

STATE OF HAWAII — DEPARTMENT OF TAXATION
INSTRUCTIONS FOR FORM N-210
**Underpayment of Estimated Tax by Individuals,
Estates, and Trusts**

2023

(NOTE: References to “married” and “spouse” are also references to “in a civil union” and “civil union partner,” respectively.)

GENERAL INSTRUCTIONS

Purpose of Form

You must pay income taxes as you earn income during the year, either through withholding or by 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.

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.

Individuals and fiduciaries of estates and trusts use Form N-210 to see if they owe a penalty for underpaying their estimated tax and, if so, to figure the amount of the penalty.

Other Methods of Figuring the Penalty

There are different ways to figure the correct penalty. You do not have to use Form N-210 to figure the penalty as long as you enter the correct penalty amount on the estimated tax penalty line of your return.

However, you are required to file Form N-210 if you checked one or more boxes in Part I. You must complete certain lines and enter the penalty (enter -0- if there is no penalty) on line 21 and on the estimated tax penalty line of your return. Also, fill in the oval (or check the box) on the estimated tax penalty line of your return to indicate that Form N-210 is attached.

Who Must Pay the Underpayment Penalty

In general, you may owe the penalty for 2023 if the total of your withholding and timely estimated tax payments were less than the smaller of:

1. 60% of your 2023 tax, or
2. 100% of your 2022 tax. Your 2022 tax return must cover a 12-month period.

Penalty figured separately for each required payment. The penalty is figured separately for each payment due date. Therefore, you may owe the penalty for an earlier due date even if you paid enough tax later to make up the underpayment. This is true even if you are due a refund when you file your tax return.

Exceptions to the Penalty

You will not have to pay the penalty if either **1** or **2** applies:

1. The total tax shown on your 2023 return minus the amount of tax you paid through withholding and tax credits is less than \$500. To determine whether the total tax is less than \$500, complete lines 1-5.
2. You meet all of the following conditions: (1) You were a full-year Hawaii resident in 2022 (or an estate of a Hawaii decedent or a Hawaii trust), (2) You had no tax liability for 2022, and (3) Your 2022 tax year covered a 12-month period. You had no tax liability for 2022 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 2022, you do not meet the exception under number 2.*

If you meet the exception under number 1, you do not have to file Form N-210.

If you meet the exception under number 2, do the following:

- a. Check box **A** in Part I.
- b. Enter -0- on line 21 and on the estimated tax penalty line of your return.
- c. Attach Form N-210 to your return.
- d. Fill in the oval (or check the box) on the estimated tax penalty line of your return to indicate that Form N-210 is attached.

Estates and trusts. No penalty applies to either of the following:

- A decedent's estate for any tax year ending before the date that is two years after the decedent's death.
- A trust that was treated as owned by the decedent if the trust will receive the residue of the decedent's estate under the will (or if no will is admitted to probate, the trust primarily responsible for paying debts, taxes, and expenses of administration) for any tax year ending before the date that is two years after the decedent's death.

Farmers and fishermen. If you meet both tests **1** and **2** below, you do not owe a penalty for underpaying your estimated tax.

1. Your gross income from farming or fishing is at least two-thirds of your annual gross income from all sources for 2022 or 2023.

2. You filed your Hawaii return and paid the entire tax due by March 1, 2024.

Note: *If you receive a penalty notice, do not ignore it. If you receive a penalty notice for underpaying estimated tax 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 or submit Form N-210.*

See federal Publication 505, Tax Withholding and Estimated Tax, for the definition of gross income from farming and fishing.

Lowering or Eliminating the Penalty

You may be able to lower or eliminate your penalty if any of the following applies:

- You request a waiver. See **Waiver of Penalty**.
- You use the annualized income installment method. See **Schedule A – Required Installments Using the Annualized Income Installment Method**.
- Instead of using one-fourth of your withholding for each payment period, you choose to use the amounts actually withheld by each due date. See the instructions for line 10 under **Figure Your Underpayment**.

Waiver of Penalty

If you have an underpayment on line 16, the Department can waive all or part of the penalty for underpayment if any of the following applies.

1. You retired after reaching age 62 or became disabled in 2022 or 2023 and both the following requirements are met.

- You had a reasonable cause for not making the payment.
- Your underpayment was not due to willful neglect.

2. You didn't make a payment because of a casualty, disaster, or other unusual circumstance and it would be inequitable to impose the penalty.

To request any of the above waivers, do the following:

a. Check box **B** in Part I.

b. Complete Form N-210 through line 20 without considering the waiver. Enter the amount you want waived in parentheses on the dotted line next to line 21. Subtract this amount from the total penalty you figured without considering the waiver, and enter the result on line 21 and on the estimated tax penalty line of your return.

c. Attach Form N-210 to your return.

d. Attach a statement to your return explaining the reasons you were unable to meet the estimated tax requirements and the time period for which you are requesting a waiver.

e. If you are requesting a waiver due to retirement or disability, attach documentation that shows your retirement date (and your age on that date) or the date you became disabled.

f. If you are requesting a waiver due to a casualty, disaster, or other unusual circumstance, attach documentation such as copies of police and insurance company reports.

g. Fill in the oval (or check the box) on the estimated tax penalty line of your return to indicate that Form N-210 is attached.

The Department will review the information you provide and decide whether to grant your request for a waiver.

SPECIFIC INSTRUCTIONS

Part II - Required Annual Payment

Complete lines 1 through 8 to figure your required annual payment.

Line 1 — Enter your tax liability before credits. Enter the amount from Form N-11, line 27; Form N-15, line 44; or Form N-40, Schedule G, line 1; whichever applies.

Line 2 — Enter the total amount of all the tax credits, nonrefundable and refundable, claimed on your tax return.

Do not include on this line, payments made for:

- Hawaii income tax withheld
- Tax withheld on Individual Housing Account (IHA) distributions
- Estimated taxes paid
- Amount of estimated tax payments applied from the 2022 return to the 2023 return
- Amounts paid with extensions

- Credit for taxes withheld on the sale of Hawaii real property by a nonresident
- Amounts withheld by an S corporation for a nonresident shareholder

Line 4 — Include on this line Hawaii income tax withheld from wages, IHA distributions, and sales of Hawaii real property by a nonresident; and amounts withheld by an S corporation for a nonresident shareholder.

Line 5 — If this line is less than \$500, you do not have to complete the rest of this form.

Line 7—Tax Amount from your 2022 Income Tax Return.—Enter 100% of your 2022 tax. Figure your 2022 tax using the taxes and credits shown on your 2022 tax return. Use the same type of taxes and credits shown on lines 1 and 2 of Form N-210.

If you are filing a joint return for 2023, but you **did not** file a joint return for 2022, add your 2022 tax to your spouse's 2022 tax and enter the total on line 7. If you filed a joint return for 2022 but you are **not** filing a joint return for 2023, see federal Publication 505 to figure your share of the 2022 tax to enter on line 7.

If you did not file a return for 2022, or if your 2022 tax year was less than 12 months, **do not** complete line 7. Instead, enter the amount from line 6 on line 8. However, see the **Exceptions to the Penalty** on page 1.

Line 8 — Compare the amounts on lines 6 and 7. Enter the **smaller** of the two amounts on line 8.

If the amount on line 4 is equal to or more than the amount on line 8, you will not have to complete or attach Form N-210 unless the following **Caution** applies to you.

Caution: *If the amount you entered on line 8 is your prior year tax (from line 7), and you filed or are filing a joint return for either 2022 or 2023 but not for both years, do the following even if you do not owe a penalty:*

- Check box **E** in Part I.
- Complete Form N-210 and enter the amount from line 21 on the estimated tax penalty line of your return.
- Attach Form N-210 to your return.
- Fill in the oval (or check the box) on the estimated tax penalty line of your return to indicate that Form N-210 is attached.

Part III - Figure Your Underpayment

Nonresident alien. If you are a "Nonresident Alien" (see definition in Form N-15 Instructions) and **did not** receive wages as an employee subject to Hawaii income tax withholding, the instructions for figuring your underpayment are modified as follows:

- Skip column **(a)**.
- On line 9, column **(b)**, enter one-half of the amount on line 8 of Part II (unless you are using the annualized income installment method).
- On line 10, column **(b)**, enter the total tax payments made through June 20, 2023, for the 2023 tax year. If you are treating Hawaii income tax as having been withheld evenly throughout the year, you are considered to have paid one-third of these amounts on each payment due date.
- Skip all lines in column **(b)** that are shaded in column **(a)**.

Farmers and fishermen. The instructions for figuring your underpayment are modified as follows:

- Skip columns **(a)**, **(b)**, and **(c)**.
- On line 9, column **(d)**, enter the full amount on line 8 of Part II.
- On line 10, column **(d)**, enter the total tax payments made through January 20, 2024, for the 2023 tax year.
- Skip all lines in column **(d)** that are shaded in column **(a)**.

Figure Your Underpayment

Line 9 — Enter on line 9, columns **(a)** through **(d)**, the amount of your **required installment** for the due date shown in each column heading. For most taxpayers, this is one-fourth of the required annual payment shown on line 8 of Part II. However, it may be to your benefit to figure your required installments by using the annualized income installment method. See the Schedule A instructions on page 3.

Line 10 — Enter the taxes withheld from wages, IHA distributions, and sales of Hawaii real property by a nonresident; estimated tax payments; and amounts withheld by an S corporation for a nonresident shareholder if the S corporation's payment is made within your tax year in the column for the period during which the payment is made.

In column **(a)**, enter the tax payments you made by April 20, 2023, for the 2023 tax year; in column **(b)**, enter the payments you made after April 20 through June 20, 2023; in column **(c)**, enter the payments you made after June 20 through September 20, 2023; and in column **(d)**, enter the payments you made after September 20, 2023, through January 20, 2024.

When figuring your payment dates and the amounts to enter on line 10 of each column, apply the following rules:

- For withheld income tax on wages, you are considered to have paid one-fourth of these amounts on each payment due date unless you can show otherwise. If you treat withholding as paid for estimated tax purposes when it was actually withheld, do the following:
 - Check box **D** in Part I.
 - Complete Form N-210 and enter the amount from line 21 on the estimated tax penalty line of your return.
 - Attach Form N-210 to your return.
 - Fill in the oval (or check the box) on the estimated tax penalty line of your return to indicate that Form N-210 is attached.

2. Include all estimated tax payments you made for each period. Include any overpayment from your 2022 tax return you elected to apply to your 2023 estimated tax. If your 2022 return was fully paid by the due date, treat the overpayment as a payment made on April 20, 2023. If you mail your estimated tax payments, use the date of the U.S. postmark as the date of payment.

3. If an overpayment is generated on your 2022 return from a payment made after the due date, treat the payment as made on the date of payment. For example, you paid \$500 due on your 2022 return on July 1, 2023, and later amended the return and were due a \$400 refund which you elected to have applied to your estimated taxes. The \$400 overpayment would be treated as paid on July 1.

4. If you file your return and pay the tax due by January 31, 2024, include on line 10, column **(d)**, the amount of tax you pay with your tax return. In this case, you will not owe a penalty for the payment due by January 20, 2024.

5. Reduce the amount of withholding on the disposition of Hawaii real property included on this line by any amount for which you have requested a refund on Form N-288C.

6. Any payments made on the next working day after the payment due date because of a Saturday, Sunday, or holiday, will be considered paid on the payment due date.

If line 10 is equal to or more than line 9 for all payment periods, stop here. You do not have to complete the rest of the form.

Line 16 — If line 16 is zero for all payment periods, you do not owe a penalty. But if you checked one or more boxes in Part I, you must file Form N-210 with your return.

If line 16 shows an underpayment for any payment period, see **Waiver of Penalty** on page 1. In certain circumstances, the Department will waive all or part of the underpayment penalty.

Part IV — Figure the Penalty

The underpayment penalty is computed on a monthly basis. This means the penalty is imposed on the amount of the underpayment of estimated tax at the rate of 2/3% (.00667) a month or part of a month.

Use Part IV to figure the penalty for any underpayment to which none of the exceptions apply. If you made more than one payment for any payment period, attach your penalty computation for each payment. The penalty is applied to the number of months, or part of a month, that the installment was not paid. You figure the period of underpayment by counting the number of months after the due date of the installment to and including the date of payment or April 20, 2024, whichever is earlier. If you are a fiscal year taxpayer, use the 20th day of the 4th month following the close of your fiscal year instead of April 20, 2024.

Line 19 — Count the number of months from the due date of the payment shown above the column to the date on line 18. A month, for the purposes of computing the penalty, is the period from the 21st day of the current calendar month through the 20th day of the following calendar month. Enter the number of months, rounding up any parts of a month. A part of a month is counted as one month.

For example, Mr. Aloha has an underpayment for the April 20th installment of \$1,000. The June 20th installment requires a payment of \$2,500. On June 10th, Mr. Aloha pays \$2,500 to cover the June 20th installment. However, \$1,000 of this payment will be considered to be for the April 20th installment. The penalty for the April 20th installment is figured to June 10th (2 months). The amount of the payment to be applied to the June 20th installment will be the remaining \$1,500. Please note that if Mr. Aloha does not make an additional payment by June 20th to cover the remaining \$1,000 due for the June 20th installment, the underpayment penalty will be applied when it is subsequently paid.

Payment of your entire 2023 estimated tax liability, or any balance due, by January 20, 2024, or filing of your 2023 income tax return and payment of the tax shown on the return by January 20, 2024, will not relieve you of the penalty if you did not pay the estimated income tax due earlier

in your tax year. If you file your return and pay the tax due by January 31, 2024, you will have no penalty for the January installment, and the periods of underpayment for earlier installments will end on January 20, 2024.

Reminder for farmers and fishermen: If your gross income from farming or fishing is at least two-thirds of your annual gross income from all sources for 2022 or 2023, and you file your return and pay the tax due by March 1, 2024, you will not have to pay the penalty or file this form.

Schedule A—Required Installments Using the Annualized Income Installment Method

If your income varied during the year because, for example, you operated your business on a seasonal basis or had a large capital gain late in the year, you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method. Use Schedule A to figure the required installments to enter on Form N-210, Part III, line 9.

If you use Schedule A for any payment due date, you must use it for all payment due dates.

To use the annualized income installment method to figure the penalty, you must do all of the following:

- a. Check box C in Part I.
b. Complete Schedule A. Enter the amounts from Schedule A, line 24, in each column of Form N-210, Part III, line 9.
c. Complete Form N-210 and enter the amount from line 21 on the estimated tax penalty line of your return.
d. Attach Form N-210 to your return.
e. Fill in the oval (or check the box) on the estimated tax penalty line of your return to indicate that Form N-210 is attached.

Nonresident alien. If you did not receive wages as an employee subject to Hawaii income tax withholding, the instructions for Schedule A are modified as follows:

- 1. Skip column (a).
2. Beginning with column (b), enter on line 1 your income for the period that is effectively connected with a Hawaii trade or business.
3. Increase the amount on line 16 by the amount determined by multiplying your income for the period that is not effectively connected with a Hawaii trade or business by the following:
- In column (b), 72%.
- In column (c), 45%.
- In column (d), 30%.
4. Enter on line 21, column (b), one-half of the amount from Form N-210, Part II, line 8. In

columns (c) and (d), enter one-fourth of that amount.

5. Skip column (b) of lines 19 and 22.

Annualized Income Installments

To figure the amount of each required installment, Schedule A selects the smaller of the annualized income installment or the regular installment (that has been increased by the amount saved by using the annualized income installment method in figuring any earlier installments).

Line 1 — For each period (column), figure your total income minus your adjustments to income. Include your share of partnership or S corporation income or loss items for the period.

If you are self-employed, be sure to take into account the deductible part of your self-employment tax. For more information on how to figure this amount for each period, see federal Publication 505 and Form 2210 Instructions.

Line 2 — Estates and trusts, do not use the amounts shown in columns (a) through (d). Instead, use 6, 3, 1.71429, and 1.09091, respectively, as the annualization amounts.

Line 6 — If you itemized deductions, multiply line 4 of each column by line 5 and enter the result on line 6. But if line 3 is more than \$166,800 (\$83,400 if married filing separately), use the following worksheet to figure the amount to enter on line 6.

- 1. Enter the amount from Sch. A, line 4
2. Enter the amount included on line 1 for medical and dental expenses, investment interest, casualty or theft losses, and gambling losses
3. Line 1 minus line 2
4. Enter the number from Sch. A, line 5
5. Multiply line 1 by line 4

Note: If line 3 is zero, your deduction is not limited. Stop here and enter the amount from line 5 on Sch. A, line 6.

- 6. Multiply line 3 by line 4
7. Multiply line 6 by .80
8. Enter the amount from Sch. A, line 3
9. Enter \$166,800 (\$83,400 if married filing separately)
10. Line 8 minus line 9

Note: If line 10 is zero or less, your deduction is not limited. Stop here and enter the amount from line 5 on Sch. A, line 6.

11. Multiply line 10 by .03

12. Enter the smaller of line 7 or line 11

13. Line 5 minus line 12. Enter the result here and on Sch. A, line 6

Line 7 — Nonresidents and part-year residents, enter the amount of your standard deduction multiplied by the ratio of your Hawaii adjusted gross income to total adjusted gross income from all sources.

Line 10 — For each column, multiply \$1,144 by the number of exemptions you claimed on Form N-11, line 6e, or Form N-15, line 6e. If you claimed the disability exemption, enter that amount. Nonresidents and part-year residents, enter the amount of your personal exemptions multiplied by the ratio of your Hawaii adjusted gross income to total adjusted gross income from all sources.

Line 12 — To compute the tax, use the Tax Table, Tax Rate Schedules, Capital Gains Tax Worksheet in the Form N-11 Instructions or in the Form N-15 Instructions, Form N-168, or Form N-615.

Line 13 — Enter all of the additional taxes you owed because of events that occurred during the months shown in the column headings. Include the following:

- Form N-2, Individual Housing Account
Form N-103, Sale of Your Home
Form N-152, Tax on Lump Sum Distributions
Form N-312, Capital Goods Excise Tax Credit Recapture
Form N-325, Historic Preservation Income Tax Credit Recapture
Form N-338, Recapture of Tax Credit for Flood Victims
Form N-344, Important Agricultural Land Qualified Agricultural Cost Tax Credit Recapture
Form N-348, Capital Infrastructure Tax Credit Recapture
Form N-405, Tax on Accumulation Distribution of Trusts
Form N-586, Tax Credit for Low Income Housing Recapture
Form N-814, Parent's Election to Report Child's Interest and Dividends

Line 15 — Enter the credits you are entitled to because of events that occurred during the months shown in the column headings. When figuring your credits, you must annualize any item of income or deduction used to figure the credit.