2019 N-15

STATE OF HAWAII — DEPARTMENT OF TAXATION

Hawaii Nonresident and Part-Year Resident Income Tax Instructions

Hawaii

IRS e-file

CLICK. ZIP. FAST ROUND TRIP!

E-file Form N-15!

For more information, visit our website at **tax.hawaii.gov**

DIRECT DEPOSIT

Simple. Safe. Secure.

For more information, see page 34 of the Instructions.

DUE DATE: APRIL 20, 2020

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

MESSAGE FROM THE DIRECTOR

I. Department of Taxation Welcomes your Feedback

At the Department of Taxation, we are committed to our mission to administer the tax laws of the State of Hawaii in a consistent, uniform, and fair manner. To help us with this commitment, we welcome your feedback to assist our effort to improve our services and make voluntary compliance as easy as possible. Please address your written suggestions to the Department of Taxation, P.O. Box 259, Honolulu, HI, 96809-0259, or email them to Tax.Directors.Office@hawaii.gov.

II. Electronic Filing and Paying Advances Are Being Made

Each year, thousands of individuals file and pay their taxes electronically. You can e-file yourself or through your tax practitioner using commercially available software. For up to date information, visit our website at **tax.hawaii.gov**.

III. We are Here to Assist You

Form N-15, Individual Income Tax Return (Nonresidents and Part-Year Residents) is due on or before April 20, 2020. For information and guidance in its preparation, we have helpful publications and other instructions on our website at **tax.hawaii.gov**. Need more assistance? Do not hesitate to telephone, write, or visit any of our six offices below:

Oahu	830 Punchbowl Street, Honolulu, HI 96813-5094	Phone: 808-587-4242
Maui	54 S. High Street, #208, Wailuku, HI 96793-2198	Phone: 808-984-8500
Molokai	35 Ala Malama Street, #101, Kaunakakai, HI 96748	Phone: 808-553-5541
Hawaii	75 Aupuni Street, #101, Hilo, HI 96720-4245	Phone: 808-974-6321
Kona	82-6130 Mamalahoa Hwy, #8, Captain Cook, HI 96704	Phone: 808-323-4597
Kauai	3060 Eiwa Street, #105, Lihue, HI 96766-1889	Phone: 808-274-3456

To better assist you, always keep a copy of your return, worksheets, and supporting documents in your possession; we can help you understand and resolve problems more quickly if you have your tax return information in front of you. Keeping a copy will also help you in preparing the following year's tax return.

Thank you for helping us provide more efficient service.

RONA M. SUZUKI
Director of Taxation

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

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Changes to Note

- Form N-1, Declaration of Estimated Income Tax for Individuals, and Form N-101A, Individual Income Tax Extension Payment Voucher, are obsolete. Use Form N-200V, Individual Income Tax Payment Voucher, to make estimated tax and extension payments.
- Hawaii adopted the federal provisions that provide tax benefits for investments in qualified opportunity zones, but limits those benefits to investments in qualified opportunity zones in Hawaii, effective for taxable years beginning after December 31, 2018. (Act 69, SLH 2019)
- Alimony received is no longer included in the income of the payee and alimony payments are no longer deductible by the payor for divorce decrees, separation agreements, and certain modifications executed after December 31, 2018. (Act 27, SLH 2018)
- All taxpayers are subject to the 10% threshold for the itemized deduction for medical expenses, effective for taxable years beginning after December 31, 2018. (Act 27, SLH 2018)
- Taxpayers may exclude up to $6,735 of their military reserve or Hawaii National Guard duty pay from their income, effective for taxable years beginning after December 31, 2018. (Act 197, SLH 2004)
- The annual cap for the Motion Picture, Digital Media, and Film Production Income Tax Credit is increased to $50,000,000, effective for taxable years beginning after December 31, 2018. (Act 275, SLH 2019)
- The Healthcare Preceptor Income Tax Credit is a new nonrefundable credit equal to $1,000 for each volunteer-based supervised clinical training rotation supervised by the taxpayer, up to a maximum of $5,000 per taxable year, effective for taxable years beginning after December 31, 2018. (Act 43, SLH 2018)
- The Tax Credit for Research Activities is amended by extending the credit through 2024, allowing the credit to be claimed for all qualified research expenses incurred in Hawaii without regard to the amount of expenses for previous years (base amount), and imposing an annual cap of $5,000,000, effective for taxable years beginning after December 31, 2019. (Act 261, SLH 2019)
- The Historic Preservation Income Tax Credit is a new nonrefundable credit for taxable years 2020 to 2024 for substantial rehabilitation of a certified historic structure. (Act 267, SLH 2019)
- The Ship Repair Industry Tax Credit is a new nonrefundable credit for taxable years 2022 to 2026 for the construction of a new drydock at Pearl Harbor for use by the United States Navy. (Act 260, SLH 2019)

Important Reminders

File and Pay on Time

- Please file your return and pay your taxes by April 20, 2020.
- When you mail your return:
  (1) Mail it to the appropriate address as stated in "Where to File."
  (2) Enclose only one return per envelope.
  (3) Use proper postage. If there is insufficient postage on the envelope, the U.S. Postal Service will return it to you.
- Keep a copy of your return for your records.

Extension of Time to File

- If you are unable to file by April 20, 2020, you are granted an automatic 6-month extension of time to file your return through October 20, 2020. You do not have to file a form to request an extension. The extension of time to file is not an extension of time for payment of tax.
  (1) If you are due a refund, just file your return by October 20, 2020.
  (2) If you have a balance due, you must pay your taxes in full by April 20, 2020. File Form N-200V with your payment. You may **not** use federal Form 4868 instead of Form N-200V.
  (3) If you're not sure if you have a balance due, use the worksheet in "When to File."

Make Sure Your Tax Return is Correct and Complete

- You can avoid processing delays, adjustments to your return, and additional correspondence from the Department of Taxation if you:
  (1) Make sure all social security numbers are correct.
  (2) Check the appropriate filing status box.
  (3) Complete all required entries on your return. The following lines **must** be filled in: Form N-11, line 24; and Form N-15, line 41.
  (4) Check the arithmetic on your return.
  (5) Attach all required forms and statements.
  (6) Attach your employee earning statements (HW-2s or federal W-2s) to the front of your return.
  (7) Sign your return. If you paid someone to prepare your return, the preparer must sign and complete the Paid Preparer's Information box.
- You may be required to file an amended return to complete missing entries or provide missing forms or statements.

Amended Returns

- If you are filing an amended return, you must submit a complete return and attach Schedule AMD along with all required forms and statements. If you are claiming any tax credits, remember to attach the required forms, such as Schedule CR and Schedule X, even if you claimed the credits on the original return. See "Make Sure Your Tax Return is Correct and Complete" above.

Married Taxpayers

- If you are married, print your spouse's social security number in the designated area on your return whether a joint or separate return is filed.
- If your spouse is an alien and was issued an ITIN by the IRS, enter your spouse's ITIN. If your spouse has applied for an ITIN but the IRS has not yet issued the ITIN, write "Applied For."
- If you are married and filing separate returns, the refund from your spouse's return cannot be applied to your liability.

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

Federal Form Number	Title or Description of Federal Form	Comparable Hawaii Form	Copy of Fed. Form May Be Submitted+
W-2	Wage and Tax Statement	HW-2	Yes
W-4	Employee's Withholding Allowance Certificate	HW-4	No
W-10	Dependent Care Provider's Identification and Certification	HW-16	No
461	Limitation on Business Losses	None	Yes
1040	U.S. Individual Income Tax Return	None	No
1040-SR	U.S. Tax Return for Seniors	None	No
1040 Sch A	Itemized Deductions	None	No
Sch B	Interest and Ordinary Dividends	None	No
Sch C	Profit or Loss From Business	None	Not Required
Sch C-EZ	Net Profit From Business	None	Not Required
Sch D	Capital Gains and Losses	None	No
Sch E	Supplemental Income and Loss	None	Not Required
Sch F	Profit or Loss From Farming	None	Not Required
Sch J	Income Averaging for Farmers and Fishermen	N-168	No
Sch R	Credit for the Elderly or the Disabled	None	No
1040-ES	Estimated Tax for Individuals	None	No
1040NR	U.S. Nonresident Alien Income Tax Return	None	No
1040-V	Payment Voucher	N-200V	No
1040X	Amended U.S. Individual Income Tax Return	None	No
1045	Application for Tentative Refund	N-109	No
1128	Application To Adopt, Change, or Retain a Tax Year	None	Yes
1310	Statement of Person Claiming Refund Due a Deceased Taxpayer	N-110	No
2106	Employee Business Expenses	None	Yes*
2106-EZ	Unreimbursed Employee Business Expenses	None	Yes*
2120	Multiple Support Declaration	None	Yes
2210	Underpayment of Estimated Tax by Individuals, Estates, and Trusts	N-210	No
2441	Child and Dependent Care Expenses	Sch X	No
2848	Power of Attorney and Declaration of Representative	N-848	No
3115	Application for Change in Accounting Method	None	Yes
3903	Moving Expenses	N-139	No
4562	Depreciation and Amortization	None	Yes
4684	Casualties and Thefts	None	Yes*
4797	Sales of Business Property	Sch D-1	No
4835	Farm Rental Income and Expenses	None	Yes
4852	Substitute for Form W-2, Wage and Tax Statement, or Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.	L-15	No
4868	Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	None	No
4952	Investment Interest Expense Deduction	N-158	No
4970	Tax on Accumulation Distribution of Trusts	N-405	No
4972	Tax on Lump-Sum Distributions	N-152	No
5213	Election To Postpone Determination as To Whether the Presumption Applies That an Activity Is Engaged in for Profit	None	Yes
5329	Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts	None	No
5884	Work Opportunity Credit	N-884	No
6198	At-Risk Limitations	None	Yes
6252	Installment Sale Income	None	Yes
6781	Gains and Losses From Section 1256 Contracts and Straddles	None	Yes
8283	Noncash Charitable Contributions	None	Yes
8332	Release/Revocation of Release of Claim to Exemption for Child by Custodial Parent	None	Yes
8582	Passive Activity Loss Limitations	None	Yes
8586	Low-Income Housing Credit	N-586	No
8615	Tax for Certain Children Who Have Unearned Income	N-615	No
8814	Parents' Election To Report Child's Interest and Dividends	N-814	No
8824	Like-Kind Exchanges	None	Yes
8829	Expenses for Business Use of Your Home	None	Yes
8853	Archer MSAs and Long-Term Care Insurance Contracts	None	No
8949	Sales and Other Dispositions of Capital Assets	None	Yes

+If "Yes" is indicated and there is no Hawaii equivalent form, the federal form must be used.
*Use the 2017 federal form when filing the 2019 Form N-11 or Form N-15.
You may obtain tax forms through the Department of Taxation's website at **tax.hawaii.gov**.
To request tax forms by mail, you may call 808-587-4242 or toll-free 1-800-222-3229.

Form N-15
General Instructions

Guidelines for Filling in Scannable Forms

Form N-15 and Schedule CR are designed for electronic scanning that permits faster processing with fewer errors. To avoid delays:

- Print amounts only on those lines that are applicable.
- Use only a black or dark blue ink pen. Do not use red ink, pencils, felt tip pens, or erasable pens.
- Because this form is read by a machine, please print your numbers inside the boxes like this:

1	2	3	4	5	6	7	8	9	0	X

- Do NOT print outside the boxes.
- Fill in ovals completely. Do not ✔ or ✘ the ovals.
- Do NOT enter cents. For numbers that are required to be rounded to the nearest dollar, do NOT print over the zeros printed on the form that are used to designate cents.
- Do NOT use dollar signs, slashes, dashes or parentheses in the boxes.
- Do NOT photocopy this form.
- Please use a color printer and print in color.

Same-Sex Marriage

Effective December 2, 2013, Hawaii recognizes marriages between individuals of the same sex. As it relates to taxation, all same-sex couples that are legally married in Hawaii or any other jurisdiction where such marriages are valid are married for all tax purposes, including Hawaii income tax purposes.

Note: *The federal government recognizes marriages between individuals of the same sex for federal income tax purposes.*

Civil Unions

Effective January 1, 2012, civil unions are recognized in Hawaii. Civil unions entered into in a jurisdiction other than Hawaii are also recognized, provided that the relationship meets Hawaii's eligibility requirements, has been entered into in accordance with the laws of the other jurisdiction, and can be documented.

The Internal Revenue Code (IRC) provisions referred to in Hawaii's Income Tax Law that apply to a husband and wife, spouses, or person in a legal marital relationship shall be deemed to apply to partners in a civil union with the same force and effect as if they were "husband and wife," "spouses," or other terms that describe persons in a legal marital relationship. Accordingly, references to "married" and "spouse" are also references to "in a civil union" and "civil union partner," respectively.

For Hawaii income tax purposes, civil union couples have the same tax filing status options as married couples. Also, if an employee benefit is tax-exempt when extended to the opposite sex spouse of an employee, or to the children of the spouse, the benefit is tax-exempt when extended to a civil union partner of an employee, or to the children of the civil union partner.

Note: *Individuals who have entered into a registered domestic partnership, civil union, or other similar relationship that is not considered a marriage under state (or foreign) law are not considered married for federal income tax purposes. Since the federal government does not recognize civil unions as married individuals for federal income tax purposes, civil unions will continue to file as unmarried individuals on their federal income tax returns. Also, the income reported for federal and for Hawaii income tax purposes may differ, depending on the situation. For example, certain employee benefits that are tax-exempt when provided to married couples and the children of married couples may be taxable federally when they are provided for civil union partners and their children, unless the civil union partner or their children qualify as dependents under IRC section 152.*

Who Must File

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

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

For Individuals Under Age 65

Filing Status	Gross Income of
Married filing separately	$3,344
Single	$3,344
Head of household	$4,356
Qualifying widow(er)	$5,544
Married filing jointly	$6,688

For Individuals Age 65 or older

Filing Status	Gross Income of
Married filing separately	$4,488
Single	$4,488
Head of household	$5,500
Qualifying widow(er)	$6,688
Married filing jointly, **one** is 65 or older	$7,832
Married filing jointly, **both** are 65 or older	$8,976

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

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

For nonresident aliens, the threshold amount is $1,144 for individuals under 65, and $2,288 for individuals 65 or older.

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

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

4. If you need to report additional tax from Form N-2, Distribution from an Individual Housing Account; Form N-103, Sale of Your Home; Form N-152, Tax on Lump-Sum Distributions; Form N-312, Recapture of Capital Goods Excise Tax Credit; Form N-338, Recapture of Tax Credit for Flood Victims; Form N-344, Recapture of Important Agricultural Land Qualified Agricultural Cost Tax Credit; Form N-348, Recapture of Capital Infrastructure Tax Credit; Form N-405, Tax on Accumulation Distribution of Trusts; Form N-586, Recapture of Tax Credit for Low-Income Housing; or Form N-814, Parent's Election to Report Child's Interest and Dividends, then you must file a return regardless of income level.

Who Should File

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

Residency Status

Resident

A resident is taxed on income from all sources.

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

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

Nonresident

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

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

A nonresident married to a Hawaii resident may choose to file a joint return with the resident spouse on Form N-11; **however, the nonresident will then be taxed on all income from all sources.** For more information, see *Married Filing Joint Return* on page 8.

Part-Year Resident

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

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

Domicile Defined

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

Reminder: If you are in Hawaii because of military orders and do not intend to make Hawaii your permanent home, you are not considered a Hawaii resident for income tax purposes, even though you have been in Hawaii for more than 200 days in 2019. File a resident return with your home state, and file a Hawaii nonresident and part-year resident return (Form N-15) to report your Hawaii income.

Resident and Nonresident Examples

Note: For more information, see Tax Information Release No. 90-3, *"Income Taxation and Eligibility for Credits of an Individual Taxpayer Whose Status Changes from Resident to Nonresident or from Nonresident to Resident,"* Tax Information Release No. 90-10, *"Clarification of Taxation and the Eligibility for Personal Exemptions and Credits of Residents and Nonresidents in the Military and Spouses and Dependents of Persons in the Military,"* Tax Information Release No. 97-1, *"Determination of Residence Status,"* Tax Information Release No. 2010-01, *"Military Spouses Residency Relief Act ("MSRRA"),"* and Department of Taxation Announcement No. 2019-01, *"Military Spouses Residency Relief Act; Amendments to the Servicemembers Civil Relief Act enacted December 31, 2018; Tax Information Release No. 2010-01."*

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

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

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

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

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

Which Form to File

You MUST use Form N-11 if:

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

You MUST use Form N-15 if:

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

When to File

Note: *If any due date falls on a Saturday, Sunday, or legal holiday, use the next regular workday as the due date.*

You should file as soon as you can after January 1, but not later than April 20, 2020. If you file late, you may have to pay penalties and interest if you owe taxes on your return. Please see the instructions for *Penalties and Interest* on page 37. If you cannot meet the deadline, you are automatically granted a 6-month extension without the need to file anything with the Department unless an additional tax payment must be made. As long as the following conditions are met, you are deemed to have made an application for the 6-month extension to file an income tax return on the prescribed due date:

1. On or before April 20, 2020, 100% of the properly estimated tax liability is paid;
2. The tax return is filed on or before the expiration of the 6-month extension period;
3. The tax return is accompanied by full payment of any tax not already paid; and
4. A court has not ordered you to file the tax return on or before the prescribed due date.

Properly estimated tax liability means you made a bona fide and reasonable attempt to locate and gather all of the necessary information to make a proper estimate of tax liability for the taxable year.

You may use the below worksheet to determine the amount of your income tax balance due.

1. Amount of income tax you expect to owe for the taxable year. If you do not expect to owe tax, do not complete this worksheet.	______
2. Hawaii income tax withheld.	______
3. Current year's estimated tax payments (include prior year's overpayment allowed as a credit)	______
4. Other payments and tax credits.	______
5. Total (add lines 2, 3, and 4)	______
6. Income tax balance due (line 1 minus line 5).	______

You must pay the amount shown on line 6.

If you must make an additional payment of tax on or before April 20, 2020 in order to meet the condition requiring payment of 100% of the properly estimated tax liability, you must file Form N-200V with your payment. The extension of time to file is not an extension of time for payment of tax.

Form N-200V can be filed and payment made electronically through the State's Internet portal. Go to **tax.hawaii.gov/eservices/** for more information. Federal Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, may **not** be used in lieu of Form N-200V .

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

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

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

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

Where to File

If you are enclosing a check or money order with your tax return, mail your return with payment to:

Hawaii Department of Taxation
Attn: Payment Section
P. O. Box 1530
Honolulu, Hawaii 96806-1530

If you are NOT enclosing a check or money order with your tax return, mail your return to:

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

Where to Get Forms and Information

Taxpayer Services Branch
Website: **tax.hawaii.gov**
Telephone:
808-587-4242
Toll-Free: 1-800-222-3229
Telephone for the hearing impaired:
808-587-1418
Toll-Free: 1-800-887-8974

Other Information

Death of Taxpayer

Did the taxpayer die before filing a return for 2019? If so, the taxpayer's spouse or personal representative may have to file a return and sign it for the person who died (decedent) if the decedent was required to file a return. A personal representative can be an executor, administrator, or anyone who is in charge of the taxpayer's property.

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

If your spouse died in 2019 and you did not remarry in 2019, or if your spouse died in 2020 before filing a return for 2019, you may still file a joint return for the 2019 tax year.

If a return is filed for a deceased taxpayer, including a joint return with a surviving spouse, the Deceased oval must be filled in and the date of death must be written in the boxes provided.

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

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

Estimated Tax Payments

Purpose. You must pay income taxes as you earn income during the year, either through withholding or making estimated tax payments. You may have to make estimated tax payments if the tax withheld from your salary is not enough, or if you receive income that is not subject to withholding, such as self-employment income, interest, dividends, rents, and capital gains.

Who must make Estimated Tax Payments? In most cases, you must pay estimated tax for the current year if both of the following apply: (1) You expect to owe at least $500 in tax for the current year, after subtracting your withholding and credits. (2) You expect your withholding and credits to be less than the smaller of: 60% of the tax to be shown on your current year tax return, or 100% of the tax shown on your tax return for the preceding year. Your tax return for the preceding year must cover all 12 months.

Note: *If you did not file a tax return for the preceding year or that return did not cover all 12 months, the 100% of the tax shown on your return for the preceding year does not apply.*

Exceptions. You do not have to pay estimated tax for the current year if:

1. Your estimated tax liability (after taking into account all taxes withheld or collected at the source) for the taxable year is less than $500; or
2. You meet all of the following conditions: (1) You were a full-time Hawaii resident in the preceding year, (2) You had no tax liability for the preceding year, and (3) Your tax year covered a 12 month period. You had no tax liability for the preceding year if your total tax was zero or you were not required to file an income tax return.

Note: *If you were a nonresident or a part-year resident in the preceding year, you do not meet the exception under number 2.*

Due Dates for Estimated Tax Payments. You can pay all of your estimated tax by April 20, 2020, or in four equal amounts by April 20, 2020, June 22, 2020, September 21, 2020, and January 20, 2021. Each payment must be submitted with Form N-200V, Individual Income Tax Payment Voucher. Form N-200V can be filed and payment made electronically through the State's Internet portal. For more information, go to **tax.hawaii.gov/eservices/**.

Penalties. You may be charged a penalty (interest on the underpayment of estimated tax) if you do not pay enough tax through withholding and estimated tax payments, or if your estimated tax payments are late. See *Penalties and Interest* on page 37.

For more information, see Tax Facts 2019-03, "Estimated Income Tax for Individuals."

Multistate Tax Compact Act

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

Composite Tax Returns and Payments

Composite tax returns and composite tax payments may be made on behalf of nonresident shareholders of an S corporation, nonresident partners of a partnership, and nonresident members of a limited liability company or limited liability partnership. Instructions for filing a composite Form N-15 for nonresident shareholders, partners, and members are included in the instructions for Forms N-20 and N-35. If this is a composite tax return, fill in the Composite oval at the top of Form N-15.

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

In lieu of providing information as to worldwide source income, nonresident taxpayers (including nonresident alien taxpayers) and part-year resident taxpayers may elect to file Form N-15 without claiming any standard deduction or personal exemption amounts. Itemized deductions calculated using the ratio of Hawaii adjusted gross income to total adjusted gross income may not be claimed. Also, tax credits which are based on total adjusted gross income from all sources may not be claimed. To make this election, enter zero on line 37, Ratio of Hawaii AGI to Total AGI.

Steps for Preparing Your Return

These instructions consist of 13 steps. You should complete the first three steps that follow BEFORE you begin to fill in your return.

Steps 4 through 6, filling in the return through line 6e, begin on page 7 and end on page 11. Step 7, filling in the rest of the return, is on page 11. The Line-By-Line Instructions for Form N-15 begin on page 11 and end on page 36.

Finally, steps 8 through 13 begin on page 36. These are the steps you should take after you fill in Form N-15 and any other schedules and forms.

If you follow these steps and read the Line-By-Line Instructions, we feel you can fill in your return quickly and accurately.

Special Instructions for Nonresident Military Spouses

The Military Spouses Residency Relief Act (MSRRA), Public Law 111-97, November 11, 2009, provides that a qualifying nonresident spouse of a servicemember may source his or her income from services performed in Hawaii to their state of residence.

Income received by the servicemember's civilian spouse for services performed by the servicemember's spouse in Hawaii is not considered Hawaii-sourced income and therefore, not subject to Hawaii income tax if **all** of the following conditions are met:

1. The nonresident servicemember (a member of the uniformed services as defined in 10 U.S.C. §101(a)(5)) is present in Hawaii solely in compliance with military or naval orders;
2. The nonresident spouse is in Hawaii solely to be with the servicemember; and
3. The spouse and servicemember are domiciled in the same state or the spouse has elected to use the same residence of the servicemember for the purpose of state taxation.

Sec. 302 of the Veterans Benefits and Transitions Act of 2018 - Residence of spouses for servicemembers amends SCRA to allow the spouse of a servicemember to elect to use the same state of residence as the servicemember for state or local tax purposes regardless of when or where the two individuals were married.

Note: *The exemption only applies to the servicemember's spouse. Any non-military source income earned in Hawaii by the servicemember is subject to Hawaii income tax.*

Provided that the above three requirements are met, a servicemember's spouse is exempt from Hawaii income tax on his or her income received from:

- Wages, salaries, tips, commissions, and other compensation for services performed in Hawaii as an employee;
- Unemployment insurance benefits received to replace wages, salaries, and other compensation exempt under the above requirements;
- Temporary Disability Insurance (TDI) benefits received to replace wages, salaries, and other compensation exempt under the above requirements;
- Income from his or her sole-proprietorship or single member limited liability company (LLC) if the income is directly and solely attributable to services performed in Hawaii by the servicemember's spouse. The LLC must be a disregarded entity for federal and Hawaii income tax purposes. The exemption does not apply to income from any other pass-through entity such as an LLC with two or more members, a partnership, or an S Corporation (including an S Corporation with a sole shareholder).

If a nonresident spouse had Hawaii income tax withheld on his or her salary, wages, or other compensation that is exempt under the above requirements, the taxpayer must file Form N-15, Individual Income Tax Return for Nonresidents and Part-Year Residents, to claim a refund. Fill in the MSRRA oval at the top of Form N-15, and attach a copy of the following documents:

1. Form W-2 showing the amount of Hawaii income tax withheld;
2. The servicemember's military or naval orders assigning the servicemember to a post of duty in Hawaii;
3. A valid, unexpired military spouse identification card that identifies the card-holder as a spouse and not merely a dependent; and
4. The servicemember's Leave and Earnings Statement indicating that the servicemember's legal residence for purposes of withholding state income taxes from military pay is a state other than Hawaii.

The nonresident spouse's income that is exempt from Hawaii income tax under the above requirements should only be reported in Column A. Do not report any income that is exempt under the above requirements in Column B (Hawaii income).

For more information, see Tax Information Release No. 2010-01, *"Military Spouses Residency Relief Act ("MSRRA")"* and Department of Taxation Announcement No. 2019-01*, Military Spouse Residency Relief Act: Amendments to the Servicemembers Civil Relief Act enacted December 31, 2018; Tax Information Release No. 2010-01."*

Special Instructions for Nonresident Aliens

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

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

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

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

Step 1

Get all of your income records together.

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

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

Step 2

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

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

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

Step 3

Get all forms, schedules, and publications you need.

All forms, instructions, and publications you need are available on the Internet. You may also pick them up at any district tax office or request that they be mailed to you. Please allow approximately 10 days for the mailing of the tax forms. See page 6 for Department's website address and phone number .

Step 4

Fill in the oval(s) if you are filing an amended return.

If you are filing an amended return, fill in the amended return oval at the top of Form N-15.

If you are filing an amended return due to a farming net operating loss carryback, also fill in the NOL Carryback oval.

If you are filing an amended return due to an IRS adjustment, also fill in the IRS Adjustment oval.

See page 37 of the instructions for more information.

Step 5

Fill in the oval to indicate whether you are a part-year resident or nonresident. Also, fill in the oval if you are a nonresident alien or dual-status alien, exempt under MSRRA, or filing a composite tax return.

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

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

Fill in the oval if you are a nonresident alien or dual-status alien.

Fill in the oval if you are a nonresident spouse of a servicemember who has income exempt under MSRRA. See *Special Instructions for Nonresident Military Spouses* on page 7.

Fill in the oval if you are filing a composite tax return on behalf of nonresident shareholders of an S corporation, nonresident partners of a partnership, or nonresident members of a limited liability company or limited liability partnership. See *Composite Tax Returns and Payments* on page 6.

Step 6

First time filer oval, your name, address, social security number, filing status, and exemptions.

First Time Filer

If you are filing a tax return for the first time, fill in the first time filer oval at the top of Form N-15.

Name

Write your name, and your spouse's name if you are married and filing a joint return, in the space provided and at the top of Form N-15, pages 2, 3, and 4. You must use your legal name. Nicknames are not permitted. If you have changed your name because of marriage, divorce, etc., make sure you immediately notify the Social Security Administration so that the name on your tax return is the same as the name on the social security records. If these names do not match, your refund may be delayed.

If you file joint returns, write the names in the same order every year.

Write any descriptions (e.g., Jr., III, etc.) in the space provided for the suffix.

You must also write the first four letters of your last name in the boxes provided. If you are married, you must also write the first four letters of your spouse's last name in the boxes provided whether joint or separate returns are filed.

Address

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

If your mailing address has changed, you must notify the Department of the change by completing Form ITPS-COA, Change of Address Form, or log in to your Hawaii Tax Online account at hitax.hawaii.gov. Failure to do so may prevent your address from being updated, any refund due to you from being be delivered (the U.S. Postal Service is not permitted to forward your State refund check), and delay important notices or correspondence to you regarding your return.

If your address is outside the United States or its possessions or territories, enter the city in the space provided for "City, town or post office," and enter the postal code in the space provided for "Postal/ZIP code." Enter the province and/or state, and the name of the country in the space provided. **Do not** abbreviate the country name.

Social Security Number

Write your social security number in the boxes provided. If you are married, you must also write your spouse's social security number in the boxes provided whether joint or separate returns are filed. Your social security numbers must be written in the same order as your names are written on your return.

Also enter your social security number, and your spouse's social security number if you are married and filing a joint return, at the top of Form N-15, pages 2, 3, and 4.

If you are an alien and were issued an individual taxpayer identification number (ITIN) by the IRS, enter your ITIN in the boxes provided for the social security number. If you have applied for an ITIN but the IRS has not yet issued the ITIN, write "ITIN Applied For" in the space **below** the "THIS SPACE RESERVED" box.

Filing Status

Fill in oval 1, 2, 3, 4, or 5 as appropriate. Fill in only one oval.

Note: *Civil union couples have the same tax filing status options as married couples.*

Note: *More than one filing status may apply to you. Choose the one that will give you the lowest tax. Your Hawaii filing status may or may not be the same as your federal filing status.*

Single

Note: *Civil union couples may not choose "single" as their filing status.*

You can fill in oval 1 if any of the following was true on December 31, 2019.

- You were never married.
- You were legally separated according to your state's law under a decree of divorce or separate maintenance. But if, at the end of 2019, your divorce was not final (an interlocutory decree), you are considered married and cannot fill in oval 1.
- You were widowed before January 1, 2019, and did not remarry before the end of 2019. If you have a child, you may be able to use the qualifying widow(er) filing status. See *Qualifying Widow(er)* on page 9.

If you are unmarried and provide a home for certain other persons, you may be able to file as Head of Household. See *Head of Household* on page 9.

Married Filing Joint Return

You can fill in oval 2 if any of the following apply.

- You were married at the end of 2019, even if you did not live with your spouse at the end of 2019.
- Your spouse died in 2019 and you did not remarry in 2019.
- You were married at the end of 2019, and your spouse died in 2020 before filing a 2019 return.

If you are married and file a joint return, both you and your spouse must report all of your income, exemptions, deductions, and credits on your joint return. You can file a joint return even if only one of you had income or if you did not live together all year. However, both of you must sign the return.

If you file a joint return, both you and your spouse are generally responsible for the tax, interest, and penalties due on the return. This means that if one spouse does not pay the tax due, the other may have to.

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

If your spouse died in 2019 or in 2020 before filing a return for 2019, see *Death of Taxpayer* on page 6.

Special Rule for Nonresidents or Part-Year Residents Who File a Joint Return With a Hawaii Resident on Form N-11. If at the end of the taxable year you were a nonresident (but you were a U.S. resident) or a part-year resident who is married to a full-year Hawaii resident, you may choose to file a joint return with your resident spouse. By filing a joint return, however, you and your spouse will be taxed on your combined worldwide income for the entire year.

Special Rule for Nonresidents or Part-Year Residents Who File a Joint Return With a Part-Year Resident on Form N-15. If at the end of the taxable year you were a nonresident (but you were a U.S. resident) or a part-year resident who is married to a part-year resident, you may choose to file a joint return with your part-year resident spouse. By filing a joint return, you and your spouse will be taxed on your combined worldwide income for the period in which the part-year resident is a Hawaii resident.

Special Rule for Nonresident Aliens and Dual-Status Aliens. Generally, a married couple cannot file a joint return if either spouse is a nonresident alien at any time during the year. However, if you were a nonresident alien or a dual-status alien and were married to a U.S. citizen or resident alien at the end of 2019, you can elect to be treated as a resident alien and file a joint federal return. See federal Publication 519 for details. If you and your spouse have made that election on your federal return, you also may choose to file a joint Hawaii return. By filing a joint return, you and your spouse will be taxed on your combined worldwide income.

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

Married Filing Separate Return

If you are married and file a separate return, you generally report only your own income, exemptions, deductions, and credits. Generally, you are responsible only for the tax on your own income.

However, you will usually pay more tax than if you use another filing status for which you qualify. Also, if you file a separate return, you cannot take the student loan interest deduction or the earned income tax credit. You also cannot take the standard deduction if your spouse itemizes deductions.

If you file a separate return, write your spouse's full name in the space after oval 3. Also, write the first four letters of your spouse's last name and your spouse's social security number in the boxes provided.

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

If you were married in 2019, had a child living with you, and lived apart from your spouse during the last six months of 2019, you may be able to file as Head of Household. See *Married persons who live apart* on page 9.

Special Rule for Nonresident Aliens and Dual-Status Aliens.— Married nonresident aliens must file separate returns. However, if you were a nonresident alien or a dual-status alien and were married to a U.S. citizen or resident alien at the end of 2019, you can elect to be treated as a resident alien and file a joint federal return. See federal Publication 519 for details. If you and your spouse have made that election on your federal return, you also may choose to file a joint Hawaii return. By filing a joint return, you and your spouse will be taxed on your combined worldwide income.

Head of Household

Note: *Since this filing status is for unmarried individuals who provide a home for certain other persons, a person in a civil union may not choose "head of household" as their filing status. However, a person in a civil union may file as "head of household" if the person is considered unmarried because they lived apart from their civil union partner for the last six months of 2019 and they meet the other rules under Married persons who live apart on this page.*

This filing status is for unmarried individuals who provide a home for certain other persons. You are considered unmarried for this purpose if any of the following applies.

- You were legally separated according to your state's law under a decree of divorce or separate maintenance at the end of 2019. But if, at the end of 2019, your divorce was not final (an interlocutory decree), you are considered married.
- You are married but lived apart from your spouse for the last six months of 2019 and you meet the other rules under *Married persons who live apart* on this page.
- You are married to a nonresident alien at any time during the year and you do not choose to treat him or her as a resident alien.

Fill in the oval on line 4 only if you are unmarried (or considered unmarried) and either Test 1 or Test 2 applies.

Test 1. You paid over half the cost of keeping up a home that was the main home for all of 2019 of your parent whom you can claim as a dependent, except under a multiple support agreement (see page 11). Your parent did not have to live with you.

Test 2. You paid over half the cost of keeping up a home in which you lived and in which one of the following also lived for more than half of the year (if half or less, see *Exception to time lived with you* on this page).

1. Any person whom you can claim as a dependent. But do not include:
   a. Your child whom you claim as your dependent because of the rule for *Children of divorced or separated parents* on page 10,
   b. Any person who is your dependent only because he or she lived with you for all of 2019, or
   c. Any person you claimed as a dependent under a multiple support agreement. See page 11.
2. Your unmarried qualifying child who is not your dependent.
3. Your married qualifying child who is not your dependent only because you can be claimed as a dependent on someone else's 2019 return.
4. Your qualifying child who, even though you are the custodial parent, is not your dependent because of the rule for *Children of divorced or separated parents* on page 10.

If the child is not claimed as your dependent, enter the child's name on line 4.

Qualifying child. To find out if someone is your qualifying child, see Step 1 of the line 6c instructions on page 10.

Dependent. To find out if someone is your dependent, see the instructions for line 6c that begin on page 10.

Exception to time lived with you. Temporary absences by you or the other person for special circumstances, such as school, vacation, business, medical care, military service, or detention in a juvenile facility, count as time lived in the home. Also see *Kidnapped child* on page 11, if applicable.

If the person for whom you kept up a home was born or died in 2019, you still may be able to file as head of household. If the person is your qualifying child, the child must have lived with you for more than half the part of the year he or she was alive. If the person is anyone else, see federal Publication 501.

Keeping up a home. To find out what is included in the cost of keeping up a home, see federal Publication 501.

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

Married persons who live apart. Even if you were not divorced or legally separated at the end of 2019, you are considered unmarried if all of the following apply.

- You lived apart from your spouse for the last six months of 2019. Temporary absences for special circumstances, such as for business, medical care, school, or military service, count as time lived in the home.
- You file a separate return from your spouse.
- You paid over half the cost of keeping up your home for 2019.
- Your home was the main home of your child, stepchild, or foster child for more than half of 2019 (if half or less, see *Exception to time lived with you* on this page).
- You can claim this child as your dependent or could claim the child except that the child's other parent can claim him or her under the rule for *Children of divorced or separated parents* on page 10.

Adopted child. An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.

Foster child. A foster child is any child placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

Special Rule for Nonresident Aliens and Dual-Status Aliens.—If you were a nonresident alien or dual-status alien during the tax year, the special rules for *Married persons who live apart* will not apply to you unless you meet all of the tests previously stated, and you are a resident of Canada or Mexico. If you are considered unmarried under these rules, you may file as a single individual. You cannot file as Head of Household.

Qualifying Widow(er)

You can fill in oval 5 and use joint return tax rates for 2019 if all of the following apply.

- Your spouse died in 2017 or 2018 and you did not remarry before the end of 2019.
- You have a child or stepchild (not a foster child) whom you can claim as a dependent or could claim as a dependent except that, for 2019:
  – The child had gross income of $4,200 or more,
  – The child filed a joint return, or
  – You could be claimed as a dependent on someone else's return.

  If the child isn't claimed as your dependent on line 6c, enter the child's name on line 4.
- This child lived in your home for all of 2019. If the child did not live with you for the required time, see *Exception to time lived with you,* below.
- You paid over half the cost of keeping up your home.
- You could have filed a joint return with your spouse the year he or she died, even if you did not actually do so.

If your spouse died in 2019, you cannot file as qualifying widow(er). Instead, see the instructions for *Married Filing Joint Return* on page 8.

Adopted child. An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.

Dependent. To find out if someone is your dependent, see the instructions for line 6c that begin on page 10.

Exception to time lived with you. Temporary absences by you or the child for special circumstances, such as school, vacation, business, medical care, military service, or detention in a juvenile facility, count as time lived in the home. Also see *Kidnapped child* on page 11, if applicable.

A child is considered to have lived with you for all of 2019 if the child was born or died in 2019 and your home was the child's home for the entire time he or she was alive.

Keeping up a home. To find out what is included in the cost of keeping up a home, see federal Publication 501.

Note: *See **Death of Taxpayer** on page 6 for more information.*

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

Exemptions

Line 6a

Yourself

Fill in the oval on line 6a if no one can claim you as a dependent on another person's tax return. If you can be claimed as a dependent on another person's tax return, do not fill in the oval on line 6a. Instead, fill in the oval under line 37. Fill in the oval for "Age 65 or over" if you are age 65 or over as of January 1, 2020.

Line 6b

Spouse

Fill in the oval on line 6b if either of the following applies.

1. Your filing status is married filing jointly and your spouse cannot be claimed as a dependent on another person's return.
2. You were married at the end of 2019, your filing status is married filing separately, and both of the following apply.
   a. Your spouse had no income and is not filing a return.
   b. Your spouse cannot be claimed as a dependent on another person's return.

If your spouse meets these qualifications, fill in the oval under line 6b.

If you became divorced or legally separated during 2019, you cannot take an exemption for your former spouse.

Fill in the oval for "Age 65 or over" if your spouse was age 65 or over as of January 1, 2020 and your filing status is married filing jointly.

Death of your spouse. If your spouse died in 2019 and you did not remarry by the end of 2019, fill in the ovals on line 6b for the exemptions you could have taken for your spouse on the date of death. See the instructions for *Death of Taxpayer* on page 6.

Enter the number of ovals filled on lines 6a and 6b.

Lines 6c and 6d

Children and Other Dependents

Enter on lines 6c and 6d the full names, social security numbers, and relationship for your dependent children and other dependents. Each dependent must have a social security number. If you have more than six dependents, attach a statement with the required information. Enter the number of your dependent children listed in the box for line 6c. Enter the number of other dependents listed in the box for line 6d.

Follow the steps below to find out if a person qualifies as your dependent.

Step 1 Do You Have a Qualifying Child?

A qualifying child is a child who is your:

- Son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, half brother, half sister, or a descendant of any of them (for example, your grandchild, niece, or nephew), and
- Was under age 19 at the end of 2019 and younger than you (or your spouse, if filing jointly), or under age 24 at the end of 2019, a student, and younger than you (or your spouse, if filing jointly), or any age and permanently and totally disabled, and
- Who did not provide over half of his or her own support for 2019, and
- Who is not filing a joint return for 2019 or is filing a joint return for 2019 only to claim a refund of withheld income tax or estimated tax paid, and
- Who lived with you for more than half of 2019. If the child did not live with you for the required time, see *Exception to time lived with you* on page 11.

1. Do you have a child who meets the conditions to be your qualifying child?

Yes. Go to Step 2.

No. Go to Step 3.

Step 2 Is Your Qualifying Child Your Dependent?

1. Was the child a U.S. citizen, U.S. national, U.S. resident alien, or a resident of Canada or Mexico? If the child was adopted, see *Exception to citizen test* on page 11.

Yes. Go to Question 2.

No. Stop. You cannot claim this child as a dependent.

2. Was the child married?

Yes. See *Married person* on page 11.

No. Go to Question 3.

3. Could you, or your spouse if filing jointly, be claimed as a dependent on someone else's 2019 tax return?

Yes. Stop. You cannot claim any dependents. Go to Form N-15, line 7.

No. You can claim this child as a dependent.

Step 3 Is Your Qualifying Relative Your Dependent?

A qualifying relative is a person who is your:

- Son, daughter, stepchild, foster child, or a descendant of any of them (for example, your grandchild), or

  Brother, sister, half brother, half sister, or a son or daughter of any of them (for example, your niece or nephew), or

  Father, mother, or an ancestor or sibling of either of them (for example, your grandmother, grandfather, aunt, or uncle), or

  Stepbrother, stepsister, stepfather, stepmother, son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law, or

  Any other person (other than your spouse) who lived with you all year as a member of your household if your relationship did not violate local law. If the person did not live with you for the required time, see *Exception to time lived with you* on page 11, and
- Who was not a qualifying child of any taxpayer for 2019. For this purpose, a person is not a taxpayer if he or she is not required to file a Hawaii income tax return and either does not file such a return or files only to get a refund of withheld income tax or estimated tax paid, and
- Who had gross income of less than $4,200 in 2019. If the person was permanently and totally disabled, see *Exception to gross income test* on page 11, and
- For whom you provided over half of his or her support in 2019. But see *Children of divorced or separated parents* on this page, and *Multiple support agreements* and *Kidnapped child* on page 11.

1. Does any person meet the conditions to be your qualifying relative?

Yes. Go to Question 2.

No. Stop. Go to Form N-15, line 7.

2. Was your qualifying relative a U.S. citizen, U.S. national, U.S. resident alien, or a resident of Canada or Mexico? If your qualifying relative was adopted, see *Exception to citizen test* on page 11.

Yes. Go to Question 3.

No. Stop. You cannot claim this person as a dependent.

3. Was your qualifying relative married?

Yes. See *Married person* on page 11.

No. Go to Question 4.

4. Could you, or your spouse if filing jointly, be claimed as a dependent on someone else's 2019 tax return?

Yes. Stop. You cannot claim any dependents. Go to Form N-15, line 7.

No. You can claim this person as a dependent.

Definitions and Special Rules

Adopted child. An adopted child is always treated as your own child. An adopted child includes a child lawfully placed with you for legal adoption.

Children of divorced or separated parents. A child will be treated as the qualifying child or qualifying relative of his or her noncustodial parent if all of the following conditions apply.

1. The parents are divorced, legally separated, separated under a written separation agreement, or lived apart at all times during the last six months of 2019 (whether or not they are or were married).
2. The child received over half of his or her support for 2019 from the parents (and the rules on *Multiple support agreements*, on page 11, do not apply). Support of a child received from a parent's spouse is treated as provided by the parent.
3. The child is in custody of one or both of the parents for more than half of 2019.
4. Either of the following applies.
   a. The custodial parent signs federal Form 8332 or a substantially similar statement that he or she will not claim the child as a dependent for 2019, and the noncustodial parent includes a copy of the form or statement with his or her return. If the divorce decree or separation agreement went into effect after 1984 and before 2009, the noncustodial parent may be able to include certain pages from the decree or agreement instead of federal Form 8332. See *Post-1984 and pre-2009 decree or agreement* and *Post-2008 decree or agreement*.

b. A pre-1985 decree of divorce or separate maintenance or written separation agreement between the parents provides that the noncustodial parent can claim the child as a dependent, and the noncustodial parent provides at least $600 for support of the child during 2019.

If conditions (1) through (4) apply, only the noncustodial parent can claim the child for purposes of the dependency exemption. However, this does not allow the noncustodial parent to claim head of household filing status, the credit for child and dependent care expenses, the exclusion for dependent care benefits, or the earned income tax credit. See federal Publication 501 for details.

Custodial and noncustodial parents. The custodial parent is the parent with whom the child lived for the greater number of nights in 2019. The noncustodial parent is the other parent. If the child was with each parent for an equal number of nights, the custodial parent is the parent with the higher federal adjusted gross income. See federal Publication 501 for an exception for a parent who works at night, rules for a child who is emancipated under state law, and other details.

Post-1984 and pre-2009 decree or agreement. The decree or agreement must state all three of the following.

1. The noncustodial parent can claim the child as a dependent without regard to any condition, such as payment of support.
2. The other parent will not claim the child as a dependent.
3. The years for which the claim is released.

The noncustodial parent must include all of the following pages from the decree or agreement.

- Cover page (include the other parent's social security number on that page).
- The pages that include all the information identified in (1) through (3) above.
- Signature page with the other parent's signature and date of agreement.

You must include the required information even if you filed it with your return in an earlier year.

Post-2008 decree or agreement. If the divorce decree or separation agreement went into effect after 2008, the noncustodial parent cannot include pages from the decree or agreement instead of federal Form 8332. The custodial parent must sign either federal Form 8332 or a substantially similar statement the only purpose of which is to release the custodial parent's claim to an exemption for a child, and the noncustodial parent must include a copy with his or her return. The form or statement must release the custodial parent's claim to the child without any conditions. For example, the release must not depend on the noncustodial parent paying support.

Release of exemption revoked. A custodial parent who has revoked his or her previous release of a claim to exemption for a child must include a copy of the revocation with his or her return. For details, see federal Form 8332.

Exception to citizen test. If you are a U.S. citizen or U.S. national and your adopted child lived with you all year as a member of your household, that child meets the requirement to be a U.S. citizen.

Exception to gross income test. If your relative (including a person who lived with you all year as a member of your household) is permanently and totally disabled (defined on this page), certain income for services performed at a sheltered workshop may be excluded for this test. For details, see federal Publication 501.

Exception to time lived with you. Temporary absences by you or the other person for special circumstances, such as school, vacation, business, medical care, military service, or detention in a juvenile facility, count as time the person lived with you. Also see *Children of divorced or separated parents* on page 10, or *Kidnapped child* on this page.

If the person meets all other requirements to be your qualifying child but was born or died in 2019, the person is considered to have lived with you for more than half of 2019 if your home was this person's home for more than half the time he or she was alive in 2019.

Any other person is considered to have lived with you for all of 2019 if the person was born or died in 2019 and your home was this person's home for the entire time he or she was alive in 2019.

Foster child. A foster child is any child placed with you by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

Kidnapped child. If your child is presumed by law enforcement authorities to have been kidnapped by someone who is not a family member, you may be able to take the child into account in determining your eligibility for head of household or qualifying widow(er) filing status, the dependency exemption, and the earned income tax credit. See federal Publication 501.

Married person. If the person is married and files a joint return, you cannot claim that person as your dependent. However, if the person is married but does not file a joint return or files a joint return only to claim a refund of withheld income tax or estimated tax paid, you may be able to claim him or her as a dependent. See federal Publication 501. In that case, go to Step 2, Question 3, on page 10 (for a qualifying child) or Step 3, Question 4, on page 10 (for a qualifying relative).

Multiple support agreements. If no one person contributed over half of the support of your relative (or a person who lived with you all year as a member of your household) but you and another person(s) provided more than half of your relative's support, special rules may apply that would treat you as having provided over half of the support. For details, see federal Publication 501.

Permanently and totally disabled. A person is permanently and totally disabled if, at any time in 2019, the person cannot engage in any substantial gainful activity because of a physical or mental condition and a doctor has determined that this condition has lasted or can be expected to last continuously for at least a year, or can be expected to lead to death.

Public assistance payments. If you received payments under the Temporary Assistance for Needy Families (TANF) program or other public assistance program and you used the money to support another person, see federal Publication 501.

Qualifying child of more than one person. Even if a child meets the conditions to be the qualifying child of more than one person, only one person can claim the child as a qualifying child for the (1) dependency exemption, (2) head of household filing status, (3) credit for child and dependent care expenses, (4) exclusion for dependent care benefits, and (5) earned income tax credit, unless the special rule for *Children of divorced or separated parents* on page 10 applies.

No other person can take any of the five tax benefits listed above based on the qualifying child. If you and any other person can claim the child as a qualifying child, the following rules apply.

- If only one of the persons is the child's parent, the child is treated as the qualifying child of the parent.
- If the parents file a joint return together and can claim the child as a qualifying child, the child is treated as the qualifying child of the parents.
- If the parents do not file a joint return together but both parents claim the child as a qualifying child, the child will be treated as the qualifying child of the parent with whom the child lived for the longer period of time in 2019. If the child lived with each parent for the same amount of time, the child will be treated as the qualifying child of the parent who had the higher federal adjusted gross income (AGI) for 2019.
- If no parent can claim the child as a qualifying child, the child is treated as the qualifying child of the person who had the highest federal AGI for 2019.
- If a parent can claim the child as a qualifying child but no parent does so claim the child, the child is treated as the qualifying child of the person who had the highest federal AGI for 2019, but only if that person's federal AGI is higher than the highest federal AGI of any parent of the child who can claim the child.

Example. Your daughter meets the conditions to be a qualifying child for both you and your mother. Your daughter does not meet the conditions to be a qualifying child of any other person, including her other parent. Under the rules just described, you can claim your daughter as a qualifying child for all of the five tax benefits listed above for which you otherwise qualify. Your mother cannot claim any of the five tax benefits listed above based on your daughter. However, if your mother's federal AGI is higher than yours and you do not claim your daughter as a qualifying child, your daughter is the qualifying child of your mother.

If you will be claiming the child as a qualifying child, go to Step 2 on page 10. Otherwise, stop; you cannot claim any benefits based on this child.

Student. A student is a child who during any part of five calendar months of 2019 was enrolled as a full-time student at a school, or took a full-time, on-farm training course given by a school or a state, county, or local government agency. A school includes a technical, trade, or mechanical school. It does not include an on-the-job training course, correspondence school, or school offering courses only through the Internet.

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

Line 6e

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

Step 7

Fill in your return.

Line-By-Line instructions for filling in Form N-15 begin on this page and end on page 36. Please read and follow the instructions carefully.

Line-By-Line Instructions—Form N-15

Lines 7 through 35

Form N-15 has two columns for lines 7 through 35; Total Income, Column A and Hawaii Income, Column B.

You must report in Column A, your total income (regardless of source) and adjustments to your total income as if you were a full year Hawaii resident. Your total income and adjustments may not be the same as that reported on your federal income tax return. For example, social security benefits should not be reported in Column A.

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

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

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

Income

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

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

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

Examples of Includable and Excludable Income

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

Examples of Income You Must Report

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

- Wages, including salaries, bonuses, commissions, fees, and tips.
- U.S. Cost of Living Allowances.
- Living Quarter Allowances.
- Interest on:
  - Hawaii tax refunds;
  - Interest received from an agreement of sale of real property located in Hawaii.
- Unemployment compensation benefits received from Hawaii.
- Temporary Disability Insurance Benefits received in Hawaii to the extent that such amounts:
  - are attributable to contributions by your employer which were not includable in your gross income, OR
  - are paid by your employer.
- Business expense reimbursements you received as an employee in Hawaii that are more than you spent for those expenses.
- Refunds of State and local taxes if you deducted the taxes in an earlier year and got a tax benefit. See details on page 14 of instructions.
- Gains or losses from the sale or exchange of Hawaii real estate, securities, or other property.
- Profits or losses from Hawaii businesses or professions.
- Your share of profits or losses from partnerships and small business corporations carried on in Hawaii.
- Your share of trust or estate income or losses from activities carried on in Hawaii.
- Rent from property located in Hawaii.
- Contest prizes with source in Hawaii.
- Certain alimony and separate maintenance payments. Refer to the instructions for *Alimony Paid* on page 20.

  Note: *Act 27, Session Laws of Hawaii 2018, eliminates the above-the-line deduction for alimony payments and does not require the payee receiving alimony payments to include alimony payments in income for divorce decrees, separation agreements, and certain modifications entered into after 2018.*
- Capital gains and losses from assets with situs in Hawaii.

Example: Hawaii Income of a Part-Year Resident.

T, an unmarried cash basis calendar year taxpayer, was a resident of Arizona on January 1, 2019. T moved to Hawaii on April 1, 2019, and continued to work as an insurance agent. T is a Hawaii resident for the remainder of 2019.

1) On March 20, 2019, T received $20,000 as gain from the sale of Arizona real property held for investment. The $20,000 gain is out-of-state income earned when T was a nonresident. None of it should be reported in Column B.
2) T earned commissions of $25,000 for policies sold after April 1, 2019. The commissions are from a trade or business carried on in Hawaii, and are Hawaii source income. The commissions were earned when T was a Hawaii resident. All of these commissions should be reported in Column B.
3) T also earned initial and renewal commissions of $12,000 for policies sold before April 1, 2019, $4,000 of which T earned before April 1, 2019. The $12,000 in commissions earned before April 1, 2019 is from a trade or business carried on in Arizona, and is thus out-of-state income. However, only $4,000 was earned when T was a nonresident. The remaining $8,000 should be reported in Column B.
4) Finally, T had signed a business consulting contract with one Arizona client, for which T was paid an additional $1,200 for services rendered throughout the year. It cannot be determined whether the remaining $1,200 in commission income was generated while T was a Hawaii resident. Thus, because T was a resident for nine months in 2019, 9/12 x $1,200, or $900, shall be reported in Column B unless T demonstrates otherwise to the satisfaction of the Department.

Examples of Income You Do Not Report

- Pensions from a private employer pension plan you receive upon retirement where no employee contributions are involved.
- All Government payments and benefits made to veterans and their families.
- Dividends on veterans' Government Insurance.
- Dividends from stocks. Generally, the source of income from an intangible asset (e.g., stock of a corporation) is the owner's place of permanent residence or domicile. This means that a nonresident owning intangible assets and receiving income therefrom, even though the dividend may have been paid by a Hawaii corporation, would not be subject to Hawaii income tax because the nonresident's permanent residence or domicile is not Hawaii. However, such income would be subject to Hawaii income tax if the intangible asset acquired a situs in Hawaii.
- Pension or annuity distributions from a public (i.e., government) retirement system (e.g., federal civil service annuity, military pension, state or county retirement system), unless voluntary contributions were made by an employee under an elective right.
- Workers' compensation, insurance, damages, etc., for bodily injury or sickness.
- Interest on Federal, Hawaii State and County municipal bonds. Also, U.S. Savings Bonds.
- Interest on bonds issued by the Governments of Puerto Rico, U.S. Virgin Islands, Guam, and American Samoa.
- Life insurance proceeds upon death.

- Federal Social Security benefits.
- Railroad Retirement Act benefits.
- Gifts, inheritances, bequests.
- Compensation by Hawaii or the U.S. to a patient affected with Hansen's disease.
- Child support.
- Welfare benefits.
- Compensation for services as a member of the uniformed services of the U.S.
- Contributions to deferred compensation plans with respect to service for state and local governments or to an annuity purchased by qualified non-profit organizations and public schools.
- Royalties and other income derived from patents, copyrights, and trade secrets developed and arising out of a qualified high technology business.
- All income earned and proceeds derived from stock options or stock, including stock issued through the exercise of stock options or warrants, from a qualified high technology business or from a holding company of a qualified high technology business by an employee, officer, or director of the qualified high technology business, or investor who qualified for the high technology business investment tax credit.
- Amounts paid after 1999 as restitution payments made to Holocaust victims (or their heirs or estate).
- Amount of payment stipend waived by Department of Education coaches and dispensed to the school for the benefit of the coach's team under section 302A-633.6, HRS.
- Scholarship grants received by a student under the Nursing Scholars Program under section 304A-3304(d), HRS.

Rounding Off to Whole Dollars

The Department requires individual taxpayers to round off cents to the nearest whole dollar for all dollar entries on the tax return and schedules. To do so, drop amounts under 50 cents and increase amounts from 50 to 99 cents to the next dollar. For example: $1.39 becomes $1 and $2.69 becomes $3. If you have to add two or more amounts to figure the amount to enter on a line, schedule, or worksheet, you may choose to use one of two methods. Once a method of rounding is established, you must use the same method throughout the return. The first method is to include the cents when adding and round off only the total. The other method is to round off each entry. For example: You received two W-2 forms, one showing Hawaii withholding of $50.55 and one showing Hawaii withholding of $185.73. For rounding method 1, show your total Hawaii withholding as $236, ($50.55 + $185.73 = $236.28 rounded to $236). For rounding method 2, show your total Hawaii withholding as $237, ($50.55 rounded to $51.00 + $185.73 rounded to $186.00 = $51 + $186 = $237).

Line 7

Wages, Salaries, Tips, Etc.

Note: *If you are a nonresident military spouse and you received (1) wages, salaries, tips, commissions, and other compensation for services performed in Hawaii as an employee; or (2) temporary disability insurance (TDI) benefits to replace wages, salaries, and other compensation for services performed in Hawaii as an employee, see Special Instructions for Nonresident Military Spouses on page 7.*

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

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

Include in this total:

- The amount shown on Form HW-2 in the box Total Wages. If you received federal Form W-2, report the amount in box 16, State wages, tips, etc. If you did not receive a Form HW-2 or federal Form W-2, see page 7, Step 1 of instructions.
- Tips received that you did not report to your employer. This should include any allocated tips shown in box 8 on your federal Form(s) W-2 unless you can prove a lesser amount with adequate records.
- Payment in merchandise, etc. — If your employer pays part or all of your wages in merchandise, services, stock or other things of value, you must determine the fair market value of such items and include it in your wages.
- Fair market value of meals and living quarters if given by your employer as a matter of your choice and not for your employer's convenience. (Don't report the value of meals given to you at work if they were provided for your employer's convenience. Also do not report the value of living quarters you had to accept as a condition of employment).
- Strike and lockout benefits paid by a union from union dues. Include cash and the fair market value of goods received. Don't report benefits that were meant as a gift.
- Amounts received as Cost of Living Allowance, Living Quarter Allowance, and Temporary Disability Insurance.
- The taxable portion of employer-paid dependent care benefits from Schedule X, Part II, line 16. If you are including these benefits, write "DCB" on the dotted line next to line 7.
- The taxable portion of employer-provided adoption benefits. Use the *Adoption Benefits Worksheet* on page 46 to help you figure the taxable portion. If you are including these benefits, write "AB" on the dotted line next to line 7.

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

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

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

Line 8

Interest Income

Report any interest you received or that was credited to your account so you could withdraw it. Each payer of interest should send you a federal Form 1099-INT or 1099-OID. If you were charged a penalty for early withdrawal of your savings, see the instructions for line 29 on page 20.

Examples of Interest Income You MUST Report

You must report interest on:

- Accounts with banks, credit unions, and savings and loan associations.

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

  Note: *Municipal bonds that are issued by another State are **taxable** in Hawaii. However, interest on Hawaii State and County municipal bonds, and bonds issued by the Governments of Puerto Rico, U.S. Virgin Islands, Guam, and American Samoa are exempt in Hawaii. Also, U.S. Savings Bonds and U.S. Treasury obligations are **exempt** in Hawaii. For more information about what kinds of obligations are exempt, see Tax Information Release No. 84-1, "Taxability of Interest on U.S. Obligations."*
- Money market funds. But if the payer gives you a federal Form 1099-DIV, report the income as *dividends* on line 9.

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

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

Nonresidents: Enter in Column B, the amount of interest income derived from intangible assets that have acquired a situs in Hawaii. Use the *Interest Worksheet* on page 41 to help you figure the amount of your taxable interest to enter in Column B.

Part-year residents: Enter in Column B, the amount of interest income derived from all sources for the period of residency; and the amount of interest income derived from intangible assets that have acquired a situs in Hawaii for the period of nonresidency. Use the *Interest Worksheet* on page 41 to help you figure the amount of your taxable interest to enter in Column B.

Line 9
Ordinary Dividends

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

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

Do Not Report as Dividends

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

See the discussion for line 8 regarding the source of income from an intangible asset.

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

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

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

Line 10
Taxable Refunds of State and Local Income Taxes

Note: *A refundable state tax credit (except for the refundable food/excise tax credit, credit for low-income household renters, credit for child and dependent care expenses, and credit for child passenger restraint system(s)) is subject to income tax to the extent the refundable credit exceeds the taxpayer's tax liability and results in a cash payment from the state. Because such a payment is not actually a refund of prior taxes paid, it is not treated as a tax refund potentially excludable under IRC section 111 (recovery of tax benefit items). Therefore, the State Tax Refund Worksheet on page 41 should not be used to determine the taxable portion of these refundable state tax credits. For more information, see Tax Information Release No. 2010-10, "Common Income Tax & General Excise Tax Issues Associated with the Renewable Energy Technologies Income Tax Credit, HRS § 235-12.5."*

Note: *None of your refund is taxable if, in the year you paid the tax, you either (a) did not itemize deductions, (b) elected to deduct state and local general sales taxes instead of state and local income taxes, or (c) did not deduct state and local income taxes because your federal adjusted gross income was above certain threshold amounts.*

If you received a refund or credit in 2019 for state or local income taxes you paid before 2019, you may have to report it as income on your Hawaii income tax return. You should receive federal Form 1099-G, or a similar statement, showing the amount of the refund.

Any part of a refund for state or local income taxes paid before 2019 that you were entitled to receive in 2019 but chose to apply to your 2019 estimated state income tax is considered to have been received in 2019.

If you received a refund of 2018 taxes and you deducted state income taxes on line 38b of your 2018 Form N-15, figure the taxable portion of your refund using the *State Tax Refund Worksheet* on page 41. When completing the *State Tax Refund Worksheet* on page 41, enter an amount on line 2e only if the carryover of the residential construction and remodeling tax credit was claimed for construction or renovation costs for a residential unit that does not constitute business property. Enter the taxable portion on line 10, Columns A and B.

Note: *If you are a part-year resident, and you received income tax refunds from other states, and you deducted the taxes paid to the other states as an itemized deduction on a prior year Hawaii return, include these amounts on line 1 of the State Tax Refund Worksheet on page 41.*

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

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

If your 2018 Hawaii adjusted gross income was over $166,800 ($83,400 for married taxpayers filing separately), you may be able to report a smaller amount of your tax refund as income because your itemized deductions were reduced in 2018. To compute the proper amount, see 2017 federal Publication 525, "Taxable and Nontaxable Income," under *Itemized deductions limited.* In the computation, however, the Hawaii standard deduction amounts must be used, the amount of the refund due to the Hawaii credits listed in the *State Tax Refund Worksheet* is subtracted, and the base amount for the limitation of itemized deductions remains at $166,800 ($83,400 for married taxpayers filing separately). If you use this calculation, enter the result on Form N-15, line 10, Columns A and B.

If your 2018 state and local income tax refund is more than your 2018 state and local income tax deduction minus the amount you could have deducted as your 2018 state and local general sales taxes, see federal Publication 525, "Taxable and Nontaxable Income," under *Itemized Deduction Recoveries*.

Line 11
Alimony Received

Note: *Act 27, Session Laws of Hawaii 2018, eliminates the above-the-line deduction for alimony payments and does not require the payee receiving alimony payments to include alimony payments in income for divorce decrees, separation agreements, and certain modifications entered into after 2018.*

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

If you received payments under a divorce or separation instrument executed after 1984, see the instructions for line 30 for information on the rules that apply in determining whether these payments qualify as alimony.

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

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

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

Line 12
Business or Farm Income or (Loss)

Note: *If you are a nonresident military spouse and you received income from your sole-proprietorship or single member limited liability company (LLC) and the income is directly and solely attributable to services performed in Hawaii by you, see Special Instructions for Nonresident Military Spouses on page 7.*

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

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

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

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

For expenses that are part business and part personal, deduct only the business part. For example, if only half of your car usage was for business, deduct only half of the cost of operating the car. Deduct interest, taxes, and casualty losses not related to your business as itemized deductions. See the instructions for Form N-15, lines 38a to 38f.

Sales, exchanges, and involuntary conversions (including casualty or theft) of trade or business property may give rise to ordinary income or (loss), or capital gain or (loss). Report ordinary income or losses on line 14. Report capital gains or losses on line 13.

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

Enter in Column A, the amount of business or farm income or (loss) from all sources that would be taxable if you were a full year Hawaii resident. If the amount is a loss, shade the minus (-) in the box to the left of the amount boxes.

Nonresidents: Enter in Column B, the amount of business or farm income or (loss) with situs in Hawaii. If the amount is a loss, shade the minus (-) in the box to the left of the amount boxes.

Part-year residents: Enter in Column B, the amount of business or farm income or (loss) from all sources for the period of residency; and the amount of business or farm income or (loss) with situs in Hawaii for the period of nonresidency. If the amount is a loss, shade the minus (-) in the box to the left of the amount boxes.

Information Returns

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

Line 13

Capital Gain or (Loss)

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

This line is used to report:

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

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

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

If property is involuntarily converted because of a casualty or theft, use the 2017 federal Form 4684, Casualties and Thefts.

Enter in Column A, the amount of capital gains or losses derived from all sources that would be taxable if you were a full year Hawaii resident. If the amount is a loss, shade the minus (-) in the box to the left of the amount boxes.

Nonresidents: Enter in Column B, the amount of capital gains or losses on the disposition of capital assets with situs in Hawaii. If the amount is a loss, shade the minus (-) in the box to the left of the amount boxes. Use the *Capital Gain/Loss Worksheet* on page 41 to figure the amount of your capital gains or losses to enter in Column B. Before starting the worksheet, determine your **sales price** and **cost basis** for the capital assets you sold, and the gain or loss you realized for each capital asset.

Part-year residents: Enter in Column B, the amount of capital gains or losses derived from all sources for the period of residency; and the amount of capital gains or losses on the disposition of capital assets with situs in Hawaii for the period of nonresidency. If the amount is a loss, shade the minus (-) in the box to the left of the amount boxes. Use the *Capital Gain/Loss Worksheet* on page 41 to figure the amount of your capital gains or losses to enter in Column B. Before starting the worksheet, determine your **sales price** and **cost basis** for the capital assets you sold, and the gain or loss you realized for each capital asset.

Capital Asset

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

A capital asset is any property owned by you except:

1. Stock in trade or other property included in inventory or held mainly for sale to customers.
2. Accounts or notes receivable:
   a. For services rendered in the ordinary course of your trade or business,
   b. For services rendered as an employee, or
   c. From the sale of stock in trade or other property included in inventory or held mainly for sale to customers.
3. Depreciable property used in your trade or business, even if it is fully depreciated.
4. Real estate used in your trade or business.
5. A copyright; a literary, musical, or artistic composition; a letter or memorandum; or similar property that is:
   a. Created by your personal efforts,
   b. Prepared or produced for you (in the case of a letter, memorandum, or similar property), or
   c. Received under circumstances (such as by gift) that entitle you to the basis of the person who created the property or for whom the property was prepared or produced.
6. A U.S. Government publication, including the Congressional Record, that you received from the government for less than the normal sales price, or that you received under circumstances that entitle you to the basis of someone who received the publication for less than the normal sales price.
7. Certain commodities derivative financial instruments held by a dealer and connected to the dealer's activities as a dealer.
8. Certain hedging transactions entered into in the normal course of your trade or business.
9. Supplies regularly used in your trade or business.

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

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

Short-Term or Long-Term

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

To figure the holding period, begin counting on the day after you acquired the property and include the day you disposed of it. For securities traded on an established securities market, your holding period begins the day after the trade date you bought the securities, and ends on the trade date you sold them.

Capital Gain Distributions

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

Limits on Capital Losses

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

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

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

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

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

Losses That Are Not Deductible

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

- Members of a family.
- A corporation and an individual who directly (or indirectly) owns more than 50% of the corporation's stock (unless the loss is from a distribution in complete liquidation of a corporation).

- A grantor and a fiduciary of a trust.
- A fiduciary and a beneficiary of the same trust.
- A fiduciary of a trust and a fiduciary (or beneficiary) of another trust if both trusts were created by the same grantor.
- An executor of an estate and a beneficiary of that estate, unless the sale or exchange was to satisfy a pecuniary bequest (that is, a bequest of a sum of money).
- An individual and a tax-exempt organization controlled directly (or indirectly) by the individual or the individual's family.
- A corporation and a partnership if the same persons own more than 50% in value of the outstanding stock of the corporation and more than 50% of the capital interest or profits interest in the partnership.

If you sell or otherwise dispose of (1) an asset used in an activity to which the at-risk rules apply or (2) any part of your interest in an activity to which the at-risk rules apply, and you have amounts in the activity for which you aren't at risk, see the instructions for federal Form 6198. If the loss is allowable under the at-risk rules, it then may be subject to the passive activity rules. See federal Form 8582 and its instructions for details on reporting capital gains and losses from a passive activity.

Special Cases

The following items may require special treatment:

- Transactions by a securities dealer.
- Bonds and other debt instruments.
- Certain real estate subdivided for sale that may be considered a capital asset.
- Gain on the sale of depreciable property to a more than 50%-owned entity or to a trust of which you are a beneficiary.
- Gain on the disposition of stock in domestic international sales corporations.
- Gain on the sale or exchange of stock in certain foreign corporations.
- Transfer of property to a partnership that would be treated as an investment company if the partnership was incorporated.
- Sales of stock received under a qualified public utility dividend reinvestment plan.
- Wash sales of stock or securities.
- Gain or loss from the closing or expiration of an option.
- Distributions received from an employee pension, profit-sharing, or stock bonus plan (see Form N-152, Tax on Lump-Sum Distributions).

Transfer of Appreciated Property to a Political Organization

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

Exchange of Like-Kind Real Property

Note: *Act 27, Session Laws of Hawaii 2018, limits the nonrecognition of gain or loss to like-kind exchanges of real property that is not held primarily for sale, effective for exchanges completed after 2017.*

Report the exchange of "like-kind" real property on federal Form 8824, Like-Kind Exchanges, and attach the form to your return. You must report it even though no gain or loss is recognized when you exchange business or investment real property for real property of "like-kind." (This does not include real property held primarily for sale.)

Small Business Stock

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

Disposition of Business Property

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

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

Sale of Your Home

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

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

Your sale qualifies for exclusion of $250,000 gain ($500,000 if married filing jointly) if the following are true:

- You owned the home and used it as your main home during at least 2 of the last 5 years before the date of sale.
- You did not acquire the home through a like-kind exchange during the past 5 years.
- You did not claim any exclusion for the sale of a home that occurred during a 2-year period ending on the date of the sale of the home, the gain from which you now want to exclude.

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

Installment Sales

If you sold property at a gain, and are to receive any payment in a tax year after the year of sale, you must use the installment method and federal Form 6252, Installment Sale Income, unless you elect not to. Also use federal Form 6252 if you received a payment in 2019 from a sale made in an earlier year on the installment method.

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

If you want to elect out of the installment method, report the full amount of the gain on a timely filed return (including extensions).

Gains and Losses from Section 1256 Contracts and Straddles

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

Undistributed Long-term Capital Gains from Regulated Investment Companies

Include in income as a long-term capital gain the amount which constitutes your share of the undistributed capital gains of a regulated investment company. If a regulated investment company informs you that it has undistributed gains and has told you that it has paid tax to the State of Hawaii because of those gains, you may be entitled to a credit that should be claimed on Schedule CR, line 27b.

Line 14

Supplemental Gains or (Losses)

In general, this line is used to report:

- The sale or exchange of property used in your trade or business; depreciable and amortizable property; oil, gas, geothermal, or other mineral properties; and IRC section 126 property.
- The involuntary conversion (from other than casualty or theft) of property used in your trade or business and capital assets held in connection with a trade or business, or a transaction entered into for profit.
- The disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.

Enter in Column A, the amount of ordinary gains or losses derived from all sources that would be taxable if you were a full year Hawaii resident. If the amount is a loss, shade the minus (-) in the box to the left of the amount boxes.

Nonresidents: Enter in Column B, the amount of ordinary gains or losses on the disposition of assets with situs in Hawaii. If the amount is a loss, shade the minus (-) in the box to the left of the amount boxes.

Part-year residents: Enter in Column B, the amount of ordinary gains or losses derived from all sources for the period of residency; and the amount of ordinary gains or losses on the disposition of assets with situs in Hawaii for the period of nonresidency. If the amount is a loss, shade the minus (-) in the box to the left of the amount boxes.

Line 15

IRA Distributions

IRA distributions are not taxable to nonresidents, however, if a nonresident later becomes a resident of Hawaii, the amount of IRA distributions received after acquiring the Hawaii residency status may be taxable.

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

For more information, see federal Publication 590-A, Contributions to Individual Retirement Arrangements (IRAs), and federal Publication 590-B, Distributions from Individual Retirement Arrangements (IRAs).

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

Nonresidents: Enter zero in Column B.

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

Line 16

Pensions and Annuities

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

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

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

Nonresidents: Enter zero in Column B.

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

Nontaxable Distributions

Employer-Funded Pension Plans

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

(1) Pension or annuity distributions from a public (i.e., government) retirement system (e.g., federal civil service annuity, military pension, state or county retirement system) unless voluntary contributions were made by an employee under an elective right. For more information, see section 18-235-7-02, HAR.

(2) Distributions from a private employer pension plan received upon retirement (including early retirement and disability retirement) if the employee did not contribute to the pension plan.

(3) Distributions from a pension plan at age 70-1/2 that are made to comply with the federal mandatory payout rule do qualify as a retirement payment whether or not the employee is still working full time.

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

Rollover IRAs

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

Example - An individual received a lump sum distribution from an employer-funded profit-sharing plan upon retirement. The individual did not contribute to the profit-sharing plan. The entire lump sum distribution was rolled over to an IRA. In 2019, the individual rolled over $50,000 from the IRA to a Roth IRA. The entire amount rolled over to the Roth IRA represents the lump sum distribution received by the individual upon retirement and earnings thereon. Since the lump sum distribution that the individual received upon retirement qualifies as a pension, the amount rolled over from the regular IRA to the Roth IRA also qualifies as a pension. Therefore, the amount rolled over to the Roth IRA is exempt from Hawaii's income tax.

Taxable Pensions and Annuities

Early Distributions

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

Deferred Compensation Plans

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

Annuity Plans

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

Rollover IRAs

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

Example - An individual received a lump sum distribution from an employer-funded profit-sharing plan upon separation from service before retirement. The individual did not contribute to the profit-sharing plan. The entire lump sum distribution was rolled over to an IRA. In 2019, the individual rolled over $50,000 from the IRA to a Roth IRA. The entire amount rolled over to the Roth IRA represents the lump sum distribution received by the individual upon separation from service and earnings thereon. Since the lump sum distribution that the individual received upon separation from service does not qualify as a pension (the distribution is not paid upon retirement, disability, or death), the amount rolled over from the regular IRA to the Roth IRA also does not qualify as a pension. Therefore, the amount rolled over to the Roth IRA is taxable for Hawaii's income tax.

Hybrid Plans

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

Lump-Sum Distributions

If you received a lump-sum distribution from a pension plan and you are electing to use the special 10-year averaging method, attach Schedule J (Form N-11/N-15/N-40) and Form N-152, Tax on Lump-Sum Distributions, to figure the taxable amount.

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

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

For more information on the taxation of pensions, see sections 18-235-7-02 to 18-235-7-03, HAR, Tax Information Release No. 90-4, *"Taxability of Benefit Payments from Pension Plan to Participants who Attain Age 70-1/2 as Required by the Internal Revenue Code (IRC) Section 401(a)(9)(C),"* and Tax Information Release No. 96-5, *"Taxation of Pensions Under the Hawaii Net Income Tax Law: Deferred Compensation Arrangements; Rollover IRAs; Sub-Accounts of Pension Plans; Social Security and Railroad Retirement Act Benefits; Limitation on Deductions for Contributions to a Nonqualified Plan."*

Line 17

Rents, Royalties, Partnerships, Estates or Trusts

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

Enter in Column A, the net income or loss from rents, royalties, partnerships, S corporations, estates, trusts, and REMICs from all sources that would be taxable if you were a full year Hawaii resident. If the amount is a loss, shade the minus (-) in the box to the left of the amount boxes.

Nonresidents: Enter in Column B, the net income or loss from rents, royalties, partnerships, S corporations, estates, trusts, and REMICs with situs in Hawaii. If the amount is a loss, shade the minus (-) in the box to the left of the amount boxes.

Part-year residents: Enter in Column B, the net income or loss from rents, royalties, partnerships, S corporations, estates, trusts, and REMICs from all sources for the period of residency; and the net income or loss from rents, royalties, partnerships, S corporations, estates, trusts, and REMICs with situs in Hawaii for the period of nonresidency. If the amount is a loss, shade the minus (-) in the box to the left of the amount boxes.

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

Line 18

Unemployment Compensation

Note: *If you are a nonresident military spouse and you received unemployment insurance benefits to replace wages, salaries, and other compensation for services performed in Hawaii as an employee, see Special Instructions for Nonresident Military Spouses on page 7.*

Unemployment compensation (insurance) you received is taxable.

You should receive federal Form 1099-G, or similar statement, showing the total unemployment compensation paid to you during the year. For payments in 2019 you should receive this statement by January 31, 2020.

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

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

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

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

Line 19

Other Income

Use line 19 to report any income not reported elsewhere on your return or other schedules. List the nature, source, and amount of income. If there is more than one type of income, attach a separate sheet listing the nature, source, and amount of each type of income.

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

Examples of income to be reported on line 19 are:

- **Prizes, awards and gambling winnings.** Proceeds from lotteries, raffles, etc., are gambling winnings. You must report the full amount of your winnings on this line. You cannot offset losses against winnings and report the difference.

  If you had any gambling losses, you may take them as a miscellaneous itemized deduction not subject to the 2% Hawaii AGI limitation on line 38f. However, you cannot deduct more losses than the winnings you report.
- **Reimbursement for items that you deducted in an earlier year**, such as medical expenses or real estate taxes, if the deduction reduced your tax.
- Amounts you recovered on **bad debts** that you deducted in an earlier year.
- **Fees received for jury duty and precinct election board duty.** These fees are taxable, but you may be able to deduct part or all of your jury duty pay if you were required to turn it over to your employer. See the instructions for line 34 on page 21.
- **Individual Housing Account (IHA) distributions.** If you purchased a principal residence with an Individual Housing Account (IHA), or you are notified by an IHA trustee that you have received a taxable distribution, report the taxable amount on line 19.

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

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

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

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

  If you establish an IHA and later marry a person owning residential property, the IHA will terminate and distribute all of the assets to you. In this case, you must include the total distribution in your gross income. No penalty tax is imposed, but the 10% is still withheld. Be sure to claim the withheld amount on line 54.

  If an individual establishes an IHA and then dies or becomes totally disabled, special rules apply. For more information, see sections 18-235-5.5(r) and (s), HAR.
- **Scholarships and Fellowships.** Scholarship and fellowship grants not reported on federal Form W-2 should be reported on line 19. However, if you were a degree candidate, include on line 19 only the amounts you used for expenses other than tuition and course-related expenses. For example, amounts used for room, board, and travel must be reported on line 19.
- **Taxable distributions from an ABLE account.** Distributions from ABLE accounts may be taxable if (a) they are more than the qualified disability expenses of the designated beneficiary in 2019, and (b) they were not included in a qualified rollover.
- **Taxable distributions from a Coverdell education savings account (ESA) or a qualified tuition program (QTP).** Distributions from these accounts may be taxable if (a) they are more than the qualified higher education expenses of the designated beneficiary in 2019, and (b) they were not included in a qualified rollover. For more information, see federal Publication 970, Tax Benefits for Education.

  Note: *Act 27, Session Laws of Hawaii 2018, (1) permits taxpayers to roll over amounts from qualified tuition programs to ABLE accounts without penalty, effective for distributions after December 22, 2017 through 2025, and (2) does not adopt the federal provision that elementary and secondary school expenses of up to $10,000 per year are qualified expenses for qualified tuition programs.*
- **Taxable distributions from a health savings account (HSA) or an Archer medical savings account (MSA).** Distributions from these accounts may be taxable if (a) they are more than the unreimbursed qualified medical expenses of the account beneficiary or account holder in 2019, and (b) they were not included in a qualified rollover. For more information, see federal Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans.
- **Net operating loss.—**

If, in 2019, your business or profession lost money, or you had a casualty loss, or a loss from the sale or other disposition of depreciable property or real property used in your trade or business, you can apply the losses against your 2019 income. If the losses exceed your income, the excess is a net operating loss (NOL).

Note: *Act 27, Session Laws of Hawaii 2018, eliminates NOL carrybacks (except for farming NOLs which are permitted a two-year carryback), and allows unused NOLs to be carried forward indefinitely for NOLs arising in tax years ending after December 31, 2017. Also, the NOL deduction is limited to 80% of taxable income for NOLs arising in tax years beginning after December 31, 2017.*

If you carryback the farming NOL and are due a refund from the carryback, you must file an amended return on Form N-15. Nonresidents and part-year residents cannot file Form N-109, Application for Tentative Refund from Carryback of Net Operating Loss. A separate amended Form N-15 must be completed for each year you request an adjustment. For more information on filing an amended return on Form N-15, see page 37.

You may elect to carry the farming NOL forward instead of first carrying it back to prior years. If you make this election, then you can use your farming NOL only in the carryforward period.

To make this election, attach a statement to your original return filed by the due date (including extensions) for the farming NOL year. This statement must state that you are electing to waive the carryback period under section 235-7(d), HRS, and IRC section 172(b)(1)(B)(iv).

If you filed your original return on time but did not file the statement with it, you can make this election on an amended return filed within 6 months of the original due date of the return, but not including any extension. Attach a statement to your amended return, and write "Filed pursuant to 26 C.F.R.

301.9100-2" at the top of the statement. Also include the statement noted above that you are waiving the carryback period.

Once you elect to waive the carryback period, it cannot be changed later.

If you do not file this statement on time, the carryback period cannot be waived and you must first carry the farming NOL back before carrying it forward.

If you had a loss in a prior year to carry forward to 2019; enter it on line 19 and shade the minus (-) in the box to the left of the amount boxes. Attach a separate sheet showing how you figured the amount.

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

- **Olympic and Paralympic medals and USOC prize money.** The value of Olympic and Paralympic medals and the amount of United States Olympic Committee prize money you receive on account of your participation in the Olympic or Paralympic Games may be nontaxable. These amounts should be reported to you in box 3 of federal Form 1099-MISC. To see if these amounts are nontaxable, first figure your adjusted gross income including the amount of your medals and prize money. If your adjusted gross income is not more than $1,000,000 ($500,000 if married filing separately), these amounts are nontaxable and you should include the amount in box 3 of federal Form 1099-MISC on line 19, then subtract it by including it on line 34 along with any other write-in adjustments. In the space to the left of the total on line 34, enter the nontaxable amount and identify as "USOC."

Line 20

Total Income

Add the amounts in Column A and B for lines 7 through 19. If any of these amounts are negative, first add all the positive amounts. Next, add all the negative amounts. Then, subtract the total of the negative amounts from the total of the positive amounts and enter the result on line 20. If the result is negative, shade the minus (-) in the box to the left of the amount boxes.

Adjustments to Income

Line 21

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

Note: *The 2019 standard mileage rate for business use of your vehicle is 58 cents a mile.*

If you are a member of a reserve component of the Armed Forces of the United States and you travel more than 100 miles away from home in connection with your performance of services as a member of the reserves, you can include your expenses for reserve travel over 100 miles from home, up to the federal rate, from line 10 of the 2017 federal Form 2106 or line 6 of the 2017 federal Form 2106-EZ on line 21.

If you are a qualified performing artist, you can include your performing-arts-related-expenses from line 10 of the 2017 federal Form 2106 or line 6 of the 2017 federal Form 2106-EZ on line 21.

If you are a fee-basis state or local government official, include your employee business expenses from line 10 of the 2017 federal Form 2106 or line 6 of the 2017 federal Form 2106-EZ on line 21.

Enter in Column A, the amount that would be allowed as a deduction for certain business expenses of reservists, performing artists, and fee-basis government officials if you were a full year Hawaii resident.

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

1) Divide your total reservists, performing artists, and fee-basis government officials income subject to taxation in Hawaii by the total reservists, performing artists, and fee-basis government officials income computed without regard to source.
2) Multiply the resulting percentage by the amount entered in Column A.

For more information, see the instructions for federal Form 1040 and the 2017 federal Form 2106. Complete and attach the 2017 federal Form 2106 or the 2017 federal Form 2106-EZ to your return.

Line 22

Individual Retirement Arrangements (IRAs)

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

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

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

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

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

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

Line 23

Student Loan Interest Deduction

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

1. You paid interest in 2019 on a qualified student loan (see below).
2. Your filing status is any status except married filing separately.
3. Your Hawaii modified adjusted gross income (AGI) is less than: $65,000 if single, head of household, or qualifying widow(er); $130,000 if married filing jointly.
4. You, or your spouse if filing jointly, are not claimed as a dependent on someone else's (such as your parent's) 2019 tax return.

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

Qualified student loan. A qualified student loan is any loan you took out to pay the qualified higher education expenses for any of the following individuals who was an eligible student.

1. Yourself or your spouse.
2. Any person who was your dependent when the loan was taken out.
3. Any person you could have claimed as a dependent for the year the loan was taken out except that:
   a. The person filed a joint return,
   b. The person had gross income that was equal to or more than the exemption amount for that year ($4,200 for 2019), or
   c. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's return.

However, a loan is not a qualified student loan if (a) any of the proceeds were used for other purposes or (b) the loan was from either a related person or a person who borrowed the proceeds under a qualified employer plan or a contract purchased under such a plan.

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

You must reduce your qualified education expenses by the total amount paid for them with the following tax-free items.

- Employer-provided educational assistance.
- Tax-free distribution of earnings from a Coverdell education savings account (ESA).
- Tax-free distribution of earnings from a qualified tuition program (QTP).
- U.S. savings bond interest that you exclude from income because it is used to pay qualified education expenses.
- The tax-free part of scholarships and fellowship grants.
- Veterans' educational assistance.
- Any other nontaxable (tax-free) payments (other than gifts or inheritances) received as educational assistance.

Eligible student. This is a student who was enrolled at least half-time in a program leading to a degree, certificate, or other recognized educational credential.

Enrolled at least half-time. A student was enrolled at least half-time if the student was taking at least half the normal full-time work load for his or her course of study.

The standard for what is half of the normal full-time work load is determined by each eligible educational institution. However, the standard may not be lower than any of those established by the U.S. Department of Education under the Higher Education Act of 1965.

For more information, see federal Publication 970.

How To Figure the Deduction. Use the *Student Loan Interest Deduction Worksheet* on page 46 to figure your deduction.

Line 24
Health Savings Account Deduction

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

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

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

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

Line 25
Moving Expenses

Note: *Act 27, Session Laws of Hawaii 2018, does not adopt the federal provisions that suspended (1) the deduction for moving expenses, except for members of the armed forces, and (2) the exclusion from gross income for qualified moving expense reimbursements for tax years 2018 through 2025.*

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

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

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

A nonresident or a part-year resident giving up their Hawaii residency may not deduct moving expenses to a new place of employment outside the State of Hawaii. In this situation, zero should be entered on line 25, Column B.

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

Line 26
Deductible Part of Self-Employment Tax

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

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

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

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

For more information see the instructions for federal Form 1040.

Line 27
Self-Employed Health Insurance Deduction

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

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

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

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

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

Line 28
Self-Employed SEP, SIMPLE, and Qualified Plans

Caution: *You must have earnings from self-employment to claim this deduction. Sole proprietors and partners enter the allowable deduction for contributions to your SEP, SIMPLE, and qualified plans (H.R. 10 plans or Keogh plans) on line 28.*

There are two types of qualified retirement plans:

- **Defined-contribution plan.** — This plan provides an individual account for each person in the plan. A defined contribution plan can be either a profit-sharing plan or a money purchase pension plan. A profit-sharing plan can be set up to allow for discretionary employer contributions, meaning the amount contributed each year to the plan is not fixed. Contributions to a money purchase pension plan are fixed and are not based on your business profits.
- **Defined-benefit plan.** — Contributions to a defined-benefit plan are determined by the investment needed to fund a specific benefit at retirement age. Write "DB" on the line to the left of the amount if you have a defined-benefit plan.

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

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

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

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

Line 29
Penalty on Early Withdrawal of Savings

The federal Form 1099-INT you received will show the amount of any penalty you were charged because you withdrew funds from your time savings deposit before its maturity. Enter this amount on line 29, Column A. (Be sure to include the interest income on Form N-15, line 8, Column A.)

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

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

Enter this amount on line 29, Column B. (Be sure to include the taxable interest income on Form N-15, line 8, Column B.)

Line 30
Alimony Paid

Note: *Act 27, Session Laws of Hawaii 2018, eliminates the above-the-line deduction for alimony payments and does not require the payee receiving alimony payments to include alimony payments in income for divorce decrees, separation agreements, and certain modifications entered into after 2018.*

You can deduct (subject to Department Rules) alimony you paid. Alimony is a payment to or for a spouse or former spouse under a divorce or separation instrument. Alimony does not include voluntary payments that are not made under a divorce or separation instrument, child support, noncash property settlements, payments to keep up the payer's property, or use of the payer's property.

If you paid alimony to one person, enter the name and social security number of the recipient in the space to the left of line 30.

If you paid alimony to more than one person, enter the name and social security number of one of the recipients. Show the name(s), social security number(s), and the amount paid to the other recipient(s) on an attached statement. Enter your total payments on line 30.

A payment to or for a spouse under a divorce or separation instrument executed after 1984 is alimony if the spouses do not file a joint return with each other and all the following requirements are met.

1) The payment is in cash.
2) The instrument does not designate the payment as not alimony.

3) The spouses are not members of the same household at the time the payments are made. This requirement applies only if the spouses are legally separated under a decree of divorce or separate maintenance.
4) There is no liability to make any payment (in cash or property) after the death of the recipient spouse.
5) The payment is not treated as child support.

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

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

Example:	**Total Income**	**Hawaii Income**
Income after allowable deductions (Form N-15, page 3, line 35)*	$100,000	$60,000
Computation for allowable alimony deduction: $ 60,000 / $100,000 = 60% x $10,000 = $6,000		
Alimony paid (Form N-15, page 2, line 30)	$10,000	$6,000

*Excluding amount paid for alimony.

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

Line 31
Payments to an Individual Housing Account

You may be able to deduct from your gross income up to $5,000, paid in cash during the taxable year into a trust account which is established for savings for a down payment on your first principal residence in Hawaii. A deduction not to exceed $10,000 shall be allowed for a married couple filing a joint return. No deduction shall be allowed on any amounts distributed less than 365 days from the date on which a contribution is made to the account. Any deduction claimed for a previous taxable year for amounts distributed less than 365 days from the date on which a contribution was made shall be disallowed and the amount deducted shall be included in the previous taxable year's gross income and the tax reassessed. The account, established along the same lines as an individual retirement account (IRA), is to encourage first-time home buyers to save money for a down payment on a home. The interest income earned on the account within the taxable year shall not be included in gross income.

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

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

Other requirements:

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

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

For more information, see section 18-235-5.5, HAR.

Line 32
Military Reserve or Hawaii National Guard Duty Pay Exclusion

The first $6,735 received by each member of the reserve components of the army, navy, air force, marine corps, coast guard of the United States of America, and the Hawaii national guard, as compensation for performance of duty as such is not taxable for Hawaii net income tax purposes but limited to that income that would have been subject to taxation in Hawaii.

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

– $6,735, or

– Your pay, as shown on Box 16 of the federal Form W-2 sent to you by your reserve component.

If you are married filing a joint return, and you and your spouse qualify, add the exclusions for both of you and enter the total on line 32, Columns A and B.

Line 33
Exceptional Trees Deduction

You may deduct up to $3,000 per exceptional tree for qualified expenditures you made during the taxable year to maintain the tree on your private property. The tree must be designated as an exceptional tree by the local county arborist advisory committee under chapter 58, HRS. Qualified expenditures are those expenses you incurred to maintain the exceptional tree (excluding interest) that are deemed "reasonably necessary" by a certified arborist. No deduction is allowed in more than one taxable year out of every three consecutive taxable years.

An affidavit signed by a certified arborist stating that the amount of expenditures are deemed reasonably necessary must be attached to your tax return. The affidavit also must include the following information: (1) type of tree, (2) location of tree, and (3) description and amount of expenditures made in 2019 to maintain the tree. The affidavit must be notarized.

Enter the amount of qualified expenditures you made during 2019 in Columns A and B.

Line 34
Total Adjustments

Add lines 21 through 33. Enter the total on this line. Include in the total on line 34:

- Educator Expenses. If you were an eligible educator in 2019, you can deduct up to $250 of qualified expenses you paid in 2019. If you and your spouse are filing jointly and both of you were eligible educators, the maximum deduction is $500. However, neither spouse can deduct more than $250 of his or her qualified expenses. Include the qualified expenses paid during 2019 and write in the total on Form N-15, line 34 "Educator Expense Deduction" in the space to the left of the total.
- Contributions to an Archer MSA. You may claim the same amount allowed on your Federal return as an Archer MSA deduction. Include the contributions you made during 2019 and write in the total on Form N-15, line 34 "MSA" in the space to the left of the total.
- Contributions by an individual development account (IDA) holder to their IDA. Include the contributions made during 2019 and write in the total on Form N-15, line 34 "IDA Contribution" in the space to the left of the total.
- Jury duty pay if you gave the pay to your employer because your employer paid your salary while you served on the jury. Include the amount you repaid during 2019 and write in the total on Form N-15, line 34 "Jury Pay" in the space to the left of the total.
- Nontaxable amount of the value of Olympic and Paralympic medals and USOC prize money reported on line 19. Identify as "USOC."
- Attorney fees and court costs paid for actions involving certain unlawful discrimination claims, but only to the extent of gross income from such actions. Include the attorney fees and court costs paid during 2019 in the total on line 34 and write "UDC" in the space to the left of the total. For more information, see federal Publication 525.
- Attorney fees and court costs you paid in connection with an award from the IRS for information you provided that helped the IRS detect tax law violations, up to the amount of the award includible in your gross income. Include the attorney fees and court costs paid during 2019 in the total on line 34 and write "WBF" in the space to the left of the total.

Line 35
Adjusted Gross Income

Line 20 minus line 34. If line 35 is less than zero (0), you may have a net operating loss. For more information on net operating losses, see page 18.

If line 35 is a negative number, shade the minus (-) in the box to the left of the amount boxes.

Line 36
Federal Adjusted Gross Income (Federal AGI)

Report the federal AGI from the appropriate line of federal Form 1040 or 1040-SR. If you are not required to file a federal income tax return, use federal Form 1040 as a worksheet to determine the amount to report as your federal AGI.

If you are filing a joint return for federal income tax purposes and a married filing separate return for state income tax purposes, use federal Form 1040 as a worksheet to determine the amount to report as your federal AGI. Your federal AGI must be calculated as if you are filing a federal married filing separate return.

Note: *Since the federal government does not recognize civil unions as married individuals for federal income tax purposes, civil unions will continue to file as unmarried individuals on their federal income tax returns. Therefore, they should use federal Form 1040 as a worksheet to determine the amount to report as their federal AGI. Their federal AGI must be calculated as if they are filing a federal married filing joint return or a federal married filing separate return.*

If the federal AGI is a negative number, shade the minus (-) in the box to the left of the amount boxes.

Deductions and Taxable Income Computation

Line 37

Ratio of Hawaii AGI to Total AGI

Divide line 35, Column B, by line 35, Column A. Compute the ratio to 3 decimal places and round it to 2 decimal places. For example, line 35, Column A is $90,000; and line 35, Column B is $60,000. The ratio of Hawaii AGI to total AGI is 0.67 (60,000/90,000 = 0.666 rounded to 0.67).

Note: *If line 35, Column A is zero or a negative number (loss) and line 35, Column B is a positive number, enter 1.00 on line 37. If line 35, Column B is zero or a negative number (loss), enter zero on line 37. If both line 35, Columns A and B are negative numbers (losses), enter zero on line 37. If line 35, Column B is greater than line 35, Column A, enter 1.00 on line 37. If Column A is not completed, enter zero on line 37.*

***Note: If you can be claimed as a dependent on another person's return fill in the oval under line 37**. Complete the worksheet on page 27 and enter the appropriate amount on line 40a if you do not itemize your deductions.*

Lines 38a to 38f

Itemized Deductions

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

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

You will fall into one of the following three classes:

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

The three classes are described as follows:

You MUST Itemize Deductions

You must itemize deductions if:

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

You Choose to Itemize

You may choose to itemize your deductions if you are:

- Married and filing a joint return, or a Qualifying widow(er), and your itemized deductions are more than $4,400 multiplied by your ratio of Hawaii AGI to Total AGI.
- Married and filing a separate return, or Single, and your itemized deductions are more than $2,200 multiplied by your ratio of Hawaii AGI to Total AGI.
- A Head of Household, and your itemized deductions are more than $3,212 multiplied by your ratio of Hawaii AGI to Total AGI.
- A dependent of another taxpayer and your itemized deductions are more than the greater of (1) $500; or (2) your earned income up to the amount of the standard deduction for your filing status; multiplied by your ratio of Hawaii AGI to Total AGI.

You Do Not Itemize

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

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

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

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

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

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

Deductions in this class include:

(a) All the ordinary and necessary expenses of conducting a business;

(b) Income tax paid to Hawaii;

(c) Interest paid in connection with taxable income;

(d) Casualty losses incurred in a trade or business; and

(e) Losses sustained in transactions entered into for profit in real property and tangible personal property.

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

(a) Real property tax on a residence located in Hawaii;

(b) Interest on a mortgage connected with property located in Hawaii; and

(c) Casualty and theft losses on nonbusiness property located in Hawaii allowed only to the extent that the total losses, after the $100 deduction, exceed 10% of the Hawaii adjusted gross income.

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

(a) Medical expenses; and

(b) Contributions.

If you do itemize, your deductions are generally figured on *Worksheets NR-1 to NR-6* on page 42 if you are a nonresident, or on *Worksheets PY-1 to PY-6* on page 43 if you are a part-year resident. Enter the amounts on Form N-15, lines 38a to 38f.

Line 38a

Medical and Dental Expenses

Note: *All tax payers are subject to the 10% threshold for the itemized deduction for medical expenses, effective for taxable years beginning after December 31, 2018.*

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

You can deduct only the part of your medical and dental expenses that exceeds 10% of your Hawaii adjusted gross income.

Include medical and dental bills you paid for:

- Yourself.
- Your spouse.
- All dependents you claim on your return.
- Your child whom you do not claim as a dependent because of the rules explained on page 10 for *Children of divorced or separated parents.*
- Any person you could have claimed as a dependent on your return except that person received $4,200 or more of gross income or filed a joint return.

- Any person you could have claimed as a dependent except that you, or your spouse if filing jointly, can be claimed as a dependent on someone else's 2019 return.

Example — You provided over half of your mother's support but cannot claim her as a dependent because she received $4,200 of wages during 2019. If part of your support was the payment of her medical bills, you can include that part in your medical expenses.

You should include all amounts you paid during 2019, but do not include amounts repaid to you, or paid to anyone else, by hospital, health or accident insurance, or by your employer, or paid through a medical savings account or health savings account.

Examples of Medical and Dental Payments You CAN Deduct

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

- Insurance premiums for medical and dental care, including premiums for qualified long-term care contracts, subject to dollar limitations based on a person's age. See the instructions to federal Form 1040 for the dollar limits.
- Prescription medicines or insulin.
- Acupuncturists, chiropractors, dentists, eye doctors, medical doctors, occupational therapists, osteopathic doctors, physical therapists, podiatrists, psychiatrists, psychoanalysts (medical care only), and psychologists.
- Medical examinations, X-ray and laboratory services, insulin treatment, and whirlpool baths the doctor ordered.
- Diagnostic tests, such as a full-body scan, pregnancy test, or blood sugar test kit.
- Nursing help. If you paid someone to do both nursing and housework, you can deduct only the cost of nursing help.
- Hospital care (including meals and lodging), clinic costs, and lab fees.
- Qualified long-term care services.
- The supplemental part of Medicare insurance (Medicare B).
- The premiums you pay for Medicare Part D insurance.
- A program to stop smoking and for prescription medicines to alleviate nicotine withdrawal.
- A weight-loss program as treatment for a specific disease (including obesity) diagnosed by a doctor.
- Medical treatment at a center for drug or alcohol addiction.
- Medical aids such as eyeglasses, contact lenses, hearing aids, braces, crutches, wheelchairs, and guide dogs, including the cost of maintaining them.
- Surgery to improve defective vision, such as laser eye surgery or radial keratotomy.
- Lodging expenses (but not meals) while away from home to receive medical care in a hospital or a medical care facility related to a hospital, provided there was no significant element of personal pleasure, recreation, or vacation in the travel. Don't deduct more than $50 a night for each eligible person.
- Ambulance service and other travel costs to get medical care. If you used your own car, you can claim what you spent for gas and oil to go to and from the place you received the care; or you can claim 20 cents per mile. Add parking and tolls to the amount you claim under either method.
- Cost of breast pumps and supplies that assist lactation.
- Cosmetic surgery that was necessary to improve a deformity related to a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease.

Examples of Medical and Dental Payments You CANNOT Deduct

You cannot deduct the following:

- The cost of diet food.
- Cosmetic surgery unless it was necessary to improve a deformity related to a congenital abnormality, an injury from an accident or trauma, or a disfiguring disease.

  Note: *If expenses for cosmetic surgery are **NOT** deductible as medical expenses, then amounts paid for insurance coverage for such expenses are NOT deductible. Furthermore, if an employer health plan reimburses you for such expenses, the reimbursement must be included in your gross income.*
- Life insurance or income protection policies.
- The Medicare tax on your wages and tips or the Medicare tax paid as part of the self-employment tax or household employment taxes.
- The basic cost of Medicare Insurance (Medicare A).

  Note: *If you were 65 or over but not entitled to social security benefits, you may deduct premiums you voluntarily paid for Medicare A coverage.*
- Nursing care for a healthy baby. (Part-year residents may qualify for the credit for child and dependent care expenses; see Schedule X, Part II.)
- Illegal operations or drugs.
- Imported drugs not approved by the U.S. Food and Drug Administration (FDA). This includes foreign-made versions of U.S.-approved drugs manufactured without FDA approval.
- Nonprescription medicines, other than insulin (including nicotine gum and certain nicotine patches).
- Travel your doctor told you to take for rest or a change.
- Funeral, burial, or cremation costs.

Nonresidents: Consult the instructions above to see which medical and dental expenses you may deduct. Complete *Worksheet NR-1* on page 42.

Part-year residents: Consult the instructions above to see which medical and dental expenses you may deduct. Complete *Worksheet PY-1* on page 43.

Line 38b

Taxes

Note: *Act 27, Session Laws of Hawaii 2018 (1) does not adopt the federal provision that limits the deduction for state and local taxes to $10,000 ($5,000 for a married taxpayer filing a separate return) for tax years 2018 through 2025, but (2) does adopt the federal provision that foreign real property taxes cannot be deducted for tax years 2018 through 2025.*

Note: *If you claim a credit for income taxes paid to other states and countries, you cannot also claim those amounts as an itemized deduction for state and foreign income taxes paid to another state or foreign country.*

Note: *Taxpayers can claim a deduction for state and local, and foreign, income, war profits, and excess profits taxes (or state and local general sales taxes if an election is made to deduct state and local general sales taxes instead of state and local income taxes) if their **federal** adjusted gross income is less than $100,000 and they are single or married filing separately; or less than $150,000 and they are a head of household; or less than $200,000 and they are married filing jointly or a qualifying widow(er).*

Certain taxes you paid during the year can be deducted.

Taxes You CAN Deduct

Note: *You can elect to deduct state and local general sales taxes instead of state and local income taxes. You cannot deduct both.*

State and Local Income Taxes

If you will deduct state and local income taxes, check box a on line 8 of Worksheet NR-2 or PY-2.

Include on this line:

- State and local income taxes withheld from your salary (as shown on your federal Form W-2) and withheld from your unemployment compensation (as shown on your federal Form 1099-G);
- State and local income taxes paid in 2019 for a prior year, such as taxes paid with your 2018 state or local income tax return;
- State and local estimated tax payments made during 2019, including any part of a prior year refund that you chose to have credited to your 2019 state or local income taxes; and
- The NET amount of taxes withheld from the sale of Hawaii real property interests.

If you are a federal employee receiving a Cost Of Living Allowance (COLA), not all of your Hawaii income taxes are deductible for federal purposes. See IRS Revenue Ruling 74-140, 1974-1 C.B. 50, for more information. Enter on line 8a of *Worksheet PY-2* on page 43 the **entire** amount of state and local income taxes you paid in 2019, even if you reported a different amount on federal Form 1040, Schedule A.

Do not reduce your deduction by any:

- State or local income tax refund or credit you expect to receive for 2019, or
- Refund of, or credit for, prior year state and local income taxes you actually received in 2019. Instead, see the instructions for Form N-15, line 10.

For more information about the treatment of taxes withheld from the sale of real property interests, see Tax Facts 2010-1, *"Understanding HARPTA," and* Tax Information Release No. 2017-01, *"Withholding of State Income Taxes on the Disposition of Hawaii Real Property."*

State and Local General Sales Taxes

Note: *For purposes of the deduction for state and local general sales taxes, Hawaii's general excise tax will qualify as a "sales tax."*

If you elect to deduct state and local general sales taxes, check box b on line 8 of Worksheet NR-2 or PY-2. To figure your deduction, you can use either your actual expenses or the optional sales tax tables.

Actual Expenses. Generally, you can deduct the actual state and local general sales taxes (including compensating use taxes) you paid in 2019 if the tax rate was the same as the general sales tax rate. However, sales taxes on food, clothing, medical supplies, and motor vehicles are deductible as a general sales tax even if the tax rate was less than the general sales tax rate. If you paid sales tax on a motor vehicle at a rate higher than the general sales tax rate, you can deduct only the amount of tax that you would have paid at the general sales tax rate on that vehicle. Motor vehicles include cars, motorcycles, motor homes, recreational vehicles, sport utility vehicles, trucks, vans, and off-road vehicles. Also include any state and local general sales taxes paid for a leased motor vehicle. Do not include sales taxes paid on items used in your trade or business.

Note: *You must keep your actual receipts showing general sales taxes paid to use this method.*

Refund of general sales taxes. If you received a refund of state or local general sales taxes in 2019 for amounts paid in 2019, reduce your actual 2019 state and local general sales taxes by this amount. If you received a refund of state or local general sales taxes in 2019 for prior year purchases, do not reduce your 2019 state and local general sales taxes by this amount. But if you deducted your actual state and local general sales taxes in the earlier year and the deduction reduced your tax, you may have to include the refund in income on Form N-15, line 19. See Recoveries in federal Publication 525 for details.

Optional Sales Tax Tables. Instead of using your actual expenses, you can use the tables in the instructions for federal Schedule A (Form 1040 or 1040-SR) to figure your state and local general sales tax deduction. You may also be able to add the state and local general sales taxes paid on certain specified items.

To figure your state and local general sales tax deduction using the tables, see the instructions for federal Schedule A (Form 1040 or 1040-SR).

Real Estate Taxes

Note: *You cannot deduct foreign taxes you paid on real estate for tax years 2018 through 2025.*

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

If your mortgage payments include your real estate taxes, you can deduct only the amount the mortgage company actually paid to the taxing authority in 2019.

Personal Property Taxes

Include personal property taxes you paid, but only if the taxes were based on value alone and were imposed on a yearly basis.

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

Other Taxes

Include any other deductible tax such as foreign income taxes.

Taxes You CANNOT Deduct

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

Nonresidents: Consult the instructions above to see which taxes you may deduct. Please note that you may only deduct Hawaii income taxes paid or withheld (or general sales taxes multiplied by the ratio of Hawaii adjusted gross income to total adjusted gross income from all sources), and real estate taxes paid on property located in Hawaii. Complete *Worksheet NR-2* on page 42.

Part-year residents: Consult the instructions above to see which taxes you may deduct. Complete *Worksheet PY-2* on page 43.

Line 38c

Interest Expense

Note: *Act 27, Session Laws of Hawaii 2018, does not adopt the federal provisions that (1) suspends the deduction for interest paid on home equity loans, and (2) lowers the dollar limit on mortgages qualifying for the home mortgage interest deduction for tax years 2018 through 2025.*

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

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

Home Mortgage Interest

A home mortgage is any loan that is secured by your main home or second home. It includes first and second mortgages, home equity loans, and refinanced mortgages.

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

Limit on home mortgage interest. If you took out any mortgages after October 13, 1987, your deduction may be limited. Any additional amounts borrowed after October 13, 1987, on a line-of-credit mortgage you had on that date are treated as a mortgage taken out after October 13, 1987. If you refinanced a mortgage you had on October 13, 1987, treat the new mortgage as taken out on or before October 13, 1987. But if you refinanced for more than the balance of the old mortgage, treat the excess as a mortgage taken out after October 13, 1987.

See 2017 federal Publication 936 to figure your deduction if either (1) or (2) next applies. If you had more than one home at the same time, the dollar amounts in (1) and (2) apply to the total mortgages on both homes.

1. You, or your spouse if filing jointly, took out any mortgages after October 13, 1987, and used the proceeds for purposes other than to buy, build, or improve your home, and all of these mortgages totaled over $100,000 at any time during 2019. The limit is $50,000 if married filing separately. An example of this type of mortgage is a home equity loan used to pay off credit card bills, buy a car, or pay tuition.
2. You, or your spouse if filing jointly, took out any mortgages after October 13, 1987, and used the proceeds to buy, build, or improve your home, and these mortgages plus any mortgages you took out on or before October 13, 1987, totaled over $1 million at any time during 2019. The limit is $500,000 if married filing separately.

Note: *If the total amount of all mortgages is more than the fair market value of the home, additional limits apply. See the 2017 federal Publication 936.*

Investment Interest Deduction

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

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

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

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

- Your investment interest expense is not more than your investment income from interest and ordinary dividends.
- You have no other deductible investment expenses.
- You have no disallowed investment interest expense from 2018.

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

Interest Expense You CANNOT Deduct

Do not include the interest you paid for —

- Personal interest (interest on car loans and finance charges on credit cards).
- Service charges.
- Annual fees for credit cards.

- Loan fees.
- Credit investigation fees.
- Interest to purchase or carry tax-exempt securities.

Nonresidents: Consult the instructions above to see which interest expense you may deduct. Please note that you may only deduct home mortgage interest secured by a property located in Hawaii and points paid thereon. Complete *Worksheet NR-3* on page 42.

Part-year residents: Consult the instructions above to see which interest expense you may deduct. Complete *Worksheet PY-3* on page 43.

Line 38d

Gifts to Charity

Note: *Act 27, Session Laws of Hawaii 2018, adopts the federal provisions that increases the adjusted gross income limitation on cash contributions from 50% to 60%, effective for contributions made in tax years 2018 through 2025.*

Contributions You CAN Deduct

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

Examples of these organizations are:

- Churches, mosques, synagogues, temples, etc.
- Boy Scouts, Boys and Girls Clubs of America, CARE, Girl Scouts, Goodwill Industries, Red Cross, Salvation Army, United Way, etc.
- Fraternal orders, if the gifts will be used for the purposes listed above.
- Veterans' and certain cultural groups.
- Nonprofit hospitals and medical research organizations.
- Most nonprofit educational organizations, such as colleges, but only if your contribution is not a substitute for tuition or other enrollment fees.
- Federal, state, and local governments if the gifts are solely for public purposes.

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

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

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

Gifts of $250 or More. You can deduct a gift of $250 or more only if you have a statement from the charitable organization showing the following information:

- The amount of any money contributed and a description (but not value) of any property donated.
- Whether the organization did or did not give you any goods or services in return for your contribution. If you did receive any goods or services, a description and estimate of the value must be included. If you received only intangible religious benefits (such as admission to a religious ceremony), the organization must state this, but it does not have to describe or value the benefit.

In figuring whether a gift is $250 or more, do not combine separate donations. For example, if you gave your church $25 each week for a total of $1,300, treat each $25 payment as a separate gift. If you made donations through payroll deductions, treat each deduction from each paycheck as a separate gift. See federal Publication 526 if you made a separate gift of $250 or more through payroll deduction.

Note: *You must get the statement by the date you file your return or the due date (including extensions) for filing your return, whichever is earlier. Do not attach the statement to your return. Instead, keep it for your records.*

Limit on the amount you can deduct. See federal Publication 526 to figure the amount of your deduction if **any** of the following applies:

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

Contributions You CANNOT Deduct

- An amount paid to or for the benefit of a college or university in exchange for the right to purchase tickets to an athletic event in the college or university's stadium.
- Travel expenses (including meals and lodging) while away from home performing donated services, unless there was no significant element of personal pleasure, recreation, or vacation in the travel.
- Political contributions.
- Dues, fees, or bills paid to country clubs, lodges, fraternal orders, or similar groups.
- Cost of raffle, bingo, or lottery tickets.
- Value of your time or services.
- Value of blood given to a blood bank.
- The transfer of a future interest in tangible personal property (generally until the entire interest has been transferred).
- Gifts to:
  a. Individuals and groups that are run for personal profit.
  b. Foreign organizations.
  c. Organizations engaged in certain political activities that are of direct financial interest to your trade or business.
  d. Groups whose purpose is to lobby for changes in the law.
  e. Civic leagues, social and sports clubs, labor unions, and chambers of commerce.
- Value of benefits received in connection with a contribution to a charitable organization.
- Cost of tuition.

Gifts by Cash or Check

On *Worksheet NR-4*, line 16; or *Worksheet PY-4*, line 30; enter the total contributions you made in cash or by check (including out-of-pocket expenses).

Recordkeeping. For any contribution made in cash, regardless of the amount, you must maintain as a record of the contribution a bank record (such as a canceled check or credit card statement) or a written record from the charity. The written record must include the name of the charity, date, and amount of the contribution. If you made contributions through payroll deduction, see federal Publication 526 for information on the records you must keep. Do not attach the record to your tax return. Instead, keep it with your other tax records.

Other Than by Cash or Check

On *Worksheet NR-4*, line 17; or *Worksheet PY-4*, line 31; enter the total contributions you made other than by cash or check. If you gave used items, such as clothing or furniture, deduct their fair market value at the time you gave them. Fair market value is what a willing buyer would pay a willing seller when neither has to buy or sell and both are aware of the conditions of the sale. For more details on determining the value of donated property, see federal Publication 561.

If the amount of your deduction is more than $500, you must complete and attach federal Form 8283. For this purpose, the "amount of your deduction" means your deduction before applying any income limits that could result in a carryover of contributions. If you deduct more than $500 for a contribution of a motor vehicle, boat, or airplane, you must also attach a statement from the charitable organization to your return. If your total deduction is over $5,000 ($500 for certain contributions of clothing and household items), you may also have to get appraisals of the values of the donated property. See federal Form 8283 and its instructions for more information.

Contributions of clothing and household items. A deduction for these contributions will be allowed only if the items are in good used condition or better. However, this rule does not apply to a contribution of any single item for which a deduction of more than $500 is claimed and for which you include a qualified appraisal and federal Form 8283 with your tax return.

Recordkeeping. If you gave property, you should keep a receipt or written statement from the organization you gave the property to, or a reliable written record, that shows the organization's name and address, the date and location of the gift, and a description of the property. For each gift of property, you should also keep reliable written records that include:

- How you figured the property's value at the time you gave it. If the value was determined by an appraisal, keep a signed copy of the appraisal.
- The cost or other basis of the property if you must reduce it by any ordinary income or capital gain that would have resulted if the property had been sold at its fair market value.

- How you figured your deduction if you chose to reduce your deduction for gifts of capital gain property.
- Any conditions attached to the gift.

Nonresidents: Consult the instructions above to see which contributions you may deduct. Complete *Worksheet NR-4* on page 42.

Part-year residents: Consult the instructions above to see which contributions you may deduct. Complete *Worksheet PY-4* on page 43.

Line 38e

Casualty and Theft Losses

Note: *Act 27, Session Laws of Hawaii 2018, does not adopt the federal provision that (1) limits the personal casualty loss deduction for property losses (not used in connection with a trade or business or transaction entered into for profit) to apply only to losses incurred as a result of federally-declared disasters for losses arising in tax years 2018 through 2025, and (2) waives the requirement that casualty losses from qualified disasters exceed 10% of adjusted gross income to be deductible, and that such losses must exceed $500.*

Use line 38e to report casualty or theft loss(es) of property that is not used in a trade or business, or for income-producing purposes.

Losses You CAN Deduct

You may be able to deduct part or all of each loss caused by theft, vandalism, fire, storm, or similar causes; car, boat, and other accidents; and corrosive drywall. You may also be able to deduct money you had in a financial institution but lost because of the insolvency or bankruptcy of the institution.

If your property is covered by insurance, you must file a timely insurance claim for reimbursement of your loss. Otherwise, you cannot deduct the loss as a casualty or theft loss. However, the part of the loss that is not covered by insurance is still deductible. You can deduct personal casualty or theft losses only to the extent that:

a. The amount of EACH separate casualty or theft loss is more than $100, and
b. The total amount of ALL losses during the year (reduced by the $100 limit) is more than 10% of your adjusted gross income on Form N-15, line 35, column B.

Corrosive drywall losses. If you paid for repairs to your personal residence or household appliances because of corrosive drywall, you may be able to deduct those amounts paid. See federal Publication 547 for details.

Use Worksheet NR-6, line 25 or Worksheet PY-6, line 46 to deduct the costs of proving that you had a property loss. Examples of these costs are appraisal fees and photographs used to establish the amount of your loss.

Losses You CANNOT Deduct

- Money or property misplaced or lost.
- Accidental breaking of articles such as glassware or china under normal conditions.
- Damage due to progressive deterioration (steady weakening of a building due to normal wind and weather conditions; termite or moth damage; damage or destruction of trees, shrubs, or other plants by a fungus, disease, insects, worms, or similar pests).

Nonresidents: Complete the 2017 federal Form 4684, Casualties and Thefts, to figure your loss. Please note that the property must be in Hawaii and the casualty and theft loss must have occurred in Hawaii. Write the amount from the 2017 federal Form 4684, line 16 on line 21 of *Worksheet NR-5* on page 42, fill in *Worksheet NR-5*, and attach a copy of the 2017 federal Form 4684 to Form N-15.

Part-year residents: Complete the 2017 federal Form 4684, Casualties and Thefts, to figure your loss. Please note that for the period of nonresidency, the property must be in Hawaii and the casualty and theft loss must have occurred in Hawaii. Write the amount from the 2017 federal Form 4684, line 16 on line 35 of *Worksheet PY-5* on page 43, fill in Worksheet PY-5, and attach a copy of the 2017 federal Form 4684 to Form N-15.

Line 38f

Miscellaneous Deductions

Note: *Act 27, Session Laws of Hawaii 2018, does not adopt the federal provision that suspends all miscellaneous itemized deductions that are subject to the 2% floor for tax years 2018 through 2025.*

In General

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

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

The 2% limit does not apply to certain other miscellaneous expenses that you may deduct. These expenses, such as gambling losses (to the extent of winnings) and certain job expenses of handicapped employees, can be deducted in full. See the 2017 federal Publication 529, Miscellaneous Deductions, for more information.

Expenses Subject to the 2% Limit

Employee Business Expenses

Note: *The 2019 standard mileage rate for business use of your vehicle is 58 cents a mile.*

Report job expenses you paid for which you were not reimbursed. Complete the 2017 federal Form 2106 or 2106-EZ and attach it to Form N-15 if:

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

Examples of employee business expenses to include are:

- Travel, transportation, meal, or entertainment expenses.
- Union dues.
- Safety equipment, small tools, and supplies you needed for your job.
- Uniforms required by your employer that are not suitable for ordinary wear.
- Protective clothing required in your work, such as hard hats, safety shoes, and glasses.
- Physical examinations required by your employer.
- Dues to professional organizations and chambers of commerce.
- Subscriptions to professional journals.
- Fees to employment agencies and other costs to look for a new job in your present occupation, even if you do not get a new job.
- Certain business use of part of your home, but only if you use that part regularly and exclusively for business purposes and for the convenience of your employer. For details, including limits that apply, see the 2017 federal Publication 587, Business Use of Your Home.
- Certain education expenses you paid that meet at least one of the following two tests.
  1. The education is required by your employer or the law to keep your present salary, status, or job. The required education must serve a bona fide business purpose of your employer.
  2. The education maintains or improves skills needed in your present work.

Some education expenses are not deductible. See *Expenses You MAY NOT Deduct* on page 27.

Tax Preparation Fees

Report the fees you paid for preparation of your federal and Hawaii tax return, including fees paid for filing your return electronically.

Other Expenses

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

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

- Safe deposit box rental.
- Certain legal and accounting fees.
- Clerical help and office rent.
- Custodial (e.g., trust account) fees.
- Your share of the investment expenses of a regulated investment company.
- Certain losses on nonfederally insured deposits in an insolvent or bankrupt financial institution. For details, including limits that apply, see the 2017 federal Publication 529.
- Casualty and theft losses of property used in performing services as an employee.
- Deduction for repayment of amounts under a claim of right. See *Repayments* in the 2017 federal Publication 525, Taxable and Nontaxable Income, for more information.

- Convenience fee charged by the card processor for paying your income tax (including estimated tax payments) by credit or debit card. The deduction is claimed for the year in which the fee was charged to your card.

Expenses NOT Subject to the 2% Limit

Other Deductions

Report only the following expenses:

- Gambling losses, but only to the extent of gambling winnings that were reported on Form N-15, line 19.

  Note: *Act 27, Session Laws of Hawaii 2018, adopts the federal provision that defines losses from wagering transactions to include any otherwise allowable deduction incurred in carrying on wagering transactions (e.g., traveling to and from a casino) for tax years 2018 through 2025.*

- Casualty and theft losses of income-producing property.
- Hawaii estate and transfer tax.
- Amortizable bond premium on bonds acquired before October 23, 1986.
- Certain unrecovered investment in an annuity (IRC section 72(b)(3)). For details, see the 2017 federal Publication 575, Pension and Annuity Income.
- Impairment-related work expenses of a disabled person.

List the type and amount of each expense and attach a copy of the list to your return. For more information on these expenses, see the 2017 federal Publication 529, Miscellaneous Deductions.

Note: *Repayments under a claim of right over $3,000 are subject to the 2% limitation for Hawaii income tax purposes.*

Expenses You MAY NOT Deduct

Some expenses are not deductible at all. Examples are:

- Political contributions.
- Legal expenses for personal matters that do not produce taxable income.
- Lost or misplaced cash or property.
- Expenses for meals during regular or extra work hours.
- The cost of entertaining friends.
- Commuting expenses.
- Travel expenses for employment away from home if that period of employment exceeds one year.
- Travel as a form of education.
- Expenses of attending a seminar, convention, or similar meeting unless it is related to your employment.
- Club dues.
- Expenses of adopting a child.
- Fines and penalties.
- Expenses of producing tax-exempt income, except for expenses for royalties and other income derived from any patents, copyrights, and trade secrets by an individual or a qualified high technology business.
- Education that:
  1. Is needed to meet the minimum educational requirements of your present trade or business, or
  2. Is part of a program of study that will qualify you for a new trade or business.

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

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

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

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

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

Part-year residents: Consult the instructions above to see which miscellaneous deductions you may deduct.

Line 39

Total Itemized Deductions

Dependents

If your parent (or someone else) can claim you as a dependent on his or her return (even if that person chose not to claim you), fill in the oval above line 38. If you are claiming the standard deduction, see Standard Deduction for Dependents on this page to figure your standard deduction.

Itemized Deductions

Note: *Act 27, Session Laws of Hawaii 2018, does not adopt the federal provision that suspends the overall limitation on itemized deductions for tax years 2018 through 2025.*

Note: *Taxpayers with Hawaii adjusted gross income above a certain amount will lose part of their itemized deductions.*

Your state income tax will be less if the total of your itemized deductions is larger than your prorated standard deduction. To figure your itemized deductions, fill in lines 38a to 38f.

Add lines 38a through 38f, and enter the result on line 39 if the amount on line 35, Column B (Hawaii adjusted gross income) is $166,800 or less ($83,400 if married filing separately).

You may not be able to deduct all of your itemized deductions if the amount on line 35, Column B (Hawaii adjusted gross income) is more than $166,800 ($83,400 if married filing separately).

Use the *Total Itemized Deductions Worksheet* on page 44 to figure the amount you may deduct.

Line 40a

Standard Deduction

Note: *Act 27, Session Laws of Hawaii 2018, does not adopt the federal provision that increases the standard deduction amounts for tax years 2018 through 2025.*

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

Filing Status	Standard Deduction
Single	$2,200
Married filing jointly	4,400
Married filing separately	2,200
Head of Household	3,212
Qualifying Widow(er)	4,400

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

A. Enter your earned income (defined below). If none, enter zero. .... **A.** ________

B. Minimum amount .... **B.** 500.00

C. **Compare** the amounts on lines A and B above. Enter the LARGER of the two amounts here .... **C.** ________

D. Maximum amount. Enter the full standard deduction for your filing status, shown in the chart, here .... **D.** ________

E. **Compare** the amounts on lines C and D above. Enter the SMALLER of the two amounts here and on Form N-15, line 40a. .... **E.** ________

Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any taxable scholarship or fellowship grant. Generally, your earned income is the total of the amount(s) you reported on Form N-15, lines 7 and 12, Column A, minus the amount, if any, on line 26, Column A.

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

Line 40b

Prorated Standard Deduction

Multiply line 40a by the ratio on line 37.

Line 41

Line 35, Column B minus line 39 or 40b, whichever applies. This line MUST be filled in. If line 41 is a negative number, shade the minus (-) in the box to the left of the amount boxes.

Line 42a

Exemptions

Note: *Act 27, Session Laws of Hawaii 2018, does not adopt the federal provision that suspends the deduction for personal exemptions for tax years 2018 through 2025.*

Caution: If you can be claimed as a dependent on another person's tax return, you may not claim an exemption for yourself.

Regular Exemptions

Multiply $1,144 by the total number of exemptions you claimed on line 6e.

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

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

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

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

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

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

A blind, deaf or totally disabled person who qualifies, may be allowed a Disability Exemption of $7,000. The Disability Exemption is in lieu of the regular personal exemption of $1,144. The following maximum exemptions are allowed:

One individual (any filing status) —	$7,000
Taxpayer and Spouse (non-disabled spouse *under* 65) —	$8,144
Taxpayer and Spouse (non-disabled spouse age 65 or over) —	$9,288
Taxpayer and Spouse (both disabled) —	$14,000

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

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

Also, see the administrative rules relating to substantial gainful business or occupation (section 18-235-1.14(d), HAR).

Line 42b

Prorated Exemption

Multiply line 42a by the ratio on line 37.

Line 43

Taxable Income

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

Note: *Act 27, Session Laws of Hawaii 2018, does not adopt the federal provision that allows a deduction for qualified business income from a partnership, S corporation, or sole proprietorship for tax years 2018 through 2025.*

Tax Computation

Line 44

Tax

To figure your tax, you will use one of the following methods. Read the conditions below to see which you should use, and fill in the appropriate oval on line 44 if you use the tax table, tax rate schedules, or alternative tax on capital gains. Fill in the oval for tax from the applicable forms if you use Form N-168 or Form N-615. Then, go to the Tax Computation Worksheet on page 45.

Tax Table

If your taxable income is less than $100,000, you MUST use the Tax Table at **tax.hawaii.gov/forms/** to find your tax.

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

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

Tax Rate Schedules

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

Form N-168

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

Form N-615

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

Alternative Tax on Capital Gains

If you have a **Hawaii** net capital gain, you may be able to reduce your tax using the *Tax on Capital Gains Worksheet* on page 44 if your taxable income is over $48,000 ($24,000 for Single, and Married Filing Separately, or $36,000 for Head of Household classifications). If your taxable income is $48,000 ($24,000 for Single, and Married Filing Separately, or $36,000 for Head of Household classifications) or under, do not use the *Tax on Capital Gains Worksheet* on page 44.

Total Tax Liability

Use the *Tax Computation Worksheet* on page 45 to figure your total tax liability.

Refundable Credits

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

Line 45

Refundable Food/Excise Tax Credit

If your **federal** adjusted gross income was less than $50,000 (less than $30,000 if your filing status is Single), you may qualify for this credit.

For more information, see Form N-311, Refundable Food/Excise Tax Credit.

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.*

To claim this credit. Complete Form N-311 and attach it to your return.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Line 46

Credit for Low-Income Household Renters

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

If you occupy and pay rent for real property within the State as your residence, your total adjusted gross income was less than $30,000, and the rent you paid during 2019 was more than $1,000, you may qualify for this credit. See the instructions for Schedule X, Part I, on page 38.

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.*

To claim this credit. Complete Schedule X, Part I, and attach it to your return.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Line 47

Credit for Child and Dependent Care Expenses

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

Certain payments made for child and dependent care (including payments made to the State of Hawaii A+ Program) may be claimed as a credit against your tax due. See the instructions for Schedule X, Part II, on page 39.

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.*

To claim this credit. Complete Schedule X, Part II, and attach it to your return.

Line 48

Credit for Child Passenger Restraint System

Each individual taxpayer who files an individual income tax return for the taxable year may claim a tax credit for 2019 for the purchase of **one or more new** child passenger restraint systems which comply with federal motor vehicle safety standards.

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

To claim this credit. Enter $25 on line 48, and attach a copy of the sales invoice, which states the type of child restraint system purchased, to your return.

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

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

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Line 49

Total Refundable Tax Credits from Schedule CR

If you are claiming any of the following refundable tax credits, you must use Schedule CR, Schedule of Tax Credits, to summarize the total refundable tax credits claimed. Complete Part II of Schedule CR, and enter the amount from Schedule CR, line 28, on Form N-15, line 49. Attach Schedule CR directly behind Form N-15.

The following refundable tax credits are included on Schedule CR:

Capital Goods Excise Tax Credit

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

For more information, see the instructions for Form N-312, Tax Information Release No. 88-6, "*Capital Goods Excise Tax Credit,*" Tax Information Release No. 88-8, "*Capital Goods Excise Tax Credit Recapture*," Tax Information Release No. 89-4, "*The Taxpayer Who Is Entitled To The Capital Goods Excise Tax Credit When The Parties Characterize A Transaction As A Lease Or Sale-Leaseback*," and Tax Information Release No. 2001-4, *"The Definition of "Cost"; The Payment of Tax Requirement; and Safe Harbor Guidelines Pertaining to the Capital Goods Excise Tax Credit."*

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

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Fuel Tax Credit for Commercial Fishers

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

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

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Motion Picture, Digital Media, and Film Production Income Tax Credit

Note: *Act 275, Session Laws of Hawaii 2019, increases the annual cap for the motion picture, digital media, and film production income tax credit to $50,000,000, effective for taxable years beginning after December 31, 2018.*

A taxpayer may claim an income tax credit of (1) 20% of the qualified production costs incurred before January 1, 2026, by a qualified production in the City and County of Honolulu, and (2) 25% of the qualified production costs incurred before January 1, 2026, by a qualified production in the Kauai, Maui, or Hawaii county. The total tax credits claimed per qualified production shall not exceed $15,000,000.

For more information, see Form N-340, Motion Picture, Digital Media, and Film Production Income Tax Credit.

To claim this credit. Complete Form N-340 and Schedule CR and attach them to your return.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Refundable Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009)

If you install and place in service an eligible renewable energy technology system in Hawaii, you may qualify to claim this credit. You may claim the credit as nonrefundable or refundable. For information on how to claim the credit as nonrefundable, see the instructions for Nonrefundable Renewable Energy Technologies Income Tax Credit on page 32. A refundable credit means you will receive a tax refund if your credit amount is greater than the amount of income tax you owe. You may elect to claim the credit as a refundable credit under the following circumstances:

<u>Reduced Credit</u>

For a solar energy system such as a solar water heater or photovoltaic system, you must reduce the credit amount by 30% unless you meet the conditions described in the "Full Credit" paragraph.

<u>Full Credit</u>

For a solar or wind energy system, you may claim the full credit as a refundable credit if you are an individual taxpayer and any of the following apply:

(1) All your (and your spouse's) income is retirement income such as pension distributions, social security, or distributions from a public retirement system that is exempt from Hawaii income tax; or

(2) Your Hawaii adjusted gross income (AGI) is $20,000 or less ($40,000 or less if you are married filing a joint return).

<u>Irrevocable Election</u>

A taxpayer and spouse who do not file a joint tax return shall only be entitled to make this election to the extent that they would have been entitled to make the election had they filed a joint tax return.

Once an election is made to treat the tax credit as refundable, the election cannot be revoked. An amended return cannot be filed to change the tax credit from refundable to nonrefundable.

<u>Total Output Capacity</u>

A system classified under "other solar energy system" such as a photovoltaic system must meet the total output capacity requirement to qualify for the credit unless an exception applies.

The total output capacity requirements are:

- Single-family residential property — 5 kilowatts per system
- Multi-family residential property — 0.360 kilowatts per unit per system

• Commercial property — 1,000 kilowatts per system

For more information, see Form N-342 and its instructions, and Tax Information Release No. 2007-02, "*Relating to the Renewable Energy Technologies Income Tax Credit*," Tax Information Release No. 2010-10, "*Common Income Tax & General Excise Tax Issues Associated with the Renewable Energy Technologies Income Tax Credit, HRS §235-12.5*," and Tax Information Release No. 2012-01, "*Temporary Administrative Rules Relating to the Renewable Energy Technologies Income Tax Credit.*"

To claim this credit. Complete Form N-342 and Schedule CR and attach them to your return. Fill in the appropriate oval on Schedule CR to indicate the type of energy system.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Important Agricultural Land Qualified Agricultural Cost Tax Credit

Note: *The Department of Agriculture may certify important agricultural land qualified agricultural cost tax credits through the 2021 tax year.*

If you are claiming the important agricultural land qualified agricultural cost tax credit, see Form N-344 for information.

To claim this credit. Complete Form N-344 and Schedule CR and attach them to your return.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Tax Credit for Research Activities

Note: *Act 261, Session Law of Hawaii 2019, amends the Tax Credit for Research Activities by extending the credit through 2024, allowing the credit to be claimed for all qualified research expenses incurred in Hawaii without regard to the amount of expenses for previous years (base amount), and imposing an annual cap of $5,000,000, effective for taxable years beginning after December 31, 2019.*

For taxable years from 2013 to 2019, each qualified high technology business subject to Hawaii's income tax can claim an income tax credit for qualified research activities equal to the federal credit for increasing research activities provided by IRC section 41, provided that in order to qualify for this tax credit, the qualified high technology business shall also claim a federal tax credit for the same qualified research activities under IRC section 41. Qualified research expenses shall not include research expenses incurred outside Hawaii.

To claim this credit. Complete Form N-346 and Schedule CR and attach them to your return. Form N-346A, which must be certified, and your federal Form 6765 also must be attached to your return.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Other Credits

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

If the tax was withheld by a partnership, estate, trust or S corporation, and you are taxable on a pro rata share of the entity's gain on the sale, include ONLY the amount of your pro rata share of any net income taxes withheld and paid by the partnership, estate, trust or S corporation on Schedule CR, line 27a, and attach a copy of the Schedule K-1 issued to you by the partnership, estate, trust, or S corporation.

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

Credit From a Regulated Investment Company

A shareholder of a regulated investment company is allowed a credit for the tax paid to the State by the company on the amount of capital gains which by IRC section 852(b)(3)(D) is required to be included in the shareholder's return. The regulated investment company will notify you of the undistributed capital gains amount and the tax paid, if any. If this credit applies to you, include the amount on Schedule CR, line 27b, and attach an explanation.

Line 51

Line 44 minus line 50. Enter the result on this line.

If line 51 is a negative number, shade the minus (-) in the box to the left of the amount boxes.

If you are using nonrefundable credits to offset your adjusted tax liability (line 51), the total of the nonrefundable credits used cannot be greater than your adjusted tax liability. If line 51 is zero or less, nonrefundable tax credits may not be used. Even if you are not able to use the nonrefundable tax credits, complete the forms for any tax credits you qualify for, and attach the forms to your Form N-15. If the forms are not attached, no claim for the tax credit has been made, and you will lose the carryover of your unused tax credits.

Nonrefundable Credits

Line 52

Total Nonrefundable Tax Credits from Schedule CR

Note: *If line 51 is zero or less, no tax credit may be used. Enter zero on line 52.*

If you are claiming any nonrefundable tax credits, you must use Schedule CR, Schedule of Tax Credits, to summarize the total nonrefundable tax credits claimed. Complete Part I of Schedule CR, and enter the amount from Schedule CR, line 20, on Form N-15, line 52. Attach Schedule CR directly behind Form N-15. The following nonrefundable tax credits are included on Schedule CR:

Credit for Income Taxes Paid to Other States and Countries

Note: *If you claim a credit for income taxes paid to other states and countries, you cannot also claim those amounts as an itemized deduction for state and foreign income taxes paid to another state or foreign country.*

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

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

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

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

For more information, see section 235-55, HRS, and section 18-235-55, HAR.

To claim this credit. Complete the *Other State and Foreign Tax Credit Worksheet* on page 45. On line 5 of the worksheet, enter the net amount of tax paid to the other state after all credits, reductions, and refunds allowed or allowable by the laws of the other state have been deducted (net tax liability).

You must attach the following to your return:

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

Credit for Beneficiaries of Foreign Trusts

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

The trust will inform you of what your share of the trust's income is, and how much of it is long-term capital gains. Include these amounts on lines 3 and 4, respectively, of the *Other State and Foreign Tax Credit Worksheet* on page 45.

The trust will also tell you your share of the tax the trust paid to the other state. Find out how much of the trust's income was attributable to real property and tangible personal property (**not** including stocks, bonds, mortgages, and other intangibles). Divide that number by the total amount of the trust's income, and multiply your share of the out-of-state tax by that percentage. Include this amount on line 5 of the *Other State and Foreign Tax Credit Worksheet* on page 45.

Credit for Shareholders of S Corporations

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

The S corporation will inform you of what your share of its income is, and how much of it is long-term capital gains. Include these amounts on lines 3 and 4, respectively, of the *Other State and Foreign Tax Credit Worksheet* on page 45.

The S corporation will also tell you your share of the tax paid to the other state. Include this amount on line 5 of the *Other State and Foreign Tax Credit Worksheet* on page 45.

Special Rule for Part-Year Residents: If you are a part-year resident, you are only allowed a credit for the period in which you were a resident. In using the *Other State and Foreign Tax Credit Worksheet* on page 45, **do not include** income that was earned during the period of nonresidence, deductions that were connected with that income, or taxes paid or payable on that income. For more information, see Tax Information Release No. 90-3, "*Income Taxation and Eligibility for Credits of an Individual Taxpayer Whose Status Changes from Resident to Nonresident or from Nonresident to Resident.*"

Carryover of the Credit for Energy Conservation

Note: *The credit for energy conservation expired on June 30, 2003. This credit may be claimed only if you have a carryover of the tax credit from a prior year.*

Each individual resident taxpayer who files an individual income tax return and who has unused credits for energy conservation from the prior year may claim a tax credit against its individual income tax liability. Tax credits that exceed the individual's income tax liability are not refunded but may be used as a credit against the individual's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits.

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

See the discussion for the Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009), for the credit available for current system installations.

Enterprise Zone Tax Credit

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

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

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

Tax Credit for Low-Income Housing

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

Hawaii's tax credit for low-income housing is equal to 50% of the tax credit allocated by the Hawaii Housing Finance and Development Corporation for qualified buildings located within the State of Hawaii.

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

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

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Credit for Employment of Vocational Rehabilitation Referrals

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

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

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

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

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

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Carryover of the High Technology Business Investment Tax Credit

Note: *The high technology business investment tax credit is not available for investments made after December 31, 2010. You may claim the tax credit only if you have a carryover of the tax credit from a prior year.*

Each taxpayer who files an individual income tax return and who has unused high technology business investment tax credits may claim a tax credit against its individual income tax liability. A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits.

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Carryover of the Individual Development Account Contribution Tax Credit

Note: *The individual development account contribution tax credit is not available for taxable years beginning after December 31, 2004. This credit may be claimed only if you have a carryover of the tax credit from a prior year.*

Each individual taxpayer who files an individual income tax return and who has unused credits for contributions of matching funds to an individual development account from the prior year may claim a tax credit against its individual income tax liability. Tax credits that exceed the individual's income tax liability are not refunded but may be used as a credit against the individual's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits.

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Carryover of the Technology Infrastructure Renovation Tax Credit

Note: *The technology infrastructure renovation tax credit is not available for taxable years beginning after December 31, 2010. This credit may be claimed only if you have a carryover of the tax credit from a prior year.*

Each individual taxpayer who files an individual income tax return and who has unused credits from the prior year for renovation costs to provide a commercial building with technology enabled infrastructure may claim a tax credit against its individual income tax liability. Tax credits that exceed the individual's income tax liability are not refunded but may be used as a credit against the individual's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits.

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

School Repair and Maintenance Tax Credit

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

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

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

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

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Carryover of the Hotel Construction and Remodeling Tax Credit

Note: *The 10% nonrefundable hotel construction and remodeling tax credit may not be claimed for qualified construction or renovation costs incurred after June 30, 2003. This credit may be claimed only if you have a carryover of the tax credit from a prior year.*

Each individual taxpayer who files an individual income tax return and who has unused credits for qualified construction or renovation costs from the prior year may claim a tax credit against its individual income tax liability. Tax credits that exceed the individual's income tax liability are not refunded but may be used as a credit against the individual's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits, and Tax Information Release No. 2000-2, "*Hotel Construction and Remodeling Tax Credit.*"

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Carryover of the Residential Construction and Remodeling Tax Credit

Note: *The residential construction and remodeling tax credit may not be claimed for construction or renovation costs incurred after June 30, 2003. This credit may be claimed only if you have a carryover of the tax credit from a prior year.*

Each individual taxpayer who files an individual income tax return and who has unused credits for qualified construction or renovation costs from the prior year may claim a tax credit against its individual income tax liability. Tax credits that exceed the individual's income tax liability are not refunded but may be used as a credit against the individual's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits, and Tax Information Release No. 2002-3, "*Residential Construction and Remodeling Tax Credit.*"

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Carryover of the Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service Before July 1, 2009)

Note: *This credit may be claimed only if you have a carryover of the renewable energy technologies income tax credit for systems installed and placed in service before July 1, 2009.*

Each taxpayer who files an individual income tax return and who has unused renewable energy technologies income tax credits for systems installed and placed in service before July 1, 2009, may claim a tax credit against its individual income tax liability. A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, See Form N-323, Carryover of Tax Credits.

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

See the discussion for the Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009), for the credit available for current system installations.

Nonrefundable Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009)

If you install and place in service an eligible renewable energy technology system in Hawaii, you may qualify to claim this credit. You may claim the credit as nonrefundable or refundable. For information on how to claim the credit as refundable, see the instructions for Refundable Renewable Energy Technologies Income Tax Credit on page 29. A nonrefundable credit means your credit will be applied towards the amount of income tax you owe. If your nonrefundable credit is greater than the amount of income tax that you owe, then you may carryover the remaining credit and apply it towards next year's income tax. You may continue to carryover the credit until it is used up.

<u>Total Output Capacity</u>

A system classified under "other solar energy system" such as a photovoltaic system must meet the total output capacity requirement to qualify for the credit unless an exception applies.

The total output capacity requirements are:

- Single-family residential property — 5 kilowatts per system
- Multi-family residential property — 0.360 kilowatts per unit per system
- Commercial property — 1,000 kilowatts per system

For more information, see Form N-342 and its instructions, and Tax Information Release No. 2007-02, "*Relating to the Renewable Energy Technologies Income Tax Credit*," Tax Information Release No. 2010-10, "*Common Income Tax & General Excise Tax Issues Associated with the Renewable Energy Technologies Income Tax Credit, HRS §235-12.5*," and Tax Information Release No. 2012-01, "*Temporary Administrative Rules Relating to the Renewable Energy Technologies Income Tax Credit.*"

To claim this credit. Complete Form N-342 and Schedule CR and attach them to your return. Fill in the appropriate oval on Schedule CR to indicate the type of energy system. Enter the total credit amount claimed. Also enter the carryover credit amount from prior years included in the total amount claimed, if applicable.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Capital Infrastructure Tax Credit

The capital infrastructure tax credit, which helps tenants who were displaced by the Kapalama container terminal project, is effective for taxable years beginning after December 31, 2013. The credit will not be available for taxable years beginning after December 31, 2019.

The tax credit is the lesser of 50% of the capital infrastructure costs paid or incurred by a qualified infrastructure tenant during the taxable year or $2,500,000.

For more information, see Form N-348, Capital Infrastructure Tax Credit.

To claim this credit. Complete Form N-348 and Schedule CR and attach them to your return.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Cesspool Upgrade, Conversion or Connection Income Tax Credit

A taxpayer may claim a credit for the costs to upgrade or convert a qualified cesspool into a septic system or an aerobic treatment unit system, or to connect a qualified cesspool to a sewer system, effective for taxable years beginning after December 31, 2015. The credit will not be available for taxable years beginning after December 31, 2020.

The tax credit is equal to the qualified expenses of the taxpayer, up to a maximum of (1) $10,000 per cesspool, or (2) $10,000 per residential dwelling connected to a residential large capacity cesspool.

For more information, see Form N-350, Cesspool Upgrade, Conversion or Connection Income Tax Credit.

To claim this credit. Complete Form N-350 and Schedule CR and attach them to your return.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Renewable Fuels Production Tax Credit

Each taxpayer producing renewable fuels may claim a nonrefundable renewable fuels production tax credit for taxable years beginning after December 31, 2016, and before December 31, 2021.

The tax credit is the lesser of 20 cents per 76,000 British thermal units of renewable fuels using the lower heating value sold for distribution in Hawaii or $3,000,000 per taxable year. The taxpayer's production of renewable fuels cannot be less than 2.5 billion British thermal units of renewable fuels per year.

For more information, see Form N-352, Renewable Fuels Production Tax Credit.

To claim this credit. Complete Form N-352 and Schedule CR and attach them to your return.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Organic Foods Production Tax Credit

A qualified taxpayer incurring qualified expenses associated with the production or handling of organic foods may claim a nonrefundable organic foods production tax credit for taxable years beginning after December 31, 2016, and before December 31, 2021.

The tax credit is 100% of qualified expenses up to a maximum of $50,000 per qualified taxpayer. The amount of tax credits certified in any given tax year cannot exceed $2,000,000.

For more information, see Form N-354, Organic Foods Production Tax Credit.

To claim this credit. Complete Form N-354 and Schedule CR and attach them to your return.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Earned Income Tax Credit

A qualifying individual taxpayer may claim a nonrefundable earned income tax credit equal to 20 percent of the federal earned income credit claimed on the taxpayer's federal income tax return for taxable years 2018 through 2022.

A qualifying individual taxpayer is a taxpayer that: (1) files a federal income tax return for the taxable year and claims the earned income credit under IRC section 32, and (2) files a Hawaii income tax return for the taxable year using the same filing status used on the federal income tax return, and claiming the same dependents claimed on the federal income tax return.

For more information, see Form N-356, Earned Income Tax Credit.

To claim this credit. Complete Form N-356 and Schedule CR and attach them to your return.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Healthcare Preceptor Income Tax Credit

Act 43, Session Laws of Hawaii 2018, provides that a taxpayer may claim a new nonrefundable healthcare preceptor income tax credit equal to $1,000 for each volunteer-based supervised clinical training rotation supervised by the taxpayer, up to a maximum of $5,000 per taxable year, effective for taxable years beginning after December 31, 2018.

For more information, see Form N-358, Healthcare Preceptor Income Tax Credit.

To claim this credit. Complete Form N-358 and Schedule CR and attach them to your return.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Line 53

Line 51 minus line 52. Enter the result on this line.

If line 53 is a negative number, shade the minus (-) in the box to the left of the amount boxes.

Tax Already Paid

Line 54

Total Hawaii Income Tax Withheld

Add the Hawaii income tax withheld as shown on your Forms HW-2, N-2, and N-4, and federal Forms W-2 and 1099-G (unemployment compensation). Enter the total on this line. Attach a copy of Forms HW-2, N-2, and N-4, and federal Forms W-2 and 1099-G showing the withholding. If not attached, the withholding may be disallowed.

Note: *If taxes were withheld on the sale of Hawaii real property, report this amount on line 55, "2019 Estimated Tax Payments."*

Line 55

2019 Estimated Tax Payments

Enter on this line your estimated Hawaii income tax payments you made on Form N-200V for 2019. Do not include your 2018 overpayment that you requested to have applied to your 2019 estimated tax (this amount is to be reported on line 56).

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

1. Amount of taxes withheld as shown on Form(s) N-288A, Statement of Withholding on Dispositions by Nonresident Persons of Hawaii Real Property Interests . ____________
2. Amount of refund you already applied for on Form(s) N-288C, Application for Tentative Refund of Withholding on Dispositions by Nonresident Persons of Hawaii Real Property Interests .... ____________
3. Line 1 minus line 2. Include this amount on Form N-15, line 55............ ____________

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

If the tax was withheld for you through a partnership, estate, trust, or S corporation, see the Instructions for *Pro Rata Share of Taxes Withheld and Paid by a Partnership, Estate, Trust, or S Corporation on the Sale of Hawaii Real Property Interests* on page 30.

Enter the amounts paid on Forms N-200V and N-288A (less amount of refund applied for on Form N-288C) in the appropriate spaces. Add the amounts paid on Forms N-200V and N-288A (less amount of refund applied for on Form N-288C), and enter the result on line 55.

If you made estimated tax payments on Forms N-200V or had tax withheld on the sale of Hawaii real property on Form N-288A for yourself and your spouse under your social security number but are now filing separate returns, you can enter the total amount paid with Forms N-200V or Form N-288A on either of your separate returns or you and your spouse can divide the payments in any agreed amount. Use Form L-12, Request for Allocation of Tax Amounts for Individuals, to allocate the Forms N-200V or Form N-288A payments between you and your spouse. Also enter the social security numbers (or ITINs) of both spouses on the separate returns.

If you and your spouse each filed separate Forms N-200V or have separate Forms N-288A but are now filing a joint return, enter the total paid with both Forms N-200V or Form N-288A on your joint return.

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

Line 56

2018 Overpayment Applied to 2019 Estimated Tax

Enter on this line any overpayment from your 2018 return that you applied to your 2019 estimated tax as shown on line 63 of your 2018 Form N-15.

Line 57

Amount Paid with Extension

If you made an extension payment with Form N-200V, enter the amount you paid on this line.

If you made an extension payment for yourself and your spouse under your social security number on Form N-200V but are now filing separate returns, you can enter the total amount paid with Form N-200V on either of your separate returns or you and your spouse can divide the payment in any agreed amount. Use Form L-12, Request for Allocation of Tax Amounts for Individuals, to allocate the Form N-200V payment between you and your spouse. Also enter the social security numbers (or ITINs) of both spouses on the separate returns.

If you and your spouse each filed separate Forms N-200V but are now filing a joint return, enter the total paid with both Forms N-200V on your joint return.

Line 58

Total Payments

Add lines 54 through 57. Enter the amount on this line.

Refund or Balance Due

Line 59

Amount Overpaid

If line 58 is larger than line 53, **and** line 53 is zero or more, subtract line 53 from line 58 and show the difference on line 59. This is the amount overpaid.

However, if line 53 is less than zero, complete the following worksheet:

1. Amount from line 53 (enter as a positive number)...... ______
2. Amount from line 58.. ______
3. Add line 1 and line 2 .... ______

Enter the amount from line 3 of the worksheet on line 59. This is the amount overpaid.

If you have an underpayment of estimated tax penalty on line 67, do not include the penalty amount on this line. Your overpayment will be reduced automatically by the amount of the penalty.

Line 60a

Contribution to the Hawaii Schools Repairs and Maintenance Fund

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

Fill in the appropriate oval(s) if you want to contribute $2 to the Hawaii School-Level Minor Repairs and Maintenance Special Fund (or $4 if you are filing a joint return and your spouse also wants to contribute). No other amounts can be accepted. Your contribution will reduce your refund. Once made, the contribution cannot be revoked.

Line 60b

Contribution to the Hawaii Public Libraries Fund

The Hawaii Public Libraries Special Fund provides moneys to support the operations of the library system. If you have an overpayment of at least $5 ($10 if married and filing a joint return), you can choose to contribute to the Hawaii Public Libraries Special Fund

Fill in the appropriate oval(s) if you want to contribute $5 to the Hawaii Public Libraries Special Fund (or $10 if you are filing a joint return and your spouse also wants to contribute). No other amounts can be accepted. Your contribution will reduce your refund. Once made, the contribution cannot be revoked.

Line 60c

Contribution to the Domestic and Sexual Violence / Child Abuse and Neglect Funds

The Hawaii Children's Trust Fund provides moneys for the award of grants for primary and secondary prevention activities to prevent child abuse and neglect. The Domestic Violence and Sexual Assault Special Fund provides moneys for programs and grants or purchases of service that support or provide domestic violence and sexual assault intervention or prevention. The Spouse and Child Abuse Special Accounts provide moneys for staff programs, and grants or purchases of service that support or provide spouse or child abuse intervention or prevention. If you have an overpayment of at least $5 ($10 if married and filing a joint return), you can choose to contribute to these funds.

Fill in the appropriate oval(s) if you want to contribute $5 to the Hawaii Children's Trust Fund, the Domestic Violence and Sexual Assault Special Fund, and the Spouse and Child Abuse Special Accounts (or $10 if you are filing a joint return and your spouse also wants to contribute). No other amounts can be accepted. Your contribution will reduce your refund. Once made, the contribution cannot be revoked.

Line 63

Applied to 2020 Estimated Tax

Enter the amount from line 62 that you want applied to your estimated tax for 2020.

If you have an underpayment of estimated tax penalty on line 67, do not include the penalty amount on this line. The amount applied to your 2020 estimated tax will be reduced automatically by the amount of the penalty.

If you and your spouse filed a joint return for 2019 but will file separate returns for 2020, you can request that the 2020 estimated tax be applied to either of your separate returns or you and your spouse can divide the estimated tax to be applied in any agreed amount. Use Form L-12, Request for Allocation of Tax Amounts for Individuals, to allocate the estimated tax to be applied between you and your spouse. Also enter the social security numbers (or ITINs) of both spouses on the separate returns.

Line 64a

Refund

Line 62 minus line 63. This is the amount that will be refunded to you.

If you have an underpayment of estimated tax penalty on line 67, do not include the penalty amount on this line. The amount of your refund will be reduced automatically by the amount of the penalty.

Note: *Fill in the oval under line 64a if the ultimate destination of your refund is to a foreign (non-U.S.) bank account. Do not complete lines 64b through 64d. Due to rules for international ACH transactions, the direct deposit of your refund into a foreign (non-U.S.) bank account will not be available. A check will be sent to you instead.*

Note: *If you are filing a Hawaii income tax return for the first time, you will not be allowed to have your refund directly deposited into your checking or savings account. Do not complete lines 64b through 64d. A check will be sent to you instead.*

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

Lines 64b Through 64d

Direct Deposit of Refund

Complete lines 64b through 64d if you want the Department to directly deposit the amount shown on line 64a into your checking or savings account at a bank or other financial institution (such as a mutual fund, brokerage firm, or credit union) instead of sending you a check.

Note: *If the ultimate destination of your refund is to a foreign (non-U.S.) bank account, do not complete lines 64b through 64d. See the instructions for line 64a.*

Note: *If you are filing a Hawaii income tax return for the first time, do not complete lines 64b through 64d. See the instructions for line 64a.*

Note: *If you owe certain past-due debt, such as child support, and all or part of the overpayment on line 59 is used (offset) to pay the past-due amount, you will not be allowed to have your refund directly deposited into your checking or savings account. A check will be sent to you instead.*

Why Use Direct Deposit?

- You get your refund fast – even faster if you e-file!
- Payment is more secure – there is no check to get lost.
- More convenient. No trip to the bank to deposit your check.
- Saves tax dollars. A refund by direct deposit costs less than a check.

You can check with your financial institution to make sure your deposit will be accepted and to get the correct routing and account numbers. The Department is not responsible for a lost refund if you enter the wrong account information.

If you file a joint return and fill in lines 64b through 64d, you are appointing your spouse as an agent to receive the refund. This appointment cannot be changed later.

Some financial institutions will not allow a joint refund to be deposited into an individual account. If the direct deposit is rejected, a check will be sent instead. The Department is not responsible if a financial institution rejects a direct deposit.

Routing Number

The routing number **must** be **nine** digits. The first two digits must be 01 through 12 or 21 through 32. Otherwise, the direct deposit will be rejected and a check sent instead.

Your check may state that it is payable through a financial institution different from the one at which you have your checking account. If so, **do not** use the routing number on that check. Instead, contact your financial institution for the correct routing number to enter on line 64b.

Type of Account

On line 64c, fill in the applicable oval to indicate whether you want your refund deposited into your checking or savings account.

Account Number

Contact your financial institution for the correct account number to enter on line 64d. The account number can be up to 17 characters (both numbers and letters). Omit spaces, hyphens, and special symbols. Enter the number from left to right and leave any unused boxes blank. Be sure **not** to include the check number.

Line 65

Balance Due

If line 53 is larger than line 58, line 53 minus line 58 is your balance due.

Note: *If you include penalty and/or interest for the late filing of your return with your payment, identify and enter these amounts on a separate sheet of paper and attach to Form N-15. Do not include the penalty and/or interest amounts for the late filing of your return on this line. Also, if you have an underpayment of estimated tax penalty on line 67, do not include the penalty amount on this line.*

Line 66

Payment Amount

Enter the amount of your payment, including any penalty and interest. You can pay online at hitax.hawaii.gov or by check or money order payable to "Hawaii State Tax Collector." Write your social security number, daytime phone number, and "2019 Form N-15" on your check or money order, and attach it to the front of Form N-15.

Note: *Form N-200V is no longer required when making a payment with your return.*

Note: *If you cannot pay the full amount you owe, you can request to enter a payment agreement **after** you receive the billing notice. Please be aware that penalty and interest continue to accrue on the unpaid tax amount even though you have not received the billing notice. Payments will be accepted and applied to your tax liability; however, to ensure your payments are applied correctly, your check or money order must have: (1) your name clearly printed on the check as it is printed on the tax return (if filing a joint return, also print your spouse's name), (2) your social security number (if filing a joint return, also write your spouse's social security number), (3) your daytime phone number, and (4) the tax year and form number you filed (e.g., 2019 N-15).*

Line 67

Estimated Tax Penalty

See the instructions for *Penalties and Interest* on page 37 and Form N-210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, to see if you owe a penalty for the underpayment of estimated taxes.

If you owe a penalty, enter the penalty amount on Form N-15, line 67. Do not include the penalty amount on lines 59, 63, 64a, or 65. If you have an overpayment, your overpayment (and the amount applied to your 2020 estimated tax or the amount of your refund) will be reduced automatically by the amount of the penalty. If you have any taxes due, include the amount of the penalty on line 66.

Fill in the oval at line 67 if Form N-210 is attached.

Note: *If you are a farmer or fisherman, you may receive a penalty notice for underpaying estimated tax even though you filed your return on time, attached Form N-210, and met the gross income from farming or fishing requirement. If you receive a penalty notice and you think it is in error, write to the address on the notice and explain why you think the notice is in error. Include a computation showing that you met the gross income from farming or fishing requirement.*

Amended Returns

If you are filing an amended return, fill in the amended return oval at the top of Form N-15. Complete your amended return using corrected amounts through line 67. Attach Schedule AMD, Explanation of Changes on Amended Return, to the income tax return Form N-15. Also attach all forms and statements required to file a complete return. If you are claiming any tax credits, remember to attach the required forms, such as Schedule CR and Schedule X, even if you claimed the credits on the original return.

If you are filing an amended return due to a farming net operating loss carryback, also fill in the NOL Carryback oval and attach a copy of your original federal income tax return for the loss year.

If you are filing an amended return due to an IRS adjustment, also fill in the IRS Adjustment oval.

See page 37 of the instructions for more information.

Line 68

Amount Paid (Overpaid) on Original Return

Enter on line 68 the amount paid on your original 2019 Form N-15, line 65 (plus the amount of estimated tax penalty on line 67, if any); or the amount overpaid on your original 2019 Form N-15, line 59 (less the amount of estimated tax penalty on line 67, if any). If the amount is an overpayment, shade the minus (-) in the box to the left of the amount boxes.

Attach Schedule AMD, Explanation of Changes on Amended Return. Also attach all forms and statements required to file a complete return. If you are claiming any tax credits, remember to attach the required forms, such as Schedule CR and Schedule X, even if you claimed the credits on the original return.

Line 69

Balance Due (Refund) With Amended Return

If no amount was entered on line 68, enter on line 69 the amount, if any, from line 64a (less the amount of estimated tax penalty on line 67, if any) or line 65 (plus the amount of estimated tax penalty on line 67, if any) of the amended return.

If there is an amount on line 68, complete one of the worksheets below. When completing the worksheet, enter all amounts as positive numbers.

If there is an amount on line 68 and that amount is:

a. A payment and there is an amount on line 59, complete the following worksheet:

1. Amount from line 59 (less the amount of estimated tax penalty on line 67, if any) .... ________
2. Amount from line 68.. ________
3. Add line 1 and line 2 .... ________

Enter the amount from line 3 of the worksheet on line 69. This is the amount of your overpayment on your amended return. Shade the minus (-) in the box to the left of the amount boxes.

b. A payment and there is an amount on line 65, complete the following worksheet:

1. Amount from line 65 (plus the amount of estimated tax penalty on line 67, if any) .... ________
2. Amount from line 68.. ________
3. Line 1 minus line 2 .... ________

Enter the amount from line 3 of the worksheet on line 69.

If the amount on line 1 of the worksheet is larger than the amount on line 2 of the worksheet, this is the amount you owe on your amended return.

If the amount on line 2 of the worksheet is larger than the amount on line 1 of the worksheet, this is the amount of your overpayment on your amended return. Shade the minus (-) in the box to the left of the amount boxes.

c. An overpayment and there is an amount on line 59, complete the following worksheet:

1. Amount from line 59 (less the amount of estimated tax penalty on line 67, if any) .... ____________
2. Amount from line 68... ____________
3. Line 1 minus line 2... ____________

Enter the amount from line 3 of the worksheet on line 69.

If the amount on line 1 of the worksheet is larger than the amount on line 2 of the worksheet, this is the amount of your overpayment on your amended return. Shade the minus (-) in the box to the left of the amount boxes.

If the amount on line 2 of the worksheet is larger than the amount on line 1 of the worksheet, this is the amount you owe on your amended return.

d. An overpayment and there is an amount on line 65, complete the following worksheet:

1. Amount from line 65 (plus the amount of estimated tax penalty on line 67, if any) .... ____________
2. Amount from line 68... ____________
3. Add line 1 and line 2 .... ____________

Enter the amount from line 3 of the worksheet on line 69. This is the amount you owe on your amended return.

If you have an overpayment on your amended return, you may contribute to the (1) Hawaii Schools Repairs and Maintenance Fund (line 60a) if line 60a on your original return was blank, (2) Hawaii Public Libraries Fund (line 60b) if line 60b on your original return was blank, and/or (3) Domestic and Sexual Violence / Child Abuse and Neglect Funds (line 60c) if line 60c on your original return was blank.

Subtract the amount contributed to the above funds from the amount of overpayment available and enter the difference on line 69. Shade the minus (-) in the box to the left of the amount boxes. Be sure that the sum of the amounts entered on lines 60a, 60b, 60c, and 69 is not more than the overpayment available.

If you have an amount due on your amended return, send your payment to the Department by attaching your check or money order to the front of Form N-15. Write your social security number, daytime phone number, and “2019 Amended Form N-15” on your check or money order.

Attach Schedule AMD, Explanation of Changes on Amended Return. Also attach all forms and statements required to file a complete return. If you are claiming any tax credits, remember to attach the required forms, such as Schedule CR and Schedule X, even if you claimed the credits on the original return.

Now continue with Step 8 below.

Step 8

Check your return to make sure it is correct.

Step 9

Third Party Designee

If you want to authorize the Department to discuss the processing of your tax return with a person that you designate, enter the name of your third party designee, telephone number, and identification number. You are authorizing the Department to call your third party designee to answer any questions that may arise during the processing of your tax return. This designation does not allow your third party designee to call the Department for information about the processing of your return or for other issues relating to your return.

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

Step 10

Hawaii Election Campaign Fund
(For Hawaii State and County Elections)

This Fund supports the Hawaii Campaign Spending Commission, a watchdog agency that works to ensure that all campaign donations and expenditures are made public and comply with campaign finance laws to prevent corruption in politics. The Fund also supports the public financing of political campaigns which makes qualified candidates less dependent on private special interest donors to fund their campaigns.

If you have a tax liability of at least $3 ($6 if married and filing a joint return), you can choose to contribute to the Hawaii Election Campaign Fund. If you fill in the “Yes” oval, $3 will go to the Hawaii Election Campaign Fund. If you are filing a joint return, and your spouse wants $3 to go to the Fund, fill in the second “Yes” oval.

Filling in “Yes” will not increase your tax or reduce your refund.

Once made, the designation cannot be revoked for this taxable year.

For more information, see the Hawaii Campaign Spending Commission website at hawaii.gov/campaign or call 808-586-0285.

Step 11

Sign and date your return.

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

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

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

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

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

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

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

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

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

Step 12

Did you have someone else prepare your return?

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

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

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

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

- Sign it in the space provided for the preparer’s signature.
- Give you a copy of your return in addition to the copy to be filed with the Department.

Hawaii conforms to Internal Revenue Service Notice 2004-54 which authorizes paid tax return preparers to sign tax returns by means other than by hand.

For more information, see Department of Taxation Announcement No. 2009-33, “*Conformity to Internal Revenue Service Notice 2004-54, Relating to Alternative Methods of Signatures for Paid Tax Return Preparers.*”

Step 13

Attachments

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

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

  Note: *If you are filing a joint return for federal income tax purposes and a married filing separate return for state income tax purposes, attach a copy of the federal joint return.*

  Note: *Since the federal government does not recognize civil unions as married individuals for federal income tax purposes, civil unions will continue to file as unmarried individuals on their federal income tax returns. Therefore, both civil union partners should attach a copy of their federal single return.*
- Any other required statements.

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

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

If you owe tax, be sure to send your payment to the Department by attaching your check or money order to the front of Form N-15.

Reminders

Processing of Your Tax Return

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

You may check your refund status through the Department's website. You may also call our Taxpayer Services Branch to obtain automated information about your individual income tax refunds 24 hours a day, 7 days a week. Automated refund information should be available four to six weeks after your return is filed with the Department. See page 6 for the Department's telephone numbers and website address.

Penalties and Interest

Late Filing of Return. The penalty for failure to file a return on time is assessed on the tax due at a rate of 5% per month, or part of a month, up to a maximum of 25%.

Extensions. If you are unable to file your Hawaii tax return by April 20, 2020, you are automatically granted a 6-month extension without the need to file anything with the Department unless an additional tax payment must be made. As long as the following conditions are met, you are deemed to have made an application for the 6-month extension to file an income tax return on the prescribed due date:

1. On or before April 20, 2020, 100% of the properly estimated tax liability is paid;
2. The tax return is filed on or before the expiration of the 6-month extension period;
3. The tax return is accompanied by full payment of any tax not already paid; and
4. A court has not ordered you to file the tax return on or before the prescribed due date.

Properly estimated tax liability means you made a bona fide and reasonable attempt to locate and gather all of the necessary information to make a proper estimate of tax liability for the taxable year.

If you must make an additional payment of tax on or before April 20, 2020 in order to meet the condition requiring payment of 100% of the properly estimated tax liability, you must file Form N-200V with your payment. Federal Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, may not be used in lieu of Form N-200V.

Interest. Interest at the rate of 2/3 of 1% per month or part of a month shall be assessed on unpaid taxes and penalties beginning with the first calendar day after the date prescribed for payment, whether or not that first calendar day falls on a Saturday, Sunday, or legal holiday.

Failure to pay tax after filing timely returns. The penalty for failure to pay the tax after filing a timely return is 20% of the tax unpaid within 60 days of the prescribed due date.

Underpayment of estimated taxes. You may be subject to a penalty for not paying enough estimated tax if the total of your withholding and timely estimated tax payments were less than the smaller of:

1) 60% of the 2019 tax, or

2) 100% of your 2018 tax. Your 2018 tax return must cover a 12-month period.

There are special rules for farmers and fishermen.

For more information, see Form N-210, Underpayment of Estimated Tax by Individuals, Estates, and Trusts.

Change of Address

If your mailing address has changed, you must notify the Department of the change by completing Form ITPS-COA, Change of Address Form, or log in to your Hawaii Tax Online account at hitax.hawaii.gov. Failure to do so may prevent your address from being updated, any refund due to you from being delivered (the U.S. Postal Service is not permitted to forward your State refund check), and delay important notices or correspondence to you regarding your return.

How Long Should Records Be Kept?

Keep records of income, deductions, and credits shown on your tax return, as well as any worksheets you used, until the statute of limitations runs out for that return. Usually this is three years from the date the return was due or filed, whichever is later. Also keep copies of your filed tax returns and any federal Forms W-2 or 1099 you received as part of your records. You should keep some records longer. For example, property records (including those on your home) should be kept as long as they are needed to figure the basis of the original or replacement property.

Amended Return

If you file your income tax return and later become aware of any changes you must make to income, deductions, or credits, you may file an amended return on Form N-15 to change the Form N-15 you already filed. Use the Form N-15 for the year you are amending. (You cannot file a 2018 amended return on a 2019 Form N-15.) Fill in the amended return oval at the top of Form N-15, and fill in the return with all of the correct information. Attach Schedule AMD, Explanation of Changes on Amended Return, to Form N-15. Also attach all forms and statements required to file a complete return. If you are claiming any tax credits, remember to attach the required forms, such as Schedule CR and Schedule X, even if you claimed the credits on the original return.

If you contributed to the Hawaii Schools Repairs and Maintenance Fund, Hawaii Public Libraries Fund, and/or Domestic and Sexual Violence / Child Abuse and Neglect Funds on your original return, your contribution(s) cannot be revoked, and you must make the same designation(s) on your amended return.

If you did not contribute to the Hawaii Schools Repairs and Maintenance Fund, Hawaii Public Libraries Fund, and/or Domestic and Sexual Violence / Child Abuse and Neglect Funds on your original return, you may contribute to these funds on an amended return filed within 20 months and ten days after the due date for the original return for such taxable year. Once made, the contribution cannot be revoked.

If you are filing an amended return due to a farming net operating loss carryback, also fill in the NOL Carryback oval and attach a copy of your original federal income tax return for the loss year.

If you are filing an amended return due to an IRS adjustment, also fill in the IRS Adjustment oval. See *Change in Federal Taxable Income*, below.

See the instructions for Form N-15, lines 68 and 69.

For information on the statute of limitation periods within which you may file an amended return to claim a refund or credit of overpaid taxes, see the instructions for line 64a (Refund) on page 34.

You can get prior year forms from our website, by calling our Taxpayer Services Branch, and at any district tax office. See page 6 for the Department's website address and for the phone number to request the forms you need.

If your original return was filed on an incorrect form, file an original return on the correct form. For example, if you filed an original return on Form N-15 and should have filed Form N-11, file an original return on Form N-11.

Change in Federal Taxable Income

In general, a change to your federal return, whether it is made by you (on federal Form 1040X) or by the Internal Revenue Service, must be reported to the State of Hawaii.

1) Section 235-101(b), HRS, requires a report (an amended return) to the Director of Taxation if the amount of IRC taxable income is changed, corrected, adjusted or recomputed as stated in (3).
2) This report must be made:
   a) Within 90 days after a change, correction, adjustment or recomputation is finally determined.
   b) Within 90 days after an amended federal return is filed.
3) A report within the time set out in (2) is required if:
   a) The amount of taxable income (including the federal earned income credit) as returned to the United States is changed, corrected, or adjusted by an officer of the United States or other competent authority.
   b) A change in taxable income results from a renegotiation of a contract with the United States or a subcontract thereunder.
   c) A recomputation of the income tax imposed by the United States under the Internal Revenue Code results from any cause.
   d) An amended income tax return is made to the United States.
4) The report referred to above shall be in the form of an amended Hawaii income tax return.
5) The statutory period for the assessment of any deficiency or the determination of any refund attributable to the report shall not expire before the expiration of one year from the date the Department is notified by the taxpayer or the Internal Revenue Service, whichever is earlier, of such a report in writing. Before the expiration of this one-year period, the Department and the taxpayer may agree in writing to the extension of this period. The period so agreed upon may be further extended by subsequent agreements in writing made before the expiration of the period previously agreed upon.

Instructions for Schedule X — Tax Credits

Note: *Use Form N-311 to claim the refundable food/excise tax credit.*

Note: ***These credits may not be claimed by nonresidents***.

Purpose

Use Schedule X to claim the credit for low-income household renters and the credit for child and dependent care expenses. **You may qualify to claim these credits, and receive a refund, even if you have no taxable income. If you claim any of the tax credits, both pages of Schedule X must be attached to your Form N-15.**

Part I

Credit for Low-Income Household Renters

Each **resident** taxpayer who occupies and pays rent for real property within the State as his or her residence and who files an individual income tax return for the taxable year, including those who have no income or no income taxable under chapter 235, HRS, may claim a tax credit of $50 per **qualified exemption,** including the additional exemption for taxpayers age 65 or over, provided the following four conditions are met:

- The taxpayer is not eligible to be claimed as a dependent for federal or State income tax purposes by another taxpayer;
- The taxpayer has adjusted gross income of less than $30,000; and
- The taxpayer has paid more than $1,000 in rent during the taxable year.
- The rented property is NOT exempt from real property tax. Rent paid for property which is partially or fully exempt from real property tax will not qualify for the credit. For example, county or State low-income housing projects, military housing, dormitories in schools, residential real property owned by a nonprofit organization, and homes in which the owner occupies a portion of the property, may have been granted real property tax exemptions by the county. If such exemptions, whether partial or full exemptions, have been granted, the rent paid for such properties will not qualify for the credit. To verify if real property tax exemptions have been granted on the rented property, please inquire with either the landlord, rental agent, or the Real Property Tax Office in the county in which the property is located.

Note: *Minor children receiving more than half of their support from the State Department of Human Services, Social Security benefits, and the like, which you can claim as dependents, are considered qualified exemptions for purposes of claiming this credit.*

A **"residence"** is defined as the dwelling place that constitutes the principal residence of the taxpayer or his or her immediate family in this State.

"Rent" means the amount paid in cash in any taxable year for the occupancy of a residence. Rent does not include:

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

Line 1

Adjusted Gross Income

If the total adjusted gross income (Form N-15, line 35, Column A) shown on your return is $30,000 or more, **stop here;** you cannot take this credit.

Married filing separately. If you are married filing separately, you must add your spouse's adjusted gross income to your own. If you are married filing separately and your spouse is a nonresident, you need to determine your spouse's adjusted gross income from all sources, within and outside of Hawaii, and add that amount to your own adjusted gross income. If the **total** is $30,000 or more, you cannot claim this credit.

Line 2

Resident for More Than Nine Months

If you are a part-year resident who has been in Hawaii for nine months or less in 2019, **stop here;** you cannot take this credit.

Line 3

Dependent of Another Taxpayer

If you can be claimed as a dependent on another person's return, **whether or not** that person claims you, **stop here;** you cannot take this credit.

Line 4

Your Addresses

List your most recent address. Fill in all of the required information. If you lived in more than one location during 2019, attach a separate sheet listing the same information for the other locations.

Do not list any location that was partly or wholly exempt from real property tax, such as:

- County or State low-income housing projects;
- Military housing;
- Dormitories in schools;
- Residential real property owned by a nonprofit organization; or
- Homes in which the owner occupies a portion of the property.

Line 5

Rent You Paid

Enter the total amount of rent **you paid** during 2019 to all of the locations listed on line 4. If you are sharing or were sharing the rent with somebody else, list only your share of the rent here.

Line 6

Exclusions

Enter that portion of the amount on line 5 which:

- Is for ground rent, utilities, goods, or services;
- You claimed as a deduction anywhere on your tax return; or
- You were reimbursed, through a rental allowance or rental subsidy from any source.

Line 7

Line 5 minus line 6. If this amount is $1,000 or less, **stop here;** you cannot take this credit.

Line 8

Qualified Exemptions

On line 8, enter the names of the qualified exemptions. Start with yourself. Enter your spouse's name if you are married and filing a joint return or married and filing separately where your spouse is not filing a Hawaii return, had no income, and was not the dependent of someone else. Then list your dependents and enter the dependent's relationship to you. Include minor children receiving more than half of their support from public agencies which you can claim as dependents.

If married filing separately, only one spouse may claim the dependents.

Enter the number of qualified persons on line 8.

Line 12

Amount of the Credit

Line 11 times $50. Enter this amount on Form N-15, line 46.

Deadline for claiming this credit. If you are a calendar year taxpayer, the deadline to claim the credit, including amended claims, is December 31, 2020. If you are a fiscal year taxpayer, the deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

Part II

Credit for Child and Dependent Care Expenses

Note: *Part-year residents may only claim child and dependent care expenses during the period of Hawaii residency.*

If you maintain a household that included a child under age 13 or a dependent or spouse incapable of self-care, you may be allowed this credit for expenses you paid during the taxable year to care for your dependent so you could work.

Who May Claim the Credit

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

Maintaining a Household

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

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

Qualifying Person

A qualifying person is any one of the following persons:

a. Any person under age 13 whom you claim as a dependent (but see Special Rule (3), *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 (as a qualifying relative) except that he or she had income of $4,200 or more.

Employment-related Expenses

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

(1) Expenses for Household Services. Expenses will be considered for household services in your home if they are for the ordinary and usual services necessary for the operation of the home, and bear some relationship to the qualifying person. For example, payment for services of a domestic maid or cook ordinarily will be considered expenses for household services if performed at least partially for the benefit of the qualifying person.

(2) Expenses for the Care of a Qualifying Person. Expenses will be considered for the care of one or more qualifying persons if their main purpose was to assure that individual's well-being and protection. You can include amounts paid for items other than the care of your child (such as food and schooling) only if the items are incidental to the care of the child and cannot be separated from the total cost.

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

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

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

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

Medical Expenses

Some dependent care expenses may qualify as medical expenses. If you cannot use all the medical expenses to qualify for this credit because of the dollar limit or earned income limit (explained later), you can take the rest of these expenses as an itemized deduction for medical expenses. But if you deduct the medical expenses first on Worksheet PY-1, you cannot use any part of these expenses on Schedule X.

Special Rules

(1) Married Persons Filing Separately. Generally, married persons must file a joint return to claim the credit. If your filing status is married filing separately and all of the following apply, your are considered unmarried for purposes of claiming the credit for child and dependent care expenses:

- You live apart from your spouse during the last 6 months of 2019.
- Your home was the qualifying person's main home for more than half of 2019.
- You paid more than half of the cost of keeping up that home in 2019.

(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) Children of Divorced or Separated Parents. If you were divorced, legally separated, or lived apart from your spouse during the last six months of 2019, you may be able to claim the credit even if your child is not your dependent.

Even if you cannot claim your child as a dependent, he or she is treated as your qualifying person if:

- The child was under age 13 or was not physically or mentally able to care for himself or herself, and
- You were the child's custodial parent. The custodial parent is the parent with whom the child lived for the greater number of nights in 2019. If the child was with each parent for an equal number of nights, the custodial parent is the parent with the higher adjusted gross income. For details and an exception for a parent who works at night, see federal Publication 501.

The noncustodial parent cannot treat the child as a qualifying person even if that parent is entitled to claim the child as a dependent under the special rules for a child of divorced or separated parents.

(4) 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.

Married Persons Filing Separately Checkbox

If your filing status is married filing separately and you meet the requirements to claim the credit for child and dependent care expenses, complete the statement under Part II on Schedule X by checking the checkbox, confirming you meet those requirements listed, earlier, under *Married Persons Filing Separately*.

Line 1

Care Providers

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

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

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

Column (c). If the care provider is an individual, enter his or her social security number (SSN). If the individual is an alien and was issued an individual taxpayer identification number (ITIN) by the IRS, enter the ITIN. If the individual has applied for an ITIN but the IRS has not yet issued the ITIN, write "Applied For." For other than an individual, enter provider's federal employer identification number (FEIN). If the provider is a tax-exempt organization, write "Tax-Exempt" in column (c).

Column (d). Enter the care provider's Hawaii Tax I.D. Number. If the provider is a tax-exempt charitable organization (IRC section 501(c)(3)), enter "Tax-Exempt."

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

Line 2

Dependent Care Benefits

If you received dependent care benefits from an employer (you have a federal Form W-2 that has an amount in Box 10), enter the amount shown in Box 10 of your W-2 form(s).

If you were self-employed or a partner, include amounts you received under a dependent care assistance program from your sole proprietorship or partnership.

Line 4

Amount Forfeited or Carried Forward to 2020

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.

Also include on this line any amount you did not receive but are permitted by your employer to carry forward and use in the following year during a grace period.

Line 8

Your Earned Income

In general, earned income is wages, salaries, tips, and other employee compensation. It also includes net earnings from self-employment. For more information, see the instructions to lines 23 and 24 on page 40.

Line 9

Spouse's Earned Income

If your filing status is Married Filing Jointly, enter your spouse's earned income on this line.

If your filing status is Married Filing Separately, see *Married Persons Filing Separately* discussed earlier. If you are considered unmarried under that rule, enter your earned income (from line 8) on this line. If you are **not** considered unmarried under that rule, enter your spouse's earned income on line 9.

If your spouse was a student or disabled in 2019, see *If You or Your Spouse Was a Student or Disabled* discussed on this page.

All other taxpayers should enter the amount on line 8.

Line 21

Qualifying Person(s)

Complete columns (a) through (d) for each qualifying person. If you have more than two qualifying persons, attach a statement to your return with the required information. Be sure to put your name and social security number on the statement. Also, write "See attached" on the dotted line next to line 22.

Column (a). Enter each qualifying person's name.

Column (b). Enter the qualifying person's relationship to you.

Column (c). Enter the qualifying person's social security number.

Column (d). Enter the qualified expenses you incurred and paid in 2019 for the person listed in column (a). Do not include in column (d) qualified expenses:

- You incurred in 2019 but did not pay until 2020. You may be able to use these expenses to increase your 2020 credit.
- You incurred in 2018 but did not pay until 2019. Instead, see the instructions for line 28 on this page.
- You prepaid in 2019 for care to be provided in 2020. These expenses may only be used to figure your 2020 credit.

Lines 23 and 24

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.

Note: *For part-year residents, enter the amount of earned income from all sources for the period of residency.*

Unmarried taxpayers. If you are unmarried at the end of 2019 or are treated as being unmarried at the end of the year, enter your earned income on line 23.

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 23 and your spouse's earned income on line 24.

If You or Your Spouse Was a Student or Disabled. Your spouse's earned income. Your spouse was a full-time student if he or she was enrolled as a full-time student at a school for some part of each of five calendar months during 2019. The months need not be consecutive. A school does not include an on-the-job training course, correspondence school, or a school offering courses only through the Internet. Your spouse was disabled if he or she was not physically or mentally capable of self-care. Figure your spouse's earned income on a monthly basis.

For each month or part of a month your spouse was a student or was disabled, he or she is considered to have worked and earned income. His or her earned income for each month is considered to be at least $200 ($400 if more than one qualifying person was cared for in 2019). If your spouse also worked during that month, use the higher of $200 (or $400) or his or her actual earned income for that month.

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

Your earned income. These rules for a spouse who was a student or disabled also apply to you if you were a student or disabled. For each month or part of a month you were a student or disabled, your earned income is considered to be at least $200 ($400 if more than one qualifying person was cared for in 2019). If you also worked during that month, enter the higher of $200 (or $400) or your actual earned income for that month.

Both spouses were students or disabled. If, in the same month, both you and your spouse were either students or disabled, only one of you can be treated as having earned income in that month under these rules.

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 28

Amount of the Credit

If you had qualified expenses for 2018 that you did not pay until 2019, you may be able to increase the amount of credit you can take in 2019. To do this, multiply the 2018 expenses you paid in 2019 by the applicable percentage from the table on line 27 that applies to your 2018 adjusted gross income. Your 2018 expenses must be within the 2018 limits. Attach a computation showing how you figured the increase. If you can take a credit for your 2018 expenses, write "PYE" and the amount of the credit on the dotted line next to line 28. Enter the total amount of the credit on line 28. Also enter this amount on Form N-15, line 47.

Worksheets

Interest Worksheet

1. Enter the total interest on federal Form(s) 1099-INT and 1099-OID, and other interest received, including interest on out-of-state municipal bonds and municipal bond mutual funds, U.S. Savings Bonds and other federal obligations, Hawaii bonds, and Guam, Puerto Rico, U.S. Virgin Island, and American Samoa bonds .... ______
2. Enter the interest on U.S. Savings Bonds and other federal obligations; Hawaii bond interest; and Guam, Puerto Rico, U.S. Virgin Islands, and American Samoa bond interest. ______
3. Enter the interest earned by an Individual Retirement Account, Individual Housing Account, Individual Development Account, Coverdell Education Savings Account, Qualified Tuition Program, Medical Savings Account, Health Savings Account, and ABLE Account... ______
4. Add lines 2 and 3 ...... ______
5. Line 1 minus line 4. Enter the result on Form N-15, line 8, Column A...... ______
6. Enter the amount of interest income on line 5 that was derived from all sources for the period of residency. (**Note:** Nonresidents, enter zero.)...... ______
7. Enter the amount of interest income on line 5 that was derived from intangible assets that have acquired a situs in Hawaii for the period of nonresidency (e.g., interest income received on an agreement of sale of real property located in Hawaii)...... ______
8. Add lines 6 and 7. Enter the result on Form N-15, line 8, Column B...... ______

Form N-15 — State Tax Refund Worksheet

1. Enter your State tax overpayment (line 59) from your 2018 return. If you are a nonresident, do not enter more than the amount of your Hawaii income taxes shown on your 2018 Itemized Deduction Worksheet NR-2, line 8. If you are a part-year resident, do not enter more than the amount of your state and local income taxes shown on your 2018 Itemized Deduction Worksheet PY-2, line 14...... ______
2. Enter from your 2018 Form N-15 the following:
   - a. Refundable food/excise tax credit (line 45)...... ______
   - b. Credit for low-income household renter (line 46)...... ______
   - c. Credit for child and dependent care expenses (line 47).. ______
   - d. Credit for child passenger restraint system(s) (line 48)... ______
   - e. Carryover of the residential construction and remodeling tax credit (Schedule CR, line 11)...... ______
3. Add lines 2a through 2e...... ______
4. Line 1 minus line 3. If zero or less, stop here. None of your refund is taxable. Otherwise continue on to line 5... ______
5. Enter amount from your 2018 Form N-15, line 39...... ______
6. Enter the amount shown below for the filing status you claimed on your 2018 Form N-15...... ______

Single or married filing separately—	$2,200
Married filing jointly or qualifying widow(er)—	4,400
Head of household—	3,212

7. Enter the ratio of your Hawaii AGI to Total AGI (line 37) from your 2018 return*...... ______
8. Multiply line 6 by line 7...... ______
9. Line 5 minus line 8. Enter the result, but not less than zero...... ______
10. Compare the amounts on lines 4 and 9 above and enter the SMALLER of the two amounts here and on Form N-15, line 10, Columns A and B. This is the **taxable** part of your refund...... ______

***Note:** *If Form N-11 was filed in 2018, enter 1.*

Form N-15 — Capital Gain/Loss Worksheet

1. Enter the net gain or (loss) from sales of capital assets held for one year or less...... ______
2. Enter the short-term capital gain or (loss) reported to you on any Schedule(s) K-1...... ______
3. Enter the short-term capital gain or (loss) not included on lines 1 and 2, such as from federal Forms 4684, 6252, 6781, and 8824...... ______
4. Short-term gain from stock acquired through stock options from qualified high technology businesses...... (   )
5. Enter your short-term capital loss carryover from 2018 .. (   )
6. **Net short-term gain/(loss).** Combine lines 1 through 5 ______
7. Enter the net gain or (loss) from sales of capital assets held for more than one year...... ______
8. Enter the capital gain distributions reported to you on federal Form 1099-DIV...... ______
9. Enter the long-term capital gain or (loss) reported to you on any Schedule(s) K-1...... ______
10. Enter the long-term capital gain or (loss) not included on lines 7 to 9, such as from federal Forms 2439, 4684, 6252, 6781, and 8824; and Hawaii Schedule D-1. ______
11. Long-term gain from stock acquired through stock options from qualified high technology businesses...... (   )
12. Enter your long-term capital loss carryover from 2018.... (   )
13. **Net long-term gain/(loss).** Combine lines 7 through 12 ______
14. **Net capital gain/(loss).** Combine lines 6 and 13...... ______

If line 14 is a gain, enter the amount from line 14 on Form N-15, line 13, Column B. If lines 13 and 14 are both gains, you may be able to reduce your tax by using the *Tax on Capital Gains Worksheet* on page 44 if your taxable income is over $48,000 ($24,000 for Single, and Married Filing Separately; or $36,000 for Head of Household classifications). Enter the smaller of the gain on line 13 or the gain on line 14 on the *Tax on Capital Gains Worksheet*, line 2, on page 44.

If line 14 is a (loss), continue with the rest of the worksheet below to figure what to enter on Form N-15 and how much of your loss you can carry over to next year.

15. Enter ($3,000), or, if married filing separately, ($1,500) .. ______
16. Compare lines 14 and 15, and write the smaller loss here. Enter this amount on Form N-15, line 13, Column B...... ______

Capital Loss Carryovers to 2020

17. Enter the amount from Form N-15, line 41. If the amount is negative, write it as a (loss)...... ______
18. Enter the amount on line 16 as a positive number...... ______
19. Combine lines 17 and 18. If this amount is zero or less, enter -0-...... ______
20. Enter the smaller of line 18 or line 19...... ______
21. If you have a net short-term loss on line 6, enter that amount as a positive number here. Otherwise, enter -0- here and go to line 26...... ______
22. If you have a net long-term gain on line 13, enter that number here. Otherwise, enter -0- here...... ______
23. Enter the amount from line 20...... ______
24. Add lines 22 and 23...... ______
25. Line 21 minus line 24. If zero or less, enter -0-. This is your **short-term capital loss carryover to 2020**...... ______
26. If you have a net long-term loss on line 13, enter that amount as a positive number here. Otherwise, **stop here** ______
27. If you have a net short-term gain on line 6, enter that number here. Otherwise, enter -0- here...... ______
28. Line 20 minus line 21. If zero or less, enter -0-...... ______
29. Add lines 27 and 28...... ______
30. Line 26 minus line 29. If zero or less, enter -0-. This is your **long-term capital loss carryover to 2020**...... ______

Worksheets (continued)

Itemized Deductions Worksheet — For Nonresidents

1. Enter the amount from Form N-15, line 35, Column B (Hawaii adjusted gross income)..................... ________

2. Enter the amount from Form N-15, line 35, Column A (adjusted gross income from all sources)....... ________

3. Enter the amount from Form N-15, line 37 (Ratio of Hawaii AGI to Total AGI).................................. ________

WORKSHEET NR-1– Medical and Dental Expenses

4. Enter amount of medical and dental expenses (see page 22 of Instructions) .... ________

5. Multiply line 3 by line 4.. ________

6. Multiply line 1 by 10% (.10). If zero or less, enter zero. ... ________

7. Line 5 minus line 6. If zero or less, enter zero. Enter the result here and on Form N-15, line 38a.................... ________

WORKSHEET NR-2 – Taxes You Paid

Note: *You can claim a deduction for state and local, and foreign, income, war profits, and excess profits taxes (or state and local general sales taxes if an election is made to deduct state and local sales taxes instead of state and local income taxes) if your **federal** adjusted gross income is less than $100,000 and you are single or married filing separately; or less than $150,000 and you are a head of household; or less than $200,000 and you are married filing jointly or a qualifying widow(er).*

8. State and local **(check only one box):**

a ☐ Hawaii income taxes, or

b ☐ General sales taxes (Enter the amount of general sales taxes multiplied by line 3) .... ________

9. Real estate taxes paid on property located in Hawaii ..... ________

10. Add lines 8 and 9. Enter the total here and on Form N-15, line 38b .... ________

WORKSHEET NR-3 – Interest You Paid

Caution: *Enter only home mortgage interest secured by a property located in Hawaii and points paid thereon.*

11. Home mortgage interest and points reported to you on federal Form 1098... ________

12. Home mortgage interest not reported to you on federal Form 1098.. ________

13. Points not reported to you on federal Form 1098 (see instructions for federal Schedule A (Form 1040 or 1040-SR)... ________

14. Investment interest from property having situs in Hawaii (attach Form N-158).. ________

15. Add lines 11 through 14. Enter the total here and on Form N-15, line 38c .... ________

WORKSHEET NR-4—Gifts to Charity

16. Enter amount of gifts by cash or check (if any gift of $250 or more, see page 25 of Instructions).................... ________

17. Other than by cash or check (if any gift of $250 or more, see page 25 of Instructions) (attach federal Form 8283 if over $500) .... ________

18. Carryover from prior year.. ________

19. Add lines 16 through 18.. ________

20. Multiply line 3 by line 19. Enter total here and on Form N-15, line 38d .... ________

WORKSHEET NR-5—Casualties and Thefts

21. Total casualty and theft loss(es) from the 2017 federal Form 4684, line 16 on property located in Hawaii (see instructions on page 25) .... ________

22. Multiply line 1 by 10% (.10). If zero or less, enter zero. ... ________

23. Line 21 minus line 22. If zero or less, **stop here.** Otherwise, enter this amount on Form N-15, line 38e..... ________

WORKSHEET NR-6—Miscellaneous Deductions

24. Unreimbursed employee business expenses—job travel, union dues, job education—related to a job whose income is subject to taxation in Hawaii (attach the 2017 federal Form 2106 or Form 2106-EZ if required) ... ________

25. Other miscellaneous deductions directly associated with activities or properties producing income which is taxable to Hawaii (see page 26 of Instructions).............. ________

26. Other miscellaneous deductions that cannot be linked to a specific activity or property .... ________

27. Multiply line 3 by line 26.. ________

28. Add lines 24, 25, and 27 .... ________

29. Multiply line 1 by 2% (.02). If zero or less, enter zero. ..... ________

30. Line 28 minus line 29. Enter the result, but not less than zero .... ________

31. Other deductions not subject to 2% AGI limit (see instructions on page 26) which are directly associated with activities or properties producing income which is taxable to Hawaii... ________

32. Other deductions not subject to 2% AGI limit that cannot be linked to a specific activity or property........... ________

33. Multiply line 3 by line 32.. ________

34. Add lines 30, 31, and 33. Enter total here and on Form N-15, line 38f .... ________

35. Total itemized deductions. Add lines 7, 10, 15, 20, 23, and 34.. ________

Note: If your Hawaii adjusted gross income is above a certain amount, you may not be able to deduct all of your itemized deductions. See page 27 of the Instructions.

Worksheets (continued)

Itemized Deductions Worksheet — For Part-Year Residents

1. Enter the amount from Form N-15, line 35, Column B (Hawaii adjusted gross income) ______

2. Enter the amount from Form N-15, line 35, Column A (adjusted gross income from all sources) ______

3. Enter the amount from Form N-15, line 37 (Ratio of Hawaii AGI to Total AGI) ______

WORKSHEET PY-1– Medical and Dental Expenses

4. Enter amount of medical and dental expenses (see page 22 of Instructions) ______

5. Multiply line 3 by line 4 ______

6. Multiply line 1 by 10% (.10). If zero or less, enter zero. ______

7. Line 5 minus line 6. If zero or less, enter zero. Enter the result here and on Form N-15, line 38a ______

WORKSHEET PY-2 – Taxes You Paid

Note: *You can claim a deduction for state and local, and foreign, income, war profits, and excess profits taxes (or state and local general sales taxes if an election is made to deduct state and local sales taxes instead of state and local income taxes) if your **federal** adjusted gross income is less than $100,000 and you are single or married filing separately; or less than $150,000 and you are a head of household; or less than $200,000 and you are married filing jointly or a qualifying widow(er).*

8. State and local **(check only one box):**

a ☐ Income taxes, or

b ☐ General sales taxes ______

9. Real estate taxes ______

10. Personal property taxes ______

11. Other taxes ______

12. Add lines 8 through 11 ______

13. Taxes on out-of-state income earned while nonresident (such as tax withheld on an out-of-state job); and real property taxes paid on property located out-of-state while nonresident ______

14. Taxes on Hawaii income OR on income earned while resident in Hawaii; and real property taxes paid on property located in Hawaii OR paid on property located out-of-state while resident in Hawaii ______

15. Add lines 13 and 14 ______

16. Line 12 minus line 15 ______

17. Multiply line 3 by line 16 ______

18. Add lines 14 and 17. Enter the total here and on Form N-15, line 38b ______

WORKSHEET PY-3 – Interest You Paid

19. Home mortgage interest and points reported to you on federal Form 1098 ______

20. Home mortgage interest not reported to you on federal Form 1098 ______

21. Points not reported to you on federal Form 1098 (see instructions for federal Schedule A (Form 1040 or 1040-SR) ______

22. Investment interest (attach Form N-158) ______

23. Add lines 19 through 22 ______

24. Home mortgage interest, points, and investment interest paid on property located out-of-state while nonresident ______

25. Home mortgage interest, points, and investment interest paid on property located in Hawaii OR paid on property located out-of-state while resident in Hawaii ______

26. Add lines 24 and 25 ______

27. Line 23 minus line 26 ______

28. Multiply line 3 by line 27 ______

29. Add lines 25 and 28. Enter the total here and on Form N-15, line 38c ______

WORKSHEET PY-4—Gifts to Charity

30. Enter amount of gifts by cash or check (if any gift of $250 or more, see page 25 of Instructions) ______

31. Other than by cash or check (if any gift of $250 or more, see page 25 of Instructions) (attach federal Form 8283 if over $500) ______

32. Carryover from prior year ______

33. Add lines 30 through 32 ______

34. Multiply line 3 by line 33. Enter total here and on Form N-15, line 38d ______

WORKSHEET PY-5—Casualties and Thefts

35. Total casualty and theft loss(es) from the 2017 federal Form 4684, line 16 (see instructions on page 25) ______

36. Casualty and theft losses on property located out-of-state while nonresident ______

37. Casualty and theft losses on property located in Hawaii OR on property located out-of-state while resident in Hawaii ______

38. Add lines 36 and 37 ______

39. Line 35 minus line 38 ______

40. Multiply line 3 by line 39 ______

41. Add lines 37 and 40 ______

42. Multiply line 1 by 10% (.10). If zero or less, enter zero. ______

43. Line 41 minus line 42. If this line is zero or less, **stop here.** Otherwise, enter this amount on Form N-15, line 38e ______

WORKSHEET PY-6—Miscellaneous Deductions

44. Unreimbursed employee business expenses—job travel, union dues, job education (attach the 2017 federal Form 2106 or Form 2106-EZ if required) ______

45. Tax preparation fees ______

46. Other expenses (investment, safe deposit box, etc.) (list type and amount, and attach the list to your return) ______

47. Add lines 44 to 46 ______

48. Miscellaneous deductions directly associated with activities or properties producing income which is not taxable to Hawaii ______

49. Miscellaneous deductions directly associated with activities or properties producing income which is taxable to Hawaii (see page 26 of Instructions) ______

50. Add lines 48 and 49 ______

51. Line 47 minus line 50 ______

52. Multiply line 3 by line 51 ______

53. Add lines 49 and 52 ______

54. Multiply line 1 by 2% (.02). If zero or less, enter zero. ______

55. Line 53 minus line 54. Enter the result, but not less than zero ______

56. Other deductions not subject to 2% AGI limit (see instructions on page 26) (list type and amount, and attach the list to your return) ______

57. Deductions directly associated with activities or properties producing income which is not taxable to Hawaii ______

58. Deductions directly associated with activities or properties producing income which is taxable to Hawaii (see page 26 of Instructions) ______

59. Add lines 57 and 58 ______

60. Line 56 minus line 59 ______

61. Multiply line 3 by line 60 ______

62. Add lines 55, 58, and 61. Enter total here and on Form N-15, line 38f ______

63. Total itemized deductions. Add lines 7, 18, 29, 34, 43, and 62 ______

Note: If your Hawaii adjusted gross income is above a certain amount, you may not be able to deduct all of your itemized deductions. See page 27 of the Instructions.

Worksheets (continued)

Total Itemized Deductions Worksheet

1. Enter the amount from line 35 of the Itemized Deductions Worksheet - For Nonresidents; or line 63 of the Itemized Deductions Worksheet - For Part-Year Residents.................... ________
2. Enter from the Itemized Deductions Worksheet the following:
   a. Medical and dental expenses (Worksheet NR-1, line 7; or Worksheet PY-1, line 7)... ________
   b. Investment interest (Worksheet NR-3, line 14; or the amount included in Worksheet PY-3, line 25)............................ ________
   c. Casualty and theft losses (Worksheet NR-5, line 23; or Worksheet PY-5, line 43)... ________
   d. Any gambling and casualty or theft losses included in Worksheet NR-6, line 31; or Worksheet PY-6, line 58. .... ________
3. Add lines 2a through 2d... ________
4. Is the amount on line 3 less than the amount on line 1?
   No. Your deduction is not limited. Enter the amount from line 1 of this worksheet on Form N-15, line 39. Do not complete the rest of this worksheet.
   Yes. Line 1 minus line 3... ________
5. Multiply line 4 by 80% (.80)... ________
6. Enter the amount from Form N-15, line 35, Column B (**Hawaii** AGI).. ________
7. Enter $166,800 ($83,400 if married filing separately)................ ________
8. Is the amount on line 7 less than the amount on line 6?
   No. Your deduction is not limited. Enter the amount from line 1 of this worksheet on Form N-15, line 39. Do not complete the rest of this worksheet.
   Yes. Line 6 minus line 7... ________
9. Multiply line 8 by 3% (.03)... ________
10. Enter the **smaller** of line 5 or line 9... ________
11. **Total itemized deductions.** Line 1 minus line 10. Enter the result here and on Form N-15, line 39....................................... ________

Tax on Capital Gains Worksheet

Note: Do not use this worksheet if (1) you do not have a **Hawaii** net capital gain, or (2) your taxable income is $48,000 ($24,000 for Single, and Married Filing Separately; or $36,000 for Head of Household classifications) or under.

1. Enter your taxable income from Form N-15, line 43........ ________
2. Enter the smaller of the gain on line 13 or the gain on line 14 from the *Capital Gain/Loss Worksheet* on page 41. .... ________
3. If you are filing Form N-158, enter the amount from line 4e of Form N-158 .... ________
4. Line 2 minus line 3. (If this amount is zero or less, **stop here;** you **cannot** use this worksheet to figure your tax.) ________
5. Line 1 minus line 4 .... ________
6. Enter the amount shown below for the filing status you claimed .... ________
   Single or Married filing separately— $24,000
   Married filing jointly or qualifying widow(er)— 48,000
   Head of household— 36,000
7. Enter the **greater** of line 5 or line 6................................. ________
8. Line 1 minus line 7. This is the amount of net capital gains eligible for alternative tax....................................... ________
9. Compute the tax on the amount on line 7 using the Tax Table or Tax Rate Schedules, whichever applies ...... ________
10. Multiply line 8 by 7.25% (.0725) and enter the result ...... ________
11. Line 9 plus line 10. .... ________
12. Compute the tax on the amount on line 1 using the Tax Table or Tax Rate Schedules, whichever applies............ ________
13. Enter the smaller of line 11 or line 12 here and on line **a** of the *Tax Computation Worksheet* on page 45. If line 11 is smaller, enter the amount from line 8 in the space provided beside Form N-15, line 44a.............................. ________

Tax Computation Worksheet

Enter the tax amount calculated from **a** or **b.**

a Tax Table, Tax Rate Schedule, or Tax on Capital Gains Worksheet.. ________

b Form N-168 or Form N-615 .... ________

c Enter any additional tax from Form N-2, Distribution from an Individual Housing Account. .... ________

d Enter any additional tax from Form N-103, Sale of Your Home .... ________

e Enter any additional tax from Form N-152, Tax on Lump-Sum Distributions .... ________

f Enter any additional tax from Form N-312, Recapture of Capital Goods Excise Tax Credit .... ________

g Enter any additional tax from Form N-338, Tax Credit for Flood Victims.. ________

h Enter any additional tax from Form N-344, Recapture of Important Agricultural Land Qualified Agricultural Cost Tax Credit.. ________

i Enter any additional tax from Form N-348, Recapture of Capital Infrastructure Tax Credit.. ________

j Enter any additional tax from Form N-405, Tax on Accumulation Distribution of Trusts................................. ________

k Enter any additional tax from Form N-586, Recapture of Tax Credit for Low-Income Housing................................ ________

l Enter any additional tax from Form N-814, Parent's Election to Report Child's Interest and Dividends .... ________

m Add lines **a** or **b**, and **c** through **l**. This is your total tax. Enter the result here and on Form N-15, line 44............ ________

Note: If you entered any amount in lines **b** through **l**, fill in the oval before ". . . if tax… is included" on Form N-15, line 44.

Other State and Foreign Tax Credit Worksheet

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

Note: If you claim a credit for income taxes paid to other states and countries, you cannot also claim those amounts as an itemized deduction for state and foreign income taxes paid to another state or foreign country.

1. Enter taxable income from Form N-15, line 43................ ________

2. Enter amount of long-term capital gain from the space provided beside Form N-15, line 44a .... ________

3. Enter the amount of your out-of-state income, **including** capital gains. Do **not** include any income that is exempt in Hawaii such as employer-funded pensions. ________

4. Enter the amount of long-term capital gains from sources outside the State .... ________

5. Enter the amount of tax you paid to **other States** on income you reported in Column B while you were a Hawaii resident, except for tax paid on income that is exempt in Hawaii (attach a copy of the tax return(s) from the other state(s)) .... ________

6. Enter the amount of tax you paid to **foreign countries** or to U.S. possessions, except for tax paid on income that is exempt in Hawaii (attach a copy of federal Form(s) 1116, or federal Form(s) 1099-DIV or 1099-INT if federal Form(s) 1116 is not required) .... ________

7. Enter the amount of the federal foreign tax credit you were allowed to take this year. Do not include amounts carried over to other years, or amounts from prior years that were carried forward to this year.............................. ________

8. Line 6 minus line 7 .... ________

9. Line 5 plus line 8. This is the total amount of out-of-state tax eligible for the credit .... ________

10. Line 1 minus line 3. This is your Hawaii source income . ________

11. Line 2 minus line 4. This is your Hawaii source long-term capital gain. If line 4 exceeds line 2, enter zero here...... ________

12. Line 10 minus line 11. This is your Hawaii ordinary income .... ________

13. Enter your tax amount from line **a** or line **b** of the *Tax* Computation Worksheet on this page............................. ________

14. Figure the Hawaii tax on the amount on line 12. Use the Tax Table or Tax Rate Schedules.................................... ________

15. Multiply the amount on line 11 by 7.25% (0.0725) .... ________

16. Add lines 14 and 15 .... ________

17. Line 13 minus line 16 .... ________

18. Enter the **smaller** of line 9 or line 17 .... ________

19. Enter the amount from Form N-15, line 51 .... ________

20. Enter the **smaller** of line 18 or line 19 here and on Schedule CR, line 1. Any excess **cannot** be carried forward. .... ________

Worksheets (continued)

Adoption Benefits Worksheet

Caution: See the federal instructions to Form 8839, Qualified Adoption Expenses, before completing this worksheet.

	Child 1	Child 2	
1. Maximum exclusion per child	$10,000	$10,000	
2. Did you receive **employer-provided adoption benefits** for a prior year for the same child? **No.** Enter -0-. **Yes.** See the federal instructions for the amount to enter.			
3. Subtract line 2 from line 1			
4. Employer-provided adoption benefits you received in 2019. This amount should be shown in box 12 of your 2019 federal Form(s) W-2 with code **T**			
5. Add the amounts on line 4			
6. Enter the **smaller** of line 3 or line 4. But if the child was a child with special needs and the adoption became final in 2019, enter the amount from line 3.			
7. Enter your Hawaii modified adjusted gross income*			
8. Is line 7 more than $150,000? **No.** Skip lines 8 - 9 and enter -0- on line 10. **Yes.** Subtract $150,000 from line 7.			
9. Divide line 8 by $40,000. Enter the result as a decimal (rounded to at least three places). Do not enter more than 1.000			
10 Multiply each amount on line 6 by line 9			
11. Excluded benefits. Subtract line 10 from line 6			
12. Add the amounts on line 11			
13. Taxable benefits. Is line 12 more than line 5? **No.** Subtract line 12 from line 5. Also, include this amount, if more than zero, on Form N-15, line 7, Column B. On the dotted line next to line 7, write "AB." **Yes.** Subtract line 5 from line 12. Enter the result as a negative number. Reduce the total you would enter on Form N-15, line 7, Column B, by the amount on line 13 of this worksheet, and enter the result on Form N-15, line 7, Column B. On the dotted line next to line 7, write "SNE"			

***Hawaii modified adjusted gross income** is your Hawaii adjusted gross income (Form N-15, line 35, Column B), before subtracting any deduction for the student loan interest, plus the amount of employer-provided adoption benefits from the *Adoption Benefits Worksheet*, line 5.

Student Loan Interest Deduction Worksheet

1. Enter the total interest you paid in 2019 on qualified student loans. **Do not** enter more than $2,500.	
2. Enter your total modified adjusted gross income from all sources**. **Note:** If line 2 is $65,000 or more if single, head of household, or qualifying widow(er) **OR** $130,000 or more if married filing jointly, you **cannot** take the deduction. Skip lines 3-6 and enter -0- on line 7.	
3. Enter: $50,000 if single, head of household, or qualifying widow(er); $100,000 if married filing jointly.	
4. Is the amount on line 2 more than the amount on line 3? **No.** Skip lines 4 and 5, enter -0- on line 6, and go to line 7. **Yes.** Subtract line 3 from line 2.	
5. Divide line 4 by $15,000 ($30,000 if married filing jointly). Enter the result as a decimal (rounded to at least three places). If the result is 1.000 or more, enter 1.000.	
6. Multiply line 1 by line 5.	
7. Student loan interest deduction. Subtract line 6 from line 1. Enter the result here and on Form N-15, line 23, Column A.	
8. Divide your Hawaii adjusted gross income by your total adjusted gross income from all sources. In this step, use the amount of the Hawaii adjusted gross income and total adjusted gross income from all sources before subtracting any deduction for the student loan interest. Enter the result as a decimal (rounded to at least three places) (See Instructions for Form N-15, line 37)	
9. Multiply line 7 by line 8. Enter the result here and on Form N-15, line 23, Column B	

****Total modified adjusted gross income from all sources** is your total adjusted gross income from all sources before subtracting any deduction for the student loan interest.

2019
TAX TABLES

Tax Table Must Be Used By Persons With Taxable Income Of Less Than $100,000

For a copy of the Tax Table, go to tax.hawaii.gov/forms/

2019 Tax Rate Schedules

CAUTION – If your taxable income is less than $100,000, you MUST use the Tax Table.

Schedule I

SINGLE TAXPAYERS AND MARRIED FILING SEPARATE RETURNS

Use this schedule if you filled in Filing Status Oval 1 or 3 on Form N-15

If the amount on Form N-15, Line 43 is	Your tax is:	
Not over $2,400	1.40% of taxable income	
Over $2,400 but not over $4,800	$ 34	plus 3.20% over $2,400
Over $4,800 but not over $9,600	$ 110	plus 5.50% over $4,800
Over $9,600 but not over $14,400	$ 374	plus 6.40% over $9,600
Over $14,400 but not over $19,200	$ 682	plus 6.80% over $14,400
Over $19,200 but not over $24,000	$ 1,008	plus 7.20% over $19,200
Over $24,000 but not over $36,000	$ 1,354	plus 7.60% over $24,000
Over $36,000 but not over $48,000	$ 2,266	plus 7.90% over $36,000
Over $48,000 but not over $150,000	$ 3,214	plus 8.25% over $48,000
Over $150,000 but not over $175,000	$ 11,629	plus 9.00% over $150,000
Over $175,000 but not over $200,000	$ 13,879	plus 10.00% over $175,000
Over $200,000	$ 16,379	plus 11.00% over $200,000

Schedule II

MARRIED TAXPAYERS FILING JOINT RETURNS AND CERTAIN WIDOWS AND WIDOWERS

Use this schedule if you filled in Filing Status Oval 2 or 5 on Form N-15

If the amount on Form N-15, Line 43 is:	Your tax is:	
Not over $4,800	1.40% of taxable income	
Over $4,800 but not over $9,600	$ 67	plus 3.20% over $4,800
Over $9,600 but not over $19,200	$ 221	plus 5.50% over $9,600
Over $19,200 but not over $28,800	$ 749	plus 6.40% over $19,200
Over $28,800 but not over $38,400	$ 1,363	plus 6.80% over $28,800
Over $38,400 but not over $48,000	$ 2,016	plus 7.20% over $38,400
Over $48,000 but not over $72,000	$ 2,707	plus 7.60% over $48,000
Over $72,000 but not over $96,000	$ 4,531	plus 7.90% over $72,000
Over $96,000 but not over $300,000	$ 6,427	plus 8.25% over $96,000
Over $300,000 but not over $350,000	$ 23,257	plus 9.00% over $300,000
Over $350,000 but not over $400,000	$ 27,757	plus 10.00% over $350,000
Over $400,000	$ 32,757	plus 11.00% over $400,000

Schedule III

UNMARRIED HEADS OF HOUSEHOLD

Use this schedule if you filled in Filing Status Oval 4 on Form N-15

If the amount on Form N-15, Line 43 is:	Your tax is:	
Not over $3,600	1.40% of taxable income	
Over $3,600 but not over $7,200	$ 50	plus 3.20% over $3,600
Over $7,200 but not over $14,400	$ 166	plus 5.50% over $7,200
Over $14,400 but not over $21,600	$ 562	plus 6.40% over $14,400
Over $21,600 but not over $28,800	$ 1,022	plus 6.80% over $21,600
Over $28,800 but not over $36,000	$ 1,512	plus 7.20% over $28,800
Over $36,000 but not over $54,000	$ 2,030	plus 7.60% over $36,000
Over $54,000 but not over $72,000	$ 3,398	plus 7.90% over $54,000
Over $72,000 but not over $225,000	$ 4,820	plus 8.25% over $72,000
Over $225,000 but not over $262,500	$ 17,443	plus 9.00% over $225,000
Over $262,500 but not over $300,000	$ 20,818	plus 10.00% over $262,500
Over $300,000	$ 24,568	plus 11.00% over $300,000

STATE OF HAWAII—DEPARTMENT OF TAXATION
HAWAII TAXPAYER BILL OF RIGHTS

MESSAGE FROM THE DIRECTOR

This publication explains some of your most important rights as a taxpayer.

Hawaii taxpayers have many rights. Some are based on laws, and others are based on our commitment to administer Hawaii's tax laws in a fair and equitable manner. The Hawaii Taxpayer Bill of Rights compiles these rights for your easy reference.

Taxpayer rights are at the heart of good tax administration — a pledge that the tax laws will be administered with fairness, uniformity, courtesy, and common sense. In our commitment to this pledge, we invite your suggestions for improving the services provided by the Department of Taxation.

HAWAII TAXPAYER BILL OF RIGHTS

I. Protection of Taxpayer Rights

Taxpayers are entitled to be informed about their rights and responsibilities and to be assured that their rights will be protected throughout their contact with the Department of Taxation (Department).

II. Tax Information

Taxpayers have a right to tax information written in plain language.

Taxpayers have a right to examine their own tax records, audit files, and collection files.

Taxpayers have a right to request copies of their own tax returns and return information, if available, subject to copying fees.

Taxpayers have a right to obtain explanations regarding billings and assessments.

III. Professional and Courteous Service

Taxpayers have a right to prompt, courteous, and accurate responses to all questions and requests for tax assistance.

Taxpayers have a right to be assured that no civil service employee of the Department will be paid, promoted, or in any way rewarded based on the amount of assessments made or taxes collected.

Taxpayers have a right to be free from harassment and inappropriate contact by Department personnel in matters relating to the collection of delinquent taxes and during the course of audits.

IV. Privacy and Confidentiality

Taxpayers have a right to be assured that their dealings with the Department will be kept confidential.

Taxpayers have a right to be assured that their tax returns and tax return information will not be disclosed, except as provided by law.

V. Time Limitations

Taxpayers are entitled to seek a refund if they have overpaid their taxes. A claim for refund must be filed within the applicable statute of limitations.

The Department may assess a taxpayer additional taxes if the assessment is made within the applicable statute of limitations. There is no time limit on the assessment of taxes in the case of a false or fraudulent return or failure to file a return.

Taxpayers may extend the period of limitations for the assessment or refund of taxes by signing a written agreement with the Department.

If the Department is notified by the Internal Revenue Service or a taxpayer of any changes, corrections, or adjustments to the taxpayer's Federal tax return, the statute of limitations is automatically extended.

VI. Audits and Assessments

Taxpayers have a right to a Proposed Notice of Assessment except in the case of a jeopardy assessment. A Proposed Notice of Assessment is mailed to the taxpayer's last known address and: (1) explains the basis for the assessment of taxes, penalties, and interest; (2) informs taxpayers of their right to request clarification or to object to the tax assessment within 30 days from the date the Proposed Notice of Assessment was mailed; and (3) informs taxpayers that the proposed tax assessment will become final after the expiration of 30 days from the mailing of the Proposed Notice of Assessment.

Taxpayers have a right to a Final Notice of Assessment, issued after the expiration of 30 days from the mailing of the Proposed Notice of Assessment, that provides the basis for the tax assessment, and informs the taxpayer of the procedures for appealing the assessment.

Taxpayers have a right to request a meeting with the auditor or collector, their supervisor, or senior management to discuss a Proposed or Final Notice of Assessment if they do not agree with the tax assessment.

Taxpayers have a right to request that the Department consider a closing agreement to reduce a Proposed or Final Notice of Assessment. Closing agreements are final.

VII. Tax Appeals/Payment Under Protest

Taxpayers have a right to information regarding procedures for appealing a tax assessment or a denial of a claim for refund.

Tax Appeals. Taxpayers have a right to appeal an assessment or a denial of a claim for refund to the board of review or to the tax appeal court. Taxpayers also have a right to appeal an assessment to our Administrative Appeals Office. In order to appeal to the Administrative Appeals Office, an appeal application must be filed within 20 days from the mailing date of the Proposed Notice of Assessment or within 30 days from the mailing date of the Final Notice of Assessment. The assessment does not need to be paid in order to appeal to the Administrative Appeals Office.

If the appeal is filed directly with the tax appeal court, a court-stamped copy of the notice of appeal must also be served on the Director of Taxation within 30 days from the date the Final Notice of Assessment was mailed by delivery to:

Civil Legal Complaints/Legal Process
Director of Taxation
Department of Taxation
830 Punchbowl Street, Room 221
Honolulu, HI 96813-5094

If the appeal is filed with the board of review, the decision of the board may be appealed to the tax appeal court within 30 days after the filing of the board of review decision. A court-stamped copy of the notice of appeal must also be served on the Director of Taxation at the above address within 30 days after the filing of the board of review decision.

If the appeal is filed with the tax appeal court, the decision of the tax appeal court may be appealed within 30 days to the Intermediate Appellate Court.

The first appeal to either the board of review or to the tax appeal court may be made without payment of the tax assessed. However, the assessed tax must be paid together with interest when the taxpayer appeals the decision by the board or the tax appeal court or the decision by the board in favor of the Department is not appealed. In addition, a taxpayer who prevails before the board of review does not have to pay the assessed tax prior to an appeal by the Department to the tax appeal court. Similarly, a taxpayer who prevails before the board of review and the tax appeal court does not have to pay the assessed tax prior to an appeal by the Department to the Intermediate Appellate Court.

The tax appeal court may allow an individual taxpayer to appeal an income tax assessment without prior payment of the tax where the total tax liability does not exceed $50,000 and the taxpayer shows that the payment of the tax would cause irreparable harm.

Payment Under Protest. In lieu of filing an appeal or if an appeal is not filed with the board of review, with the tax appeal court, or with the Administrative Appeals Office within 30 days from the date the Final Notice of Assessment was mailed, the taxpayer may pay the disputed tax assessment under written protest and seek to recover the taxes by filing an action in tax appeal court within 30 days from the date of payment.

VIII. Representation

Taxpayers have a right to represent themselves or have another person accompany or represent them (with proper written authorization) when dealing with the Department on any tax matter, including audits, collections, and appeals.

IX. Taxpayer Advocate

Taxpayers have a right to seek the assistance of our Taxpayer Advocate to resolve any tax-related problem after all other means for resolving the problem have been exhausted, or if they feel that their rights as a taxpayer have been abridged, except in the case of a criminal tax investigation.

X. Installment Agreements, Waivers, and Compromises

Installment Agreements. Taxpayers have a right to request that the Department consider an installment payment agreement to allow taxpayers to pay their delinquent taxes over time. The Department will evaluate a request for an installment payment agreement based on the financial condition of the taxpayer. Taxpayers will be notified before collection action is taken on any outstanding tax liability if the installment payment agreement is in good standing. Interest will continue to accrue on the outstanding tax and penalty until paid in full. The Department may offset any outstanding tax liability with any credits due to the taxpayer from other taxes.

Waiver of Penalties and Interest. Taxpayers have a right to request that the Department waive penalties and interest added to any tax if the taxpayer can show that failure to file a return or pay a tax on time was due to reasonable cause, i.e., not due to the taxpayer's own carelessness, neglect, or wilful disregard of the law, but due to circumstances beyond the taxpayer's control.

Compromise Offers. Taxpayers have a right to request that the Department consider a compromise offer to reduce any tax claim arising under the tax laws administered by the Department based on doubt as to liability or collectibility, subject to the Governor's approval. If the tax liability excluding penalties and interest is $50,000 or less, the Director may approve the offer in compromise without the Governor's approval after the offer in compromise has been posted on the Department's website for five calendar days.

Any offer in compromise submitted to the Department must be accompanied by 20% of the amount of the offer in cases of a lump-sum offer in compromise, or the first proposed payment in the case of a periodic payment offer in compromise. Individual taxpayers who meet the low-income certification guidelines published by the Internal Revenue Service for the period in which the offer in compromise has been submitted will not be required to submit a payment with an offer in compromise submission. In cases where an offer in compromise is rejected, the payment amount will be applied to the tax liability of the taxpayer that was first assessed.

XI. Collections

Taxpayers have a right to be informed in writing to the taxpayer's last known address of possible collection actions that may be taken on delinquent taxes, including referral to a collection agency.

Taxpayers have a right to be notified of any cost recovery fee associated with any collection action.

Taxpayers have a right to have collection actions put on hold in the case of hardship or while discussing their situation with the collector, supervisor, or senior management, understanding that interest continues to accrue.

Taxpayers have a right to a prompt release of a lien upon payment of a tax delinquency and all filing fees.

Taxpayers have a right to have an incorrect lien corrected or released and to have a letter of clarification sent to a credit reporting company.

Taxpayers have a right to have all other collection actions exhausted before a seizure of a taxpayer's assets takes place, unless the Department determines that the interests of the State are in jeopardy.

Taxpayers have a right to have the following property exempt from levy: wearing apparel; school books; fuel; provisions; furniture; personal effects; books and tools of a trade, business, or profession; unemployment benefits; and undelivered mail.

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