



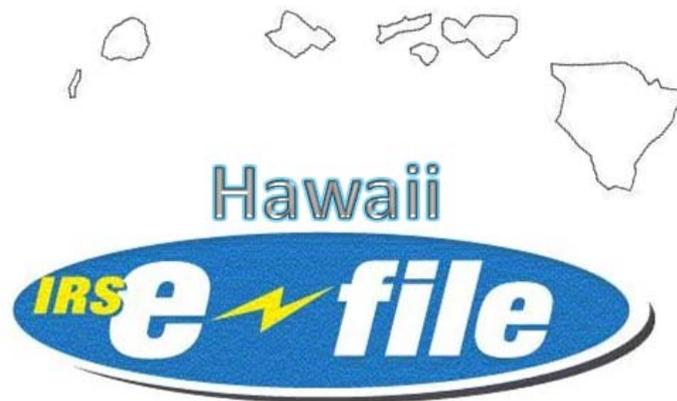
Hawaii
Department of Taxation

Publication EF-5
(Rev. 10/2016)

**TAX
YEAR
2016**

**Individual
Income
Tax**

**Hawaii
Software Developers
and
Transmitters
Handbook for
Modernized e-File**



Release Date: 10/03/2016 (V1.0)



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SECTION 1: INTRODUCTION

The State of Hawaii, Department of Taxation (DOTAX), in conjunction with the Internal Revenue Service (IRS), accepts state Individual Income Tax returns and corresponding forms and schedules using the Modernized E-File (MeF) system. DOTAX supports "linked" and "unlinked" submissions.

The current schema package approved for production is: **HIIndividual2016V1.0**.

To participate in the Hawaii MeF Program, software developers must adhere to the guidance in this handbook. All IRS requirements must also be met to participate in the Hawaii MeF program. However, this handbook does not represent the requirements and procedures issued by the IRS. For more information and technical guidance refer to the IRS MeF User Guides and Publications at www.irs.gov.

For more details regarding the preparation of Hawaii individual income tax returns, including forms, schedules and instructions refer to our Electronic Services' website at tax.hawaii.gov.

SECTION 2: CHANGES FOR TAX YEAR 2016

1. Adopts the federal provision that makes permanent (1) the \$250 deduction for educator expenses (but does not adopt the inflation adjustment), (2) the election to deduct state and local general sales taxes instead of state and local income taxes, and (3) the tax-free distributions from individual retirement plans for charitable purposes. (Act 33, SLH 2016)
2. Adopts the federal provision that extends through 2016 (1) the deduction for mortgage insurance premiums, and (2) the exclusion from gross income of discharge from qualified principal residence indebtedness. (Act 33, SLH 2016)
3. The Credit for Child and Dependent Care Expenses is amended to change the percentages and adjusted gross income ranges for calculating the credit for taxable years beginning after December 31, 2015. (Act 235, SLH 2016)
4. The Refundable Food/Excise Tax Credit is amended for taxable years 2016 to 2017 to (1) increase the tax credit amount, and (2) delete the residency requirement. (Act 223, SLH 2015)
5. You may exclude up to \$6,279 of your military reserve or Hawaii national guard duty pay from your income for taxable years beginning after December 31, 2015. (Act 197, SLH 2004)
6. For taxable years beginning after December 31, 2015, the income tax rates for the three highest income brackets are repealed. (Act 60, SLH 2009)
7. For taxable years beginning after December 31, 2015, your personal exemptions will no longer be reduced if your adjusted gross income is above a certain amount. (Act 14, 1st SSLH 2009)
8. For taxable years beginning after December 31, 2015, your itemized deductions will no longer be capped if your federal adjusted gross income is above a certain amount. (Act 97, SLH 2011)



SECTION 3: CONTACT INFORMATION

1. The contact information provided below is strictly for software developers' and transmitters' testing inquiries.

Testing Inquiries:

Contact: Electronic Processing Testing Group
 E-mail address: tax.efile.test@hawaii.gov
 Phone number: (808) 202-3953
 (November 2016 to January 2017*)
 *After January 2017, only contact will be via e-mail

2. Transmitters experiencing problems with State acknowledgements and other related production inquiries should contact the Electronic Processing Section.

Production Inquiries:

Contact: Electronic Processing Section
 E-mail address: tax.efile@hawaii.gov
 Phone number: (808) 543-6814
 Mailing Address: State of Hawaii Department of Taxation
 P.O. Box 259
 Honolulu, HI 96809-0259
 Attn: Electronic Filing Processing Section

Our contact hours are Monday through Friday, 8:00 a.m. to 4:00 p.m. Hawaii Standard Time. Our office will be closed on weekends and on all National and State of Hawaii holidays.

Holidays	2016	2017
New Year's Day		Jan. 2, Monday
Dr. Martin Luther King, Jr. Day		Jan. 16, Monday
Presidents' Day		Feb. 20, Monday
Prince Jonah Kuhio Kalaniana'ole Day		Mar. 27, Monday
Good Friday		Apr. 14, Friday
Memorial Day		May 29, Monday
King Kamehameha Day		June 12, Monday
Independence Day		July 4, Tuesday
Statehood Day		Aug. 18, Friday
Labor Day		Sept. 4, Monday
General Election Day	Nov. 8, Tuesday	n/a
Veterans' Day	Nov. 11, Friday	Nov. 10, Friday
Thanksgiving	Nov. 24, Thursday	Nov. 23, Thursday
Christmas	Dec. 26, Monday	Dec. 25, Monday



SECTION 4: ACCEPTANCE AND PARTICIPATION

In order to participate in the Hawaii MeF program, each year software developers and direct transmitters must provide the information requested below. Otherwise, any submitted test returns will be automatically rejected.

4.1 SOFTWARE DEVELOPERS

DOTAX requires submission of the [Intent to Participate in the Hawaii MeF Program, Individual Income Tax Year 2016 \(Form EF-7\)](#).

Please e-mail DOTAX at tax.efile.test@hawaii.gov and attach a completed Form EF-7 for each supported product / test Electronic Transmitter Identification Number (ETIN); please include your test ETIN in the subject of the e-mail. Upon receipt of completed Form EF-7, the Department of Taxation (DOTAX) will send out an acknowledgement e-mail which will include our current schemas and business rules. When DOTAX Assurance Testing System (ATS) testing is ready, you will receive a confirmation e-mail notifying you that you may begin testing. Do not transmit any test returns until you receive a confirmation e-mail from DOTAX that testing can begin; otherwise they will be rejected.

Software developers must pass ATS and receive approval by DOTAX. DOTAX reserves the right to deny a request to participate in Hawaii's MeF program (Form EF-7). Live returns submitted prior to the completion of ATS will be rejected.

4.2 DIRECT TRANSMITTERS

Direct transmitters must use an approved third party software product, please e-mail the following information to tax.efile@hawaii.gov, and include the "Direct Transmitter Info" in the subject of the e-mail. Please do not transmit any returns until you receive a confirmation e-mail from DOTAX that your set-up is completed, otherwise submissions will be rejected.

1. Direct transmitter's company name and address
2. Direct transmitter's contact name
3. Direct transmitter's contact number
4. Direct transmitter's ETIN
5. Approved software product name
6. Approved software ID



SECTION 5: RESPONSIBILITIES

Developers, Transmitters, and Electronic Return Originators (ERO) must abide by the terms in this handbook and maintain a high degree of integrity, compliance, and accuracy to remain in the Hawaii MeF Program.

5.1. INTEGRITY

Responsible for verifying that the DOTAX return has been properly prepared, validated by the IRS, and received by DOTAX. Must ensure that the DOTAX acknowledgements are received.

DOTAX strongly recommends that developers provide the data requested in the authentication header.

5.2. COMPLIANCE

All requirements and specifications in the IRS MeF User Guides, Publications, and the DOTAX MeF Handbook must be met.

Unauthorized access, possession or disclosure of confidential taxpayer information can result in severe Federal and Hawaii criminal and civil penalties in accordance with chapters 231, 235, 237, 237D, 487N and 708, Hawaii Revised Statutes (HRS).

5.3. ACCURACY

Provide a complete and accurate copy of the return to the taxpayer according to the guidelines set by the IRS.

5.4. TIMELINESS OF FILING

Must ensure electronic returns are filed in a timely manner. The date of transmission will be the filing date for accepted DOTAX returns. If the due date falls on a Saturday, Sunday, or legal holiday, substitute the next regular work day.

- April 20th - Last day to file individual returns (11:59 p.m. Hawaii Standard Time).
- October 20th - Last day to file extended individual returns (11:59 p.m. Hawaii Standard Time)

5.5. SOFTWARE ACCEPTANCE, TESTING AND APPROVAL

The Hawaii Test Packages for MeF, Publication EF-6 (PUB EF-6) consists of eighteen (18) test scenarios.

N-11 Test Package

- Five test scenarios are required for software that supports Form N-11.
 - Four additional test scenarios are required for software that supports the targeted forms.

N-15 Test Package

- Five test scenarios are required for software that supports Form N-15.



- Four additional test scenarios are required for software that supports the targeted forms.

Test scenarios are provided in PUB EF-6, which is available on our Electronic Services' website at tax.hawaii.gov/eservices/.

5.5.1. TESTING PERIOD

2016 ATS Testing begins on – IRS ATS open date (*subject to change*)

5.5.2. PROCEDURES FOR TESTING

The Electronic Processing Testing Group will notify software developers by e-mail when their testing can begin.

To make a request for ATS test verification, e-mail the following to tax.efile.test@hawaii.gov:

1. Your test ETIN (*include in subject line*)
2. Date of submission
3. Number of submissions
4. Submission ID(s) (*must be in plain text format*)

Note: Transmissions with a rejected status cannot be verified for ATS testing. Ensure that your transmissions have an accepted submission status before sending the e-mail.

Pass/Fail testing

1. DOTAX will verify test scenarios in a timely manner:
 - November through January: **Usually within 5 to 7 business days of receipt.**
 - All other months: **Usually within 10 to 15 business days of receipt.**
2. An "Accepted" acknowledgement means that your submission has been validated against DOTAX's schemas and business rules, and accepted for processing. However, the submission must still be checked against the test scenarios. An e-mail from tax.efile.test@hawaii.gov will be sent indicating the status of the test results.
 - PASS – The test scenario(s) was received and passed the testing process. No further action is required for that test scenario.
 - FAIL – The test scenario(s) was received but failed the testing process. Please make the necessary corrections and resubmit the failed test scenario(s) only.
3. When testing has successfully been completed, DOTAX will inform you by e-mail.
4. DOTAX reserves the right to require the software developers to re-test their products at DOTAX's discretion.

5.5.3. INDEPENDENT TESTING

After passing ATS testing with DOTAX, software developers may conduct independent testing using their own data. Please use the same taxpayer entity information (i.e. names and social security numbers) provided in the test scenarios. The independent test submissions are not



verified by the Electronic Processing Testing Group. Any inquiries regarding independent test results should be sent via e-mail. Please include your test ETIN in the subject of the e-mail.

SECTION 6: ACKNOWLEDGEMENT SYSTEM

1. All data transmitted through the MeF system must be in accordance with the DOTAX schemas and business rules documents, which are released via e-mail.
2. Upon receiving the submission, DOTAX will generate a receipt to the IRS. After processing the submission, DOTAX will send an acknowledgement of acceptance or rejection within two business days.
3. For linked submissions DOTAX will generate a separate acknowledgment from the IRS acknowledgment. Receiving an IRS acknowledgment does not mean that DOTAX acknowledges receipt of the state income tax return.
4. Allow at least three business days from the received date before contacting the Electronic Processing Section for inquiries regarding the status of the submission. Please provide the following information:
 - a. Primary Name
 - b. Primary SSN
 - c. Transmission Date
 - d. Submission ID
5. After production begins, software developers must be available to correct any software errors that may arise, and work with DOTAX to follow up on any processing issues. Any new release of software must be done in a timely manner, with proper notification to all customers.
6. DOTAX reserves the right to reject submissions and to require retesting of product(s) at DOTAX's discretion.



SECTION 7: GENERAL INFORMATION

7.1 MEF SUPPORTED DOCUMENTS

7.1.1. FORMS

XML Doc. Name	Description	
FormN11	Form N-11:	Individual Income Tax Return (Resident)
FormN15	Form N-15:	Individual Income Tax Return (Nonresident and Part-Year Resident)
FormN158	Form N-158:	Investment Interest Expense Deduction
FormN210	Form N-210:	Underpayment of Estimated Tax by Individuals, Estates, and Trusts
FormN311	Form N-311:	Refundable Food/Excise Tax Credit
FormN312	Form N-312:	Capital Goods Excise Tax Credit
FormN342	Form N-342:	Renewable Energy Technologies Income Tax Credit For Systems Installed and Placed in Service on or After July 1, 2009
FormN342A	Form N-342A:	Information Statement Concerning Renewable Energy Technologies Income Tax Credit For Systems Installed and Placed in Service on or After July 1, 2009
FormN615	Form N-615:	Computation of Tax for Children Under Age 14 Who Have Unearned Income of More than \$1,000

7.1.2. SCHEDULES

XML Doc. Name	Description	
SchCR	Schedule CR:	Schedule of Tax Credits
SchK1FormN20	Schedule K-1 (N-20):	Partner's Share of Income, Credits, Deductions, Etc.
SchK1FormN35	Schedule K-1 (N-35):	Shareholder's Share of Income, Credits, Deductions, Etc.
SchX	Schedule X:	Tax Credits for Hawaii Residents

7.1.3. WORKSHEETS

XML Doc. Name	Description	
WksA1	Worksheet A-1:	Medical and Dental Expenses
WksA2	Worksheet A-2:	Taxes You Paid
WksA3	Worksheet A-3:	Interest You Paid
WksA4	Worksheet A-4:	Gifts to Charity
WksA6	Worksheet A-6:	Miscellaneous Deductions
WksNR1	Worksheet NR-1:	Medical and Dental Expenses
WksNR2	Worksheet NR-2:	Taxes You Paid
WksNR3	Worksheet NR-3:	Interest You Paid
WksNR4	Worksheet NR-4:	Gifts to Charity
WksNR6	Worksheet NR-6:	Miscellaneous Deductions
WksPY1	Worksheet PY-1:	Medical and Dental Expenses
WksPY2	Worksheet PY-2:	Taxes You Paid
WksPY3	Worksheet PY-3:	Interest You Paid
WksPY4	Worksheet PY-4:	Gifts to Charity
WksPY6	Worksheet PY-6:	Miscellaneous Deductions



7.1.4. BINARY ATTACHMENTS

File Names begin with	Description
ArboristAffidavit	Exceptional Tree Deduction
RestraintInvoice	Child Restraint System
DoneeAcknowledgment	Written Donee Acknowledgement

7.1.5. IRS FORMS

XML Doc. Name	Description
IRS1099R	1099-R: Distributions from Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.
IRSW2	W-2: Wage and Tax Statement
IRSW2G	W-2G: Certain Gambling Winnings
State1099B	1099-B: Proceeds From Broker and Barter Exchange Transactions
State1099G	1099-G: Certain Government Payments
State1099K	1099-K: Payment Card and Third Party Network Transactions
State1099Int	1099-INT: Interest Income
State1099Misc	1099-MISC: Miscellaneous Income
State1099DIV	1099-DIV: Dividends and Distributions
State1099OID	1099-OID: Original Issue Discount

7.2. SIGNATURE REQUIREMENTS

In accordance with HRS §231-8.5, the act of electronic filing constitutes a taxpayer's signature to the return, without the need for a PIN or other documentation.

HRS §231-8.5:

"The department may allow filing by electronic, telephonic, or optical means of any tax return, application, report, or other document required under the provisions of title 14 administered by the department. The date of filing shall be the date the tax return, application, report, or other document is transmitted to the department in a form and manner prescribed by departmental rules adopted pursuant to chapter 91. The department may determine alternative methods for the signing, subscribing, or verifying of a tax return, application, report, or other document that shall have the same validity and consequences as the actual signing by the taxpayer. A filing under this section shall be treated in the same manner as a filing subject to the penalties under section 231-39."

Each taxpayer must be informed that the act of electronically filing a tax return constitutes his/her signature. Print the following taxpayer declaration as part of the taxpayer's copy of the return:

"I understand and accept, pursuant to section 231-8.5, HRS, that filing this return electronically constitutes my signature to the return having the same validity and consequences as the actual signing of the return."



7.3. PAYMENT METHODS

DOTAX supports Automated Clearing House (ACH) debit payments and direct deposit refunds. Currently, International Automated Clearing House Transactions (IAT) are not supported for payments and refunds. A payment can be submitted from a single bank or other financial institution account. A refund can be directly deposited into a single bank or other financial institution account.

DOTAX does not support post-dated payments.

If a bank rejects a direct deposit for incorrect account/routing number or for its own policy regulations, DOTAX will issue a paper check and send it to the address of record.

7.4. DATA REQUIREMENTS

All required data elements must contain a value (even if it is zero). Optional data elements that have no value (blank) must not be present in the submission. Optional data elements may have zero values if specified in the instructions.

7.5. TYPES OF FILINGS ACCEPTED

DOTAX accepts Linked (Federal/State) and Unlinked (State Only) submissions.

7.6. DECIMAL PLACES FOR RATIOS

Requirements are provided in the XML schema documents.

7.7. HANDLING OF ATTACHMENTS

Binary attachments are only used in specific situations when XML documents are not applicable. The binary attachments we are currently accepting are listed in Section 7.1.4.

7.8. EDITS AND VERIFICATIONS

Error Categories:

- Data Validation Error
- Data Validation Required
- Field Validation
- Incorrect Data
- Math Error
- Missing Data
- Missing Document
- Missing or Incorrect Data
- Not Supported Data
- XML Error

Severity:

- Alert
- Reject
- Reject and Stop



7.9. GENERAL EXCLUSIONS FROM ELECTRONIC FILING

1. Returns prior to tax year 2014
2. Returns other than N-11 and N-15
3. Amended returns
4. Returns with Net Operating Loss (NOL) Carryback indicated
5. Returns for Fiscal Year filers
6. Returns that require attachment of forms or schedules that are not supported by the State of Hawaii MeF program
7. Returns for Decedents
8. Returns with "Applied For" primary and/or secondary taxpayer identification number
9. Composite forms, schedules or worksheets
10. Forms and schedules that require data but do not have a designated field
 - Form N-11, Line 10, Other Hawaii additions to Federal AGI: place an "X" on a dotted line.
 - Form N-11, Line 18, Other Hawaii subtractions from Federal AGI: place an "X" on a dotted line.
 - Form N-15: place "MSRRA" (The Military Spouses Residency Relief Act) at the top of the form.
 - Form N-15, Line 7, wages, salaries, tips, etc (attach Form W-2): place "AB", "SNE" or "DCB" on a dotted line.
 - Form N-15, Line 28, self employed SEP, SIMPLE, and qualified plans: place "DB" on the left side of the field.
 - Form N-15, Line 34, total adjustments: place the following list on the space to the left of the total
 - "Archer MSA Deduction for Archer MSA contribution"
 - "Jury pay for jury duty pay"
 - "IDA Contribution for individual development account contribution"
 - "UDC for unlawful discrimination claims"
 - "WBF for attorney's fees and costs for whistleblower"
 - Schedule X, Part II Line 28, credit for child and dependent care expenses: place "PYE" on the dotted line.
11. Post-dated payments
12. Returns when a taxpayer is 1) claimed as a dependent on another's tax return, 2) age 65 and over before the end of the taxable year, and 3) itemizing medical and dental expenses.
13. Returns that require multiple Hawaii Tax Identification (I.D.) numbers for Federal Schedule activity.

SECTION 8: SCHEMAS AND TRANSMISSION SPECIFICATIONS

The approved XML schemas package and business rules are no longer available on our Electronic Services' website. Please refer to Section 4.1. for instructions. New releases will be available on or before October 31st of each year.



SECTION 9: HANDBOOK UPDATES

Document Version Number	Updates
V1.0	<ul style="list-style-type: none">-Overall updates: Tax years accordingly-Section 1: Updated schemas version-Section 2: Updated changes for Tax Year 2016 that relate to MeF only-Section 3: Updated contact information and holiday table-Section 4: Revised acceptance and participation for software developers-Section 5: Updated testing period and turnaround time for pass/fail testing-Section 7: Added Form N-311, Form 1099-B, and Form 1099-K7.9 General Exclusions from Electronic Filing (update)<ul style="list-style-type: none">1. "Returns prior to tax year 2013" was changed to "Returns prior to tax year 2014"10. Schedule X, Part II Line 28