297	3,748	3,987
53,650	53,700	3,806	3,295	3,517	56,650	56,700	4,054	3,523	3,754	59,650	59,700	4,301	3,751	3,991
53,700	53,750	3,810	3,299	3,521	56,700	56,750	4,058	3,527	3,758	59,700	59,750	4,305	3,755	3,995
53,750	53,800	3,814	3,303	3,525	56,750	56,800	4,062	3,531	3,762	59,750	59,800	4,309	3,759	3,999
53,800	53,850	3,819	3,307	3,529	56,800	56,850	4,066	3,535	3,766	59,800	59,850	4,314	3,763	4,003
53,850	53,900	3,823	3,311	3,533	56,850	56,900	4,070	3,539	3,770	59,850	59,900	4,318	3,767	4,007
53,900	53,950	3,827	3,314	3,537	56,900	56,950	4,074	3,542	3,774	59,900	59,950	4,322	3,770	4,011
53,950	54,000	3,831	3,318	3,541	56,950	57,000	4,078	3,546	3,778	59,950	60,000	4,326	3,774	4,015
54,000					57,000					60,000				
54,000	54,050	3,835	3,322	3,545	57,000	57,050	4,083	3,550	3,782	60,000	60,050	4,330	3,778	4,019
54,050	54,100	3,839	3,326	3,549	57,050	57,100	4,087	3,554	3,786	60,050	60,100	4,334	3,782	4,023
54,100	54,150	3,843	3,330	3,553	57,100	57,150	4,091	3,558	3,790	60,100	60,150	4,338	3,786	4,027
54,150	54,200	3,847	3,333	3,557	57,150	57,200	4,095	3,561	3,794	60,150	60,200	4,342	3,790	4,031
54,200	54,250	3,852	3,337	3,561	57,200	57,250	4,099	3,565	3,798	60,200	60,250	4,347	3,794	4,036
54,250	54,300	3,856	3,341	3,565	57,250	57,300	4,103	3,569	3,802	60,250	60,300	4,351	3,798	4,040
54,300	54,350	3,860	3,345	3,569	57,300	57,350	4,107	3,573	3,806	60,300	60,350	4,355	3,802	4,044
54,350	54,400	3,864	3,349	3,573	57,350	57,400	4,111	3,577	3,810	60,350	60,400	4,359	3,806	4,048
54,400	54,450	3,868	3,352	3,577	57,400	57,450	4,116	3,580	3,814	60,400	60,450	4,363	3,810	4,052
54,450	54,500	3,872	3,356	3,581	57,450	57,500	4,120	3,584	3,818	60,450	60,500	4,367	3,814	4,056
54,500	54,550	3,876	3,360	3,584	57,500	57,550	4,124	3,588	3,821	60,500	60,550	4,371	3,817	4,060
54,550	54,600	3,880	3,364	3,588	57,550	57,600	4,128	3,592	3,825	60,550	60,600	4,375	3,821	4,064
54,600	54,650	3,885	3,368	3,592	57,600	57,650	4,132	3,596	3,829	60,600	60,650	4,380	3,825	4,069
54,650	54,700	3,889	3,371	3,596	57,650	57,700	4,136	3,599	3,833	60,650	60,700	4,384	3,829	4,073
54,700	54,750	3,893	3,375	3,600	57,700	57,750	4,140	3,603	3,837	60,700	60,750	4,388	3,833	4,077
54,750	54,800	3,897	3,379	3,604	57,750	57,800	4,144	3,607	3,841	60,750	60,800	4,392	3,837	4,081
54,800	54,850	3,901	3,383	3,608	57,800	57,850	4,149	3,611	3,845	60,800	60,850	4,396	3,841	4,085
54,850	54,900	3,905	3,387	3,612	57,850	57,900	4,153	3,615	3,849	60,850	60,900	4,400	3,845	4,089
54,900	54,950	3,909	3,390	3,616	57,900	57,950	4,157	3,618	3,853	60,900	60,950	4,404	3,849	4,093
54,950	55,000	3,913	3,394	3,620	57,950	58,000	4,161	3,622	3,857	60,950	61,000	4,408	3,853	4,097

*This column must also be used by qualifying widow(er)

2004 Hawaii Tax Table (Continued)

If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —		
At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
Your tax is —					Your tax is —					Your tax is —				
61,000					64,000					67,000				
61,000	61,050	4,413	3,857	4,102	64,000	64,050	4,660	4,094	4,349	67,000	67,050	4,908	4,331	4,597
61,050	61,100	4,417	3,861	4,106	64,050	64,100	4,664	4,098	4,353	67,050	67,100	4,912	4,335	4,601
61,100	61,150	4,421	3,865	4,110	64,100	64,150	4,668	4,102	4,357	67,100	67,150	4,916	4,339	4,605
61,150	61,200	4,425	3,869	4,114	64,150	64,200	4,672	4,106	4,361	67,150	67,200	4,920	4,343	4,609
61,200	61,250	4,429	3,873	4,118	64,200	64,250	4,677	4,110	4,366	67,200	67,250	4,924	4,347	4,613
61,250	61,300	4,433	3,877	4,122	64,250	64,300	4,681	4,114	4,370	67,250	67,300	4,928	4,351	4,617
61,300	61,350	4,437	3,881	4,126	64,300	64,350	4,685	4,118	4,374	67,300	67,350	4,932	4,355	4,621
61,350	61,400	4,441	3,885	4,130	64,350	64,400	4,689	4,122	4,378	67,350	67,400	4,936	4,359	4,625
61,400	61,450	4,446	3,889	4,135	64,400	64,450	4,693	4,126	4,382	67,400	67,450	4,941	4,363	4,630
61,450	61,500	4,450	3,893	4,139	64,450	64,500	4,697	4,130	4,386	67,450	67,500	4,945	4,367	4,634
61,500	61,550	4,454	3,896	4,143	64,500	64,550	4,701	4,133	4,390	67,500	67,550	4,949	4,370	4,638
61,550	61,600	4,458	3,900	4,147	64,550	64,600	4,705	4,137	4,394	67,550	67,600	4,953	4,374	4,642
61,600	61,650	4,462	3,904	4,151	64,600	64,650	4,710	4,141	4,399	67,600	67,650	4,957	4,378	4,646
61,650	61,700	4,466	3,908	4,155	64,650	64,700	4,714	4,145	4,403	67,650	67,700	4,961	4,382	4,650
61,700	61,750	4,470	3,912	4,159	64,700	64,750	4,718	4,149	4,407	67,700	67,750	4,965	4,386	4,654
61,750	61,800	4,474	3,916	4,163	64,750	64,800	4,722	4,153	4,411	67,750	67,800	4,969	4,390	4,658
61,800	61,850	4,479	3,920	4,168	64,800	64,850	4,726	4,157	4,415	67,800	67,850	4,974	4,394	4,663
61,850	61,900	4,483	3,924	4,172	64,850	64,900	4,730	4,161	4,419	67,850	67,900	4,978	4,398	4,667
61,900	61,950	4,487	3,928	4,176	64,900	64,950	4,734	4,165	4,423	67,900	67,950	4,982	4,402	4,671
61,950	62,000	4,491	3,932	4,180	64,950	65,000	4,738	4,169	4,427	67,950	68,000	4,986	4,406	4,675
62,000					65,000					68,000				
62,000	62,050	4,495	3,936	4,184	65,000	65,050	4,743	4,173	4,432	68,000	68,050	4,990	4,410	4,679
62,050	62,100	4,499	3,940	4,188	65,050	65,100	4,747	4,177	4,436	68,050	68,100	4,994	4,414	4,683
62,100	62,150	4,503	3,944	4,192	65,100	65,150	4,751	4,181	4,440	68,100	68,150	4,998	4,418	4,687
62,150	62,200	4,507	3,948	4,196	65,150	65,200	4,755	4,185	4,444	68,150	68,200	5,002	4,422	4,691
62,200	62,250	4,512	3,952	4,201	65,200	65,250	4,759	4,189	4,448	68,200	68,250	5,007	4,426	4,696
62,250	62,300	4,516	3,956	4,205	65,250	65,300	4,763	4,193	4,452	68,250	68,300	5,011	4,430	4,700
62,300	62,350	4,520	3,960	4,209	65,300	65,350	4,767	4,197	4,456	68,300	68,350	5,015	4,434	4,704
62,350	62,400	4,524	3,964	4,213	65,350	65,400	4,771	4,201	4,460	68,350	68,400	5,019	4,438	4,708
62,400	62,450	4,528	3,968	4,217	65,400	65,450	4,776	4,205	4,465	68,400	68,450	5,023	4,442	4,712
62,450	62,500	4,532	3,972	4,221	65,450	65,500	4,780	4,209	4,469	68,450	68,500	5,027	4,446	4,716
62,500	62,550	4,536	3,975	4,225	65,500	65,550	4,784	4,212	4,473	68,500	68,550	5,031	4,449	4,720
62,550	62,600	4,540	3,979	4,229	65,550	65,600	4,788	4,216	4,477	68,550	68,600	5,035	4,453	4,724
62,600	62,650	4,545	3,983	4,234	65,600	65,650	4,792	4,220	4,481	68,600	68,650	5,040	4,457	4,729
62,650	62,700	4,549	3,987	4,238	65,650	65,700	4,796	4,224	4,485	68,650	68,700	5,044	4,461	4,733
62,700	62,750	4,553	3,991	4,242	65,700	65,750	4,800	4,228	4,489	68,700	68,750	5,048	4,465	4,737
62,750	62,800	4,557	3,995	4,246	65,750	65,800	4,804	4,232	4,493	68,750	68,800	5,052	4,469	4,741
62,800	62,850	4,561	3,999	4,250	65,800	65,850	4,809	4,236	4,498	68,800	68,850	5,056	4,473	4,745
62,850	62,900	4,565	4,003	4,254	65,850	65,900	4,813	4,240	4,502	68,850	68,900	5,060	4,477	4,749
62,900	62,950	4,569	4,007	4,258	65,900	65,950	4,817	4,244	4,506	68,900	68,950	5,064	4,481	4,753
62,950	63,000	4,573	4,011	4,262	65,950	66,000	4,821	4,248	4,510	68,950	69,000	5,068	4,485	4,757
63,000					66,000					69,000				
63,000	63,050	4,578	4,015	4,267	66,000	66,050	4,825	4,252	4,514	69,000	69,050	5,073	4,489	4,762
63,050	63,100	4,582	4,019	4,271	66,050	66,100	4,829	4,256	4,518	69,050	69,100	5,077	4,493	4,766
63,100	63,150	4,586	4,023	4,275	66,100	66,150	4,833	4,260	4,522	69,100	69,150	5,081	4,497	4,770
63,150	63,200	4,590	4,027	4,279	66,150	66,200	4,837	4,264	4,526	69,150	69,200	5,085	4,501	4,774
63,200	63,250	4,594	4,031	4,283	66,200	66,250	4,842	4,268	4,531	69,200	69,250	5,089	4,505	4,778
63,250	63,300	4,598	4,035	4,287	66,250	66,300	4,846	4,272	4,535	69,250	69,300	5,093	4,509	4,782
63,300	63,350	4,602	4,039	4,291	66,300	66,350	4,850	4,276	4,539	69,300	69,350	5,097	4,513	4,786
63,350	63,400	4,606	4,043	4,295	66,350	66,400	4,854	4,280	4,543	69,350	69,400	5,101	4,517	4,790
63,400	63,450	4,611	4,047	4,300	66,400	66,450	4,858	4,284	4,547	69,400	69,450	5,106	4,521	4,795
63,450	63,500	4,615	4,051	4,304	66,450	66,500	4,862	4,288	4,551	69,450	69,500	5,110	4,525	4,799
63,500	63,550	4,619	4,054	4,308	66,500	66,550	4,866	4,291	4,555	69,500	69,550	5,114	4,528	4,803
63,550	63,600	4,623	4,058	4,312	66,550	66,600	4,870	4,295	4,559	69,550	69,600	5,118	4,532	4,807
63,600	63,650	4,627	4,062	4,316	66,600	66,650	4,875	4,299	4,564	69,600	69,650	5,122	4,536	4,811
63,650	63,700	4,631	4,066	4,320	66,650	66,700	4,879	4,303	4,568	69,650	69,700	5,126	4,540	4,815
63,700	63,750	4,635	4,070	4,324	66,700	66,750	4,883	4,307	4,572	69,700	69,750	5,130	4,544	4,819
63,750	63,800	4,639	4,074	4,328	66,750	66,800	4,887	4,311	4,576	69,750	69,800	5,134	4,548	4,823
63,800	63,850	4,644	4,078	4,333	66,800	66,850	4,891	4,315	4,580	69,800	69,850	5,139	4,552	4,828
63,850	63,900	4,648	4,082	4,337	66,850	66,900	4,895	4,319	4,584	69,850	69,900	5,143	4,556	4,832
63,900	63,950	4,652	4,086	4,341	66,900	66,950	4,899	4,323	4,588	69,900	69,950	5,147	4,560	4,836
63,950	64,000	4,656	4,090	4,345	66,950	67,000	4,903	4,327	4,592	69,950	70,000	5,151	4,564	4,840

*This column must also be used by qualifying widow(er)

Continued on next page

2004 Hawaii Tax Table (Continued)

If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —		
At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
		Your tax is —					Your tax is —					Your tax is —		
70,000					73,000					76,000				
70,000	70,050	5,155	4,568	4,844	73,000	73,050	5,403	4,805	5,092	76,000	76,050	5,650	5,042	5,339
70,050	70,100	5,159	4,572	4,848	73,050	73,100	5,407	4,809	5,096	76,050	76,100	5,654	5,046	5,343
70,100	70,150	5,163	4,576	4,852	73,100	73,150	5,411	4,813	5,100	76,100	76,150	5,658	5,050	5,347
70,150	70,200	5,167	4,580	4,856	73,150	73,200	5,415	4,817	5,104	76,150	76,200	5,662	5,054	5,351
70,200	70,250	5,172	4,584	4,861	73,200	73,250	5,419	4,821	5,108	76,200	76,250	5,667	5,058	5,356
70,250	70,300	5,176	4,588	4,865	73,250	73,300	5,423	4,825	5,112	76,250	76,300	5,671	5,062	5,360
70,300	70,350	5,180	4,592	4,869	73,300	73,350	5,427	4,829	5,116	76,300	76,350	5,675	5,066	5,364
70,350	70,400	5,184	4,596	4,873	73,350	73,400	5,431	4,833	5,120	76,350	76,400	5,679	5,070	5,368
70,400	70,450	5,188	4,600	4,877	73,400	73,450	5,436	4,837	5,125	76,400	76,450	5,683	5,074	5,372
70,450	70,500	5,192	4,604	4,881	73,450	73,500	5,440	4,841	5,129	76,450	76,500	5,687	5,078	5,376
70,500	70,550	5,196	4,607	4,885	73,500	73,550	5,444	4,844	5,133	76,500	76,550	5,691	5,081	5,380
70,550	70,600	5,200	4,611	4,889	73,550	73,600	5,448	4,848	5,137	76,550	76,600	5,695	5,085	5,384
70,600	70,650	5,205	4,615	4,894	73,600	73,650	5,452	4,852	5,141	76,600	76,650	5,700	5,089	5,389
70,650	70,700	5,209	4,619	4,898	73,650	73,700	5,456	4,856	5,145	76,650	76,700	5,704	5,093	5,393
70,700	70,750	5,213	4,623	4,902	73,700	73,750	5,460	4,860	5,149	76,700	76,750	5,708	5,097	5,397
70,750	70,800	5,217	4,627	4,906	73,750	73,800	5,464	4,864	5,153	76,750	76,800	5,712	5,101	5,401
70,800	70,850	5,221	4,631	4,910	73,800	73,850	5,469	4,868	5,158	76,800	76,850	5,716	5,105	5,405
70,850	70,900	5,225	4,635	4,914	73,850	73,900	5,473	4,872	5,162	76,850	76,900	5,720	5,109	5,409
70,900	70,950	5,229	4,639	4,918	73,900	73,950	5,477	4,876	5,166	76,900	76,950	5,724	5,113	5,413
70,950	71,000	5,233	4,643	4,922	73,950	74,000	5,481	4,880	5,170	76,950	77,000	5,728	5,117	5,417
71,000					74,000					77,000				
71,000	71,050	5,238	4,647	4,927	74,000	74,050	5,485	4,884	5,174	77,000	77,050	5,733	5,121	5,422
71,050	71,100	5,242	4,651	4,931	74,050	74,100	5,489	4,888	5,178	77,050	77,100	5,737	5,125	5,426
71,100	71,150	5,246	4,655	4,935	74,100	74,150	5,493	4,892	5,182	77,100	77,150	5,741	5,129	5,430
71,150	71,200	5,250	4,659	4,939	74,150	74,200	5,497	4,896	5,186	77,150	77,200	5,745	5,133	5,434
71,200	71,250	5,254	4,663	4,943	74,200	74,250	5,502	4,900	5,191	77,200	77,250	5,749	5,137	5,438
71,250	71,300	5,258	4,667	4,947	74,250	74,300	5,506	4,904	5,195	77,250	77,300	5,753	5,141	5,442
71,300	71,350	5,262	4,671	4,951	74,300	74,350	5,510	4,908	5,199	77,300	77,350	5,757	5,145	5,446
71,350	71,400	5,266	4,675	4,955	74,350	74,400	5,514	4,912	5,203	77,350	77,400	5,761	5,149	5,450
71,400	71,450	5,271	4,679	4,960	74,400	74,450	5,518	4,916	5,207	77,400	77,450	5,766	5,153	5,455
71,450	71,500	5,275	4,683	4,964	74,450	74,500	5,522	4,920	5,211	77,450	77,500	5,770	5,157	5,459
71,500	71,550	5,279	4,686	4,968	74,500	74,550	5,526	4,923	5,215	77,500	77,550	5,774	5,160	5,463
71,550	71,600	5,283	4,690	4,972	74,550	74,600	5,530	4,927	5,219	77,550	77,600	5,778	5,164	5,467
71,600	71,650	5,287	4,694	4,976	74,600	74,650	5,535	4,931	5,224	77,600	77,650	5,782	5,168	5,471
71,650	71,700	5,291	4,698	4,980	74,650	74,700	5,539	4,935	5,228	77,650	77,700	5,786	5,172	5,475
71,700	71,750	5,295	4,702	4,984	74,700	74,750	5,543	4,939	5,232	77,700	77,750	5,790	5,176	5,479
71,750	71,800	5,299	4,706	4,988	74,750	74,800	5,547	4,943	5,236	77,750	77,800	5,794	5,180	5,483
71,800	71,850	5,304	4,710	4,993	74,800	74,850	5,551	4,947	5,240	77,800	77,850	5,799	5,184	5,488
71,850	71,900	5,308	4,714	4,997	74,850	74,900	5,555	4,951	5,244	77,850	77,900	5,803	5,188	5,492
71,900	71,950	5,312	4,718	5,001	74,900	74,950	5,559	4,955	5,248	77,900	77,950	5,807	5,192	5,496
71,950	72,000	5,316	4,722	5,005	74,950	75,000	5,563	4,959	5,252	77,950	78,000	5,811	5,196	5,500
72,000					75,000					78,000				
72,000	72,050	5,320	4,726	5,009	75,000	75,050	5,568	4,963	5,257	78,000	78,050	5,815	5,200	5,504
72,050	72,100	5,324	4,730	5,013	75,050	75,100	5,572	4,967	5,261	78,050	78,100	5,819	5,204	5,508
72,100	72,150	5,328	4,734	5,017	75,100	75,150	5,576	4,971	5,265	78,100	78,150	5,823	5,208	5,512
72,150	72,200	5,332	4,738	5,021	75,150	75,200	5,580	4,975	5,269	78,150	78,200	5,827	5,212	5,516
72,200	72,250	5,337	4,742	5,026	75,200	75,250	5,584	4,979	5,273	78,200	78,250	5,832	5,216	5,521
72,250	72,300	5,341	4,746	5,030	75,250	75,300	5,588	4,983	5,277	78,250	78,300	5,836	5,220	5,525
72,300	72,350	5,345	4,750	5,034	75,300	75,350	5,592	4,987	5,281	78,300	78,350	5,840	5,224	5,529
72,350	72,400	5,349	4,754	5,038	75,350	75,400	5,596	4,991	5,285	78,350	78,400	5,844	5,228	5,533
72,400	72,450	5,353	4,758	5,042	75,400	75,450	5,601	4,995	5,290	78,400	78,450	5,848	5,232	5,537
72,450	72,500	5,357	4,762	5,046	75,450	75,500	5,605	4,999	5,294	78,450	78,500	5,852	5,236	5,541
72,500	72,550	5,361	4,766	5,050	75,500	75,550	5,609	5,002	5,298	78,500	78,550	5,856	5,239	5,545
72,550	72,600	5,365	4,769	5,054	75,550	75,600	5,613	5,006	5,302	78,550	78,600	5,860	5,243	5,549
72,600	72,650	5,370	4,773	5,059	75,600	75,650	5,617	5,010	5,306	78,600	78,650	5,865	5,247	5,554
72,650	72,700	5,374	4,777	5,063	75,650	75,700	5,621	5,014	5,310	78,650	78,700	5,869	5,251	5,558
72,700	72,750	5,378	4,781	5,067	75,700	75,750	5,625	5,018	5,314	78,700	78,750	5,873	5,255	5,562
72,750	72,800	5,382	4,785	5,071	75,750	75,800	5,629	5,022	5,318	78,750	78,800	5,877	5,259	5,566
72,800	72,850	5,386	4,789	5,075	75,800	75,850	5,634	5,026	5,323	78,800	78,850	5,881	5,263	5,570
72,850	72,900	5,390	4,793	5,079	75,850	75,900	5,638	5,030	5,327	78,850	78,900	5,885	5,267	5,574
72,900	72,950	5,394	4,797	5,083	75,900	75,950	5,642	5,034	5,331	78,900	78,950	5,889	5,271	5,578
72,950	73,000	5,398	4,801	5,087	75,950	76,000	5,646	5,038	5,335	78,950	79,000	5,893	5,275	5,582

*This column must also be used by qualifying widow(er)

Continued on next page

2004 Hawaii Tax Table (Continued)

If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —		
At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
Your tax is —					Your tax is —					Your tax is —				
79,000					82,000					85,000				
79,000	79,050	5,898	5,279	5,587	82,000	82,050	6,145	5,523	5,834	85,000	85,050	6,393	5,771	6,082
79,050	79,100	5,902	5,283	5,591	82,050	82,100	6,149	5,527	5,838	85,050	85,100	6,397	5,775	6,086
79,100	79,150	5,906	5,287	5,595	82,100	82,150	6,153	5,531	5,842	85,100	85,150	6,401	5,779	6,090
79,150	79,200	5,910	5,291	5,599	82,150	82,200	6,157	5,535	5,846	85,150	85,200	6,405	5,783	6,094
79,200	79,250	5,914	5,295	5,603	82,200	82,250	6,162	5,540	5,851	85,200	85,250	6,409	5,787	6,098
79,250	79,300	5,918	5,299	5,607	82,250	82,300	6,166	5,544	5,855	85,250	85,300	6,413	5,791	6,102
79,300	79,350	5,922	5,303	5,611	82,300	82,350	6,170	5,548	5,859	85,300	85,350	6,417	5,795	6,106
79,350	79,400	5,926	5,307	5,615	82,350	82,400	6,174	5,552	5,863	85,350	85,400	6,421	5,799	6,110
79,400	79,450	5,931	5,311	5,620	82,400	82,450	6,178	5,556	5,867	85,400	85,450	6,426	5,804	6,115
79,450	79,500	5,935	5,315	5,624	82,450	82,500	6,182	5,560	5,871	85,450	85,500	6,430	5,808	6,119
79,500	79,550	5,939	5,318	5,628	82,500	82,550	6,186	5,564	5,875	85,500	85,550	6,434	5,812	6,123
79,550	79,600	5,943	5,322	5,632	82,550	82,600	6,190	5,568	5,879	85,550	85,600	6,438	5,816	6,127
79,600	79,650	5,947	5,326	5,636	82,600	82,650	6,195	5,573	5,884	85,600	85,650	6,442	5,820	6,131
79,650	79,700	5,951	5,330	5,640	82,650	82,700	6,199	5,577	5,888	85,650	85,700	6,446	5,824	6,135
79,700	79,750	5,955	5,334	5,644	82,700	82,750	6,203	5,581	5,892	85,700	85,750	6,450	5,828	6,139
79,750	79,800	5,959	5,338	5,648	82,750	82,800	6,207	5,585	5,896	85,750	85,800	6,454	5,832	6,143
79,800	79,850	5,964	5,342	5,653	82,800	82,850	6,211	5,589	5,900	85,800	85,850	6,459	5,837	6,148
79,850	79,900	5,968	5,346	5,657	82,850	82,900	6,215	5,593	5,904	85,850	85,900	6,463	5,841	6,152
79,900	79,950	5,972	5,350	5,661	82,900	82,950	6,219	5,597	5,908	85,900	85,950	6,467	5,845	6,156
79,950	80,000	5,976	5,354	5,665	82,950	83,000	6,223	5,601	5,912	85,950	86,000	6,471	5,849	6,160
80,000					83,000					86,000				
80,000	80,050	5,980	5,358	5,669	83,000	83,050	6,228	5,606	5,917	86,000	86,050	6,475	5,853	6,164
80,050	80,100	5,984	5,362	5,673	83,050	83,100	6,232	5,610	5,921	86,050	86,100	6,479	5,857	6,168
80,100	80,150	5,988	5,366	5,677	83,100	83,150	6,236	5,614	5,925	86,100	86,150	6,483	5,861	6,172
80,150	80,200	5,992	5,370	5,681	83,150	83,200	6,240	5,618	5,929	86,150	86,200	6,487	5,865	6,176
80,200	80,250	5,997	5,375	5,686	83,200	83,250	6,244	5,622	5,933	86,200	86,250	6,492	5,870	6,181
80,250	80,300	6,001	5,379	5,690	83,250	83,300	6,248	5,626	5,937	86,250	86,300	6,496	5,874	6,185
80,300	80,350	6,005	5,383	5,694	83,300	83,350	6,252	5,630	5,941	86,300	86,350	6,500	5,878	6,189
80,350	80,400	6,009	5,387	5,698	83,350	83,400	6,256	5,634	5,945	86,350	86,400	6,504	5,882	6,193
80,400	80,450	6,013	5,391	5,702	83,400	83,450	6,261	5,639	5,950	86,400	86,450	6,508	5,886	6,197
80,450	80,500	6,017	5,395	5,706	83,450	83,500	6,265	5,643	5,954	86,450	86,500	6,512	5,890	6,201
80,500	80,550	6,021	5,399	5,710	83,500	83,550	6,269	5,647	5,958	86,500	86,550	6,516	5,894	6,205
80,550	80,600	6,025	5,403	5,714	83,550	83,600	6,273	5,651	5,962	86,550	86,600	6,520	5,898	6,209
80,600	80,650	6,030	5,408	5,719	83,600	83,650	6,277	5,655	5,966	86,600	86,650	6,525	5,903	6,214
80,650	80,700	6,034	5,412	5,723	83,650	83,700	6,281	5,659	5,970	86,650	86,700	6,529	5,907	6,218
80,700	80,750	6,038	5,416	5,727	83,700	83,750	6,285	5,663	5,974	86,700	86,750	6,533	5,911	6,222
80,750	80,800	6,042	5,420	5,731	83,750	83,800	6,289	5,667	5,978	86,750	86,800	6,537	5,915	6,226
80,800	80,850	6,046	5,424	5,735	83,800	83,850	6,294	5,672	5,983	86,800	86,850	6,541	5,919	6,230
80,850	80,900	6,050	5,428	5,739	83,850	83,900	6,298	5,676	5,987	86,850	86,900	6,545	5,923	6,234
80,900	80,950	6,054	5,432	5,743	83,900	83,950	6,302	5,680	5,991	86,900	86,950	6,549	5,927	6,238
80,950	81,000	6,058	5,436	5,747	83,950	84,000	6,306	5,684	5,995	86,950	87,000	6,553	5,931	6,242
81,000					84,000					87,000				
81,000	81,050	6,063	5,441	5,752	84,000	84,050	6,310	5,688	5,999	87,000	87,050	6,558	5,936	6,247
81,050	81,100	6,067	5,445	5,756	84,050	84,100	6,314	5,692	6,003	87,050	87,100	6,562	5,940	6,251
81,100	81,150	6,071	5,449	5,760	84,100	84,150	6,318	5,696	6,007	87,100	87,150	6,566	5,944	6,255
81,150	81,200	6,075	5,453	5,764	84,150	84,200	6,322	5,700	6,011	87,150	87,200	6,570	5,948	6,259
81,200	81,250	6,079	5,457	5,768	84,200	84,250	6,327	5,705	6,016	87,200	87,250	6,574	5,952	6,263
81,250	81,300	6,083	5,461	5,772	84,250	84,300	6,331	5,709	6,020	87,250	87,300	6,578	5,956	6,267
81,300	81,350	6,087	5,465	5,776	84,300	84,350	6,335	5,713	6,024	87,300	87,350	6,582	5,960	6,271
81,350	81,400	6,091	5,469	5,780	84,350	84,400	6,339	5,717	6,028	87,350	87,400	6,586	5,964	6,275
81,400	81,450	6,096	5,474	5,785	84,400	84,450	6,343	5,721	6,032	87,400	87,450	6,591	5,969	6,280
81,450	81,500	6,100	5,478	5,789	84,450	84,500	6,347	5,725	6,036	87,450	87,500	6,595	5,973	6,284
81,500	81,550	6,104	5,482	5,793	84,500	84,550	6,351	5,729	6,040	87,500	87,550	6,599	5,977	6,288
81,550	81,600	6,108	5,486	5,797	84,550	84,600	6,355	5,733	6,044	87,550	87,600	6,603	5,981	6,292
81,600	81,650	6,112	5,490	5,801	84,600	84,650	6,360	5,738	6,049	87,600	87,650	6,607	5,985	6,296
81,650	81,700	6,116	5,494	5,805	84,650	84,700	6,364	5,742	6,053	87,650	87,700	6,611	5,989	6,300
81,700	81,750	6,120	5,498	5,809	84,700	84,750	6,368	5,746	6,057	87,700	87,750	6,615	5,993	6,304
81,750	81,800	6,124	5,502	5,813	84,750	84,800	6,372	5,750	6,061	87,750	87,800	6,619	5,997	6,308
81,800	81,850	6,129	5,507	5,818	84,800	84,850	6,376	5,754	6,065	87,800	87,850	6,624	6,002	6,313
81,850	81,900	6,133	5,511	5,822	84,850	84,900	6,380	5,758	6,069	87,850	87,900	6,628	6,006	6,317
81,900	81,950	6,137	5,515	5,826	84,900	84,950	6,384	5,762	6,073	87,900	87,950	6,632	6,010	6,321
81,950	82,000	6,141	5,519	5,830	84,950	85,000	6,388	5,766	6,077	87,950	88,000	6,636	6,014	6,325

*This column must also be used by qualifying widow(er)

Continued on next page

2004 Hawaii Tax Table (Continued)

If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —		
At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
		Your tax is —					Your tax is —					Your tax is —		
88,000					91,000					94,000				
88,000	88,050	6,640	6,018	6,329	91,000	91,050	6,888	6,266	6,577	94,000	94,050	7,135	6,513	6,824
88,050	88,100	6,644	6,022	6,333	91,050	91,100	6,892	6,270	6,581	94,050	94,100	7,139	6,517	6,828
88,100	88,150	6,648	6,026	6,337	91,100	91,150	6,896	6,274	6,585	94,100	94,150	7,143	6,521	6,832
88,150	88,200	6,652	6,030	6,341	91,150	91,200	6,900	6,278	6,589	94,150	94,200	7,147	6,525	6,836
88,200	88,250	6,657	6,035	6,346	91,200	91,250	6,904	6,282	6,593	94,200	94,250	7,152	6,530	6,841
88,250	88,300	6,661	6,039	6,350	91,250	91,300	6,908	6,286	6,597	94,250	94,300	7,156	6,534	6,845
88,300	88,350	6,665	6,043	6,354	91,300	91,350	6,912	6,290	6,601	94,300	94,350	7,160	6,538	6,849
88,350	88,400	6,669	6,047	6,358	91,350	91,400	6,916	6,294	6,605	94,350	94,400	7,164	6,542	6,853
88,400	88,450	6,673	6,051	6,362	91,400	91,450	6,921	6,299	6,610	94,400	94,450	7,168	6,546	6,857
88,450	88,500	6,677	6,055	6,366	91,450	91,500	6,925	6,303	6,614	94,450	94,500	7,172	6,550	6,861
88,500	88,550	6,681	6,059	6,370	91,500	91,550	6,929	6,307	6,618	94,500	94,550	7,176	6,554	6,865
88,550	88,600	6,685	6,063	6,374	91,550	91,600	6,933	6,311	6,622	94,550	94,600	7,180	6,558	6,869
88,600	88,650	6,690	6,068	6,379	91,600	91,650	6,937	6,315	6,626	94,600	94,650	7,185	6,563	6,874
88,650	88,700	6,694	6,072	6,383	91,650	91,700	6,941	6,319	6,630	94,650	94,700	7,189	6,567	6,878
88,700	88,750	6,698	6,076	6,387	91,700	91,750	6,945	6,323	6,634	94,700	94,750	7,193	6,571	6,882
88,750	88,800	6,702	6,080	6,391	91,750	91,800	6,949	6,327	6,638	94,750	94,800	7,197	6,575	6,886
88,800	88,850	6,706	6,084	6,395	91,800	91,850	6,954	6,332	6,643	94,800	94,850	7,201	6,579	6,890
88,850	88,900	6,710	6,088	6,399	91,850	91,900	6,958	6,336	6,647	94,850	94,900	7,205	6,583	6,894
88,900	88,950	6,714	6,092	6,403	91,900	91,950	6,962	6,340	6,651	94,900	94,950	7,209	6,587	6,898
88,950	89,000	6,718	6,096	6,407	91,950	92,000	6,966	6,344	6,655	94,950	95,000	7,213	6,591	6,902
89,000					92,000					95,000				
89,000	89,050	6,723	6,101	6,412	92,000	92,050	6,970	6,348	6,659	95,000	95,050	7,218	6,596	6,907
89,050	89,100	6,727	6,105	6,416	92,050	92,100	6,974	6,352	6,663	95,050	95,100	7,222	6,600	6,911
89,100	89,150	6,731	6,109	6,420	92,100	92,150	6,978	6,356	6,667	95,100	95,150	7,226	6,604	6,915
89,150	89,200	6,735	6,113	6,424	92,150	92,200	6,982	6,360	6,671	95,150	95,200	7,230	6,608	6,919
89,200	89,250	6,739	6,117	6,428	92,200	92,250	6,987	6,365	6,676	95,200	95,250	7,234	6,612	6,923
89,250	89,300	6,743	6,121	6,432	92,250	92,300	6,991	6,369	6,680	95,250	95,300	7,238	6,616	6,927
89,300	89,350	6,747	6,125	6,436	92,300	92,350	6,995	6,373	6,684	95,300	95,350	7,242	6,620	6,931
89,350	89,400	6,751	6,129	6,440	92,350	92,400	6,999	6,377	6,688	95,350	95,400	7,246	6,624	6,935
89,400	89,450	6,756	6,134	6,445	92,400	92,450	7,003	6,381	6,692	95,400	95,450	7,251	6,629	6,940
89,450	89,500	6,760	6,138	6,449	92,450	92,500	7,007	6,385	6,696	95,450	95,500	7,255	6,633	6,944
89,500	89,550	6,764	6,142	6,453	92,500	92,550	7,011	6,389	6,700	95,500	95,550	7,259	6,637	6,948
89,550	89,600	6,768	6,146	6,457	92,550	92,600	7,015	6,393	6,704	95,550	95,600	7,263	6,641	6,952
89,600	89,650	6,772	6,150	6,461	92,600	92,650	7,020	6,398	6,709	95,600	95,650	7,267	6,645	6,956
89,650	89,700	6,776	6,154	6,465	92,650	92,700	7,024	6,402	6,713	95,650	95,700	7,271	6,649	6,960
89,700	89,750	6,780	6,158	6,469	92,700	92,750	7,028	6,406	6,717	95,700	95,750	7,275	6,653	6,964
89,750	89,800	6,784	6,162	6,473	92,750	92,800	7,032	6,410	6,721	95,750	95,800	7,279	6,657	6,968
89,800	89,850	6,789	6,167	6,478	92,800	92,850	7,036	6,414	6,725	95,800	95,850	7,284	6,662	6,973
89,850	89,900	6,793	6,171	6,482	92,850	92,900	7,040	6,418	6,729	95,850	95,900	7,288	6,666	6,977
89,900	89,950	6,797	6,175	6,486	92,900	92,950	7,044	6,422	6,733	95,900	95,950	7,292	6,670	6,981
89,950	90,000	6,801	6,179	6,490	92,950	93,000	7,048	6,426	6,737	95,950	96,000	7,296	6,674	6,985
90,000					93,000					96,000				
90,000	90,050	6,805	6,183	6,494	93,000	93,050	7,053	6,431	6,742	96,000	96,050	7,300	6,678	6,989
90,050	90,100	6,809	6,187	6,498	93,050	93,100	7,057	6,435	6,746	96,050	96,100	7,304	6,682	6,993
90,100	90,150	6,813	6,191	6,502	93,100	93,150	7,061	6,439	6,750	96,100	96,150	7,308	6,686	6,997
90,150	90,200	6,817	6,195	6,506	93,150	93,200	7,065	6,443	6,754	96,150	96,200	7,312	6,690	7,001
90,200	90,250	6,822	6,200	6,511	93,200	93,250	7,069	6,447	6,758	96,200	96,250	7,317	6,695	7,006
90,250	90,300	6,826	6,204	6,515	93,250	93,300	7,073	6,451	6,762	96,250	96,300	7,321	6,699	7,010
90,300	90,350	6,830	6,208	6,519	93,300	93,350	7,077	6,455	6,766	96,300	96,350	7,325	6,703	7,014
90,350	90,400	6,834	6,212	6,523	93,350	93,400	7,081	6,459	6,770	96,350	96,400	7,329	6,707	7,018
90,400	90,450	6,838	6,216	6,527	93,400	93,450	7,086	6,464	6,775	96,400	96,450	7,333	6,711	7,022
90,450	90,500	6,842	6,220	6,531	93,450	93,500	7,090	6,468	6,779	96,450	96,500	7,337	6,715	7,026
90,500	90,550	6,846	6,224	6,535	93,500	93,550	7,094	6,472	6,783	96,500	96,550	7,341	6,719	7,030
90,550	90,600	6,850	6,228	6,539	93,550	93,600	7,098	6,476	6,787	96,550	96,600	7,345	6,723	7,034
90,600	90,650	6,855	6,233	6,544	93,600	93,650	7,102	6,480	6,791	96,600	96,650	7,350	6,728	7,039
90,650	90,700	6,859	6,237	6,548	93,650	93,700	7,106	6,484	6,795	96,650	96,700	7,354	6,732	7,043
90,700	90,750	6,863	6,241	6,552	93,700	93,750	7,110	6,488	6,799	96,700	96,750	7,358	6,736	7,047
90,750	90,800	6,867	6,245	6,556	93,750	93,800	7,114	6,492	6,803	96,750	96,800	7,362	6,740	7,051
90,800	90,850	6,871	6,249	6,560	93,800	93,850	7,119	6,497	6,808	96,800	96,850	7,366	6,744	7,055
90,850	90,900	6,875	6,253	6,564	93,850	93,900	7,123	6,501	6,812	96,850	96,900	7,370	6,748	7,059
90,900	90,950	6,879	6,257	6,568	93,900	93,950	7,127	6,505	6,816	96,900	96,950	7,374	6,752	7,063
90,950	91,000	6,883	6,261	6,572	93,950	94,000	7,131	6,509	6,820	96,950	97,000	7,378	6,756	7,067

*This column must also be used by qualifying widow(er)

Continued on next page

2004 Hawaii Tax Table (Continued)

If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —			If line 43 (taxable income) is —		And you are —		
At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household	At least	But less than	Single or Married filing separately	Married filing jointly *	Head of a household
		Your tax is —					Your tax is —					Your tax is —		
97,000					98,000					99,000				
97,000	97,050	7,383	6,761	7,072	98,000	98,050	7,465	6,843	7,154	99,000	99,050	7,548	6,926	7,237
97,050	97,100	7,387	6,765	7,076	98,050	98,100	7,469	6,847	7,158	99,050	99,100	7,552	6,930	7,241
97,100	97,150	7,391	6,769	7,080	98,100	98,150	7,473	6,851	7,162	99,100	99,150	7,556	6,934	7,245
97,150	97,200	7,395	6,773	7,084	98,150	98,200	7,477	6,855	7,166	99,150	99,200	7,560	6,938	7,249
97,200	97,250	7,399	6,777	7,088	98,200	98,250	7,482	6,860	7,171	99,200	99,250	7,564	6,942	7,253
97,250	97,300	7,403	6,781	7,092	98,250	98,300	7,486	6,864	7,175	99,250	99,300	7,568	6,946	7,257
97,300	97,350	7,407	6,785	7,096	98,300	98,350	7,490	6,868	7,179	99,300	99,350	7,572	6,950	7,261
97,350	97,400	7,411	6,789	7,100	98,350	98,400	7,494	6,872	7,183	99,350	99,400	7,576	6,954	7,265
97,400	97,450	7,416	6,794	7,105	98,400	98,450	7,498	6,876	7,187	99,400	99,450	7,581	6,959	7,270
97,450	97,500	7,420	6,798	7,109	98,450	98,500	7,502	6,880	7,191	99,450	99,500	7,585	6,963	7,274
97,500	97,550	7,424	6,802	7,113	98,500	98,550	7,506	6,884	7,195	99,500	99,550	7,589	6,967	7,278
97,550	97,600	7,428	6,806	7,117	98,550	98,600	7,510	6,888	7,199	99,550	99,600	7,593	6,971	7,282
97,600	97,650	7,432	6,810	7,121	98,600	98,650	7,515	6,893	7,204	99,600	99,650	7,597	6,975	7,286
97,650	97,700	7,436	6,814	7,125	98,650	98,700	7,519	6,897	7,208	99,650	99,700	7,601	6,979	7,290
97,700	97,750	7,440	6,818	7,129	98,700	98,750	7,523	6,901	7,212	99,700	99,750	7,605	6,983	7,294
97,750	97,800	7,444	6,822	7,133	98,750	98,800	7,527	6,905	7,216	99,750	99,800	7,609	6,987	7,298
97,800	97,850	7,449	6,827	7,138	98,800	98,850	7,531	6,909	7,220	99,800	99,850	7,614	6,992	7,303
97,850	97,900	7,453	6,831	7,142	98,850	98,900	7,535	6,913	7,224	99,850	99,900	7,618	6,996	7,307
97,900	97,950	7,457	6,835	7,146	98,900	98,950	7,539	6,917	7,228	99,900	99,950	7,622	7,000	7,311
97,950	98,000	7,461	6,839	7,150	98,950	99,000	7,543	6,921	7,232	99,950	100,000	7,626	7,004	7,315

**100,000 OR OVER —
You MUST use the tax rate schedules**

*This column must also be used by qualifying widow(er)

2004 Tax Rate Schedules

CAUTION—If your taxable income is less than \$100,000, you **MUST** use the Tax Table.

Schedule I

SINGLE TAXPAYERS AND MARRIED FILING SEPARATE RETURNS

	If the amount on Form N-15, Line 43 is:	Your tax is:
Use this schedule if you checked Filing Status Box 1 or 3 on Form N-15	Not over \$2,000	1.40% of taxable income
	Over \$2,000 but not over \$4,000	\$ 28 plus 3.20% over \$2,000
	Over \$4,000 but not over \$8,000	\$ 92 plus 5.50% over \$4,000
	Over \$8,000 but not over \$12,000	\$ 312 plus 6.40% over \$8,000
	Over \$12,000 but not over \$16,000	\$ 568 plus 6.80% over \$12,000
	Over \$16,000 but not over \$20,000	\$ 840 plus 7.20% over \$16,000
	Over \$20,000 but not over \$30,000	\$ 1,128 plus 7.60% over \$20,000
	Over \$30,000 but not over \$40,000	\$ 1,888 plus 7.90% over \$30,000
	Over \$40,000	\$ 2,678 plus 8.25% over \$40,000

Schedule II

MARRIED TAXPAYERS FILING JOINT RETURNS AND CERTAIN WIDOWS AND WIDOWERS

	If the amount on Form N-15, Line 43 is:	Your tax is:
Use this schedule if you checked Filing Status Box 2 or 5 on Form N-15	Not over \$4,000	1.40% of taxable income
	Over \$4,000 but not over \$8,000	\$ 56 plus 3.20% over \$4,000
	Over \$8,000 but not over \$16,000	\$ 184 plus 5.50% over \$8,000
	Over \$16,000 but not over \$24,000	\$ 624 plus 6.40% over \$16,000
	Over \$24,000 but not over \$32,000	\$ 1,136 plus 6.80% over \$24,000
	Over \$32,000 but not over \$40,000	\$ 1,680 plus 7.20% over \$32,000
	Over \$40,000 but not over \$60,000	\$ 2,256 plus 7.60% over \$40,000
	Over \$60,000 but not over \$80,000	\$ 3,776 plus 7.90% over \$60,000
	Over \$80,000	\$ 5,356 plus 8.25% over \$80,000

Schedule III

UNMARRIED HEADS OF HOUSEHOLD

	If the amount on Form N-15, Line 43 is:	Your tax is:
Use this schedule if you checked Filing Status Box 4 on Form N-15	Not over \$3,000	1.40% of taxable income
	Over \$3,000 but not over \$6,000	\$ 42 plus 3.20% over \$3,000
	Over \$6,000 but not over \$12,000	\$ 138 plus 5.50% over \$6,000
	Over \$12,000 but not over \$18,000	\$ 468 plus 6.40% over \$12,000
	Over \$18,000 but not over \$24,000	\$ 852 plus 6.80% over \$18,000
	Over \$24,000 but not over \$30,000	\$ 1,260 plus 7.20% over \$24,000
	Over \$30,000 but not over \$45,000	\$ 1,692 plus 7.60% over \$30,000
	Over \$45,000 but not over \$60,000	\$ 2,832 plus 7.90% over \$45,000
	Over \$60,000	\$ 4,017 plus 8.25% over \$60,000

STATE OF HAWAII—DEPARTMENT OF TAXATION
HAWAII TAXPAYER BILL OF RIGHTS

MESSAGE FROM THE DIRECTOR

This publication explains some of your most important rights as a taxpayer.

Hawaii taxpayers have many rights. Some are based on laws, and others are based on our commitment to administer Hawaii's tax laws in a fair and equitable manner. The Hawaii Taxpayer Bill of Rights compiles these rights for your easy reference.

Taxpayer rights are at the heart of good tax administration — a pledge that the tax laws will be administered with fairness, uniformity, courtesy, and common sense. In our commitment to this pledge, we invite your suggestions for improving the services provided by the Department of Taxation.

HAWAII TAXPAYER BILL OF RIGHTS

I. Protection of Taxpayer Rights

Taxpayers are entitled to be informed about their rights and responsibilities and to be assured that their rights as taxpayers will be protected throughout their contact with the Department of Taxation.

II. Tax Information

Taxpayers have a right to tax information written in plain language.

Taxpayers have a right to examine their own tax records, audit files, and collection files.

Taxpayers have a right to request copies of their own tax returns and return information, if available, subject to copying fees.

Taxpayers have a right to obtain explanations regarding billings and assessments.

III. Professional and Courteous Service

Taxpayers have a right to prompt, courteous, and accurate responses to all questions and requests for tax assistance.

Taxpayers have a right to be assured that no civil service employee of the Department of Taxation will be paid, promoted, or in any way rewarded based on the amount of assessments made or taxes collected.

Taxpayers have a right to be free from harassment and inappropriate contact by Department of Taxation personnel in matters relating to the collection of delinquent taxes and during the course of audits.

IV. Privacy and Confidentiality

Taxpayers have a right to be assured that their dealings with the Department of Taxation will be kept confidential.

Taxpayers have a right to be assured that their tax returns and tax return information will not be disclosed, except as provided by law.

V. Time Limitations

Taxpayers are entitled to seek a refund if they have overpaid their taxes. A claim for refund must be filed within the applicable statute of limitations.

The Department of Taxation may assess a taxpayer additional taxes if the assessment is made within the applicable statute of limitations. There is no time limit on the assessment of taxes in the case of a false or fraudulent return or failure to file a return.

Taxpayers have a right to extend the period of limitations for the assessment or refund of taxes by signing a written agreement with the Department of Taxation.

If the Department of Taxation is notified by the Internal Revenue Service or a taxpayer of any changes, correc-

tions, or adjustments to the taxpayer's Federal tax return, the statute of limitations is automatically extended.

VI. Audits and Assessments

Taxpayers have a right to a Proposed Notice of Assessment except in the case of a jeopardy assessment. A Proposed Notice of Assessment is mailed to the taxpayer's last known address and: (1) explains the basis for the assessment of taxes, penalties, and interest; (2) informs taxpayers of their right to request clarification or to object to the tax assessment within thirty days from the date the Proposed Notice of Assessment was mailed; and (3) informs taxpayers that the proposed tax assessment will become final after the expiration of thirty days from the mailing of the Proposed Notice of Assessment.

Taxpayers have a right to a Final Notice of Assessment, issued after the expiration of thirty days from the mailing of the Proposed Notice of Assessment, that provides the basis for the tax assessment, and informs the taxpayer of the procedures for appealing the assessment.

Taxpayers have a right to request a meeting with the auditor or collector, their supervisor, or senior management to discuss a Proposed or Final Notice of Assessment if they do not agree with the tax assessment.

Taxpayers have a right to request that the Department of Taxation consider a closing agreement to reduce a Proposed or Final Notice of Assessment. Closing agreements are final.

VII. Tax Appeals/Payment Under Protest

Taxpayers have a right to information regarding procedures for appealing a tax assessment.

Tax Appeals. Taxpayers have a right to appeal an assessment, either to the board of review or to the tax appeal court. The appeal must be filed within 30 days from the date the Final Notice of Assessment was mailed. If the appeal is filed with the board of review, the decision of the board may be appealed within 30 days to the tax appeal court. If the appeal is filed with the tax appeal court, the decision of the tax appeal court may be appealed within 30 days to the Hawaii Supreme Court.

The first appeal to either the board of review or to the tax appeal court may be made without payment of the tax assessed. However, the assessed tax must be paid together with interest when the taxpayer appeals the decision by the board or the tax appeal court or the decision by the board in favor of the Department of Taxation is not appealed. In addition, a taxpayer who prevails before the board of review does not have to pay the assessed tax prior to an appeal by the Department of Taxation to the tax appeal court. Similarly, a taxpayer who prevails before the board of review and the tax appeal court does not have to pay the assessed tax prior to an appeal by the Department of Taxation to the Hawaii Supreme Court.

The tax appeal court may allow an individual taxpayer to appeal an income tax assessment without prior payment of the tax where the total tax liability does not exceed \$50,000 and the taxpayer shows that the payment of the tax would cause irreparable harm. Similarly, a circuit court may allow a taxpayer to appeal a general excise tax assessment without prior payment of the tax if the taxpayer shows that the payment of the tax would cause irreparable harm.

Payment Under Protest. In lieu of filing an appeal or if an appeal is not filed with the board of review or tax appeal court within 30 days from the date the Final Notice of Assessment was mailed, the taxpayer may pay the disputed tax assessment under written protest and seek to recover the taxes by filing an action in tax appeal court within 30 days from the date of payment.

VIII. Representation

Taxpayers have a right to represent themselves or have another person accompany or represent them (with proper written authorization) when dealing with the Department of Taxation on any tax matter, including audits, collections, and appeals.

IX. Taxpayer Advocate

Taxpayers have a right to seek the assistance of our Taxpayer Advocate to resolve any tax-related problem after all other means for resolving the problem have been exhausted, or if they feel that their rights as a taxpayer have been abridged, except in the case of a criminal tax investigation.

X. Installment Agreements, Waivers, and Compromises

Installment Agreements. Taxpayers have a right to request that the Department of Taxation consider an installment payment agreement to allow taxpayers to pay their delinquent taxes over time. The Department of Taxation will evaluate a request for an installment payment agreement based on the financial condition of the taxpayer. Taxpayers will be notified before collection action is taken on any outstanding tax liability if the installment payment agreement is in good standing. Interest will be assessed on the outstanding tax liability until it is paid in full. The Department may offset any outstanding tax liability with any credits due to the taxpayer from other taxes.

Waiver of Penalties and Interest. Taxpayers have a right to request that the Department of Taxation waive penalties and interest added to any tax if the taxpayer can show that failure to file a return or pay a tax on time was due to reasonable cause, i.e., not due to the taxpayer's own carelessness, neglect, or wilful disregard of the law, but due to circumstances beyond the taxpayer's control.

Compromise Offers. Taxpayers have a right to request that the Department of Taxation consider a compromise offer to reduce any tax claim arising under the tax laws administered by the Department based on doubt as to liability or collectibility, subject to the Governor's approval. If the tax liability excluding penalties and interest is \$50,000 or less, the Director may approve the offer in compromise without the Governor's approval after the offer in compromise has posted to the Department's website for 5-calendar days.

XI. Collections

Taxpayers have a right to be informed in writing of possible collection actions that may be taken on delinquent taxes, including referral to a collection agency.

Taxpayers have a right to be notified of any cost recovery fee associated with any collection action.

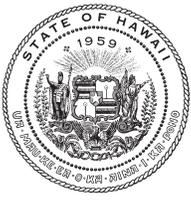
Taxpayers have a right to have collection actions put on hold in the case of hardship or while discussing their situation with the collector, supervisor, or senior management.

Taxpayers have a right to expect a prompt release of a lien upon payment of a tax delinquency and all filing fees.

Taxpayers have a right to have an incorrect lien corrected or released and to have a letter of clarification sent to a credit reporting company.

Taxpayers have a right to have all other collection actions exhausted before a seizure of a taxpayer's assets takes place, unless the Department of Taxation determines that the interests of the State are in jeopardy.

Taxpayers have a right to have the following property exempt from levy: wearing apparel; school books; fuel; provisions; furniture; personal effects; books and tools of a trade, business, or profession; unemployment benefits; and undelivered mail.



TAX FACTS

From the State of Hawaii, Department of Taxation

TAX FACTS NO. 95-1
September, 1995

ALL ABOUT THE HAWAII USE TAX

The Department of Taxation wishes to advise everyone about the Hawaii use tax. It is one of the least understood taxes despite the fact that anyone, including more than 180,000 registered Hawaii businesses, who orders something from a mail order catalog or who purchases goods outside of Hawaii may be subject to this tax.

The use tax is meant to complement the general excise tax which is a tax most taxpayers doing business in Hawaii must pay on the gross income they derive from business activity in Hawaii. Because sellers in Hawaii must pay the general excise tax, it puts them at a price disadvantage with out-of-State businesses not subject to this tax. The use tax equalizes the tax on a transaction by requiring those acquiring goods (for example, cars, clothes, jewelry, computers, equipment, etc.) from out-of-State sellers to pay a tax at the same rate that an in-State seller would have paid in general excise tax if the sale had occurred in Hawaii. The use tax is 1/2 of 1% for those who import goods for resale at retail in Hawaii; 4% for all other uses.

The Department therefore wishes to provide information, to educate taxpayers, and to answer questions to help Hawaii taxpayers comply with the use tax law. With nearly a million people living in Hawaii, the Department knows that it is impossible to monitor all the spending activities of its residents.

The following examples explain the use tax and answer some of the most commonly asked questions regarding this tax.

1. There was a 4% tax charged for Hawaii on the invoice when I ordered items out of a catalog from a company on the mainland. Do I have to pay it?

Yes. Hawaii residents who shop through mail-order catalogs from sellers outside of Hawaii probably aren't aware that they must pay the state a 4 percent use tax for "imported" items when purchased from out-of-state sellers, such as mail-order companies, who are not licensed to do business in Hawaii.

For ease of administration and convenience to the customers, states prefer that mail-order companies collect and pay the use tax for their customers. If the mail-order company does not collect and pay the tax, the purchaser is responsible for paying the use tax to the state.

Depending on the mail-order companies' activities and presence in Hawaii, they may or may not be obligated to collect and pay the use tax under current interpretations of the U.S. Constitution. Many mail-order companies, nevertheless, have voluntarily assumed such an obligation for the convenience of their customers and to avoid legal uncertainties.

2. I purchased an article of clothing in another state and paid that state's sales tax, which was 3%. Do I also have to pay the Hawaii use tax when I bring the item back to Hawaii?

Yes. The law requires you to report the "landed" value (generally the purchase price plus shipping and handling fees) of the item and to pay the use tax on that value. However, any sales tax you pay to another state may be taken as a credit to offset the Hawaii use tax. The sales tax you paid on any item only may be used to offset the use tax on that item. Any excess sales tax paid may not be used to offset the use tax due on the landed value of a different item, nor will it be refunded. Therefore, the maximum amount of credit which you can claim is the lesser of the sales tax paid on the specific item imported, or the use tax due on the landed value of the same imported item. If the sales tax you paid is less than the use tax due, you will have to report and pay a use tax on the difference.

For example:

Sales price of item purchased in state C	-	\$100.00
State C's sales tax paid (3%)	-	3.00
Cost of shipping and handling fees, etc.	-	10.00

Total landed value of item is the sales price of the item plus shipping

and handling fees. It does not include the sales tax paid. Therefore the total landed value is \$110.00.

The Hawaii use tax rate is 4%.

The Hawaii use tax due is \$110.00 x 4% = \$ 4.40

However, because the sales tax paid (\$3) to state C is less than the Hawaii use tax due (\$4.40), the difference, or \$1.40, is due to the State of Hawaii.

3. What if the sales tax paid to the other state was more than 4%?

If the sales tax paid to the other state was equal to or more than Hawaii's 4% use tax, the Department is administratively allowing you not to report or pay a use tax on those items as there would be no additional tax due. Therefore, no report needs to be filed in this case.

It is quite possible that many travelers to the continental U.S. may not owe the use tax upon returning to Hawaii because most states, such as California, Nevada, and Florida, have a sales tax that is higher than Hawaii's 4% use tax. However, there are a few states, such as Oregon, that do not have a sales tax.

4. How should I report and pay the use tax due?

Individual, nonbusiness taxpayers who must pay the use tax should use Form G-26 (Use Tax Return - Imports for Consumption) which can be ordered by calling 587-7572, or 1-800-222-7572. As an alternative, you can choose to write the Department a letter (P.O. Box 259, Honolulu, Hawaii 96809-0259) with a check or money order payable to "Hawaii State Tax Collector." The letter should contain the following information:

- (1) Purchaser's name;
- (2) Social security number;
- (3) Date the property was imported; and
- (4) Fair and reasonable cash value of the imported property (the sales price, shipping and handling fees, insurance costs, custom duty, etc.)

The Department will not require you to file a sales receipt with the report or letter, but you must be able to produce the receipt if you are audited.

5. When is the use tax payment due?

The use tax payment is due the month after the purchased items are brought into the State. Although penalty and interest amounts are due on late paid taxes, the Department will not assess these amounts on nonbusiness late filers for now. Since the Department realizes that most people have been unaware about the use tax, the Department is not asking taxpayers to report and pay use taxes due in previous years; the Department is asking taxpayers to begin reporting now for current and future purchases.

The Department also realizes that the reporting requirements for nonbusiness individuals can be burdensome when the amount of use tax due is small. This is why the Department is being liberal in waiving penalties and interest in late filings for now. Also, if the amount of tax to be reported is so small (under \$10.00) as to make it impractical to report monthly, the Department will not impose penalties and interest if the nonbusiness taxpayer postpones filing to consolidate reporting with additional purchases. In addition, the Department is not insisting that every nonbusiness taxpayer apply for a separate use tax identification number.

Problems relating to use tax collections are not unique to Hawaii. They are experienced by all states which impose a use tax. For this reason, legislation has been introduced at the national level, in Congress (S-545), which could require all mail-order companies to collect the tax for the states.

Hawaii's tax system has always operated under the concept of voluntary tax compliance. Thus, it is up to Hawaii's taxpayers to take their civic responsibilities seriously and to make an effort to report and pay their state taxes.

If any taxpayer would like more information on the use tax, the Department of Taxation has a brochure entitled, An Introduction to the Use Tax. It can be requested from any of our district tax offices.

For More Information Contact: Taxpayer Services at 587-4242

(This is a reproduction of the originally issued document)

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