

SHAREHOLDER'S SHARE OF INCOME, CREDITS, DEDUCTIONS, ETC.

2005

FORM N-35
(REV. 2005)

For calendar year 2005 or tax year

beginning _____, 2005 and ending _____, 20 _____

(NOTE: Prepare in triplicate. (1) File with N-35. (2) For S corp. (3) For shareholder.)

Shareholder's identifying number > Shareholder's name, address, and ZIP code	Corporation's Federal identifying number (FEIN) > Corporation's name, address, and ZIP code
---	--

- A** (1) Shareholder's percentage of stock ownership for tax year > _____ % and (2) Number of shares owned by shareholder at tax year end > _____
 (See Instructions for Schedule K-1)
- B** Federal tax shelter registration number > _____
- C** Check applicable boxes: (1) Final K-1 (2) Amended K-1

Caution: Refer to Shareholder's Instructions for Schedule K-1 before entering information from Schedule K-1 on your tax return.

	(a) Pro rata share items	(b) Attributable to Hawaii	(c) Attributable Elsewhere	(d) Form N-11*/N-12**/N-15** filers enter the amounts in col. (b) and col. (c) on:
Income (Losses)	1 Ordinary income (loss) from trade or business activities.....			} See Shareholder's Instructions for Schedule K-1 (N-35).
	2 Net income (loss) from rental real estate activities.....			
	3 Net income (loss) from other rental activities.....			
	4 Portfolio income (loss):			Interest Worksheet
	a Interest.....			Line 9
	b Ordinary Dividends.....			See Shareholder's Instructions.
c Royalties.....			Capital Gain/Loss Worksheet	
d Net short-term capital gain (loss).....			Capital Gain/Loss Worksheet	
e Net long-term capital gain (loss).....			Schedule D-1, line 2	
5 Net section 1231 gain (loss) (other than due to casualty or theft).....			(Enter on applicable line of your return)	
6 Other income (loss) (attach schedule).....				
Deductions	7 Charitable contributions.....			Worksheet A-4, PY-4, or NR-4
	8 IRC section 179 expense deduction (attach schedule).....			See Shareholder's Instructions.
	9 Deductions related to portfolio income (loss) (attach schedule).....			Worksheet A-6, PY-6, or NR-6
	10 Other deductions (attach schedule).....			(Enter on applicable line of your return)
Investment Interest	11 a Interest expense on investment debts.....			Form N-158, line 1
	b (1) Investment income included on lines 4a, 4b, and 4c above.....			} See Shareholder's Instructions for Schedule K-1 (N-35).
	(2) Investment expense included on line 9 above.....			

* For Form N-11 filers, if your federal Schedule K-1 (Form 1120S) and Hawaii Schedule K-1 (Form N-35) amounts are different, the necessary adjustments are to be made in the Hawaii Additions Worksheet and/or Hawaii Subtractions Worksheet in the Forms N-11/N-12 Instructions.

**For Form N-12 and Form N-15 filers, the referenced worksheets are located in the Forms N-11/N-12 Instructions and Form N-15 Instructions.

Purpose of Schedule K-1 — The S corporation uses Schedule K-1 (Form N-35) to report to you your share of the corporation's income (reduced by any tax the corporation paid on the income), credits, deductions etc. Please keep it for your records.

Although the corporation is subject to a built-in gains tax, an excess net passive income tax, and a LIFO recapture tax; you, the shareholder, are liable for the income tax on your share of the corporation's income, whether or not distributed, and you must include your share on your tax return.

Use these instructions to help you report the items shown on Schedule K-1 on your Hawaii income tax return. Where "(attach schedule)" appears on lines 6, 8, 9, 10, and 18a, it means the information for these lines (if applicable) will be shown on line 23, or if additional space was needed, the corporation will have attached a statement to your Schedule K-1 to show the

information. The notation "(See Instructions for Schedule K-1)" in item A is directed only to the corporation.

Schedule K-1 does not show the amount of actual dividend distributions the corporation paid to you. The corporation must report to you such amounts on Form 1099-DIV. Resident shareholders' actual dividend distributions are already included in federal adjusted gross income (federal AGI) for Form N-11 filers or are to be reported in the Dividend Worksheet in the Forms N-11/N-12 Instructions for Form N-12 filers.

Schedule K-1 now provides you with information relating to the source of your share of the income of the S corporation. This is required under provisions of section 235-128, Hawaii Revised Statutes. How this income is reported by you to the State of Hawaii depends on your residency status. Shareholders who are Hawaii residents are to report the total sum of the income, deductions, and credits attributable to Hawaii and the income, deductions, and credits attributable

elsewhere. Shareholders who are not residents of Hawaii or who are part-year residents of Hawaii are to use amounts attributable to Hawaii and the total sum of amounts attributable to Hawaii and amounts attributable elsewhere in preparing their Hawaii income tax returns. Income attributable to Hawaii is reported by all shareholders net of adjustments allowed to corporations. The total of your share of these adjustments is shown on line 18a and are explained on line 23. Items of income or deductions should be reported on your return net of these adjustments. Resident shareholders may make an adjustment to income reported on their net income tax return for interest penalty on early withdrawal of savings, if a penalty was imposed on the early withdrawal of savings by the S corporation and the interest income is not attributable to Hawaii. The amount of this deduction appears on line 19.

	(a) Pro rata share items	(b) Attributable to Hawaii	(c) Attributable Elsewhere	(d) Form N-11/N-12/N-15 filers enter on:
Credits	12 a Fuel Tax Credit for Commercial Fishers			Form N-163
	b Total cost of qualifying property for the Capital Goods Excise Tax Credit			Form N-312, Part I
	c Amounts needed to claim the Enterprise Zone Tax Credit	See attached Form N-756A.		Form N-756
	d Hawaii Low-Income Housing Tax Credit			Form N-586
	e Credit for Employment of Vocational Rehabilitation Referrals			Form N-884
	f Motion Picture and Film Production Income Tax Credit			} Form N-316
	(1) Production costs qualifying for a 4% tax credit			
	(2) Transient accommodations costs qualifying for a 7.25% credit			
	g Technology Infrastructure Renovation Tax Credit			Form N-326
	h High Technology Business Investment Tax Credit			Form N-318
	i Tax Credit for Research Activities			Form N-319
	j Individual Development Account Contribution Tax Credit			Form N-320
	k Hotel Construction and Remodeling Tax Credit			Form N-314, Part II
	l Total qualifying costs for the Drought Mitigating Water Storage Facility Tax Credit			Form N-328
	m Credit for School Repair and Maintenance			Form N-330
	n Ethanol Facility Tax Credit			Form N-324
	o Renewable Energy Technologies Income Tax Credit	See attached Form N-334A.		Form N-334
	p Ko Olina Resort and Marina Attractions and Educational Facilities Tax Credit			Form N-335
	q Credit for Hawaii income tax withheld on Form N-288			} See Shareholder's Instructions for Schedule K-1 (Form N-35)
r Credit for Hawaii income tax withheld on Form N-4 (Nonresident shareholders only)				
s Pro rata share of net income tax paid by the S corporation to states which do not recognize the corporation's "S" status. (Resident and part-year resident shareholders only)				
Other Items	13 Property distributions (including cash) other than dividend distributions reported to you on federal Form 1099-DIV			} See Shareholder's Instructions for Schedule K-1 (Form N-35)
	14 Tax exempt interest income			
	15 Other tax exempt income			
	16 Nondeductible expenses			
	17 Amount of loan repayments for "Loans from Shareholders."			
	18 a Corporate adjustments to income attributable to Hawaii (attach schedule)			
b Personal adjustments to income attributable elsewhere				
19 Interest penalty on early withdrawal of savings				
Recapture of Tax Credits	20 Recapture of Hawaii Low-Income Housing Tax Credit:			} Form N-586, Part III
	a From IRC section 42(j)(5) partnerships			
	b Other than on line 20a			
21 Capital Goods Excise Tax Credit Properties	See attached N-312, Part II.			Form N-312, Part II
22 High Technology Business Investment Tax Credit				Form N-318, Part III
Supplemental Information	23 Supplemental information for lines 6, 8, 9, 10, 18a, or other items and amounts not included in lines 1 through 22 that are required to be reported separately to each shareholder (attach additional schedules if more space is needed):			