
tax credits

CLAIMED BY HAWAII RESIDENTS • 1994

DEPARTMENT OF TAXATION • STATE OF HAWAII

STATE OF HAWAII

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tax credits

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Excise Tax Credit

Food Tax Credit

Renter's Tax Credit

General Tax Credit

Medical Services Excise Tax Credit

Dependent Care Expense Tax Credit

Energy Device Tax Credit

Child Passenger Restraint System Tax Credit

Capital Goods Excise Tax Credit

Lifeline Telephone Service Tax Credit

STATE OF HAWAII
DEPARTMENT OF TAXATION
November, 1996

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INTRODUCTION

Beginning with the 1977 tax year, the Department of Taxation has published studies on tax credits on an annual basis in order to provide current information on trends in credit claims and the effect of statutory changes affecting credits.

This report deals with nine tax credits claimed by Hawaii residents on individual income tax returns filed in 1995 on activity that occurred during the 1994 tax year. Those credits are: the food and excise portions of the food/excise tax credit, low-income renter's tax credit, general tax credit, medical services excise tax credit, dependent care expense tax credit, energy credit, child passenger restraint tax credit, and capital goods excise tax credit. In addition, a section is included with data on the telephone lifeline service credit, which is claimed by the telephone company but which benefits low-income elderly and handicapped residential telephone users.

TAX CREDITS CLAIMED BY HAWAII RESIDENTS - 1994

SUMMARY

Whereas the number of resident returns increased by 2.5%, the number of returns claiming major tax credits rose by a greater degree: 6.6% for the renter's credit, 5.8% for the excise credit, 5.0% for both the food credit and the dependent care credit, 4.7% for the medical services credit, and 4.6% for the general credit. Because of action taken by the 1995 legislature, tax year 1994 marks the final appearance of the excise credit and the medical care portion of the medical services credit. Tax year 1994 also marks a turning point for the food credit, which will essentially be cut in half for tax year 1995.

DATA SOURCE AND METHODOLOGY

A random sample of resident individual income tax returns was the primary source of information for this report. Some data items on the returns in the selected sample were retrieved directly from the Department of Taxation's computerized Comprehensive Net Income Tax (CNIT) system. Other data items not in the CNIT system were manually collected and added to the data base for the returns sampled. Residents filed their individual income taxes either on the "long form" N-12 or on the "short forms" N-13 and N-13EZ. Figure 1 shows the number of returns processed by type of return and the size of the sample selected. Since the CNIT system recognized the N-13 and N-13EZ as a single tax return type, numbers for N-13 returns include those for N-13EZ. The overall sample size was 2.5%.

Figure 1
Number of Returns Processed and Sampled by Taxation District

Taxation District	Returns Processed		Number in Sample	
	N-12	N-13	N-12	N-13
First	317,440	87,426	6,370	1,701
Second	42,863	10,408	1,680	410
Third	46,202	15,228	1,910	645
Fourth	20,947	5,201	781	194
STATE	427,452	118,263	10,741	2,950

Two of the tax credits discussed in this report, the child passenger restraint credit and the capital goods excise credit, are available to nonresidents. The CNIT system served as the sole data source on nonresident claims for these credits.

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Outline of Tax Credit History

1965	CONSUMER TYPE Act 155 \$.45 to \$18/exemp MAGI <\$1,100 >\$6,300	EDUCATION Act 155 K-12 \$2 to \$20/dep. Higher \$2 to \$50/dep. AGI <\$3,000 >\$5,000				
1967	Act 229 \$1 to \$20/exemp MAGI <\$7,000 Residents only	Act 229 K-12 \$2 to \$20/dep Higher \$5 to \$50/dep AGI <\$3,000 <\$7,000 Residents only				
1969	Act 60 \$1 to \$21/exemp MAGI <\$10,000					
1970		DRUG/MEDICAL Act 180 1% to 4% of expense MAGI <\$14,000	RENT Act 180 1% to 2% of rent paid AGI <\$15,000			
1971		Act 59 Double for elderly				
1974	EXCISE Act 221 Combine four credits \$6 to \$30/exemp AGI <\$15,000					
1976	Act 208 \$6 to \$40/exemp AGI <\$20,000 Double for elderly			ENERGY Act 189 10% of expense Expire 12/31/81		
1977			Act 15 \$20/exemp AGI <\$20,000 Rent >\$1,000 Double for elderly		DEPENDENT CARE Act 196 5% of expense Max \$100 one ind. Max \$200 two or more	
1978				Act 19 Include insulation material up to \$30		
1980	Act 228 \$8 to \$48/exemp Include DSSH exemp					
1981			Act 230 \$50/exemp	Act 233 Extend 12/31/85 Include wind energy & home heat pump	Act 234 10% of expense Max \$200 one ind. Max \$400 two or more	GENERAL Act 231 \$100/exemp

TAX CREDITS - 1994

Chart 1 (continued)									
1982					Act 25 10% - 15% of expense Max \$360 one ind. Max \$720 two or more	Act 265 \$25/exemp	CAR SEAT Act 134 \$25/return		
1983				Act 67 Include commercial heat pump		Act 97 \$1/exemp			
1984						Act 55 \$1/exemp			
1985				Act 232 Extend 12/31/92		Act 81 \$1/exemp			
1986				Act 66,70 15% of expense Include ice storage		Act 49 \$1/exemp			
1987						Act 41 \$1/exemp		FOOD Act 239 \$45/exemp	CAPITAL GOODS Act 239 1988: 3% of expense 1989+: 4% of expense
1988	Act 11 \$10 to \$55/exemp AGI <\$30,000					Act 185 \$1/exemp			
1989		MEDICAL SERVICE Act 321 4% of medical expenses Max \$200 sgl \$400 senior \$600 sr couple	Act 321 AGI <\$30,000	Act 307 20% of expense	Act 321/322 AGI ceiling raised Rate inc. 15% to 25%	Act 323 \$125/exemp			
1990	Act 187 Repeal excise Combine food/excise Food--\$55/exemp		Act 98 <\$1 AGI qualifies	Act 319 Extend to 12/31/98 Solar--35%/cost up to \$1,750 Heat pump--20%/cost up to \$400 Wind en.--20%/cost Ice stor.--50%/cost		Act 186 \$60/exemp		Act 187 \$55/exemp	
1991		Act 217 Extend to 12/31/96				Act 179 \$1/exemp			JOB CREDIT Act 137 20%/wage up to \$1,200/voc.reh.emp.
1992						Act 128 \$1/exemp			
1993		Act 315 6% of nursing facility exp.				Act 184 \$1/exemp			
1994						Act 85 \$1/exemp			

TAX CREDITS - 1994

Some of the information in this report is broken out by taxation districts. The four taxation districts re:

<u>Taxation District</u>	<u>Island(s)</u>
First	Oahu
Second	Maui, Molokai, Lanai
Third	Hawaii
Fourth	Kauai, Niihau

OUTLINE OF TAX CREDIT HISTORY

Chart 1 presents a brief history of tax credits discussed in this report. It covers changes made to credits since 1965, when the first consumer credit was introduced. The year in the left-most column represents both the year of the legislative session and the year a particular act went into effect, unless noted otherwise. Each of the other columns is devoted to a type of credit and its logical successors.

OVERVIEW

Resident individual income tax returns filed for tax year 1994 numbered 545,715, an increase of 2.5% over the previous year. The number of returns that claimed tax credits increased by 4.7% to 482,685 while the dollar amount of credits claimed rose 5.8% to \$114.3 million. As Figure 2 shows, the most frequently claimed credits were the food credit and the general credit, both of which were available to all qualified residents regardless of income.

Figure 2
Percent of Resident Returns Claiming Tax Credits
for the 1994 Tax Year

	Number of Returns	Percent of Total Returns	Percent of Total w/Credits
All Resident Returns	545,415	100.0%	
Returns with Tax Credits	482,685	88.5%	100.0%
Food Credit	472,544	86.6%	97.9%
General Income Tax Credit	456,201	83.6%	94.5%
Excise Credit	292,688	53.7%	60.6%
Medical Services Excise Credit	251,732	46.2%	52.2%
Renter's Credit	75,837	13.9%	15.7%
Dependent Care Credit	26,471	4.9%	5.5%
Capital Goods Excise Credit	3,418	0.6%	0.7%
Child Car Seat Credit	3,295	0.6%	0.7%
Energy Device Credit	2,127	0.4%	0.4%

TAX CREDITS - 1994

Figure 3
 Comparison of Amount of Tax Credits Claimed in Each District
 by Type of Credit, 1994 over 1993
 Thousands of Dollars

Type of Credit	State	TAXATION DISTRICT			
		First	Second	Third	Fourth
Excise Tax					
1994	\$ 19,399	\$ 13,686	\$ 1,741	\$ 2,897	\$ 1,075
1993	17,839	12,437	1,681	2,750	971
% Change	8.7%	10.0%	3.6%	5.3%	10.7%
Renter's Credit					
1994	\$ 7,283	\$ 5,588	\$ 694	\$ 681	\$ 320
1993	6,719	5,007	680	753	279
% Change	8.4%	11.6%	2.1%	-9.6%	14.7%
Dependent Care					
1994	\$ 7,757	\$ 6,012	\$ 548	\$ 883	\$ 314
1993	7,212	5,655	610	702	245
% Change	7.6%	6.3%	-10.2%	25.8%	28.2%
General					
1994	\$ 920	\$ 671	\$ 91	\$ 110	\$ 48
1993	879	638	92	106	43
% Change	4.7%	5.2%	-1.1%	3.8%	11.6%
Food					
1994	\$ 52,231	\$ 38,055	\$ 5,212	\$ 6,279	\$ 2,684
1993	50,193	36,239	5,260	6,237	2,457
% Change	4.1%	5.0%	-0.9%	0.7%	9.2%
Capital Goods					
1994	\$ 1,732	\$ 1,089	\$ 309	\$ 229	\$ 105
1993	1,619	1,109	299	98	113
% Change	7.0%	-1.8%	3.3%	133.7%	-7.1%
Medical Services					
1994	\$ 22,835	\$ 17,552	\$ 1,725	\$ 2,552	\$ 1,007
1993	20,769	16,249	1,547	2,075	898
% Change	9.9%	8.0%	11.5%	23.0%	12.1%

Note: Totals may not add up due to rounding.

TAX CREDITS - 1994

Figure 4
Comparison of Number of Returns Claiming Tax Credits
in Each District by Type of Credit, 1994 over 1993

Type of Credit	State	TAXATION DISTRICT			
		First	Second	Third	Fourth
Excise Tax					
1994	292,688	209,084	29,473	38,586	15,545
1993	276,550	197,240	27,555	37,311	14,444
% Change	5.8%	6.0%	7.0%	3.4%	7.6%
Renter's Credit					
1994	75,837	57,606	7,639	7,475	3,117
1993	71,141	53,428	7,039	7,869	2,805
% Change	6.6%	7.8%	8.5%	-5.0%	11.1%
Dependent Care					
1994	26,471	20,225	2,330	2,783	1,133
1993	25,208	19,234	2,194	2,752	1,028
% Change	5.0%	5.2%	6.2%	1.1%	10.2%
General					
1994	456,201	336,824	44,415	52,764	22,198
1993	436,287	322,525	42,684	50,061	21,017
% Change	4.6%	4.4%	4.1%	5.4%	5.6%
Food					
1994	472,544	349,590	45,887	54,215	22,852
1993	450,250	331,836	44,162	52,499	21,753
% Change	5.0%	5.4%	3.9%	3.3%	5.1%
Capital Goods					
1994	3,418	2,206	336	552	324
1993	3,470	2,394	477	403	196
% Change	-1.5%	-7.9%	-29.6%	37.0%	65.3%
Medical Services					
1994	251,732	188,668	22,619	27,411	13,034
1993	240,525	181,130	20,876	27,320	11,199
% Change	4.7%	4.2%	8.3%	0.3%	16.4%

Note: Totals may not add up due to rounding.

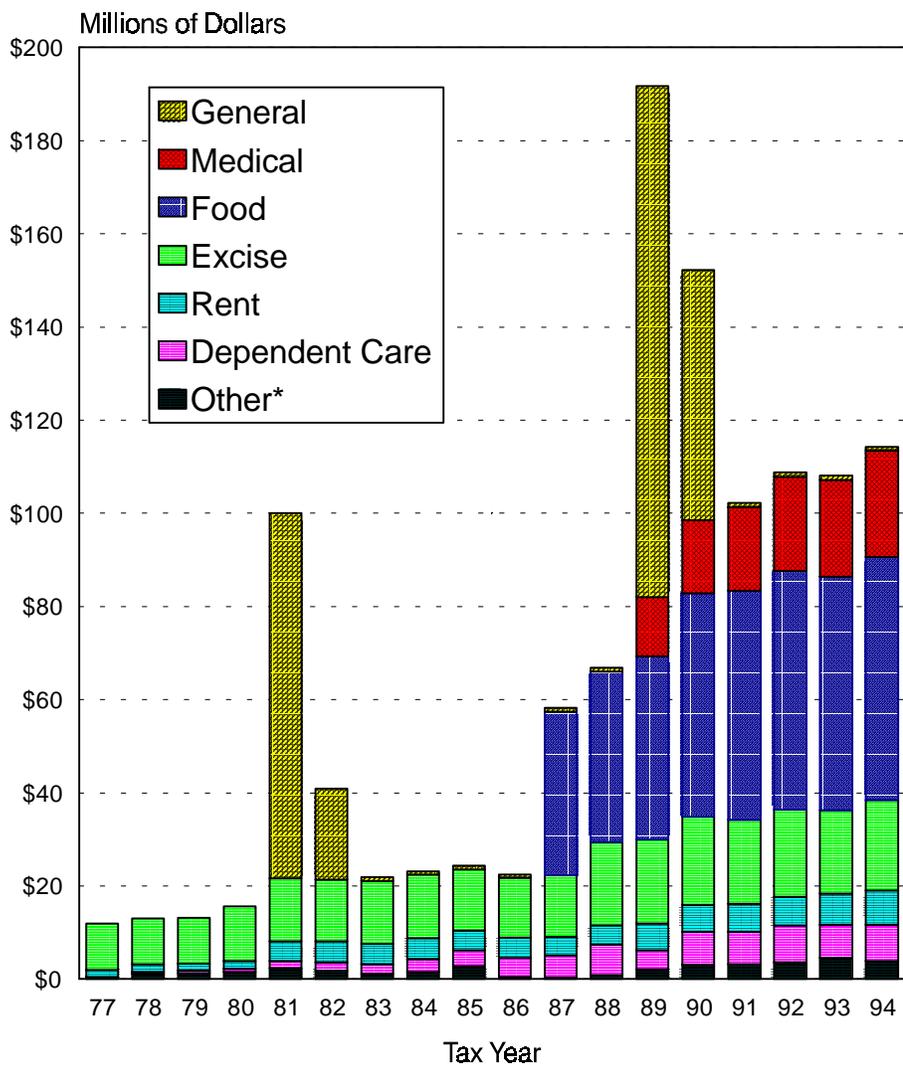
Figures 3 and 4 show a detailed comparison of the numbers and dollar amounts of claims for the major credits for tax years 1994 and 1993. Note that the increase in the number of returns claiming each of the credits except the capital goods excise credit increased to a greater extent than the 2.5% rise in the number of returns filed.

Looking ahead to tax year 1995, the 1995 legislature eliminated the excise portion of the food/excise credit as well as most of the medical services excise credit. Only the nursing facilities portion of the medical services credit was restored by the 1995 special session. During the 1995 regular session,

TAX CREDITS - 1994

the legislature also effectively reduced the food credit in half by cutting the credit per qualified person from \$55 to \$27. Thus, this report for tax year 1994 represents a watershed for credits since these changes are expected to bring total credit claims for 1995 to a level less than half of the amount claimed for tax year 1994.

Chart 2 Tax Credits Claimed by Residents 1977-1994



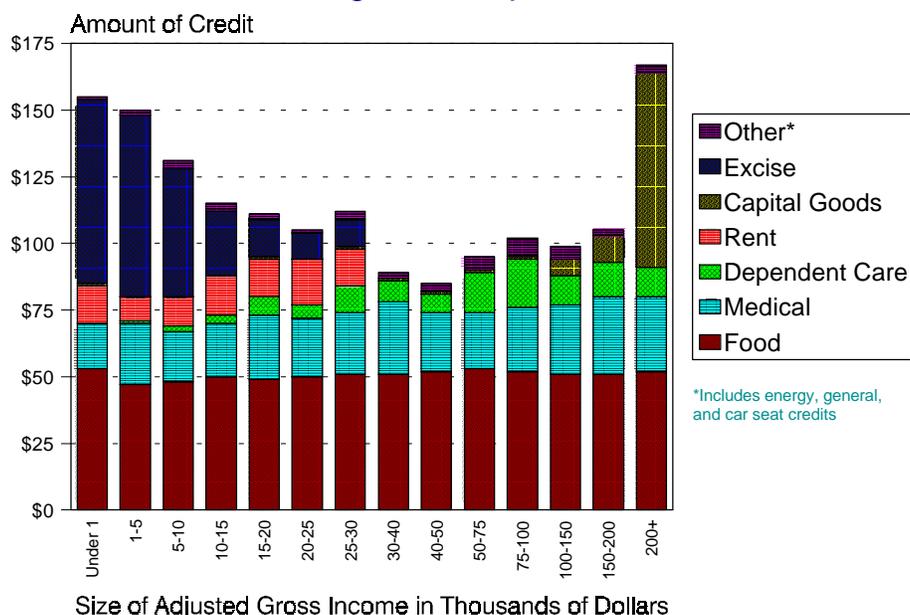
*Includes Energy, Car Seat, and Capital Goods Credits

TAX CREDITS - 1994

Chart 2 graphically shows the change in dollars of credit claimed since tax year 1977. During that time period, some of the most dramatic changes occurred when the general credit was altered from its nominal \$1 per qualified individual. Tax year 1981 saw a huge jump in dollars of credit claimed when the general credit was first introduced at a level of \$100 per individual. Credit dollars claimed plummeted in 1982 as the general credit was reduced to \$25 per individual and again in 1983 when it was reduced to \$1 per individual, the level at which it remained for several years. Credit dollars claimed rose dramatically in 1987 with the introduction of the food credit and reached an all-time high in 1989 with the introduction of the medical services credit and the increase in the general credit to \$125 per qualified individual. In 1990, credit dollars claimed fell as the general credit was reduced to \$60 per person and again in 1991 when it reverted to a nominal \$1 per person. As mentioned earlier, the next edition of this report will probably show that credit dollars claimed for tax year 1995 will be somewhat less than half the amount claimed for 1994.

How will this affect the average person at various income levels? Chart 3 can provide some insight. It shows the average amount of credit claimed per person at various adjusted gross income (AGI) levels. To obtain these averages, we divided the total dollar amount of each type of credit claimed on returns within each AGI bracket by the number of persons in that bracket. To obtain an unduplicated number of persons, we counted exemptions for taxpayers, spouses, dependent children, and other dependents but not age exemptions, since a person with an age exemption is already counted once as a taxpayer or spouse of a taxpayer. We also counted minor children supported by payments administered by the Department of Human Resources. These children cannot be claimed as dependents but are still eligible for food, excise, and general credits.

Chart 3
Average Per Capita Credit



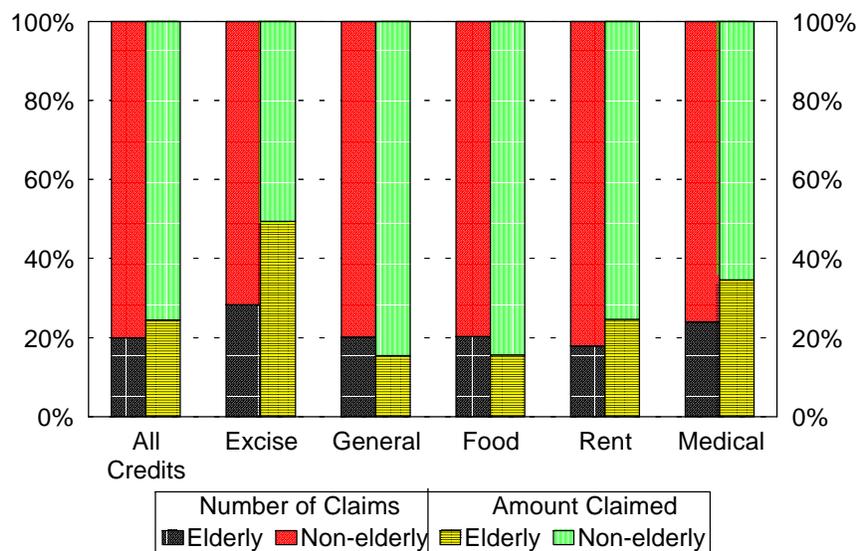
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Chart 3 shows that the average per capita claims for the food credit and the medical services excise credit are similar across income levels. Thus, the cutting of the food credit in half and the elimination of the medical credit except for the nursing facilities portion will affect everyone to roughly the same extent. On the other hand, elimination of the excise credit will negatively affect per capita credit claims among lower-income taxpayer units. Chart 3 shows how the excise credit provided a strong measure of progressivity to per capita credits for tax year 1994.

Elderly taxpayers, defined for the purposes of this report as those who claimed an extra exemption for being at least 65 years of age, accounted for 17.9% of resident returns. As Chart 4 shows, returns of the elderly accounted for 20% or one-fifth of returns with tax credits. But elderly returns claimed more than one-fourth of the dollar amount of the rent credit, about a third of the dollar amount of the medical credit, and about half of the dollar amount of the excise credit claimed for 1994. The reason behind the higher proportions for the elderly are the preferences provided for them by tax laws. A person with an age exemption can claim twice the amount of excise credit and rent credit than someone without an age exemption. For the medical credit, the maximum credit is \$200 on a return without an age exemption, but the maximum rise to \$400 for a return with one age exemption and \$600 for one with two age exemptions. With these preferences, the average amount of tax credits claimed by the elderly was \$290 as compared to \$224 on returns without age exemptions. The average credit on all returns with credits was \$237.

Chart 4

Percent Distribution of Various Credits Claimed by Elderly and Non-Elderly



TAX CREDITS - 1994

ANALYSIS OF DATA

Food/Excise Tax Credit

Taxpayers used Form N-311 to claim the food/excise tax credit, which was created by the 1990 legislature when it combined the previously separate food and excise tax credits. To qualify for these credits, a person 1) must have physically resided in the state for more than nine months of the taxable year; 2) must not be eligible to be claimed as a dependent by another taxpayer; and 3) must not have been confined in a prison, youth correctional facility, or jail for the entire taxable year. Other eligibility features differ and are discussed in the following two sections.

Excise Tax Credit

Eligibility for the excise tax credit is limited to taxpayers with adjusted gross income under \$30,000. The amount of credit per qualifying exemption is graduated according to the following schedule:

<u>Adjusted Gross Income</u>			<u>Tax Credit</u>
	Under	\$ 6,000	\$55
\$ 6,000	"	8,000	45
8,000	"	10,000	35
10,000	"	12,000	25
12,000	"	15,000	20
15,000	"	20,000	15
20,000	"	30,000	10
30,000	and over		0

Figure 5
Percentage of 1994 Resident Returns Claiming
Excise Tax Credits, by Status
(Excludes Dependents Filing Own Returns)

<u>Adjusted Gross Income</u>	<u>Single & MFS*</u>			<u>Joint & All Others**</u>		
	<u>No. of Returns</u>	<u>With Credit</u>	<u>% with Credit</u>	<u>No. of Returns</u>	<u>With Credit</u>	<u>% with Credit</u>
Under \$ 1,000	47,000	44,621	94.9%	14,221	13,456	94.6%
\$ 1,000 " 5,000	31,231	24,663	79.0%	15,029	13,644	90.8%
5,000 " 10,000	30,430	26,622	87.5%	17,114	15,506	90.6%
10,000 " 15,000	31,134	27,100	87.0%	17,412	16,508	94.8%
15,000 " 20,000	27,635	23,329	84.4%	15,470	14,550	94.1%
20,000 " 30,000	46,399	41,736	90.0%	32,852	30,953	94.2%
TOTAL	213,829	188,071	88.0%	112,098	104,617	93.3%

* "MFS" refers to married filing separate status.

** Includes heads of households and qualifying widow (ers).

TAX CREDITS - 1994

If a husband and wife file separately, their combined adjusted gross income is used to determine the amount of credit per exemption. One exemption is allowed for the taxpayer, spouse, and each dependent who meets the basic qualifications discussed earlier. An additional exemption for excise credit purposes is allowed for each age exemption. A minor child receiving public assistance payments and who does not qualify as a dependent for income tax purposes can qualify as an exemption for the excise credit. If the child meets the basic qualifications, he or she receives a credit of \$55, regardless of the return filer's adjusted gross income.

Claims for the excise credit for tax year 1994 amounted to \$19.4 million on 292,688 returns. Both figures are all-time highs and represent increases over tax year 1993 of 8.7% in dollars of credit and 5.8% in numbers of returns with claims. Whereas the population of resident returns with adjusted gross income under the \$30,000 adjusted gross income eligibility threshold increased by 4,186, the number of returns claiming the excise credit jumped by 16,138, or nearly four times as much. To a large extent, the increase in excise credit claims occurred among lower-income residents. From 1993 to 1994, the number of returns claiming the excise credit rose by 16,138, of which 15,583 were taxpayers with adjusted gross incomes below \$3,000. Of the \$1.6 million increase in the dollar amount of credit claimed, \$1.2 million occurred among residents with AGI below \$3,000.

As mentioned earlier, persons who file their own returns but are eligible to be claimed as dependents on another person's return cannot claim the excise credit. Figure 5 excludes these dependents who file their own returns and shows that roughly nine out of ten potentially eligible residents claimed the excise credit.

Food Tax Credit

Unlike the excise credit, the food credit portion of the food/excise credit is not limited by size of adjusted gross income. All residents who meet the previously-mentioned basic requirements are eligible for a \$55 per person credit. Since the credit is \$55 per person, minor children supported by public assistance are also eligible. A taxpayer with an age exemption is allowed a single \$55 credit but no additional credit for age as is the case with the excise credit.

Figure 6
Number of Returns Claiming Food Tax Credit
Since Its Inception in Tax Year 1987

Tax Year	Returns with Credit	Percent Increase (Decrease)	Number of Exemptions	Percent Increase (Decrease)
1987	365,619		779,906	
1988	391,379	7.0%	814,241	4.4%
1989	426,144	8.9%	872,657	7.2%
1990	430,074	0.9%	870,950	-0.2%
1991	440,929	2.5%	894,672	2.7%
1992	458,033	3.9%	931,208	4.1%
1993	450,250	-1.7%	924,526	-0.7%
1994	472,544	5.0%	963,910	4.3%

TAX CREDITS - 1994

As can be seen in Figure 6, returns with food credit claims increased by 5.0% for tax year 1994 to 472,544 as compared to the previous year. The amount of credit rose 4.1% to \$52.2 million. As with the excise credit, increased awareness generated by legislative discussion of curtailing tax credits may have resulted in claims by taxpayers who had previously neglected to claim the food credit. Returns with food credit claims rose from 84.5% of all resident returns for 1993 to 86.6% for 1994. As mentioned earlier, dependents who file their own returns are ineligible for food and excise credits. When the 36,809 dependent returns are excluded from the total, 92.9% of the remaining 1994 resident returns show the food credit.

General Income Tax Credit

Hawaii's state constitution requires that a tax refund or tax credit be made available to resident taxpayers whenever the state general fund surplus exceeds 5% of general fund revenues for each of two successive years. This condition has existed every year since this requirement became effective in 1981. The legislature has responded by adopting a general income tax credit each year. Although the amount of credit has ranged as high as \$125 per person, the legislature has opted to preserve fiscal flexibility by setting the general credit at a nominal \$1 per person for most years and did so once again for the 1994 tax year.

To qualify for the general credit, a person must be a Hawaii resident for at least nine months of the tax year but need not be physically present in Hawaii. Children supported by public assistance may claim the credit but dependents filing their own returns may not since they are eligible for credits on another person's return. No extra exemption is allowed for the elderly.

These qualifications are similar to those for the food credit, except that the general credit does not require an eligible person to be physically present in Hawaii. Thus, more residents are eligible for the general credit than the food credit since those residents who are temporarily away from Hawaii to attend school or serve in the military can still receive the general credit but not the food credit.

Figure 7
Number of Returns Claiming General Income Tax Credit
and Amount of Credit Claimed by Filing Status
(Excludes Dependents Filing Own Returns)

Filing Status	Number of Returns	Returns with Credit	% with Credit	Total Credit Claimed
Single*	260,211	226,697	87.1%	\$ 253,402
Joint**	205,632	190,069	92.4%	574,844
Head of Household	42,999	39,435	91.7%	92,118
TOTAL	508,842	456,201	89.7%	\$ 920,364

*includes married filing separately.

**includes qualifying surviving spouse.

TAX CREDITS - 1994

Despite this fact, 16,343 fewer returns claimed the general credit than did the food credit. Since the general credit is only \$1 per person compared to the food credit of \$55 per person, some eligible residents probably did not bother to claim the general credit because of its small size. Figure 7 shows general credit claims by status.

Renter's Tax Credit

To qualify for the low-income household renter's tax credit, a Hawaii resident 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 of another taxpayer; 3) have adjusted gross income under \$30,000; and 4) occupy and pay more than \$1,000 in annual rent for a rental unit that was not wholly or partially exempt from the real property tax. In the case of a shared rental unit, the individual's share of the rent is used to determine whether he or she paid enough rent to qualify for the credit. Each qualified exemption is allowed \$50 of credit. A person with an age exemption is allowed an additional \$50 of credit. Married couples filing separately must combine their adjusted gross incomes to determine if they fall under the \$30,000 AGI ceiling.

Returns claiming the renter's credit climbed 6.6% in number from 71,141 in 1993 to 75,837 in 1994 while the amount of credit rose 8.4% to \$7.3 million. As Figure 8 shows, 23.3% of resident returns with adjusted gross income under the \$30,000 maximum claimed the renter's credit. A year earlier, 22.1% claimed the credit.

Figure 8
Number Claiming Renter's Tax Credit by Adjusted Gross Income Class

Adjusted Gross Income	Number of Returns*	Number with Credit	% with Credit
Under \$ 1,000	61,221	13,648	22.3%
\$ 1,000 " 5,000	46,260	6,811	14.7%
5,000 " 10,000	47,544	8,701	18.3%
10,000 " 15,000	48,546	11,624	23.9%
15,000 " 20,000	43,105	11,857	27.5%
20,000 " 30,000	79,251	23,196	29.3%
TOTAL	325,927	75,837	23.3%

*Excludes returns filed by dependents.

Total rent paid in 1994 by those claiming renter's credits amounted to \$391.6 million, 10.6% more than the \$354.2 million total reported for the previous year. Average rent paid in 1994 was \$5,163, which was 3.7% higher than the 1993 average of \$4,979. By district, average rent paid in 1994 was \$5,197 on Oahu, \$5,109 on Maui, \$4,772 on Hawaii, and \$5,601 on Kauai.

TAX CREDITS - 1994

Residents with age exemptions that claimed the renter's credit numbered 13,547, which accounted for 17.9% of returns claiming the credit. This proportion matched their 17.9% share of all resident returns filed. Dollars of renter's credit claimed by the elderly amounted to \$1.8 million, about a quarter of the total \$7.3 million in renter's credit. This larger dollar share on the part of the elderly was due to the fact they were allowed to claim two exemptions for this credit.

Medical Services Excise Tax Credit

In 1989, the legislature established the medical services excise tax credit to return to Hawaii taxpayers the 4% general excise tax that they pay on medical services. To qualify, a resident must not be claimed or be eligible to be claimed as a dependent on another person's tax return. The amount of credit is 4% of qualified medical expenses. Qualified medical expenses must be subject to Hawaii's general excise tax. Thus, medical expenses incurred outside of Hawaii and tax-exempt items such as prescription drugs do not qualify. For purposes of this credit, the gross amount of qualified medical expenses, including those reimbursed by insurance payments, is used to determine the amount of credit.

For taxpayers under age 65, the maximum medical services credit is \$200 per return, which means that the credit covers the general excise tax paid of the first \$5,000 of qualified medical expenses. If either the taxpayer or spouse has attained age 65, then the maximum credit is \$400, which would cover the general excise tax paid on up to \$10,000 in medical expenses. If both taxpayer and spouse have reached age 65, the maximum credit is \$600, equal to the tax paid on \$15,000 of medical expenses. For married persons filing separately, the maximum credit is the maximum that would have been allowed had they filed a joint return.

Figure 9
Resident Returns Claiming the Medical Services Excise Tax Credit
by Size of Credit
(Excludes Claims for Nursing Facilities Credit)

Size of Credit	Returns with Credit		Amount of Credit	
	Number	% of Total	Dollar Amount	% of Total
Under \$ 25	63,615	25.3%	\$ 848,647	3.9%
\$ 25 " 50	48,396	19.2%	1,743,419	8.0%
50 " 75	34,164	13.6%	2,095,263	9.6%
75 " 100	24,531	9.7%	2,092,245	9.6%
100 " 200	46,595	18.5%	6,504,526	29.8%
200 " 300	28,092	11.2%	5,789,913	26.5%
300 " 400	2,011	0.8%	698,008	3.2%
400 " 500	2,658	1.1%	1,077,964	4.9%
500 and over	1,660	0.7%	974,185	4.5%
TOTAL	251,722	100.0%	\$ 21,824,170	100.0%

TAX CREDITS - 1994

Effective July 1, 1993, taxpayers could claim an additional amount of credit for qualified payments to nursing facilities. This credit is equal to 6% of qualified nursing facilities expenses. To qualify, the payments must have been made to a facility subject to Hawaii's 6% nursing facilities tax. Unlike the medical care portion of the credit, there is no upper limit to the amount of credit for the nursing facilities portion.

For 1994, 251,732 Hawaii residents claimed \$21.8 million for the medical care services portion of the credit while 938 residents claimed \$1.0 million for the nursing facilities portion for a total of \$22.8 million. The average amount claimed for the medical care portion was \$86.70. With no upper limit, claims for the nursing facilities portion averaged \$1,078. Figure 9 shows the distribution of claims for the medical care portion by size of claim. Since the medical care portion of the credit is limited to \$200, \$400, or \$600 depending on the presence of age exemptions, some residents reported medical expenses that would have produced credit amounts in excess of these maximums. On 23,432 returns, \$5.3 million in potential credits could not be claimed because they exceeded the statutory maximums.

Dependent Care Tax Credit

Hawaii's dependent care tax credit provides a means of easing the financial burden for resident taxpayers who, in order to be able to hold gainful employment, must pay a care provider to care for a dependent child under age 13 or a disabled dependent or spouse. The portion of care expenses which qualify for the purposes of this credit is limited to a maximum of \$2,400 for one qualified dependent and \$4,800 for two or more qualified dependents. Further limiting the qualified portion of care expenses is the size of the taxpayer's earned income. The portion of care expenses in excess of earned income does not qualify. For joint returns, the limit is the amount of earned income of the lesser-earning spouse. For example, if a couple paid \$4,000 to care for two children and one spouse earned \$50,000 and the other earned only \$3,000, the amount of qualified allowable expenses would be limited to \$3,000. The amount of credit is a specified percentage of qualified allowable expenses, based on the size of adjusted gross income as follows:

<u>Adjusted Gross Income</u>	<u>Percentage</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%

In the case of the couple in the example, the amount of credit would be 15% of \$3,000 or \$450 since their adjusted gross income is over \$40,000.

TAX CREDITS - 1994

For 1994, 26,471 resident returns, or about one in twenty, claimed the dependent care credit. This number represents a 5% increase over the number of returns that claimed the credit for 1993. The dollar amount of credit claimed rose 7.6% to \$7.8 million. Allowable dependent care expenses for 1994 amounted to \$46.0 million, while actual expenses amounted to \$57.4 million. Figure 10 shows the average actual and allowed expense per return by taxation district.

Figure 10
Selected Data on Returns Claiming the
Dependent Care Tax Credit

Taxation District	Returns with Credit	Qualified Dependents	Average per Return		
			Actual Expenses	Expense Allowed	Credit Amount
Oahu	20,225	27,670	\$ 2,240	\$ 1,773	\$ 297
Maui	2,330	2,895	1,619	1,354	235
Hawaii	2,783	3,615	2,176	1,818	317
Kauai	1,133	1,736	1,966	1,684	277
STATE	26,471	35,916	\$ 2,167	\$ 1,737	\$ 293

Energy Device Tax Credit

Hawaii's energy device credit first appeared in 1976 as a credit equal to 10% of the cost to purchase and install the energy device. Along with the state credit, the federal government offered a 40% credit, meaning that government tax credits were subsidizing half the cost of the device. Tax year 1982 marked the high point in terms of number of claims as 9,514 returns claimed the credit. Energy credit claims plummeted after 1985 when the federal credit expired. The legislature attempted to revive interest in energy-saving devices by increasing the state credit to 15% and then to 20%. The most recent increase in 1990 resulted in a 35% credit for solar energy devices, a 20% credit for heat pumps and wind energy devices, and a 50% credit for ice storage systems. The credit for solar devices was limited to \$1,750 for single-family dwellings and \$350 for multi-family dwellings. For heat pumps, the amount of credit was limited to \$400 for single-family and \$200 for multi-family dwellings.

Despite the incentives, the number of returns claiming the energy credit has increased only modestly over recent years and decreased from 1993 to 1994. For 1994, only 2,127 returns claimed the credit. This number represented less than half of one percent of resident taxpayers. As such, the energy credit was the least used of the tax credits discussed in this report. The amount of credit claimed for 1994 was \$2.1 million, for an average of \$984 per return. Most of the credits were claimed for solar energy devices. The number of claims for heat pumps, wind energy devices, and ice storage systems were so low that they are subject to sampling error.

TAX CREDITS - 1994

Child Passenger Restraint System Tax Credit

All Hawaii taxpayers, both residents and nonresidents, are entitled to a flat \$25 credit for the purchase of a new child passenger restraint system meeting federal motor vehicle safety standards. This credit has existed since 1982, when it was introduced to promote the safety of children riding motor vehicles on public highways. The following year, the legislature made it a requirement that young children riding in motor vehicles be restrained in a car seat.

For 1994, a total of 3,295 resident returns claimed \$82,375 in car seat credits. Among nonresidents, 175 returns claimed \$4,375 in credits.

Capital Goods Excise Tax Credit

Introduced in tax year 1988, the capital goods excise credit reimburses businesses for the general excise tax they pay on the purchase of tangible personal property. To be eligible for the credit, the property must be depreciable, be used in the taxpayer's trade or business, and be subject to Hawaii's 4% general excise or use tax. The credit is equal to 4% of the cost of the eligible property.

As Figure 11 shows, residents claimed \$1.7 million in capital goods excise credit on 3,418 returns. The average amount of credit claimed was \$507, a figure skewed upwards by large capital goods purchases by a small number of taxpayers. Credit amounts of \$5,000 or more were reported by only 45 taxpayers, but this handful of taxpayers accounted for \$644 thousand in credits, over one-third of the total. To obtain a more realistic figure for the typical amount of credit, one should probably use the median. The median amount of credit claimed was only \$150 per return.

The capital goods excise credit is one of the few credits available to nonresidents. For 1994, nonresidents reported \$431,033 in credit on 314 returns.

Figure 11
Resident and Nonresidents Claiming the Capital Goods Excise Credit
Since Its Inception in Tax Year 1988

Tax Year	RESIDENTS		NONRESIDENTS	
	Number	Amount Claimed	Number	Amount Claimed
1988*	1,951	\$ 573,751	N.A.**	N.A.**
1989	3,551	1,865,311	71	\$ 57,258
1990	3,601	1,855,837	109	165,800
1991	3,918	1,879,172	140	83,900
1992	4,120	2,061,968	148	63,681
1993	3,470	1,618,300	176	67,877
1994	3,418	1,731,510	314	431,033

* Credit was 3% of cost for 1988 and 4% of cost thereafter.

** N.A. = information not available.

TAX CREDITS - 1994

Lifeline Telephone Service Tax Credit

Lifeline telephone service was initiated in 1986 to provide subsidized telephone service to elderly and disabled telephone subscribers with limited income. The Public Utilities Commission has defined "limited income" as household income under \$10,000. While these elderly and disabled individuals enjoy a lower rate, the lifeline telephone service tax credit goes to the telephone company, which can claim it on its public utility tax return. The credit is equal to the sum of foregone revenues and administrative costs associated with providing the subsidized rates. For 1994, the telephone company claimed \$247,579 for this credit and reported 6,666 subscribers who were being serviced at subsidized rates at the close of the year.

Figure 12
Lifeline Credit and Number of Subscribers
Since Inception of Credit in 1986

Year	Number of 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

* In effect seven months.

APPENDIX I
STATISTICAL TABLES

TAX CREDITS - 1994

TAX CREDITS - 1994

TABLE 1
TAX CREDITS CLAIMED BY RESIDENTS BY TYPE OF CREDIT AND BY TAXATION DISTRICT - 1994

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Excise Tax Credit	\$ 19,398,995	\$ 13,686,485	\$ 1,740,685	\$ 2,896,675	\$ 1,075,150
Renter's Credit	7,282,600	5,587,500	694,000	681,350	319,750
General Tax Credit	920,364	670,750	91,493	110,225	47,896
Food Tax Credit	52,230,915	38,055,325	5,212,295	6,279,240	2,684,055
Medical Services Excise Credit	22,835,434	17,551,558	1,724,849	2,552,171	1,006,856
Dependent Care Credit	7,757,339	6,012,213	547,931	883,393	313,802
Energy Device Credit*	2,093,044	793,947	570,084	201,150	527,863
Car Seat Credit	82,375	56,175	5,500	16,575	4,125
Capital Goods Excise Tax Credit	1,731,510	1,088,728	309,073	228,997	104,712
TOTAL	\$ 114,332,576	\$ 83,502,681	\$ 10,895,910	\$ 13,849,776	\$ 6,084,209

*1 includes energy credit carried forward to 1994 for devices installed before 1994.

TAX CREDITS - 1994

TABLE 2
 NUMBER OF RESIDENT RETURNS CLAIMING TAX CREDITS BY TYPE OF CREDIT
 AND BY TAXATION DISTRICT - 1994

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Excise Tax Credit	292,688	209,084	29,473	38,586	15,545
Renter's Credit	75,837	57,606	7,639	7,475	3,117
General Tax Credit	456,201	336,824	44,415	52,764	22,198
Food Tax Credit	472,544	349,590	45,887	54,215	22,852
Medical Services Excise Credit	251,732	188,668	22,619	27,411	13,034
Dependent Care Credit	26,471	20,225	2,330	2,783	1,133
Energy Device Credit*	2,127	858	500	252	517
Car Seat Credit	3,295	2,247	220	663	165
Capital Goods Excise Tax Credit	3,418	2,206	336	552	324

*Includes returns claiming credit in 1994 for devices installed before 1994.

TAX CREDITS - 1994

TABLE 3
 NUMBER OF RESIDENT RETURNS CLAIMING TAX CREDITS
 BY SIZE OF CREDITS PER RETURN* AND BY ADJUSTED GROSS INCOME - 1994

ADJUSTED GROSS INCOME CLASS	Total Number of Returns with Credits	SIZE OF TAX CREDIT									
		Under \$50	\$50 under \$100	\$100 under \$150	\$150 under \$200	\$200 under \$300	\$300 under \$400	\$400 under \$500	\$500 under \$600	\$600 and over	
Under \$ 5,000	99,628	1,700	1,264	22,570	23,858	18,606	15,363	7,037	3,941	5,289	
\$ 5,000 " 10,000	43,821	801	5,125	13,385	6,596	6,853	5,580	2,760	1,220	1,501	
10,000 " 15,000	45,280	364	15,273	9,069	5,404	7,038	3,524	1,315	1,013	2,280	
15,000 " 20,000	39,870	385	14,414	9,544	3,400	4,846	3,373	1,800	391	1,717	
20,000 " 25,000	42,228	836	11,514	10,430	5,542	5,649	3,727	2,185	412	1,933	
25,000 " 30,000	33,613	207	10,914	6,921	3,028	5,347	2,638	1,099	1,550	1,909	
30,000 " 35,000	25,754	824	9,166	4,046	2,351	4,999	2,138	842	716	672	
35,000 " 40,000	23,177	848	7,593	3,316	2,745	4,166	1,878	1,172	678	781	
40,000 " 45,000	19,798	310	5,467	3,004	2,099	4,589	2,873	528	343	585	
45,000 " 50,000	14,969	203	3,365	2,342	2,301	2,318	2,292	1,245	408	495	
50,000 " 75,000	53,810	304	7,135	8,880	6,116	12,425	8,547	3,838	2,311	4,254	
75,000 " 100,000	22,125	269	1,297	2,995	2,814	6,048	3,491	1,947	1,362	1,902	
100,000 " 150,000	12,430	355	655	1,858	1,817	3,090	2,142	1,187	399	927	
150,000 " 200,000	2,688	44	228	438	357	666	391	151	89	324	
200,000 and over	3,494	42	267	773	426	640	467	314	179	386	
TOTAL	482,685	7,492	93,677	99,571	68,854	87,280	58,424	27,420	15,012	24,955	
Percent of Total**	100.0%	1.6%	19.4%	20.6%	14.3%	18.1%	12.1%	5.7%	3.1%	5.2%	

* Includes: Excise credit, general credit, food credit, rent credit, dependent care credit, energy device credits for devices installed before 1994 and in 1994, car seat credit, capital goods excise credit, and medical services excise credit.

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

TAX CREDITS - 1994

TABLE 4
 TOTAL RESIDENT RETURNS FILED BY THOSE WITH ADJUSTED GROSS INCOME UNDER \$30,000,
 NUMBER OF EXEMPTIONS, AND EXCISE TAX CREDITS CLAIMED, BY ADJUSTED GROSS INCOME - 1994

ADJUSTED GROSS INCOME CLASS	No. of Returns Filed	RETURNS WITH EXCISE CREDIT							Amount of Tax Credits	RETURNS WITHOUT EXCISE CREDIT			
		No. of Returns	Number of Exemptions				DHS	No. of Returns		Number of Exemptions			
			Total	Regular*	Age*					Total	Regular*	Age*	
Under \$ 1,000	70,880	58,077	128,271	77,925	32,752	17,594		\$ 6,924,735	12,803	5,089	4,379	710	
\$ 1,000 "	34,367	20,708	48,102	30,226	16,855	1,021		2,612,745	13,659	5,619	5,285	334	
3,000 "	29,012	17,599	37,059	25,754	10,459	846		1,994,055	11,413	4,342	4,302	40	
5,000 "	24,480	16,710	33,265	25,132	8,133	--		1,643,845	7,770	3,999	3,999	--	
7,000 "	21,993	17,898	35,529	28,573	6,797	159		1,415,725	4,095	3,456	3,296	160	
9,000 "	18,729	15,634	31,986	25,980	5,958	48		911,070	3,095	3,898	3,682	216	
11,000 "	21,243	18,708	37,083	29,183	7,672	228		802,105	2,535	3,043	2,982	61	
13,000 "	18,947	16,786	32,550	26,992	4,730	828		665,760	2,161	2,931	2,931	--	
15,000 "	16,910	14,773	26,768	24,595	2,059	114		392,325	2,137	2,963	2,882	81	
17,000 "	26,723	23,106	42,398	37,505	4,893	--		616,565	3,617	5,655	5,060	595	
20,000 "	43,960	40,379	78,892	72,656	5,831	405		785,655	3,581	6,328	6,168	160	
25,000 "	35,501	32,310	64,358	60,629	3,729	--		634,410	3,191	5,980	5,857	123	
TOTAL	362,745	292,688	596,261	465,150	109,868	21,243		\$ 19,398,995	70,057	53,303	50,823	2,480	

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

TAX CREDITS - 1994

TABLE 5
 NUMBER OF RESIDENT RETURNS WITH EXCISE TAX CREDIT
 BY NUMBER OF EXEMPTIONS CLAIMED AND BY ADJUSTED GROSS INCOME - 1994

ADJUSTED GROSS INCOME CLASS	NUMBER OF EXEMPTIONS CLAIMED*							AGE EXEMPTIONS CLAIMED		DHS EXEMPTIONS CLAIMED				
	One	Two	Three	Four	Five	Six or More	One	Two	One	Two	Three	Four	Five or More	
Under \$ 1,000	44,064	10,637	1,860	1,031	260	225	21,584	5,584	2,961	2,255	1,350	833	523	
\$ 1,000 " 3,000	13,111	6,386	775	213	172	51	8,333	4,261	127	149	104	71	--	
3,000 " 5,000	11,390	5,128	694	113	172	102	4,535	2,962	147	66	104	--	51	
5,000 " 7,000	10,681	4,633	829	199	306	62	3,199	2,467	--	--	--	--	--	
7,000 " 9,000	10,760	4,768	1,750	249	235	136	2,775	2,011	57	51	--	--	--	
9,000 " 11,000	9,586	3,715	1,171	680	203	279	2,708	1,625	--	24	--	--	--	
11,000 " 13,000	11,180	5,561	1,324	363	223	57	2,956	2,358	--	--	--	57	--	
13,000 " 15,000	10,301	4,419	966	665	355	80	2,662	1,034	--	--	--	207	--	
15,000 " 17,000	9,581	2,663	1,379	476	505	169	995	532	--	57	--	--	--	
17,000 " 20,000	14,243	5,733	1,763	726	417	224	1,859	1,517	--	--	--	--	--	
20,000 " 25,000	24,287	7,258	5,119	1,496	1,159	1,060	2,511	1,660	49	25	102	--	--	
25,000 " 30,000	17,136	7,761	3,527	2,467	1,034	385	2,097	816	--	--	--	--	--	
TOTAL	186,320	68,662	21,157	8,678	5,041	2,830	56,214	26,827	3,341	2,627	1,660	1,168	574	

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

TAX CREDITS - 1994

TABLE 6
 NUMBER CLAIMING RENTER'S CREDIT, TOTAL RENT PAID, AND TAX CREDIT CLAIMED,
 BY ADJUSTED GROSS INCOME, AND BY ANNUAL RENT PAID - 1994

ANNUAL RENT PAID		ADJUSTED GROSS INCOME								
		ALL ADJUSTED GROSS INCOME			Under \$5,000			\$5,000 under \$10,000		
		Number Claiming	Total Rent Paid	Tax Credit Claimed	Number Claiming	Total Rent Paid	Tax Credit Claimed	Number Claiming	Total Rent Paid	Tax Credit Claimed
\$ 1,001 under	\$ 1,500	4,564	\$ 5,479,382	\$ 375,250	2,597	\$ 3,092,952	\$ 209,450	413	\$ 486,052	\$ 29,900
1,500	" 2,000	4,883	8,407,515	519,450	2,330	3,990,686	262,000	695	1,204,428	55,200
2,000	" 2,500	5,724	12,884,931	502,300	1,726	3,832,821	166,000	1,176	2,612,900	102,800
2,500	" 3,000	4,861	13,156,308	378,000	1,930	5,283,221	176,550	395	1,036,746	27,750
3,000	" 3,500	5,751	18,086,205	555,550	1,340	4,189,533	123,150	865	2,737,003	57,300
3,500	" 4,000	5,896	21,783,981	485,950	1,820	6,725,816	149,800	678	2,518,465	48,850
4,000	" 4,500	6,022	25,318,302	501,750	2,445	10,229,171	216,950	339	1,408,280	25,900
4,500	" 5,000	6,115	28,827,700	490,750	816	3,847,889	80,350	826	3,915,981	51,950
5,000	" 5,500	4,209	22,162,307	347,400	464	2,444,737	44,600	293	1,532,728	32,400
5,500	" 6,000	2,198	12,602,101	265,750	402	2,254,874	71,150	41	236,160	2,050
6,000	" 6,500	3,978	24,390,825	365,950	555	3,349,020	57,400	340	2,152,140	56,650
6,500	" 7,000	2,420	16,289,715	240,200	781	5,288,705	83,050	301	2,011,350	27,300
7,000	" 7,500	4,078	29,409,134	468,500	475	3,419,888	54,050	638	4,548,750	79,750
7,500	" 8,000	2,162	16,796,639	234,100	468	3,642,310	42,150	373	2,900,250	49,700
8,000	" 9,000	3,105	26,294,714	393,400	724	6,032,342	85,950	41	338,400	4,050
9,000	" 10,000	4,643	43,672,085	548,300	638	6,118,880	67,750	591	5,562,780	72,650
10,000 and over		5,228	65,993,170	610,000	948	11,857,925	114,200	696	8,352,652	65,950
TOTAL		75,837	\$ 391,555,014	\$ 7,282,600	20,459	\$ 85,600,770	\$ 2,004,550	8,701	\$ 43,555,065	\$ 790,150

TAX CREDITS - 1994

TABLE 6 (Continued)
 NUMBER CLAIMING RENTER'S CREDIT, TOTAL RENT PAID, AND TAX CREDIT CLAIMED,
 BY ADJUSTED GROSS INCOME, AND BY ANNUAL RENT PAID - 1994

ANNUAL RENT PAID		ADJUSTED GROSS INCOME								
		\$10,000 under \$15,000			\$15,000 under \$20,000			\$20,000 under \$30,000		
		Number Claiming	Total Rent Paid	Tax Credit Claimed	Number Claiming	Total Rent Paid	Tax Credit Claimed	Number Claiming	Total Rent Paid	Tax Credit Claimed
\$ 1,001 under \$ 1,500	323	\$ 384,978	\$ 24,700	438	\$ 527,536	\$ 27,100	793	\$ 987,864	\$ 84,100	
1,500 "	533	904,768	49,750	291	520,020	26,500	1,034	1,787,613	126,000	
2,000 "	1,091	2,520,732	106,150	596	1,406,033	33,400	1,135	2,512,445	93,950	
2,500 "	592	1,559,126	54,650	712	1,930,075	47,300	1,232	3,347,140	71,750	
3,000 "	1,006	3,214,539	144,500	1,040	3,193,656	77,600	1,500	4,751,474	153,000	
3,500 "	802	2,984,320	60,600	1,154	4,236,940	90,300	1,442	5,318,440	136,400	
4,000 "	749	3,189,350	78,000	1,087	4,591,274	98,650	1,402	5,900,227	82,250	
4,500 "	1,667	7,864,717	117,600	972	4,564,380	55,750	1,834	8,634,733	185,100	
5,000 "	626	3,272,576	47,750	910	4,747,493	67,800	1,916	10,164,773	154,850	
5,500 "	244	1,407,766	16,750	351	2,028,221	42,150	1,160	6,675,080	133,650	
6,000 "	450	2,737,648	38,750	820	5,060,684	66,250	1,813	11,091,333	146,900	
6,500 "	115	759,800	21,800	362	2,397,200	25,200	861	5,832,660	82,850	
7,000 "	914	6,595,296	94,950	701	5,085,312	43,000	1,350	9,759,888	196,750	
7,500 "	288	2,230,048	37,100	132	1,028,400	21,400	901	6,995,631	83,750	
8,000 "	828	7,073,520	118,250	431	3,640,560	37,450	1,081	9,209,892	147,700	
9,000 "	335	3,179,400	36,450	1,119	10,416,822	128,000	1,960	18,394,203	243,450	
10,000 and over	1,061	14,054,343	151,700	741	9,228,980	91,250	1,782	22,499,270	186,900	
TOTAL	11,624	\$ 63,932,927	\$ 1,199,450	11,857	\$ 64,603,586	\$ 979,100	23,196	\$ 133,862,666	\$ 2,309,350	

TAX CREDITS - 1994

TABLE 7
 NUMBER CLAIMING RENTER'S TAX CREDIT, TOTAL RENT PAID, NUMBER OF EXEMPTIONS,
 AND TAX CREDITS CLAIMED, BY ADJUSTED GROSS INCOME - 1994

ADJUSTED GROSS INCOME CLASS			Number Claiming	Total Rent Paid	Number of Exemptions*			Tax Credits Claimed
					Total	Regular*	Age*	
	Under \$	1,000	13,648	\$ 56,529,130	26,325	19,488	6,837	\$ 1,156,800
\$	1,000	" 3,000	3,536	15,585,979	6,676	4,987	1,689	278,050
	3,000	" 5,000	3,275	13,485,661	6,224	5,557	667	275,900
	5,000	" 7,000	2,671	12,371,287	4,326	3,998	328	265,450
	7,000	" 9,000	3,900	20,413,191	7,528	6,779	749	360,750
	9,000	" 11,000	4,708	22,735,120	10,176	8,862	1,314	332,750
	11,000	" 13,000	4,734	27,008,847	9,291	8,093	1,198	488,400
	13,000	" 15,000	4,312	24,959,547	8,921	7,792	1,129	391,350
	15,000	" 17,000	4,683	24,530,215	8,077	7,785	292	496,200
	17,000	" 20,000	7,174	40,073,371	12,125	11,821	304	704,200
	20,000	" 25,000	13,963	77,938,591	28,466	26,990	1,476	1,225,700
	25,000	" 30,000	9,233	55,924,075	19,245	19,039	206	743,400
TOTAL			75,837	\$ 391,555,014	147,380	131,191	16,189	\$ 6,718,950

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

TAX CREDITS - 1994

TABLE 8
TOTAL RESIDENT RETURNS FILED AND GENERAL INCOME TAX CREDITS CLAIMED BY ADJUSTED GROSS INCOME - 1994
STATEWIDE

ADJUSTED GROSS INCOME CLASS		Total No. of Returns Filed	RETURNS WITH CREDIT				RETURNS WITHOUT CREDIT	
			No. of Returns	No. of Exemptions*	Exemptions per Return	Amount of Tax Credits	No. of Returns	Percent of Total
	Under \$ 5,000	134,259	94,911	149,479	1.57	\$ 146,759	39,348	29.31%
\$	5,000 "	55,757	40,774	63,663	1.56	62,851	14,983	26.87%
	10,000 "	49,635	41,440	69,134	1.67	68,143	8,195	16.51%
	15,000 "	43,633	36,899	61,020	1.65	59,340	6,734	15.43%
	20,000 "	43,960	40,975	74,090	1.81	71,989	2,985	6.79%
	25,000 "	35,501	31,032	57,261	1.85	56,340	4,469	12.59%
	30,000 "	26,611	24,543	51,361	2.09	50,310	2,068	7.77%
	35,000 "	23,778	21,755	50,652	2.33	49,752	2,023	8.51%
	40,000 "	20,376	18,446	46,165	2.50	45,531	1,930	9.47%
	45,000 "	15,376	14,566	36,871	2.53	36,783	810	5.27%
	50,000 "	55,202	51,634	155,108	3.00	154,025	3,568	6.46%
	75,000	22,480	21,291	66,180	3.11	65,606	1,189	5.29%
	100,000	12,781	11,931	36,267	3.04	35,886	850	6.65%
	150,000	2,782	2,600	7,595	2.92	7,522	182	6.54%
	200,000 and over	3,584	3,404	9,552	2.81	9,527	180	5.02%
TOTAL		545,715	456,201	934,398	2.05	920,364	89,514	16.40%

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

TAX CREDITS - 1994

TABLE 9
 COMPARATIVE DATA ON RESIDENT RETURNS FILED,
 SHOWING NUMBER AND PERCENTAGE CLAIMING THE GENERAL INCOME TAX CREDIT - 1994
 STATEWIDE

ADJUSTED GROSS INCOME CLASS		Number of Returns Filed			Returns with Credit			% of Returns with Credit		
		Single*	Joint**	H/H***	Single*	Joint**	H/H***	Single*	Joint**	H/H***
	Under \$ 5,000	105,009	23,062	6,188	68,397	21,139	5,375	65.1%	91.7%	86.9%
\$	5,000 "	38,643	13,478	3,636	26,231	11,557	2,986	67.9%	85.7%	82.1%
	10,000 "	32,223	11,534	5,878	25,649	10,312	5,479	79.6%	89.4%	93.2%
	15,000 "	28,163	9,564	5,906	22,669	8,622	5,608	80.5%	90.2%	95.0%
	20,000 "	26,879	11,798	5,283	24,991	10,976	5,008	93.0%	93.0%	94.8%
	25,000 "	19,730	11,914	3,857	17,465	10,174	3,393	88.5%	85.4%	88.0%
	30,000 "	11,578	10,710	4,323	10,586	9,932	4,025	91.4%	92.7%	93.1%
	35,000 "	10,597	11,373	1,808	9,214	10,821	1,720	86.9%	95.1%	95.1%
	40,000 "	7,394	11,264	1,718	6,818	9,910	1,718	92.2%	88.0%	100.0%
	45,000 "	4,407	9,173	1,796	3,993	8,811	1,762	90.6%	96.1%	98.1%
	50,000 "	9,011	44,247	1,944	7,613	42,321	1,700	84.5%	95.6%	87.4%
	75,000 100,000	1,750	20,368	362	1,509	19,420	362	86.2%	95.3%	100.0%
	100,000 150,000	903	11,710	168	843	10,920	168	93.4%	93.3%	100.0%
	150,000 200,000	303	2,406	73	279	2,248	73	92.1%	93.4%	100.0%
	200,000 and over	494	3,031	59	440	2,906	58	89.1%	95.9%	98.3%
	TOTAL	297,084	205,632	42,999	226,697	190,069	39,435	76.3%	92.4%	91.7%

* Includes married filing separately.

** Includes qualified surviving spouse.

*** Head of Household

TAX CREDITS - 1994

TABLE 10
 COMPARATIVE DATA ON RESIDENT RETURNS,
 SHOWING A MOUNT OF GENERAL INCOME TAX CREDIT AND AVERAGE CREDIT PER RETURN - 1994
 STATEWIDE

ADJUSTED GROSS INCOME CLASS		Amount of General Income Tax Credit Claimed			Average Credit per Return			
		Single*	Joint**	H/H***	Single*	Joint**	H/H***	
	Under \$ 5,000	\$ 85,477	\$ 48,479	\$ 12,803	\$1.25	\$2.29	\$2.38	
\$	5,000 "	10,000	28,055	28,448	6,348	1.07	2.46	2.13
	10,000 "	15,000	27,637	26,003	14,503	1.08	2.52	2.65
	15,000 "	20,000	23,576	23,500	12,264	1.04	2.73	2.19
	20,000 "	25,000	26,320	34,146	11,523	1.05	3.11	2.30
	25,000 "	30,000	18,419	30,092	7,829	1.05	2.96	2.31
	30,000 "	35,000	10,678	30,121	9,511	1.01	3.03	2.36
	35,000 "	40,000	10,032	35,575	4,145	1.09	3.29	2.41
	40,000 "	45,000	7,426	34,107	3,998	1.09	3.44	2.33
	45,000 "	50,000	4,141	28,955	3,687	1.04	3.29	2.09
	50,000 "	75,000	8,278	141,920	3,827	1.09	3.35	2.25
	75,000 "	100,000	1,633	63,090	883	1.08	3.25	2.44
	100,000 "	150,000	931	34,421	534	1.10	3.15	3.18
	150,000 "	200,000	315	7,046	161	1.13	3.13	2.21
	200,000 and over		484	8,941	102	1.10	3.08	1.76
TOTAL		\$ 253,402	\$ 574,844	\$ 92,118	\$1.12	\$3.02	\$2.34	

* Includes married filing separately.
 ** Includes qualified surviving spouse.
 *** Head of Household

TAX CREDITS - 1994

TABLE 11
TOTAL RESIDENT RETURNS FILED AND FOOD TAX CREDITS CLAIMED BY ADJUSTED GROSS INCOME - 1994

ADJUSTED GROSS INCOME CLASS			Total No. of Returns Filed	RETURNS WITH CREDIT			RETURNS WITHOUT CREDIT		
				No. of Returns	No. of Exemptions*	Exemptions per Return	Amount of Tax Credits	No. of Returns	Percent of Total
	Under \$	5,000	134,259	97,581	154,740	1.59	\$ 8,441,620	36,678	27.3%
\$	5,000	" 10,000	55,757	42,723	66,955	1.57	3,631,485	13,034	23.4%
	10,000	" 15,000	49,635	44,856	73,541	1.64	3,985,685	4,779	9.6%
	15,000	" 20,000	43,633	39,135	64,015	1.64	3,431,835	4,498	10.3%
	20,000	" 25,000	43,960	41,192	74,235	1.80	3,985,960	2,768	6.3%
	25,000	" 30,000	35,501	33,099	62,179	1.88	3,371,610	2,402	6.8%
	30,000	" 35,000	26,611	24,744	51,910	2.10	2,793,395	1,867	7.0%
	35,000	" 40,000	23,778	22,275	50,764	2.28	2,736,635	1,503	6.3%
	40,000	" 45,000	20,376	19,396	49,151	2.53	2,646,215	980	4.8%
	45,000	" 50,000	15,376	14,766	37,085	2.51	2,037,805	610	4.0%
	50,000	" 75,000	55,202	52,979	157,764	2.98	8,597,435	2,223	4.0%
	75,000	" 100,000	22,480	21,721	67,389	3.10	3,649,910	759	3.4%
	100,000	" 150,000	12,781	12,007	36,799	3.06	1,985,060	774	6.1%
	150,000	" 200,000	2,782	2,636	7,692	2.92	414,700	146	5.2%
	200,000 and over		3,584	3,434	9,691	2.82	521,565	150	4.2%
TOTAL			545,715	472,544	963,910	2.04	\$ 52,230,915	73,171	13.4%

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

TAX CREDITS - 1994

TABLE 12
 COMPARATIVE DATA ON RESIDENT RETURNS FILED,
 SHOWING NUMBER AND PERCENTAGE CLAIMING THE FOOD TAX CREDIT - 1994
 STATEWIDE

ADJUSTED GROSS INCOME CLASS			Number of Returns Filed			Returns with Credit			% of Returns with Credit		
			Single*	Joint**	H/H***	Single*	Joint**	H/H***	Single*	Joint**	H/H***
	Under \$	5,000	105,009	23,062	6,188	70,331	21,649	5,601	67.0%	93.9%	90.5%
\$	5,000	" 10,000	38,643	13,478	3,636	27,217	12,205	3,301	70.4%	90.6%	90.8%
	10,000	" 15,000	32,223	11,534	5,878	28,141	10,914	5,801	87.3%	94.6%	98.7%
	15,000	" 20,000	28,163	9,564	5,906	24,444	8,903	5,788	86.8%	93.1%	98.0%
	20,000	" 25,000	26,879	11,798	5,283	24,900	11,132	5,160	92.6%	94.4%	97.7%
	25,000	" 30,000	19,730	11,914	3,857	18,215	11,260	3,624	92.3%	94.5%	94.0%
	30,000	" 35,000	11,578	10,710	4,323	10,529	10,135	4,080	90.9%	94.6%	94.4%
	35,000	" 40,000	10,597	11,373	1,808	9,562	10,905	1,808	90.2%	95.9%	100.0%
	40,000	" 45,000	7,394	11,264	1,718	6,839	10,839	1,718	92.5%	96.2%	100.0%
	45,000	" 50,000	4,407	9,173	1,796	4,213	8,791	1,762	95.6%	95.8%	98.1%
	50,000	" 75,000	9,011	44,247	1,944	8,120	42,969	1,890	90.1%	97.1%	97.2%
	75,000	" 100,000	1,750	20,368	362	1,695	19,664	362	96.9%	96.5%	100.0%
	100,000	" 150,000	903	11,710	168	837	11,002	168	92.7%	94.0%	100.0%
	150,000	" 200,000	303	2,406	73	275	2,288	73	90.8%	95.1%	100.0%
	200,000	and over	494	3,031	59	431	2,944	59	87.2%	97.1%	100.0%
TOTAL			297,084	205,632	42,999	235,749	195,600	41,195	79.4%	95.1%	95.8%

* Includes married filing separately.
 ** Includes qualified surviving spouse.
 *** Head of Household

TAX CREDITS - 1994

TABLE 13
 TOTAL RESIDENT RETURNS FILED, QUALIFIED MEDICAL EXPENSES,
 AND MEDICAL SERVICES EXCISE TAX CREDIT CLAIMED BY ADJUSTED GROSS INCOME - 1994
 STATEWIDE

ADJUSTED GROSS INCOME CLASS		Number of Returns Filed	Returns Claiming Credit	Percent with Credit	Qualified Medical Expenses	Tax Credit Claimed	Average Credit per Return
Under \$	5,000	134,259	34,701	25.8%	\$ 107,485,868	\$ 3,212,604	\$ 92.58
\$ 5,000 "	10,000	55,757	18,357	32.9%	40,703,300	1,388,480	75.64
10,000 "	15,000	49,635	19,930	40.2%	44,424,923	1,546,480	77.60
15,000 "	20,000	43,633	18,347	42.0%	49,694,148	1,449,396	79.00
20,000 "	25,000	43,960	23,412	53.3%	54,798,115	1,743,788	74.48
25,000 "	30,000	35,501	18,448	52.0%	40,718,778	1,448,042	78.49
30,000 "	35,000	26,611	16,792	63.1%	37,915,416	1,278,655	76.15
35,000 "	40,000	23,778	14,121	59.4%	41,016,856	1,291,334	91.45
40,000 "	45,000	20,376	12,624	62.0%	27,523,985	971,018	76.92
45,000 "	50,000	15,376	10,186	66.2%	31,885,846	999,776	98.15
50,000 "	75,000	55,202	35,547	64.4%	106,323,770	3,371,553	94.85
75,000 "	100,000	22,480	16,146	71.8%	51,855,203	1,694,225	104.93
100,000 "	150,000	12,781	9,281	72.6%	30,989,922	978,258	105.40
150,000 "	200,000	2,782	1,736	62.4%	6,213,387	198,913	114.58
200,000 and over		3,584	2,094	58.4%	8,347,933	251,648	120.18
SUBTOTAL, MEDICAL CARE		545,715	251,722	46.1%	\$ 679,897,450	\$ 21,824,170	\$ 86.70
NURSING FACILITIES EXPENSES		545,715	938	0.2%	\$ 16,860,330	\$ 1,011,264	\$ 1,078.11
TOTAL		545,715	251,732 *	46.1%	\$ 696,757,780	\$ 22,835,434	\$ 90.71

*Some returns claiming credit for medical care also claimed credit for nursing facilities expenses.

TAX CREDITS - 1994

TABLE 14
 NUMBER CLAIMING DEPENDENT CARE TAX CREDIT, NUMBER OF QUALIFIED DEPENDENTS,
 DEPENDENT CARE EXPENSES, EXPENSES ALLOWED, AND TAX CREDIT CLAIMED, BY ADJUSTED GROSS INCOME - 1994
 STATEWIDE

ADJUSTED GROSS INCOME CLASS		Number Claiming	Number of Qualified Dependents	Dependent Care Expenses	Expenses Allowed	Tax Credit Claimed
Under \$	5,000	201	206	170,237	170,237	\$ 42,574
\$ 5,000	" 10,000	451	544	593,069	534,302	133,627
10,000	" 15,000	634	634	1,894,794	1,067,784	266,985
15,000	" 20,000	976	1,193	2,700,329	2,029,409	507,442
20,000	" 25,000	1,161	1,321	2,008,164	1,694,077	408,779
25,000	" 30,000	1,804	2,119	3,711,978	2,907,049	637,352
30,000	" 35,000	1,510	1,921	2,674,777	2,408,677	465,105
35,000	" 40,000	1,176	1,507	2,485,380	2,259,554	381,029
40,000	" 45,000	1,508	2,095	2,370,901	2,210,762	331,749
45,000	" 50,000	1,253	2,079	2,552,493	2,208,155	331,318
50,000	" 75,000	9,163	12,892	19,429,755	15,854,637	2,366,887
75,000	" 100,000	4,479	6,352	10,259,290	8,234,458	1,226,277
100,000	" 150,000	1,490	2,055	4,273,440	2,948,934	440,916
150,000	" 200,000	353	523	1,114,366	736,504	109,817
200,000	and over	312	475	1,132,674	725,126	107,482
TOTAL		26,471	35,916	\$ 57,371,647	\$ 45,989,665	\$ 7,757,339

TAX CREDITS - 1994

TABLE 15
 NUMBER CLAIMING DEPENDENT CARE TAX CREDITS BY ADJUSTED GROSS INCOME AND BY EXPENSES ALLOWED - 1994
 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	5,170	334	847	1,080	2,406	503
\$ 500 " 1,000	4,299	243	577	1,103	2,190	186
1,000 " 1,500	2,942	71	304	380	1,952	235
1,500 " 2,000	2,789	151	433	622	1,421	162
2,000 " 2,500	7,360	487	1,353	1,379	3,547	594
2,500 " 3,000	639	--	170	57	387	25
3,000 " 3,500	553	--	--	254	294	5
3,500 " 4,000	723	--	--	410	283	30
4,000 " 4,500	432	--	160	102	127	43
4,500 and over	1,564	--	97	60	1,035	372
TOTAL	26,471	1,286	3,941	5,447	13,642	2,155

TAX CREDITS - 1994

TABLE 16
 NUMBER CLAIMING CAPITAL GOODS EXCISE TAX CREDIT, AMOUNT OF CAPITAL ASSETS
 PURCHASED, BUSINESS PROFIT OR LOSS, AND TAX CREDIT CLAIMED - 1994
 STATEWIDE

ADJUSTED GROSS INCOME CLASS		Number Claiming	Amount of Qualified Purchases	Business Profit or (Loss)	Tax Credit Claimed
	Under \$ 10,000	484	\$ 3,886,925	\$ (14,644,912)	\$ 155,477
\$	10,000 "	306	2,906,325	1,947,036	116,253
	20,000 "	303	2,080,425	2,598,403	83,217
	30,000 "	235	1,451,825	1,829,649	58,073
	40,000 "	217	1,494,000	1,153,339	59,760
	50,000 "	604	3,815,325	11,230,005	152,613
	75,000 "	231	1,121,375	6,820,184	44,855
	100,000 "	486	6,262,075	37,593,668	250,483
	150,000 "	154	2,003,950	12,049,026	80,158
	200,000 and over	398	18,265,525	121,458,880	730,621
TOTAL		3,418	\$ 43,287,750	\$ 182,035,278	\$ 1,731,510

TAX CREDITS - 1994

TABLE 17
 NUMBER CLAIMING TAX CREDIT FOR ENERGY DEVICES PURCHASED IN 1994
 BY COST OF DEVICE AND BY ADJUSTED GROSS INCOME - 1994
 STATEWIDE

ADJUSTED GROSS INCOME CLASS		Total	COST OF DEVICE					
			Under \$1,000	\$1,000 under \$2,000	\$2,000 under \$3,000	\$3,000 under \$4,000	\$4,000 under \$5,000	\$5,000 and over
Under \$	10,000	213	21	40	4	101	47	--
\$ 10,000 "	20,000	102	41	20	20	--	21	--
20,000 "	30,000	147	24	21	60	--	21	21
30,000 "	40,000	67	--	34	--	--	--	33
40,000 "	50,000	174	--	--	133	--	41	--
50,000 "	75,000	475	--	76	115	76	132	76
75,000 "	100,000	392	33	34	21	228	55	21
100,000 "	150,000	117	8	18	5	48	30	8
150,000 "	200,000	28	--	22	--	--	6	--
200,000	and over	29	1	2	5	2	9	10
TOTAL		1,744	128	267	363	455	362	169

APPENDIX II

FACSIMILES OF N-12 AND N-13 TAX RETURNS AND TAX CREDIT FORMS

FORM STATE OF HAWAII — DEPARTMENT OF TAXATION
N-12 Individual Income Tax Return 1994
 (REV. 1994) **RESIDENT**
 Calendar Year 1994

DO NOT WRITE OR STAPLE IN THIS SPACE

or other tax year beginning _____, 1994 and ending _____, 19 _____ **AMD UNP 008 PNT INT**

USE STATE LABEL OTHERWISE PRINT OR TYPE	Name (If joint return, give first names and initials of both)	Last Name	Your social security number	
	C/O		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		Spouse's occupation	

HAWAII ELECTION CAMPAIGN FUND	Do you want \$2 to go to the Hawaii Election Campaign Fund?	Yes	No	Note: Checking "Yes" will not increase your tax or reduce your refund.
	If joint return, does your spouse want \$2 to go to the fund?	Yes	No	

FILING STATUS	(Check only ONE box)			
	1	<input type="checkbox"/>	Single	
	2	<input type="checkbox"/>	Married filing joint return (even if only one had income).	
	3	<input type="checkbox"/>	Married filing separate return. Enter spouse's social security no. above and full name here. ● _____	
	4	<input type="checkbox"/>	Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here. ➤ _____	
5	<input type="checkbox"/>	Qualifying widow(er) with dependent child (Year spouse died 19 ● _____).		

EXEMPTIONS	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 32.						Enter number of boxes checked on 6a and 6b	➤	<input type="text"/>
	6a	<input type="checkbox"/>	Yourself	<input type="checkbox"/>	Age 65 or over	}			
	6b	<input type="checkbox"/>	Spouse	<input type="checkbox"/>	Age 65 or over				
	6c and 6d	Dependents:					Enter number of your children listed	➤	<input type="text"/>
		1. First and last name	If more than 4 dependents, use attachment.	2. Check if under age 1.	3. If age 1 or older, dependent's social security number	4. Relationship	5. No. of months lived in your home in 1994.		
	6e	Total number of exemptions claimed						Add numbers entered in boxes above	➤

INCOME	7	Wages, salaries, tips, etc. (attach Form HW-2; if unavailable, see Step 1 on page 6 of Instructions)	7●	<input type="text"/>	<input type="text"/>
	8	Interest income (also attach Schedule B if over \$400)	8●	<input type="text"/>	<input type="text"/>
	9	Dividends (also attach Schedule B if over \$400)	9●	<input type="text"/>	<input type="text"/>
	10	State income tax refunds (does not apply if refund is for year you did not itemize deductions—see page 9 of Instructions)	10	<input type="text"/>	<input type="text"/>
	11	Alimony received _____ <small>Enter name and address of payer</small>	11	<input type="text"/>	<input type="text"/>
	12	Business income or (loss) (attach Schedule C)	12●	<input type="text"/>	<input type="text"/>
	13a	Capital gain or (loss) (attach Schedule D). Enter amount from Schedule D, line 18 or 19	13a●	<input type="text"/>	<input type="text"/>
	13b	Enter amount, if any, from Schedule D, line 27	13b●	<input type="text"/>	<input type="text"/>
	14	Supplemental gains or (losses) (attach Schedule D-1)	14	<input type="text"/>	<input type="text"/>
	15a	Total IRA distributions	15a	<input type="text"/>	<input type="text"/>
	15b	Taxable amount (see Instructions)	15b	<input type="text"/>	<input type="text"/>
	16a	Total pensions and annuities	16a	<input type="text"/>	<input type="text"/>
	16b	Taxable amount (see Instructions) (attach Sch.J) ...	16b●	<input type="text"/>	<input type="text"/>
17	Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E)	17●	<input type="text"/>	<input type="text"/>	
18	Farm income or (loss) (attach Schedule F)	18●	<input type="text"/>	<input type="text"/>	
19	Unemployment compensation (insurance)	19●	<input type="text"/>	<input type="text"/>	
20	Other income (state nature and source—see page 10 of Instructions)	20●	<input type="text"/>	<input type="text"/>	
21	Add amounts in far right column for lines 7 through 20	Total Income ➤		21	<input type="text"/>

ADJUSTMENTS TO INCOME	22a	Your IRA deduction	22a	<input type="text"/>	<input type="text"/>	
	22b	Spouse's IRA deduction	22b	<input type="text"/>	<input type="text"/>	
	23	Moving expenses (attach Form N-139)	23	<input type="text"/>	<input type="text"/>	
	24	Deductions for self-employment tax	24	<input type="text"/>	<input type="text"/>	
	25	Keogh retirement plan and self-employed SEP deduction	25	<input type="text"/>	<input type="text"/>	
	26	Interest penalty on early withdrawal of savings (see page 11 of Instructions)	26	<input type="text"/>	<input type="text"/>	
	27	Alimony paid _____ <small>Enter name and social security number of recipient</small>	27	<input type="text"/>	<input type="text"/>	
	28	Payments to an individual housing account	28●	<input type="text"/>	<input type="text"/>	
	29	First \$1,750 of military reserve or Hawaii national guard duty pay	29●	<input type="text"/>	<input type="text"/>	
	30	Add lines 22a through 29	Total Adjustments ➤		30●	<input type="text"/>
AGI	31	Line 21 minus line 30	Adjusted Gross Income ➤		31●	<input type="text"/>

• ATTACH CHECK OR MONEY ORDER HERE • ATTACH COPY B OF FORM HW-2 HERE •

TAX COMPUTATION	32	Amount from line 31. (adjusted gross income)	32		
	Caution: • If you can be claimed as a dependent on another person's return, see the worksheet on page 12 of the Instructions and check here > • <input type="checkbox"/> • If you are married filing separately and your spouse itemizes deductions, see page 12 of the Instructions.				
	33	If you do not itemize deductions, go to line 34. If you itemize, enter amounts from Schedule A (Form N-12).			
	33a	Medical and dental expenses (from Schedule A, line 4)	33a		
	33b	Taxes (from Schedule A, line 8)	33b		
	33c	Interest expense (from Schedule A, line 12)	33c		
	33d	Contributions (from Schedule A, line 16).....	33d		
	33e	Casualty and theft losses (from Schedule A, line 17).....	33e		
	33f	Miscellaneous deductions (from Schedule A, line 25)	33f		
	33g	If line 32 is more than \$100,000 (\$50,000 for married filing separately) see the worksheet on page 12 of the Instructions. If not, add lines 33a through 33f. Enter total here and go to line 35..... Total Itemized Deductions >	33g		
34	Standard Deduction. [1, enter \$1,500 3, enter \$950] If you checked filing status box: [2 or 5, enter \$1,900 4, enter \$1,650]..... Standard Deduction >	34			
35	Line 32 minus line 33g or 34, whichever applies. (This line MUST be filled in)	35			
36	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 13 of the Instructions.	36			
37	Taxable Income. Line 35 minus line 36. (but not less than zero.)..... Taxable Income > Caution: If under age 14 and you have more than \$1,000 of investment income, check here > <input type="checkbox"/> and see page 13 of the Instructions and Form N-615.	37			
38	Tax. Check if from <input type="checkbox"/> Tax Table; <input type="checkbox"/> Tax Rate Schedule I, II, or III; <input type="checkbox"/> Schedule D; or <input type="checkbox"/> Form N-615, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than \$1,000. (• <input type="checkbox"/> Include separate tax from Forms N-2, N-103, N-152, N-312, N-405, N-586, or N-814) ... Tax >	38			

CREDITS	39	Income tax paid to another state or to a foreign country (attach copy of return and tax receipt)	39		
	40	Energy Conservation Tax Credit (attach Form N-157).....	40		
	41	Enterprise Zone Tax Credit (attach Form N-756)	41		
	42	Low-Income Housing Tax Credit (attach Form N-586) (see page 14 of Instructions) ...	42		
	43	Credit for Employment of Vocational Rehabilitation Referrals (attach Form N-884)	43		
	44	Add lines 39 through 43..... Total Credits >	44		
45	Line 38 minus line 44 (but not less than zero)	45			

TAX PAYMENTS AND CREDITS	46	Hawaii State Income tax withheld and tax withheld on IHA distribution	46		
	47	1994 estimated tax payments	47		
	48	Amount of estimated tax applied from 1993 return	48		
	49	Amount paid with extension(s)	49		
	50	Credit for Child and Dependent Care Expenses (attach Form N-141).....	50		
	51	Food/Excise Tax Credit—(attach Form N-311) i Food portion exemptions from Form N-311, Part II, line 1 • _____ ii Excise portion exemptions from Form N-311, Part II, line 8 • _____ iii DHS, etc. exemptions from Form N-311, Part II, line 10 • _____ iv If married filing separately, enter spouse's AGI here • \$ _____ Enter total credit amount from Form N-311, Part II, line 14	51		
	52	Credit for Low-Income Household Renters (attach Form N-153)	52		
	53	Fuel Tax Credit for Commercial Fishers (attach Form N-163).....	53		
	54	Credit for \$1 general income tax (see page 16 of Instructions for qualifications)	54		
	55	Credit for Child Passenger Restraint System(s) (attach Form N-165)	55		
56	Capital Goods Excise Tax Credit (attach Form N-312)	56			
57	Medical Services Excise Tax Credit (attach Form N-858).....	57			
58	Other credits (see page 17 of Instructions) (attach schedule)	58			
59	Add lines 46 through 58..... Total >	59			

REFUND OR AMOUNT YOU OWE	60	If line 59 is larger than line 45, enter the amount OVERPAID (line 59 minus line 45)	60		
	61	Amount of line 60 to be REFUNDED TO YOU	61		
	62	Amount of line 60 to be applied to your 1995 ESTIMATED TAX	62		
	63	If line 45 is larger than line 59, enter the AMOUNT YOU OWE (line 45 minus line 59). DO NOT include penalty and interest for the late filing of your return; see page 17 of the Instructions. Attach check or money order for full amount payable to "Hawaii State Tax Collector." Write your social security number and "1994 Form N-12" on it. Balance Due >	63		
64	Estimated tax penalty. (see page 17 of Instructions) Also include on line 60 or 63, whichever applies.....	64			

65 If you do not need Hawaii income tax forms mailed to you next year because a tax preparer will prepare your return, check here, and you will receive a preprinted label only > •

DECLARATION

I declare, under the penalties set forth in section 231-34, 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.

PLEASE SIGN HERE	Your signature _____ Date _____		Spouse's signature (if filing jointly, BOTH must sign) _____ Date _____	
	Paid Preparer's Information	Preparer's Signature and date >	Preparer's social security number	Check if self-employed > <input type="checkbox"/>
		Firm's name (or yours if self-employed) and address >	Federal E.I. No. >	ZIP Code >

STATE OF HAWAII — DEPARTMENT OF TAXATION
Individual Income Tax Return 1994
RESIDENT

DO NOT WRITE OR STAPLE IN THIS SPACE

(FOR USE BY TAXPAYERS WHO HAVE LESS THAN \$100,000 TAXABLE INCOME AND WHO DO NOT ITEMIZE DEDUCTIONS AND DO NOT CLAIM ADJUSTMENTS TO INCOME)

AMD	UNP	008	PNT	INT	
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USE STATE LABEL OTHERWISE PRINT OR TYPE	Name (If joint return, give first names and initials of both)	Last Name	Your social security number
	C/O		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		Spouse's occupation

HAWAII ELECTION CAMPAIGN FUND	Do you want \$2 to go to the Hawaii Election Campaign Fund?	Yes	No	Note: Checking "Yes" will not increase your tax or reduce your refund.
	If joint return, does your spouse want \$2 to go to the fund?	Yes	No	

FILING STATUS	(Check only ONE box)			
	1	<input type="checkbox"/>	Single	
	2	<input type="checkbox"/>	Married filing joint return (even if only one had income).	
	3	<input type="checkbox"/>	Married filing separate return. Enter spouse's social security no. above and full name here. ●	
	4	<input type="checkbox"/>	Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here. ➤	
5	<input type="checkbox"/>	Qualifying widow(er) with dependent child (Year spouse died 19 ●).		

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	<input type="checkbox"/>	Yourself	<input type="checkbox"/>	Age 65 or over	} Enter number of boxes checked on 6a and 6b ➔		
6b	<input type="checkbox"/>	Spouse	<input type="checkbox"/>	Age 65 or over			
6c	Dependents:					} Enter number of your children listed 6c ➔	
6d	1. First and last name	If more than 6 dependents, use attachment.	2. Check if under age 1.	3. If age 1 or older, dependent's social security number	4. Relationship		5. No. of months lived in your home in 1994.
6e	Total number of exemptions claimed					} Enter number of other dependents 6d ➔	
						} Add numbers entered in boxes above 6e ➔	

ATTACH CHECK OR MONEY ORDER HERE • ATTACH COPY B OF FORM HW-2 HERE • EXEMPTIONS	7	Wages, salaries, tips, etc. (attach Form HW-2; if unavailable, see item 5 on page 9 of Instructions)	7●			
	8	Interest income (complete Part I on page 2 if over \$400)	8●			
	9	Dividends (complete Part II on page 2 if over \$400)	9●			
	10	Unemployment compensation (insurance)	10●			
	11	Add lines 7, 8, 9 and 10	11●			
	Adjusted Gross Income ➔					
	Caution: ● If you can be claimed as a dependent on another person's return, see page 10 of the Instructions and check here. ➔ ● ● If you are married filing separately and your spouse itemizes deductions, see page 7 of the Instructions.					
	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●		
	13	Line 11 minus line 12. (This line MUST be filled in)		13●		
	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) ● <input type="checkbox"/> Yourself ● <input type="checkbox"/> Spouse, and see page 10 of Instructions		14●		
	15	Line 13 minus line 14. Enter the result (but not less than zero).	Taxable Income ➔	15●		

Continue on other side

Continue on other side

CAUTION: You may NOT file Form N-13 (you must file Form N-12 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 also be required to file Form N-12 for other reasons. See pages 5 and 6 of Instructions.

Individual Income Tax Return 1993
RESIDENT — For Single and
Joint Filers With No Dependents
and Adjusted Gross Income of Less Than \$30,000

AMD	UNP	008	PNT	INT	
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USE STATE LABEL OTHERWISE PRINT OR TYPE	Name (If joint return, give first names and initials of both)	Last Name	Your social security number		
	C/O		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		Spouse's occupation		

HAWAII ELECTION CAMPAIGN FUND	Do you want \$2 to go to the Hawaii Election Campaign Fund?	Yes	No	Note: Checking "Yes" will not increase your tax or reduce your refund.
	If joint return, does your spouse want \$2 to go to the fund?	Yes	No	

FILING STATUS	(Check only ONE box)			
	1 <input type="checkbox"/> Single	2 <input type="checkbox"/> Married filing joint return (even if only one had income).		
Caution: If you (or your spouse) can be claimed as a dependent on another person's tax return, be sure to check this box. <input type="checkbox"/>				

INCOME	3 Total wages, salaries, and tips. This should be shown in box 1 of your HW-2 (or W-2) form(s). Attach your HW-2 (W-2) forms.	3●		
	4 Taxable interest income of \$400 or less. If total is over \$400, you cannot use Form N-13EZ	4●		
	5 Add lines 3 and 4	5●		
	This is your Adjusted Gross Income ▶			
	6 If you checked the dependent box above, do worksheet on back and enter amount from line G here. Otherwise, if single , enter \$2,540, or if married , enter \$3,980. For an explanation of these amounts, see back of form.	6●		
	7 Line 5 minus line 6. Enter the result (but not less than zero).	7●		
	This is your Taxable Income ▶			

TAX PAYMENTS AND CREDITS	8 Tax. Look at line 7 above. Use the amount on line 7 to find your tax in the tax tables. Enter here. Tax ▶	8●		
	9a Total Hawaii income tax withheld.....	9a●		
	9b Food/Excise Tax Credit.....	9b●		
	9c Credit for Low-Income Household Renters	9c●		
	9d Credit for \$1 general income tax.....	9d●		
	9e Medical Services Excise Tax Credit.....	9e●		
	10 Add lines 9a through 9e.....	10●		
Total ▶				

REFUND OR AMOUNT YOU OWE	11 If line 10 is larger than line 8, subtract line 8 from line 10.....	11●		
	This is your Refund ▶			
REFUND OR AMOUNT YOU OWE	12 If line 8 is larger than line 10, subtract line 10 from line 8.	12●		
	This is the Amount You Owe ▶			
Attach a check or money order for the full amount payable to "Hawaii State Tax Collector." Write your social security number and "1993 Form N-13EZ" on it.				

DECLARATION

I declare, under the penalties set forth in section 231-34, 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.

PLEASE SIGN HERE	▶ _____ Your signature	_____ Date	▶ _____ Spouse's signature (if filing jointly, BOTH must sign)	_____ Date
---------------------	---------------------------	------------	---	------------

Use this form if

- Your filing status is single or married filing jointly.
- You do not claim any dependents.
- You (and your spouse if married) were a resident for the entire year of 1993.
- You (and your spouse if married) were under age 65 on January 1, 1994, and not deceased and/or blind, deaf, or disabled at the end of 1993.
- Your **adjusted gross** income (line 5) is less than \$30,000.
- You had **only** wages, salaries, tips, and taxable scholarship or fellowship grants, and your taxable interest income was \$400 or less. **But** if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your Form HW-2 (or W-2), you cannot use Form N-13EZ.
- You do not claim any minor children, for tax credit purposes, who receive more than half of their support from the Department of Human Services, social security survivor benefits, and the like.

• ATTACH CHECK OR MONEY ORDER HERE • ATTACH COPY B OF FORM HW-2 HERE •

STANDARD DEDUCTION FOR DEPENDENTS WORKSHEET

Your standard deduction is limited to the greater of \$500 or your earned income (up to the full standard deduction for your filing status). Enter the appropriate amount on line 6. Use this worksheet to figure the amount to enter on line 6 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so.

- A. Enter the amount from Form N-13EZ, line 3.
B. Minimum standard deduction 500.00
C. Enter the LARGER of line A or line B here...
D. Maximum standard deduction. If single, enter 1,500.00; If married, enter 1,900.00...
E. Enter the SMALLER of line C or line D here. This is your standard deduction...
F. Exemption amount.
G. Add lines E and F. Enter the total here and on line 6 on the front...

If you did not check the dependent box because no one can claim you (or your spouse if married) as a dependent, enter on line 6, the amount shown below that applies to you.
Single, enter 2,540.00. This is the total of your standard deduction (1,500.00) and your personal exemption (1,040.00).
Married, enter 3,980.00. This is the total of your standard deduction (1,900.00), exemption for yourself (1,040.00), and exemption for your spouse (1,040.00).

THE FOOD/EXCISE TAX CREDIT WORKSHEET

Note: If you (or your spouse) have not physically resided in Hawaii for more than 9 months during 1993, are being claimed or eligible to be claimed as a dependent by another taxpayer, and/or have been confined to a prison, youth correctional facility, or jail for the entire taxable year, you are NOT eligible to claim that portion of the tax credit for that person.

- 1 If single, or married (and only one of you are eligible to claim this credit), enter \$55 here. If you are married (and both of you are eligible to claim this credit), enter \$110 here. This is the food portion of the tax credit.
2 Read down the Adjusted Gross Income column in the table below until you find the amount on page 1, line 5.
Adjusted Gross Income Tax Credits Adjusted Gross Income Tax Credits
Under \$ 6,000 \$55 \$12,000 Under \$15,000 20
\$ 6,000 Under \$ 8,000 45 \$15,000 Under \$20,000 15
\$ 8,000 Under \$10,000 35 \$20,000 Under \$30,000 10
\$10,000 Under \$12,000 25 \$30,000 and over 0
3 Multiply the corresponding allowable tax credit on line 2 above by 1 if single or married (and only one of you are eligible to claim this credit) or by 2 if married (and both of you are eligible to claim this credit). This is the excise portion of the tax credit. Enter the result here.
4 Add lines 1 and 3. Enter here and on line 9b on the front. This is your total food/excise tax credit.

CREDIT FOR LOW-INCOME HOUSEHOLD RENTERS WORKSHEET

Note: This credit is available ONLY if you are NOT eligible to be claimed as a dependent by another taxpayer, you paid MORE than \$1,000 in rent during the taxable year, and you (and your spouse) have physically resided for more than nine months in Hawaii. This credit may be claimed by qualifying residents with no income or no taxable income provided the rental unit is not partially or wholly exempted from real property tax.

Information is required of each rental unit occupied during the taxable year. Begin with your last rental address during the taxable year and work backward. The total rent paid is the combined rent paid by you and any others with whom you may have shared the rent. If more than one rental unit was occupied during the taxable year, submit the required information for each additional unit on a separate sheet and attach it to this form.

- 1 Address (give Apt. No., if any)
Occupied From month, 1993, To month, 1993, Total rent paid for this period. \$
Owned by (or agent for owner) name address # (General Excise Tax License)
2 Enter here the total amount of rent paid during the taxable year for all units shown above.
3 Enter total of excluded amounts of rent paid here.
4 Line 2 minus line 3. Total rent paid.
5 Did other qualified individuals share the cost of any of the rental units? If "Yes," complete the following information.
Begin with your name and list others below it. Be prepared to furnish proof of your share of rent paid. If more than two persons shared the rental cost during the taxable year, submit the required information for each on a separate sheet and attach it to this form.
(a) Name and Address (b) Share of Rent Paid
6 If you are single, or married (and only one of you are eligible to claim this credit), enter \$50 here. If you are married (and both of you are eligible to claim this credit), enter \$100 here. This is your Credit for Low-Income Household Renters. Enter here and on line 9c on the front.

CREDIT FOR GENERAL INCOME TAX

Note: Do not claim this credit if you are being claimed or eligible to be claimed as a dependent by any taxpayer for federal or Hawaii income tax purposes or confined to a prison, youth correctional facility, or in jail for the entire taxable year.

This is a one-time \$1.00 general income tax credit for resident taxpayers for the year 1993 whether or not they physically reside in this State for nine months. The credit is multiplied by the number of qualified exemptions to which the taxpayer is entitled. The credit is refundable regardless of income tax liability for 1993.

MEDICAL SERVICES EXCISE TAX CREDIT WORKSHEET

- 1 Enter the total amount of your qualified medical expenses paid in 1993.
2 Percent of qualified medical expenses allowed. x .04
3 Multiply line 1 by line 2. Enter the result here, BUT NO MORE THAN \$200.
4 Enter the total amount of your nursing facilities expenses paid by or for you beginning July 1, 1993, and throughout the remainder of the tax year. If "none" or not applicable, enter -0- here and on line 6.
5 Percent of nursing facilities expenses allowed x .06
6 Multiply line 4 by line 5. Enter the result here.
7 Add lines 3 and 6. Enter the result here and on line 9e on the front. This is your medical services excise tax credit.

STATE OF HAWAII—DEPARTMENT OF TAXATION
**CREDIT FOR CHILD AND DEPENDENT
CARE EXPENSES**

1994

Attach to Form N-12, N-13, or N-15

Name(s) as shown on Form N-12, N-13, or N-15	Your social security number
--	-----------------------------

- If you are claiming the child and dependent care credit, complete Parts I and II below. But if you received employer-paid dependent care benefits, first complete Part III on the back.
- If you are not claiming the credit but you received employer-paid dependent care benefits, only complete Part I, below, and Part III on the back.

PART I Persons or Organizations Who Provided the Care (See the Instructions. If space is needed, attach a statement.)

1	(a) Care Provider's name	(b) Address (number, street, city, state and ZIP code)	(c) Identification number (SSN or EIN)	(d) General Excise Tax License Number	(e) Amount paid

2 Add the amounts in column (e) of line 1 and enter the total	2		
3 Enter the number of qualifying persons who were cared for in 1994. (See Instructions for definition of qualifying persons) Caution: To qualify, the person(s) must have shared the same home with you in 1994		3	

PART II Credit for Child and Dependent Care Expenses (FOR RESIDENTS ONLY)

4 Enter the amount of qualified expenses you incurred and paid in 1994. DO NOT enter more than \$2,400 for one qualifying person or \$4,800 for two or more persons. If you completed Part III, enter the amount from line 25 . . .	4																																
5 Enter YOUR earned income	5																																
6 If married filing a joint return, enter YOUR SPOUSE'S earned income (if student or disabled, see the Instructions); all others , enter the amount from line 5	6																																
7 Enter the smallest of line 4, 5, or 6	7																																
8 Enter the amount from Form N-12, line 32 or Form N-13, line 11	8																																
9 Enter on line 9 the decimal amount shown below that applies to the amount on line 8																																	
<table style="width:100%; border-collapse: collapse;"> <tr> <td style="border-right: 1px solid black; padding: 5px;">If line 8 is:</td> <td style="padding: 5px;">Decimal amount is:</td> <td style="border-right: 1px solid black; padding: 5px;">If line 8 is:</td> <td style="padding: 5px;">Decimal amount is:</td> </tr> <tr> <td style="border-right: 1px solid black; padding: 5px;">\$0 — 22,000</td> <td style="padding: 5px;">.25</td> <td style="border-right: 1px solid black; padding: 5px;">\$32,001 — 34,000</td> <td style="padding: 5px;">.19</td> </tr> <tr> <td style="border-right: 1px solid black; padding: 5px;">22,001 — 24,000</td> <td style="padding: 5px;">.24</td> <td style="border-right: 1px solid black; padding: 5px;">34,001 — 36,000</td> <td style="padding: 5px;">.18</td> </tr> <tr> <td style="border-right: 1px solid black; padding: 5px;">24,001 — 26,000</td> <td style="padding: 5px;">.23</td> <td style="border-right: 1px solid black; padding: 5px;">36,001 — 38,000</td> <td style="padding: 5px;">.17</td> </tr> <tr> <td style="border-right: 1px solid black; padding: 5px;">26,001 — 28,000</td> <td style="padding: 5px;">.22</td> <td style="border-right: 1px solid black; padding: 5px;">38,001 — 40,000</td> <td style="padding: 5px;">.16</td> </tr> <tr> <td style="border-right: 1px solid black; padding: 5px;">28,001 — 30,000</td> <td style="padding: 5px;">.21</td> <td style="border-right: 1px solid black; padding: 5px;">40,001 and over</td> <td style="padding: 5px;">.15</td> </tr> <tr> <td style="border-right: 1px solid black; padding: 5px;">30,001 — 32,000</td> <td style="padding: 5px;">.20</td> <td></td> <td></td> </tr> </table>	If line 8 is:	Decimal amount is:	If line 8 is:	Decimal amount is:	\$0 — 22,000	.25	\$32,001 — 34,000	.19	22,001 — 24,000	.24	34,001 — 36,000	.18	24,001 — 26,000	.23	36,001 — 38,000	.17	26,001 — 28,000	.22	38,001 — 40,000	.16	28,001 — 30,000	.21	40,001 and over	.15	30,001 — 32,000	.20			9			X	
If line 8 is:	Decimal amount is:	If line 8 is:	Decimal amount is:																														
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22,001 — 24,000	.24	34,001 — 36,000	.18																														
24,001 — 26,000	.23	36,001 — 38,000	.17																														
26,001 — 28,000	.22	38,001 — 40,000	.16																														
28,001 — 30,000	.21	40,001 and over	.15																														
30,001 — 32,000	.20																																
10 Multiply line 7 by the decimal amount on line 9. (See the Instructions if you had qualified expenses for 1993 that you did not pay until 1994.) Enter the result here and on Form N-12, line 50 or Form N-13, line 19d	10																																

Note: If you paid cash wages of \$50 or more in a calendar quarter to an individual for services performed in your home, you must file an employment tax return. See Booklet A, Employer's Tax Guide for more information.

PART III

Employer-Paid Dependent Care Benefits — Complete this part **ONLY** if you received employer-paid dependent care benefits.
Caution: *Be sure to also complete Part I on page 1.*

11	Enter the total amount of dependent care benefits you received for 1994. (See the Instructions)				11		
12	Enter the amount forfeited, if any. (See the Instructions)				12		
13	Line 11 minus line 12				13		
14	Enter the total amount of qualified expenses incurred in 1994 for the care of the qualifying person(s)	14					
15	Enter the smaller of line 13 or 14	15					
16	Enter YOUR earned income	16					
17	If married filing a joint return, enter YOUR SPOUSE'S earned income (if student or disabled, see the Instructions for line 6); if married filing a separate return, see the Instructions for the amount to enter; all others , enter the amount from line 16	17					
18	Enter the smallest of line 15, 16, or 17	18					
19	Excluded benefits. Enter here the smaller of the following: <ul style="list-style-type: none"> • The amount from line 18, or • \$5,000 (\$2,500 if married filing a separate return and you were required to enter your spouse's earned income on line 17). 				19		
20	Taxable benefits. Line 13 minus line 19. Also, include this amount on Form N-12, line 7, Form N-13, line 7, or Form N-15, line 7. On the corresponding dotted line write "DCB"				20		

To claim the child and dependent care credit, complete lines 21-25 below, and lines 4-10 on the front of this form.

21	Enter the amount of qualified expenses you incurred and paid in 1994. DO NOT include on this line any excluded benefits shown on line 19				21		
22	Enter \$2,400 (\$4,800 if two or more qualifying persons)	22					
23	Enter the amount from line 19	23					
24	Line 22 minus line 23. If zero or less, STOP . You cannot take the credit. Exception. If you paid 1993 expenses in 1994, see the Instructions for line 10				24		
25	Enter the smaller of line 21 or 24 here and on line 4 on the front of this form				25		

Instructions for Form N-141

CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES

NOTE: *This credit is not available to the non-resident taxpayer. However, should a non-resident taxpayer be receiving Employer-Paid Dependent Care benefits, he or she must compute the taxable portion of the benefit in Part III, include this amount on line 7 of Form N-15, and write "DCB" on the dotted line next to line 7.*

Who May Claim the Credit. — If you are a resident taxpayer who files an individual income tax return for a taxable year, and you are not claimed or eligible to be claimed as a dependent on another taxpayer's federal or Hawaii income tax return, and you maintain a household which includes as a member one or more qualifying individuals, you may be allowed a credit against your income tax. The credit ranges from 15% to 25% of employment-related expenses (up to certain limitations) PAID during the taxable year in order to enable you to work either full or part time for an employer or as a self-employed individual.

You will be treated as maintaining a household for any period only if you furnish over half the cost of maintaining the household for that period. If you are married during such period, you and your spouse must provide over half the maintenance cost for the period.

The expenses of maintaining a household include property taxes, mortgage interest, rent, utility charges, upkeep and repairs, property insurance, and food consumed on the premises. They do not include the cost of clothing, education, medical treatment, vacations, life insurance and transportation.

Who is a Qualifying Person?

A qualifying person is any one of the following persons:

- a. Any person under age 13 whom you claim as a dependent (but see the special rule for Children of Divorced or Separated Parents).
- b. Your disabled spouse who is mentally or physically unable to care for himself or herself.
- c. Any disabled person who is mentally or physically unable to care for himself or herself and whom you claim as a dependent, or could claim as a dependent except that he or she had income of \$2,450 or more.

Employment-related Expenses. — "Employment-related expenses" are those paid for the following, but only if paid to enable you to be gainfully employed:

(1) *Expenses for Household Services.* — Expenses will be considered for household services in your home if they are for the ordinary and usual services necessary for the operation of the home, and bear some relationship to the qualifying individual. Thus, payment for services of a domestic maid or cook will ordinarily be considered ex-

penses for household services if performed at least partially for the benefit of the qualifying individual.

(2) *Expenses for the Care of a Qualifying Individual.* — Expenses will be considered for the care of one or more qualifying individuals if their main purpose was to assure that individual's well-being and protection. Payments for food, clothing or education are not such expenses. However, if the care provided includes expenses that cannot be separated, the full amount paid will be considered for the qualifying individual's care. Thus, the full amount paid to a nursery school will be considered for the care of a child even though the school also furnishes lunch. Educational expenses for a child in the first or higher-grade level are not expenses for the child's care.

You may NOT include any amount paid for services outside your household at a camp where the qualifying individual stays overnight.

Do not include services outside your household as employment-related expenses for your spouse or a dependent age 13 or older. However, services outside your household are employment-related expenses for a dependent who has not reached his or her 13th birthday or for an individual who regularly spends at least eight hours each day in your household.

You may include expenses incurred for qualified dependent care centers as employment-related expenses. The dependent care center must comply with all applicable laws, rules, and regulations of Hawaii if the center is located within the jurisdiction of Hawaii. If the center is located outside Hawaii, the center must comply with all applicable laws, rules, and regulations of the jurisdiction in which the center is located. Furthermore, these centers must provide care for more than six individuals (other than individuals who reside at the center), and must receive a fee, payment, or grant providing services for any of the individuals (regardless of whether such center is operated for profit).

Note: *Payments made to the State of Hawaii A+ Program qualify for the credit.*

Medical Expenses. — Some dependent care expenses may qualify as medical expenses. If you itemize deductions, you may want to take all or part of these medical expenses on Schedule A (Form N-12). If you cannot use all the medical expenses on Form N-141 because of the dollar limit or earned income limit (explained later), you can take the rest of these expenses on Schedule A. But if you deduct the medical expenses first on Schedule A, you cannot use any part of these expenses on Form N-141.

Special Rules.

(1) *Married Couples Must File Joint Returns* — If you are married at the end of the taxable year, the credit for employment-related expenses is allowable only if you and your spouse file a joint return for the taxable year.

(2) *Marital Status.* — If you are legally separated from your spouse under a decree of divorce or separate maintenance, you are not considered married.

(3) *Certain Married Individuals Living Apart and Filing Separate Returns.* — If during the last 6 months of the taxable year your spouse was not a member of your household and you (I) maintained a household which was for more than one-half of the taxable year the principal place of abode of a qualifying individual, and (II) furnished over half of the cost of maintaining such household during the taxable year, then you are not considered married for purposes of the credit or the exclusion.

(4) *Children of Divorced or Separated Parents.* — If you were divorced, legally separated, or lived apart from your spouse during the last 6 months of 1994, you may be able to claim the credit even if your child is not your dependent. If your child is not your dependent, he or she is a qualifying person if **all five** of the following apply:

1. You had custody of the child for the longer period during the year; and
2. The child received over half of his or her support from one or both of the parents; and
3. The child was in the custody of one or both of the parents over half of the year; and
4. The child was under age 13, or was physically or mentally unable to care for himself or herself; and
5. The child is not your dependent because:
 - a. As the custodial parent, you have signed federal Form 8332, Release of Claim to Exemption for Child of Divorced or Separated Parents, or a similar statement, agreeing not to claim the child's exemption for 1994; or
 - b. You were divorced or separated before 1985 and your divorce decree or written agreement states that the other parent can claim the child's exemption, and the other parent provides at least \$600 in child support during the year. **Note:** *This rule does not apply if your decree or agreement was changed after 1984 to specify that the other parent cannot claim the child's exemption.*

(5) *Payments to a Related Individual.* — You can count work-related expenses you pay to relatives who are not your dependents, even if they live in your home. However, do not count any amounts you pay to:

1. A dependent for whom you (or your spouse if you are married) can claim an exemption, or
2. Your child who is under age 19 at the end of the year, even if he or she is not your dependent.

See page 2 for Specific Instructions

Specific Instructions

We have provided specific instructions for most of the lines on the form. Those lines that do not appear in the instructions are self-explanatory.

Part I.

Line 1.

Complete columns (a) through (e) for each person or organization that provided the care. If you do not give the information asked for in each column, or if the information you give is not correct, your credit and, if applicable, the exclusion of employer-provided dependent care benefits may be disallowed.

You can use **Form HW-16**, "Dependent Care Provider's Identification and Certification", to get the correct information from the care provider. (This form is available at your District Tax Office.) If the provider does not comply with your request to certify the information, complete the entries you can, such as the provider's name and address. Write "See attached" in the columns for which you do not have the provider's certification of information. Attach a statement that you requested the information from the care provider, but the provider did not comply with your request. You must keep records to show that you exercised due diligence in attempting to provide the required information. For more details, including what is considered "due diligence," see federal Publication 503.

Columns (a) and (b). — Enter the care provider's name and address. If you were covered by your employer's dependent care plan and your employer furnished the care (either at your workplace or by hiring a care provider), enter your employer's name in column (a), write "See HW-2" in column (b), and leave columns (c) through (e) blank. But if your employer paid a third party (not hired by your employer) on your behalf to provide the care, you must give information on the third party in columns (a) through (e).

Column (c). — If the care provider is an individual, enter his or her social security number (SSN). For other than an individual, enter provider's employer identification number (EIN). If the provider is a tax-exempt organization, enter "Tax-Exempt". If the care provider is located outside Hawaii and does not have a taxpayer identification number, provide a statement that the care provider is located outside Hawaii and that the taxpayer identification number is not required.

Column (d). — Enter the care provider's general excise tax license number. If the provider is a tax-exempt organization of the type described in IRC section 501(c)(3) (one organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or for the prevention of cruelty to children or animals.), enter "Tax-Exempt". If the care provider is located outside Hawaii, provide a statement that the care provider is located outside Hawaii and that the general excise tax license number is not required.

Column (e). — Enter the total amount you **actually paid** in 1994 to the care provider. Also include amounts your employer paid on your behalf to a third party. It does not matter when the expenses were incurred. Do not reduce this amount by any reimbursement you received.

Part II.

Line 4. Qualified Expenses. — On line 4 enter the amount of qualified child and dependent care expenses you incurred and actually paid in 1994.

Note: Do not include on line 4 qualified expenses that you incurred in 1994 but did not pay until 1995. Instead, you may be entitled to increase the amount of your 1995 credit when you pay the 1994 expense in 1995.

Lines 5 and 6. Earned Income Limit. — The amount of your qualified expenses **cannot** be more than your earned income or, if married filing a joint return, the smaller of your earned income or your spouse's earned income. In general, earned income is wages, salaries, tips, and other employee compensation. It also includes net earnings from self-employment.

Unmarried taxpayers. — If you are unmarried at the end of 1994 or are treated as being unmarried at the end of the year, enter your earned income on line 5.

Married Taxpayers. — If you are married, filing a joint return, figure each spouse's earned income separately and disregard community property laws. Enter your earned income on line 5 and your spouse's earned income on line 6.

Spouse Who Is a Full-time Student or Is Disabled. — If your spouse was a full-time student or was mentally or physically unable to care for himself or herself, figure your spouse's earned income on a monthly basis to determine your spouse's earned income for the year. For each month that your spouse was disabled or a full-time student, your spouse is considered to have earned income of not less than \$200 a month (\$400 a month if more than one qualifying person was cared for in 1994). But if your spouse also worked during any month and earned more than that amount, use his or her actual earned income.

For any month that your spouse was not disabled or a full-time student, use your spouse's actual earned income if your spouse worked during the month.

If, in the same month, both you and your spouse were full-time students and did not work, you cannot use any amount paid that month to figure the credit. The same applies to a couple who did not work because neither was capable of self-care.

A full-time student is one who was enrolled in a school for the number of hours or classes that is considered full time. The student must have been enrolled at least 5 months during 1994.

Self-employment income. — You must reduce your earned income by any loss from self-employment. If you only have a loss from self-employment, or your loss is more than your other earned income you cannot take the credit.

Line 10. — If you had qualified expenses for 1993 that you did not pay until 1994, you may be able to increase the amount of credit you can take in 1994. To do this, multiply the 1993 expenses you paid in 1994 by the applicable percentage from your 1993 Form N-141 table on line 13 that applies to the adjusted gross income shown on your 1993 Form N-12, line 32, or Form N-13, line 11. Your 1993 expenses must be within the 1993 limits. Attach a computation showing how you figured the increase. If you can take a credit for your 1993 expenses, write "PYE" and the amount of the credit on the dotted line next to line 10. Enter the total amount of the credit on line 10.

Part III.

Line 11. — Enter the total amount of employer-paid dependent care benefits for 1994, under IRC section 129, Dependent Care Assistance Program.

Line 12. — If you participated in an employee plan in which the amount you contributed to an employer-paid dependent care benefit plan was deducted from your income, and you did not receive the full benefit from this plan, you may be entitled to deduct the amount forfeited on this line. (See your employer for the forfeited amount you are allowed to deduct.)

Line 14. — Enter the amount of qualified child and dependent care expenses you incurred in 1994. This includes qualified expenses that you incurred in 1994, but did not pay until 1995.

Lines 16 and 17. — For purposes of Part III, "earned income" shall not include any amounts paid or incurred by an employer for dependent care assistance to an employee.

Note: The earned income amounts for Parts II and III may be different.

Line 17. — If your filing status is married filing separately, see *Certain Married Individuals Living Apart and Filing Separate Returns* earlier. If you are considered unmarried under that rule, enter your earned income (from line 16) on line 17. On line 19, enter the smaller of the amount from line 18 or \$5,000. If you are **not** considered unmarried under that rule, enter your spouse's earned income on line 17. If your spouse was a student or disabled in 1994, see the Instructions for Part II, lines 5 and 6. On line 19, enter the smaller of the amount from line 18 or \$2,500.

Line 19. — Enter the amount excluded from gross income under IRC section 129.

CAUTION: If you are claiming the *Dependent Child Care Credit* in Part II, and you are married at the end of the taxable year, you and your spouse must file a joint return for the taxable year.

Line 20. — Any taxable amount entered on line 20 must be included as earned income in Part II if you are claiming the *Dependent Child Care Credit*.

STATE OF HAWAII—DEPARTMENT OF TAXATION
CREDIT FOR LOW-INCOME HOUSEHOLD RENTERS

1994

This form is to be used ONLY if you are NOT eligible to be claimed as a dependent by another taxpayer, your adjusted gross income is LESS than \$30,000, you paid MORE than \$1,000 in rent during the taxable year and you are a resident taxpayer who has physically resided more than nine months in Hawaii. This credit may be claimed by qualifying residents with no income or no taxable income provided the rental unit is not partially or wholly exempted from real property tax.

SEE GENERAL INSTRUCTIONS ON REVERSE SIDE BEFORE FILLING OUT THIS FORM
(Attach This Statement to Your Hawaii Income Tax Return Form N-12 or N-13.)

A. Name(s) as shown on Form N-12 or N-13	Your social security number
--	-----------------------------

B. If you are married and are filing a separate return, enter your spouse's name, address, social security number and adjusted gross income. Qualification for this credit is based on your combined incomes.

<u>Name</u>	<u>Address</u>	Spouse's social security number	AGI
			\$

C. Information required of each rental unit occupied during the taxable year.

INSTRUCTIONS Begin with your last rental address during the taxable year and work backward. If more than two rental units were occupied during the taxable year, submit the required information for each on a separate sheet and attach it to this form. The total rent paid is the combined rent paid by you and any others with whom you may have shared the rent. For definition of rent, see reverse side.

1. Address (give Apt. No., if any) _____

Occupied From _____, 1994, To _____, 1994. Total rent paid for this period. \$ _____

month month

Owned by (or agent for owner) _____ # _____

name address Gen. Excise Tax Lic.

2. Address (give Apt. No., if any) _____

Occupied From _____, 1994, To _____, 1994. Total rent paid for this period. \$ _____

month month

Owned by (or agent for owner) _____ # _____

name address Gen. Excise Tax Lic.

D. **Amount of rent paid.**

(1) Enter here the total amount of rent paid during the taxable year for all units shown in item C above. \$ _____

(2) Enter total of excluded amounts of rent paid here. (See Instructions for "rent"...does not include:" on back of form.) \$ _____

(3) Line D(1) minus line D(2). Total rent paid. \$ _____

E. Did other qualified individuals share the cost of any of the rental units shown in item C above? If "Yes," complete the information in item F below.

F. Information required of each person claiming a share of the total amount of rent paid, as shown in item D above.

INSTRUCTIONS Begin with your name and list others below it. Be prepared to furnish proof of your share of rent paid. If more than three persons shared the rental cost during the taxable year, submit the required information for each on a separate sheet and attach it to this form.

(a) <u>Name and Address</u>	(b) <u>Share of Rent Paid</u>
	\$ _____
	\$ _____
	\$ _____

G. Allowable tax credit..... \$ 50.00

H. Enter the number of qualified exemptions here. (REMINDER: If you or your spouse are 65 years of age or over, you may claim two exemptions for each person over age 65. All other qualified persons are entitled to only one exemption per qualified person.)

I. **YOUR TAX CREDIT.** (Multiply item G by item H.) Enter here and on Form N-12, line 52, or Form N-13, line 19e. \$ _____

GENERAL INSTRUCTIONS

Each resident taxpayer who occupies and pays rent for real property within the State as his or her residence or the residence of his or her immediate family which is not partially or wholly exempted from the real property tax (e.g., low-income housing projects, military housing, etc.), who is not eligible to be claimed as a dependent for federal or state income taxes by another, and who files an individual income tax return for a taxable year may claim this tax credit; provided his or her adjusted gross income is less than \$30,000 and he or she has paid more than \$1,000 in rent during the taxable year. The amount of the credit shall be equal to \$50 multiplied by the number of qualified exemptions to which he or she is entitled; provided each taxpayer sixty-five years of age or over may claim double the tax credit.

For purposes of computing this tax credit, "rent" means the amount paid in cash in any taxable year for the occupancy of a dwelling place which is used by a resident taxpayer or his or her immediate family as the principal residence in Hawaii, but the term "rent" is limited to the amount paid for the occupancy of the dwelling place only, and **does not** include:

- 1) charges for utilities, parking stalls, storage of goods, yard services, furniture, furnishings, and the like;
- 2) rental claimed as a deduction from gross income or adjusted gross income for income tax purposes;
- 3) ground rental paid for use of land only; and
- 4) rent allowances or rental subsidies received (i.e., housing allowance received from the armed forces or the Hawaii Housing Authority.).

"Qualified exemption" means that a person for whom exemption is claimed must have been a Hawaii resident and was physically present in the State for more than nine months during the taxable year.

The tax credits claimed shall be deductible from the resident taxpayer's individual income tax liability, if any, for the tax year in which they are properly claimed. In the event the allowed tax credits exceed the amount of the income tax payments due from the taxpayer, the excess of credits over payment due shall be refunded. In the case of a resident individual who has no income tax liability, the tax credits properly claimed and allowed shall be paid to the individual; however, no refunds or credits shall be made for amounts less than \$1.00.

TIME FOR FILING

Claims for this credit, including any amended claims thereof, 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.

HUSBAND AND WIFE FILING SEPARATE RETURNS

A husband and wife, filing separate returns for a taxable year for which a joint return could have been made by them, shall claim only the tax credit to which they would have been entitled had a joint return been filed. (i.e. if the couple's combined adjusted gross income is \$30,000 or more, neither the husband or the wife may qualify for this credit.)

MORE THAN ONE CLAIMANT PER RENTAL UNIT

In the case where a rental unit is occupied by two or more individuals and more than one individual qualifies as a claimant, the pro rata share of the individual's rent paid during the taxable year shall determine whether the credit shall be allowable. That is, only those individuals who paid, on a pro rata basis, an amount **more than** \$1,000 in rent during the taxable year shall be entitled to claim the credit.

**STATE OF HAWAII — DEPARTMENT OF TAXATION
CREDIT FOR ENERGY CONSERVATION**

Or fiscal year beginning _____, 19____, and ending _____, 19____

**ATTACH THIS SCHEDULE TO YOUR INDIVIDUAL INCOME TAX RETURN
FORM N-12 OR N-13, WHICHEVER IS APPLICABLE**

Name(s) as shown on Form N-12 or N-13

Your Social Security Number

NOTE: If you are claiming the Tax Credit only due to a distribution from a partnership, an estate, a trust, or an S corporation, you may disregard lines 1 through 20 and begin on line 21; OR if you are only claiming the tax credit due to carryover from a previous year, you may disregard lines 1 through 21 and begin on line 22.

COMPUTATION OF TAX CREDIT

WIND ENERGY SYSTEM

- 1. Cost of qualified wind energy system installed and placed in service\$ _____
- 2. Multiply line 1 by 20% and enter result.....\$ _____

SOLAR ENERGY SYSTEM

- 3. Cost of qualified solar energy system installed and placed in service on new and existing single family residential buildings\$ _____
- 4. Enter 35% of line 3 or \$1,750, whichever is less.....\$ _____
- 5. Per unit cost of qualified solar energy system installed and placed in service on new and existing multi-unit residential buildings\$ _____
- 6. Enter 35% of line 5 or \$350, whichever is less.....\$ _____
- 7. Number of building units you own to which the allocated unit cost on line 5 is applicable _____
- 8. Multiply line 6 by line 7 and enter result\$ _____
- 9. Cost of qualified solar energy system installed and placed in service on new and existing hotel, commercial and industrial facilities\$ _____
- 10. Multiply line 9 by 35% and enter result.....\$ _____

HEAT PUMPS

- 11. Cost of qualified heat pumps installed and placed in service in new and existing single family residential buildings\$ _____
- 12. Enter 20% of line 11 or \$400, whichever is less.....\$ _____
- 13. Per unit cost of qualified heat pumps installed and placed in service in new and existing multi-unit residential buildings.....\$ _____
- 14. Enter 20% of line 13 or \$200, whichever is less.....\$ _____
- 15. Number of building units you own to which the allocated unit cost on line 13 is applicable _____
- 16. Multiply line 14 by line 15 and enter result\$ _____
- 17. Cost of qualified heat pumps installed and placed in service in new and existing hotel, commercial and industrial facilities.....\$ _____
- 18. Multiply line 17 by 20% and enter result.....\$ _____

ICE STORAGE SYSTEMS

- 19. Cost of qualified ice storage systems installed and placed in service\$ _____
- 20. Multiply line 19 by 50% and enter result.....\$ _____

TOTAL CREDIT FOR ENERGY CONSERVATION

- 21. Distributive share of tax credit from attached Form(s) N-157-A\$ _____
- 22. Carryover of tax credit from prior years\$ _____
- 23. Total tax credit claimed. Enter the total of lines 2, 4, 8, 10, 12, 16, 18, 20, 21 and 22 here and on Form N-12, line 40, or on Form N-13, line 17.....\$ _____

(Note: Excess Tax Credit may be used as a carryover in subsequent years until exhausted.)

GENERAL INSTRUCTIONS

REQUIREMENTS FOR CLAIMING TAX CREDIT

Each resident taxpayer who files an individual income tax return 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 shall be applicable only to the **actual cost** of the system, including its accessories and installation, and shall not include the cost of consumer incentive premiums unrelated to the operation of the system or offered with the sale of the system (such as "free gifts," offers to pay electricity bills, or rebates, including rebates from utility companies).

A licensed professional engineer must review the design of the solar energy system or 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 80% 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 installed and placed in service after 12/31/90 but before 1/1/99:

Type of Energy Conservation System	Tax Credit Rate
1. Wind energy systems	20% of the actual cost of the system.
2. Solar energy systems	
a. New and existing single family residential buildings.	The lesser of 35% of the actual cost of the system or \$1,750.
b. New and existing multi-unit buildings used primarily for residential purposes	Per building unit: The lesser of 35% of each unit's actual cost of the system or \$350.
c. New and existing hotel, commercial and industrial facilities.	35% of the actual cost of the system.
3. Heat pumps	
a. New and existing single family residential buildings.	The lesser of 20% of the actual cost of the heat pump or \$400.
b. New and existing multi-unit buildings used primarily for residential purposes	Per building unit: The lesser of 20% of each unit's actual cost of the heat pump or \$200.
c. New and existing hotel, commercial and industrial facilities.	20% of the actual cost of the heat pump.
4. Ice Storage Systems	50% of the actual cost of the system.

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.

Individual members of partnerships or condominium apartment associations, beneficiaries of estates and trusts, or shareholders of S corporations are also required to attach to this claim an Information Statement Form N-157A.

FOR PURPOSES OF THE TAX CREDIT

"Solar or wind energy system" means any new identifiable facility, equipment, apparatus, or the like that converts solar insolation or wind energy to useful thermal or electrical energy for heating, cooling, or reducing the use of 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 shall be deemed a single family residential building 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 the solar or wind energy system, heat pump, or ice storage system was purchased and placed in use in Hawaii. Tax credits which exceed the taxpayer's income tax liability may be used as credit against the taxpayer's income tax liability in subsequent years until exhausted.

SPECIFIC INSTRUCTIONS

Lines 1 through 22 — Fill in the lines as they apply to your claim.

Lines 5 and 13 — The per unit cost of a solar energy system or heat pump installed and placed in service in a multi-unit residential building is determined as follows:

$$\frac{\text{Total square feet of your unit}}{\text{Total square feet of all units in the multi-unit building}} \times \text{The actual cost of the system or heat pump.}$$

FORM
N-165
(Rev. 1993)

CREDIT FOR CHILD PASSENGER RESTRAINT SYSTEMS

TAX
YEAR
19_____

or fiscal year beginning _____, 19_____ and ending _____, 19_____

**ATTACH THIS FORM AND COPY OF INVOICE TO INDIVIDUAL INCOME TAX RETURN
FORM N-12, N-13, OR N-15, WHICHEVER IS APPLICABLE**

Name(s) as shown on Form N-12, N-13, or N-15

Your Social Security Number

REQUIREMENTS FOR CLAIMING TAX CREDIT

Each individual taxpayer who files an individual net income return for a taxable year may claim a tax credit against the Hawaii state individual net income tax for the purchase of one or more new child passenger restraint systems which can be shown to be in substantial conformity with specifications for such restraint systems set forth by the federal motor vehicle safety standards which were in effect at the time of such purchase.

In the event that the tax credit claimed and allowed exceeds the amount of the income tax payments due, the excess of credit over payments due shall be refunded to the taxpayer. If the taxpayer has no income tax liability, the tax credit properly claimed shall be paid to the taxpayer. However, no refunds or payments on account of this tax credit shall be made for amounts less than \$1.00.

Claims for this credit, including any amended claims thereof, 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.

CLAIM FOR TAX CREDIT

The total tax credit allowable is \$25.00, regardless of the cost or the number of restraint systems purchased. Attach this form with a copy of the sale invoice, which states the type of child restraint system purchased, to your return. Enter the \$25.00 credit on Form N-12, line 55; Form N-13, line 19g, or Form N-15, line 43f. \$25.00

STATUTORY PROVISION

"Section 235-15. Tax credits to promote the purchase of child passenger restraint systems.

(a) Any taxpayer who files an individual income tax return for a taxable year may claim an income tax credit under this section against the Hawaii state individual net income tax.

(b) The tax credit shall be \$25; provided that the taxpayer purchases one or more new child passenger restraint systems in the tax year for which the credit is properly claimed; and provided that such restraint system can be shown to be in substantial conformity with specifications for such restraint systems as set forth by the federal motor vehicle safety standards which were in effect at the time of such purchase.

(c) If the tax credit claimed by the taxpayer under this section exceeds the amount of the income tax payments due from the taxpayer, the excess of credit over payments due shall be refunded to the taxpayer; provided that the tax credit properly claimed by a taxpayer who has no income tax liability shall be paid to the taxpayer; and provided that no refunds or payments on account of the tax credit allowed by this section shall be made for amounts less than \$1.00.

* * * * *

(f) Claims for the tax credit under this section, including any amended claims, shall be filed on or before the end of the twelfth month following the taxable year for which the credit may be claimed." (Act 134, Session Laws of Hawaii 1982)

Name(s) as shown on Form N-12 or N-13

Your social security number

GENERAL INSTRUCTIONS

This form is to be used by Hawaii resident individual taxpayers to claim the Food/Excise Tax Credit. Act 187, SLH 1990, combined the Food Tax Credit and the Excise Tax Credit into a single Food/Excise Tax Credit. Complete Part I to determine your qualified exemptions for the Food/Excise Tax Credit. Complete Part II to determine the amount of the Food/Excise Tax Credit that you may claim.

Only Hawaii individual taxpayers who file resident individual income tax returns for 1994 and who are **not claimed or eligible to be claimed** as a dependent by another taxpayer for federal or Hawaii individual income tax purposes may claim this credit.

A minor child receiving support from the State of Hawaii Department of Human Services, social security survivor's benefits, and the like, and who cannot be claimed as a dependent and an exemption on the parent's or guardian's Form N-12 or Form N-13, may be considered a dependent and a qualified exemption of the parent or guardian for purposes of claiming this credit only.

Each person for whom this credit is being claimed **must** have been physically present and a resident of Hawaii for more than nine months during the taxable year.

A dependent child born in Hawaii on or after April 1, 1994, shall be deemed a qualified exemption for the purpose of claiming the tax credit, provided the child's mother is a resident of the State who has physically resided in the State for more than nine months during 1994.

The food/excise tax credit **is not** available to anyone who was confined to prison, a youth correctional facility, or jail for the entire taxable year.

The food portion of the tax credit, which **is not** based on the amount of income a taxpayer has, is \$55 multiplied by the number of qualified exemptions to which the taxpayer is entitled. For this portion of the tax credit, a qualified exemption **does not** include the additional exemption for being 65 years of age or over.

The excise portion of the tax credit, which is based on the amount of adjusted gross income a taxpayer has, is multiplied by the number of qualified exemptions to which the taxpayer is entitled. For this portion of the tax credit, a qualified exemption **does** include the additional exemption for being 65 years of age or over.

Claims for this credit made for the taxable year ending December 31, 1994, including amended claims thereof, must be filed on or before December 31, 1995.

PART I - LIST OF QUALIFIED EXEMPTIONS

(To be used to complete Part II)

Instructions for Part I

- In **Section A** below, list the names and relationship to you of those qualifying persons for whom you are claiming the Food/Excise Tax Credit. Place a "✓" in the appropriate columns for each person. **Do not** list in this section the names of those minor children receiving support from the Department of Human Services, etc.
- In **Section B** below, list the names, social security numbers, and relationship to you of those minor children receiving more than half of their support from the Department of Human Services, etc. Note: These children must have been physically present and a resident of Hawaii for more than nine months during the taxable year, and must not have been in prison, etc. for the entire taxable year.
- Attach a separate schedule if more space is needed.

Section A

Name	Relationship To You	1	2	3
		Must Meet All Requirements: ● Resident ● Physically resided in Hawaii for more than 9 months during 1994 ● Not in prison, etc. for entire taxable year ● Cannot be claimed as a dependent by another taxpayer	Age: 65 or over Note: Check off this box, if applicable, only if the corresponding box in column 1 is checked off.	Must Meet All Requirements: ● Resident ● Physically resided in Hawaii for more than 9 months during 1994 ● Not in prison, etc. for entire taxable year ● Claimed as a dependent by the taxpayer
	Self			
	Spouse			
Add the TOTAL BOXES CHECKED in each column.				

Section B—List of minor children receiving more than half of their support from the **Department of Human Services**, etc. and not listed above.

Name	Social Security Number	Relationship to You

1. From Section A above, add the totals of the boxes checked in Column 1, Column 2, and Column 3. Enter the result here.....
2. From Section A above, add the totals of the boxes checked in Column 1 and Column 3. Enter the result here..
3. From Section B above, add the number of minor children listed. Enter the total here.
4. Add lines 2 and 3. Enter the total here.

1	
2	
3	
4	

PART II—COMPUTATION OF THE FOOD/EXCISE TAX CREDIT

Section A—FOOD portion of the tax credit

1. Enter the amount from Part I, line 4 here and in the space provided on Form N-12, line 51(i) or Form N-13, line 19c(i)	1	
2. Allowable tax credit per qualified exemption.	2	x \$55
3. Multiply line 1 by \$55. This is the food portion of the tax credit. Enter the result here.	3	\$

IF YOUR ADJUSTED GROSS INCOME IS \$30,000 OR MORE, DO NOT COMPLETE SECTION B UNLESS YOU MAY CLAIM THE CREDIT FOR A MINOR CHILD RECEIVING SUPPORT FROM THE DEPARTMENT OF HUMAN SERVICES, ETC. IF YOU DO NOT COMPLETE SECTION B, SKIP TO LINE 14.

Section B—EXCISE portion of the tax credit

4. Enter the amount of your Adjusted Gross Income from Form N-12, line 32 or Form N-13, line 11.....	4	\$																			
5. If you are married filing a separate return, enter your spouse's Adjusted Gross Income here and in the space provided on Form N-12, line 51(iv) or Form N-13, line 19c(iv).	5	\$																			
6. Add lines 4 and 5. Enter the total here.	6	\$																			
7. Read down the Adjusted Gross Income column in the table below until you find the amount on line 6.																					
<table border="0"> <tr> <td>Adjusted Gross Income</td> <td>Tax Credits</td> </tr> <tr> <td>Under \$ 6,000</td> <td>\$55</td> </tr> <tr> <td>\$ 6,000 Under \$ 8,000</td> <td>45</td> </tr> <tr> <td>\$ 8,000 Under \$10,000</td> <td>35</td> </tr> <tr> <td>\$10,000 Under \$12,000</td> <td>25</td> </tr> <tr> <td>\$12,000 Under \$15,000</td> <td>20</td> </tr> <tr> <td>\$15,000 Under \$20,000</td> <td>15</td> </tr> <tr> <td>\$20,000 Under \$30,000</td> <td>10</td> </tr> <tr> <td>\$30,000 and over.....</td> <td>0</td> </tr> </table>	Adjusted Gross Income	Tax Credits	Under \$ 6,000	\$55	\$ 6,000 Under \$ 8,000	45	\$ 8,000 Under \$10,000	35	\$10,000 Under \$12,000	25	\$12,000 Under \$15,000	20	\$15,000 Under \$20,000	15	\$20,000 Under \$30,000	10	\$30,000 and over.....	0			
Adjusted Gross Income	Tax Credits																				
Under \$ 6,000	\$55																				
\$ 6,000 Under \$ 8,000	45																				
\$ 8,000 Under \$10,000	35																				
\$10,000 Under \$12,000	25																				
\$12,000 Under \$15,000	20																				
\$15,000 Under \$20,000	15																				
\$20,000 Under \$30,000	10																				
\$30,000 and over.....	0																				
Enter here the amount of the corresponding allowable tax credit from the table above.	7	\$																			
8. Enter the amount from Part I, line 1 here and in the space provided on Form N-12, line 51 (ii) or Form N-13, line 19c (ii).....	8																				
9. Multiply line 7 by line 8. Enter the total here.			9 \$																		
Complete lines 10, 11, and 12 only for minor children receiving support from the Department of Human Services, etc.																					
10. Enter the amount from Part I, line 3 here and in the space provided on Form N-12, line 51(iii) or Form N-13, line 19c(iii).....	10																				
11. Allowable tax credit per qualified exemption on line 10.....	11	x \$55																			
12. Multiply line 10 by \$55. Enter the result here.....			12 \$																		
13. Add lines 9 and 12. This is the excise portion of the tax credit. Enter the result here.			13 \$																		

Section C—Total food/excise tax credit

14. Add lines 3 and 13. This is your total food/excise tax credit . Enter here and on Form N-12, line 51, or Form N-13, line 19c.....	14	\$
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PART II — RECAPTURE OF CAPITAL GOODS EXCISE TAX CREDIT

Name(s) as shown on return.	FEIN or SSN
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Properties	Description of property. (Attach a separate sheet if more space is needed.)
A	
B	
C	
D	
E	

	Properties					
		A	B	C	D	E
RECAPTURE COMPUTATION: (See Specific Instructions)						
1. Original rate of credit (4%)	1	4%	4%	4%	4%	4%
2. Date recapture period begins (see Instructions)	2					
3. Date property ceased to be eligible capital goods excise tax credit property. (see Instructions)	3					
4. Number of full years between the date on line 2 and the date on line 3.	4					
5. Original or previously recomputed credit claimed. (see Instructions)	5					
6. Recomputed credit. (see Instructions)	6					
7. Decrease in credit due to disposition. (Line 5 minus line 6.)	7					
8. Recapture percentage. (from Instructions)	8					
9. Recapture tax. (Line 7 multiplied by line 8.)	9					
10. Total increase in tax. (Add line 9 columns A through E.) Report this amount on the appropriate form as noted 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 40;
 Form N-12, line 38;
 Form N-15, line 38;
 Form N-30, Schedule J, line 18;
 Form N-40, line 23; or
 Form N-70NP, line 11.

STATE OF HAWAII - DEPARTMENT OF TAXATION
INSTRUCTIONS FOR FORM N-312/N-312A
CAPITAL GOODS EXCISE TAX CREDIT

GENERAL INSTRUCTIONS

Each taxpayer subject to Hawaii's net income tax may claim a capital goods excise tax credit ("credit") for the purchase or importation of eligible depreciable tangible personal property which is used by the taxpayer in a trade or business in Hawaii. The property must be depreciable property with an estimated useful life or recovery period of three years or more. The property must be purchased and placed in service within Hawaii and the purchase or importation must be subject to the imposition and payment of tax at the rate of 4% under general excise or use tax laws. Individual members of partnerships, beneficiaries of estates and trusts, or shareholders of S corporations are also required to be furnished an Information Statement, Form N-312A. Refer also to Tax Information Releases (TIR) Numbered 88-6, 88-8, and 89-4, and the Hawaii Administrative Rules relating to section 18-235-110.7, for more information relating to claiming and recapturing the "credit".

The amount of the "credit" shall be determined by applying 4% against the qualifying cost of eligible depreciable property purchased and placed in service during the taxable year.

In the case of a partnership, S Corporation, estate, or trust, the "credit" allowable is for eligible depreciable property which is purchased and placed in service by the entity. The cost upon which the "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 cost and resulting "credit". A partner's share of the cost shall be determined in accordance with the ratio (in effect on the date on which the eligible property is purchased and placed in service) in which the partners divide the general profits of the partnership. The cost of eligible partnership property which is subject to a special allocation that is recognized under section 704(a) and (b) of the Internal Revenue Code (IRC) shall be recognized for the purposes of this "credit". Each S Corporation shareholder's cost of eligible property is the shareholder's allocated share of the S Corporation's cost of the eligible property. A beneficiary's share of the cost of the eligible property is apportioned between the entity and the beneficiaries based on the income of the entity allocable to each on the date the eligible property is purchased and placed in service. The term "beneficiary" includes an heir, legatee, or devisee.

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 credit for the entity's eligible property, the taxpayer shall attach Form N-312-A, a copy of Schedule K-1, and any other statement relating to the credit which is provided by the pass-through entity, to Form N-312 when the "credit" is claimed, or when the credit is subject to recapture, or both.

In the case of eligible depreciable tangible personal property for which a credit for sales or use taxes paid to another state is allowable under section 238-3(i), HRS, the amount of the capital goods excise tax credit allowable shall not exceed the amount of use tax actually paid under chapter 238, HRS, with regard to the property.

If a deduction is taken under IRC section 179 (regarding an election to expense certain depreciable business assets) no "credit" shall be allowed for that portion of the cost of eligible depreciable tangible personal property for which the deduction was taken.

Tax credit to be deducted from income tax liability, if any; refunds. If the "credit" allowed exceeds the taxpayer's net income tax liability, the excess of "credit" over liability shall be refunded to the taxpayer, however, no refund on account of the "credit" shall be made for an amount less than \$1. There shall be no carryback or carryover of excess "credit" over tax liability.

Time for filing. Any claim for the "credit", including an amended claim, must be filed on or before the end of the 12th 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". Failure to comply with the foregoing provision shall constitute a waiver of the right to claim the "credit".

Amount of credit allowable and claimed is treated as a taxable income item, or the basis of eligible property for depreciation or ACRS purposes is reduced by the amount of credit allowable and claimed. The taxpayer shall treat the amount of 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 credit allowable and claimed.

Use Part II of Form N-312 to determine the increase in tax as a result of the recapture of credit. The recapture rule requires a recomputation of a previously taken "credit" if eligible depreciable tangible personal property is disposed of or otherwise ceases to be eligible property within the recapture period. The recapture period means the period beginning on the 1st day of the month the eligible property is purchased or placed in service, whichever is earlier, and extending for a full 3 years.

The "credit" is recaptured by multiplying the decrease in previously taken "credit" by a recapture percentage, taking into account any prior recapture determination in connection with the same property.

An increase in income tax as a result of "credit" recapture shall be treated as income tax imposed on the taxpayer by chapter 235, HRS, for the recapture year. This is the rule despite the fact that absent the increase, the taxpayer has no income tax liability, has a net operating loss, or no income tax return is otherwise required for the taxable year. An increase in income tax due to recapture is limited to the total credit claimed. Refer to TIR No. 88-8 for details and examples illustrating the recapture rule.

For purposes of determining the amount of "credit" available, the cost for passenger automobiles used predominantly (over 50%) for business purposes is limited to \$11,250. A decrease in business use will trigger a recapture of the "credit".

A taxpayer must maintain records from which the taxpayer can establish, with respect to each item of eligible depreciable tangible personal property, the following facts: (1) the date the property is disposed of or otherwise ceases to be eligible property; (2) the estimated useful life or recovery period that was assigned to the property to determine eligibility for the "credit"; (3) the month and taxable year in which the property was purchased or placed in service, whichever is earlier; and (4) the vendor and cost of the property. These facts will be analyzed to determine both the eligibility for the "credit", and the necessity for any recapture of the "credit". If the taxpayer's records are insufficient to establish these facts, it will generally be assumed that the most recently acquired eligible depreciable tangible personal property was disposed of first.

Where the maintenance of records of details on mass assets is impractical, the taxpayer may adopt reasonable recordkeeping practices, consistent with good accounting and engineering practices and consistent with the taxpayers prior recordkeeping practices. "Mass assets" is defined in TIR No. 88-8.

The term "section 38 property" (with respect to investment in depreciable tangible personal property) is defined by section 48(a)(1)(A), (a)(1)(B), (a)(3), (a)(4), (a)(7), (a)(8), (a)(10)(A), (b), (c), (f), (l), (m), and (s) of the IRC of 1954, as amended as of December 31, 1984.

"Cost" means (1) the actual invoice price of the tangible personal property, or (2) the basis from which depreciation is taken under section 167 (with respect to depreciation) or from which a deduction may be taken under section 168 (with respect to Accelerated Cost Recovery System) of the IRC of 1954, as amended, whichever is less.

"Eligible depreciable tangible personal property" is section 38 property as defined by the operative provisions of section 48 and having a depreciable life under section 167 or for which a deduction may be taken under section 168 of the IRC of 1954, as amended.

"Placed in service" means the earliest of the following taxable years:

- (1) Taxable year in which, under the
 - (A) taxpayer's depreciation practice, the period for depreciation, or
 - (B) accelerated cost recovery system, a claim for recovery allowances, with respect to such property, begins; or
- (2) The taxable year in which the property is placed in a condition or state of readiness and availability for a specifically assigned function.

"Purchase" means an acquisition of property.

“Tangible personal property” means tangible personal property which is placed in service within Hawaii after December 31, 1987, and the purchase or importation of which resulted in a transaction which was subject to the imposition and payment of tax at the rate of 4% under Hawaii’s general excise or use tax laws. “Tangible personal property” does not include tangible personal property which is an integral part of a building or structure or tangible personal property used in a foreign trade zone, as defined under chapter 212, HRS.

**SPECIFIC INSTRUCTIONS
PART I INSTRUCTIONS**

Line 1(a)—List and describe eligible property purchased during the year. Enter only the qualifying business-use portion of the eligible property. If a deduction is taken under IRC section 179 (regarding an election to expense certain depreciable business assets), the amount deducted should be eliminated from the business-use portion of the asset cost. This is similar to determining the depreciable basis of the asset. Therefore, if an asset is purchased for \$10,000, is used 80% for business purposes, and an election is made to currently expense \$2,000 of the depreciable basis, the cost of the property would be listed as \$6,000 (\$10,000 multiplied by 80% minus \$2,000).

- Examples of properties which are **not** eligible for the credit include:
- Air conditioning or heating units;
 - Buildings or their structural components;
 - Property purchased for use in a foreign trade zone (as defined under chapter 212, HRS);
 - Property used by an organization which is exempt from Hawaii’s net income tax. Exceptions to this general rule are stated in IRC section 48(a)(4), as amended as of December 31, 1984;
 - Intangible property (e.g., patent, copyright, subscription list);
 - Property which is used predominantly to furnish lodging, or in connection with the furnishing of lodging. Three exceptions to this general rule are stated in TIR No. 88-6;
 - Elevators and escalators;
 - Single purpose agricultural or horticultural structures;
 - Qualified rehabilitated buildings;
 - Property used by governmental units or foreign persons or entities;
 - Livestock; and
 - Movie and television films.

Line 1(b)—Enter the date the qualifying property was placed in service. See TIR No. 88-6 for more information relating to the determination of this date.

Line 1(c)—Enter the cost of qualifying property in column (c).

Line 2—Estates and trusts: The total cost on line 2 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 2, enter the cost allocable to the estate or trust with the designation “N-40 PORTION”. Attach Form N-312 to the N-40 return and show the distributive share of the costs for each beneficiary.

Cooperatives: A cooperative may claim the capital goods excise tax credit to the extent it is subject to the income tax and has an income tax liability. Any excess tax credit is allocated among the members of the cooperative. The cooperative is to prepare a statement showing the distributive share of the tax credit to each cooperative member.

Line 5—Section 238-3(i), HRS, allows a credit for the Hawaii use tax imposed upon imported tangible personal property where the taxpayer has paid sales or use taxes to another state or jurisdiction on that property. Enter on line 5, the amount of taxes paid to another state that relates to the cost of qualifying property listed on line 1 for which a credit was claimed under section 238-3(i), HRS. The maximum use tax credit amount to be entered on line 5 is the actual amount of the tax paid up to 4% of the basis of the property.

PART II INSTRUCTIONS—Refer to TIR No. 88-8 relating to the capital goods excise tax credit recapture.

Line 1—The original rate of “credit” for the property subject to recapture can be obtained by reference to the Form N-312 originally filed to claim the credit. The tax credit rate is 4% for qualifying property purchased and placed in service after 1988.

Line 2—The date that the recapture period begins is the 1st day of the month within which the qualifying property was placed in service.

Line 3—This date is the actual date that the property ceases to be eligible depreciable property (e.g., a sale, transfer, etc.) or, if for any other reason such as a decrease in business use of property subject to IRC section 280F, the 1st day of the taxable year.

Line 4—Do not enter partial years. If the property was held for less than 12 months, enter zero.

Line 5—This is the amount of “credit” (a) originally claimed or (b) if you were previously subject to a partial recapture, the recomputed amount of the capital goods excise tax credit before the percentage adjustment for the period of time the property was held. Do not enter the amount of the previously recaptured “credit”, but the recomputed amount of the “credit”. See the Instructions for line 6 below for an explanation of the recomputed “credit”.

Line 6—The “credit” must be recomputed if you have a partial disposition of the property. For a total disposition, enter zero. If the business use of property subject to IRC section 280F decreases to 50% or less, a total disposition of the property is considered to have occurred. The recomputed “credit” is the amount of “credit” allowed based on the original cost of the property multiplied by (a) the current business-use percentage, or (b) the current percentage of the total ownership interest held at the time that the property was originally purchased and placed in service. The recomputed credit can be computed by completing the following worksheet:

- a. Original cost of the property
- b. Current business-use or ownership %; if a total disposition, enter zero
- c. Unadjusted cost or basis of the property (line a multiplied by line b)
- d. Deduction under IRC section 179
- e. Adjusted cost or basis of the property (line c minus line d)
- f. Original rate of credit claimed for the property
- g. Credit before adjustment (line e multiplied by line f)...
- h. Sales or use tax credit under section 238-3(i), HRS; up to the amount of the credit available on the property (4% of the qualifying basis of the property). If this amount is zero, enter zero here and on line j
- i. Adjusted business-use or ownership % (line e divided by amount on line a)
- j. Credit on line h above applicable to the business-use or ownership (line h multiplied by line i)
- k. Recomputed credit (line g minus line j).....

Line 8—Enter the recapture percentage from the following table:

Number of full years on line 4	Recapture percentage is:
0	100
1	66
2	33
3	0

(For Residents Only)
Attach to Form N-12 or N-13

See Instructions on Back before completing.

Name(s) as shown on Form N-12 or N-13

Your social security number

Part I - To be completed only if your filing status is single, married filing a joint return, head of household, or qualifying widow(er) with a dependent child.

1. Enter the total amount of your qualified medical expenses paid in 1994....	1		
2. Percent of qualified medical expenses allowed.....	2	x .04	
3. Multiply line 1 by line 2. Enter the result here.....	3		
4. Enter your maximum allowable credit amount: \$200..... \$400 (if either the taxpayer or his/her spouse is 65 years of age or over).. \$600 (if both taxpayers are 65 years of age or over).....	}		4
5. Compare the amounts on lines 3 and 4. If line 3 is less than line 4, enter the amount on line 3..... If line 3 is greater than or equal to line 4, enter the amount on line 4 here.		}	5
6. Enter the total amount of your nursing facilities expenses paid by or for you in 1994. If "none" or not applicable, enter -0- here and on line 8. Also, enter the name(s) of the nursing facility(ies) expenses were paid to:			
7. _____	6		
7. Percent of nursing facilities expenses allowed.....	7	x .06	
8. Multiply line 6 by line 7. Enter the result here.....	8		
9. Add lines 5 and 8. Enter the result here and on Form N-12, line 57, or Form N-13, line 19h. This is your medical services excise tax credit.	9		

Part II - To be completed only if your filing status is married filing a separate return.

1. Enter the total of your qualified medical expenses paid in 1994.....	1		
2. Percent of qualified medical expenses allowed.....	2	x .04	
3. Multiply line 1 by line 2. Enter the result here.....	3		
4. Enter the total of your spouse's qualified medical expenses paid in 1994.	4		
5. Percent of qualified medical expenses allowed.....	5	x .04	
6. Multiply line 4 by line 5. Enter the result here.....	6		
7. Add lines 3 and 6. Enter the result here.....	7		
8. Enter your maximum allowable credit amount as if you were filing a joint return: \$200..... \$400 (if either taxpayer or his/her spouse is 65 years of age or over)..... \$600 (if both taxpayers are 65 years of age or over).....	}		8
9. Compare the amounts on lines 7 and 8. If line 7 is less than or equal to line 8, enter the amount on line 3 here..... If line 7 is greater than line 8, the combined credits with respect to qualified medical expenses paid in 1994 claimed by you and your spouse can not exceed the amount on line 8. To determine your credit amount, divide line 3 by line 7 and multiply the result by line 8. Enter the final result here.		}	9
10. Enter the total amount of your nursing facilities expenses paid by or for you in 1994. If "none" or not applicable, enter -0- here and on line 12. Also, enter the name(s) of the nursing facility(ies) expenses were paid to:			
11. _____	10		
11. Percent of nursing facilities expenses allowed.....	11	x .06	
12. Multiply line 10 by line 11. Enter the result here.....	12		
13. Add lines 9 and 12. Enter the result here and on Form N-12, line 57, or Form N-13, line 19h. This is your medical services excise tax credit.	13		
14. Enter your spouse's social security number here.....			
15. Enter the total of your spouse's nursing facilities expenses paid by or for your spouse in 1994.....		\$	

N-858

(REV. 1994)

Tax Law Change Effective July 1, 1993, and Before July 1, 1995 —

Act 315, Session Laws of Hawaii 1993, amended section 235-55.9, Hawaii Revised Statutes (HRS), (with respect to the medical services excise tax credit) by adding to the medical services excise tax credit 6% of the nursing facilities expenses **paid by or for** the resident individual taxpayer during the taxable year. This **additional** amount to the tax credit ceases after June 30, 1995. Thus, payments made to nursing facilities **after June 30, 1995**, will **not** qualify for the credit.

The tax ceiling (or limitation) of \$200; \$400 for a resident individual 65 years of age or over; or \$600 for a resident individual and spouse both 65 years of age or over shall **not** apply to the portion of the credit attributable to nursing facilities expenses; provided that a husband and wife filing separate returns for a taxable year for which a joint return could have been filed by them shall claim only the tax credit to which they would have been entitled had a joint return been filed.

GENERAL INSTRUCTIONS

Only Hawaii taxpayers who file resident individual income tax returns for 1994 and are **not claimed or eligible to be claimed** as a dependent on another taxpayer's federal or Hawaii income tax return may claim this credit.

This refundable credit, which **is not** based on the amount of your income, is 4% of the qualified medical expenses paid during the taxable year. The credit claimed shall not exceed the following: 1) \$200 per return; 2) \$400 per return where either the taxpayer or his/her spouse is 65 years of age or over; or 3) \$600 per return where both taxpayers are 65 years of age or over. When a husband and wife file separate returns for the taxable year, their combined credits cannot exceed the tax credit to which they would have been entitled had they filed a joint return for that year. In addition, the credit shall also include 6% of the nursing facilities expenses **paid by or for** the resident individual during the taxable year.

"Qualified medical expenses," for purposes of this credit, are those medical expenses **paid for the taxpayer or the taxpayer's dependent** allowable as deductions for income tax purposes. It does not include capital improvements and premiums paid for medical insurance coverage. In addition, the qualified medical expense **must** have been subject to the imposition and payment of Hawaii's general excise tax, i.e., out-of-state medical expenses, prescription drugs, and prosthetic devices do not qualify.

"Nursing facility expenses" for purposes of this credit, are amounts actually paid for services provided to the taxpayer or to any individual who bears a relationship to the taxpayer as described in section 152(a) (with respect to dependent defined) of the federal Internal Revenue Code by a nursing facility licensed under sections 321-9 and 321-11, HRS, and any intermediate care facility for mentally retarded persons under sections 321-9 and 321-11, HRS. Also, the nursing facility expenses must have been subject to the imposition and payment of Hawaii's nursing facility tax, i.e., out-of-state nursing facility expenses do not qualify.

It is recommended that adequate records be kept and maintained of your qualified medical expenses as well as nursing facility expenses in case of an audit.

Do not reduce the amount of the qualified medical expenses and nursing facilities expenses paid during the taxable year by any insurance reimbursements made either to you or directly to the medical service provider and nursing facility provider.

If your filing status is single, married filing a joint return, head of household, or qualifying widow(er) with dependent child, complete **Part I** to determine your medical services excise tax credit.

If your filing status is married filing a separate return, complete **Part II** to determine your medical services excise tax credit.

Claims for this credit made for the taxable year ending December 31, 1994, including amended claims thereof, must be filed on or before December 31, 1995.

See Form N-12 or N-13 Instructions for more information.