Clear Form

FORM
N-814
(REV. 2004)

Parent's Election to Report Child's Interest and Dividends

➤ See Instructions below and on back.
➤ Attach to Parent's Form N-11, Form N-12, or Form N-15

2004

Name(s) as shown on parent's return	Your social security number
Child's name (first, initial, and last)	Child's social security number

Caution: If more than one Form N-814 is attached, check here ..... ➤ ☐

Step 1 Figure amount of child's interest and dividend income to report on your return

1 a	Enter your child's **taxable** interest income. If this amount is different than the amounts shown on the child's federal Forms 1099-INT and 1099-OID, see the Instructions	1a		
b	Enter your child's **tax-exempt** interest income. **DO NOT** include this amount on line 1a 1b			
2	Enter your child's ordinary dividends, including any Alaska Permanent Fund dividends. If your child received any ordinary dividends as a nominee, see the Instructions	2		
3	Enter your child's capital gain distributions. If your child received any capital gain distributions as a nominee, see the Instructions	3		
4	Add lines 1a, 2, and 3. If the total is $1,000 or less, skip lines 5 and 6 and go to line 7. If the total is $5,000 or more, **do not** file this form. Your child **MUST** file his or her own return to report the income	4		
5	Base amount	5	1,000	00
6	Line 4 minus line 5. If filing more than one Form N-814 or if you entered an amount on line 3, see the Instructions. Also, include this amount in the total on Form N-11, line 10 (if not already included on Form N-11, line 7), on Form N-12, line 18, or on Form N-15, line 19. In the space provided on line 18, Form N-12 or on line 19, Form N-15, write "Form N-814" and show the amount. Go on to line 7 below.	6		

Step 2 Figure your tax on the first $1,000 of child's interest and dividend income

7	Amount not taxed	7	500	00
8	Line 4 minus line 7. Enter the result. If less than zero, enter zero	8		
9	**Tax.** Is the amount on line 8 less than $500? **No.** Enter $10.00 here and see the **Note** below. **Yes.** Multiply line 8 by 2% (.02). Enter the result here and see the **Note** below.	9		

Note: *If filing more than one Form N-814, see the Instructions. Otherwise, include the amount from line 9 to the tax you enter on your Form N-11, line 27, Form N-12, line 42, or Form N-15, line 44. Be sure to check the box noting that a tax from Form N-814 is included on line 27, Form N-11, line 42, Form N-12, or line 44, Form N-15.*

General Instructions

Purpose of Form.—Use this form if you are a parent and choose to report the income of your child on your return. If you do, the child will not have to file a return. You can make this election if your child meets **all** of the following conditions:

- Was born after January 1, 1991.
- Is required to file a 2004 return.
- Had income only from interest and dividends, including capital gain distributions and Alaska Permanent Fund dividends.
- Had gross income for 2004 that was more than $500 but less than $5,000.
- Had no estimated tax payments for 2004.
- Did not have any overpayment of tax shown on his or her 2003 return applied to the 2004 return.
- Had no Federal income tax withheld from his or her income (backup withholding).

The parent(s) must also qualify as explained in these instructions.

Step 1 is used to figure the amount of the child's income to report on the parent's return. **Step 2** is used to figure an additional tax that must be added to your tax.

How To Make the Election.—To make the election, complete and attach Form(s) N-814 to your tax return and file your return by the due date (including extensions). A separate Form N-814 must be filed for **each** child whose income the parent chooses to report.

Caution: *The income tax on your child's income may be less if you file a separate tax return for the child instead of making this election. This is because you cannot take certain deductions that your child would be entitled to on his or her own return. For details see* **Deductions You May Not Take** *on page 2.*

Parents Who Qualify To Make the Election.—You qualify to make this election if you file Form N-11, N-12, or N-15 and any of the following apply:

- You are filing a joint return for 2004 with the child's other parent.
- You and the child's other parent were married to each other but file separate returns for 2004 AND you had the **higher** taxable income. If you do not know if you had the higher taxable income, get federal Publication 929, Tax Rules for Children and Dependents.
- You were unmarried, treated as unmarried for income tax purposes, or separated from the child's other parent by a divorce or separate maintenance decree. You must

have had custody of your child for most of the year (you were the custodial parent). If you were the custodial parent and you remarried, you may make the election on a joint return with your new spouse. But if you and your new spouse (your child's step-parent) do not file a joint return, you qualify to make the election only if you had **higher** taxable income than your new spouse.

Note: *If you and the child's other parent were not married but you lived together during the year with the child, you qualify to make the election only if you are the parent with the* ***higher*** *taxable income.*

Deductions You May Not Take.—If you elect to report your child's income on your return, you may not reduce that income by any of the following deductions that your child would be entitled to on his or her own return.

- Standard deduction of $500.
- Penalty on early withdrawal of child's savings.
- Itemized deductions such as child's investment expenses or charitable contributions.

If any of the above applies to your child, first figure the tax on your child's income as if he or she is filing a return. Next, figure the tax as if you are electing to report your child's income on **your** return. Then, compare the two methods to determine which results in the lower tax.

Investment Interest Expense. —Your child's income (excluding Alaska Permanent Fund dividends and capital gain distributions) that you report on your return is considered to be **your** investment income for purposes of figuring your investment interest expense deduction. If your child received Alaska Permanent Fund dividends or capital gain distributions, get federal Publication 550, Investment Income and Expenses, to figure the amount you may treat as your investment income.

How To Obtain Tax Forms. —To request tax forms by fax or mail, you may call 808-587-7572 or toll-free at 1-800-222-7572.

Tax forms are also available on the Internet. The Department of Taxation's site on the Internet is:
www.state.hi.us/tax

Additional Information.—For more information, see federal Publication 929.

Line-by-Line Instructions

Note: *Section 235-9.5, HRS, provides that 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 is excluded from income taxes. Also, section 235-7.3, HRS, provides that amounts received by an individual or a qualified high technology business as royalties and other income derived from patents, copyrights, and trade secrets (1) owned by the individual or qualified high technology business, and (2) developed and arising out of a qualified high technology business are excluded from gross income, adjusted gross income, and taxable income.*

Parent's Name and Social Security Number.—Enter the name(s) shown on your return. If filing a joint return, enter the social security number of the person whose name is shown first on the return. If you are an alien and were issued an individual taxpayer identification number (ITIN) by the IRS, enter your ITIN. If you applied for an ITIN but the IRS has not yet issued the ITIN, write "Applied For".

Line 1a. Enter **ALL** taxable interest income received by your child in 2004. If your child received a federal Form 1099-INT for tax-exempt interest, such as from municipal bonds, write the amount and "Tax-exempt interest" on the dotted line next to line 1a. Be sure to include this interest on line 1b but **do not** include it in the total for line 1a.

If your child received, as a **nominee**, interest that actually belongs to another person, write the amount and "ND" (for nominee distribution) on the dotted line next to line 1a. **Do not** include amounts received as a nominee in the total for line 1a.

If your child had accrued interest that was paid to the seller of a bond, amortizable bond premium (ABP) allowed as a reduction to interest income, or if any original issue discount (OID) is less than the amount shown on your child's federal Form 1099-OID, enter the nontaxable amount on the dotted line next to line 1a, and write "Accrued interest," "ABP adjustment," or "OID adjustment," whichever applies. **Do not** include any nontaxable amounts in the total for line 1a.

Line 1b. If your child received any tax-exempt interest income, such as interest on certain state and municipal bonds, enter the total tax-exempt interest on line 1b. Also include any exempt-interest dividends your child received as a shareholder in a mutual fund or other regulated investment company.

Line 2. Enter the ordinary dividends received by your child in 2004. Ordinary dividends should be shown in box 1 of federal Form 1099-DIV. Also, include ordinary dividends your child received through a partnership, an S corporation, or an estate or trust.

Note: *Do not include on line 2 any ordinary dividends that are exempt from Hawaii income taxes pursuant to section 235-9.5, HRS.*

If your child received, as a **nominee**, ordinary dividends that actually belong to another person, write the amount and "ND" (for nominee distribution) on the dotted line next to line 2. **Do not** include amounts received as a nominee in the total for line 2.

Line 3. Enter the capital gain distributions received by your child in 2004. Capital gain distributions should be shown in box 2a of federal Form 1099-DIV. Also, see the instructions for line 6.

Note: *Do not include on line 3 any capital gain distributions that are exempt from Hawaii income taxes pursuant to section 235-9.5, HRS.*

If your child received, as a **nominee**, capital gain distributions that actually belong to another person, enter the amount and "ND" (for nominee distribution) on the dotted line next to line 3. **Do not** include amounts received as a nominee in the total for line 3.

Line 6. If you are filing more than one Form N-814, add the amounts from line 6 of **ALL** Forms N-814 and include the total on Form N-11, line 10 (if not already included on Form N-11, line 7), on Form N-12, line 18, or on Form N-15, line 19. Be sure to write "Form N-814" and show the total of the line 6 amounts in this space provided on line 18, Form N-12 or on line 19, Form N-15.

If you entered an amount on line 3, and you are completing the Capital Gain/Loss Worksheet in the Instructions for Form N-12 or Form N-15, part or all of your child's capital gain distributions should be reported on your Capital Gain/Loss Worksheet instead of on Form N-814, line 6. Before you enter an amount on line 6, see federal Publication 929 for details on how to figure the amount to report on your Capital Gain/Loss Worksheet.

Form N-11 filers should also see federal Publication 929 and use the Capital Gain/Loss Worksheet in the Instructions for Form N-12 to figure the amount to report as capital gains and the amount to report on Form N-814, line 6.

Line 9. If you are filing more than one Form N-814, add the amounts from line 9 of **ALL** Forms N-814 and include the total on Form N-11, line 27, on Form N-12, line 42, or on Form N-15, line 44.

Make sure to check the box noting that a tax from Form N-814 is included on line 27, Form N-11, on line 42, Form N-12, or on line 44, Form N-15.