

2014

(REV. 2014)

INSTRUCTIONS FOR FORM N-70NP

EXEMPT ORGANIZATION BUSINESS INCOME TAX RETURN

*(Section references are to the Internal Revenue Code (IRC), unless otherwise indicated)***ATTENTION:**

Hawaii has not adopted the increased expensing deduction under section 179 (Hawaii limit is \$25,000) or the bonus depreciation provisions.

Hawaii has not adopted the domestic production deduction under section 199.

Where to Get Tax Forms

Hawaii tax forms, instructions, and schedules may be obtained at any taxation district office or from the Department of Taxation's website at tax.hawaii.gov, or you may contact a customer service representative at 808-587-4242 or 1-800-222-3229 (Toll-Free).

Changes to Note for 2014**Renewable Energy Technologies Income Tax Credit**

Sections 18-235-12.5-01 to 06, Hawaii Administrative Rules (HAR), were adopted and became effective on January 2, 2014. Under the rules, a system classified under "other solar energy system", such as a photovoltaic system, must meet the applicable total output capacity requirement to qualify for the credit, unless an exception applies. The total output capacity requirements are: (1) Single-family residential property - 5 kilowatts per system, (2) Multi-family residential property - 0.360 kilowatts per unit per system, (3) Commercial property - 1,000 kilowatts per system. See Form N-342, its instructions, and the administrative rules for more information.

The 2014 State Legislature enacted the following that may affect an organization's income tax return:

Act 88, Session Laws of Hawaii (SLH) 2014 — This act amends Hawaii income tax law under Chapter 235, Hawaii Revised Statutes (HRS), to conform to certain provisions of the IRC, as amended as of December 31, 2013.

Act 101, SLH 2014 — This act clarifies that the tax credit amount for the Important Agricultural Land Qualified Agricultural Cost Tax Credit is: (1) First year - the lesser of 25% of the qualified agricultural costs or \$625,000, (2) Second year - the lesser of 15% of the qualified agricultural costs or \$250,000, (3) Third year - the lesser of 10% of the qualified agricultural costs or \$125,000. Qualified agricultural costs must be incurred after July 1, 2008. See Form N-344 and its instructions for more information.

Act 200, SLH 2014 — This act establishes a **Capital Infrastructure Tax Credit** for taxable years 2014 to 2019 to qualified infrastructure tenants displaced by the Kapalama container project. 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 \$1,250,000. See Form N-348 and its instructions for more information.

General Instructions**Filing Requirements**

Required Attachment.—A copy of the organization's federal Form 990-T as filed with the Internal

Revenue Service MUST be attached to the Form N-70NP filed with Hawaii.

Caution.—The mere attachment of a copy of the federal Exempt Organization Business Income Tax Return, Form 990-T, will not be acceptable as a substitute for fully completing the Hawaii Exempt Organization Business Income Tax Return, Form N-70NP.

Who Must File.—Any organization exempt under section 501(a) must file Form N-70NP if it has Hawaii gross income from an unrelated trade or business of \$1,000 or more. Gross income is gross receipts minus the cost of goods sold. An organization must file this return if it must file federal Form 990-T to report unrelated trade or business income. Form N-70NP is not required if the organization files any other federal 990 form (e.g., 990, 990-C, 990-EZ, etc.).

Fiduciaries for IRAs and MSAs described in sections 408(a) and 220(d) that have \$1,000 or more of Hawaii unrelated trade or business gross income must file Form N-70NP.

Section 235-2.4(z), HRS, adopted sections 512 to 514 (with respect to taxation of business income of certain exempt organizations). Further, for a person described in section 401 or 501, as modified by section 235-2.3, HRS, the tax imposed by section 235-51 or 235-71, HRS, shall be imposed upon the person's unrelated business taxable income.

However, a section 501(c)(1) corporation that is an instrumentality of the United States and both organized and exempted from tax by an Act of Congress, does not have to file. (See also section 235-7(a)(1), HRS.)

If the organization is a shareholder in a Regulated Investment Company, and is filing Form N-70NP only to obtain a refund of income tax paid on undistributed long-term capital gains, complete the heading and signature areas, and enter the amount of credit on line 21(d) and attach Schedule CR. Also, indicate at the top of the return, "Claim for Refund."

What is an Unrelated Trade or Business.—An unrelated trade or business is any trade or business that is regularly carried on, and that is not substantially related to the organization's exempt purpose or function (aside from the need of the organization for income or funds or the use it makes of the profits); or generally, for section 501(c)(7), (9), or (17) organizations, income derived from non-members with certain modifications (see section 512(a)(3)(A)); or for a section 511(a)(2)(B) state college or university, income derived from activities not substantially related to exercising or performing any purpose or function described in section 501(c)(3).

An unrelated trade or business is not a trade or business:

- (1) In which substantially all the work is performed for the organization without compensation; or
- (2) That is carried on by a section 501(c)(3) or 511(a)(2)(B) organization mainly for the convenience of its members, students, patients, officers, or employees; or

- (3) That sells items of work-related equipment and clothes, and items normally sold through vending machines, food dispensing facilities or by snack bars, by a local association of employees described in section 501(c)(4), organized before May 27, 1969, if the sales are for the convenience of its members at their usual place of employment; or
- (4) That sells merchandise substantially all of which was received by the organization as gifts or contributions; or
- (5) That consists of qualified public entertainment activities regularly carried on by a section 501(c)(3), (4), or (5) organization as one of its substantial exempt purposes (see section 513(d)(2) for the meaning of qualified public entertainment activities); or
- (6) That consists of qualified convention or trade show activities regularly conducted by a section 501(c)(3), (4), (5), or (6) organization as one of its substantial exempt purposes (see section 513(d)(3) for the meaning of qualified convention and trade show activities); or
- (7) That furnishes one or more services described in section 501(e)(1)(A) by a hospital to one or more hospitals subject to conditions in section 513(e); or
- (8) That consists of qualified pole rentals (as defined in section 501(c)(12)(D)), by a mutual or cooperative telephone or electric company; or
- (9) That includes activities relating to the distribution of low-cost articles, each costing \$10.40 or less by an organization described in section 501 and contributions to which are deductible under section 170(c)(2) or (3) if the distribution is incidental to the solicitation of charitable contributions; or
- (10) That includes the exchange or rental of donor or membership lists between organizations described in section 501 and contributions to which are deductible under section 170(c)(2) or (3); or
- (11) That consists of bingo games as defined in section 513(f). Generally, a bingo game is not included in any unrelated trade or business if:
 - (a) Wagers are placed, winners determined, and prizes distributed in the presence of all persons wagering in that game;
 - (b) The games do not compete with bingo games conducted by for-profit businesses in the same jurisdiction; and
 - (c) The games do not violate State or local law; or
- (12) That consists of soliciting and receiving qualified sponsorship payments that are solicited or received after December 31, 1997. Generally, qualified sponsorship payment means any payment to a tax-exempt organization by a person engaged in a trade or business in which there is no arrangement or expectation of any substantial return benefit by that person — other than the use or acknowledgment of that person's name, logo, or product lines in connection with the activities of the tax-exempt organization. See section 513(i) for more information.

A trade or business is any activity carried on for the production of income from selling goods or performing services. An activity does not lose its identity as a trade or business merely because it is carried on within a larger group of similar activities which may or may not be related to the exempt purpose of the organization. If, however, an activity carried on for profit is an unrelated trade or business, no part of it can be excluded from this classification merely because it does not result in profit.

Not substantially related to means that the activity that produces the income does not contribute importantly to the exempt purposes of the organization, other than the need for funds, etc. Whether an activity contributes importantly depends in each case on the facts involved.

When to File.—Generally, you must file Form N-70NP by the 20th day of the 4th month after the end of the organization's tax year.

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

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 of Taxation will conform to the Internal Revenue Service (IRS) 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.

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. estimated tax payments) are considered paid on the due date of the return, without considering an extension of time to file the return.

Extension.—Organizations may request an automatic 6-month extension of the time to file Form N-70NP by filing Form N-301. The use of federal Form 7004 or Form 8736 is not allowed as a substitute for Hawaii Form N-301.

Payment of Tax

The balance of the tax due as shown on Form N-70NP, line 23, must be paid in full with the filing of Form N-70NP. The tax may be paid by money order or by check made payable to the "Hawaii State Tax Collector" in U.S. dollars drawn on any U.S. bank. Do not send cash. Also complete Form N-201V, Business Income Tax Payment Voucher, and attach this form with the money order or check to the front of Form N-70NP. If the organization cannot pay the full amount that is owed, you can ask to enter a payment agreement **after** you receive a billing notice for the balance due. Please be aware that penalty and interest continue to accrue on the unpaid tax amount even though you have not yet received a billing notice. Payments will be accepted and applied to the organization's tax liability; however, to ensure that the organiza-

tion's payments are applied correctly, your check or money order must have: (1) the organization's name as shown on the return clearly printed on the check, (2) the organization's federal employer identification number (FEIN), and (3) the tax year and form number being filed (ex. 2014 N-70NP). Each payment should be accompanied by a completed Form N-201V, Business Income Tax Payment Voucher.

Estimated Tax

If the organization expects to have a tax liability on its tax return for the year, a Declaration of Estimated Income Tax for Corporations, Form N-3, shall be filed for the organization. Estimated payments are paid in four installments. Form N-3 can be filed electronically through the State's Internet portal. Go to tax.hawaii.gov/eservices/ for more information.

Trusts required to file Form N-70NP should use the Estimated Tax Computation For Trusts Worksheet on page 6 of these instructions to determine the amount of the organization's estimated tax due. This amount will also be entered on Form N-3, Part II, line 7.

An organization on a calendar year basis must pay the first installment, ¼ of the estimated tax due, on or before April 20, the second installment on or before June 20, the third installment on or before September 20 of the tax year, and the fourth installment on or before January 20 of the year following the close of the calendar year. An organization on a fiscal year basis must pay the first installment on or before the 20th day of the 4th month of the fiscal year, the second installment on or before the 20th day of the 6th month of the fiscal year, the third installment on or before the 20th day of the 9th month of the fiscal year, and the fourth installment on or before the 20th day of the 1st month following the close of the fiscal year.

In the case of any underpayment of estimated tax, there shall be added to the tax, an amount determined at the rate of 2/3 of 1% a month or part of a month on the amount of tax underpaid as provided under section 235-97(f), HRS. Willful failure to make a required declaration of estimated tax is an offense punishable as provided under section 235-105, HRS.

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%.

Failure to pay 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. The 60-day period is calculated beginning with the prescribed due date even if the prescribed due date falls on a Saturday, Sunday, or legal holiday.

These penalties are in addition to any interest charged on underpayment or nonpayment of tax.

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.

Interest will be computed on the sum of tax due and penalties imposed.

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
P.O. Box 1530
Honolulu, HI 96806-1530

If you are **not enclosing a payment** with your return, mail your return to:

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

Consolidated Returns.—The consolidated return provisions of section 1501 do not apply to exempt organizations, except for organizations having title holding companies. If a title holding corporation described in section 501(c)(2) pays any amount of its net income for a tax year to an organization exempt from tax under section 501(a) (or would except that the expenses of collecting its income exceeded that income), and the corporation and organization file a consolidated return as described below, then treat the title holding corporation as being organized and operated for the same purposes as the other exempt organization (in addition to the purposes described in section 501(c)(2)).

Two organizations exempt from tax under section 501(a), one a title holding company, and the other earning income from the first, will be includable corporations for section 1504(a). If the organizations meet the definition of an affiliated group, and the other relevant provisions of Chapter 6 of the IRC, and these organizations are all Hawaii corporations, then these organizations may file a consolidated return. The parent organization must attach Form N-304, Affiliations Schedule, to the consolidated return. For the first year a consolidated return is filed, the title holding company must attach Form N-303, Authorization and Consent of a Subsidiary Corporation to be Included in a Consolidated Income Tax Return.

See federal Regulations section 1.1502-100 for more information on consolidated returns.

Accounting Methods.—You must figure taxable income using the method of accounting regularly used in keeping the organization's books and records. The method used must clearly reflect income. See section 446.

Unless the law specifically permits, you may not change the method of accounting used to report income in earlier years (in whole or in part) without first getting consent on federal Form 3115, Application for Change in Accounting Method. If a change in accounting method is made, attach an approved copy of federal Form 3115 to the first return affected by such a change. If the change qualifies for an automatic change request on federal Form 3115, attach a copy of the Form 3115 filed with the IRS to the first Hawaii return affected by the change.

Rounding Off to Whole-Dollar Amounts.—The Department requires that you show the money items on the return and accompanying schedule as whole-dollar amounts. To do so, drop any amount less than 50 cents and increase any amount from 50 cents through 99 cents to the next higher dollar.

At-Risk Provisions.—For the rules limiting a loss to the amount at-risk for certain trade or business and production of income activities, see section 465.

Amended Return.—If the organization's return is filed and then it becomes necessary to make changes to income, deductions, or credits, file an amended return on Form N-70NP, using the form for the year you are amending. Check the box at the top of page 1 of Form N-70NP to indicate that this is an amended return. If the return is being amended to take an NOL carryback deduction, also check the NOL box. Complete the amended return using corrected amounts through line 24, then go to line 26. Attach a completed Schedule AMD, Explanation of Changes on Amended Return, to the amended return. Also, attach all schedules, forms, and attachments required to file a complete return, including, but not limited to Schedule CR, even if such claim was made on the original return.

For returns amending an original return on which a payment was made or a refund was claimed, see the instructions for lines 26 and 27.

Specific Instructions

Period to be covered by 2014 Return.—File your 2014 return for calendar year 2014 and fiscal years beginning in 2014. If the return is for a fiscal year, fill in the tax year space in the form heading. To change an accounting period, use federal Form 1128, Application for Change in Accounting Period.

Page 1, Form N-70NP

Name, Address, and Federal Employer Identification Number.—The name and address on Form N-70NP should be completely shown.

If the organization's address is outside the United States or its possessions or territories, enter the information on the line for "City or town, State and Postal/ZIP code" in the following order: city, province or state, postal code, and the name of the country. Do not abbreviate the country name.

Block A.—Enter the organization's Federal Employer Identification Number (FEIN) in this block.

Block B.—Enter the applicable unrelated business activity code(s) that specifically describes the organization's unrelated business activity. If a specific activity code does not accurately describe the organization's activities, then choose a general code that best describes its activity. This is the same code that appears on the organization's federal Form 990-T. A list of these codes appears in the instructions for federal Form 990-T.

Block C.—Enter the organization's Hawaii Tax I.D. Number in this block.

Block D.—Check the appropriate box to indicate the organization's legal structure—i.e., corporation or charitable trust.

Lines 1 - 3 and 5 - 7.—Enter the appropriate figures from the organization's federal Form 990-T which must be attached to this return.

Note: The amount on line 6 may not equal the sum of lines 1 through 5.

Line 4.—If the organization has taxable net capital gain income, attach a copy of Hawaii Schedule D (Form N-30/N-70NP) if a corporation, or Hawaii Schedule D (Form N-40), if a trust. Enter the amount of capital gain net income from federal Form 990-T on line 4. If this amount is not the same as on Hawaii Schedule D (Form N-30/N-70NP) or Hawaii Schedule D (Form N-40), include the federal amount in Part I, line 2 or Part II, line 2 and include the Hawaii amount in Part I, line 4 or Part II, line 4, respectively.

Line 8.—Enter on line 8 the difference of line 6 and line 7 (Line 6 minus line 7).

Tax Computations

Line 9.—Corporations.—If you are a trust, skip to line 10 to figure your tax. If you are filing for an organization other than a trust, the corporate tax rates apply.

If the corporation has no taxable net capital gains, the tax is computed using the following rates applied to the Hawaii unrelated business taxable income (Part I, line 5):

Over—	But not Over—	Enter on Line 9	Of the amount Over—	Reduced by—
\$ 0	\$ 25,000	4.4%	\$ 0	\$ 0
25,000	100,000	5.4%	25,000	250
100,000	—	6.4%	100,000	1,250

If the corporation has taxable net capital gains, the tax is the lesser of:

- The tax computed using the above rates applied to the Hawaii total unrelated business taxable income (Part I, line 5); or
- The sum of:
 - 4% of the taxable net capital gains; and
 - The tax computed on the Hawaii total unrelated business taxable income less taxable net capital gain using the above rates.

Complete Part I of the TAX COMPUTATION SCHEDULE on page 2 of the return.

Part I, line 2.—Other deductions.—Include on this line amounts deductible for Hawaii income tax purposes, but not deductible on the organization's federal return such as contributions to a group legal services plan.

If the organization claimed employment credits on its federal return for which wage expense was reduced pursuant to section 289C, include on this line the amount of the required reduction of wages.

Include in this line the amount from line 4 on page 1 if the federal amount of capital gain net income is not the same as the Hawaii amount from Schedule D (Form N-30/N-70NP or Form N-40).

For Hawaii tax purposes, taxable income does not include amounts received by a qualified high technology business as royalties and other income derived from patents, copyrights, and trade secrets owned by the qualified high technology business which were developed and arose out of a qualified high technology business. "Qualified high technology business" means a business conducting more than 50% of its activities in qualified research. "Qualified research" means (1) the same as in section 41(d); (2) the development and design of computer software for ultimate commercial sale, lease, license or to be otherwise marketed, for economic consideration. With respect to the software's development and design, the business shall have substantial control and retain substantial rights to the resulting intellectual property; (3) biotechnology; (4) performing arts products; (5) sensor and optic technologies; (6) ocean sciences; (7) astronomy; or (8) nonfossil fuel energy-related technology. 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 qualifies for the high technology business investment tax credit is excluded from income taxes. If the organization is a qualified

high technology business and has included royalties and other income derived from patents and copyrights the organization owns in the income reported on line 1, these amounts should be included in the deductions shown on line 2 of Part I or Part II. These amounts should be identified either by attaching a separate schedule or listing, or by writing on line 2 what the differences are, e.g., "High tech royalties - \$123,456".

Attach a schedule noting type and amount of deductions to your Form N-70NP.

Part I, line 4.—Hawaii additions to income.—Include on this line the amount of any section 199 domestic activities production deduction and bonus depreciation included on the organization's federal return. Also include the section 179 deduction which exceeds \$25,000. Hawaii has not adopted these provisions.

Also include in this line the amount of capital gain net income from Schedule D (Form N-30/N-70NP or Form N-40) if the Hawaii amount is not the same as the federal amount from line 4 on page 1.

Attach a schedule noting type and amount to your Form N-70NP.

Line 10.—Trusts.—Trusts exempt under section 501(a) which otherwise would be subject to section 235-4, HRS, are taxed at trust rates as determined under section 235-51(d), HRS. This applies to employees' trusts that qualify under section 401(a).

If the trust has a calendar tax year and has no taxable net capital gains, the tax is computed using the Trusts' Tax Rate Schedule on page 6. If the trust has taxable net capital gains, see Part II of the TAX COMPUTATION SCHEDULE on page 2 of the return.

Complete Part II of the TAX COMPUTATION SCHEDULE on page 2 of the return.

Part II, line 2.—Other deductions.—See instructions for Part I, line 2.

Part II, line 4.—Hawaii additions to income.—See instructions for Part I, line 4.

Line 11.—Recapture of Capital Goods Excise Tax Credit.—If property for which a credit has been taken ceases to be eligible property or is disposed of, recapture of all or part of the credit received may be necessary. See the instructions for Form N-312, Part II for more information. Enter the amount of any credit recapture on line 11.

Line 12.—Recapture of Low-Income Housing Tax Credit.—Enter on this line any recapture of the Low-Income Housing Tax Credit from Form N-586, Part III.

Line 13.—Recapture of High Technology Business Investment Tax Credit.—Enter on this line any recapture of the High Technology Business Investment Tax Credit from Form N-318, Part III.

Line 14.—Recapture of Tax Credit for Flood Victims.—Enter on this line any recapture of the Tax Credit for Flood victims from Form N-338.

Line 15.—Recapture of Important Agricultural Land Qualified Agricultural Cost Tax Credit.—Enter on this line any recapture of the Important Agricultural Land Qualified Agricultural Cost Tax Credit from Form N-344.

Line 17.—Total refundable credits from Schedule CR.—If you are claiming any refundable tax credits, you must use Schedule CR, Schedule of Tax Credits, to summarize the total refundable credits claimed. Complete Part II of Schedule CR, and enter the amount from

Schedule CR, line 24, on line 17. Attach Schedule CR to your Form N-70NP. Descriptions of the refundable credits follow.

Capital Goods Excise Tax Credit.—A 4% credit is available to Hawaii businesses on qualifying business property acquired and placed in service during the taxable year. The credit must be claimed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. See Tax Information Release No. 2001-4 and Form N-312 for more information. To claim this credit, complete Form N-312 and Schedule CR.

Fuel Tax Credit for Commercial Fishers.—Each principal operator of a commercial fishing vessel may claim an income tax credit against the corporate income tax for the year for certain fuel taxes paid during the year. The tax credit shall be an amount equal to the fuel taxes imposed under section 243-4(a), HRS, and paid by the principal operator during the year. The credit must be claimed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Refer to Form N-163 for further information. To claim this credit, complete Form N-163 and Schedule CR.

Tax Credit for Research Activities.—**Note:** *The federal credit for increasing research activities must be claimed in order to claim the state tax credit for research activities. Since the federal credit expired at the end of 2013, the state credit cannot be claimed. The state credit can be claimed only if federal legislation is enacted to reinstate the federal credit retroactive to January 1, 2014.*

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 credit for research activities provided by 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 section 41. The credit must be claimed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Research expenses must be certified in order to claim the credit. See Form N-346 and N-346A for details.

Ethanol Facility Tax Credit.—A refundable credit for investment in a qualifying ethanol production facility. Subject to qualifications and limitations. The credit must be claimed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Refer to Form N-324 for further information.

Motion Picture, Digital Media, and Film Production Income Tax Credit.—For taxable years beginning after December 31, 2012, a taxpayer may claim an income tax credit of (1) 20% of the qualified production costs incurred before January 1, 2019, by a qualified production in the City and County of Honolulu, and (2) 25% of the qualified production costs incurred before January 1, 2019, 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. The credit must be claimed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. See Form N-340 for more information. To claim this credit, complete Form N-340 and Schedule CR.

Refundable Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009).—A taxpayer may elect to treat the tax credit as nonrefundable or refundable. For solar energy systems, a taxpayer may elect to treat the tax credit as refundable by reducing the eligible credit amount by 30%. For wind-powered energy systems, only individual taxpayers meeting certain qualifications may elect to treat the credit as refundable. Once an election is made to treat the tax credit as nonrefundable or refundable, the election cannot be revoked. An amended return cannot be filed to change the tax credit from nonrefundable to refundable or from refundable to nonrefundable. All claims for this credit, including any amended claims, must be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. See the discussion for the Nonrefundable Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009) for more information. If the organization has unused renewable energy technologies income tax credits for systems installed prior to July 1, 2009, see Form N-323, Carryover of Tax Credits.

Important Agricultural Land Qualified Agricultural Cost Tax Credit.—If the organization is claiming the important agricultural land qualified agricultural cost tax credit, see Form N-344 for more information. The credit must be claimed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed.

Credit of Shareholder of Regulated Investment Company.—A shareholder of a regulated investment company is allowed a credit of 4% of the amount of capital gains which by section 852(b)(3)(D) is required to be included in the shareholder's return and on which there has been paid to the State by the regulated investment company the tax of 4%.

Line 18.—Line 16 minus line 17. If line 18 is less than zero, place a minus sign, “-”, before this amount.

If line 18 is zero or less, the nonrefundable credits may not be used. Even if you are not able to use the nonrefundable credits, complete forms for any tax credits you qualify for and attach the forms to your Form N-70NP. 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.

Line 19.—Total nonrefundable credits from Schedule CR.—*If line 18 is zero or less, no nonrefundable tax credit may be used. Enter zero on line 19.* 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 15, on line 19. Attach Schedule CR to your Form N-70NP. Descriptions of the nonrefundable credits follow.

Credit allowed for taxes paid to a state or foreign country by a resident trust.—If a resident trust derived income from sources without Hawaii and paid a net income tax to a state or foreign country, a credit may be claimed against the Hawaii income tax. A credit is allowable against the Hawaii income tax only if the tax paid to a state or foreign country was based on net income of the same taxable year and only if the income taxed by the state or foreign country was derived from sources without Hawaii. Intangible personal property of a resident trust has a situs within Hawaii,

therefore, income from such property is derived from within and not from without Hawaii and no credit may be allowed for taxes paid to a state or foreign country based on such income. (However, in the rare case of a separate business situs there may be an exception to this rule.) To obtain a credit against the Hawaii tax, a copy of the return filed with a state or foreign country must be furnished as well as a receipt or other evidence to substantiate payment of the tax. If any taxes paid are at any time refunded, the Hawaii State Tax Collector must be notified promptly of such refund. The Hawaii Income Tax Law allows no credit to a nonresident trust for the taxes paid to a state or foreign country. **Limitations of credit—see HAR §18-235-55.**

Carryover of the Credit for Energy Conservation.—The energy conservation tax credit expired on June 30, 2003. This credit may be claimed only if the organization has a carryover of the credit from a prior year. 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 these forms to the Form N-70NP that you file.

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

Enterprise Zone Tax Credit.—A qualified enterprise zone business is eligible to claim a credit for a percentage of taxes due 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 same 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. Attach Form N-756, Enterprise Zone Tax Credit, and Schedule CR to support your claim for this credit.

Low-Income Housing Tax Credit.—Hawaii's low-income housing tax credit is equal to 50% of the federal credit. The credit must be claimed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Attach Form N-586, Hawaii Low-Income Housing Tax Credit, and Schedule CR to support your claim for this credit.

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

Credit for Employment of Vocational Rehabilitation Referrals.—The amount of the tax credit for the taxable year shall be 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.

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. Attach Form N884, Credit for Employment of Vocational Rehabilitation Referrals, and Schedule CR to support your claim for this credit.

High Technology Business Investment Tax Credit.—A credit is allowed for investment in a qualified high technology business for the taxable year in which the investment was made and the following four years. The credit is 35% of the in-

vestment in the year the investment is made, 25% for the first year following the year the investment was made, 20% for the second year following the investment, and 10% for each of the third and fourth years following the investment. The credit is subject to limitations and recapture requirements. The credit must be claimed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Investments made after June 30, 2004, must be certified in order to claim this credit for the investment. For investments made on or after May 1, 2009, in taxable years beginning on or after January 1, 2009 and ending before January 1, 2011, the credit claimed is limited to 80% of the taxpayer's tax liability for the taxable year. Any credit that exceeds the 80% limit cannot be carried over and is lost. Other limits may apply. For investments made on or after May 1, 2009, no allocations of credits to a taxpayer may exceed the amount of the investment made by the taxpayer. This credit expired on December 31, 2010, i.e., no credit can be claimed for investments made after December 31, 2010. See Form N-318 for details.

Carryover of the Individual Development Account Contribution Tax Credit.—The individual development account contribution tax credit is not available for taxable years beginning after December 31, 2004. The credit may be claimed only if the organization has a carryover of the tax credit from a prior year. To claim the carryover of this credit, complete Form N-323 and Schedule CR and attach these forms to support your claim for this credit.

Carryover of the Technology Infrastructure Renovation Tax Credit.—This credit may be claimed only if the organization has a carryover of the credit from a prior year. To claim the carryover of this credit, complete Form N-323 and Schedule CR and attach these forms to support your claim for this credit.

Credit for School Repair and Maintenance.—A credit is allowed to licensed contractors, pest control operators, and professional engineers, architects, surveyors and landscape architects who are subject to Hawaii's income tax 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. The credit must be claimed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Certain other limitations and restrictions apply. Attach Form N-330, School Repair and Maintenance Tax Credit, and Schedule CR to support your claim for this credit.

Carryover of the Hotel Construction and Remodeling Tax Credit.—This credit may be claimed only if the organization has a carryover of the credit from a prior year. To claim the carryover of this credit, complete Form N-323 and Schedule CR and attach these forms to support your claim for this credit.

Carryover of the Residential Construction and Remodeling Tax Credit.—This credit may be claimed only if the organization has a carryover of the tax credit from a prior year. See Tax Information Release No. 2002-3 and Form N-323 for more information. To claim the carryover of this credit, complete Form N-323 and Schedule CR and attach these forms to support your claim for this credit.

Nonrefundable Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009).—Each taxpayer who files a Form

N-70NP for 2014 may claim a tax credit for an eligible renewable energy technology system installed and placed in service in Hawaii during the tax year. You must make an irrevocable election to claim the credit as nonrefundable or refundable. 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. Once an election is made to treat the tax credit as nonrefundable or refundable, the election cannot be revoked. An amended return cannot be filed to change the tax credit from nonrefundable to refundable or from refundable to nonrefundable. All claims for this credit, including any amended claims, must be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed.

Total Output Capacity

A system classified under "other solar energy system", such as a photovoltaic system, must meet the total output capacity requirement 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 (TIR) No. 2007-02, *Relating to the Renewable Energy Technologies Income Tax Credit*, TIR No. 2010-10, *Common Income Tax & General Excise Tax Issues Associated with the Renewable Energy Technologies Income Tax Credit*, HRS §235-12.5, and TIR No. 2012-01, *Temporary Administrative Rules Relating to the Renewable Energy Technologies Income Tax Credit*.

Figure the credit on Form N-342 and enter the amount of the nonrefundable credit claimed on Schedule CR, line 13. Attach Form N-342 and Schedule CR to your Form N-70NP.

Capital Infrastructure Tax Credit.—For taxable years from 2014 to 2019, each taxpayer who is a qualified infrastructure tenant subject to Hawaii's income tax can claim a nonrefundable income tax credit for the taxable year in which the capital infrastructure costs were paid or incurred. The tax credit is the lesser of 50% of the capital infrastructure costs paid or incurred by the qualified infrastructure tenant during the taxable year or \$1,250,000. 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. All claims for this credit, including any amended claims, must be filed on or before the end of the twelfth month following the close of the taxable year for which the credit may be claimed. Attach Form N-348 and Schedule CR to support your claim for this credit.

Line 20.—Line 18 minus line 19. If line 18 is zero or less, however, enter on this line the amount from line 18.

Line 21(b).—**Estimated Tax Payment.**—Enter the total estimated tax payments made for the tax year with Form N-3, Declaration of Estimated Income Tax for Corporations. Trusts must also use Form N-3, but should use the Estimated Tax Computation For Trusts Worksheet

on page 6 of these instructions to determine the amount to enter on Form N-3, Part II, line 7.

Line 21(c).—**Tax Paid With Automatic Extension of Time.**—Enter the tax paid with Form N-301, Application for Automatic Extension of Time to File Hawaii Return For a Corporation, Partnership, Trust, or REMIC.

Line 22.—**Estimated Tax Penalty.**—An organization or a trust that fails to make estimated tax payments when due may be subject to an underpayment penalty for the period of underpayment. Form N-220, Underpayment of Estimated Tax by Corporations, is used to figure the amount of the penalty. Attach Form N-220 to the organization's return.

Line 23.—**Tax Due.**—The tax due must be paid in full when the return is filed. Attach your check or money order for the full amount payable to the "HAWAII STATE TAX COLLECTOR" in U.S. dollars drawn on any U.S. bank. Write your Federal Employer I.D. No. and the words "2014 Form N-70NP" on it. **Do not send cash.**

Also complete Form N-201V, Business Income Tax Payment Voucher, and attach this form with your check to the front of Form N-70NP.

If the organization cannot pay the full amount that is owed, you can ask to enter a payment agreement **after** you receive a billing notice for the balance due. Please be aware that penalty and interest continue to accrue on the unpaid tax amount even though you have not yet received a billing notice. Payments will be accepted and applied to the organization's tax liability; however, to ensure that the organization's payments are applied correctly, your check or money order must have: (1) the organization's name as shown on the return clearly printed on the check, (2) the organization's federal employer identification number (FEIN), and (3) the tax year and form number being filed (ex. 2014 N-70NP).

Line 24.—**Overpayment.**—If the amount on line 21(d) is larger than the total of lines 20 and 22, subtract this total from line 21(d) and enter the difference on line 24. This is the amount overpaid.

Amended Return

Complete the organization's amended return through line 24, using corrected amounts, then go to line 26. Attach a completed Schedule AMD, Explanation of Changes on Amended Return, to the amended return. Also, attach all schedules, forms, and attachments required to file a complete return, including, but not limited to Schedule CR, even if such claim was made on the original return.

Line 26.—**Amount paid (overpaid) on original return.**—Enter on line 26 the amount paid on the organization's original return (from line 23 of the **original** return) or the amount overpaid (from line 24 of the **original** return). If you have an overpayment, place a minus sign, "-", before the overpayment amount.

Line 27.—**BALANCE DUE (REFUND) with amended return.**—If no amount was entered on line 26, enter on line 27 the amount, if any, from line 23 or line 24 of the **amended** return. If there is an amount on line 26, and that amount is:

- a. A payment and there is an amount on line 23 of the **amended** return, subtract the amount on line 26 from the amount on line 23 and enter the difference on line 27. If the difference is a negative amount, show the negative amount on line 27 with a minus sign, "-".
- b. A payment and there is an amount on line 24, add these amounts and enter the total on

line 27. Place a minus sign, "-", before this amount.

- c. An overpayment and there is an amount on line 23, subtract the amount on line 26 from the amount on line 23, and enter the result on line 27. This is the amount the organization owes on its amended return.
- d. An overpayment and there is an amount on line 24, consider the amount on line 24 a negative amount and subtract the amount on line 26 from the amount on line 24, and enter the difference on line 27. If the difference is a negative amount, show the negative amount on line 27 with a minus sign, "-". If there is an overpayment on the amended return, do NOT enter this amount on line 25(b).

If the organization has an amount due on its amended return, make check or money order payable to "HAWAII STATE TAX COLLECTOR". Also complete Form N-201V, Business Income Tax Payment Voucher, and attach this form with the check or money order to the front of Form N-70NP.

Signature

Corporation.—The return must be signed and dated by the president, vice president, treasurer,

assistant treasurer, chief accounting officer, trustee, or by any other corporate officer authorized to sign. A receiver, trustee, or assignee must sign and date any return he or she is required to file on behalf of the organization.

The corporation may authorize the Department of Taxation to discuss its tax return with its paid preparer by checking the "Yes" box above the paid preparer's signature. Checking "Yes" will allow the Department to contact the paid preparer to answer any questions that may arise during the processing of the corporation's return. This designation does not take the place of a power of attorney for other return related matters. Form N-848 still must be used to grant a power of attorney.

Trust.—The return must be signed and dated by the individual fiduciary, or by the authorized officer of the trust receiving or having custody, or control and management of the income of the trust. If two or more individuals act jointly as fiduciaries any one of them may sign.

The trust may authorize the Department of Taxation to discuss its tax return with its paid preparer by checking the "Yes" box above the paid preparer's signature. Checking "Yes" will allow the Department to contact the paid preparer to answer

any questions that may arise during the processing of the trust's return. This designation does not take the place of a power of attorney for other return related matters. Form N-848 still must be used to grant a power of attorney.

Paid Preparer.—If someone prepares the organization's return and does not charge the organization, that person should not sign the organization's return. Certain others who prepare the organization's return should not sign. For example, the organization's regular, full-time employee does not have to sign.

Generally, anyone who is paid to prepare the organization's tax return must sign the organization's return and fill in the other blanks in the Paid Preparer's Information area of the organization's return.

The person required to sign the organization's return MUST:

- Complete the required preparer information.
- Sign the return in the space provided for the preparer's signature.
- Give the organization a copy of its return in addition to the copy to be filed with the Department of Taxation.

ESTIMATED TAX COMPUTATION FOR TRUSTS WORKSHEET

1. Enter the total expected 2015 unrelated business taxable income of the trust (Form N-70NP)	1	
2. Net capital gain taxable to the trust. If this line is zero, go to line 9.....	2	
3. Difference — line 1 minus line 2	3	
4. Enter the greater of line 3 or \$20,000	4	
5. Tax on amount on line 4. If line 4 is \$20,000, enter \$1,128.00. See Tax Rate Schedule below	5	
6. Difference — line 1 minus line 4	6	
7. Multiply the amount on line 6 by 7.25% ..	7	
8. Tax — add lines 5 and 7	8	
9. Tax on the amount on line 1.....	9	
10. Enter the smaller of line 8 or line 9	10	
11. Estimated available tax credits	11	
12. Estimated tax due — line 10 minus line 11. Also enter this amount on Form N-3, Part II, line 7	12	

Trusts' Tax Rate Schedule

For Periods After December 31, 2001
(Section 235-51(d), Hawaii Revised Statutes)

If the amount on line 8, page 1 is:

The tax shall be:

Not over \$2,000.....	1.40% of the amount
Over \$2,000 but not over \$4,000.....	\$28.00 plus 3.2% of excess over \$2,000
Over \$4,000 but not over \$8,000.....	\$92.00 plus 5.5% of excess over \$4,000
Over \$8,000 but not over \$12,000.....	\$312.00 plus 6.4% of excess over \$8,000
Over \$12,000 but not over \$16,000.....	\$568.00 plus 6.8% of excess over \$12,000
Over \$16,000 but not over \$20,000.....	\$840.00 plus 7.2% of excess over \$16,000
Over \$20,000 but not over \$30,000.....	\$1,128.00 plus 7.6% of excess over \$20,000
Over \$30,000 but not over \$40,000.....	\$1888.00 plus 7.9% of excess over \$30,000
Over \$40,000	\$2,678.00 plus 8.25% of excess over \$40,000