
Tax Credits

Claimed by Hawaii Taxpayers

2002

Department of Taxation
State of Hawaii

STATE OF HAWAII

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INTRODUCTION

Designed to assist lower-income individuals, tax credits were first introduced for the 1965 tax year. The first two studies on tax credits claimed by individuals were done for 1965 and 1970 tax returns. To provide more timely assessment of the public's response to tax credits, this report has been prepared annually since tax year 1977.

Over time, several credits for businesses were introduced. By 2002, businesses (corporations, financial corporations and insurance underwriters) were eligible to claim seventeen of the twenty-three credits offered. Since tax year 1997, this study was expanded to include corporations that claimed business tax credits. Financial corporations were added in tax year 2000, and insurance underwriters and fiduciaries (estates and trusts) in tax year 2001.

This report summarizes twenty-three tax credits offered to Hawaii taxpayers on tax returns filed for tax year 2002:

- Low-income refundable tax credit
- Low-income household renters tax credit
- Child and dependent care expenses tax credit
- Child passenger restraint system tax credit
- General income tax credit
- Capital goods excise tax credit
- Fuel tax credit for commercial fishers
- Motion picture and film production income tax credit
- Hotel construction and remodeling tax credit
- Energy conservation tax credit
- Employment of vocational rehabilitation referrals tax credit
- Enterprise zone tax credit
- High technology business investment tax credit
- Technology infrastructure renovation tax credit
- Income tax paid to another state or to a foreign country
- Low-income housing tax credit
- Residential construction and remodeling tax credit
- Minor school repair and maintenance tax credit
- Drought mitigating water storage facility tax credit
- Research activities tax credit
- Individual development account contribution tax credit
- Ethanol investment tax credit
- Lifeline telephone service credit

TAX CREDITS CLAIMED BY HAWAII TAXPAYERS - 2002

SUMMARY

This tax credit study covers 609,013 returns filed by individuals, corporations, financial corporations, insurance underwriters, and fiduciaries for the 2002 tax year. A total of 465,520 or 76% of the returns had tax credit claims totaling \$125.9 million. This compares to \$114.4 million claimed in tax year 2001 representing a 10% increase. Of the \$125.9 million total, individuals claimed \$75.2 million, while corporations, financial corporations, insurance underwriters, and fiduciaries claimed the remaining \$50.7 million.

DATA SOURCE AND METHODOLOGY

Resident taxpayers filed income tax returns on one of three forms: N-11, for those filing a federal tax return; N-12, for those not filing a federal tax return; and N-13, for those who have less than \$100,000 taxable income, do not itemize deductions and do not claim adjustments. Part-year residents and nonresidents with income from Hawaii sources filed Form N-15. Corporations that are directly taxable as entities and are eligible for tax credits filed Form N-30, and fiduciaries filed Form N-40. Data for all these returns were entered into the Department of Taxation's computerized Integrated Tax Information Management Systems (ITIMS). Form F-1 filed by financial corporations was one of the miscellaneous returns not included in ITIMS, hence data had to be collected manually. Insurance premium tax returns were filed with the Insurance Division of the Department of Commerce and Consumer Affairs.

A stratified sample of all tax returns was used for this study. The sample included every return with a tax credit other than the low-income tax credit, low-income renter's tax credit, and general income tax credit. The remaining returns with only these three high frequency credits or no credits were selected by simple random sampling.

While the filing deadline for most returns in the 2002 tax year was April 21, 2003, the taxpayer had the option of extending the deadline to October 20, 2003. To allow for the inclusion of as many returns as possible, the cutoff date for this report was December 2003. In an attempt to capture most late filing corporation returns, the cutoff date for corporation returns was February 2004.

Of the total 609,013 returns processed, 68,436 returns (11.2%) were included in the sample data set. Figure 1 shows in detail the number of returns processed by type of return, size of sample selected, and taxation district. The state of Hawaii has four taxation districts: the First District includes the island of Oahu; Second, the islands of Maui, Molokai and Lanai; Third, the island of Hawaii; and Fourth, the islands of Kauai and Niihau.

Figure 1

Number of Tax Returns Processed and Sampled by Taxation District

	TAXATION DISTRICT				
	State	First	Second	Third	Fourth
Returns Processed					
N-11	465,525	337,618	51,591	53,627	22,689
N-12	11,380	8,380	994	1,452	554
N-13	46,199	33,010	4,078	6,685	2,426
N-15	55,187	46,894	3,374	3,795	1,124
F-1	129	114	6	6	3
N-30	16,879	13,637	1,303	1,548	391
N-40	12,758	11,387	524	629	218
Insurance	956	956	-	-	-
Total	609,013	451,996	61,870	67,742	27,405
Returns in Sample					
N-11	60,346	43,094	7,546	6,934	2,772
N-12	575	429	55	60	31
N-13	1,526	1,057	150	235	84
N-15	2,679	2,236	182	198	63
F-1	129	114	6	6	3
N-30	2,578	1,998	221	278	81
N-40	589	526	25	29	9
Insurance	14	14	-	-	-
Total	68,436	49,468	8,185	7,740	3,043
Percent of Returns Sampled (%)					
N-11	13.0	12.8	14.6	12.9	12.2
N-12	5.1	5.1	5.5	4.1	5.6
N-13	3.3	3.2	3.7	3.5	3.5
N-15	4.9	4.8	5.4	5.2	5.6
F-1	100.0	100.0	100.0	100.0	100.0
N-30	15.3	14.7	17.0	18.0	20.7
N-40	4.6	4.6	4.8	4.6	4.1
Insurance	1.5	1.5	-	-	-
Total	11.2	10.9	13.2	11.4	11.1

OVERVIEW

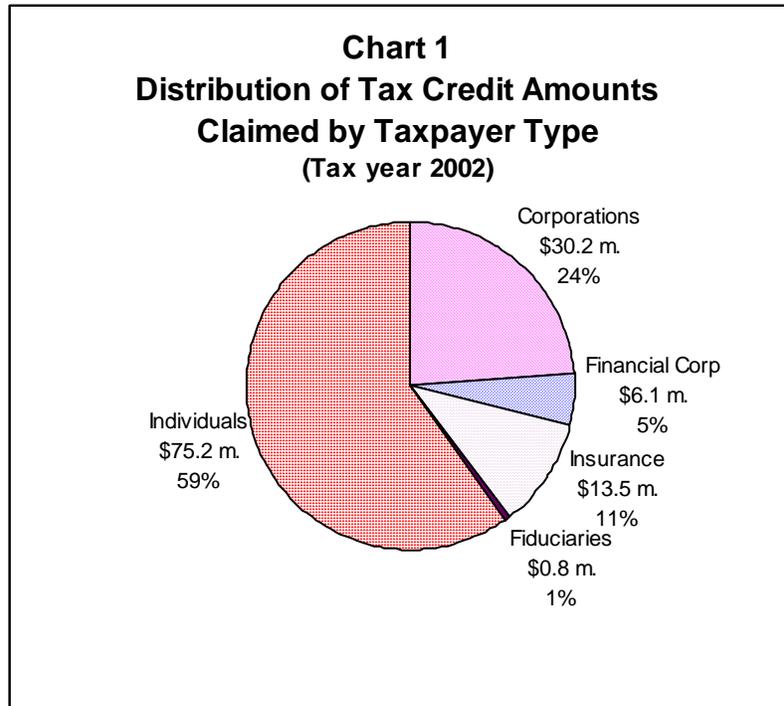
Tax credit claims amounted to \$125.9 million in tax year 2002, \$11.5 million more than the \$114.4 million claimed in the previous tax year. Of the 609,013 returns filed by individuals, corporations, financial corporations, insurance underwriters and fiduciaries, 465,520, or 76.4% claimed at least one or more credits. The most commonly claimed credits were the general income tax credit which was available to almost all individual taxpayers, and the low-income credit and low-income renter's credit which were available to taxpayers with adjusted gross income (AGI) under \$20,000 and \$30,000, respectively.

Figure 2
Distribution of Tax Credits Claimed for the 2002 Tax Year

	Number of Returns	% of Total Returns	% of Total w/Credits	Amount of \$ Thousands	Credit % of Total
All Returns	609,013	100.00			
Returns with Tax Credits	465,520	76.44	100.00	\$125,894.4	100.00
General Income Tax Credit	444,768	73.03	95.54	900.8	0.72
Low-Income Credit	188,372	30.93	40.46	8,515.8	6.76
Low-income Renter's Credit	69,452	11.40	14.92	7,180.5	5.70
Dependent Care Credit	25,871	4.25	5.56	8,031.0	6.38
Residential Remodeling Credit	17,481	2.87	3.76	13,459.3	10.69
Capital Goods Excise Credit	6,005	0.99	1.29	22,203.4	17.63
Taxes Paid to Other Jurisdictions	5,465	0.90	1.17	16,205.1	12.87
Child Passenger Restraint Credit	4,211	0.69	0.90	105.3	0.08
Energy Device Credit	3,247	0.53	0.70	5,175.8	4.11
High Technology Credit	493	0.08	0.11	26,185.2	20.80
Fuel Credit for Fishers	218	0.04	0.05	188.0	0.15
Research Activities Credit	153	0.03	0.03	9,155.6	7.27
Hotel Remodeling Credit	147	0.02	0.03	3,742.9	2.97
Enterprise Zone Credit	61	0.01	0.01	752.4	0.60
Low-Income Housing Credit	42	0.01	0.01	3,024.9	2.40
Vocational Rehabilitation Credit	30	0.00	0.01	26.7	0.02
Motion Picture Credit	20	0.00	0.00	198.7	0.16
Technology Infrastructure Credit	17	0.00	0.00	117.6	0.09
Minor School Repair/Maintenance	8	0.00	0.00	8.4	0.01
Drought Mitigation Credit	3	0.00	0.00	4.3	0.00
Other Credits	113	0.02	0.02	729.8	0.58

As illustrated in Chart 1, individual taxpayers claimed 59.7% of the \$125.9 million, corporations 24.0%, financial corporations 4.9%, insurance underwriters 10.7%, and fiduciaries 0.7%. Individual claims jumped from \$61.9 million in 2001 to \$75.2 million in 2002, and insurance claims from \$6.3 million to \$13.5 million. Claims by corporations

dropped from \$35.7 million to \$30.2 million, financial corporations from \$9.3 million to \$6.1 million, and fiduciaries from \$1.2 million to \$0.8 million.

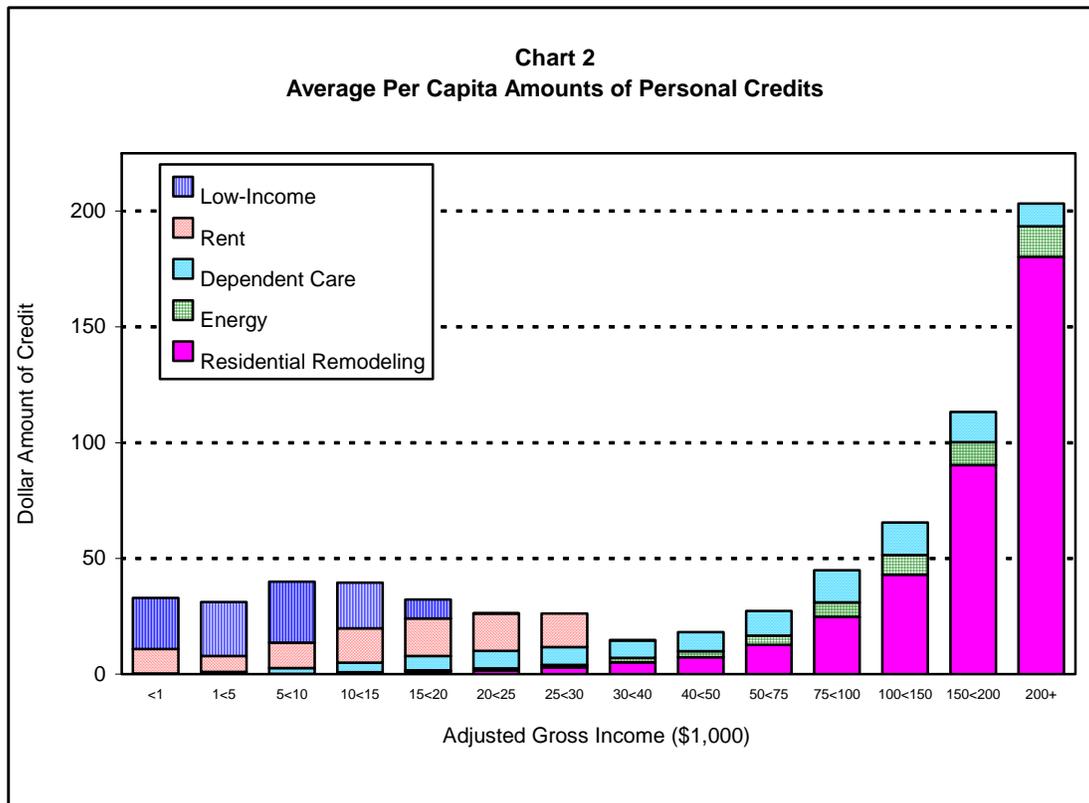


The \$13.3 million increase in claims by individuals was due to the increase in claims for the high technology credit, the residential remodeling credit and taxes paid to other jurisdictions. Claims increased by \$7.9 million, \$2.7 million and \$1.9 million, respectively. The increase for insurance company claims was caused by the high technology credit increase of \$7.0 million. Corporations also had a \$1.5 million increase in high technology credit; however, a \$3.1 million drop in hotel remodeling and \$4.0 million in research activities credits, contributed to an overall \$5.5 million decrease in claims. A \$3.2 million claims drop for financial corporations was the result of a \$2.0 million decline in capital goods excise credit.

Individual returns filed increased by 3,121, to 578,291 returns. About 80% of these individual taxpayers claimed tax credits totaling \$75.2 million. Corporation filers decreased from 17,833 to 16,879 filers. Only 2,094 (12%) corporate filers claimed tax credits totaling \$30.2 million. Returns filed by all other taxpayers increased slightly.

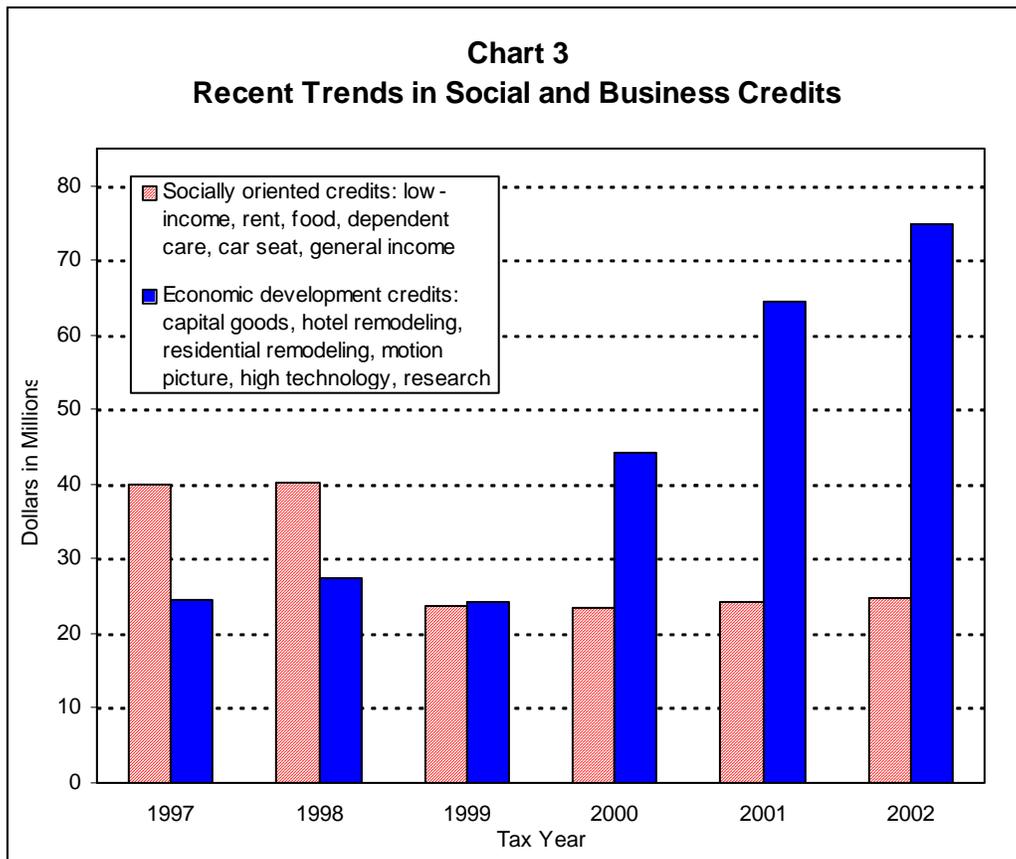
Chart 2 illustrates per capita amounts of selected personal tax credits claimed by adjusted gross income (AGI) brackets. The per capita amounts were generated by dividing the dollar amount of each type of credit by the number of persons within each AGI bracket. The number of persons included exemptions for taxpayers, spouses, and dependents. To avoid a duplicated number of persons, age exemptions were excluded. Exemptions for

minor children supported by payments administrated by the Department of Human Services were included; although these children cannot be claimed as dependents, they are still eligible for the low-income tax credit.



The rent credit was almost evenly distributed among the different AGI groups up to \$30,000, while the low-income credit dropped as AGI increased because of the inversely graduated credit amount. The rent credit was a flat \$50 per exemption. Per capita claims for the energy and dependent care credits were greater in the higher AGI groups, a pattern that was especially pronounced for the residential remodeling credit. The credit amount was equal to 4% of up to \$250,000 in costs for new residential construction or remodeling.

Chart 3 compares socially oriented credits against economic development credits. The elimination of the food tax credit caused socially oriented credits claimed to plummet in 1999. Since then the socially oriented credit amounts have remained almost unchanged. On the other hand, economic development credits took a sharp \$20.1 million increase for tax year 2000. While part of the increase was due to the inclusion of financial corporations in the study, the capital goods excise credit jumped by \$10.9 million and the hotel remodeling credit by \$5.9 million. The sharp increase of \$20.0 million in 2001 was mostly due to the new residential remodeling credit of \$11.3 million and the high technology investment credit increase of \$9.2 million. The \$10.6 million jump in 2002 was mostly due to a \$16.6 million increase in the high technology credit.



Act 178, SLH 1999, first introduced the high technology investment credit allowing a 10% credit on investments made on a qualified high technology business. The maximum credit allowed was \$500,000. The 2000 legislature relaxed the qualifications for the credit with Act 297. In the following year, Act 221, SLH 2001, increased the credit amount to 100% of investments made with a maximum allowance of \$2 million to be claimed over a five-year period.

Chart 4 illustrates a brief history of tax credits. In the beginning, two credits were introduced: the inversely graduated consumer-type credit, mainly as a means to ease the burden of the general excise tax, and an education tax credit to promote education. As years passed, credits were created as incentives for other various purposes. By tax year 2002, the number of available tax credits rose to twenty-three. Individuals were able to claim all of the credits except for the lifeline telephone service credit. Businesses (corporations, financial corporations and insurance underwriters) are allowed to claim seventeen of these credits. Credits not allowed to businesses include the low-income, low-income renter's, general income, dependent care, child car seat and taxes paid to other jurisdictions.

ANALYSIS OF DATA

All tax credits are classified as refundable or nonrefundable. Refundable credits are any qualified amounts of credit regardless of tax liability. Nonrefundable credits may be claimed against the taxpayer’s net income tax liability for the taxable year. In most cases, any excess nonrefundable credits may be claimed against the taxpayer’s income tax liability in subsequent years until exhausted or up to a limited amount of time. Certain credits require the completion of specific tax forms along with required information or evidence. Facsimiles of these forms can be found in Appendix III.

Low-Income Refundable Tax Credit

The low-income refundable tax credit was first introduced in the 1999 tax year to replace the food/excise tax credit. This credit is similar to the excise tax credit that was eliminated after tax year 1994, and is available to residents with AGI of \$20,000 or less. To qualify for this credit, each qualifying exemption must represent a person who: 1) physically resided in Hawaii for more than nine months of the taxable year; 2) was not in prison, youth correctional facility, or jail for the entire taxable year; and 3) may not be claimed as a dependent by another taxpayer. Each qualified exemption is entitled to an amount of credit based on AGI as shown below:

<u>Adjusted Gross Income</u>	<u>Tax Credit per Qualified Exemption</u>
Under \$10,000	\$35
\$10,000 under 15,000	25
15,000 to 20,000	10
Over \$20,000	0

Exemptions for age do not qualify for this credit. Taxpayers with minor children receiving support from the Department of Human Services are eligible for a \$35 credit per child regardless of income.

Although the taxpayer’s AGI was limited to \$20,000 to qualify, the low-income tax credit was the second most commonly claimed credit. Of the 578,291 returns filed by individuals in tax year 2002, the credit appeared on 31%, or 188,372 returns, amounting to \$8.5 million, slightly more than the 2001 total of \$8.3 million.

Low-Income Household Renter’s Tax Credit

Resident taxpayers who resided in and paid rent for real property during the taxable year may qualify for the refundable low-income household renter’s credit. The taxpayer must: 1) physically reside in Hawaii for more than nine months of the taxable year; 2) not be eligible to be claimed as a dependent by any taxpayer; 3) have AGI under \$30,000; and 4) pay more than \$1,000 in annual rent for real property that is not wholly or partially exempt from

the real property tax. If a rental unit is shared with another person, the individual's portion of rent determines his or her eligibility.

The amount of credit is equal to \$50 per qualified exemption, and taxpayers 65 years of age or older may claim an additional \$50 for the age exemption. Married couples filing separately must combine their adjusted gross income to determine eligibility.

The renter's credit appeared on 69,452 returns for a total \$7.2 million in claims, almost the same as in the past year. Elderly taxpayers claiming at least one age exemption filed 11,055, or 15.9% of the 69,452 returns, and non-elderly taxpayers filed 84.1%, or 58,397 returns. Elderly taxpayers claimed 19.6% of the total \$7.2 million, compared to 80.4% for non-elderly taxpayers. Cumulatively, 19.4% of all resident taxpayers with AGI under \$30,000 (excluding dependent filers) claimed the credit, as seen in Figure 3.

Figure 3
Returns with Renter's Credit by Adjusted Gross Income Class

Adjusted Gross Income		Number of Returns	Returns with Credit	% with Credit	Credit Amount
	Under \$ 1,000	65,111	9,909	15.2	\$1,020,150
\$	1,000 " 5,000	65,226	5,392	8.3	529,300
	5,000 " 10,000	60,173	9,361	15.6	956,000
	10,000 " 15,000	48,938	12,250	25.0	1,229,450
	15,000 " 20,000	44,217	12,544	28.4	1,232,250
	20,000 " 30,000	74,843	19,996	26.7	2,213,350
TOTAL		358,508	69,452	19.4	\$7,180,500

* Excludes returns filed by dependents and full-year nonresidents.

When first offered in 1970, through Act 180, the amount of credit ranged from 2% of rent paid for taxpayers with AGI under \$10,000 to 1% of rent paid for taxpayers with AGI of \$12,500 to under \$15,000. In 1977, Act 16 changed the credit to \$20 per qualifying exemption, and in 1981, Act 230 increased the credit to \$50 per qualifying exemption. While the credit amount has remained unchanged for over 20 years, the Honolulu consumer price index for primary residential rent has grown 109.6% from 1981 to 2002.¹

Child and Dependent Care Expenses Tax Credit

A taxpayer who pays for the care of a child under 13 years of age or for a spouse or dependent incapable of self care may qualify for this refundable tax credit if the taxpayer is gainfully employed.²

¹ www.bls.gov, U.S. Department of Labor, Bureau of Labor Statistics Data, CPI-U.

²Section 235-55.6(d)(2), SLH 1993. As a special rule, a spouse who is a student or incapable of caring for oneself may qualify for this credit as gainfully employed.

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The credit amount ranges from 15% to 25% of qualified care expenses and decreases as adjusted gross income increases. The credit schedule is as follows:

<u>Adjusted Gross Income</u>	<u>Percent of Allowable Expenses</u>
Up to \$22,000	25%
\$22,001 - \$24,000	24%
\$24,001 - \$26,000	23%
\$26,001 - \$28,000	22%
\$28,001 - \$30,000	21%
\$30,001 - \$32,000	20%
\$32,001 - \$34,000	19%
\$34,001 - \$36,000	18%
\$36,001 - \$38,000	17%
\$38,001 - \$40,000	16%
\$40,001 and over	15%

Care expenses eligible for this credit are limited to \$2,400 for one qualified dependent and \$4,800 for two or more qualified dependents. Allowable expenses may not exceed the taxpayer's earned income; for joint returns, the amount may not exceed the income of the spouse with the lower-earned income. For example, if a couple with two dependents paid \$4,000 for care expenses and one spouse earned \$50,000 while the other earned \$3,000, the eligible expense amount would be \$3,000. Since the couple's adjusted gross income is more than \$40,000, the amount of credit would be 15% of \$3,000 or \$450.

For tax year 2002, the dependent care credit was reported on 25,871 returns, totaling \$8.0 million in credits. This amount has remained almost unchanged over the past few years.

Child Passenger Restraint System Tax Credit

Any taxpayer who purchases one or more new child passenger restraint systems that comply with federal motor vehicle safety standards may claim this refundable tax credit, sometimes referred to as the car seat credit. While this credit was introduced in 1982 to encourage the purchase of voluntary child restraint system, car seats became mandatory in the following year. The credit is \$25 per return regardless of the cost or the number of restraint systems purchased during the year.

A total of 4,211 claims were filed for the child passenger restraint system tax credit, amounting to \$105,275, up 2.5% over the previous year's total of \$102,750.

General Income Tax Credit

Since 1981, Hawaii's state constitution required a tax refund or tax credit to resident taxpayers whenever the state general fund surplus exceeded 5% of general fund revenues for each of two successive years. This condition was met and fulfilled from 1981 to 1995, with credit amounts ranging from \$1 to \$125 per qualifying exemption. Since 1991, the credit amount remained at \$1 per exemption, except from 1996 to 2000 when the state general fund surplus did not meet the 5% requirement and the credit was not required.

The qualifying exemption includes a Hawaii resident of at least nine months of the taxable year, even if not physically present in Hawaii, and children supported by public assistance payments. Non-qualifying exemptions include taxpayers who are claimed as dependents by another taxpayer, as well as age exemptions claimed by elderly taxpayers.

A total 444,768 returns reported \$900,756 in general income tax credits.

Capital Goods Excise Tax Credit

Hawaii businesses may claim a capital goods excise tax credit for the purchase of eligible depreciable property that is used in a trade or business. The depreciable property must have a useful life or recovery period of three years or more, and must be placed in service in Hawaii and subject to the general excise or use tax. The refundable credit is equal to 4% of the qualifying cost of such property. Any property claimed under the hotel construction and remodeling tax credit or the motion picture and film production income tax credit may not be claimed under the capital goods excise tax credit.

A total of \$22.2 million was claimed in tax year 2002 on 6,005 returns. While the number of claimants increased from 5,545 in the previous year to 6,005, the amount claimed dropped by \$1.4 million from \$23.6 million to \$22.2 million. Claims by corporations remained almost unchanged, at \$16.6 million. Individual claims increased from \$2.8 million to \$3.4 million, and financial corporation claims dropped from \$4.1 million to \$2.1 million.

Fuel Tax Credit for Commercial Fishers

The principal operator of a commercial fishing vessel may claim the refundable tax credit for certain fuel taxes paid during the taxable year. The credit amount is equal to the fuel taxes imposed under section 243-4(a), HRS, and paid by the operator.

Claims for this credit amounted to \$187,983 claimed by 218 taxpayers, compared to \$100,795 claimed by 239 taxpayers in 2001.

Motion Picture and Film Production Income Tax Credit

Any taxpayer who produces a motion picture or television film that benefits Hawaii's economy may claim a motion picture and film production income tax credit. This refundable credit is equal to 4% of the amount of costs incurred in Hawaii for producing the motion picture or television film plus 7.25% of transient accommodations costs incurred in Hawaii for the production of the motion picture or television film. Only the portion of production costs that is not claimed for depreciation purposes may qualify for the credit.

Twenty taxpayers claimed the motion picture credit amounting to \$199,000. Following the adoption of Act 221 by the 2001 legislature allowing for a 100% credit (over a five-year period) for investment in a high technology business which allows certain qualified film production activities, claims for this credit dropped from \$2.2 million in tax year 2000 to \$85,000 in 2001.

Hotel Construction and Remodeling Tax Credit

Originally introduced by the 1997 legislature to encourage hotel owners to improve their facilities, the hotel construction and remodeling tax credit was a refundable credit equal to 4% of hotel construction and remodeling costs incurred in the taxable year. A taxpayer was not allowed to take a deduction for depreciation purposes under IRC section 179. In 2000, the credit included new construction, and after the 2001 terrorist attack, the credit was increased to 10% of costs, became nonrefundable, and was extended to June 30, 2003.

Claims for this credit amounted to \$3.7 million in tax year 2002, a 49.3% drop from \$7.4 million in 2001.

Energy Conservation Tax Credit

Taxpayers who install an energy conservation device such as a solar system, wind energy system, heat pump or ice storage system may claim the energy conservation tax credit. The credit applies only to the actual cost of the systems, including accessories and installation, but does not include the cost of repairs to existing systems.

The credit amount is equal to 35% of the cost of solar systems, 20% of the cost of wind energy systems and heat pumps, and 50% of the cost of ice storage systems. For single-family residential buildings, the credit is limited to \$1,750 for solar systems and \$400 for heat pumps. For multi-unit buildings used primarily for residential purposes, the credit is limited to \$350 per unit for solar systems and \$200 per unit for heat pumps. There are no limits for hotels, commercial buildings and industrial facilities, and for all wind energy systems and ice storage systems.

Nearly 100%, or 3,236 of the 3,247 claims for the energy device credit, was claimed by individual taxpayers. The total of \$5.2 million claimed was 18.7% lower than the \$6.4 million claimed in the previous year.

Employment of Vocational Rehabilitation Referrals

A taxpayer who employs a vocational rehabilitation referral, or an individual who is certified by the Department of Human Services Vocational Rehabilitation and Services for the Blind Division as having a physical or mental disability which results in a substantial handicap to employment, may qualify for this nonrefundable credit. The credit is equal to 20% of the qualifying first-year wages for that taxable year, up to \$6,000. Thirty claims were filed for the job credit totaling \$26,651.

Enterprise Zone Tax Credit

A business located in a designated enterprise zone may claim a credit equal to a percentage of net income tax due and the amount of unemployment insurance premiums paid based on the payroll of employees employed only at the business located in the enterprise zone. In the first year that a claim is made, the credit is 80% of the qualified amounts, decreasing by 10% each year, down to 20% in the seventh year. This is a nonrefundable credit and any unused credit may not be carried forward.

A total of 61 returns reported this credit totaling \$752,418. This represents an increase over the \$382,778 claimed by 47 taxpayers in 2001.

High Technology Business Investment Tax Credit

Effective from tax year 1999 to 2005, taxpayers were allowed to claim a nonrefundable high technology business investment tax credit. The credit amount was equal to 10% of the total invested in a qualified high technology business (QHTB), up to \$500,000 per year. In 2001, Act 221 increased the maximum credit to \$2 million and allowed for a 100% credit claimable over five years.

Claims of this credit increased by \$16.6 million to a total claim of \$26.2 million in 2002. Claims amounted to \$162,208 in 1999, \$387,633 in 2000, and \$9.6 million in 2001. The number of claimants also increased from 23 in 1999, to 103 in 2000, to 268 in 2001, and to 493 in 2002. Based on data collected from Form N-318, Tax Credits for High Technology, an estimated \$36 million has been claimed since 1999, and \$111.4 million remains outstanding and may be claimed in subsequent years until exhausted.

Insurance underwriters nearly doubled their credit claims from \$6.0 million in 2001 to \$13.1 million in 2002. The \$13.1 million represents half of the total credits claimed.

A search through the website of all the states showed that five other states also had a technology-related tax credit. As with Hawaii, the credit was nonrefundable, but the credit rate ranged from 4% to 10% of qualifying costs. For the state of Maine, the credit was equal to the adjusted basis of technology equipment. Hawaii was the only state with a 100% credit.

Technology Infrastructure Renovation Tax Credit

The technology infrastructure renovation tax credit is equal to 4% of the cost of planning, designing, installing, constructing and purchasing technology-enabled infrastructure equipment. This nonrefundable credit is available for tax years 2001 to 2005. Claims for this credit totaled \$118 thousand in 2002 and \$121 thousand in 2001.

Income Tax Paid to Another State or to a Foreign Country

If a taxpayer has out-of-state income that was taxed by another state or foreign country and by Hawaii, then the taxpayer may claim a credit against Hawaii income for the net income tax paid to other states or foreign countries. The following conditions must be met: 1) income must be earned while the taxpayer was a Hawaii resident; 2) the income on which the tax was imposed was from sources outside Hawaii; 3) the income was subject to income tax of the other state or foreign country; 4) the income is not exempt from federal income tax; 5) the foreign tax credit is not allowed on the federal return; and 6) no credit is allowed for city or local income taxes paid to another state.

A total 5,465 taxpayers filed a claim for this credit totaling \$16.2 million. This was a \$1.3 million increase over the previous year total of \$14.9 million claimed by 5,384 taxpayers.

Low-Income Housing Tax Credit

Owners of residential buildings providing low-income housing may claim the low-income housing credit equal to 30% of the applicable federal low-income housing credit under section 42 of the Internal Revenue Code (IRC). While this credit was first limited to banks and other financial corporations, Act 148, SLH 2000, allowed all taxpayers to claim the credit, whether or not the taxpayer claimed the federal credit, effective with tax year 2000.

Claims for the low-income housing credit amounted to \$3.0 million for tax year 2002. Nearly 83% of this amount, or \$2.5 million, was claimed by financial corporations.

Residential Construction and Remodeling Tax Credit

In its third special session, the 2001 legislature adopted Act 10, allowing for a residential construction and remodeling credit. This nonrefundable credit amount was equal to 4% of the first \$250,000 of construction costs incurred before July 1, 2002. Act 174 of the 2002 legislature extended the time limit to include costs incurred before July 1, 2003.

In its second year, the number of claims doubled from 8,718 to 17,481 claims. The amount claimed increased 18.9% from \$11.3 million to \$13.5 million. The average claim increased with AGI level, ranging from \$34 for taxpayers with AGI under \$5,000 to \$2,419 for taxpayers with AGI \$200,000 and over.

School Repair and Maintenance Tax Credit

The 2001 legislature enacted Act 309, allowing licensed contractors to claim a 10% tax credit, up to \$4,000, on the fair-market value of free repair and maintenance services provided to public schools. While no claims were made in 2001, eight taxpayers claimed a total \$8,365 in 2002.

Drought Mitigation Credit

To assist farmers and ranchers with the drought situation, Act 293, SLH 2001, offered a refundable tax credit to farmers and ranchers for the construction or repair of a qualifying water storage facility, up to the end of tax year 2005. The credit amount was equal to 4% of such costs. Three taxpayers claimed \$4,000 in 2002.

Research Activities Tax Credit

Act 178, SLH 1999, introduced the research activities tax credit that conformed to the 20% federal research and development income tax credit which applied to only the increasing portion of research activity. The Hawaii credit was calculated in the same method as the federal, except that only the Hawaii portion of research is accepted. This credit was available for tax years 2000 to 2005, even if the federal credit was repealed during this period. The 2000 legislature made the credit refundable, and the 2001 legislature removed the requirement for increasing research, allowing taxpayers to make a claim on the entire research expense amount.

While the number of claimers grew from 118 to 153, claims for this credit dropped from \$12.4 million in 2001 to \$9.2 million in 2002. The elimination of increasing research requirement allowed more taxpayers to claim the credit, as seen in tax year 2001 when the credit claims jumped from \$1.8 million in 2000 to \$12.4 million.

A website search through all states revealed about one-half, or twenty-seven states have a research tax credit. The majority of states conforms to the IRC and requires increasing research activity. Credit rates ranged from 4% to 35% with various limits, most as a percentage of tax liability. Louisiana's 35% credit rate applied only to amounts over \$200,000.

Individual Development Account Contribution Tax Credit

Individual Development Account (IDA) is a special savings account program to assist an eligible person (determination made by the fiduciary) to save or accumulate assets, obtain an education and promote micro-enterprise development. A nonrefundable income tax credit of 50% of the amount contributed to fiduciary organizations may be claimed on the income tax return. This credit is effective for taxable years 2000 to 2004 with an aggregate limit of \$1 million. Amounts claimed as deductions to charitable contributions may not qualify for this credit. Since its inception, this credit has never been claimed.

Ethanol Investment Tax Credit

In an effort to promote the use of ethanol fuel, Act 289, SLH 2000, introduced the ethanol investment tax credit. This measure was to take effect from tax year 2002 to 2011. Any facility producing motor fuel grade ethanol from renewable, organic feedstocks, or waste materials would qualify as an ethanol production facility. Investments in such facilities were allowed a 100% credit over a period of time. The annual allotment of this refundable credit was of the lesser of 30% of investment amount or from \$150,000 to \$4.2 million, depending on nameplate capacity (gallons produced per year). No claims were made in this first year.

Other Refundable Tax Credits

Other refundable credits consist of two miscellaneous credits: 1) pro rata share of taxes withheld and paid by a partnership, estate, trust, or S corporation on the sale of Hawaii real property interests; and 2) credit from a regulated investment company. One hundred twelve claims of \$567,000 were reported in 2002.

Lifeline Telephone Service Tax Credit

Lifeline telephone service is available to elderly and disabled residential telephone subscribers with an annual income of less than \$10,000. The Public Utilities Commission determines and certifies the lifeline service costs. The telephone public utility is entitled to claim this tax credit which is equal to the sum of foregone revenues and administrative costs of providing subsidized telephone rates to these eligible individuals.

At the end of tax year 2002, a total of 7,532 subscribers were registered for this service, and the total amount of tax credit claimed by the public utility was \$162,400.

Figure 4
Lifeline Credit and Number of Subscribers
Since Inception of Credit in 1986

Year	No. Subscribers at Year End	Amount of Credit
1986*	4,520	\$ 98,108
1987	5,561	191,332
1988	6,013	210,932
1989	6,473	225,392
1990	6,166	247,064
1991	5,982	219,464
1992	7,677	232,166
1993	6,500	257,062
1994	6,666	247,579
1995	6,952	266,713
1996	7,318	274,828
1997	7,267	365,926
1998	7,572	169,158
1999	8,090	168,884
2000	7,815	171,218
2001	7,681	171,212
2002	7,532	162,414

* In effect seven months.

APPENDIX I

STATISTICAL TABLES

TABLE 1
DOLLAR AMOUNTS OF TAX CREDITS CLAIMED
BY TYPE OF CREDIT AND TYPE OF TAXPAYER - 2002

Type of Credit	TAXPAYER TYPE					
	ALL	Individuals	Corporations	Financial Corporations	Insurance Underwriters	Fiduciaries
Low Income Credit	\$ 8,515,805	\$ 8,515,805	\$ -	\$ -	\$ -	\$ -
Renter's Credit	7,180,500	7,180,500	-	-	-	-
Dependent Care Credit	8,031,027	8,031,027	-	-	-	-
Child Car Seat Credit	105,275	105,275	-	-	-	-
General Income Tax Credit	900,756	900,756	-	-	-	-
Capital Goods Excise Credit	22,203,400	3,420,328	16,614,356	2,126,851	-	41,865
Fuel Credit for Fishing	187,983	64,811	123,172	-	-	-
Motion Picture Credit	198,731	155,279	23,652	-	-	19,800
Hotel Remodeling Credit	3,742,918	401,549	3,321,790	-	-	19,579
Energy Device Credit	5,175,809	2,836,234	827,049	1,512,089	-	437
Vocational Rehabilitation Job Credit	26,651	15,855	10,796	-	-	-
Enterprise Zone Credit	752,418	550,018	202,400	-	-	-
High Technology Credit	26,185,181	11,191,036	1,710,041	-	13,057,896	226,208
Technology Infrastructure Credit	117,594	16,789	100,569	-	-	236
Taxes Paid to Other Jurisdictions	16,205,130	15,691,956	-	-	-	513,174
Low-Income Housing Credit	3,024,915	29,078	24,700	2,510,510	460,543	84
Residential Remodeling Credit	13,459,259	13,284,299	163,093	-	-	11,867
Minor School Repair & Maintenance	8,365	1,209	7,156	-	-	-
Drought Mitigation Credit	4,343	182	4,161	-	-	-
Research Activities Credit	9,155,582	2,502,034	6,652,918	-	-	630
Other Refundable Credits	567,380	284,405	282,975	-	-	-
Lifeline Telephone Service Credit	162,414	-	162,414	-	-	-
GRAND TOTAL	\$ 125,911,436	\$ 75,178,425	\$ 30,231,242	\$ 6,149,450	\$ 13,518,439	\$ 833,880

TABLE 2
NUMBER OF RETURNS CLAIMING SELECTED TAX CREDITS BY TYPE OF CREDIT
AND BY TAXATION DISTRICT - 2002

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Low Income Credit	188,372	135,343	19,523	24,601	8,905
Renter's Credit	69,452	53,208	6,949	6,793	2,502
Dependent Care Credit	25,871	19,375	2,614	2,720	1,162
Child Car Seat Credit	4,211	2,954	578	413	266
General Income Tax Credit	444,768	322,479	48,536	52,443	21,310
Capital Goods Excise Credit	6,005	4,181	784	745	295
Fuel Credit for Fishing	218	90	20	79	29
Hotel Remodeling Credit	147	110	13	13	11
Energy Device Credit	3,247	2,012	595	476	164
High Technology Credit	493	432	*	*	*
Taxes Paid to Other Jurisdictions	5,465	3,998	552	638	277
Residential Remodeling Credit	17,481	12,169	2,789	1,952	571
Research Activities Credit	153	135	8	4	6

* Data suppressed to protect taxpayer confidentiality

TABLE 3
DOLLAR AMOUNTS OF TAX CREDITS CLAIMED BY INDIVIDUALS
BY DISTRICT AND TYPE OF CREDIT - 2002

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Low Income Credit	\$ 8,515,805	\$ 6,139,960	\$ 850,600	\$ 1,108,845	\$ 416,400
Renter's Credit	7,180,500	5,577,850	671,950	689,650	241,050
Dependent Care Credit	8,031,027	6,132,782	808,216	783,138	306,891
Child Car Seat Credit	105,275	73,850	14,450	10,325	6,650
General Income Tax Credit	900,756	653,406	98,202	105,462	43,686
Capital Goods Excise Credit	3,420,328	1,992,131	844,280	396,368	187,549
Fuel Credit for Fishing	64,811	20,239	3,819	32,011	8,742
Motion Picture Credit	155,279	132,824	782	21,673	-
Hotel Remodeling Credit	401,549	220,154	17,394	46,323	117,678
Energy Device Credit	2,836,234	1,748,533	505,448	446,042	136,211
Vocational Rehabilitation Job Credit	15,855	14,120	-	317	1,418
Enterprise Zone Credit	550,018	439,779	4,739	103,135	2,365
High Technology Credit	11,191,036	9,485,330	1,541,859	146,056	17,791
Technology Infrastructure Credit	16,789	14,966	-	912	911
Taxes Paid to Other Jurisdictions	15,691,956	11,586,196	1,892,703	1,195,411	1,017,646
Low-Income Housing Credit	29,078	24,743	188	4,147	-
Residential Remodeling Credit	13,284,299	8,505,526	2,475,535	1,611,831	691,407
Minor School Repair & Maintenance	1,209	1,209	-	-	-
Drought Mitigation Credit	182	-	-	182	-
Research Activities Credit	2,502,034	2,459,740	27,427	5,646	9,221
Other Refundable Credits	284,405	260,270	18,145	1,703	4,287
TOTAL FOR INDIVIDUALS	\$ 75,178,425	\$ 55,483,608	\$ 9,775,737	\$ 6,709,177	\$ 3,209,903

TABLE 4
 NUMBER OF INDIVIDUAL RETURNS CLAIMING TAX CREDITS
 BY SIZE OF CREDITS PER RETURN AND BY ADJUSTED GROSS INCOME - 2002

ADJUSTED GROSS INCOME CLASS	Number of Returns with Credits	SIZE OF TAX CREDIT								
		under \$25	\$25 under \$50	\$50 under \$100	\$100 under \$150	\$150 under \$200	\$200 under \$300	\$300 under \$500	\$500 under \$1,000	\$1,000 and over
Under \$ 5,000	78,565	3,807	36,833	23,478	7,906	2,044	3,227	986	147	137
\$ 5,000 " 10,000	43,120	2,173	18,775	13,370	3,747	1,978	1,523	950	544	60
10,000 " 15,000	39,959	2,733	14,381	13,526	2,215	2,894	2,154	1,439	514	103
15,000 " 20,000	39,149	21,684	3,153	6,951	2,977	1,503	1,129	1,048	593	111
20,000 " 25,000	35,046	21,849	361	5,388	2,192	1,675	1,753	878	793	157
25,000 " 30,000	30,490	19,855	273	4,305	1,385	1,496	1,726	548	723	179
30,000 " 35,000	24,737	22,202	306	281	310	169	285	683	376	125
35,000 " 40,000	21,501	19,066	305	375	221	167	247	544	377	199
40,000 " 45,000	16,130	13,770	291	314	225	181	243	542	367	197
45,000 " 50,000	16,056	13,634	312	334	185	172	242	575	364	238
50,000 " 75,000	57,334	46,094	1,229	1,462	1,007	835	1,127	2,492	1,726	1,362
75,000 " 100,000	29,510	21,233	797	999	750	588	836	1,753	1,342	1,212
100,000 " 150,000	20,576	14,116	534	663	503	446	645	1,272	1,033	1,364
150,000 " 200,000	5,112	3,177	113	157	111	95	149	286	336	688
200,000 and over	5,912	3,167	95	130	112	106	123	286	385	1,508
TOTAL	463,197	228,560	77,758	71,733	23,846	14,349	15,409	14,282	9,620	7,640
Percent of Total*	100.0%	49.3%	16.8%	15.5%	5.1%	3.1%	3.3%	3.1%	2.1%	1.6%

* Details may not add up to total due to rounding.

TABLE 5
NUMBER OF INDIVIDUAL RETURNS CLAIMING TAX CREDITS
BY GEOGRAPHICAL AREAS - 2002

Geographical Area	Number of Returns	Low Income Credit	Renter's Credit	Dependent Care Credit	Child Car Seat Credit	General Income Tax Credit	Capital Goods Excise Credit	Energy Device Credit	Residential Re-modeling Credit	Payments to other States	All Other Credits
STATEWIDE TOTAL	578,291	188,372	69,452	25,871	4,211	444,768	3,896	3,236	17,411	5,393	1,019
Oahu											
Kaimuki to Hawaii Kai	46,388	15,037	4,154	2,312	333	38,209	539	301	2,468	847	175
Makiki to Waikiki	52,866	20,086	10,980	1,588	233	42,580	392	117	1,525	619	105
Downtown, Nuuanu	49,973	21,582	10,241	1,603	232	42,110	320	87	1,227	376	94
Airport, Kalihi	34,835	12,487	6,725	1,705	215	28,117	97	258	583	145	31
Kailua, Kaneohe	47,094	14,774	3,193	2,888	399	38,266	322	328	2,160	536	82
North Shore	12,368	3,525	1,490	348	79	9,411	55	42	281	82	10
Wahiawa, Mililani	33,180	8,621	2,457	2,164	346	25,859	134	226	1,037	173	23
Aiea, Pearl City	34,190	10,860	3,120	1,626	266	28,376	178	179	1,085	230	42
Waipahu	28,322	10,323	4,881	1,758	262	24,049	59	148	520	89	12
Kapolei, Ewa	28,924	7,530	2,733	2,301	340	24,509	95	197	654	118	15
Waianae Coast	14,203	6,602	2,162	477	85	12,225	21	41	162	41	18
Maui											
Wailuki-Kahului	22,100	7,567	2,257	1,083	291	18,819	155	206	863	112	17
Kihei	8,797	2,537	1,593	417	60	6,417	108	134	578	185	11
Lahaina	8,789	2,741	1,338	318	46	7,477	69	76	385	115	11
Rural Maui	16,174	5,417	1,705	775	155	13,457	235	169	970	243	29
Molokai	2,982	1,479	105	33	11	2,493	14	19	31	21	5
Lanai	1,280	107	53	53	5	1,038	1	11	49	3	3

TABLE 5 (Continued)
 NUMBER OF INDIVIDUAL RETURNS CLAIMING TAX CREDITS
 BY GEOGRAPHICAL AREAS - 2002

Geographical Area	Number of Returns	Low Income Credit	Renter's Credit	Dependent Care Credit	Child Car Seat Credit	General Income Tax Credit	Capital Goods Excise Credit	Energy Device Credit	Residential Re-modeling Credit	Payments to other States	All Other Credits
Hawaii											
Hilo	20,941	9,043	2,624	1,046	162	17,603	136	94	539	138	24
Puna to Kau	12,654	6,381	997	371	72	10,815	49	75	273	98	20
Kona	19,247	6,090	2,010	811	99	15,821	187	205	641	323	47
Kohala	7,707	1,577	713	419	62	5,901	102	103	425	127	21
Hamakua	5,384	2,215	562	157	28	4,273	38	28	154	30	8
Kauai											
North Kauai	10,665	3,534	1,331	425	106	8,346	95	74	278	175	12
Lihue	7,063	2,296	798	338	70	5,983	68	34	131	59	8
Koloa to Poipu	1,857	801	66	94	19	1,743	19	8	61	35	5
West Kauai	7,808	2,753	506	329	71	5,907	56	55	137	55	19
Other / no zip code	42,500	2,407	658	432	164	4,964	352	21	194	418	172

TABLE 6
 NUMBER CLAIMING RENTER'S TAX CREDIT, NUMBER OF EXEMPTIONS,
 AND TAX CREDITS CLAIMED, BY ADJUSTED GROSS INCOME - 2002

ADJUSTED GROSS INCOME CLASS			Number Claiming	Number of Exemptions*			Tax Credits Claimed
				Total	Regular*	Age*	
	Under	\$ 1,000	9,909	21,290	14,309	6,981	\$ 1,020,150
\$ 1,000	"	3,000	2,434	4,520	3,646	874	225,350
3,000	"	5,000	2,958	6,236	5,316	920	303,950
5,000	"	7,000	3,431	6,248	5,510	738	309,450
7,000	"	9,000	3,619	8,725	8,233	492	428,900
9,000	"	11,000	5,248	10,582	9,794	788	521,400
11,000	"	13,000	4,907	10,548	9,952	596	522,350
13,000	"	15,000	4,406	8,170	7,919	251	403,350
15,000	"	17,000	4,673	8,949	8,548	401	447,150
17,000	"	20,000	7,871	15,762	15,357	405	785,100
20,000	"	25,000	11,283	25,667	25,224	443	1,261,450
25,000	"	30,000	8,713	19,151	18,694	457	951,900
TOTAL			69,452	145,848	132,502	13,346	\$ 7,180,500

* Reflects the number of personal exemptions claimed for net income purposes.

TABLE 7

TOTAL INDIVIDUAL RETURNS FILED AND LOW INCOME TAX CREDITS CLAIMED BY ADJUSTED GROSS INCOME - 2002

ADJUSTED GROSS INCOME CLASS	Total No. of Returns Filed	RETURNS WITH CREDIT				RETURNS WITHOUT CREDIT	
		No. of Returns	No. of Regular Exemptions*	Exemptions per Return	Amount of Tax Credits	No. of Returns	Percent of Total
Under \$ 5,000	130,337	74,462	109,394	1.47	\$ 3,920,775	55,875	42.9%
\$ 5,000 "	60,173	40,539	65,525	1.62	2,304,340	19,634	32.6%
10,000 "	48,938	36,844	64,972	1.76	1,640,205	12,094	24.7%
15,000 "	44,217	36,185	62,867	1.74	628,680	8,032	18.2%
20,000 and over **	294,626	342	1,110	3.25	21,805	294,284	99.9%
TOTAL	578,291	188,372	303,868	1.61	\$ 8,515,805	389,919	67.4%

* Reflects the number of personal exemptions for net income tax purpose only. Regular exemptions exclude age exemptions.

** Foster children are eligible for the low income credit even if family adjusted gross income is larger than \$20,000.

TABLE 8
 COMPARATIVE DATA ON INDIVIDUAL RETURNS FILED,
 SHOWING NUMBER AND PERCENTAGE CLAIMING THE LOW INCOME TAX CREDIT - 2002
 STATEWIDE

ADJUSTED GROSS INCOME CLASS			Number of Returns Filed			Returns with Credit			% of Returns with Credit		
			Single ¹	Joint ²	H/H ³	Single ¹	Joint ²	H/H ³	Single ¹	Joint ²	H/H ³
Under	\$	5,000	88,827	35,804	5,706	48,202	21,321	4,939	54.3	59.5	86.6
\$	5,000	" 10,000	40,587	14,070	5,516	25,577	9,988	4,974	63.0	71.0	90.2
	10,000	" 15,000	30,019	12,544	6,375	21,292	9,420	6,132	70.9	75.1	96.2
	15,000	" 20,000	26,500	10,388	7,329	21,564	7,814	6,807	81.4	75.2	92.9
	20,000	and over ³	107,979	155,238	31,409	48	177	117	0.0	0.1	0.4
TOTAL			293,912	228,044	56,335	116,683	48,720	22,969	39.7	21.4	40.8

¹ Includes married filing separately.

² Includes qualified surviving spouse.

³ Head of Household

⁴ Foster children are eligible for the low income credit even if family adjusted gross income is larger than \$20,000.

TABLE 9
NUMBER CLAIMING DEPENDENT CARE TAX CREDIT, DEPENDENT CARE
EXPENSES ALLOWED, AND TAX CREDIT CLAIMED, BY ADJUSTED GROSS INCOME - 2002
STATEWIDE

ADJUSTED GROSS INCOME CLASS			Number of Returns Filed	Returns Claiming Credit	Percent With Credit	Expenses Allowed	Tax Credit Claimed
	Under	\$ 5,000	130,337	260	0.2	\$ 381,208	\$ 95,302
\$ 5,000	"	10,000	60,173	509	0.8	850,592	212,648
10,000	"	15,000	48,938	802	1.6	1,354,672	338,668
15,000	"	20,000	44,217	1,143	2.6	1,903,488	475,872
20,000	"	25,000	40,505	1,448	3.6	2,442,927	590,793
25,000	"	30,000	34,338	1,403	4.1	2,312,994	503,708
30,000	"	35,000	28,681	1,350	4.7	2,256,502	433,965
35,000	"	40,000	25,206	1,210	4.8	2,177,415	366,006
40,000	"	45,000	18,731	1,249	6.7	2,332,946	349,952
45,000	"	50,000	18,204	1,309	7.2	2,440,381	366,066
50,000	"	75,000	63,334	6,292	9.9	11,669,151	1,750,419
75,000	"	100,000	31,725	4,575	14.4	8,490,822	1,273,661
100,000	"	150,000	21,699	3,135	14.4	5,987,010	898,077
150,000	"	200,000	5,597	666	11.9	1,363,422	204,518
200,000	and over		6,606	520	7.9	1,142,458	171,372
TOTAL			578,291	25,871	4.5	\$ 47,105,988	\$ 8,031,027

TABLE 10
 NUMBER CLAIMING DEPENDENT CARE TAX CREDITS BY ADJUSTED GROSS INCOME
 AND BY EXPENSES ALLOWED - 2002
 STATEWIDE

ALLOWABLE DEPENDENT CARE EXPENSES			TOTAL	ADJUSTED GROSS INCOME				
				Under \$15,000	\$15,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 and over
Under	\$ 500		4,613	334	755	912	1,907	705
\$ 500	"	1,000	4,634	263	708	908	2,039	716
1,000	"	1,500	2,983	215	509	545	1,186	528
1,500	"	2,000	2,085	124	355	420	834	352
2,000	"	2,500	7,311	450	1,258	1,590	2,917	1,096
2,500	"	3,000	458	25	39	67	226	101
3,000	"	3,500	476	19	47	75	227	108
3,500	"	4,000	442	18	51	68	213	92
4,000	"	4,500	363	15	27	91	166	64
4,500	and over		2,506	108	245	442	1,152	559
TOTAL			25,871	1,571	3,994	5,118	10,867	4,321

TABLE 11
 NUMBER CLAIMING CAPITAL GOODS EXCISE TAX CREDIT, AMOUNT OF CAPITAL ASSETS
 PURCHASED, AND TAX CREDIT CLAIMED - 2002
 INDIVIDUAL RETURNS, STATEWIDE

ADJUSTED GROSS INCOME CLASS		Number Claiming	Amount of Qualified Purchases	Tax Credit Claimed
	Under \$ 10,000	698	\$ 11,078,800	\$ 443,152
\$ 10,000	" 20,000	254	2,149,175	85,967
20,000	" 30,000	275	2,745,500	109,820
30,000	" 40,000	226	2,201,375	88,055
40,000	" 50,000	260	2,815,175	112,607
50,000	" 75,000	502	4,959,250	198,370
75,000	" 100,000	401	6,579,775	263,191
100,000	" 150,000	427	6,480,775	259,231
150,000	" 200,000	206	3,692,400	147,696
200,000	and over	647	42,805,975	1,712,239
TOTAL		3,896	\$ 85,508,200	\$ 3,420,328

TABLE 12
 NUMBER CLAIMING CAPITAL GOODS EXCISE TAX CREDIT, AMOUNT OF CAPITAL ASSETS
 PURCHASED, AND TAX CREDIT CLAIMED - 2002
 CORPORATION RETURNS*, STATEWIDE

GROSS RECEIPTS CLASS			Number Claiming	Amount of Qualified Purchases	Tax Credit Claimed
	Under	\$ 100,000	206	\$ 56,525,200	\$ 2,261,008
\$	100,000	" 500,000	434	9,949,425	397,977
	500,000	" 1,000,000	312	6,744,000	269,760
	1,000,000	" 5,000,000	619	50,023,750	2,000,950
	5,000,000	" 10,000,000	182	15,697,000	627,880
	10,000,000	and over	259	329,590,800	13,183,632
TOTAL			2,012	\$ 468,530,175	\$ 18,741,207

*Includes financial corporations filing Form F-1.

TABLE 13
 NUMBER CLAIMING GENERAL INCOME TAX CREDIT
 BY ADJUSTED GROSS INCOME - 2002
 STATEWIDE

ADJUSTED GROSS INCOME CLASS			Number of Returns Filed	Returns Claiming Credit	Percent With Credit	Tax Credit Claimed
	Under	\$ 5,000	130,337	71,810	55.1	\$ 105,903
\$ 5,000	"	10,000	60,173	39,762	66.1	63,614
10,000	"	15,000	48,938	37,441	76.5	64,116
15,000	"	20,000	44,217	37,332	84.4	63,831
20,000	"	25,000	40,505	33,963	83.8	64,473
25,000	"	30,000	34,338	29,586	86.2	55,696
30,000	"	35,000	28,681	24,552	85.6	46,335
35,000	"	40,000	25,206	21,316	84.6	42,835
40,000	"	45,000	18,731	15,979	85.3	35,756
45,000	"	50,000	18,204	15,894	87.3	38,615
50,000	"	75,000	63,334	56,765	89.6	146,662
75,000	"	100,000	31,725	29,205	92.1	84,055
100,000	"	150,000	21,699	20,321	93.6	59,801
150,000	"	200,000	5,597	5,042	90.1	13,891
200,000	and over		6,606	5,800	87.8	15,173
TOTAL			578,291	444,768	76.9	\$ 900,756

TABLE 14
 INDIVIDUAL RETURNS CLAIMING RESIDENTIAL CONSTRUCTION AND REMODELING TAX CREDIT,
 QUALIFIED CONSTRUCTION COSTS, AND TAX CREDIT CLAIMED, BY ADJUSTED GROSS INCOME - 2002
 STATEWIDE

ADJUSTED GROSS INCOME CLASS		Number of Returns Filed	Returns Claiming Credit	Percent With Credit	Qualifying Construction Costs	Tax Credit Claimed
Under	\$ 5,000	130,337	80	0.1	\$ 67,475	\$ 2,699
\$ 5,000	" 10,000	60,173	229	0.4	272,600	10,904
10,000	" 15,000	48,938	360	0.7	1,104,650	44,186
15,000	" 20,000	44,217	504	1.1	1,971,900	78,876
20,000	" 25,000	40,505	551	1.4	3,100,700	124,028
25,000	" 30,000	34,338	663	1.9	4,757,575	190,303
30,000	" 35,000	28,681	721	2.5	5,700,875	228,035
35,000	" 40,000	25,206	767	3.0	7,580,350	303,214
40,000	" 45,000	18,731	747	4.0	7,291,300	291,652
45,000	" 50,000	18,204	806	4.4	8,511,525	340,461
50,000	" 75,000	63,334	3,777	6.0	51,829,750	2,073,190
75,000	" 100,000	31,725	3,152	9.9	56,797,950	2,271,918
100,000	" 150,000	21,699	2,775	12.8	68,773,325	2,750,933
150,000	" 200,000	5,597	976	17.4	35,561,500	1,422,460
200,000	and over	6,606	1,303	19.7	78,786,000	3,151,440
TOTAL		578,291	17,411	3.0	\$ 332,107,475	\$ 13,284,299

APPENDIX II

OUTLINE OF TAX CREDIT HISTORY

Outline of Tax Credit History by Year of Enactment

Year	Act	Tax Credit	Tax Credit Description or Modification
1957	1	Out-of-state taxes paid	Credit on portion of income taxes paid to another state or foreign country.
1965	155	Consumer-type	Range established at \$18 to \$0.45 per qualified exemption based on modified adjusted gross income (MAGI).
	155	Education credit	Set at \$50 to \$2 for higher education, \$20 to \$2 for K12, based on modified adjusted gross income (MAGI).
1967	229	Credit against individual income tax	Formerly named the consumer-type credit; limited to residents with MAGI under \$7,000; credit range changed to \$20 to \$1 per qualified exemption.
	229	Education credit	Limited to residents with adjusted gross income (AGI) under \$7,000.
1969	60	Credit against individual income tax	Expanded upper income limit to MAGI under \$10,000, raised maximum credit per qualified exemption to \$21.
1970	180	Drug and medical expense credit	Credit range established at 4% to 1% of expenses, based on MAGI under \$14,000.
	180	Rent credit	Credit range of 2% to 1% of rent paid, inversely graduated to AGI under \$15,000.
1971	59	Drug and medical expense credit	Person aged 65 or older allowed two exemptions beginning with 1972 tax year.
1974	221	Excise credit	Replaced four previous credits: credit against individual income tax, education, drug and medical expense, and rent credits; set at \$30 to \$6 per qualified exemption based on AGI under \$15,000.
1976	189	Energy device credit	Set at 10% of cost of solar device installed after 12/31/74 but before 12/31/81.
	208	Excise credit	Raised maximum credit to \$40 per qualified exemption; raised AGI ceiling to under \$20,000; person aged 65 or over allowed two exemptions.
1977	15	Rent credit	Set at \$20 per qualified exemption; AGI must be less than \$20,000 and annual rent must be greater than \$1,000; age 65 or over allowed two exemptions.
	196	Child and dependent care credit	Set at 5% of care expenses; maximum credit \$100 for one and \$200 for two or more qualified dependents.
1978	19	Hot water insulation credit	Up to \$30 for cost of materials; expired 12/31/84.

Tax Credits - 2002

Year	Act	Tax Credit	Tax Credit Description or Modification
1980	228	Excise Credit	Increased credit per qualified exemption; new range \$48 to \$8.
1981	230	Rent credit	Raised to \$50 per qualified exemption.
	231	General income credit	Set at \$100 per qualified exemption.
	233	Energy device credit	Expanded to include home heat pumps and wind energy devices; extended expiration date to 12/30/85.
	234	Child and dependent care credit	Raised to 10% of expenses; maximum credit raised to \$200 for one and \$400 for two or more qualified decedents.
1982	25	Child and dependent care credit	Changed to graduated credit ranging from 15% to 10% of expenses, based on AGI; maximum credit raised to \$360 for one and \$720 for two or more qualified dependents.
	134	Child passenger restraint credit	Set at \$25 per return for purchase of qualified care seat.
	265	General income credit	Reduced to \$25 per qualified exemption.
1983	67	Energy device credit	Eligibility extended to heat pumps for commercial use.
	97	General income credit	Reduced to \$1 per qualified exemption.
1984	55	General income credit	\$1 per qualified exemption.
1985	81	General income credit	\$1 per qualified exemption.
	232	Energy device credit	Extended expiration date to 12/30/92; increases to 15% if federal energy credit not extended beyond 12/31/85.
1986	49	General income credit	\$1 per qualified exemption.
	66	Energy device credit	Raised to 15% if federal energy credit not retroactively extended or reenacted.
	70	Energy device credit:	Expanded to include ice storage systems with credit set at 10% of cost.
1987	41	General income credit	\$1 per qualified exemption.
	239	Food credit	Set at \$45 per qualified exemption; to expire 12/31/90.
	239	Capital goods excise credit	Set at 3% of cost of qualified tangible business property for tax year 1988 and 4% of cost for 1989 and thereafter.
1988	11	Excise credit	Credit range changed to \$55 to \$10 per qualified exemption; AGI ceiling raised to \$30,000.
	185	General income credit	\$1 per qualified exemption.

Tax Credits - 2002

Year	Act	Tax Credit	Tax Credit Description or Modification
1988	216	Low-income housing credit	30% credit on the qualified basis of each low-income building located in Hawaii as provided in IRC section 43(b).
1989	307	Energy device credit	Raised to 20% of cost if placed in service after 12/31/89.
	321	Medical services excise credit	Set at 4% of qualified medical expenses; maximum credit \$200 for most residents, \$400 if 65 or older, and \$600 if both joint taxpayers 65 years or older.
	321	Rent credit	AGI ceiling raised to \$30,000.
	321	Child and dependent care credit	Credit made refundable if it exceeds tax liability; AGI ceiling for maximum 15% rate raised from \$10,000 to \$22,000.
	322	Child and dependent care credit	Raised rate to 25% to 15% of qualified expenses effective after 12/31/89.
	323	General income credit	\$125 per qualified exemption.
1990	98	Renters credit	Allowed residents with no taxable income to claim the credit.
	186	General income credit	Reduced to \$60 per qualified exemption.
	187	Food/excise credit	Repealed excise credit and created a permanent food/excise credit; food credit increased from \$45 to \$55 per qualified exemption; no change in excise credit rates.
	319	Energy device credit	Extended expiration date to 12/31/98; credit ceilings set according to device and type of dwelling: solar device--lesser of 35% of cost or \$1,750 if placed in single-family dwelling or \$350 if placed in multi-family dwelling, no cap for hotel, commercial, or industrial installation; heat pump--lesser of 20% of cost or \$400 if installed in single-family unit or \$200 if placed in multi-family unit; no cap for hotel, commercial, or industrial installations; wind energy device--rate increased from 15% to 20% of cost; ice storage systems--rate increased to 50% of cost if installed and placed in service after 12/31/90.
1991	137	Job credit	20% of wage up to \$1,200 per vocational rehabilitation employee.
	179	General income credit	\$1 per qualified exemption.
	217	Medical services excise credit	Extended the medical service excise credit to 12/31/96.
1992	128	General income credit	\$1 per qualified exemption.
1993	184	General income credit	\$1 per qualified exemption.
	315	Medical services excise credit	6% of nursing facility expenses.

Tax Credits - 2002

Year	Act	Tax Credit	Tax Credit Description or Modification
1994	85	General income credit	\$1 per qualified exemption.
1995	23	Medical services excise credit	Repealed the 4% portion of the tax credit and retains 6% of the nursing facility tax portion.
	93	General income credit	\$1 per qualified exemption.
	134	Medical services excise credit	Repealed the medical service tax credit and the nursing facilities tax credit.
	134	Food/excise credit	Reduced the food portion of the food/excise tax credit from \$55 to \$27 per qualified exemption, and repeals the excise portion of the food/excise tax credit.
1996	286	Enterprise zone credit	Exempted general excise taxes on the gross proceeds from manufacture of tangible personal property, the wholesale of tangible personal property, or the engaging in a service business by qualified businesses in the enterprise zone.
1997	107	Motion picture credit	Provided an income tax credit of up to 4% of costs incurred, and of up to 6% of transient accommodations costs incurred in the production of motion picture or television films in the state.
	108	Hotel remodeling credit	Provided an income tax credit equal to 4% of the renovation costs for each qualified hotel facility located in Hawaii, with tax credit cap of 10% of the transient accommodations tax paid by the taxpayer in the preceding tax year.
1998	156	Motion picture credit	Increases credit from 6% to 7.25% of transient accommodations costs incurred.
	157	Food tax credit	Repealed food tax credit beginning tax year 1999.
	157	Low-income credit	Established refundable graduated low-income credit beginning tax year 1999.
	163	Energy device credit	Extended sunset date for energy device credits to July 1, 2003.
1999	024	Low-income housing credit	Expanded to include insurance companies.
	160	IDA credit	IDA tax credit up to 50% of contribution to an individual development account (IDA).
	178	High technology credit	10% of the investment made by the taxpayer in each qualified high technology business, up to a maximum allowed credit of \$500,000, effective tax years 1999 to 2005.
	178	Research activity credit	Adopts federal income tax credit for increasing research activities, effective tax years 2000 to 2005.

Tax Credits - 2002

Year	Act	Tax Credit	Tax Credit Description or Modification
1999	306	Qualified improvement credit	Qualified improvement tax credit for capitalized costs of construction and equipment of a permanent nature with respect to resort and hotel properties. Unspecified percent of credit may be applied against GET, income, PSC or TAT.
2000	148	Low-income housing credit	Allows partnerships to claim low-income housing credit.
	184	Individual development account	5% of amount contributed to an IDA up to \$1 million, between January 01, 2000 and December 31, 2004.
	174	Research activity credit	Retains credit for increasing research activities, even if federal credit is repealed.
	289	Ethanol investment credit	16 step investment tax credits for ethanol production facility based on gallons produced, capped at lesser of 30% of investment of specified dollar amount per step. Effective after December 31, 2001.
	297	Research activity credit	Makes the credit refundable.
	297	High technology credit	Eases requirements to qualify for credit.
2001	36	General income credit	\$1 per qualified exemption.
	221	Research activities credit	Removes requirement for increasing research.
	221	High technology credit	Increases maximum credit to \$2 million and credit percentage to 100%.
	293	Drought mitigation credit	4% of cost of construction or repair of qualified water storage facility for farmers and ranchers.
	309	School repair and maintenance credit	10% of fair-market value of repair and maintenance of public schools by licensed contractors.
2001 3 rd SS	10	Hotel construction and remodeling credit	Increases credit to 10% of costs and makes it nonrefundable until June 30, 2003.
	10	Residential construction and remodeling credit	4% of cost of new residential construction or remodeling.
2002	63	General income credit	\$1 per qualified exemption.
	174	Residential construction and remodeling credit	Extends the credit to costs incurred before July 1, 2003.

APPENDIX III

FACSIMILES OF N-11, N-12, N-13, N-15, N-30 AND F-1 TAX RETURNS AND TAX CREDIT FORMS

STATE OF HAWAII — DEPARTMENT OF TAXATION
FORM N-11 (Rev. 2002) **Individual Income Tax Return 2002**
RESIDENT FILING FEDERAL RETURN
 Calendar Year 2002
USE THIS FORM ONLY IF YOU ARE FILING A FEDERAL TAX RETURN FOR 2002.

DO NOT WRITE OR STAPLE IN THIS SPACE

Check box if filing for the first time or if address has changed

Your first name and initial: _____ Last name: _____ AMID UNP 008 PNT INT _____
 Year social security number: _____

If a joint return, spouse's first name and initial: _____ Last name: _____
 Spouse's social security number: _____

Present mailing or home address (Number and street, including apartment number or rural route): _____
 City, town or post office, State and ZIP code. If you have a foreign address, see Instructions. _____

1 Single
 2 Married filing joint return (even if only one had income).
 3 Married filing separate return. Enter spouse's social security no. above and full name here. •
 4 Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here. •
 5 Qualifying widow(er) with dependent child. (Year spouse died • _____)
 CAUTION: If you can be claimed as a dependent on another person's tax return (such as your parents), DO NOT check box 6a, but be sure to check the box above line 20.

6a Yourself. Enter the number of boxes checked on 6a and 6b. _____
 6b Spouse. _____
 6c Enter the number of your dependent children listed on federal return. _____
 6d Enter the number of other dependents listed on federal return. _____
 6e Total number of exemptions claimed. Add numbers entered in boxes above. _____

7 Federal adjusted gross income (AGI) from Form 1040, 1040A, or 1040EZ. _____
 8 Difference in state/federal wages due to COLA, ERS, etc. (see page 10 of the instructions) _____
 9 Interest on out-of-state bonds (including municipal bonds) _____
 10 Other Hawaii additions to federal AGI (see page 11 of the instructions) _____
 11 Add lines 7 and 10. Total Hawaii additions to federal AGI _____
 12 Add lines 7 and 11. _____
 13 Pensions taxed federally but not taxed by Hawaii _____
 14 Social security benefits taxed on federal return _____
 15 First \$1750 of military reserve or Hawaii national guard duty pay _____
 16 Payments to an individual housing account _____
 17 Other Hawaii subtractions from federal AGI (see page 13 of the instructions) _____
 18 Add lines 13 through 17. Total Hawaii subtractions from federal AGI _____
 19 Line 12 minus line 18. Hawaii AGI _____

CAUTION: If you can be claimed as a dependent on another person's return, check here and see the instructions on page 15. If you do not itemize your deductions, go to line 21 below. Otherwise go to page 15 of the instructions and enter your itemized deductions here.

20a Medical and dental expenses (from Worksheet A-1) _____
 20b Taxes (from Worksheet A-2) _____
 20c Interest expense (from Worksheet A-3) _____
 20d Contributions (from Worksheet A-4) _____
 20e Casualty and theft losses (from Worksheet A-5) _____
 20f Miscellaneous deductions (from Worksheet A-6) _____
 21 Enter itemized deductions (from Worksheet A-6) _____
 Standard Deduction shown below for your filing status.
 Single — \$1,500
 Married filing jointly or Qualifying widow(er) — \$1,650
 Head of household — \$1,650
 Manned filing separately — \$950
 22 Line 19 minus line 21. (This line MUST be filled in.) _____
 23 Multiply \$1,040 by the total number of exemptions claimed on line 6e. If you and/or your spouse are blind, deaf, or disabled, check applicable box(es) Yourself Spouse, and see page 20 of the instructions. _____
 24 Taxable Income. Line 22 minus line 23 (but not less than zero) _____ Taxable Income _____

ROUND TO THE NEAREST DOLLAR

7 • 00
 8 00
 9 00
 10 00
 11 • 00
 12 00
 13 00
 14 00
 15 00
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 17 00
 18 00
 19 00

20a 00
 20b 00
 20c 00
 20d 00
 20e 00
 20f 00
 21 00
 22 00
 23 00
 24 00

Form N-11 (Rev. 2002) Page 2

25 Amount from line 24 (Taxable Income) _____
 26 Tax. Check if from Tax Table; Tax Rate Schedule; Form N-168; Form N-615; or Capital Gains Tax Worksheet on page 28 of the instructions. _____
 Net capital gain from line 14 of Capital Gains Tax Worksheet • _____
 27 Total nonrefundable tax credits (attach Schedule CR) _____
 28 Hawaii State income tax withheld and tax without on IHA distribution _____
 29 2002 estimated tax payments _____
 30 Amount of estimated tax applied from 2001 return _____
 31 Amount paid with extension(s) _____
 32 Low-income Retainable Tax Credit (attach Schedule X) _____
 33 DHS, etc. exemptions • _____
 34 Credit for Low-income Household Renters (attach Schedule X) _____
 35 Credit for Child and Dependent Care Expenses (attach Schedule X) _____
 36 Credit for Child Passenger Restraint System(s) (attach a copy of the invoice) _____
 37 Credit for \$1 general income tax (see page 23 of the instructions) _____
 38 Total refundable tax credits from Schedule CR (attach Schedule CR) _____
 39 Add lines 29 through 38. Total Payments and Credits _____
 40 If line 39 is larger than line 28, enter the amount OVERPAID (line 39 minus line 28) _____
 41 Amount of line 40 to be applied to your 2003 ESTIMATED TAX. _____
 42 Line 40 minus line 41 _____
 43 Contribution to Hawaii School-Level Minor Repairs and Maintenance Special Fund. (See Instructions) _____
 • Yourself • Spouse (Enter \$2 if one box is checked, or \$4 if both boxes are checked) _____
 44 Amount to be REFUNDED TO YOU (line 42 minus line 43). If filing late, see page 25 of instructions _____
 45 AMOUNT YOU OWE (line 28 minus line 39). Send Form N-2007 with your payment _____
 46 Estimated tax penalty. (See page 25 of instructions.) Also include on line 40 or 45 whichever applies. Check box if Form N-210 is attached _____
 47 If you don't need Hawaii income tax forms mailed to you next year, check here to receive a preprinted label only. _____
 48 Did you file a federal Schedule C? Yes No. If yes, enter gross receipts _____, your Hawaii General Excise Use Tax I.D. Number for this activity _____ and main business activity/product _____
 49 Did you file a federal Schedule E? Yes No. If yes, enter gross rents received _____, your Hawaii General Excise Use Tax I.D. Number for this activity _____ and main business activity/product _____
 50 Did you file a federal Schedule F? Yes No. If yes, enter gross receipts _____, your Hawaii General Excise Use Tax I.D. Number for this activity _____ and main business activity/product _____
 51 Are you a qualified high technology business that sold your NOL? Yes No. If yes, enter the proceeds from the sale • \$ _____

HAWAII ELECTION CAMPAIGN FUND Do you want \$2 to go to the Hawaii Election Campaign Fund? Yes No. Check "yes" will not increase your tax or refund your refund.
 If you return, does your spouse want \$2 to go to the fund? Yes No. If yes, enter the proceeds from the sale • \$ _____

DESIGNER'S NAME _____ PHONE NO. _____ IDENTIFICATION NUMBER _____

DECLARATION I declare, under the penalties set forth in section 231-306, HRS, that this return (including accompanying schedules or statements) has been examined by me and, to the best of my knowledge and belief, is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Hawaii Income Tax Law, Chapter 235, HRS.

YOUR SIGNATURE _____ DATE _____
 SPOUSE'S SIGNATURE _____ DATE _____
 PREPARED BY: _____
 FIRM'S NAME (or yours if self-employed) _____
 ADDRESS, including ZIP Code _____
 FEDERAL E.I. NO. _____
 PHONE NO. _____

FORM N-12 (REV. 2002) PAGE 2

CAUTION: If you can be claimed as a dependent on another person's return, check here and see the instructions on page 37.

If you do not itemize your deductions, go to line 35 below.

Otherwise go to page 37 of the Instructions and enter your itemized deductions here.

Line	Description	Amount	33
33	Amount from line 32, (adjusted gross income)		.00
34	Medical and dental expenses (from Worksheet A-1)	34a	.00
	Taxes from Worksheet A-2	34b	.00
	Interest expense (from Worksheet A-3)	34c	.00
	Contributions (from Worksheet A-4)	34d	.00
	Casualty and theft losses (from Worksheet A-5)	34e	.00
	Miscellaneous deductions (from Worksheet A-6)	34f	.00
35	Itemized Deductions — If line 34 is more than \$100,000 (\$50,000 for married filing separately), then the larger of: Standard deduction shown below for your filing status, OR Single — \$1,650 Head of household — \$1,650 Married filing jointly or Qualifying widow(er) — \$1,900 Married filing separately — \$950	35a	.00
36	Line 33 minus line 35. (This line MUST be filed.)	36	.00
37	Multiply \$1,040 by the total number of exemptions claimed on line 6e. If you and/or your spouse are blind, deaf, or disabled, check applicable box(es): <input type="checkbox"/> Yourself <input type="checkbox"/> Spouse, and see page 38 of the Instructions.	37	.00
38	Taxable income. Line 36 minus line 37 (but not less than zero)	38	.00
39	Tax. Check from <input type="checkbox"/> Tax Table <input type="checkbox"/> Tax-Rate Schedule <input type="checkbox"/> Form N-188 <input type="checkbox"/> Form N-183 <input type="checkbox"/> Form N-182, N-103, N-152, N-312, N-318, N-405, N-586, or N-814.	39	.00
40	Total nonrefundable tax credits (attach Schedule CR)	40	.00
41	Line 39 minus line 40 (but not less than zero)	41	.00
42	Hawaii State income tax withheld and tax withheld on IRA distribution	42	.00
43	2002 estimated tax payments	43	.00
44	Amount of estimated tax applied from 2001 return	44	.00
45	Amount paid with extensions	45	.00
46	Low-income Refundable Tax Credit (attach Schedule X)	46	.00
47	DHS, etc. exemptions	47	.00
48	Credit for Low-income Household Renters (attach Schedule X)	48	.00
49	Credit for Child and Dependent Care Expenses (attach Schedule X)	49	.00
50	Credit for Child Passenger Restraint System(s) (attach a copy of the invoice)	50	.00
51	Total refundable tax credits from Schedule CR (attach Schedule CR)	51	.00
52	Add lines 42 through 51	52	.00
53	If line 52 is larger than line 41, enter the amount OVERPAID (line 52 minus line 41)	53	.00
54	Amount of line 53 to be applied to your 2003 ESTIMATED TAX	54	.00
55	Line 53 minus line 54	55	.00
56	Contribution to Hawaii School-Level Minor Repairs and Maintenance Special Fund. (See Instructions)	56	.00
57	Amount to be REFUNDED TO YOU (line 55 minus line 56). If filing late, see page 41 of Instructions	57	.00
58	AMOUNT YOU OWE (line 41 minus line 52). Send Form N-200V with your payment	58	.00
59	Estimated tax penalty. (See page 41 of Instructions.) Also include this amount in line 53 or 58, whichever applies. Check box if Form N-210 is attached: <input type="checkbox"/> <input type="checkbox"/>	59	.00
60	If you don't need Hawaii income tax forms mailed to you next year, check here to receive a preprinted label only	60	.00
61	Proceeds from the sale of a qualified high technology business' NOL	61	.00

If designating another person to discuss this return with the Hawaii Department of Taxation, complete the following. This is not a full power of attorney.

See page 42 of the Instructions.

Designee's name Phone no. Identification number

DECLARATION

I declare under the penalties per HRS, §465, that the information on this return has been examined by me and, to the best of my knowledge and belief, is true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Hawaii Income Tax Law, Chapter 235, HRS.

Preparer's Signature Date Spouse's signature (if filing jointly, BOTH must sign) Date
 Preparer's Print Name Preparer's identification number Check if self-employed
 Firm's name (or yours if self-employed) Federal E.I. No.
 Address, and ZIP Code Phone no.

FORM N-12 (REV. 2002) FORM N-12

STATE OF HAWAII — DEPARTMENT OF TAXATION

Individual Income Tax Return 2002

PART-YEAR RESIDENTS MUST USE FORM N-15.

RESIDENTS FILING A FEDERAL TAX RETURN SHOULD USE FORM N-11.

or other tax year beginning _____, 20____ and ending _____, 20____

Check box if filing for the first time or if address has changed

Your first name and initial Last name AMDI UNP 008 PNT INT

Your social security number

If a joint return, spouse's first name and initial Last name Spouse's social security number

Present mailing or home address (Number and street, including apartment number or rural route) Your occupation

City, town or post office, State and ZIP code. If you have a foreign address, see Instructions. Spouse's occupation

HAWAII ELECTION CAMPAIGN FUND Do you want \$2 to go to the Hawaii Election Campaign Fund? Yes No Now: Checking "Yes" will increase your return.

If joint return, does your spouse want \$2 to go to the fund? Yes No

(Check only ONE box)

1 Single

2 Married filing joint return (even if only one had income).

3 Married filing separate return. Enter spouse's social security no. above and full name here.

4 Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here.

5 Qualifying widow(er) with dependent child (Year spouse died _____).

CAUTION: If you can be claimed as a dependent on another person's tax return (such as your parents), do not check box 6a, but be sure to check the box below line 33.

6a Yourself Age 65 or over

6b Spouse Age 65 or over

6c Enter number of your children listed on Form 1041 and 6b

6d Enter number of other dependents

6e Add numbers entered in boxes above

6e Total number of exemptions claimed

7 Wages, salaries, tips, etc. (Attach Forms) (W-2)

8 Interest income from the worksheet on page 29 of the Instructions

9 Ordinary dividends

10 State income tax refund from the worksheet on page 29 of the Instructions

11 Alimony received. Enter name and address of payer

12 Business or farm: main business activity/product

12a Gross receipts from business or farm

12b Net income or (loss) after subtracting expenses from business or farm

13 Capital gain or (loss) from worksheet on page 29 of Instructions

14 Total IRA distributions

14a Taxable amount (see page 34 of the Instructions)

15 Total pensions and annuities

15a Taxable amount (see page 34 of the Instructions)

16a Rents received. G.E. I.D. No.

16b Net rental income or (loss) after subtracting expenses

17 Unemployment compensation (insurance)

18 Other income (state nature and source)

19 Add amounts in far right column for lines 7 through 18

20 IRA deduction

21 Student loan interest deduction from worksheet on page 30 of the Instructions

22 Archer MSA deduction

23 Moving expenses

24 One-half of self-employment tax

25 Self-employed health insurance deduction

26 Self-employed SEP, SIMPLE, and qualified plans

27 Interest penalty on early withdrawal of savings

28 Alimony paid

29 Payments to an individual housing account

30 First \$1,750 of military reserve or Hawaii national guard duty pay

31 Add lines 20 through 30

32 Line 19 minus line 31

Total Adjustments

Adjusted Gross Income

ADJUSTMENTS TO INCOME

INCOME

EXEMPTIONS

FILING STATUS

HAWAII ELECTION CAMPAIGN FUND

USE STATE LABEL

OTHERWISE PRINT ON TYPE

ATTACH CHECK OR MONEY ORDER AND FORM N-200V HERE • ATTACH COPY B OF FORM HW-2 HERE •

FORM N-13 (REV. 2002) Page 2

PART I Interest Income
If you received more than \$400 in interest, list the names of the payers and the amounts of interest on the lines below. See page 9 of the instructions for a definition of ordinary dividends.

Name of Payer	Amount	Name of Payer	Amount
1		1	
2	00	2	00

PART II Ordinary Dividends
If you received more than \$400 in ordinary dividends, list the names of the payers and the amounts of the dividends on the lines below. See page 9 of the instructions for a definition of ordinary dividends.

Name of Payer	Amount	Name of Payer	Amount
1		1	
2	00	2	00

TAX PAYMENTS AND CREDITS

16 Tax. Check if from Form N-415, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,000

17 Energy Conservation Tax Credit (attach Form N-157) **Tax** 17 00

18a Total Hawaii income tax withheld **Tax** 18 00

19 Amount paid with extensions

19a Total Hawaii income tax withheld 19a 00

19b Amount paid with extensions 19b 00

19c DHS, etc. exemptions 19c 00

19d Credit for Low-Income Household Renters (attach Schedule X) 19d 00

19e Credit for Child and Dependent Care Expenses (attach Schedule X) 19e 00

19f Credit for Child Passenger Restraint System(s) (attach a copy of the invoice) 19f 00

19g Credit for \$1 general income tax (see page 11 of the instructions) 19g 00

20 Add lines 19a through 19g **Total** 20 00

21 If line 20 is larger than line 18, enter the amount **OVERPAID** (line 20 minus line 18) 21 00

22 Contribution to Hawaii School-Level Minor Repairs and Maintenance Special Fund. (See Instructions) **22** 00

23 Line 21 minus line 22. This is the amount to be **REFUNDED TO YOU**, if filing late, see page 12 of Instructions with your payment. **23** 00

24 If line 18 is larger than line 20, enter the **AMOUNT YOU OWE** (line 18 minus line 20). Send Form N-200V with your payment. **24** 00

25 Estimated tax penalty. (see page 12 of instructions) Also include on line 21 or 24, whenever applies. Check box if Form N-210 is attached **25** 00

26 If you don't need Hawaii income tax forms mailed to you next year, check here to receive a preprinted label only. If designating another person to discuss this return with the Hawaii Department of Taxation, complete the following. This is not a full power of attorney. See page 12 of the instructions.

Designee's name _____ Phone no. _____ Identification number _____

DECLARATION

I declare, under the penalties set forth in section 231-36, HRS, that this return (including accompanying schedules or statements) has been examined by me and, to the best of my knowledge and belief, it is true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Hawaii Income Tax Law, Chapter 235, HRS.

PLEASE SIGN HERE

Your signature _____ Date _____
 Preparer's Signature _____ Date _____
 Preparer's Name _____ Preparer's identification number _____
 Firm's name (or yours if self-employed) _____
 Address, and ZIP Code _____ Federal E.I. No. _____
 Phone No. _____

REMINDEES:

- Check your arithmetic.
- Don't forget to sign your return. If married filing a joint return, both spouses must sign the return.
- Use your preprinted address label if you received one. Make any changes directly on the label.
- Be sure required attachments are attached. (W-2s, Schedule X, Form N-200V, check or money order, etc.)
- File early using the preaddressed envelope if you received one.

FORM N-13 (REV. 2002) DO NOT WRITE OR STAPLE IN THIS SPACE

STATE OF HAWAII — DEPARTMENT OF TAXATION
Individual Income Tax Return 2002
 RESIDENT

USE STATE LABEL OTHERWISE PRINT OR TYPE

Check box if filing for the first time or address has changed **AMDI** UNP COB PNT INT

Last name _____ Your social security number _____
 Last name _____ Spouse's social security number _____
 Present mailing or home address (Number and street, including apartment number or rural route) _____ Your occupation _____
 City, town or post office, State and ZIP code. If you have a foreign address, see instructions. _____ Spouse's occupation _____

HAWAII ELECTION CAMPAIGN FUND Do you want \$2 to go to the Hawaii Election Campaign Fund? Yes No
 If it return, does your spouse want \$2 to go to the fund? Yes No

EXEMPTIONS

1 Single
 2 Married filing joint return (even if only one had income).
 3 Married filing separate return. Enter spouse's social security no. above and full name here. •
 4 Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here. ▶
 5 Qualifying widow(er) with dependent child (Year spouse died • _____).

Caution: If you can be claimed as a dependent on another person's tax return (such as your parents'), do not check box 6a, but be sure to check the box below line 11.

6a Yourself Age 65 or over Enter number of boxes checked on 6a and 6b
 6b Spouse Age 65 or over Enter number of boxes checked on 6a and 6b
 6c Dependents: 1. First and last name of each dependent, see attachment 2. Dependent's social security number 3. Relationship Enter number of your children listed **6c**
 6d Enter number of other dependents **6d**
 6e Add numbers entered in boxes above **6e**

INCOME

7 Wages, salaries, tips, etc. (attach Form(s) W-2. Unavailable, see item 5 on page 8 of instructions) **7** 00
 8 Interest income (complete Part I on page 2 if over \$400) **8** 00
 9 Ordinary dividends (complete Part II on page 2 if over \$400) **9** 00
 10 Unemployment compensation (insurance) **10** 00
 11 Add lines 7, 8, 9 and 10 **11** 00
 Caution: If you are claimed as a dependent on another person's return, see page 7 of the instructions. If you are filing separately and your spouse itemizes deductions, see page 7 of the instructions. **Adjusted Gross Income** **11** 00
 12 Standard deduction. If you checked filing status box: 1, enter \$1,500; 2 or 5, enter \$1,900; 3, enter \$950; 4, enter \$1,650. **Standard Deduction** **12** 00
 13 Line 11 minus line 12. (This line **MUST** be filed in) **13** 00
 14 Multiply \$1,040 by the total number of exemptions claimed on line 6e. If you and/or your spouse are blind, deaf, or disabled, check applicable box(es) Yourself Spouse, and see page 10 of instructions. **14** 00
 15 Line 13 minus line 14. Enter the result (but not less than zero). **15** 00

ROUND TO THE NEAREST DOLLAR

Continue on other side

CAUTION: You may NOT file Form N-13 (you must file Form N-11, N-12, or N-15 instead) if any of the following apply to you:

- You are a part-year resident.
- You are married filing a separate return and your spouse itemizes.
- You received any capital gains distributions.

NOTE: You may be required to file Form N-11, N-12, or N-15 for other reasons. See page 5 of instructions.

FORM N-13

Form N-15 (Rev. 2002) **NONRESIDENT and PART-YEAR RESIDENT 2002** Calendar Year 2002

STATE OF HAWAII — DEPARTMENT OF TAXATION
Individual Income Tax Return 2002

Form N-15 (Rev. 2002) **NONRESIDENT and PART-YEAR RESIDENT 2002** Calendar Year 2002

DO NOT WRITE OR STAPLE IN THIS SPACE

or other tax year beginning _____, 2002 and ending _____

Check the applicable box: Part-Year Resident Nonresident
 Check box if filing for the first time or if address has changed

Your first name and initial _____ Last name _____
 Your social security number _____

If a joint return, spouse's first name and initial _____ Last name _____
 Spouse's social security number _____

Present mailing or home address (Number and street, including apartment number or rural route) _____
 Your occupation _____

City, town or post office, State and ZIP code. If you have a foreign address, see Instructions. _____
 Spouse's occupation _____

HAWAII ELECTION CAMPAIGN FUND
 Do you want \$2 to go to the Hawaii Election Campaign Fund? Yes No
 If joint return, does your spouse want \$2 to go to the fund? Yes No

RESIDENCY STATUS
 1 Single
 2 Married filing separate return. Enter spouse's social security no. above and full name here.
 3 Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here.
 4 Qualifying widow(er) with dependent child (Year spouse died
 5 Caution: If you can be claimed as a dependent on another person's tax return (such as your parents), do not check box 6a, but be sure to check the box below line 35.

6a Yourself Spouse Age 65 or over
 6b Enter number of boxes checked on 6a and 6b

6c Enter number of your children listed
 6d Enter number of other dependents

6e Add numbers entered in boxes above

6f Total number of exemptions claimed

ATTACH A COPY OF YOUR FEDERAL INCOME TAX RETURN FOR 2002

7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31	32	33	34		
Wages, salaries, tips, etc. (attach Form(s) W-2)	Interest income from the worksheet on page 36 of the Instructions	Ordinary dividends	State income tax refund from the worksheet on page 36 of the Instructions	Alimony received	Business or farm income or (loss) G.E.I.D. No.	Capital gain or (loss) from the worksheet on page 36 of the Instructions	Supplemental gains or (losses) (attach Schedule D-1)	IRA distributions	Pensions and annuities (see Instructions and attach Schedule J, Form N-15N-12M-15N-42)	Rents, royalties, partnerships, estates, trusts, etc. G.E.I.D. No.	Unemployment compensation (insurance)	Other income (state nature and source)	Additional lines 7 through 19	Total Income	IRA deduction	Student loan interest deduction from the worksheet on page 40 of the Instructions	Archer MSA deduction	Moving expenses (attach Form N-138)	One-half of self-employment tax	Self-employed health insurance deduction	Self-employed SEP, SIMPLE, and qualified plans	Interest penalty on early withdrawal of savings	Alimony paid (Enter new and old no. of respect)	Payments to an individual housing account	First \$1,750 of military reserve or Hawaii national guard duty pay	Additional lines 21 through 31	Total Adjustments	Line 20 minus line 32	Adjusted Gross Income

Col. A - Total Income
 Col. B - Hawaii Income

7 00 7 00
 8 00 8 00
 9 00 9 00
 10 00 10 00
 11 00 11 00
 12 00 12 00
 13 00 13 00
 14 00 14 00
 15 00 15 00
 16 00 16 00
 17 00 17 00
 18 00 18 00
 19 00 19 00
 20 00 20 00
 21 00 21 00
 22 00 22 00
 23 00 23 00
 24 00 24 00
 25 00 25 00
 26 00 26 00
 27 00 27 00
 28 00 28 00
 29 00 29 00
 30 00 30 00
 31 00 31 00
 32 00 32 00
 33 00 33 00
 34 00 34 00

Form N-15 (REV. 2002) **TAX COMPUTATION**

34 Hawaii adjusted gross income from line 33, Column B _____
 35 Ratio of Hawaii AGI to Total AGI. Divide line 33, Column B, by line 33, Column A. (Compute to 3 decimal places and round to 2 decimal places)
 CAUTION: If you can be claimed as a dependent on another person's return, check here and see Instructions.
 36 If you do not itemize deductions, enter zero on line 36g and go to line 37a. Otherwise go to page 19 of the Instructions and enter your Hawaii itemized deductions here.

36a Medical and dental expenses from Worksheet NR-1 or PY-1 _____
 36b Taxes (from Worksheet NR-2 or PY-2) _____
 36c Interest expense (from Worksheet NR-3 or PY-3) _____
 36d Contributions from Worksheet NR-4 or PY-4 _____
 36e Casualty and theft losses (from Worksheet NR-5 or PY-5) _____
 36f Miscellaneous deductions from Worksheet NR-6 or PY-6 _____
 36g If line 34 is more than \$100,000 (\$50,000 for married filing separately), see the worksheet on page 39 of the Instructions. If not, add lines 36a through 36f. Enter total here and go to line 38. _____
 37a If you checked filing status box 1, enter \$1,500 2, enter \$1,000 3, enter \$950 4, enter \$1,650 _____
 37b Multiply line 37a by the ratio on line 35 _____
 37c Prorated Standard Deduction _____
 37d Prorated Exemption(s) _____
 38 Line 34 minus line 36g or 37b, whichever applies. (This line MUST be filled in) _____
 39a Multiply \$1,040 by the total number of exemptions claimed on line 6e. If you enter your spouse as blind, deaf, or disabled, check applicable box(es) Yourself Spouse, and see page 24 of the Instructions _____
 39b Multiply line 38a by the ratio on line 35 _____
 39c Prorated Exemption(s) _____
 40 Taxable Income. Line 38 minus line 39b (but not less than zero) _____
 41 Tax. Check if from Tax Table Tax Rate Schedule Form N-108 Form N-615, or Capital Gains Tax Worksheet on page 38 of the Instructions. Net capital gain from line 14 of Capital Gains Tax Worksheet _____
 42 Total nonrefundable tax credits (attach Schedule CR) _____
 43 Line 41 minus line 42 (but not less than zero) _____
 44 Hawaii State income tax withheld, and tax withheld on Forms N-2 or N-4 _____
 45 2002 estimated tax payments on Forms N-1 _____; N-288A _____
 46 Amount of estimated tax applied from 2001 return _____
 47 Amount paid with extensions _____
 48 Low-income Refundable Tax Credit (attach Schedule X) DHS, etc. exemptions _____
 49 Credit for Low-income Household Renters (attach Schedule X) _____
 50 Credit for Child and Dependent Care Expenses (attach Schedule X) _____
 51 Credit for Child Passenger Restraint System(s) (attach a copy of the model) _____
 52 Total refundable tax credits from Schedule CR (attach Schedule CR) _____
 53 Add lines 44 through 53 _____
 54 If line 54 is larger than line 43, enter the amount OVERPAID (line 54 minus line 43) _____
 55 Amount of line 55 to be applied to your 2003 ESTIMATED TAX _____
 56 Amount of line 55 minus line 54 _____
 57 Line 55 minus line 56 _____
 58 Contribution to Hawaii School-Level Minor Repairs and Maintenance Special Fund. (See Instructions) _____
 59 Amount to be REFUNDED TO YOU (line 57 minus line 58). If filing late, see page 29 of Instructions _____
 60 AMOUNT YOU OWE (line 43 minus line 54). Send Form N-200V with your payment _____
 61 Estimated tax penalty. (See page 29 of Instructions.) Also include this amount in line 55 or 60, whichever applies. Check box if Form N-210 is attached _____
 62 If you would like us to mail you a packet of forms for next year's filing, please check this box _____
 63 Proceeds from the sale of a qualified high technology business NOL \$ _____

TAX PAYMENTS AND CREDITS

42 Total nonrefundable tax credits (attach Schedule CR) _____
 43 Line 41 minus line 42 (but not less than zero) _____
 44 Hawaii State income tax withheld, and tax withheld on Forms N-2 or N-4 _____
 45 2002 estimated tax payments on Forms N-1 _____; N-288A _____
 46 Amount of estimated tax applied from 2001 return _____
 47 Amount paid with extensions _____
 48 Low-income Refundable Tax Credit (attach Schedule X) DHS, etc. exemptions _____
 49 Credit for Low-income Household Renters (attach Schedule X) _____
 50 Credit for Child and Dependent Care Expenses (attach Schedule X) _____
 51 Credit for Child Passenger Restraint System(s) (attach a copy of the model) _____
 52 Total refundable tax credits from Schedule CR (attach Schedule CR) _____
 53 Add lines 44 through 53 _____
 54 If line 54 is larger than line 43, enter the amount OVERPAID (line 54 minus line 43) _____
 55 Amount of line 55 to be applied to your 2003 ESTIMATED TAX _____
 56 Amount of line 55 minus line 54 _____
 57 Line 55 minus line 56 _____
 58 Contribution to Hawaii School-Level Minor Repairs and Maintenance Special Fund. (See Instructions) _____
 59 Amount to be REFUNDED TO YOU (line 57 minus line 58). If filing late, see page 29 of Instructions _____
 60 AMOUNT YOU OWE (line 43 minus line 54). Send Form N-200V with your payment _____
 61 Estimated tax penalty. (See page 29 of Instructions.) Also include this amount in line 55 or 60, whichever applies. Check box if Form N-210 is attached _____
 62 If you would like us to mail you a packet of forms for next year's filing, please check this box _____

REFUND OR AMOUNT YOU OWE

54 Total Payments and Credits _____
 55 _____
 56 _____
 57 _____
 58 _____
 59 _____
 60 _____
 61 _____
 62 _____

DESKMTE

If designating another person to discuss this return with the Hawaii Department of Taxation, complete the following. This is not a full power of attorney. See page 30 of the Instructions.

Designee's name _____ Phone no. _____ Identification number _____

DECLARATION

I declare, under the penalties set forth in section 231-36, HRS, that this return (including accompanying schedules or statements) has been examined by me and, to the best of my knowledge and belief, is a true, correct, and complete return, made in good faith, for the taxable year stated pursuant to the Hawaii Income Tax Law, Chapter 235, HRS.

Your signature _____ Date _____
 Preparer's signature _____ Date _____
 Preparer's identification number _____
 Preparer's name (or yours if self-employed) _____
 Preparer's address _____
 Preparer's phone no. _____
 Preparer's fax no. _____
 Preparer's e-mail address _____
 Preparer's business title _____
 Preparer's signature (if filing jointly, BOTH must sign) _____ Date _____
 Preparer's identification number _____
 Preparer's name (or yours if self-employed) _____
 Preparer's address _____
 Preparer's phone no. _____
 Preparer's fax no. _____
 Preparer's e-mail address _____
 Preparer's business title _____

Form N-15

STATE OF HAWAII — DEPARTMENT OF TAXATION

FRANCHISE TAX RETURN

BANKS, OTHER FINANCIAL CORPORATIONS, AND SMALL BUSINESS INVESTMENT COMPANIES

FORM F-1 (REV. 2002)

(Based on income for calendar year _____ or fiscal year commencing on _____, 20____) AS OF JANUARY 1, 20____

Name _____ Federal Employer I.D. No. _____
 DBA _____ Hawaii G.E. Use and/or Withholding I.D. No. _____
 Address _____
 City _____ State _____ ZIP Code _____

IF APPLICABLE, CHECK BOX: First year return; Second year return; Final return.
 A COPY OF ALL PAGES OF YOUR FEDERAL RETURN MUST ACCOMPANY THIS RETURN.
 If this is a consolidated return, attach copy of Hawaii Forms N-304 and N-303 for each subsidiary.

CAUTION: Mortgage loan companies, brokers, and solicitors licensed under chapter 454, HRS, see instructions.

1. Gross Receipts	1
Less: Returns and allowances	2
2. Less: Cost of goods sold and/or operations (Attach schedule)	3
3. Gross Profit (line 1 minus line 2)	4
4. Dividends (Schedule C)	5
5. Interest on government obligations	6
6. Other interest	7
7. (a) Rents	7(c)
8. (a) Net capital gains (from federal Schedule D)	8(a)
(b) Ordinary gain or loss (from federal Schedule 4797)	8(b)
9. Other income (Attach schedule)	9
10. TOTAL INCOME—Add lines 3 through 9	10
11. Compensation of officers (Schedule E)	11
12. Salaries and wages (not deducted elsewhere)	12
13. Repairs (Do not include cost of improvements or capital expenditures)	13
14. (a) Bad debts (Schedule F)	14(c)
(b) Taxes (Schedule B)	15(c)
15. Contributions or gifts paid (Attach schedule)	16
17. Amortization (Attach schedule)	17
18. Depletion	18
19. Depreciation (from federal Form 4562)	19
20. Advertising	20
21. Amounts contributed under: (a) Pension, profit-sharing, stock bonus, annuity plans (Attach schedule)	21(a)
(b) Other employee benefit plans (Attach schedule)	21(b)
22. Other deductions (Attach schedule)	22
23. TOTAL DEDUCTIONS—Add lines 11 through 22	23
24. Net income before Hawaii adjustments (line 10 minus line 23). Enter here and on page 2, line 24a	24
25. Total Tax from page 3, line 68	68(a)
26. Total Nonrefundable Credits. Enter the result from page 4, Schedule H, line 4	69
27. Line 68(a) minus line 69. Enter the result but not less than zero	70
28. Payment with extension (Attach Form N-755)	71
29. Tax installment payments (See instruction XIV)	72
30. Capital Goods Easier Tax Credit (Attach Form N-312)	73
31. Add lines 71, 72 and 73 and enter result	74
32. TAX DUE (Line 70 minus line 74. If line 74 is greater than line 70, skip line 76 and go to line 77)	75
33. Enter amount paid with this return	76
34. OVERPAYMENT (If line 74 is larger than line 70) enter AMOUNT OVERPAID	77
35. Enter amount of line 77 you want Credited to 2004 estimated tax > 78(a) \$*	78(b)

* If this credit is being used with Schedule 201-58, HRS, file this return before the corresponding schedule or statement has been filed for use and, to the best of my knowledge and belief, is a true, correct, and complete return, made in good faith, for the taxable year dated pursuant to the Hawaii Income Taxation of Banks and Other Financial Corporations, Chapter 241, HRS.

Please Sign Here _____ Date _____ Signature of officer

Preparer's Signature and Print Preparer's Name _____ Date _____ Title _____
 Preparer's Identification number _____
 Firm's name (or yours if self-employed), _____
 address, and ZIP code _____ Phone No. _____
 Check if self-employed

FORM F-1

Page 2

24. (a) Net income before Hawaii adjustments — from page 1, line 24

STATE ADJUSTMENTS

25. Taxable dividends from Schedule C, line 10	25
26. (a) Interest on obligations of the United States or its possessions or on securities issued under an Act of Congress. (See instruction VI(a)(1))	26(a)
(b) Interest on state, territorial, municipal, county, or other bonds or securities, including Hawaiian issues, not included on line 6. (See instruction VI(a)(2))	26(b)
27. Amount of deduction for bad debts taken on line 14(a). (See instructions V(b), and VII)	27
28. Other additions required by law — submit schedule. (See instruction IV(b))	28
29. Total of lines 24(a) through 28	29

DEDUCT:

30. Entire dividends as reported on page 1, line 4

31. Bad debt deduction allowed by section 241-4(b)(3), HRS. (See instruction VII(c))

32. Other deductions authorized by law — submit schedule. (See instructions V(b) and X(b))

33. Total of lines 30 through 32

34. Net income after Hawaii adjustments (line 29 minus line 33)

Note: If you do not need to apportion your income, skip lines 35 through 56, enter the amount on line 34 on line 57, and continue with line 58. Otherwise, continue with line 35.

ADJUSTMENTS TO ARRIVE AT APPORTIONABLE BUSINESS INCOME SUBJECT TO TAX

35. Nonbusiness dividends included on page 1, line 4, and included on line 24 above	35
36. Nonbusiness interest (Attach schedule)	36
37. Royalties from nonbusiness assets (Attach schedule)	37
38. Net profit from nonbusiness rental property	38
39. Net gain from nonbusiness assets (Attach schedule)	39
40. Other adjustments (Attach schedule)	40
41. Total (lines 35 to 40, inclusive)	41
42. Balance (line 34 minus line 41)	42

ADD:

43. Net loss from nonbusiness rental property

44. Net loss from nonbusiness assets (Attach schedule)

45. Total of lines 43 and 44

46. Business income from sources within and without Hawaii (line 42 plus line 45)

47. Allocate _____% (from Schedule P, line 8), as apportionable income attributable to Hawaii and subject to tax. (Multiply line 46 by the %)

CLASSIFICATION OF APPORTIONABLE BUSINESS INCOME SUBJECT TO TAX

48. Enter the portion of the amount on line 47 that is ordinary income	48
49. Enter the portion of the amount on line 47 that is net capital gain. Also, enter on line 60	49
50. Total (lines 48 and 49). This total must be equal to the amount on line 47.	50

Continue on page 3

Page 3 **INCOME WHOLLY ATTRIBUTABLE TO HAWAII SUBJECT TO TAX**

51.	Gain (or loss) from sale of real estate and other tangible assets located in Hawaii.	
52.	Royalties from property located in Hawaii.	
53.	Net profit (or loss) from nonbusiness rental property within Hawaii.	
54.	Net gain from sale of nonbusiness assets located in or having tax situs in Hawaii:	
54(a)	(a) Net short-term capital gain.	
54(b)	(b) Net capital gain attributable to Hawaii. (This amount, if any, also should be entered on line 60.)	
54(c)	(c) Net gain (or loss) from sale or exchange of property other than capital assets.	
55.	Income from intangible personal property. Include entire income (or loss) of intangibles which, because of domicile of the corporation or business situs of intangibles, are located in Hawaii. Add back Hawaii allocated, nonbusiness income and dividends.	
55(a)	(a) Dividends included on line 35 above (Attach schedule)	
55(b)	(b) Interest.	
55(c)	(c) All other income from intangibles (Attach schedule)	
56.	Total income wholly attributable to Hawaii (lines 51 to 55(c))	56
57.	Total of lines 47 and 56 (or the amount from line 34 if you did not need to apportion your income).	57
58.	Net operating loss deduction—submit schedule. (See instruction XI)	58
59.	Net income (or loss) for Hawaii tax purposes (line 57 minus line 58)	59

TAX COMPUTATION

60.	Enter the amount of net capital gains as shown on page 1, line 8(i). (If you apportioned your income, enter the amounts from lines 49 and 54(b), if any, instead)	60
61.	Line 59 minus line 60 (if less than zero, enter zero)	61
62.	(a) Tax on capital gain — 4% of amount on line 60	62(a)
	(b) Tax on net income — 7.92% of amount on line 61	62(b)
	(c) Total of lines 62(a) and 62(b)	62(c)
	(d) Using the 7.92% rate, compute tax on all taxable income using amount from line 59	62(d)
63.	Total tax (enter lesser of line 62(c) or 62(d))	63
64.	Recapture of Capital Goods Excise Tax Credit from Form N-312, Part II	64
65.	Recapture of Low-Income Housing Tax Credit	65
66.	Recapture of High Technology Business Investment Tax Credit from Form N-318, Part II	66
67.	Total recapture of tax credits (Add lines 64, 65, and 66)	67
68.	Total tax (Add lines 63 and 67). Enter here and on page 1, line 68(a)	68

Schedule A — ADDITIONAL INFORMATION REQUIRED

A. Date of Incorporation: _____

B. Date Business Began in Hawaii: _____

C. State or Foreign Country of Incorporation: _____

D. Main Business Activity: _____

Schedule B — TAXES

1.	Name of declaring corporation	
2.	National Banking Associations	
3.	Received from an affiliate (including foreign) as IRC section 243(b) qualifying dividend	
4.	Received by a small business investment co. operating under Small Business Investment Act	
5.	All other dividends	

Schedule C — INCOME FROM DIVIDENDS (Classified for Hawaii Purposes)

Total (Enter here and on page 1, line 15(a))

6.	Total dividends (Add amounts in columns 2, 3, 4, and 5). Enter here and on page 1, line 4	
7.	Dividends qualifying for the 70% dividends received deduction (Total of amounts in column 5)	
8.	Multiply line 7 by .30 (30%)	
9.	Taxable mutual funds dividends	
10.	Total taxable dividends (Add lines 8 and 9). Enter here and on page 2, line 25	

Page 4 **Schedule E — COMPENSATION OF OFFICERS**

1.	Name and address of officer	
2.	Official title	
3.	Time devoted to business	
4.	Comment	
5.	Preferred	
6.	Amount of compensation	

Schedule F — BAD DEBITS

1.	List 3 Prior and Current Taxable Years	2.	Amount of Notes and Accounts Outstanding at End of Year	3.	Taxable (or Net) Income Reported	4.	Sales on Account	5.	Bad Debts of Corporation if No Account is Carried on Books	6.	Gross Amount Added to Allowance	7.	Amount Charged Against Allowance	8.	Balance of Allowance
20															
20															
19															
19															

Schedule H — NONREFUNDABLE CREDITS

1.	Credit for Energy Conservation (Attach Form N-306)	1
2.	Low-Income Housing Tax Credit (Attach Form N-566)	2
3.	High Technology Business Investment Tax Credit (Attach Form N-318)	3
4.	Total Nonrefundable Credits. Add lines 1 through 3. (Enter here and on page 1, line 69)	4

Schedule P — COMPUTATION OF APPORTIONMENT FACTORS

Property — (use original cost)	Beginning of taxable year	End of taxable year	Beginning of taxable year	End of taxable year
Land				
Buildings				
Loans				
Credit card receivables				
Leasehold interests*				
Rented Property*				
Other Property				
Total				

* Enter net annual rent X 8.

1.	Property values (average value of property above)	
2.	Property factor (line 1, col. A divided by line 1, col. B)	
3.	Total compensation	
4.	Payroll factor (line 3, col. A divided by line 3, col. B)	
5.	Total receipts	
6.	Receipts factor (line 5, col. A divided by line 5, col. B)	
7.	Total of factors (add lines 2, 4, and 6)	
8.	Average of factors (divide line 7 by 3). Enter here and on page 2, line 47	

2002
FORM
N-30
(REV. 2002)

STATE OF HAWAII—DEPARTMENT OF TAXATION
CORPORATION INCOME TAX RETURN
For calendar year 2002 or other tax year
beginning in 2002 and ending in 2002

DO NOT WRITE OR STAPLE IN THIS SPACE

Name: _____ AMD UNP 008 PNT INT
Dba or C/O: _____ Federal Employer ID. No.
Address (number and street): _____ Hawaii G.E./User I.D. No.
City or town, State, and ZIP Code. If this is a foreign address, see Instructions. _____ Business Code No. (Use number shown on Form 100 or 100A)
Date business began in Hawaii: _____
Hawaii Business Activity: _____

THIS RETURN IS (CHECK BOX, IF APPLICABLE):
 For a multi-state corporation using separate accounting.
 A combined return of a unitary group of corporations. (See Instructions)
 A separate return of a member corporation of a unitary group. (See Instructions)
 A consolidated return. (Attach a copy of Hawaii Form N-304 and Hawaii Form N-303 for each subsidiary)

FOR LINES 1 - 5 and 7 - 10, ENTER AMOUNTS FROM COMPARABLE LINES ON FEDERAL RETURN.

1	(a) Gross receipts or sales \$	(b) Less returns and allowances \$	(c) Bal.	1(c)+
2	Cost of goods sold and/or operations			2-
3	Interest			3-
4	Gross profits			4+
5	Gross royalties			5+
6	(a) Capital gain net income (attach Hawaii Schedule D)			6(a)+
7	(b) Net gain or (loss) from Hawaii Schedule D-1, Part II, line 20 (attach Schedule D-1)			7(b)-
8	Other income			8+
9	TOTAL INCOME			9+
10	TOTAL DEDUCTIONS			10-
11	TOTAL TAXABLE INCOME			11
12	TOTAL TAX			12
13	Total nonrefundable credits from Schedule CR, line 12			13(a)-
14	Balance (line 11 minus line 12, but not less than zero)			14(b)-
15	(a) 2001 overpayment allowed as a credit			15(a)-
16	(b) 2002 estimated tax payments (include any Form N-2884 payments net of any Form N-2884 refunds)			16(b)-
17	Payments with extension (attach Form N-301)			17-
18	(a) Total refundable credits from Schedule CR, line 21			18(a)+
19	(b) Total refundable credits from Schedule CR, line 21			19(b)+
20	TOTAL OVERPAID			20+
21	Amount paid (overpaid) on original return — AMENDED RETURN ONLY (See Instructions)			21-
22	BALANCE DUE (REFUND) with amended return (See Instructions)			22-

21 Proceeds from the sale of a qualified high technology business' NOL \$ _____
 22 If you don't need Hawaii income tax forms mailed to you next year, check here to receive a preprinted label only.
 (Declare, under the penalties set forth in section 217-36, HRS, that this return (including any accompanying schedules or statements) has been examined by me and, to the best of my knowledge and belief, is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.)

Please Sign Here
 Signature of officer _____ Date _____ Title _____
 May the Hawaii Department of Taxation discuss this return with the preparer shown below? (See page 2 of the Instructions) Yes No
 This designation does not replace Form N-348, Power of Attorney.
 Preparer's signature _____ Date _____
 Preparer's name _____
 Firm's name (or years if self-employed), address and ZIP code _____
 Phone no. _____
 Preparer's Identification Number _____

Mail or deliver return and remittance to the Department of Taxation in your taxation district. Make remittance payable to HAWAII STATE TAX COLLECTOR.

FORM N-30

Page 2

Schedule C Income From Dividends (Classified for Hawaii Purposes)

1 Name of declaring corporation (Attach a separate sheet if more space is needed)	2 National Bank Associations or certain high technology businesses	3 Received from an affiliate (including foreign) as IRC section 243(b) qualifying dividend	4 Received by a Small Business Investment Co. operating under Small Business Investment Act	5 Columns 2 through 4 and all other dividends
6 Total dividends. (Subtotal of column 5)				
7 Sum of columns 2 through 4				
8 Subtotal. Line 6 minus line 7				
9 Multiply line 8 by .30 (30%)				
10 Taxable mutual funds dividends				
11 Total taxable dividends. Line 9 plus line 10				

Schedule J Adjustments to Income for Hawaii Purposes and Tax Computation

1 Taxable income or loss before Hawaii adjustments from page 1, line 10 (Unitary business taxpayers, see Instructions)	1
ADJUSTMENTS	
2 (a) Taxable dividends from Schedule C, Line 11	2(a)
(b) Deduction allowable for federal tax purposes but not allowable or allowable only in part for Hawaii tax purposes (attach schedule)	2(b)
(c) The portion of the Hawaii jobs credit from Schedule CR, line 5 (see Instructions)	2(C)
(d) Other adjustments (attach schedule)	2(d)
3 Total adjustments (Add lines 2(a), 2(b), 2(C) and 2(d))	3
4 Total of lines 1 and 3	4
DEDUCT:	
5 Entire dividends as reported on federal return and included on page 1, line 8	5
6 Interest on obligations of the United States included on page 1, line 8	6
7 Net income from sources outside Hawaii received by a foreign or domestic corporation, except for unitary business taxpayers using Form N-30, Schedules O & P...	7
8 Amortization of casualty losses where election is made to amortize for Hawaii tax purposes under section 257-7(i), HRS (attach explanation)	8
9 Net operating loss deduction (under section 2357-7(f), HRS) (attach schedule)	9
10 Other deductions or adjustments (attach schedule)	10
11 Total of lines 5 to 10 inclusive	11
12 Taxable income or loss for Hawaii tax purposes (line 4 minus line 11)	12-
TAX COMPUTATION	
13 Enter the amount of net capital gains as shown on Schedule D, line 16. (Schedules O & P taxpayers, see Instructions)	13+
14 Line 12 minus line 13 (if less than zero, enter zero)	14
15 (a) Tax on capital gain, line 13 — Enter 4% of amount on line 13	15(a)
(b) Tax on all other taxable income, line 14 — If the amount on line 14 is:	
(i) Not over \$25,000 — Enter 4.4% of line 14	15(b)(i)
(ii) Over \$25,000 but not over \$100,000 — Enter 5.4% of line 14	15(b)(ii)
(iii) Over \$100,000 — Enter 6.4% of line 14	15(b)(iii)
(c) Total of lines 15(a) and 15(b)	15(c)
(d) Using the rates listed on line 15(b), compute tax on all taxable income using amount from line 12	15(d)
16 Total tax (enter lesser of line 15(c) or 15(d))	16+
17 Recapture of Capital Goods Excise Tax Credit from Form N-312, Part II	17
18 Recapture of Low-Income Housing Tax Credit	18
19 Recapture of High Technology Business Investment Tax Credit from Form N-318, Part II	19
20 Total recapture of tax credits (Add lines 17, 18, and 19)	20+
21 Total tax (Add lines 15 and 20) Enter here and on page 1, line 11	21

ADD'L INFO

1 Taxable income (or loss) for Hawaii tax purposes (three previous years) from Form N-30:
 Page 3, Schedule J, line 12 — 1999 \$ _____
 Page 3, Schedule J, line 12 — 2000 \$ _____
 Page 2, Schedule J, line 12 — 2001 \$ _____

FORM N-30

Page 2

Schedule A — COMPUTATION OF CHARITABLE DEDUCTION (See Instructions for Schedule A)

(Submit statement giving name and address of charitable organizations)

1. Amounts paid or permanently set aside for charitable purposes from current year's gross income	2(a)	1
2. (a) Tax-exempt interest and other income nontaxable irrespective of source, allocable to charitable distribution	2(b)	2(c)
(b) Income of a nonresident estate or trust nontaxable because it is derived from property owned outside Hawaii or other source outside Hawaii, allocable to charitable distribution		3
(c) Total (Add lines 2(a) and 2(b))		4
3. Balance (Line 1 minus line 2(c))		5
4. Enter the net short-term capital gain and the net long-term capital gain of the current tax year allocable to corpus paid or permanently set aside for charitable purposes		6
5. Amounts paid or permanently set aside for charitable purposes from gross income of a prior year (See Instructions)		7(a)
6. Total (Add lines 3, 4, and 5). Enter here and on page 1, line 13, IF TOTAL OF CHARITABLE DISTRIBUTIONS ARE TO BE USED EXCLUSIVELY IN HAWAII. In other cases, complete line 7		7(b)
7. (a) Portion of line 6 amount which is to be used exclusively in Hawaii		7(c)
(b) Portion of excess of line 6 amount over amount on line 7(a) which is within percentage limitations (See Instructions)		
(c) Enter here and on page 1, line 13, the sum of lines 7(b) and (b)		

Schedule B — COMPUTATION OF INCOME DISTRIBUTION DEDUCTION (See Instructions for Schedule B)

1. Enter amount from page 1, line 17, computed by using Schedule A, line 6 for page 1, line 13 (If loss, see Instructions)	2(a)	1
2. (a) Tax-exempt interest and other income nontaxable irrespective of source (as adjusted)	2(b)	2(c)
(b) Nontaxable income of nonresident estate or trust from property owned outside Hawaii or other source outside Hawaii (as adjusted)		3
(c) Add lines 2(a) and 2(b)		4
3. Net gain shown on Schedule D (Form N-40), line 17, column (a) (If net loss, enter zero)		5
Schedule A, line 4 plus line 5		6
4. Long-term capital gain, included on Schedule A, line 1 (See Instructions)		7
5. Short-term capital gain, included on Schedule A, line 1 (See Instructions)		8
6. If the amount on page 1, line 6, is a capital loss, enter here as a positive figure		9
7. Distributable net income (Combine lines 1 through 8)		10
8. Amount of income for the tax year determined under the governing instrument (accounting income)		11
9. Amount of income required to be distributed currently (See Instructions)		12
10. Other amounts paid, credited, or otherwise required to be distributed (See Instructions)		13
11. Total distributions (Add lines 11 and 12). (If greater than line 10, see Instructions)		14
12. Enter the total amount of tax-exempt income included on line 13		15
13. Tentative income distribution deduction (Line 13 minus line 14)		16
14. Tentative income distribution (Line 9 minus line 2(c))		17
15. Income distribution deduction. Enter the smaller of line 15 or line 16 here and on page 1, line 18		

Please refer to federal Form 1041 Instructions for definitions and check the applicable boxes.

Type of entity:

- Decedent's estate
- Simple trust
- Complex trust
- Grantor type trust
- Bankruptcy estate — Chapter 7
- Bankruptcy estate — Chapter 11
- Family estate trust
- Pooled income fund

Nonexempt charitable and split-interest trusts, check applicable boxes:

- Described in IRC section 4947(a)(1)
- Not a private foundation
- Described in IRC section 4947(a)(2)

Pooled mortgage account: Bought Sold Date: _____

DO NOT WRITE OR STAPLE IN THIS SPACE

FORM N-40 FIDUCIARY INCOME TAX RETURN

(REV. 2002) CALENDAR YEAR 2002, or other taxable year beginning 2002, 2002 and ending 2002

Name of estate or trust (Partner type trust, see Instructions) _____, 20

Address of fiduciary (number and street) _____

City, State and ZIP Code. If foreign address, see Instructions. _____

Change in Address: AMD | UNP | 008 | PNT | INT

Employer's I.D. No. _____

Hawaii G.E. Use I.D. No. _____

Date entity created _____

Number of Schedules K-1 Attached _____

INCOME

1. Interest Income	1*
2. Ordinary Dividends	2
3. Income or (losses) from partnerships, other estates or other trusts (Attach federal Schedule E) (See Instructions)	3
4. Net rent and royalty income or (loss) (Attach federal Schedule E)	4*
5. Net business and farm income or (loss) (Attach federal Schedules C and F)	5*
6. Capital gain or (loss) (Attach Schedule D (Form N-40))	6
7. Ordinary gains or (losses) (From Schedule D-1, line 20)	7
8. Other income (State nature of income)	8*
9. Total income (Add lines 1 through 8)	9
10. Interest (Explain in Schedule C)	10
11. Taxes (Explain in Schedule C)	11
12. Fiduciary fees (Explain in Schedule C)	12
13. Charitable deduction (From Schedule A, line 6 or 7(c))	13
14. Attorney, accountant and return preparer fees (Explain in Schedule C)	14
15. (a) Other deductions NOT subject to the 2% floor (Explain in Schedule C)	15(a)
(b) Allowable miscellaneous itemized deductions subject to the 2% floor (Explain in Schedule C)	15(b)
16. Total (Add lines 10 through 15(b))	16
17. Line 9 minus line 16 (Complex trusts and estates also enter this amount on Schedule B, line 1)	17
18. Income distribution deduction (From Schedule B, line 17) (See Instructions) (attach Schedules K-1 (Form N-40))	18
19. Estate tax (including certain generation-skipping transfer taxes) under Chapter 234D, HRS, attributable to income in respect of a decedent (Fiduciary's share)	19
20. Exemption (\$400 for an estate; trusts see Instructions)	20
21. Total (Add lines 18 through 20)	21
22. Taxable income of fiduciary (Line 17 minus line 21)	22*
23. Tax on amount on line 22 (Use tax rate schedule of Schedule D (Form N-40))	23*
(*) Includes separate tax from Forms N-152, N-312, N-318, N-386, and section 641(c) tax. Attach appropriate Forms	
(a) Enter amount from Schedule D (Form N-40), line 41	23(a)*
24. Total nonrefundable credits from Schedule E, line 12	24*
BALANCE — Line 23 minus line 24 (but not less than zero)	25
26. OTHER: (a) 2002 Estimated tax payments: N5	26(a)*
(b) Estimated tax payments allocated to beneficiaries (from N-407)	26(b)
(c) Line 26(b) minus line 26(b)	26(c)
(d) Amount applied from 2001 return	26(d)*
(e) Payments with extension	26(e)*
(f) Total of refundable credits from Schedule F, line 9	26(f)*
Total (Add lines 26(c) through 26(f))	27*
27. Penalty for underpayment of estimated tax (See Instructions)	27*
28. TAX DUE — If the total of lines 25 and 28 is larger than line 27, enter AMOUNT OWED	28*
29. OVERPAYMENT — If line 27 is larger than the total of lines 25 and 28, enter AMOUNT OVERPAID	29*
30. Enter the amount of line 30 to be CREDITED to 2003 estimated tax	30*
31. BALANCE DUE (REFUND) with amended return (See Instructions)	31*
32. Enter the amount of line 30 to be REFUNDED	32*
33. AMOUNT PAID (OVERPAID) on original return — AMENDED RETURN ONLY (See Instructions)	33*
34. BALANCE DUE (REFUND) with amended return (See Instructions)	34*

DECLARATION: I declare, under the penalties set forth in section 251.36, HRS, and this return (including any accompanying schedules or statements) has been examined by me and, to the best of my knowledge and belief, is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Hawaii Income Tax Law, Chapter 235, HRS.

If you would like us to mail you a packet of forms for next year's filing, please check this box.

Please Sign Here: _____ Date: _____

Signature of fiduciary or officer representing fiduciary

Preparer's Signature and Title: _____ Date: _____

Check if self-employed

Firm's name (or your address and ZIP code) _____ Phone no. _____

Preparer's identification number _____

FORM N-40

Attach Form N-201V and your check or money order for full amount payable to "Hawaii State Tax Collector". Write your Federal Employer I.D. No. and "2002 Form N-40" on your check or money order.

SCHEDULE CR
(REV. 2002)

STATE OF HAWAII—DEPARTMENT OF TAXATION
SCHEDULE OF TAX CREDITS

TAX YEAR
2002

Or fiscal year beginning _____, 2002, and ending _____, 20____

ATTACH THIS SCHEDULE DIRECTLY BEHIND FORM N-11, N-12, N-15, N-30, OR N-70NP

ATTACH THIS SCHEDULE TO FORM N-11, N-12, N-15, N-30, OR N-70NP

SSN or Federal Employer I.D. No. _____
Hawaii G.E./Use Identification No. _____

Name(s) as shown on return _____

Part I Nonrefundable Tax Credits

1	Income tax paid to another state or foreign country (N-11, N-12, N-15, & N-70NP filers)	1•	00
2	Energy Conservation Tax Credit (attach Form N-157 or Form N-306)	2•	00
3	Enterprise Zone Tax Credit (attach Form N-756)	3•	00
4	Low-Income Housing Tax Credit (attach Form N-586)	4•	00
5	Credit for Employment of Vocational Rehabilitation Referrals (attach Form N-884)	5•	00
6	High Technology Business Investment Tax Credit (attach Form N-318)	6•	00
7	Individual Development Account Contribution Tax Credit (attach Form N-320)	7•	00
8	Technology Infrastructure Renovation Tax Credit (attach Form N-326)	8•	00
9	Credit for School Repair and Maintenance (attach Form N-330)	9•	00
10	Hotel Construction and Remodeling Tax Credit (attach Form N-314)	10•	00
11	Residential Construction and Remodeling Tax Credit (attach Form N-332)	11•	00
12	Total Nonrefundable Credits. Add Lines 1 through 11. Enter here and on Form N-11, Line 27; N-12, Line 40; N-15, Line 42; N-30, Line 12; or N-70NP, Line 14	12•	00

Part II Refundable Tax Credits

13	Capital Goods Excise Tax Credit (attach Form N-312)	13•	00
14	Fuel Tax Credit for Commercial Fishers (attach Form N-163 or Form N-308)	14•	00
15	Hotel Construction and Remodeling Tax Credit (attach Form N-314)	15•	00
16	Motion Picture and Film Production Income Tax Credit (attach Form N-316)	16•	00
17	Tax Credit for Research Activities (attach Form N-319)	17•	00
18	Drought Mitigating Water Storage Facility Income Tax Credit (attach Form N-328)	18•	00
19	Ethanol Investment Tax Credit (attach Form N-324)	19•	00
20	Other refundable credits		
a. Pro rata share of taxes withheld and paid by a partnership, estate, trust, or S corporation on the sale of Hawaii real property interests		20a	00
b. Credit From a Regulated Investment Company		20b	00
c. Add lines 20a and 20b		20c•	00
21	Total Refundable Credits. Add Lines 13 through 19 and Line 20c. Enter here and on Form N-11, Line 38; N-12, Line 51; N-15, Line 53; N-30, Line 14(d); or N-70NP, Line 16(d)	21	00

SCHEDULE CR

GENERAL INSTRUCTIONS FOR CLAIMING TAX CREDIT

Each resident taxpayer who files an individual income tax return (Form N-11, N-12, N-13, or as a part-year resident on Form N-15) for a taxable year may claim a tax credit against his or her individual income tax liability for a solar or wind energy system, heat pump, or ice storage system installed and placed in service during the taxable year. Additions to existing systems (e.g., additional solar energy panels) and systems for a second home qualify for this credit. The cost of repairs to existing systems (e.g., replacing solar energy panels), however, do not qualify for this credit. The credit is non-refundable and does 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, including rebates from utility companies).

A licensed professional engineer must review the design of the heat pump installed in multi-unit buildings and provide a written opinion that the system, in accordance with recognized engineering practice, is designed to provide not less than 90% of the daily annual average hot water needs of all the occupants of the building.

The tax credit may be claimed for the following energy conservation systems as implemented in service on or before July 1, 2003:

- Wind energy systems**
Type of Energy Conservation System: _____
Tax Credit Rate: _____
20% of the actual cost of the system.
- Solar energy systems**
Type of Energy Conservation System: _____
Tax Credit Rate: _____
The lesser of 35% of the actual cost of the system or \$1,750.
- Heat pumps**
Type of Energy Conservation System: _____
Tax Credit Rate: _____
Per building unit:
The lesser of 35% of each unit's actual cost of the system or \$350.
- Ice Storage Systems**
Type of Energy Conservation System: _____
Tax Credit Rate: _____
50% of the actual cost of the system.

If federal energy tax credits for systems similar to any of those above are established after June 30, 1998, but before July 1, 2003, the amount of the State credit for energy conservation must be reduced by the amount of the applicable federal energy tax credit.

In the event that tax credits claimed exceed the amount of the income tax payments due, the excess of credits may be carried over to subsequent years until exhausted.

FOR PURPOSES OF THE TAX CREDIT

"Solar or wind energy system" means any new, identifiable facility, equipment, apparatus, or device that converts solar radiation or wind energy to electricity or electric power for use in a building, or that converts solar energy to other types of energy dependent upon fossil fuel for their generation.

"Heat pump" means an electric-powered compression heating system that extracts energy from warm ambient air or recovers waste heat to assist in the production of hot water.

"Ice storage system" refers to ice banks or other cool energy storage tanks, containers, accessories, and controls that are specifically designed to store ice or chilled fluids for the express purpose of shifting the consumption of energy to off-peak periods.

"Single family residential building" means a structure maintained and used as a home, residence, or sleeping place by one or more persons maintaining a common household. A dwelling unit that shares one or more walls with another dwelling unit, but is not attached to another dwelling unit, is included if it has direct access to a street or thoroughfare and does not share hot water equipment or any other essential facility or service with any other dwelling unit.

"Multi-unit residential building" means a structure containing more than one dwelling unit, each of which is intended to be maintained and used as a home, residence, or sleeping place by persons maintaining separate households.

The director may require the taxpayer to furnish reasonable information to ascertain the validity of the claim for credit made and may adopt rules necessary to effectuate the purposes of claiming this credit pursuant to chapter 91, Hawaii Revised Statutes.

The tax credit shall be claimed against the net income tax liability for the year in which such energy conservation system, heat pump, or storage system was purchased and installed in Hawaii. If the credit exceeds the taxpayer's income tax liability, the credit may be used as credit against the taxpayer's income tax liability in subsequent years until exhausted.

INTERNET ADDRESS

State tax forms and information are available on the Internet at: www.state.hi.us/tax

SPECIFIC INSTRUCTIONS

Lines 1 through 32 — Fill in the lines as they apply to your claim.

Lines 7 and 18 — The per unit cost of a solar energy system or heat pump determined as follows:
Total square feet of your unit x The actual cost of the system
Total square feet of all units in the multi-unit building or heat pump

Lines 3, 14, 25, and 29 — If federal energy tax credits are enacted for the year in which the energy conservation system is installed, the amount of the federal credit to which it is similar rather than the total credit.

For example, if Congress should enact a 40% solar credit, a taxpayer with a \$5,000 expense would normally be eligible for a \$1,750 state credit, but this would be fully offset by the \$2,000 federal credit and no state credit may be claimed for the solar system. If this same taxpayer also had a \$3,000 wind energy system installed and would be eligible for a \$600 state credit, the taxpayer would be allowed to claim the full \$600 credit on the taxpayer's return, leaving a remaining \$250 of the federal solar credit (the amount by which the federal credit exceeded the state solar credit).

COMPUTATION OF TAX CREDIT

WIND ENERGY SYSTEM

- Cost of qualified wind energy system installed and placed in service..... 1
- Multiply line 1 by 20%, and enter result..... 2
- Amount of any federal energy tax credit for wind energy systems claimed on line 1. (see instructions)..... 3
- Subtract line 3 from line 2 and enter result (but not less than zero)..... 4

SOLAR ENERGY SYSTEM

- Cost of qualified solar energy system installed and placed in service on new and existing single family residential buildings..... 5
- Enter 35% of line 5 or \$1,750, whichever is less..... 6
- Per unit cost of qualified solar energy system installed and placed in service on new and existing multi-unit residential buildings..... 7
- Enter 35% of line 7 or \$350, whichever is less..... 8
- Number of building units you own to which the allocated unit cost on line 7 is applicable..... 9
- Multiply line 8 by line 9 and enter result..... 10

HEAT PUMPS

- Cost of qualified solar energy system installed and placed in service on new and existing hotel, commercial and industrial facilities..... 11
- Multiply line 11 by 35% and enter result..... 12
- Add lines 6, 10, and 12, and enter result..... 13
- Amount of any federal energy tax credit for solar energy systems claimed on lines 5, 7, and 11. (see instructions)..... 14
- Subtract line 14 from line 13 and enter result (but not less than zero)..... 15

ICE STORAGE SYSTEMS

- Cost of qualified heat pumps installed and placed in service in new and existing single family residential buildings..... 16
- Enter 20% of line 16 or \$400, whichever is less..... 17
- Per unit cost of qualified heat pumps installed and placed in service in new and existing multi-unit residential buildings..... 18
- Enter 20% of line 18 or \$200, whichever is less..... 19
- Number of building units you own to which the allocated unit cost on line 18 is applicable..... 20
- Multiply line 19 by line 20 and enter result..... 21
- Cost of qualified heat pumps installed and placed in service in new and existing hotel, commercial and industrial facilities..... 22
- Multiply line 22 by 20%, and enter result..... 23
- Add lines 17, 21, and 23, and enter result..... 24
- Amount of federal energy tax credit for heat pumps claimed on lines 16, 18, and 22. (see instructions)..... 25
- Subtract line 25 from line 24 and enter result (but not less than zero)..... 26

ICE STORAGE SYSTEMS

- Cost of qualified ice storage systems installed and placed in service..... 27
- Multiply line 27 by 50% and enter result..... 28
- Amount of any federal energy tax credit for ice storage systems claimed on line 27. (see instructions)..... 29
- Subtract line 29 from line 28 and enter result (but not less than zero)..... 30

TOTAL CREDIT FOR ENERGY CONSERVATION

- Distributive share of tax credit from attached Form(s) N-157A..... 31
- Carryover of tax credit from prior years..... 32
- Total tax credit claimed. Add lines 4, 15, 26, 30, 31, and 32, and enter the total here and on Schedule CR, line 2 (for Form N-11, N-12 or N-15 files) or Form N-13, line 17 (Whole dollars only)..... 33

(Note: The amount of credit which exceeds your tax liability may be carried over to subsequent years until exhausted.)

STATE OF HAWAII – DEPARTMENT OF TAXATION
FORM N-163 FUEL TAX CREDIT FOR COMMERCIAL FISHERS - INDIVIDUAL
 (REV. 3/2003) Or fiscal year beginning _____, 20____ and ending _____, 20____

TAX YEAR
20____

Name(s) as shown on Form N-11, N-12, or N-15 _____
 Social Security No. _____

Part I. Computation of fuel tax credit for commercial fishers. Note: If only the distributive share(s) of the credit is being claimed on Form N-163, begin on Line 4.

- Enter the number of gallons of diesel oil, liquid petroleum gas, and/or other alternative fuel purchased and used by the principal operator. _____
- Multiply the number of gallons from Line 1 by \$.01 and enter the amount here (Line 1 x \$.01). \$ _____
- Add the amount of credit from Part II, Line 3, Columns A through D, and enter total here. \$ _____
- Enter the total distributive share(s) of the credit from Form N-163A(s). \$ _____
- Add the credit from Lines 2, 3, and 4. Enter the total here and on Schedule CR, Line 14. \$ _____

Part II. Worksheet for gasoline purchased and used by principal operator

	Column A City & County of Honolulu	Column B County of Maui	Column C County of Hawaii	Column D County of Kauai
1. Enter the number of gallons of gasoline purchased and used by the principal operator.				
2. Rate	x \$.325	x \$.290	x \$.248	x \$.290
3. Multiply the number of gallons from Line 1 by the rate listed on Line 2 (Line 1 x Line 2).	\$ _____	\$ _____	\$ _____	\$ _____

General Instructions:
 A principal operator of a commercial fishing vessel who files an income tax return for the taxable year, as indicated on Form N-163, may be eligible for the fuel tax credit for commercial fishers. See sections 235-110.6, Hawaii Revised Statutes (HRS), and 18-235-110.6, Hawaii Administrative Rules.
 The credit is available only to a principal operator who purchases and actually uses the fuel to operate a fishing vessel for commercial purposes. Fuel used in the operation of charter fishing boats and the like where the income is derived from fees and sources other than from commercial fishing and fuel used in the operation of a fishing vessel where the activity is not engaged in for profit as provided in Internal Revenue Code section 183 do not qualify for the credit.
 The amount of the credit is limited to the fuel taxes imposed under section 243-4(a), HRS, and paid by the principal operator for use in the operation of the fishing vessel during the indicated taxable year.
 A husband and wife filing separate returns, where a joint return could have been filed, shall claim only the credit to which the husband and wife would have been entitled had a joint return been filed.
 If the property claimed and allowed credit exceeds the amount of the income tax due and payable from the principal operator, the excess will be refunded to the principal operator under sections 235-110.6, HRS.
 Claims for the credit, including any amended claims thereof, must be filed on or before the end of the twelfth month following the close of the indicated taxable year.
Specific Instructions:
Line 1. Section 243-4, HRS, defines alternative fuel as methanol, denatured ethanol, and other alcohols; mixtures containing 85 percent or more by volume of methanol, denatured ethanol, and other alcohols with gasoline or other fuels; natural gas; liquefied petroleum gas; hydrogen; coal-derived liquid fuels; biodiesel; mixtures containing 20 percent or more by volume of biodiesel with diesel or other fuels; fuels (other than alcohol) derived from biological materials; and any other fuel that is substantially not a petroleum product and that the governor determines would yield a substantial energy security benefits or substantial environmental benefits.
 Attach Form N-163 to applicable Form N-11, N-12, or N-15. If an amount is entered on Line 4 of Part I, attach Form N-163A, Information Statement Concerning Fuel Tax Credit for Commercial Fishers, to Form N-163.
 Form N-163 (Rev. 3/2003) Page 2

Form N-163 (Rev. 3/2003)

STATE OF HAWAII—DEPARTMENT OF TAXATION

CAPITAL GOODS EXCISE TAX CREDIT

2002

SEE SEPARATE INSTRUCTIONS BEFORE COMPLETING THIS FORM.

FORM N-312 (REV. 2002)

Or fiscal year beginning _____, 20____ and ending _____, 20____

SSN OR FEIN _____

Hawaii G.E./Use Ident. Number _____

ATTACH THIS SCHEDULE TO FORM F-1, N-11, N-12, N-15, N-30, N-40, OR N-70NP

Name _____

CAUTION: A claim for this credit, including an amended claim, must be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. An extension of time for filing a return does not extend the time for claiming the credit. The taxpayer shall treat the amount of the credit allowable and claimed as a taxable income item for the taxable year in which it is properly recognized under the method of accounting used to compute taxable income. Alternatively, the basis of eligible property for depreciation purposes for State income taxes shall be reduced by the amount of the credit allowable and claimed. **No credit may be claimed for property for which the Hotel Construction and Remodeling Tax Credit, the Motion Picture and Film Production Income Tax Credit, or the Technology Infrastructure Renovation Tax Credit is claimed.**

PART I COMPUTATION OF TAX CREDIT

(a) Description of Property — Attach a separate sheet if more space is needed	(b) Date property was placed in service	(c) Cost of qualifying property
1. Hawaii purchases		
2a. Purchases from out-of-state sellers		
2b. Was Use Tax paid on these purchases? Yes <input type="checkbox"/> No <input type="checkbox"/> Some <input type="checkbox"/>		
3. Total qualifying cost of eligible property. Add amounts in column (c), lines 1 and 2. (Estates, trusts, and cooperatives, see Instructions)		
4. Tax credit percentage		4%
5. Multiply line 3 by line 4 and enter result here		
6. Amount of sales or use taxes paid to another state or jurisdiction for which a credit was claimed under section 238-3(i), Hawaii Revised Statutes. (see Instructions)		
7. Capital Goods Excise Tax Credit — Line 5 minus line 6. Enter difference (> zero) rounded to the nearest dollar for individual taxpayers and enter on Form F-1, line 79 or Schedule CR, line 11.		

Yes	No
<input type="checkbox"/>	<input type="checkbox"/>

FORM N-312

FORM N-312 (REV. 2002)

PART II — RECAPTURE OF CAPITAL GOODS EXCISE TAX CREDIT

Name(s) as shown on return _____ FEIN or SSN _____

Description of property. (Attach a separate sheet if more space is needed.)

Properties	A	B	C	D	E
A					
B					
C					
D					
E					

RECAPTURE COMPUTATION: (See Specific Instructions)

Properties	A	B	C	D	E
1. Original rate of credit (4%)	4%				4%
2. Date recapture period begins (see Instructions)		4%			4%
3. Date property ceased to be eligible capital goods excise tax credit property. (see Instructions)					
4. Number of full years between the date on line 2 and the date on line 3.					
5. Original or previously recomputed credit claimed. (see Instructions)					
6. Recomputed credit. (see Instructions)					
7. Decrease in credit due to disposition. (Line 5 minus line 6)					
8. Recapture percentage. (from Instructions)					
9. Recapture tax. (Line 7 multiplied by line 8)					
10. Total increase in tax. (Add line 9 columns A through E). Round this amount to the nearest dollar and enter on the appropriate form listed below					10.

Enter or include the amount on line 10 above on the appropriate form as indicated below: (Form N-20 and N-35 filers, use Form N-312A)

Form F-1, line 64;
 Form N-11, line 26;
 Form N-12, line 39;
 Form N-15, line 41;
 Form N-30, Schedule J, line 17;
 Form N-40, line 23; or
 Form N-70NP, line 11.

<p style="text-align: center;">STATE OF HAWAII—DEPARTMENT OF TAXATION</p> <p style="text-align: center;">FORM N-314 (Rev. 2002)</p> <p style="text-align: center;">HOTEL CONSTRUCTION AND REMODELING TAX CREDIT</p> <p style="text-align: center;">TAX YEAR 20 — —</p> <p>Or fiscal year beginning _____, 20____ and ending _____, 20____</p> <p>SSN OR FEIN Hawaii G.E./Use Ident. Number</p> <p>ATTACH THIS SCHEDULE TO FORM N-11, N-12, N-15, N-20, N-30, N-35, N-40, OR N-70NP</p> <p>Name _____</p>	<p style="text-align: center;">PART I — COMPUTATION OF TAX CREDIT FOR COSTS INCURRED AFTER NOVEMBER 1, 2001, BUT BEFORE JULY 1, 2003</p> <p>Note: If you are only claiming the tax credit from a flow-through entity, start on line 2.</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:80%;">1. Enter the qualifying construction or renovation costs incurred during the taxable year after 11/1/01 for qualified hotel facility(ies) located in Hawaii</td> <td style="width:20%; text-align: right;">1</td> </tr> <tr> <td>2. Flow through of qualifying costs incurred after 11/1/01 received from other entities, if any. Check box below. Name and Federal Employer I.D. No. of entity</td> <td style="text-align: right;">2</td> </tr> <tr> <td colspan="2"> <input type="checkbox"/> a S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 22 <input type="checkbox"/> b Partner — enter total from Schedule K-1 (Form N-20), line 30 <input type="checkbox"/> c Beneficiary — enter total from Schedule K-1 (Form N-40), line 10 (post 11/1/01 costs) <input type="checkbox"/> d Member — enter total from Form N-314, Part III, line 21. </td> </tr> <tr> <td>3. Add lines 1 and 2 and enter result here. This represents the total qualifying construction or renovation costs incurred during the taxable year after 11/1/01 for qualified hotel facility(ies) located in Hawaii. For N-20, N-35, N-40 filers, stop here and see instructions before proceeding to line 4</td> <td style="text-align: right;">3</td> </tr> <tr> <td>4. Tax credit percentage</td> <td style="text-align: right;">4 10%</td> </tr> <tr> <td>5. Multiply line 3 by line 4</td> <td style="text-align: right;">5</td> </tr> <tr> <td>6. Carryover of unused hotel construction and remodeling tax credit from prior year. (See Instructions.)</td> <td style="text-align: right;">6</td> </tr> <tr> <td>7. Add lines 5 and 6 and enter result here. This represents your tentative current year hotel construction and remodeling tax credit</td> <td style="text-align: right;">7</td> </tr> </table> <p>Tax Liability Limitations (Not to be completed by Form N-20 and Form N-35 filers)</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:80%;">8. a Individuals — Enter tax liability amount from Form N-11, Form N-12, or, if applicable, Form N-15. b Corporations — Enter tax liability from Form N-30. c Other filers — Enter your income tax liability, before credits, from the applicable form</td> <td style="width:20%; text-align: right;">8</td> </tr> <tr> <td>9. Complete the credit worksheet in the instructions and enter the total here</td> <td style="text-align: right;">9</td> </tr> <tr> <td>10. Line 8 minus line 9. This represents your income tax liability, as adjusted. If the result is zero or less than zero, enter zero on line 10</td> <td style="text-align: right;">10</td> </tr> <tr> <td>11. Total credit allowed — Enter the smaller of line 7 or line 10. This is your hotel construction and remodeling tax credit allowable for the year. Enter this amount also, rounded to the nearest dollar for individual taxpayers, on Schedule CR, Part I, line 10; or enter the estate's or trust's share on Form N-40, Schedule E, line 10</td> <td style="text-align: right;">11</td> </tr> <tr> <td>12. Line 7 minus line 11. This represents your carryover of unused credit. The amount of any unused tax credit may be carried over and used as a credit against your income tax liability in subsequent years until exhausted</td> <td style="text-align: right;">12</td> </tr> </table> <p style="text-align: right;">(Continued on back)</p>	1. Enter the qualifying construction or renovation costs incurred during the taxable year after 11/1/01 for qualified hotel facility(ies) located in Hawaii	1	2. Flow through of qualifying costs incurred after 11/1/01 received from other entities, if any. Check box below. 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<p style="text-align: center;">FORM N-314 (REV. 2002)</p> <p style="text-align: center;">PAGE 2</p> <p style="text-align: center;">PART II — COMPUTATION OF TAX CREDIT FOR COSTS INCURRED AFTER JUNE 30, 2003, BUT BEFORE JANUARY 1, 2006</p> <p>Note: If you are only claiming the tax credit from a flow-through entity, start on line 14.</p>	<table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:80%;">13. Enter the qualifying construction or renovation costs incurred during the taxable year after 6/30/03 for qualified hotel facility(ies) located in Hawaii</td> <td style="width:20%; text-align: right;">13</td> </tr> <tr> <td>14. Flow through of qualifying costs incurred after 6/30/03 received from other entities, if any. Check box below. Name and Federal Employer I.D. No. of entity</td> <td style="text-align: right;">14</td> </tr> <tr> <td colspan="2"> <input type="checkbox"/> a S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 121 <input type="checkbox"/> b Partner — enter total from Schedule K-1 (Form N-20), line 22 <input type="checkbox"/> c Beneficiary — enter total from Schedule K-1 (Form N-40), line 10 (post 6/30/03 costs) <input type="checkbox"/> d Member — enter total from Form N-314, Part III, line 20. </td> </tr> <tr> <td>15. Add lines 13 and 14 and enter result here. This represents the total qualifying construction or renovation costs incurred during the taxable year after 6/30/03 for qualified hotel facility(ies) located in Hawaii. For N-20, N-35, N-40 filers, stop here and see instructions before proceeding to line 16</td> <td style="text-align: right;">15</td> </tr> <tr> <td>16. Tax credit percentage</td> <td style="text-align: right;">16 4%</td> </tr> <tr> <td>17. Hotel Construction and Remodeling Tax Credit — Multiply line 15 by line 16 and enter result here and on Schedule CR, line 15; or enter the estate's or trust's share on Form N-40, Schedule F, line 3 (rounded to the nearest dollar for individual taxpayers)</td> <td style="text-align: right;">17</td> </tr> </table> <p style="text-align: center;">PART III - OWNER-MEMBER'S SHARE OF QUALIFYING COSTS</p> <table style="width:100%; border-collapse: collapse;"> <tr> <td style="width:80%;">18. Owner-member's name</td> <td style="width:20%; text-align: right;">18</td> </tr> <tr> <td>19. Owner-member's identification number</td> <td style="text-align: right;">19</td> </tr> <tr> <td>20. Owner-member's share of qualifying construction or renovation costs incurred after 11/01/01</td> <td style="text-align: right;">20</td> </tr> <tr> <td>21. Owner-member's share of qualifying construction or renovation costs incurred after 6/30/03</td> <td style="text-align: right;">21</td> </tr> </table> <p>CAUTION: The receipt of this form by an owner-member (member) of an association of apartment owners or a timeshare owners association does not imply that the member qualifies for the Hotel Construction and Remodeling Tax Credit. The member must be subject to Hawaii's net income tax and transient accommodations tax on income received from hotel operations of the constructed or renovated property. The member may use the qualifying costs reported above to claim the credit on the member's Hawaii income tax return if the member qualifies for the credit.</p> <p style="text-align: center;">SEE SEPARATE INSTRUCTIONS</p>	13. Enter the qualifying construction or renovation costs incurred during the taxable year after 6/30/03 for qualified hotel facility(ies) located in Hawaii	13	14. Flow through of qualifying costs incurred after 6/30/03 received from other entities, if any. Check box below. Name and Federal Employer I.D. No. of entity	14	<input type="checkbox"/> a S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 121 <input type="checkbox"/> b Partner — enter total from Schedule K-1 (Form N-20), line 22 <input type="checkbox"/> c Beneficiary — enter total from Schedule K-1 (Form N-40), line 10 (post 6/30/03 costs) <input type="checkbox"/> d Member — enter total from Form N-314, Part III, line 20.		15. Add lines 13 and 14 and enter result here. This represents the total qualifying construction or renovation costs incurred during the taxable year after 6/30/03 for qualified hotel facility(ies) located in Hawaii. For N-20, N-35, N-40 filers, stop here and see instructions before proceeding to line 16	15	16. Tax credit percentage	16 4%	17. Hotel Construction and Remodeling Tax Credit — Multiply line 15 by line 16 and enter result here and on Schedule CR, line 15; or enter the estate's or trust's share on Form N-40, Schedule F, line 3 (rounded to the nearest dollar for individual taxpayers)	17	18. Owner-member's name	18	19. Owner-member's identification number	19	20. Owner-member's share of qualifying construction or renovation costs incurred after 11/01/01	20	21. Owner-member's share of qualifying construction or renovation costs incurred after 6/30/03	21
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20. Owner-member's share of qualifying construction or renovation costs incurred after 11/01/01	20																				
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STATE OF HAWAII—DEPARTMENT OF TAXATION

**MOTION PICTURE AND FILM PRODUCTION
INCOME TAX CREDIT**

FORM N-316 (Rev. 2002)

20__

Or fiscal year beginning _____, 20__ and ending _____, 20__

ATTACH THIS SCHEDULE TO FORM N-11, N-12, N-15, N-30, N-40, OR N-70NP

Name _____

SSN OR FEIN _____

Hawaii G.E./Use Ident. Number _____

PRODUCTION COSTS PART OF THE TAX CREDIT

1. Total production costs incurred in the taxable year qualifying for a 4% tax credit (Estates and trusts, see Instructions)..... 1

2. Production costs for which a deduction was taken under Internal Revenue Code Section 179 (election to expense certain depreciable assets)..... 2

3. Subtract line 2 from line 1..... 3

4. Tax credit percentage..... 4% 4

5. Total production costs incurred in the taxable year qualifying for a less than 4% tax credit. (Estates and trusts, see Instructions)..... 5

6. Production costs for which a deduction was taken under Internal Revenue Code Section 179 (election to expense certain depreciable assets)..... 6

7. Subtract line 7 from line 6..... 7

8. Tax credit percentage..... 7.25% 8

9. Total transient accommodations costs incurred in the taxable year qualifying for a 7.25% tax credit. (Estates and trusts, see Instructions)..... 9

10. Multiply line 8 by line 9 and enter the result here..... 10

TRANSIENT ACCOMMODATIONS COSTS PART OF THE TAX CREDIT

11. Total transient accommodations costs incurred in the taxable year qualifying for a 7.25% tax credit. (Estates and trusts, see Instructions)..... 11

12. Tax credit percentage..... 7.25% 12

13. Total transient accommodations costs incurred in the taxable year qualifying for a less than 7.25% tax credit. (Estates and trusts, see Instructions)..... 13

14. Multiply line 11 by line 12 and enter the result here..... 14

15. Tax credit percentage..... 15

16. Total production costs incurred in the taxable year qualifying for a less than 4% tax credit. (Estates and trusts, see Instructions)..... 16

17. Motion Picture and Film Production Income Tax Credit—Add the amounts on lines 5, 10, 13, and 16 and enter here and on Schedule CR, line 16 (for Form N-11, N-12, N-15, N-30, and N-70NP filers); or Form N-40, Schedule F, line 2 (rounded to the nearest dollar for individual taxpayers)..... 17

Form N-316 (Rev. 2002)

Page 2

If you received a distribution of production costs qualifying for a less than 4% tax credit from a partnership, S corporation, estate, or trust, enter your share of the distribution as reported on Form N-316A on line 6.

Estates and trusts: The total production costs on line 6 are to be allocated between the estate or trust and the beneficiaries in the proportion of the income allocable to each party. On the dotted line to the left of line 6, enter the production costs allocable to the estate or trust with the designation "N-40 PORTION." Attach Form N-316 to Form N-40, Schedule F, line 2.

Line 7—Deduct the production costs for which a deduction is taken under IRC section 179.

Line 11—Enter the total transient accommodations costs incurred in the taxable year qualifying for a 7.25% tax credit.

If you received a distribution of transient accommodations costs qualifying for a 7.25% tax credit from a partnership, S corporation, estate, or trust, enter your share of the distribution as reported on Form N-316A on line 11.

Estates and trusts: The total transient accommodations costs on line 11 is to be allocated between the estate or trust and the beneficiaries in the proportion of the income allocable to each party. On the dotted line to the left of line 11, enter the transient accommodations costs allocable to the estate or trust with the designation "N-40 PORTION." Attach Form N-316 to Form N-40, Schedule F, line 2.

Line 14—Enter the total transient accommodations costs incurred in the taxable year qualifying for a less than 7.25% tax credit.

If you received a distribution of transient accommodations costs qualifying for a less than 7.25% tax credit from a partnership, S corporation, estate, or trust, enter your share of the distribution as reported on Form N-316A on line 14.

Estates and trusts: The total transient accommodations costs on line 14 is to be allocated between the estate or trust and the beneficiaries in the proportion of the income allocable to each party. On the dotted line to the left of line 14, enter the transient accommodations costs allocable to the estate or trust with the designation "N-40 PORTION." Attach Form N-316 to Form N-40, Schedule F, line 2.

Line 17—Enter the total tax credit claimed for the year on this line and on the applicable line of your tax return or schedule of tax credits. For individual taxpayers, round the amount on line 17 to the nearest dollar.

Production costs are allocated between the entity and the beneficiaries based on the income of the entity allocable to each beneficiary. The term "beneficiary" includes an heir, legatee, or devisee.

A taxpayer who is a member of a pass-through entity (i.e., partnership, S corporation, estate, or trust) and who claims a tax credit for the entity's qualified production costs and qualified transient accommodations costs, must attach Form N-316A to Form N-316 when the tax return is filed.

Amount of credits: The maximum allowable tax credits, up to 4% of the production costs and up to 7.25% of the transient accommodations costs, may be claimed when the production of the motion picture or television film provides greater benefits to Hawaii's economy. The amount of the tax credits shall be based upon guidelines issued by the Department of Taxation.

Tax credit to be deducted from income tax liability, if any, re-funds. If the tax credit exceeds the taxpayer's income tax liability, the excess of the tax credit over the liability shall be refunded to the taxpayer in the form of a refund or payment on account of the tax credit shall be made for amounts less than \$1.

Time for filing: All claims, including any amended claims, for a tax credit shall be filed on or before the end of the 12th month following the close of the taxable year for which the tax credit may be claimed. An extension of time for filing a return does not extend the time for claiming the tax credit. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

Refer to Tax Information Release No. 98-1 for more information.

SPECIFIC INSTRUCTIONS

Line 1—Enter the total of production costs incurred in the taxable year qualifying for a 4% credit.

If you received a distribution of production costs qualifying for a less than 4% tax credit from a partnership, S corporation, estate, or trust, enter your share of the distribution as reported on Form N-316A on line 1.

Estates and trusts: The total production costs on line 1 is to be allocated between the estate or trust and the beneficiaries in the proportion of the income allocable to each party. On the dotted line to the left of line 1, enter the production costs allocable to the estate or trust with the designation "N-40 PORTION." Attach Form N-316 to Form N-40, Schedule F, line 2.

Line 2—Deduct the production costs for which a deduction is taken under IRC section 179.

Line 6—Enter the total of production costs incurred in the taxable year qualifying for a less than 4% credit.

shall be reduced by the part of the tax credit related to production costs that is allowable and claimed.

In the case of a partnership, S corporation, estate, or trust, the tax credit allowable is for qualified production costs and qualified transient accommodations costs incurred by the entity for the taxable year in which the production costs were incurred. The tax credit which the tax credit is computed is determined at the entity level. Each partner, S corporation shareholder, or beneficiary of an estate or trust shall separately take into account for its taxable year with or within which the entity's taxable year ends, the partner's, shareholder's, or beneficiary's share of the production costs and the transient accommodations costs and the resulting tax credit. A partner's share of the production costs and the resulting tax credit shall be determined in accordance with the ratio in which the partners divide the general profits of the partnership. The production costs and the transient accommodations costs of the partnership which are subject to a special allocation that is recognized under IRC section 704(a) and (b) shall be recognized for the purposes of this tax credit. Each S corporation's production costs and the resulting tax credit shall be allocated to the shareholders in proportion to the S corporation's production costs and transient accommodations costs. A beneficiary's share of the production costs and transient accommodations costs shall be determined in accordance with the ratio in which the partners divide the general profits of the partnership.

GENERAL INSTRUCTIONS

Each taxpayer subject to Hawaii's net income tax, who incurs production costs and transient accommodations costs in Hawaii while producing a motion picture or television film that benefits Hawaii's economy may claim a motion picture and film production income tax credit for the taxable year in which the production is completed. The tax credit is comprised of two parts: 1) an amount up to 4% of the costs incurred in Hawaii (including expenditures for transient accommodations) in the production of a motion picture or television film, plus 2) an amount up to 7.25% of the costs incurred in Hawaii in the production of a motion picture or television film for actual expenditures for transient accommodations.

With regard to the credit for production costs, two special provisions apply:

- If a deduction is taken under Internal Revenue Code (IRC) section 179 (regarding an election to expense certain depreciable assets), no tax credit shall be allowed for those production costs for which the section 179 deduction was taken; and
- The basis of eligible property for depreciation or accelerated cost recovery system (ACRS) purposes for state income taxes

(Continued on back)
FORM N-316

STATE OF HAWAII-DEPARTMENT OF TAXATION
HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT

Form N-318 (Rev. 4/2003) Tax Year **2002**
Or fiscal year beginning _____, 2002 and ending _____, 2003, or SSN or FEIN _____

Name(s) as shown on the applicable form: Department of Taxation's Form N-11, N-12, N-15, N-20, N-30, N-35, N-40, N-70NP, or F-1; or Department of Commerce and Consumer Affairs' Form 323 or 314

Attach Form N-318 and required supporting documents to the applicable form: Form N-11, N-12, N-15, N-20, N-30, N-35, N-40, N-70NP, or F-1; or Form 323, The Quarterly Premium Tax Statement, or Form 314, The Annual Statement of Premiums.

Part I. REQUIRED ATTACHMENTS

A separate and complete Form N-318A or a Schedule K-1 must be attached to Form N-318 for each qualified high technology business (QHTB) for which you are claiming the high technology business investment tax credit (credit). Enter the number of Form N-318As and Schedule K-1s attached:

Number of Form N-318A, Statement of Investment in a Qualified High Technology Business	
Number of Schedule K-1s	

Part II. HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT

If you are only reporting your share of the credit that is shown on Schedule K-1, skip Lines 1 through 6 and include on Line 7 your share of the credit.

If you invested in more than three QHTBs, attach a schedule reporting information requested in Lines 1 through 5 of Part II, Form N-318.

	Column A	Column B	Column C
1	Enter name and GE ID No. of the QHTB and dates of investment		
2	Enter the investment amount		
3	Enter applicable rate from instructions. See Rate Table on Page 4.		
4	Multiply the amount on Line 2 by the applicable rate on Line 3		
5	Enter maximum credit allowed: Lesser of (a) the amount on Line 4 or (b) the amount listed in the Rate Table on Page 4		
6	Add the amounts on Line 5, Columns A through C (including any additional schedules) and enter total here.		
7	Enter your share of the credit as reported on Schedule K-1(s). See instructions.		
8	Enter amount of unused credit carried over from prior years.		
9	Add Lines 6 through 8. This is your tentative credit for tax year 2002.		
10	Income and Franchise (Financial Institutions) Tax Liability Limitations, Form N-20 (Partnerships), Form N-35 (S-Corporations), and Forms 323 and 314 (Insurers) filers: do not complete Lines 10 through 14 of Part II, Form N-318 Individuals - Enter tax liability amount, before tax payments and credits, from Form N-11, N-12, or N-15 Corporations - Enter tax liability, before tax payments and credits, from Form N-30 Other filers - Enter tax liability, before tax payments and credits, from the applicable form		
11	Complete the <i>Credit Offset Worksheet</i> on Page 5 and enter total here		
12	Income tax liability, as adjusted, Line 10 minus Line 11. If the result is zero or less than zero, enter zero on Line 12.		
13	Total credit allowed - Enter the smaller of Line 9 or Line 12. This is the credit allowable for tax year 2002. For N-11, N-12, N-15, N-30 filers, enter this amount also, rounded to the nearest dollar on Schedule CR, Part I, Line 6. For N-40 filers, enter the estate's or trust's allocated credit on N-40, Schedule E, Line 6		
14	Carryover of unused credit, Line 9 minus Line 13. Enter the difference here. Do not enter an amount less than zero. The amount of the unused credit may be carried over and applied as a credit against the income or franchise (financial institutions) tax liability in subsequent years until exhausted.		

Form N-318
Rev. 4/2003

Form N-318 (Rev. 4/2003) Page 2
Part III. RECAPTURE OF HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT

	Column A	Column B	Column C
1	Enter name and general excise tax identification number of the QHTB for which the credit is being recaptured. See section 235-110.9(c), HRS, and general instructions on Page 3		
2	Enter the amount of the credit claimed in tax year 2000 attributable to the QHTB listed on Line 1, Part III		
3	Enter the amount of the credit claimed in tax year 2001 attributable to the QHTB listed on Line 1, Part III		
4	Add Lines 2 and 3 and enter the result here		
5	Recapture rate	.10	.10
6	Multiply the credit on Line 4 by the recapture rate on Line 5. This amount represents the recapture of the credit which is to be added to your tax liability for tax year 2002.		

Include the amount from Line 6 of Part III on your tax return:

Form F-1	Line 66
Form N-11	Line 26
Form N-12	Line 39
Form N-15	Line 41
Form N-20	Schedule K-1, Line 32 (include respective partner's or member's share of the recapture)
Form N-30	Schedule J, Line 19
Form N-35	Schedule K-1, Line 17, and Schedule K-1, Line 22 (include respective shareholder's share of recapture)
Form N-40	Line 23
Form N-70NP	Line 13
Form 323	Please contact the Department of Commerce and Consumer Affairs, Insurance Division
Form 314	Please contact the Department of Commerce and Consumer Affairs, Insurance Division

GENERAL INSTRUCTIONS

Form N-318 is used to claim the nonrefundable High Technology Business Investment Tax Credit (credit). Authoritative sources of information with respect to the credit are:

- Sections 235-110.9, 235-1, 235-7.3, Hawaii Revised Statutes (HRS);
- Tax Information Release No. 2003-1, RE: Application of Section 235-110.9, Hawaii Revised Statutes (HRS), relating to the High Technology Business Investment Credit; and
- Announcement No. 2003-1, RE: New and Revised High Technology Business Investment Tax Credit Forms.

Section 235-110.9 HRS, provides that the credit is available for investments, as defined in section 235-1, HRS, made in taxable years beginning after December 31, 2000 as follows:

- (1) In the year the investment was made, 35% of the investment, up to a maximum credit of \$700,000 per each qualified high technology business (QHTB);
- (2) In the first year following the year in which the investment was made, 25% of the investment, up to a maximum credit of \$500,000 per each QHTB;
- (3) In the second year following the investment, 20% of the investment, up to a maximum credit of \$400,000 per each QHTB;
- (4) In the third year following the investment, 10% of the investment, up to a maximum credit of \$200,000 per each QHTB; and
- (5) In the fourth year following the investment, 10% of the investment, up to a maximum credit of \$200,000 per each QHTB.

Note: Under Act 178, Session Laws of Hawaii (SLH) 1999, and Act 297, SLH 2000, the allowable credit was limited to 10% of the investments made in (a) tax year 1999 (provided that the investments were made after June 30, 1999) and (b) tax year 2000, provided that the credit shall be claimed in the year of the investment and did not exceed \$500,000 per each QHTB. The investments made in tax years 1999 and 2000 are eligible for the credit at the above listed applicable rates, subject to limitations. See specific instructions on Page 4 of Form N-318.

The credit may be claimed for income tax, franchise tax (financial institutions), and insurance premium tax purposes for tax years 2001-2005.

For income and franchise tax purposes, the credit is claimed against the tax liability for the taxable year. Tax liability means tax liability reduced by all other credits, **except** for the technology infrastructure renovation tax credit, allowed the taxpayer under chapter 235, HRS, and chapter 241, HRS (if applicable).

To claim the credit for insurance tax purposes, please contact the Department of Commerce and Consumer Affairs, Insurance Division.

A taxpayer shall not claim the credit for an investment in a QHTB for the year that it ceases to be a QHTB (i.e., the business fails, terminates, or is dissolved).

If at the close of any taxable year in the five-year period:

- (1) The business no longer qualifies as a QHTB;
- (2) The business or an interest in the business has been sold by the taxpayer investing in the QHTB; or
- (3) The taxpayer has withdrawn the taxpayer's investment wholly or partially from the QHTB;

the credit claimed shall be recaptured. The recapture shall be equal to 10% of the amount of the credit claimed in the preceding two taxable years. The amount of the recaptured credit determined shall be added to the taxpayer's tax liability for the taxable year in which the recapture occurs.

For the purposes of this credit, QHTB is defined as a business employing or owning capital or property, or maintaining an office in Hawaii provided that:

- (1) More than 50% of its total business activities are qualified research; and more than 75% of the qualified research is conducted in Hawaii; or
- (2) More than 75% of its gross income is derived from qualified research; provided that this income is received from:
 - A. Products sold from, manufactured in, or produced in Hawaii; or
 - B. Services performed in Hawaii.

For the purposes of this credit, "Qualified Research" is defined in section 235-7.3, HRS, as:

- (1) Research and development work qualifying under section 41(d) of the Internal Revenue Code;
- (2) The development or design of computer software using fourth generation or higher software development tools or native programming languages to design and construct unique and specific code to create applications and design databases for sale or license. See also section 235-1, HRS;
- (3) Biotechnology — fundamental knowledge regarding the function of biological systems from the macro level to the molecular and subatomic levels that has application to development including the development of novel products, services, technologies, and subtechnologies from insights gained from research advances that add to the body of fundamental knowledge. See also section 235-1, HRS;
- (4) Performing arts products;
- (5) Sensor and optic technologies;
- (6) Ocean sciences;
- (7) Astronomy; or
- (8) Nonfossil fuel energy-related technology.

Attachments

The taxpayer must attach to Form N-318: a separate Form N-318A for each investment in a qualified high technology business and all Schedule K-1s which reported the taxpayer's share of the credit.

Deadline for claiming the tax credit

Claims for the credit, including any amended claims, must be filed on or before the end of the twelfth month after the close of the taxpayer's taxable year. Failure to properly claim the credit shall constitute a waiver of the right to claim the credit.

For example, a taxpayer, who files an income tax return for calendar year 2002, must claim the credit by December 31, 2003. The taxpayer uses Form N-318 to claim the credit. The taxpayer attaches to the taxpayer's tax return Form N-318, N-318A, and Schedule K-1s (if applicable), and all required supporting documents.

Internet Address

Additional information regarding Hawaii tax laws and tax forms can be found on the Department of Taxation's website at: www.state.hi.us/tax.

SPECIFIC INSTRUCTIONS

PART II. HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT

Partnerships and S Corporations filers.—Complete Lines 1 through 9 to compute the amount of credit to pass-through to the members, partners or shareholders. *Do not complete Lines 10 through 14.*

Estates and Trusts.—Complete lines 1 through 9 to compute the credit to be allocated between the estate or trust and the beneficiaries in the proportion of the income allocable to each party. Continue to line 10 if the estate or trust has an allocable portion of the credit.

Insurers.—Complete lines 1 through 9 to compute the credit to carry to Form 323 or Form 314. *Do not complete lines 10 through 14.*

Line 1.—In each column, enter the name and general excise tax identification number of the QHTB for which the tax credit is being claimed. If more than 3 companies, attach a schedule to Form N-318.

Line 2.—Enter the amount of the investment for each QHTB. See section 235-1, HRS, for definition of investment.

Line 3.—Enter the rate applicable to the tax year in which the investment was made. Prior to Act 221, Session Laws of Hawaii (Act 221), section 235-110.9, HRS, provided a credit of 10% of the taxpayer's investment in a QHTB. Act 221 has expanded the credit to 100% of the taxpayer's investment in a QHTB over a five-year period up to \$2 million per each QHTB. This expansion applies to tax years 2001 through 2005. For applicable rates, refer to Rate Table as follows:

Rate Table

Year of investment	Applicable rate for investments made in tax year 1999**	Applicable rate for investments made in tax year 2000	Applicable rate for investments made in tax year 2001	Applicable rate for investments made in tax year 2002
Year of investment	*Tax Year 1999: 10% Up to max of \$500,000 per QHTB	*Tax Year 2000: 10% Up to max of \$500,000 per QHTB	*Tax Year 2001: 15% Up to max of \$700,000 per QHTB	Tax Year 2002: 35% Up to max of \$900,000 per QHTB
First year following year of investment	0%	*Tax Year 2001: 25% Up to max of \$500,000 per QHTB	*Tax Year 2002: 35% Up to max of \$500,000 per QHTB	Tax Year 2003: 25% Up to max of \$500,000 per QHTB
Second year following year of investment	*Tax Year 2001: 20% Up to max of \$400,000 per QHTB	Tax Year 2002: 20% Up to max of \$400,000 per QHTB	Tax Year 2003: 20% Up to max of \$400,000 per QHTB	Tax Year 2004: 20% Up to max of \$400,000 per QHTB
Third year following year of investment	Tax Year 2002: 10% Up to max of \$200,000 per QHTB	Tax Year 2003: 10% Up to max of \$200,000 per QHTB	Tax Year 2004: 10% Up to max of \$200,000 per QHTB	Tax Year 2005: 10% Up to max of \$200,000 per QHTB
Fourth year following year of investment	Tax Year 2003: 10% Up to max of \$200,000 per QHTB	Tax Year 2004: 10% Up to max of \$200,000 per QHTB	Tax Year 2005: 10% Up to max of \$200,000 per QHTB	Tax Year 2006: 10% Up to max of \$200,000 per QHTB

*Regarding the claims to the credit for the indicated years, the twelve-month period to claim the credit has expired. If the taxpayer has not claimed the credit for the indicated years (including claims on amended returns), the failure to claim the credit constitutes waiver of the taxpayer's right to claim the credit.

**In order to qualify for the credit for investments made in tax year 1999, the investments must have been made in tax years beginning after December 31, 1998 AND the investments must have been made on or after July 1, 1999. Any investment made prior to July 1, 1999 does not qualify for the credit. See sections 24 and 31 of Act 178, Session Laws of Hawaii 1999.

Form N-318
(Rev. 4/2003)

Page 5

Line 7.—Enter total amount of credit reported on all Schedule K-1s issued to the taxpayer.

Line 11.—Complete the Credit Offset Worksheet and enter the result on line 11:

	Tax Credit	Amount
A	Income Taxes Paid to another State or foreign country	
B	Enterprise Zone Tax Credit	
C	Energy Conservation Tax Credit	
D	Credit for Employment of Vocational Rehabilitation Referrals	
E	Individual Development Account Contribution Tax Credit	
F	Credit for School Repair and Maintenance	
G	Credit for Low-Income Household Renters	
H	Credit for Child and Dependent Care Expenses	
I	Credit from a regulated investment company	
J	Fuel Tax Credit for Commercial Fishers	
K	Credit for Child Passenger Restraint Systems	
L	Capital Goods Excise Tax Credit	
M	Motion Picture and Film Production Income Tax Credit	
N	Low-Income Refundable Tax Credit	
O	Tax Credit for Research Activities	
P	General Income Tax Credit	
Q	Hotel Construction and Remodeling Tax Credit	
R	Ethanol Investment Tax Credit	
S	Drought Mitigating Water	
T	Low-Income Housing Tax Credit	
U	Add lines A through T. Enter the amount here and on Line 11, Part II	

STATE OF HAWAII—DEPARTMENT OF TAXATION

FORM N-319
(REV. 2002)

TAX CREDIT FOR RESEARCH ACTIVITIES

Or fiscal year beginning _____, 20____, and ending _____, 20____

TAX YEAR **20__**

Name(s) as shown on Form N-11, N-12, N-15, N-20, N-30, N-35, N-40, OR, N-70NP
WHICHEVER IS APPLICABLE. _____

SSN or FEIN _____

ATTACH TO FORM N-11, N-12, N-15, N-20, N-30, N-35, N-40, OR, N-70NP
WHICHEVER IS APPLICABLE.

NOTE: If you are only claiming the tax credit from a flow-through entity, start on line 6.

	1		
1 Recalculate the amount of your total current year tax credit from federal Form 6765 (see instructions).....	2	3	4
2 Enter the amount of your total qualified research expenses conducted within Hawaii.....	5	6	7
3 Enter the amount of your total qualified research expenses from federal Form 6765 (see instructions).....			
4 Ratio of qualified research expenses attributable to Hawaii. Divide line 2 by line 3.....			
5 Tentative tax credit for research activities. Multiply line 1 by line 4.....			
6 Flow through of Hawaii tax credit for research activities received from other entities, if any. Check box below. Name and Federal Employer I.D. No. of Entity: <input type="checkbox"/> a S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 12; <input type="checkbox"/> b Partner — enter amount from Schedule K-1 (Form N-20), line 20 <input type="checkbox"/> c Beneficiary — enter amount from Schedule K-1 (Form N-40), line 8d <input type="checkbox"/> d Patron — enter the amount from federal Form 1099-PATR.....			
7 Total credit allowed. —Add lines 5 and 6. Enter the result, rounded to the nearest dollar for individual taxpayers, on the appropriate line of Form N-20; Form N-35; Form N-40; or Schedule CR; whichever is applicable.....			

GENERAL INSTRUCTIONS
Hawaii law conforms to Section 41 (with respect to the credit for increasing research activities) and section 280C(c) (with respect to certain expenses for which the credit for increasing research activities are allowable) of the Internal Revenue Code except that:
(1) references to the base amount shall not apply and credit for all qualified research expenses may be taken without regard to the amount of expenses for previous years.
(2) "Qualified Research" and "Basic Research" shall not include research conducted outside of Hawaii.
(3) The Hawaii credit is refundable and available for tax years 2000-2005 even if the federal credit is repealed during this period.

Internet Address
Additional information regarding Hawaii tax laws and tax forms can be found on the Department of Taxation's website at:
www.state.hi.us/tax

Deadline for claiming the credit
Claims for a credit, including any amended claims, must be filed on or before the due date of the return, or the date of the extension of time to file the return, for the year in which the credit is claimed.

SPECIFIC INSTRUCTIONS
Enter your tax year in the space provided.
Line 1.—Recalculate the amount of the "Total Current Year Credit" calculated on federal Form 6765, line 4. If you computed the federal credit under section A of Form 6765, multiply basic research payments paid or

incurred to qualified organizations" (line 1) plus the "total qualified research expenses" (line 8) by 20%. If you are electing the reduced credit under section 280C, multiply by 13%. Enter the result here.
If you computed the federal credit under section B of Form 6765, multiply basic research payments paid or incurred to qualified organizations" (line 17) plus the "total qualified research expenses" (line 25) by 20%. If you are electing the reduced credit under section 280C, multiply the result by 13%. Enter the result here.
Line 2.—Enter the total amount of the qualified research expenses for research conducted in Hawaii.
Line 3.—Enter the amount of the total qualified research expenses as calculated on the federal Form 6765, excluding any "qualified organization base period amount."
Line 4.—Divide line 2 by line 3. Enter the result here rounded to six decimal places. This is the percentage of the qualified research expenses for research conducted in Hawaii.
Line 5.—Multiply line 1 by line 4. Enter the result here. This is your tentative credit for research activities conducted in Hawaii.
Line 6.—Enter the name and federal employer identification number of any flow-through entity who has passed the tax credit for research activities from the entity to you. If additional space is needed, include the information on an attached schedule.
Line 7.—Add lines 5 and 6. This year total tax credit for research activities allowed for this taxable year. Enter the amount here, rounded to the nearest dollar for individual taxpayers, and on the appropriate line of Form N-20; Form N-35; Form N-40; or Schedule CR; whichever is applicable.

having demonstrated fiduciary integrity; (2) include a description of services or goods to be sold, a marketing plan, and projected financial statements; and (3) May require the eligible individual to obtain the assistance of an experienced entrepreneurial advisor.

"Qualified principal residence" means a principal residence (within the meaning of section 1034 of the Internal Revenue Code of 1986) the qualified acquisition costs of which do not exceed one hundred per cent of the average area purchase price applicable to such residence (determined in accordance with paragraphs (2) and (3) of section 143(e) of the Code).

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

SPECIFIC INSTRUCTIONS

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.

PART I

Lines 1 through 5 will be completed by the fiduciary organization when you make your matching contribution. The certification of your matching contribution will be completed by the Department of Human Services.

PART II

Complete Part II to claim the credit. In order to claim the credit, Part I of the form must be completed, unless you are claiming your distributive share of the credit distributed from a partnership, an S corporation, an estate, or a trust.

Note: If you are only claiming your distributive share of a tax credit distributed from a partnership, an S corporation, an estate, or a trust, skip lines 1 through 4 and begin on line 5.

Line 1—Enter the amount of the certified matching contribution listed in Part I of the form. You must include the amount of any flow-through contributions made by you to the account under section 501(c)(3) of the Internal Revenue Code and enter the total on one of the Form N-320 to claim the total credit. Be sure to attach all Forms N-320.

Note: All matching contributions must be certified by the Department of Human Services.

Line 2—If you took a deduction under section 170 (with respect to charitable contributions and gifts) of the Internal Revenue Code, enter the amount of the contribution taken as a deduction.

Line 3—Subtract line 2 from line 1. Enter the result here.

Line 4—Multiply line 3 by 50% (.50). Enter the result here.

Line 5—Enter the name and federal employer identification number of any flow-through entity who has passed the individual development account contribution tax credit through to the taxpayer. If additional space is needed, include the information on an attached schedule.

Line 6—Enter the carryover of unused individual development account contribution tax credits from the prior year.

Line 7—Add lines 4 through 6. This is your eligible individual development account contribution tax credit.

Line 8—The tax credit shall be obtained against your net income tax liability for the year in which the credit is claimed. The amount of the credit which exceeds your tax liability may be carried over to subsequent years until exhausted.

FORM N-320 (REV. 2002)

GENERAL INSTRUCTIONS

Pursuant to section 235-5.6, Hawaii Revised Statutes, a taxpayer who contributes to an individual development account matching fund may claim the individual development account contribution tax credit against his or her income tax liability for the year in which the taxpayer begins after December 31, 1999, and unavailable for taxable years beginning after December 31, 2004. All claims for the tax credit must be filed on or before the end of the 12th month following the close of the taxable year for which the tax credit may be claimed. An extension of time for filing a return does not extend the time for claiming the tax credit. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

How to use this form. If you are contributing to a matching fund, the fiduciary organization that you are making the contribution to will complete Part I of the form for you. Your form will be forwarded to the Department of Human Services for certification and then returned to you. You must complete Part II of the form. Part I of the form will be used to claim the tax credit. Be sure to enter your name as shown on your tax return above Part I of the form.

Note: In the case of an S corporation, partnership, estate and trust, the individual development account holder shall not exceed eighty per cent of the area household median income. (b) The individual shall enter into an individual development account agreement with a fiduciary organization.

Definitions of Certain Terms Used in Chapter 257, Hawaii Revised Statutes (HRS)

"Eligible individuals" (a) The income of the household of the individual development account holder shall not exceed eighty per cent of the area household median income. (b) The individual shall enter into an individual development account agreement with a fiduciary organization.

"Fiduciary organization" means an organization that serves as an institution holding the individual's individual development account funds. Fiduciary organizations may include: (1) One or more not-for-profit organizations described in section 501(c)(3) of the Internal Revenue Code and exempt from taxation under section 501(a) of the Code; or (2) State or local government agencies submitting an application jointly with another organization.

"Individual development account" means an optional, interest bearing, subsidized, tax-benefitted account used exclusively for the purpose of paying the qualified expenditure of an eligible individual as determined by the fiduciary organization.

"Post-secondary educational expenses" means: (1) Tuition and fees required for the enrollment or attendance of a student at an eligible educational institution; and (2) Fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution.

"Qualified acquisition costs" means the costs of acquiring, constructing, or reconstructing a residence and shall include any usual or reasonable settlement, financing, or other closing costs.

"Qualified business" means any business that does not contravene any law or public policy.

"Qualified business capitalization expenses" means qualified expenditures for the capitalization of a qualified business pursuant to a qualified plan.

"Qualified expenditures" means an expense as determined by a fiduciary organization, which may include but not be limited to: (1) Costs associated with first home-ownership; (2) Post-secondary education; (3) Vocational training; and (4) Small or micro-business capitalization.

"Qualified plan" means a business plan or a plan to use a business asset purchased, that: (1) Is approved by a financial institution; a micro-enterprise development organization, or a nonprofit loan fund

STATE OF HAWAII—DEPARTMENT OF TAXATION

INDIVIDUAL DEVELOPMENT ACCOUNT CONTRIBUTION TAX CREDIT

FORM N-320 (REV. 2002)

TAX YEAR 20

Or fiscal year beginning 20 and ending 20

ATTACH TO FORM N-11, N-12, N-15, N-20, N-30, N-35, N-40, OR N-70NP, WHICHEVER IS APPLICABLE.

Name(s) as shown on Form N-11, N-12, N-15, N-20, N-30, N-35, N-40, or N-70NP

Part I CONTRIBUTOR'S INFORMATION (Completed by Fiduciary Organization)

1. Name

3. Address (Number and street, including apartment number or rural route, city, state, and zip code)

4. Amount of matching contribution \$

5. Date matching contribution made

FOR DEPARTMENT OF HUMAN SERVICES USE ONLY

This is to certify that the entity indicated above has contributed matching funds in accordance with Act 184, Session Laws of Hawaii 2000.

Signature of Certifying Officer _____ Date of Certification _____

(Type or Print Name and Title)

Part II COMPUTATION OF TAX CREDIT (Completed by Taxpayer)

Note: If you are only claiming your distributive share of a tax credit distributed from a partnership, an S corporation, an estate, or a trust, skip lines 1 through 4 and begin on line 5.

1	Enter the certified amount from above (see instructions)	1
2	Was any portion of the amount on line 1 deducted as a charitable contribution on your tax return? If Yes, enter the amount of line 1 deducted as a charitable contribution	2
3	Subtract line 2 from line 1 and enter result here	3
4	Multiply line 3 by 50% (.50) and enter result here	4
5	Flow through of Hawaii individual development account contribution tax credit received from other entities, if any: Check box below. Enter Name and Federal Employer I.D. No. of Entity: <input type="checkbox"/> a Partner — enter amount from Schedule K-1 (Form N-20), line 23 <input type="checkbox"/> b S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 12k <input type="checkbox"/> c Beneficiary — enter amount from Schedule K-1 (Form N-40), line 10 <input type="checkbox"/> d Patron — enter the amount from federal Form 1099-PATR	5
6	Carryover of unused individual development account contribution tax credit from prior year	6
7	Total eligible tax credit. Add lines 4 through 6, and enter the total here. Enter this amount, rounded to the nearest dollar for individual taxpayers, on the appropriate line for the credit on Schedule CR (for Form N-11, N-12, N-15, N-20, and N-70NP filers), Form N-20 Schedule K, Form N-35 Schedule K, and Form N-40, Schedule E, whichever is applicable	7
8	Carryover of unused credit. See Instructions. The amount of any unused tax credit may be carried over and used as a credit against your income tax liability in subsequent years until exhausted	8

If the credit exceeds the taxpayer's income tax liability, the excess of credit over payments shall be refunded to the taxpayer; provided that no refund or payment on account of the tax credit allowed by this section shall be made for amounts less than \$1. All claims for a credit under this section must be properly filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to comply with this requirement shall constitute a waiver of the right to claim the credit.

If a qualifying ethanol facility or an interest therein is acquired by a taxpayer prior to the expiration of the credit period, the credit allowable for a period after such acquisition shall be equal to the maximum annual credit allowable and credit period that would have been allowable to the prior owner had the owner not disposed of the interest. If an interest is disposed of during any year for which the credit is allowable, the credit shall be allowable between the parties on the basis of the number of days during the year the interest is held by the taxpayer. In no case shall the credit be available after the expiration of the credit period.

Once the total nameplate capacities of ethanol production facilities built within the State reaches or exceeds a level of forty million gallons per year, no new ethanol investments or ethanol production facilities shall be allowed to begin claiming credits. If a new facility's production capacity would cause the statewide ethanol production capacity to exceed forty million gallons per year, only the portion of the investment corresponding to ethanol production that does not exceed the statewide forty million gallon per year level shall be eligible for the credit.

If a qualifying facility fails to achieve an average annual production of at least 100,000 gallons per year, the credit allowable for that facility shall be reduced to reflect actual production for the purposes of determining statewide production capacity and allowable investment credits for that facility.

INFORMATION REPORTING REQUIREMENTS FOR THE ETHANOL PRODUCER

1. Prior to construction of any new ethanol production facility, the producer shall provide written notice of the producer's intention to begin construction of a qualifying ethanol production facility. The information shall be provided to the Department of Taxation and the Department of Business, Economic Development, and Tourism on forms provided by the Department of Business, Economic Development, and Tourism, and shall include information on the facility owner, facility location, and the facility owner's contact information. This information shall be available for public inspection and dissemination.

2. A qualifying ethanol producer shall provide written notice to the Director of Taxation and the Director of Business, Economic Development, and Tourism within thirty days of the initial qualifying production. The notice shall include the production start date and expected qualifying production for the next twenty-four months. This information shall be available for public inspection and dissemination.

3. Each calendar year during the credit period, each qualifying producer shall provide information to the Director of Business, Economic Development, and Tourism on the number of gallons of ethanol produced and sold during the previous calendar year, how much was sold in Hawaii versus overseas, feedstocks used for ethanol production, the number of employees of the facility, and the projected number of gallons of ethanol production for the succeeding year.

- (9) If nameplate capacity is over 8,000,000, but not over 9,000,000, the investment tax credit is the lesser of thirty per cent or \$2,400,000;
- (10) If nameplate capacity is over 9,000,000, but not over 10,000,000, the investment tax credit is the lesser of thirty per cent or \$2,700,000;
- (11) If nameplate capacity is over 10,000,000, but not over 11,000,000, the investment tax credit is the lesser of thirty per cent or \$3,000,000;
- (12) If nameplate capacity is over 11,000,000, but not over 12,000,000, the investment tax credit is the lesser of thirty per cent or \$3,300,000;
- (13) If nameplate capacity is over 12,000,000, but not over 13,000,000, the investment tax credit is the lesser of thirty per cent or \$3,600,000;
- (14) If nameplate capacity is over 13,000,000, but not over 14,000,000, the investment tax credit is the lesser of thirty per cent or \$3,900,000;
- (15) If nameplate capacity is over 14,000,000, but not over 15,000,000, the investment tax credit is the lesser of thirty per cent or \$4,200,000; and
- (16) If nameplate capacity is over 15,000,000, the investment tax credit is the lesser of thirty per cent or \$4,500,000.

Definitions

"Credit period" means a maximum period of eight years for facilities with a total investment of less than \$50,000,000, and a maximum period of ten years for facilities with a total investment equal to or greater than \$50,000,000, beginning from the first taxable year in which the credit is properly claimed.

"Investment" means a nonrefundable expenditure directly related to the construction of any qualifying ethanol production facility, exclusive of land costs. For purposes of the tax credit, investment includes any investment for which the taxpayer is at risk, as that term is used in section 465 of the Internal Revenue Code (with respect to deductions limited to amount at risk).

"Maximum annual credit allowable" means the total credit claimed against the taxpayer's liability for the taxable year in which the credit is claimed, that the qualifying ethanol facility operated in such taxable year at a level of production of at least seventy-five per cent of its nameplate capacity on an annualized basis.

"Nameplate capacity" means the qualifying ethanol facility's production design capacity, in gallons of ethanol per year, based on an assumed operating year of three hundred fifty days.

"Net income tax liability" means net income tax liability reduced by all other credits allowed under this chapter.

"Qualifying ethanol production" means ethanol produced from renewable organic feedstocks, or waste materials, including municipal solid waste. All qualifying production shall be fermented, distilled, and dehydrated at the facility.

"Qualifying ethanol production facility" means a facility located in Hawaii which produces motor fuel grade ethanol meeting the minimum specifications by the American Society of Testing and Materials standard D-4800, as amended.

The tax credit allowable over the credit period is capped at 100 percent of the maximum annual credit allowable. For example, if a facility has a nameplate capacity of 10,000,000 gallons, the maximum annual credit allowable is \$3,000,000. The total tax credit allowable each year is the lesser of 30 percent of the investment (0.30 X \$7,100,000 = \$2,130,000) or the nameplate capacity dollar amount (\$2,100,000) until the \$7.1 million investment is recovered. Company X may claim a \$2.1 million tax credit each year for three years and a \$600,000 tax credit in the fourth year.

FORM N-324 ETHANOL INVESTMENT TAX CREDIT

TAX YEAR

20__

Or fiscal year beginning _____, 20__ and ending _____, 20__

ATTACH TO FORM N-11, N-12, N-15, N-20, N-30, N-35, N-40, OR N-709NP, WHICHEVER IS APPLICABLE.

SSN or FEIN

Name (as shown on Form N-11, N-12, N-15, N-20, N-30, N-35, N-40, or N-709NP

Note: If you are only claiming the tax credit from a flow-through entity, start on line 8.

1. Enter the nameplate capacity of the ethanol facility.....	1
2. Enter the total qualified investment in the ethanol facility.....	2
3. Multiply the amount on line 2 by 30% (.30) and enter the result.....	3
4. Enter the cumulative tax credit amount allowed or claimed in prior years.....	4
5. Subtract line 4 from line 3.....	5
6. Enter the dollar amount listed below applicable to the nameplate capacity (line 1) of the ethanol facility: \$150,000 if the capacity is at least 500,000, but not over than 1 million gallons per year \$300,000 if the capacity is over 1 million, but not over 2 million gallons per year \$600,000 if the capacity is over 2 million, but not over 3 million gallons per year \$900,000 if the capacity is over 3 million, but not over 4 million gallons per year \$1,200,000 if the capacity is over 4 million, but not over 5 million gallons per year \$1,500,000 if the capacity is over 5 million, but not over 6 million gallons per year \$1,800,000 if the capacity is over 6 million, but not over 7 million gallons per year \$2,100,000 if the capacity is over 7 million, but not over 8 million gallons per year \$2,400,000 if the capacity is over 8 million, but not over 9 million gallons per year \$2,700,000 if the capacity is over 9 million, but not over 10 million gallons per year \$3,000,000 if the capacity is over 10 million, but not over 11 million gallons per year \$3,300,000 if the capacity is over 11 million, but not over 12 million gallons per year \$3,600,000 if the capacity is over 12 million, but not over 13 million gallons per year \$3,900,000 if the capacity is over 13 million, but not over 14 million gallons per year \$4,200,000 if the capacity is over 14 million, but not over 15 million gallons per year \$4,500,000 if the capacity is over 15 million per year.....	6
7. Enter the lesser of lines 3, 5, or 6.....	7
8. If applicable, also enter this amount on Forms N-20 and N-35; Schedule K, Enter beneficiaries share on Form N-40, Schedule K-1, line 10. Flow through of the pro-rated ethanol investment tax credit from other entities, if any. Name and Federal Employer I.D. number of the entity	8
9. Check box below: <input type="checkbox"/> S corporation shareholder—enter total from Form N-35, Schedule K-1, line 12p..... <input type="checkbox"/> Partner—enter total from Form N-20, Schedule K-1, line 26..... <input type="checkbox"/> Beneficiary—enter total from Form N-40, Schedule K-1, line 10..... Maximum annual ethanol investment tax credit allowable. Add lines 7 and 8. Enter this amount, rounded to the nearest dollar on Schedule CR, line 19, or enter the estate's or trust's share on Form N-40, Schedule F, line 7.....	9

GENERAL INSTRUCTIONS

Section 235-110.3, Hawaii Revised Statutes, provides that each year during the credit period, there shall be allowed to each taxpayer subject to Hawaii income taxes, an ethanol investment tax credit that shall be applied against the taxpayer's liability for the taxable year in which the credit is properly claimed. The maximum annual credit allowable for the investment in a qualified ethanol facility that is in production on or before January 1, 2012, shall be determined in accordance with the following schedule:

- (1) If nameplate capacity is at least 500,000 but not over 1,000,000, the investment tax credit is the lesser of thirty per cent of the investment, or \$150,000;
- (2) If nameplate capacity is over 1,000,000, but not over 2,000,000, the investment tax credit is the lesser of thirty per cent of the investment, or \$300,000;
- (3) If nameplate capacity is over 2,000,000, but not over 3,000,000, the investment tax credit is the lesser of thirty per cent of the investment or \$600,000;
- (4) If nameplate capacity is over 3,000,000, but not over 4,000,000, the investment tax credit is the lesser of thirty per cent or \$900,000;
- (5) If nameplate capacity is over 4,000,000, but not over 5,000,000, the investment tax credit is the lesser of thirty per cent or \$1,200,000;
- (6) If nameplate capacity is over 5,000,000, but not over 6,000,000, the investment tax credit is the lesser of thirty per cent or \$1,500,000;
- (7) If nameplate capacity is over 6,000,000, but not over 7,000,000, the investment tax credit is the lesser of thirty per cent or \$1,800,000;
- (8) If nameplate capacity is over 7,000,000, but not over 8,000,000, the investment tax credit is the lesser of thirty per cent or \$2,100,000;
- (9) If nameplate capacity is over 8,000,000, but not over 9,000,000, the investment tax credit is the lesser of thirty per cent or \$2,400,000;
- (10) If nameplate capacity is over 9,000,000, but not over 10,000,000, the investment tax credit is the lesser of thirty per cent or \$2,700,000;
- (11) If nameplate capacity is over 10,000,000, but not over 11,000,000, the investment tax credit is the lesser of thirty per cent or \$3,000,000;
- (12) If nameplate capacity is over 11,000,000, but not over 12,000,000, the investment tax credit is the lesser of thirty per cent or \$3,300,000;
- (13) If nameplate capacity is over 12,000,000, but not over 13,000,000, the investment tax credit is the lesser of thirty per cent or \$3,600,000;
- (14) If nameplate capacity is over 13,000,000, but not over 14,000,000, the investment tax credit is the lesser of thirty per cent or \$3,900,000;
- (15) If nameplate capacity is over 14,000,000, but not over 15,000,000, the investment tax credit is the lesser of thirty per cent or \$4,200,000; and
- (16) If nameplate capacity is over 15,000,000, the investment tax credit is the lesser of thirty per cent or \$4,500,000.

STATE OF HAWAII—DEPARTMENT OF TAXATION

TECHNOLOGY INFRASTRUCTURE RENOVATION TAX CREDIT

20__

FORM N-326 (REV. 2002)

Or fiscal year beginning _____, 20__, and ending _____, 20__

SSN OR FEIN

ATTACH THIS SCHEDULE TO FORM N-11, N-12, N-15, N-20, N-30, N-35, N-40, OR N-70NP

Hawaii G.E./Use Ident. Number

Name

NOTE: If you are only claiming the tax credit from a flow-through entity, start on line 2.

1	Enter the total renovation costs incurred during the taxable year for commercial building(s) located in Hawaii
2	Flow through of renovation costs received from other entities, if any. Check box below. Name and Federal Employer I.D. No. of entity:
3	<input type="checkbox"/> a S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 12h. <input type="checkbox"/> b Partner — enter total from Schedule K-1 (Form N-20), line 21 <input type="checkbox"/> c Beneficiary — enter total from Schedule K-1 (Form N-40), line 10.
4	Total renovation costs incurred during the taxable year for commercial building(s) located in Hawaii (Add lines 1 and 2) Also enter this amount on Schedule K for forms N-20 and N-35.
5	Enter beneficiaries' share on Form N-40, Schedule K-1, line 10
6	For N-20, N-35, N-40 filers, stop here and see instructions before proceeding to line 4.
7	Tax credit percentage
8	Multiply line 3 by line 4.
9	Carryover of unused technology infrastructure renovation tax credit from prior year.
10	Tentative current year technology infrastructure renovation tax credit — Add lines 5 and 6.
11	Tax Liability Limitations (Not to be completed by Form N-20 and Form N-35 filers)
12	<input type="checkbox"/> a Individuals — Enter tax liability amount from Form N-11, Form N-12, or, if applicable, Form N-15. <input type="checkbox"/> b Corporations — Enter tax liability from Form N-30. <input type="checkbox"/> c Other filers — Enter your income tax liability, before credits, from the applicable form. Complete the credit worksheet in the Instructions and enter the total here. Income tax liability, as adjusted, line 8 minus line 9. If the result is zero or less than zero, enter zero on line 10. Total credit allowed — Enter the smaller of line 7 or line 10. This is your technology infrastructure renovation tax credit allowable for the year. Enter this amount also, rounded to the nearest dollar for individual taxpayers, on Schedule CR, Part I, line 8; or enter the estate's or trust's share on Form N-40, Schedule E, line 8. Carryover of unused credit. The amount of any unused tax credit may be carried over and used as a credit against your income tax liability in subsequent years until exhausted.

GENERAL INSTRUCTIONS

Section 205-110.3, Hawaii Revised Statutes (HRS), provides that each taxpayer subject to Hawaii's net income tax may claim a technology infrastructure renovation tax credit of 4 percent of the renovation costs incurred during the taxable year for each commercial building located in Hawaii.

No tax credit shall be allowed for that portion of the renovation costs for which another tax credit was claimed under Hawaii's net income tax law for the taxable year.

If a deduction is taken under Internal Revenue Code (IRC) section 179 for the taxable year, the credit shall be allowed for that portion of the renovation costs for which the deduction was taken.

The basis of eligible property for depreciation or ACRS purposes for state income taxes shall be reduced by the amount of tax credit allowable and claimed. Alternatively, you may treat the amount of the credit allowable and claimed as a taxable income item for the taxable year in which it is properly recognized under the method of accounting used to compute taxable income.

FORM N-326 (REV. 2002)

CREDIT OFFSET WORKSHEET

Page 2

and the beneficiaries based on the income of the entity allocable to each. The tax credit shall be reduced by the amount of the credit claimed on this form. **Tax credit to be deducted from income tax liability, if any; refunds, if the tax credit exceeds the taxpayer's income tax liability, the excess of tax credit over liability may be carried forward until exhausted.**

Definitions. For purposes of the tax credit:
 "Net income tax liability" means income tax liability reduced by all other credits allowed under this chapter.
 "Renovation costs" means costs incurred after December 31, 2000, 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 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.

SPECIFIC INSTRUCTIONS

Enter your tax year in the space provided.

Line 1 — Enter the renovation costs incurred during the taxable year for commercial building(s) located in Hawaii. Do not include that portion of the costs which would be claimed under chapter 235, HRS, for the rehabilitation of a building that is the subject of the credit for routine maintenance or repairs.

Line 2 — Flow through of renovation costs received from other entities, if any, in the case of a taxpayer who is a member of a pass-through entity (i.e., partnership, S corporation, estate, or trust) and who claims a tax credit for the entity's renovation costs, enter the amount of the costs received from the entity on line 2.

Line 3 — Estates and trusts: The total cost on line 3 is to be allocated between the trust and the estate. On the dotted line to the left of line 3, enter the cost allocable to the estate or trust with the designation "N-40 PORTION". Attach Form N-326 to the N-40 return and enter the distributive share of the costs for each beneficiary on Form N-40, Schedule K-1, line 10.

Form N-20 and N-35 filers, stop here. Form N-20 filers, enter the amount on line 2 on Schedule K, line 21. Form N-35 filers, enter the amount on line 3 on Schedule K, line 12h. Form N-40 filers, enter the distributive share amount on line 10 of Schedule K-1, Form N-40, for each beneficiary, otherwise complete this line for the carryover of unused technology infrastructure renovation tax credit from prior years.

Line 6 — This line is for the carryover of unused technology infrastructure renovation tax credit from prior years.

Line 7 — Add lines 5 and 6. This is your tentative current year technology infrastructure renovation tax credit.

Tax Liability Limitations

NOTE: If you are also claiming the Low-Income Housing Tax Credit (Form N-386), complete from N-386 before completing this form. If you have a carryover of unused credit from a previous year, complete lines 9 and 10 of this form. Enter zero on line 10 and continue to line 12. Your total technology infrastructure renovation tax credit cannot be used this year and must be carried over to next year.

If you are also claiming the High Technology Business Investment Tax Credit (Form N-318), complete Form N-318 before completing this form. If

you have any carryover of unused credit from Form N-318, do not complete line 9 of this form. Enter zero on line 10 and continue to line 12. Your total technology infrastructure renovation tax credit cannot be used this year and must be carried over to next year.

Line 8 — Enter the tax liability before any credits from the appropriate line of your tax return.

Line 9 — The law requires that ALL other credits offset a taxpayer's tax liability BEFORE allowing a technology infrastructure renovation tax credit. Complete the *Credit Offset Worksheet* and enter the result on line 9.

Line 11 — Compare the amounts on lines 7 and 10. Enter the smaller of line 7 or 10 here. This is your maximum credit allowed for this taxable year.

	Amount
Tax Credit	
a. State Taxes Paid to another state or foreign country	
b. Enterprise Zone Tax Credit	
c. Energy Conservation Tax Credit	
d. Credit for Employment of Individuals	
e. Individual Development Account Contribution Tax Credit	
f. Credit for School Repair and Maintenance	
g. Credit for Low-Income Household Rents	
h. Credit for Child and Dependent Care Expenses	
i. Credit from a regulated investment company	
j. Filmmaker Tax Credit for Commercial Filmmaking	
k. Credit for Child Passenger Restraint Systems	
l. Capital Goods Excise Tax Credit	
m. Motion Picture and Film Production Tax Credit	
n. Low-Income Refundable Tax Credit	
o. Tax Credit for Research Activities	
p. General Income Tax Credit	
q. Hotel Construction and Financing Tax Credit	
r. Ethanol Investment Tax Credit	
s. Statewide Economic Stimulus Program Tax Credit	
t. Low-Income Housing Tax Credit	
u. High Technology Business Investment Tax Credit	
v. Add lines a through u. Enter line 9	

STATE OF HAWAII—DEPARTMENT OF TAXATION

FORM N-328
(REV. 2002)

DROUGHT MITIGATING WATER STORAGE FACILITY TAX CREDIT

For tax year beginning _____, 20__ and ending _____, 20__

Tax Year **20__**

ATTACH THIS SCHEDULE TO FORM N-11, N-12, N-15, N-20, N-30, N-35, N-40, OR N-70NP

Name _____
SSN OR FEIN _____
Hawaii G.E. Use Ident. Number _____

NOTE: If you are only claiming the tax credit from a flow-through entity, start on line 5.

- Is the water storage facility part of a conservation plan approved by the local soil and water conservation district? If the answer is "No," do not complete the rest of this form. Yes No
- Enter the qualifying construction or repair costs incurred during the taxable year for water storage facility(ies) located in Hawaii _____
- Enter the amount received through a government grant or subsidy, if any _____
- Subtract line 3 from line 2 and enter result here _____
- Flow through of qualifying costs received from other entities, if any. Check box below.
 a S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 12m.
 b Partner — enter total from Schedule K-1 (Form N-20), line 24
 c Beneficiary — enter total from Schedule K-1 (Form N-40), line 10. _____
- Enter the total qualifying construction or repair costs incurred during the taxable year for water storage facility(ies) located in Hawaii (Add lines 4 and 5) Also enter this amount on Schedule K for forms N-20 and N-35. Enter beneficiaries' share on Form N-40, Schedule K-1, line 10. _____
- Tax credit percentage _____ 4%
- Drought Mitigating Water Storage Facility Tax Credit.— Multiply line 6 by line 7 and enter result here and on Schedule CR, line 18; or enter the estate's or trust's share on Form N-40, Schedule F, line 6 (rounded to the nearest dollar for individual taxpayers) _____

GENERAL INSTRUCTIONS

Section 235-110.32, Hawaii Revised Statutes (HRS), allows each eligible taxpayer subject to Hawaii's net income tax to claim a drought mitigating water storage facility tax credit of 4 percent of the qualified repair costs incurred during the taxable year for each qualified water storage facility located in Hawaii.

No tax credit shall be allowed for that portion of the construction or repair costs for which another tax credit was claimed under Hawaii's net income tax law for the taxable year.

If a deduction is taken under Internal Revenue Code (IRC) section 179 (regarding an election to expense certain depreciable business assets) no tax credit shall be allowed for that portion of the construction or repair costs for which the deduction was taken.

The basis of eligible property for depreciation or ACRS purposes for state income taxes shall be reduced by the amount of tax credit allowable and claimed. Alternatively, you may treat the amount of the credit allowable and claimed as taxable income for the taxable year in which it is properly recognized under the method of accounting used to compute taxable income.

The tax credit shall be available for taxable years beginning after December 31, 2000, and shall not be available for taxable years beginning after December 31, 2005.

In the case of a partnership, S corporation, estate, or trust, the tax credit allowable is for qualified construction or repair costs incurred by the entity for the taxable year. The construction or repair costs upon which the tax credit is computed is determined at the entity level. Each partner, S corporation shareholder, or beneficiary of an estate or trust which separately file into account for the taxable year shall enter the amount of the partner's, shareholder's, or beneficiary's share of the construction or repair costs on the tax credit. A partner's share of the construction or repair costs shall be determined in accordance with the ratio in which the partners divide the general profits of the partnership. The construction or repair costs of the partnership which are subject to a special allocation that is recognized under IRC section 704(a) and (b) shall be recognized for the purposes of this tax credit. Each S corporation shareholder's construction or repair costs is the shareholder's allocated share of the S corporation's construction or

"Qualifying costs" include the cost of building or repair a qualifying water storage facility that was passed directly to the farmer or rancher by a landlord. The tax credit is for the eligible taxpayer to claim a credit. Qualifying costs do not include costs passed to the farmer or rancher in the form of a rent increase.

Qualified water storage facility means a water storage facility that is part of a conservation plan approved by the local soil and water conservation district.

SPECIFIC INSTRUCTIONS

Enter your tax year in the space provided.

Line 2 — Enter the qualifying costs incurred during the taxable year for qualified water storage facility(ies) located in Hawaii. Do not include that portion of the costs for which another tax credit was claimed under chapter 235, HRS, for the taxable year. Do not include that portion of the cost for which a deduction is taken under IRC section 179.

Line 3 — Enter the amount received through a grant or subsidy from the federal or state government.

Line 5 — Flow through of qualifying costs received from other entities, if any. In the case of a taxpayer who is a member of a pass-through entity (i.e., partnership, S corporation, estate, or trust) and who claims a tax credit for the entity's qualified costs, enter the amount of the costs received from the entity on line 5.

Line 6 — Estates and trusts: The total cost on line 6 is to be allocated between the estate or trust and the beneficiaries in the proportion of the income allocable to each party. On the dotted line to the left of line 6, enter the cost allocable to the estate or trust with the designation "N-40 PORTION". Attach Form N-328 to the N-40 return, and show the distributive share of the costs for each beneficiary.

Line 8 — Enter the total tax credit claimed for the year on this line and on Schedule CR, Line 18; or enter the estate's or trust's share on Form N-40, Schedule F, line 6. For individual taxpayers, round the amount on line 8 to the nearest dollar.

repair costs. A beneficiary's share of the construction or repair costs is apportioned between the entity and the beneficiaries based on the income of the entity, allocable to each. The term "beneficiary" includes an heir, legatee, or devisee.

Tax credit to be deducted from income tax liability, if any; the excess of tax credit over liability shall be refunded to the taxpayer; provided that no refunds or payment on account of the tax credit shall be made for amounts less than \$1. There shall be no carryback or carryover of excess tax credit over tax liability.

Time for filing. All claims for the tax credit must be filed on or before the end of the 12th month following the close of the taxable year for which the tax credit may be claimed. An extension of time for filing a return does not extend the time for claiming the tax credit. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the tax credit.

Definitions. For purposes of the tax credit:

"Eligible taxpayer" means a taxpayer who:

- Is a farmer or rancher; and
- Is not claimed or is not otherwise eligible to be claimed as a dependent by another taxpayer for Hawaii state income tax purposes.

An eligible taxpayer does not include a landlord that is not a farmer or rancher or who rents a water storage facility to the farmer or rancher, even though the landlord incurred the costs to build or repair the water storage facility.

"Qualifying costs" means any cost incurred and paid by the taxpayer after December 31, 2000, for the new construction 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.

How to Obtain Tax Forms

To request tax forms by fax or mail, you may call (808) 587-7572 or toll-free 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

SPECIFIC INSTRUCTIONS

Enter your tax year in the space provided.

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.

Lines 1 through 8 must be completed by the Department of Accounting and General Services prior to commencement of the work.

Line 6 — Chapter 444, HRS, applies to general specialty building inspectors; Chapter 460J, HRS, applies to professional engineers, architects, surveyors, and landscape architects.

Line 7 — Enter the contractor's or responsible managing employee's (RME) license number.

Line 8 — A tax clearance certificate to certify that the contractor does not owe any delinquent Hawaii taxes, penalties or interest must be obtained from the Department of Taxation before the Department of Accounting and General Services will certify the value of the contributed in-kind services.

Complete lines 9 through 13 to claim the credit, unless you are claiming your distributive share of the credit distributed from a partnership, an S corporation, an estate, or a trust.

Note: If you are only claiming your distributive share of a tax credit distributed from a partnership, an S corporation, an estate, or a trust, skip lines 9 through 10 and begin on line 11.

Line 9 — Enter the amount of the certified value listed in line 4 of the form or \$40,000, whichever is less. If you contributed more than once add the total certified contributions from line 4 of all Forms N-330 and enter the total on one of the Form N-330 to claim the credit. Your total contributions of in-kind services claimed cannot be more than \$40,000.

Note: All in-kind services contributed must be certified by the Department of Accounting and General Services. Call 831-6731 for further information.

Line 10 — Multiply line 9 by 10% (.10). Enter the result here.

Line 11 — Enter the name and federal employer identification number of any flow-through entity who has passed the school repair and maintenance tax credit through to the taxpayer. If additional space is needed, include the information on an attached schedule.

Line 12 — This line is for the carryover of unused school repair and maintenance tax credit from prior years.

Line 13 — Add lines 10 through 12. This is your school repair and maintenance contribution tax credit.

Note: The tax credit shall be claimed against your net income tax liability for the taxable year in which the contribution is made. The amount of the credit which exceeds your tax liability may be carried over to subsequent years until exhausted.

GENERAL INSTRUCTIONS

Section 235-110.2, Hawaii Revised Statutes (HRS), allows each taxpayer licensed under chapter 444, 460J, or 464, HRS, who is subject to Hawaii income taxes, and who does not owe delinquent taxes, penalties, or interest, a credit for contributions of in-kind services for the repair and maintenance of public schools provided by the licensed taxpayer in the taxable year. The credit shall be deductible from the taxpayer's net income liability, if any, for the taxable year in which the credit is properly claimed.

The amount of the credit for the taxable year shall be equal to ten per cent of the value of contributions of in-kind services to the Hawaii school system during the taxable year, provided that the total amount of the separate shares of the contributions of in-kind services claimed by a taxpayer shall not exceed \$40,000.

For purposes of the credit:

"Value of contributions of in-kind services" means the fair market value of uncompensated services or labor as determined and certified by the Department of Accounting and General Services.

"Public schools" has the same meaning as defined in section 302A-101.

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.

All claims for tax credits, including any amended claims, shall be filed on or before the end of the twelfth month following the close of the taxable year for which the credits may be claimed. Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the credit.

The Department of Accounting and General Services shall maintain records of the names of taxpayers eligible for the credit and the total value of in-kind services contributed for the repair and maintenance of public schools during the taxable year. The Department of Accounting and General Services, the Department of Accounting and General Services shall total all contributions that the Department certifies. Upon each determination, the Department of Accounting and General Services shall issue a certificate to the taxpayer certifying:

- (1) The amount of the contribution;
- (2) That the taxpayer is licensed under chapter 444, 460J, or 464; and
- (3) That the taxpayer has obtained a current and valid certificate signed by the Director of Taxation, showing that the taxpayer does not owe the State any delinquent taxes, penalties, or interest.

The taxpayer shall file the certificate from the Department of Accounting and General Services with the taxpayer's tax return with the Department of Taxation. When the total amount of certified contributions reaches \$2,500,000, the Department of Accounting and General Services shall immediately discontinue certifying contributions and notify the Department of Taxation.

The State shall provide not more than \$250,000 in tax credits for contributions of in-kind services in Hawaii for the repair and maintenance of public schools.

FORM N-330 SCHOOL REPAIR AND MAINTENANCE TAX CREDIT

TAX YEAR **20**

Or fiscal year beginning _____, 20____ and ending _____, 20____

ATTACH TO FORM N-11, N-12, N-15, N-20, N-30, N-35, N-40, OR N-70NP, WHICHEVER IS APPLICABLE.

Name(s) as shown on Form N-11, N-12, N-15, N-20, N-30, N-35, N-40, or N-70NP _____ SSN or FEIN _____

DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES CERTIFICATE
(Completed by the Department of Accounting and General Services only)

1. Name _____

2. SSN/FEIN _____

3. Address (Number and street, including apartment number or rural route, city, state, and zip code) _____

4. Value of the contributed in-kind services \$ _____

5. Date contribution made _____

6. Contractor is licensed under:
 Chapter 444, HRS
 Chapter 460J, HRS
 Chapter 464, HRS
 (See Instructions)
 This is to certify that the contractor above has contributed in-kind services in accordance with Act 309, Session Laws of Hawaii 2001.

7. Contractor's or RME's License No. _____

8. Dept. of Taxation Tax Clearance Certificate obtained (see instructions)
 Yes
 No

9. Signature of Certifying Officer _____ Date of Certification _____
 (Type or Print Name and Title)

COMPUTATION OF TAX CREDIT (Completed by Taxpayer)

Note: If you are only claiming your distributive share of a tax credit distributed from a partnership, an S corporation, an estate, or a trust, skip lines 9 through 10 and begin on line 11.

9. Enter the certified value from line 4 or \$40,000, whichever is less (see instructions) **9**

10. Multiply line 9 by 10% (.10) and enter result here **10**

11. Flow through of Hawaii school repair and maintenance tax credit received from other entities, if any: **Check box below.**
 Enter Name and Federal Employer I.D. No. of Entity:
 a. Partner — enter amount from Schedule K-1 (Form N-20), line 25
 b. S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 12h
 c. Beneficiary — enter amount from Schedule K-1 (Form N-40), line 10
 d. Patron — enter the amount from federal Form 1099-PATR **11**

12. Carryover of unused school repair and maintenance tax credit from prior year **12**

13. Total tax credit claimed. Add lines 10 through 12, and enter the total or \$4,000, whichever is less. Enter this amount, rounded to the nearest dollar for individual taxpayers, on the appropriate line for the credit on Schedule CR (for Form N-11, N-12, N-15, N-30, and N-70NP filers), Form N-20 Schedule K, Form N-35 Schedule K, and Form N-40, Schedule E, whichever is applicable **13**

NOTE: The amount of the credit which exceeds your tax liability may be carried over to subsequent years until exhausted. SEE INSTRUCTIONS

FORM N-332 (REV. 2002) PAGE 2

PART II - OWNER-MEMBER'S SHARE OF QUALIFYING COSTS

1. Owner-member's name _____

2. Owner-member's identification number _____ \$ _____

3. Owner-member's share of qualifying construction or remodeling costs _____

CAUTION: The receipt of this form by an owner-member (member) of an association of apartment owners or A/O does not imply that the member qualifies for the Residential Construction and Remodeling Tax Credit. The member must be subject to Hawaii's net income tax. The member may use the qualifying costs reported above to claim the credit on the member's Hawaii income tax return if the member qualifies for the credit.

CREDIT OFFSET WORKSHEET	Amount
Tax Credit	
a. Income Taxes Paid to another state or foreign country	_____
b. Enterprise Zone Tax Credit	_____
c. Energy Conservation Tax Credit	_____
d. Credit for Employment of Vocational Rehabilitation Referrals	_____
e. Individual Development Account Contribution Tax Credit	_____
f. Credit for School Repair and Maintenance	_____
g. Credit for Low-Income Household Renters	_____
h. Credit for Child and Dependent Care Expenses	_____
i. Credit from a regulated investment company	_____
j. Fuel Tax Credit for Commercial Fishers	_____
k. Credit for Child Passenger Restraint Systems	_____
l. Capital Goods Excise Tax Credit	_____
m. Motion Picture and Film Production Income Tax Credit	_____
n. Low-Income Returnable Tax Credit	_____
o. Tax Credit for Research Activities	_____
p. General Income Tax Credit	_____
q. Hold Construction and Remodeling Tax Credit	_____
r. Ethanol Investment Tax Credit	_____
s. Drought Mitigating Water Storage Facility Tax Credit	_____
t. Low-Income Housing Tax Credit	_____
u. High Technology Business Investment Tax Credit	_____
v. Technology Infrastructure Renovation Tax Credit	_____
w. Add lines a through v. Enter the amount here and on line 9.	_____

STATE OF HAWAII—DEPARTMENT OF TAXATION

RESIDENTIAL CONSTRUCTION AND REMODELING TAX CREDIT

FORM N-332 (REV. 2002) TAX YEAR 20__

ATTACH THIS SCHEDULE TO FORM N-11, N-12, N-15, N-20, N-30, N-35, N-40, OR N-70NP

Or fiscal year beginning _____, 20__ and ending _____, 20__

Name _____ SSN OR FEIN _____
Hawaii G.E./Use Ident. Number _____

PART I — COMPUTATION OF TAX CREDIT

NOTE: If you are only claiming the tax credit from a flow-through entity, start on line 2.

1. Enter the qualifying construction or remodeling costs incurred during the taxable year for a residential unit located in Hawaii. Do not enter more than \$250,000, in the aggregate, for each unit. See instructions before completing this line.	1
2. Flow through of qualifying costs received from other entities, if any. Check box below. Name and Federal Employer I.D. No. of entity _____ <input type="checkbox"/> a Corporation shareholder — enter total from Schedule K-1 (Form N-35), line 22 <input type="checkbox"/> b Partner — enter total from Schedule K-1 (Form N-20), line 30 <input type="checkbox"/> c Beneficiary — enter total from Schedule K-1 (Form N-40), line 10 <input type="checkbox"/> d Member — enter total from Form N-332, Part II, line 3.	2
3. Add lines 1 and 2 and enter result here. This represents the total qualifying construction or remodeling costs incurred during the taxable year for residential units located in Hawaii. For N-20, N-35, N-40 filers, stop here and see instructions before proceeding to line 4.	3
4. Tax credit percentage	4 4%
5. Multiply line 3 by line 4.	5
6. Carryover of unused residential construction and remodeling tax credit from prior year. See instructions.	6
7. Add lines 5 and 6 and enter result here. This represents your tentative current year residential construction and remodeling tax credit.	7
Tax Liability Limitations (Not to be completed by Form N-20 and Form N-35 filers)	
8. a. Individuals — Enter tax liability amount from Form N-11, Form N-12, or, if applicable, Form N-15 b. Corporations — Enter tax liability from Form N-30 c. Other filers — Enter your income tax liability, before credits, from the applicable form	8
9. Complete the credit worksheet on the back of this form and enter the total here.	9
10. Line 8 minus line 9. This represents your income tax liability, as adjusted. If the result is zero or less than zero, enter zero on line 10.	10
11. Total credit allowed — Enter the smaller of line 7 or line 10. This is your residential construction and remodeling tax credit allowable for the year. Enter this amount also, rounded to the nearest dollar for individual taxpayers, on Schedule CR, Part I, line 9R, or enter the estate's or trust's share on Form N-40, Schedule E, line 9R.	11
12. Line 7 minus line 11. This represents your carryover of unused credit. The amount of any unused tax credit may be carried over and used as a credit against your income tax liability in subsequent years until exhausted.	12

(Continued on back)
FORM N-332

STATE OF HAWAII—DEPARTMENT OF TAXATION

FORM N-586 TAX CREDIT FOR LOW-INCOME HOUSING
 (REV. 2002)

TAX YEAR
20

Or fiscal year beginning _____, 20____, and ending _____, 20____.

ATTACH THIS SCHEDULE AND A COPY OF FEDERAL FORM 8586 TO FORM N-11, N-12, N-15, N-20, N-30, N-40, N-70NP, F-1 OR TO THE ANNUAL PREMIUM TAX RETURN (Form 314), WHICHEVER IS APPLICABLE. ATTACH THE CERTIFICATE ISSUED BY THE HOUSING AND COMMUNITY DEVELOPMENT CORPORATION OF HAWAII (HCDCH) TO THIS SCHEDULE. NOTE: If you are only claiming the tax credit from a flow-through entity, start on line 5.

Name(s) as shown on Form N-11, N-12, N-15, N-20, N-30, N-40, N-70NP, F-1, or Form 314 _____ Social Security Number _____

Federal Employer I.D. No. _____

Part I Low-income Housing Credit

1 Name and address of building(s) for which the credit is being claimed _____

2 Date building(s) placed in service (month, year) _____

3 Enter the amount of the tax credit allocated by the HCDCH to Hawaii property _____

4 Multiply the amount on line 3 by 30%, and enter here _____

5 Flow through of Hawaii low-income housing credit received from other entities, if any; Check box below. Name and Federal Employer I.D. No. of Entity _____

a S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 12e _____

b Partner — enter amount from Schedule K-1 (Form N-20), line 16 _____

c Beneficiary — enter amount from Schedule K-1 (Form N-40), line 8b _____

d Patron — enter the amount from federal Form 1099-PATR _____

6 Carryover of unused low-income housing tax credit from prior years _____

7 Tentative current year low-income housing credit (Add lines 4, 5, and 6) _____

Note: Form N-20, Form N-35, and Form 314 filers stop here and enter the amount on line 7 on the appropriate lines of your tax return.

Part II Tax Liability Limitations (Not to be completed by Form N-20, Form N-35, and Form 314 filers)

8 a Individuals — Enter tax liability amount from Form N-11, Form N-12, or, if applicable, Form N-15 _____

b Corporations — Enter tax liability from Form N-30 _____

c Other filers — Enter your income tax liability, before credits, from the applicable form _____

9 Complete the credit worksheet in the instructions and enter the total here _____

10 Income tax liability, as adjusted line 8 minus line 9. If the result is zero or less than zero, enter zero on line 10 _____

11 Total credit allowed — Enter the smaller of line 7 or line 10. This is your low-income housing credit allowable for the year. Enter this amount also, rounded to the nearest dollar for individual taxpayers, on the appropriate line for the credit on Schedule CR (for Form N-11, N-12, N-15, N-30, and N-70NP filers); Form N-40, Schedule E; or Form F-1, Schedule H, whichever is applicable _____

12 Carryover of unused credit. Enter here the remainder of line 7 and 11; otherwise enter zero. The amount of any unused tax credit may be carried over and used as a credit against your income tax liability in subsequent years until exhausted. _____

FORM N-586

FORM N-586 (REV. 2002)

Page 2

PART III Recapture of Low-Income Housing Credit

Building _____ Address of Building (as shown on Form N-586) _____ Date placed in service (from Form N-586) _____

A _____

B _____

	Building		TOTAL
	A	B	
1 Enter the amount of accelerated portion of tax credits recaptured, federal Form 8611, line 7.....	1		
2 Multiply line 1 by 30% and enter result.....	2		
3 Enter net recapture amount from flow-through entities, Schedule K-1 or Federal Form 1099-PATR.....	3		
4 Enter the interest on line 3 recapture amount (see Instructions).....	4		
5 IRC Section 42 (j)(5) Partnerships ONLY - Enter interest on line 2 recapture amount.....	5		
6 Total recapture - Add lines 2, 3, 4, and 5. Enter here and on proper line of your tax return.....	6		

General Instructions
 (Section references are to the Internal Revenue Code (IRC) unless otherwise noted.)

The Hawaii low-income housing tax credit allowed under section 235-110.8, Hawaii Revised Statutes (HRS), is based upon the tax credit allowed for federal income tax purposes under section 42. Generally, the Hawaii low-income tax credit is 30% of the allowable federal low-income housing tax credit. A taxpayer may claim this credit whether or not the taxpayer claims a federal low-income housing tax credit.

Note: Although a taxpayer no longer has to claim the federal low-income housing tax credit in order to claim the State low-income housing tax credit, federal low-income housing tax credit forms, Form 8586, will need to be completed in order to claim the State low-income housing tax credit.

Purpose of Form. Owners of residential rental buildings providing low-income housing must use Form N-586 to claim the low-income housing credit. The tax credit does not apply to occupants of low-income housing units.

For more information, contact the Department of Taxation, Taxpayer Services Branch at (808) 597-4242.

Banks and other financial institutions. — Complete Parts I and II. Attach a copy of federal Form 8586 to Form F-1.

Partnerships, S Corporations, Estates and Trusts. — Complete Part I to figure the credit to pass through to the partners, shareholders, or beneficiaries. Attach a copy of federal Form 8586 to the entity's income tax return.

Partnership investors now have the flexibility of allocating the State low-income housing tax credit among its partners without regard to the partners' proportionate interests in the partnership for taxable years beginning after December 31, 1999.

Insurers. — Complete Part I to figure the credit to carry to Form 314, Annual Premium Tax Return. Attach a copy of federal Form 8586 to Form 314.

Caution: No credit may be claimed on any building for which there has been allowed any relief from the passive loss rules under section 502 of the Tax Reform Act of 1986.

Statutory Reference. Section 235-110.8, HRS.

Low-income housing tax credit.

(a) Section 42 (with respect to low-income housing credit) is operative for purposes of Chapter 235, HRS.

(b) Each taxpayer subject to the tax imposed by Chapter 235, HRS, who files a net income tax return for a taxable year may use the low-income housing tax credit against the taxpayer's net income tax liability. The amount of the credit shall be deductible from the taxpayer's net income tax liability if any imposed by Chapter 235, HRS for the taxable year in which the credit is properly claimed on a timely basis. A credit under this section may be claimed whether or not the taxpayer claims a federal low-income housing tax credit pursuant to section 42.

(c) The low-income housing tax credit shall be thirty per cent of the applicable percentage basis of each building located in Hawaii. Applicable percentage shall be calculated as provided in section 42(b).

(d) For the purposes of this section, the determination of:

(1) Qualified basis and qualified low-income building shall be made under section 42(c);

(2) Eligible basis shall be made under section 42(d);

(3) Qualified low-income housing project shall be made under section 42(g);

(4) Recapture of credit shall be made under section 42(i), except that the tax for the taxable year shall be increased under section 42(j)(1) only with respect to credits that were used to reduce State income taxes;

(5) Application of at-risk rules shall be made under section 42(k).

(e) As provided in section 42(e), rehabilitation expenditures shall be treated as separate new building and their treatment under this section shall be the same as in section 42(e). The definitions and special rules relating to credit period in section 42(f) and the definitions and special rules in section 42(l) shall be operative.

(f) The State housing credit ceiling in section 42(h) shall be zero for the calendar year immediately following the expiration of the federal low-income housing tax credit program and for any calendar year thereafter, except for the carryover of any credit ceiling amount for certain projects in progress which, at the time of the federal expiration, meet the requirements of section 42.

(g) The credit allowed shall be claimed against net income tax liability for the taxable year. For the purpose of deducting this tax credit, net income tax liability means net income tax liability reduced by all other credits allowed the taxpayer under Chapter 235, HRS.

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. All claims for a tax credit must be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Failure to properly and timely claim the credit shall constitute a waiver of the right to claim the credit. A taxpayer may claim a credit only if the building or project is a qualified low-income housing building or a qualified low-income housing project under section 42.

Section 469 (with respect to passive activity losses and credits limited) of the IRC shall be applied in claiming the credit.

Recapture does not apply if:

- You disposed of the building or an ownership interest in it and you posted a satisfactory bond. See section 42(a)(6) for details; or

- The decrease in qualified basis does not exceed the additions to qualified basis for which credits were allowable in years after the year the building was placed in service; or

- You correct a noncompliance within a reasonable period after it is discovered or should have been discovered.

(However, recapture applies if any vacant unit of comparable or smaller size to the low-income units is rented to other than a low-income tenant (on other than a temporary basis) during any period when the project does not comply with the set-aside requirement or has experienced a reduction in qualified basis for which credits were allowable); or

- The credit did not reduce your tax liability. In such cases, the allowable general business carryback and carryforward must be adjusted; or

- The qualified basis is reduced because of a casualty loss, provided the property is restored or replaced within a reasonable period.

To complete Part III of Form N-586 you will need copies of all the following federal forms that you have filed: Form 8869, Low-income Housing Credit Allocation Certificate, Schedule A (Form 8609) Annual Statement, and Form 8611, Recapture of Low-income Housing Credit.

Specific Instructions Part II

Tax Liability Limitations

NOTE: For the purpose of this tax credit, net income tax liability means net income tax liability reduced by all other credits, except for the high technology business investment tax credit and the technology infrastructure renovation tax credit, allowed under chapter 235, HRS. If you are also claiming the High Technology Business Investment Tax Credit (Form N-318), and the Technology Infrastructure Renovation Tax Credit (Form N-326), complete this form first, then Form N-318 followed by Form N-326.

Line 8 — Enter the tax liability before any credits from the appropriate line of your tax return.

Line 9 — The law requires that ALL other credits except for the high technology business investment tax credit and technology infrastructure renovation tax credit offset a taxpayer's tax liability BEFORE allowing a credit for low-income housing. Complete the *Credit Offset Worksheet* on this page and enter the result on line 9.

Line 11 — Compare the amounts on lines 7 and 10. Enter the smaller of line 7 or 10 here. This is your maximum credit allowed for this taxable year.

Part III

Lines 1 through 6 — If the tax credit is recaptured from more than two buildings, attach a schedule and enter the totals in the third column.

If the tax credit recapture is only from a flow-through entity (partnership, S corporation, estate, or trust) skip lines 1-2 and go to line 3.

Line 1 — Tax credit

recapture.—Section 42(j)(5) partnerships fill in line 6 also. All other flow-through entities (partnerships, S corporations, estates, or trusts) enter the result here and on the appropriate line of Schedule K of your respective return. Enter each recipient's share on the appropriate line of Schedule K-1.

Lines 4 and 5 — **Interest** — Compute the interest separately for each prior tax year using a rate of 8% (0.0867 monthly) for the period beginning on the due date for filing the original return for each prior year involved. Add the interest amounts for each prior year until the earlier of:

- The due date (not including extensions) of the return for the recapture year, or
- The date the return for the recapture year is filed and any income tax due for that year has been fully paid.

Enter the total on line 4 or 5. (This interest is not deductible on your income tax return.)

Line 6 — Include the total credit recaptured on the appropriate line representing your tax liability.

For flow-through entities that file Form N-20 or Form N-35, identify amounts as "Recaptured of low-income housing tax credit".

Tax Credit	Amount
a. Income Taxes Paid to another state or foreign country	
b. Enterprise Zone Tax Credit	
c. Energy Conservation Tax Credit	
d. Credit for Employment of Veterans and Disabled	
e. Federal Investment Account Contribution Tax Credit	
f. Credit for School Repair and Maintenance	
g. Credit for Low-income Residential Renters	
h. Credit for Child and Dependent Care Expenses	
i. Credit from a regulated investment company	
j. Fuel Tax Credit for Commercial Fishers	
k. Credit for Child Passenger Restraint Systems	
l. Capital Goods Excise Tax	
m. Making Pictorial and Film Production Income Tax Credit	
n. Low-income Refundable Tax Credit	
o. Tax Credit for Research Activities	
p. General Income Tax Credit	
q. Hotel Construction and Rehabilitation Tax Credit	
r. Ethanol Investment Tax Credit	
s. Storage Facility Tax Credit	
t. Add lines a through s. Enter the amount here and on line 9	

FORM N-756
(Rev. 2002)

STATE OF HAWAII — DEPARTMENT OF TAXATION
ENTERPRISE ZONE TAX CREDIT
SEE INSTRUCTIONS BEFORE COMPLETING THIS FORM.

Or fiscal year beginning _____, 20____, and ending _____, 20____

20

SSN OR FEIN _____
Hawaii G.E./Use Identification Number _____

Name _____

Complete Parts I and II if your 7-year cycle began at the start of your taxable year.
Complete Parts I and II if your 7-year cycle began during your taxable year rather than at the start of your taxable year.
In order to claim the enterprise zone tax credit, ALL of the following MUST be attached to your tax return:
1. Form N-756, Enterprise Zone Tax Credit.
2. Form N-756, Enterprise Zone Tax Credit, if you are a partner of a partnership, a shareholder of an S corporation, or a member of an LLC.
3. A copy of the certification issued by the Department of Business, Economic Development & Tourism.

Part I - Computation of Tax and Unemployment Insurance Premiums Attributable to Zone Activity

1. Total tax liability.....	1	
2. Total gross income from trade or business within the zone.....	2a	2b
3. Percentage of business required to be reported to Hawaii.....	2c	3
4. Total unemployment insurance premiums paid for employees employed within Hawaii.....	4	5a
5. Total payroll for employees employed within the zone.....	5b	5c
6. Percentage of unemployment insurance premiums paid on the payroll of employees employed within the zone. Divide line 5a by line 5b.....	6	7
7. Add lines 3 and 6.....	7	8

Part II - Computation of Tax Credit When the 7-Year Cycle Began at the Start of the Taxable Year

8. Enter the cycle year.....

9. Enter the percentage from the table below that applies to your cycle year.

Cycle Year	Applicable Percentage	Cycle Year	Applicable Percentage
1.....	85%	5.....	40%
2.....	70%	6.....	30%
3.....	60%	7.....	20%
4.....	50%		

10. Enterprise zone tax credit allowable for the year. Multiply line 7 by line 9.
Enter this amount on Schedule CR, line 3.....

Part III - Computation of Tax Credit When the 7-Year Cycle Began During the Taxable Year

11. Enter the 2 cycle years contained in the taxable year. (Note: If the taxable year contains only your first or last cycle year, you only need to complete lines 11a, 12a-12c, and 14.)

a. Cycle year.....	b. Cycle year.....
12. Cycle year referred to on line 11a.....	12a.....
a. Enter the number of months during the taxable year attributable to the cycle year referred to on line 11a.....	12b.....
b. Divide line 12a by 12.....	12c.....
c. Enter the percentage applicable to the cycle year referred to on line 11a. (See line 9 for percentage table).....	12d.....
d. Multiply line 12b by line 12c.....	12e.....
e. Multiply line 7 by line 12d.....	12f.....
13. Cycle year referred to on line 11b.....	
a. Enter the number of months during the taxable year attributable to the cycle year referred to on line 11b.....	13a.....
b. Divide line 13a by 12.....	13b.....
c. Enter the percentage applicable to the cycle year referred to on line 11b. (See line 9 for percentage table).....	13c.....
d. Multiply line 13b by line 13c.....	13d.....
e. Multiply line 7 by line 13d.....	13e.....
14. Enterprise zone tax credit allowable for the year. Add lines 12e and 13e. Enter this amount on Schedule CR, line 3.....	14.....

STATE OF HAWAII — DEPARTMENT OF TAXATION
INSTRUCTIONS FOR FORM N-756
ENTERPRISE ZONE TAX CREDIT

INSTRUCTIONS
FORM N-756
(Rev. 2002)

GENERAL INSTRUCTIONS

A qualified business which has received certification from the Department of Business, Economic Development & Tourism may claim the enterprise zone tax credit.

A business that has been certified is entitled, subject to the apportionment provisions, to an enterprise zone tax credit against any taxes due the State according to the following formula:

First year.....	80% of tax due
Second year.....	70% of tax due
Third year.....	60% of tax due
Fourth year.....	50% of tax due
Fifth year.....	40% of tax due
Sixth year.....	30% of tax due
Seventh year.....	20% of tax due

In addition, a business that has been certified is entitled, subject to the apportionment provisions, to an enterprise zone tax credit against any taxes due the State in an amount equal to a percentage of unemployment insurance premiums paid on the payroll of all the business' employees employed in the enterprise zone, according to the following formula:

First year.....	70% of premiums paid
Second year.....	60% of premiums paid
Third year.....	50% of premiums paid
Fourth year.....	40% of premiums paid
Fifth year.....	30% of premiums paid
Sixth year.....	20% of premiums paid
Seventh year.....	10% of premiums paid

If the enterprise zone tax credit exceeds the taxpayer's tax liability, the excess of credit over liability shall not be refunded to the taxpayer, nor shall it be carried over or carried back to another tax period.

The enterprise zone tax credit shall apply only to the extent that a qualified business conducts trade or business within the zone. A business which has income taxable both within and without Hawaii shall apportion and allocate the business' net income under sections 235-21 to 235-39, Hawaii Revised Statutes, (HRS), prior to calculating the enterprise zone tax credit.

"Trade or business" means all business activity by a qualified business within an enterprise zone, whereby 1) tangible personal property is sold at wholesale and the sale takes place within the zone, 2) a qualified business engages in a service business within the zone, or 3) value is added to materials or products that are manufactured within the zone. "Trade or business" also includes engaging in producing agricultural products where the business is a producer as defined in section 237-5; engaging in research, development, sale or production of all types of genetically-engineered medical, agricultural, or maritime biotechnology products; and engaging in producing electric power from wind energy for sale primarily to a public utility company for resale to the public.

"Service business" means any corporation, partnership, or sole proprietorship that repairs ships, aircraft, or assistive technology equipment, provides telecommunication services, information technology design and production services, medical and health care services, or education and training services as defined in Chapter 209E, HRS.

Tangible personal property shall be sold at wholesale at an establishment of a qualified business located within an enterprise zone. The transfer of title to the buyer of the tangible personal property shall take place in the same enterprise zone in which the tangible personal property is sold.

Services shall be sold at an establishment of a qualified business engaged in a service business within an enterprise zone and the services shall be delivered in the same enterprise zone in which the services are sold. Where the service business, in the same transaction, engages in both the sale of tangible property and services, the service business shall segregate the sale of services from the sale of tangible personal property.

Value must be added to materials or products that are manufactured within the enterprise zone.

Each partner, S corporation shareholder, or LLC member (member) of a business that has been certified shall separately determine for the member's taxable year within which the business' taxable year ends, the member's share of the

credit. The member's share of the entity's net income or loss and unemployment insurance credit shall be determined in accordance with the ratio in which the members divide the profits and losses of the partnership, S corporation, or LLC respectively.

Note: ALL of the following must be attached to your tax return in order to claim the enterprise zone tax credit:

- Form N-756, Enterprise Zone Tax Credit
- Form N-756A, Information Statement, if you are a partner of a partnership or a shareholder of an S corporation
- A copy of the certification issued by the Department of Business, Economic Development & Tourism

SPECIFIC INSTRUCTIONS

PART I

Line 1. — Enter the total tax liability from Form N-11, line 26; Form N-12, line 39; Form N-15, line 41; Form N-30, Schedule J, line 20; or Form N-70NP, line 13; whichever is applicable. (Note: For Forms N-11, N-12, and N-15, do not include the separate tax from Forms N-2, N-103, N-152, N-312, N-318, N-405, N-586, or N-814 in your total tax liability.)

Line 2a. — Enter the total gross income of the qualified business within the zone during the taxable year whereby tangible personal property is sold at wholesale to business firms, a qualified business engages in a service business, or value is added to materials or products that are manufactured by a qualified business.

For an individual operating as a sole proprietorship, enter the amount of the business' net income which is attributable to the conduct of trade or business within the zone. This is calculated by multiplying the business' net income by a fraction; the numerator being the total gross receipts of the business within the zone and the denominator being the total gross receipts of the business within Hawaii.

Members should enter the amount from Form N-756A, line 2e.

Line 2b. — Enter the total gross income of the qualified business within Hawaii during the taxable year, including sales within and without the enterprise zone. A business is taxable without the enterprise zone if the business has: 1) income from business activity within the zone which does not fall within the definition of trade or business, or 2) income from business activity conducted outside the zone. This term includes work that a business located within a zone subcontracted to a business located outside the zone and the work is delivered outside the zone.

For an individual, enter the total gross income required to be reported to Hawaii, including your business's net income (if operating as a sole proprietorship), salary, interest income, dividend income, etc.

Members should include in the total amount reported on line 2b, the amount from Form N-756A, line 2a.

Line 4. — Enter the total amount of unemployment insurance premiums paid on the payroll of all the business' employees employed in Hawaii.

Members claiming their share of the entity's unemployment insurance premiums should enter the amount on lines 4, 5a, and 5b, and the amount from Form N-756A, line 2b, on line 6. On the dotted line next to line 6, write "From Form N-756A."

Line 5a. — Enter the total payroll for all employees employed within the zone during the taxable year. An employee is employed within the zone if: 1) the individual's service is performed entirely within the zone; or 2) the individual's service is performed both within and without the zone, but the service performed without the zone is incidental to the individual's service within the zone.

Line 5b. — Enter the total payroll for all employees within Hawaii.

Part II should be completed if your 7-year cycle began at the start of your taxable year.

Part III should be completed if your 7-year cycle began during your taxable year rather than at the start of your taxable year.

