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TAX YEAR

2023

INDIVIDUAL
MODERNIZED
E-FILE

STATE OF HAWAII
DEPARTMENT OF TAXATION
SOFTWARE PROVIDERS
AND
TRANSMITTERS
HANDBOOK



Release Date: October 2023 (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: **HIIndividual2023V1.0**.

To participate in the Hawaii MeF Program, software providers 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 DOTAX website at tax.hawaii.gov or FTA State Exchange System (SES).

SECTION 2: CHANGES TO NOTE FOR TAX YEAR 2023

- A Pass-Through Entity (PTE) Tax Credit has been established for taxable years beginning after December 31, 2022 and effective January 1, 2024. The PTE tax credit allows partnerships and S-Corporations to annually elect to pay Hawaii income tax at the entity level. Eligible members of an electing PTE may claim a nonrefundable income tax credit for their pro rata share of PTE taxes paid by the entity. (Act 50, SLH 2023)
- Hawaii conforms the income and estate and generation-skipping transfer tax laws to the Internal Revenue Code of 1986, as amended as of December 31, 2022 and applies to taxable years beginning after December 31, 2022. Section 235-2.3(b)(40), Hawaii Revised Statutes, with respect to computation of tax where taxpayers restores substantial amount held under claim of right, is amended for taxable years beginning after December 31, 2021. (Act 56, SLH 2023)
- These tax credits have been amended for taxable years 2023 to 2027 by (1) increasing the household and dependent care credit, (2) increasing the refundable earned income tax credit, and (3) increasing the income thresholds and credit amounts of the refundable food/excise tax credit. (Act 163, SLH 2023)

SECTION 3: CONTACT INFORMATION

3.1 TESTING INQUIRES

Assurance Testing System (ATS) support will begins from November until January 31st. Contact the Individual MeF Testing Group at tax.ind.mef.test@hawaii.gov

3.2 PRODUCTION INQUIRIES

Production support begins from the MeF live date until the IRS production shutdown date (November of each year). Send inquiries to tax.efile@hawaii.gov

3.3 CONTACT HOURS AND HOLIDAYS

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 State of Hawaii holidays. Holidays which fall on



Saturdays are observed on the preceding Friday; holidays which fall on Sundays are observed on the following Monday.

Hawaii State Holidays	
New Year's Day	The first day in January
Dr. Martin Luther King, Jr. Day	The third Monday in January
Presidents' Day	The third Monday in February
Prince Jonah Kuhio Kalaniana'ole Day	The twenty-sixth day in March
Good Friday	The Friday preceding Easter Sunday
Memorial Day	The last Monday in May
King Kamehameha Day	The eleventh day in June
Independence Day	The fourth day in July
Statehood Day	The third Friday in August
Labor Day	The first Monday in September
General Election Day	The first Tuesday in Nov. following the first Monday of even numbered years
Veterans' Day	The eleventh day in November
Thanksgiving	The fourth Thursday in November
Christmas	The twenty-fifth day in December

SECTION 4: ACCEPTANCE AND PARTICIPATION

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

4.1 SOFTWARE PROVIDERS

In addition to your submission of the National letter of intent, DOTAX requires the submission of the Hawaii State Letter of Intent (LOI) to participate in its MeF Program. The Hawaii LOI is available on the DOTAX website at tax.hawaii.gov.

Software Providers that do not submit the 2023 Hawaii LOI by **November 30, 2023**, will not be approved for Hawaii ATS for tax year 2023.

Upon receipt and approval of your Hawaii LOI submission, DOTAX will grant you access to the Hawaii individual schemas, business rules and test packages posted on the Federation of Tax Administrators (FTA) State Exchange System (SES) and inform you when you may begin sending submissions for ATS.

Live returns will not be accepted until the software provider has passed all ATS scenarios and DOTAX provides confirmation that testing is completed. DOTAX reserves the right to deny a request to participate in Hawaii's MeF program. 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: SOFTWARE ACCEPTANCE, TESTING AND APPROVAL

The Hawaii Test Packages for Individual MeF are provided in Publication EF-6 (PUB EF-6), and is available on the FTA SES. PUB EF-6 consists of 10 test scenarios.

N-11 Test Package

- Five test scenarios are required for software that supports Form N-11 (excluding any forms and schedules not supported by your product).

N-15 Test Package

- Five test scenarios are required for software that supports Form N-15 (excluding any forms and schedules not supported by your product).

5.1 TESTING PERIOD

2023 ATS begins on the IRS ATS open date (*subject to change*)

5.2 PROCEDURES FOR TESTING

The Individual MeF Testing Group will notify software providers by e-mail when their testing can begin.

To make a request for ATS verification, e-mail the following to tax.ind.mef.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. 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: usually **within 5 to 7 business days of receipt**.
2. ATS must be completed by **January 31, 2024** to participate in the Hawaii MeF Program.
3. 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. DOTAX will inform you by email with 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.
4. DOTAX reserves the right to require the software providers to re-test their products at DOTAX's discretion.

5.3 INDEPENDENT TESTING

After passing ATS with DOTAX, software providers 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 Individual MeF Testing Group. Any inquiries regarding independent test results should be sent via e-mail. Please include your test ETIN followed by 'Independent' 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 posted on the FTA SES.
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 one business day.
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. Once MeF is live, software providers 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.

SECTION 7: GENERAL INFORMATION

7.1 CHANGES TO SUPPORTED BINARY ATTACHMENTS

1. Added support for binary attachments:
n/a

7.2 CHANGES TO SUPPORTED SCHEMA DOCUMENTS

1. Newly supported schema documents:
 - FormN362

7.3 ME F FORMS AND SUPPORTED DOCUMENTS

7.3.1 FORMS

XML Doc. Name	Form No.	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 for Individual
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
FormN356	Form N-356	Earned Income Tax Credit
FormN362	Form N-362	Pass-through Entity Tax Credit
FormN615	Form N-615	Computation of Tax for Children Under Age 14 Who Have Unearned Income of More than \$1,000

7.3.2 SCHEDULES

XML Doc. Name	Form No.	Description
SchAMD	Schedule AMD	Explanation of Changes on Amended Return
SchCR	Schedule CR	Schedule of Tax Credits
SchX	Schedule X	Tax Credits for Hawaii Residents

7.3.3 IRS FORMS

XML Doc. Name	Form No.	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
State1099NEC	1099-NEC	Nonemployee Compensation

7.3.4 BINARY ATTACHMENTS

A separate binary attachment must also be included in the submission, when required by the business rules. The binary attachment must begin with the file name listed below.

File Name begins with	Description
ArboristAffidavit	Exceptional Tree Deduction
RestraintInvoice	Child Restraint System
DoneeAcknowledgment	Written Donee Acknowledgement



OtherHawaiiAdd	Other Hawaii Additions
OtherHawaiiSubtraction	Other Hawaii Subtractions
TaxComputation	Tax from Separate Forms Indicator
MSRRA	MSRRA Indicator
COMPOSITE	Composite Indicator
TaxPaidAnotherState	Income Tax Paid to Other State Or Country
FormSchK1	Schedule K-1 (N-20): Partner's Share of Income, Credits, Deductions, Etc Schedule K-1 (N-35): Shareholder's Share of Income, Credits, Deductions, Etc.
OtherAttachments	For attachments not supported by a specific binary attachment filename listed above.

7.4 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."

7.5 FINANCIAL TRANSACTIONS

DOTAX supports Automated Clearing House (ACH) debit payments and direct deposit refunds. International Automated Clearing House Transactions (IAT) are not supported for payments and refunds. A payment can only 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.



Taxpayers may also submit payment through the DOTAX website at hitax.hawaii.gov.

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

7.6 TYPES OF FILINGS ACCEPTED

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

7.7 DECIMAL PLACES FOR RATIOS

Requirements are provided in the XML schema documents.

7.8 EDITS AND VERIFICATIONS

1. Error Categories:
 - Data Validation Error
 - Math Error
 - Missing Data
 - Missing Document
 - XML Error
2. Severity:
 - Alert
 - Reject

7.9 GENERAL EXCLUSIONS FROM ELECTRONIC FILING

1. Returns prior to tax year 2021
2. Returns other than N-11 and N-15
3. Returns with Net Operating Loss (NOL) Carryback indicated
4. Returns for Fiscal Year filers
5. Returns for Decedents
6. Returns with "Applied For" primary and/or secondary taxpayer identification number
7. Post-dated payments

SECTION 8: SCHEMAS AND TRANSMISSION SPECIFICATIONS

The approved XML schemas package and business rules will be posted on the FTA SES.

SECTION 9: HANDBOOK UPDATES

Document Version Number	Updates
V1.0	-Overall updates: Tax year from 2022 to 2023 -Section 1: Updated schemas version