STATE OF HAWAII — DEPARTMENT OF TAXATION

SCHEDULE J
FORM N-11/N-15/N-40
(REV. 2023)

SUPPLEMENTAL ANNUITIES SCHEDULE

Annuities, benefits under pension and profit-sharing plans, death benefits, and pensions in general.

Attach to Form N-11, N-15, or N-40

2023

Name(s) as shown on Form N-11, N-15, or N-40	Your Social Security Number or FEIN

PART I — COMPUTATION OF ANNUAL PENSION EXCLUSION (Complete this part only for the first year an annuity is received. Keep a copy of the first year computations for your records because you will use information from this part every year you receive payments from your annuity.)

1. Annual annuity			1	
2. Multiple (see Instructions)			2	X years
3. Total expected return (line 1 multiplied by line 2)			3	
4. Employee's contributions:				
a. Previously taxed contribution	4a			
b. Pretax contribution	4b			
c. Total employee's contributions (line 4a plus line 4b). If there were no employee contributions, see Instructions.	4c			
5. Employer's contributions. If there were no employer contributions, enter zero on line 5, skip lines 6-9, and enter zero on lines 10 and 13.	5			
6. Total cost of annuity (line 4c plus line 5)			6	
7. Is this annuity received as part of an employer's retirement plan because you retired or because you are a beneficiary of someone who retired? If you checked No, skip lines 8 and 9 and enter zero on line 10.			7	Yes / No
8. Portion of the total cost of the annuity attributable to employee contributions. (Line 4c divided by line 6. Round to 2 decimal places.)			8	
9. Exclusion ratio. Portion of the total cost of the annuity attributable to employer contributions (1.00 minus line 8)			9	
10. Annual pension exclusion (line 9 multiplied by line 1)			10	
11. Annual exclusion of the employee's investment in the annuity contract (line 4a divided by the multiple on line 2)			11	

Place QR Code Here

Human Readable text here

PART II — COMPUTATION OF HAWAII TAXABLE ANNUITY (Complete for any year in which an annuity is received.)

12. Amount of annuity received this year.	12	
13. Annual pension exclusion (from line 10 above, or from line 10 of your first Schedule J filed)	13	
14. Line 12 minus line 13.	14	
15. Enter total amount of annuity dividends received this year.	15	
16. Portion of total cost of annuity attributable to employee's contribution (see Instructions)	16	
17. Taxable annuity dividends (line 15 multiplied by line 16)	17	
18. Add lines 14 and 17.	18	
19. Annual recovery of employee's investment (from line 11 above, or from line 11 of your first Schedule J filed)	19	
20. Line 18 minus line 19. (For lump-sum distributions, see Instructions)	20	
21. Death benefit exclusion for a beneficiary of a plan participant who died before August 21, 1996, if applicable (see Instructions)	21	
22. Total taxable annuity (line 20 minus line 21). Enter this amount on Form N-15, line 16, Column A, or on Form N-40, line 8.	22	00

PART III — COMPUTATION OF PENSION ADJUSTMENT TO HAWAII ADJUSTED GROSS INCOME (For Form N-11 Filers Only)

23. Enter the amount of your annuity received this year that is federally taxable.	23	
24. Pension adjustment to Hawaii Adjusted Gross Income (line 23 minus line 22). Enter this amount on Form N-11, line 13	24	00

GENERAL INSTRUCTIONS

Use this form to compute the taxable part of distributions you received from pensions and other annuities during the year. This form is also used for determining the taxable portion of lump-sum distributions from qualified retirement plans for which the recipient uses Form N-152 and makes the capital gain election or elects to use the 10-year averaging method.

To qualify as a **pension**, the payment must be received upon retirement from an employers' retirement plan. It can be received in a lump-sum or in periodic payments. This includes payments made to a retired employee as well as payments made to the beneficiary of a retired employee because of the employee's death. Required distributions received by pension plan participants who have reached age 70-1/2 and who are still employed by their employers also qualify as pensions. Due to the changes made by the SECURE Act, if your 70th birthday is July 1, 2019 or later, you do not have to take withdrawals until you reach age 72. See Publications 575 and 590-B. Payments received because of separation of service before retirement do not qualify. Benefits incidental to a retirement plan received on or after termination of employment because of death or disability qualify for the pension exclusion if the other requirements for the exclusion are met.

The **pension exclusion** applies only to amounts attributable to employer contributions. Amounts attributable to employer contributions which already have been deducted under other provisions cannot be deducted again.

Note: Section 18-235-7-03(c), Hawaii Administrative Rules, clarifies that pension plan distributions received after 1997 are exempt from the Hawaii income tax when the distributions are attributable to certain employer contributions. The purpose of the rule is to exempt distributions attributable to employer contributions, notwithstanding the employer's choice of entity for doing business (i.e., sole proprietorship, S corporations, partnerships, and limited liability companies).

WHO MUST USE THIS FORM

You **MUST** use this form if you received payment from any of the following:

1. A privately purchased annuity. The portion of your cost included in each distribution may be excluded.
2. A profit-sharing plan to which employee contributions were made. Only the increase in the value of the plan attributable to your contributions is taxable.
3. A death benefit as a beneficiary of a deceased employee.
4. A pension plan to which employee contributions were made (i.e. both the employee and the employer contributed towards the cost of the pension). Only the increase in the value of the plan attributable to your contributions is taxable.
5. A qualified retirement plan in the form of a lump-sum and you are using Form N-152 to make a capital gain election or to use the 10-year averaging method to report the lump-sum distribution.
6. A hybrid plan which is partly pension and partly deferred compensation, such as a 401(k) plan with a profit-sharing component or employer matching program, an SEP plan with employer contributions as well as salary reduction option, or any similar hybrid plan.

If you did not contribute to the cost of your annuity that is not a part of an employer's pension plan or you recovered your entire cost before July 1, 1989, under the prior three year recovery rule, report your total annuity received this year on Form N-15, line 16, Column A. If you are filing Form N-11, the taxable amount should have already been included in the amount reported as federal adjusted gross income on line 7.

If you receive benefits from more than one plan, a separate Schedule J must be completed for each plan.

WHO SHOULD NOT USE THIS FORM

DO **NOT** use this form if you received a payment from any of the following:

1. An annuity you receive which is NOT part of your employer's pension plan AND to which no employee contributions were made. The full amount received is taxable and must be reported on Form N-15, line 16, Column A. If you are filing Form N-11, the taxable amount should have already been included in the amount reported as federal adjusted gross income on line 7.
2. An annuity you receive which is NOT part of your employer's pension plan in which the cost to you was recovered before July 1, 1989, under the three year recovery rule formerly permitted. The full amount received is taxable and must be reported on Form N-15, line 16, Column A. If you are filing Form N-11, the taxable amount should have already been included in the amount reported as federal adjusted gross income on line 7.
3. A pension plan to which NO employee contributions were made (i.e. the employer paid for the entire cost of the pension) if distributions are made after retiring or after attaining the age of 70-1/2. Due to the changes made by the SECURE Act, if your 70th birthday is July 1, 2019 or later, you do not have to take withdrawals until you reach age 72. See Publications 575 and 590-B. The entire amount is NOT subject to Hawaii taxation and need not be reported. If you are filing Form N-11, the amount reported as taxable for federal should be included on Form N-11, line 13.
4. A pension plan to which NO employee contributions were made (i.e. the employer paid for the entire cost of the pension) if distributions are made for any reason other than retirement or the attainment of age 70-1/2 (e.g., you quit, were laid off or fired, the plan was terminated, etc.). Due to the changes made by the SECURE Act, if your 70th birthday is July 1, 2019 or later, you do not have to take withdrawals until you reach age 72. See Publications 575 and 590-B. The full amount received is taxable and must be reported on Form N-15, line 16, Column A. If you are filing Form N-11, the taxable amount should have already been included in the amount reported as federal adjusted gross income on line 7.
5. The state retirement system or any other public retirement system. Distributions from a public retirement system are not subject to Hawaii's personal net income tax. However, distributions attributable to voluntary contributions made under an elective right by an employee of a government employer are subject to Hawaii personal income tax (see sections 18-235-7-01 through 18-235-7-03, Hawaii Administrative Rules (HAR)). If voluntary contributions were made, use this form to calculate the amount of the pension income subject to Hawaii personal income tax. If you are filing Form N-11, the amount reported as taxable pension for federal income tax purposes, but excluded from Hawaii personal income tax, should be included on Form N-11, line 13.

If you have received a lump-sum distribution, also see Form N-152, Tax on Lump-Sum Distributions.

See Administrative Rules section 18-235-7-01 through 18-235-7-03 for further information.

LINE-BY-LINE INSTRUCTIONS

PART I — COMPUTATION OF THE ANNUAL PENSION EXCLUSION — Use this part to compute the amount of the nontaxable portion of pension or annuity payments received each year.

This part must be completed only in the first year a distribution is received. The computations made in this part will not change from year to year. Keep a copy of this part since you will need the information each year a distribution is received to compute the taxable portion of the distribution.

Line 1. Annual annuity — Enter the amount you will receive each year. If you received a distribution for only part of a year, report an amount that reflects what you would have received had distributions been made for a 12 month period.

Include on this line only amounts that are fixed and definite. Any indefinite or varying amounts should be included in Part II, line 15.

If you are using this form to determine the taxable amount of a lump-sum distribution to be reported on Form N-152, enter on line 1 the total amount of the distribution. If you are electing to include in taxable income this year the net unrealized appreciation (NUA) of your employer's securities received as part of the distribution, include on this line the appropriate amount from the box which is your NUA in employer's securities on federal Form 1099-R.

Line 2. Multiple — Enter the multiple used for federal purposes to determine the expected return on the contract. This number represents the expected number of years that the annuity will be paid based on your age and other factors. See the discussion regarding Expected Return and actuarial tables in Internal Revenue Service Publication 939.

If you are using this form to determine the taxable amount of a lump-sum distribution to be reported on Form N-152, enter "1" on this line.

Line 4a. Employee's contributions which were previously taxed — This includes premiums, contributions, or other amounts paid including amounts your employer contributed if you were required to include these amounts in income.

Do NOT include amounts paid for health and accident benefits or deductible voluntary employee contributions. Also do NOT include any refunded premiums, rebates, dividends, or unrepaid loans (any of which were not included in your income) that you received before the later of the annuity starting date or the date on which you received your first payment. Finally, do NOT include any additional premiums paid for double indemnity or disability benefits and any other amounts received under the contract or plan before the later of the above dates that you did not have to include in your income.

Your employer or the organization that pays you the benefits (the plan administrator) should be able to tell you what your cost in the plan is.

Line 4b. Employee's contributions which were NOT previously taxed — The portion of the cost you paid for with money not previously taxed may not be deductible, but is included as part of your cost.

Line 4c. Total employee's contributions — Add the amounts on lines 4a and 4b. If the total is zero (i.e., there were no employee contributions), do not complete this form unless you are using this form to determine the taxable amount of a lump-sum distribution to be reported on Form N-152. See "WHO SHOULD NOT USE THIS FORM" in the general instructions. You do not have to complete the rest of this form. Enter the total amount received this year on Form N-15, on line 16, Column A. If there were no employee contributions and the payments received do not qualify as a pension, the entire amount received is taxable. Enter the total amount received on Form N-15, line 16, Column A. If you are filing Form N-11, the taxable amount should have already been included in the amount reported as federal adjusted gross income on line 7.

Line 5. Employer's contributions — Enter the amount paid by the employer for the contract. If there were no employer contributions, enter zero on line 5, skip lines 6 through 12, enter zero on line 13, and continue on line 14. Check with your employer or plan administrator for the amounts.

Line 10. Annual pension exclusion — If an annual death benefit exclusion applies, subtract the amount shown in line 21 from the pension exclusion to avoid a double exclusion (see section 18-235-7-03, HAR).

Line 11. Annual exclusion of the employee's previously taxed investment in the annuity contract — Divide the amount on line 4a by the multiple on line 2. This is the portion of your cost which is excluded from taxation each year. The tax-free part remains the same even if the total payment increases or you outlive the life expectancy factor used. If your annuity starting date is after 1986, however, the tax-free part cannot exceed the unrecovered cost of the contract.

PART II — COMPUTATION OF HAWAII TAXABLE ANNUITY

— Use this Part to compute the taxable portion of pension and annuity payments you received this year.

Line 13. Annual pension exclusion — Enter the amount from line 10 or from line 10 of your first Schedule J filed. If the beginning date of your annuity is a date other than the first day of the year, however, the exclusion allowed for the first and last years will be the annual pension exclusion multiplied by the ratio of months the annuity is received to the total number of months in the year.

Line 15. Amount of annuity dividends received this year — Enter the amount of any variable or indefinite amounts you received from your pension or annuity this year in excess of the fixed, definite amount shown on line 1 or on line 1 of your first Schedule J filed.

Line 16. Portion of annuity attributable to employee's contribution — Enter the amount from line 8 or from line 8 of your first Schedule J filed, but if this annuity or distribution is not part of an employer's pension plan or is received for a reason other than retirement, death, or disability, enter 1.00 (100%).

Line 19. Annual recovery of employee's investment. — Enter the amount from line 11 or from line 11 of your first Schedule J filed. If the beginning date of your annuity is a date other than the first day of the year, the exclusion allowed for the first and last years will be the annual amount multiplied by the ratio of months the annuity is received to the total number of months in the year.

If the employee's total investment in the contract has been recovered and the annuity starting date is after 1986, do not include any amount on this line for the recovery of the employee's investment in the contract.

Line 20. Taxable annuity or distribution before adjustment for the death benefit exclusion — If you are using this form to determine the taxable amount of a lump-sum distribution to be reported on Form N-152, enter this amount on Part III, line 14 of Form N-152. You do not have to complete the rest of this form.

Line 21. Death benefit exclusion — Note: The employer-provided death benefit exclusion is repealed with respect to decedents dying after August 20, 1996.

If applicable, (and to the to the extent that the original death benefit exclusion has not been exhausted), enter the annual death benefit exclusion (including any prorated amount from a lump sum distribution) for a beneficiary of a plan participant who died before August 21, 1996, as reported on your first Schedule J filed.

Line 22. Total taxable annuity — Subtract the amount on line 21 from the amount on line 20. Enter the result on Form N-15, line 16, Column A, or on Form N-40, on the other income line.

PART III — COMPUTATION OF PENSION ADJUSTMENT TO HAWAII ADJUSTED GROSS INCOME

— Use this part to compute the amount included in the federal adjusted gross income, Form N-11, on line 7, that is NOT taxable for Hawaii.

Line 23. Federal taxable amount — Enter the amount attributable to the taxable portion of this contract that is included in your federal adjusted gross income.

Line 24. Pension adjustment to Hawaii adjusted gross income — Subtract the amount on line 22 from the amount on line 23. This is the amount that is NOT taxed by Hawaii. Enter the result on Form N-11, line 13.