

STATE OF HAWAII—DEPARTMENT OF TAXATION  
**INSTRUCTIONS FOR FORM N-615**  
**COMPUTATION OF TAX FOR CHILDREN UNDER AGE 14 WHO**  
**HAVE UNEARNED INCOME OF MORE THAN \$1,000**

(NOTE: References to “married”, “unmarried”, and “spouse” also means “in a civil union”, “not in a civil union”, and “civil union partner”, respectively.)

## General Instructions

**Note:** The federal provisions in the: (1) Tax Increase Prevention and Reconciliation Act of 2005, and (2) Small Business and Work Opportunity Tax Act of 2007 relating to minor children whose unearned income is taxed as if parent's income has not been adopted for Hawaii income tax purposes at the present time.

**Purpose of Form.** — For children under age 14, unearned income (such as taxable interest and dividends) over \$1,000 is taxed at the parent's rate if the parent's rate is higher than the child's rate.

Do not use this form if the child's unearned income is \$1,000 or less. Instead, figure the tax in the normal manner on the child's income tax return. For example, if the child had \$900 of taxable interest income and \$200 of wages, Form N-615 is not required to be completed and the child's tax should be figured using the Tax Table.

If the child's unearned income is more than \$1,000, use this form to see if any of the child's unearned income is taxed at the parent's rate and, if so, to figure the child's tax. For example, if the child had \$1,100 of taxable interest income and \$200 from wages, complete Form N-615 and attach it to the child's Form N-11 or Form N-15.

**How To Obtain 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](http://tax.hawaii.gov), or you may contact the customer service representative at: 808-587-4242 or 1-800-222-3229 (Toll-Free).

**Unearned Income.** — As used on this form, “unearned income” includes all taxable income other than earned income as defined below. It includes income such as taxable interest, ordinary dividends, capital gains (including capital gain distributions), rents, royalties, etc. It also includes annuity income, taxable scholarship and fellowship grants not reported on federal Form W-2, unemployment compensation, alimony, and income (other than earned income) received as the beneficiary of a trust.

**Who Must File.** — Generally, Form N-615 must be filed for any child who was under age 14 on January 1, 2016, had more than \$1,000 of unearned income, and is required to file a tax return. If neither parent was alive on December 31, 2015, do not use Form N-615. Instead, figure the child's tax based on his or her own rate.

For these rules, the term “child” includes a legally adopted child and a stepchild. These rules apply whether or not the child is a dependent. These rules do not apply if neither of the child's parents were living at the end of the year.

**Note:** The parent may be able to elect to report the child's interest, ordinary dividends, and capital gain distributions on the parent's return. If the parent makes this election, the child will

not have to file a return or Form N-615. For more information, see Instructions for Form N-11 or Form N-15 or get Form N-814, Parent's Election to Report Child's Interest and Dividends.

**Additional Information.** — For more information about the tax on unearned income of children, get federal Publication 929, Tax Rules for Children and Dependents.

## Line-by-Line Instructions

We have provided specific instructions for most of the lines on the form. Those lines that do not appear in these instructions are self-explanatory.

**Lines A and B.** — If the child's parents were married to each other and filed a joint return, enter the name and social security number of the parent who is listed first on the joint return. For example, if the father's name is listed first on the return and his social security number is entered in the block labeled “Your social security number,” enter his name on line A and his social security number on line B. If a parent is an alien and was issued an individual taxpayer identification number (ITIN) by the IRS, enter the ITIN. If the individual has applied for an ITIN but the IRS has not yet issued the ITIN, write “Applied For”.

If the parents were married but filed separate returns, enter the name and social security number of the parent who had the higher taxable income. If you do not know which parent has the higher taxable income, see federal Publication 929.

If the parents were unmarried, treated as unmarried for State income tax purposes, or separated either by a divorce or separate maintenance decree, enter the name and social security number of the parent who had custody of the child for most of the year (the custodial parent).

**Exception:** If the custodial parent remarried and filed a joint return with his or her new spouse, enter the name and social security number of the individual who is listed first on the joint return even if that individual is not the child's parent. If the custodial parent and his or her new spouse filed separate returns, enter the name and social security number of the person with the higher taxable income, even if that person is not the child's parent.

**Note:** If the parents were unmarried but lived together during the year with the child, enter the name and social security number of the parent who had the higher taxable income.

**Line 1.** — If the child had no earned income (defined below), enter the child's adjusted gross income (from Form N-11, line 20 or Form N-15, line 35, Column B).

If the child had earned income, use the Worksheet on page 2 to figure the amount to enter on line 1. However, if the child had a net loss from self-employment or claims a net operating

loss deduction, use the worksheet in federal Publication 929 instead of the one on page 2 to figure the amount to enter on Form N-615, line 1.

**Earned Income** includes wages, tips, and other payments received for personal services performed. Generally, earned income is the total of the amounts reported as wages, salaries, tips, etc., business income (loss), and farm income (loss) on federal Form 1040 or Form N-15, lines 7 and 12.

**Line 2.** — If the child itemized deductions on Form N-11 or Form N-15, enter on line 2 the greater of:

- \$500 plus the portion of the amount on Form N-11, line 22; or Form N-15, line 39, that is directly connected with the production of the unearned income on Form N-615, line 1; **OR**
- \$1,000

**Line 6.** — Enter the taxable income shown on the tax return of the parent identified on line A of Form N-615. If the parent's taxable income is less than zero, enter zero on line 6. If the parent filed a joint return, enter the taxable income shown on that return even if the parent's spouse is not the child's parent.

**Line 7.** — If the individual identified as the parent on this Form N-615 is also identified as the parent on any other Form N-615, add the amounts, if any, from line 5 on each of the other Forms N-615 and enter the total on line 7.

**Line 9.** — Figure the tax on the amount on line 8 using the Tax Table, Tax Rate Schedules, Capital Gains Tax Worksheet in the Instructions for Form N-11 or Form N-15, or Form N-168, whichever applies. If any net capital gain is included on line 8, the tax on the amount on line 8 may be less if the Capital Gains Tax Worksheet can be used to figure the tax. (See federal Publication 929 for information on how to figure the net capital gain included on line 8.) The Capital Gains Tax Worksheet should be used to figure the tax if:

the parent's filing status is	AND	the amount on Form N-615, line 8, is over
• Single		\$ 24,000
• Married filing joint return or Qualifying widow(er) with dependent child		\$ 48,000
• Married filing separate return		\$ 24,000
• Head of household		\$ 36,000

**If the Capital Gains Tax Worksheet is used to figure the tax:**

1. Enter on line 1 of the Form N-11 or Form N-15 worksheet, the amount from Form N-615, line 8;

2. Enter on line 8 of the Form N-11 worksheet or line 2 of the Form N-15 worksheet, the net capital gain included on Form N-615, line 8;
3. Complete the worksheet; and
4. Enter on Form N-615, line 9, the amount from line 19 of the Form N-11 worksheet or line 13 of the Form N-15 worksheet, and check the box for "Capital Gains Tax Worksheet".

If any farm or fishing income is included on line 8, the tax may be less if you use Form N-168.

If Form N-168 was used to figure the tax on the parent's return, see federal Publication 929 for how to figure the tax.

**Line 10.** — Enter the tax as shown on the tax return of the parent identified on Form N-615, line A. If the parent filed a joint return, enter the tax shown on that return even if the parent's spouse is not the child's parent. If the parent filed Form N-152 or Form N-814, do not include any tax from those forms on line 10.

**Line 15.** — Figure the tax on the amount on line 14 using the Tax Table, Tax Rate Schedules, the Capital Gains Tax Worksheet in the Instructions for Form N-11 or Form N-15, or Form N-168, whichever applies. If the amount on line 14

includes any net capital gain, the tax on the amount on line 14 may be less if the Capital Gains Tax Worksheet is used to figure the tax. See federal Publication 929 for information on how to figure the net capital gain included on line 14.

If the Capital Gains Tax Worksheet is used to figure the tax, follow the steps in the instructions for line 9 on page 1. However, on line 1 of the Form N-11 or Form N-15 worksheet, enter the amount from Form N-615, line 14. On line 8 of the Form N-11 worksheet or line 2 of the Form N-15 worksheet, enter the net capital gain included on line 14. Enter on Form N-615, line 15, the amount from line 19 of the Form N-11 worksheet or line 13 of the Form N-15 worksheet, and check the box for "Capital Gains Tax Worksheet".

If any farm or fishing income is included on line 14, the tax may be less if you use Form N-168.

**Line 17.** — Figure the tax on the amount on line 4 using the Tax Table, Tax Rate Schedules, the Capital Gains Tax Worksheet in the Instructions for Form N-11 or Form N-15, or Form N-168, whichever applies. If the amount on line 4 includes any net capital gain, the tax on the amount on line 4 may be less if the Capital Gains Tax Worksheet is used to figure the tax.

If the Capital Gains Tax Worksheet is used to figure the tax, follow the steps in the instructions for line 9 on page 1. However, on line 1 of the Form N-11 or Form N-15 worksheet, enter the amount from Form N-615, line 4. On line 8 of the Form N-11 worksheet or line 2 of the Form N-15 worksheet, enter the net capital gain included on line 4. Enter on Form N-615, line 17, the amount from line 19 of the Form N-11 worksheet or line 13 of the Form N-15 worksheet, and check the box for "Capital Gains Tax Worksheet".

If any farm or fishing income is included on line 4, the tax may be less if you use Form N-168.

**Line 18.** — Compare the amounts on lines 16 and 17, then enter the larger of the 2 amounts on line 18. Round the amount to the nearest dollar. On the appropriate line of the child's tax return, be sure to indicate that tax from Form N-615 is included, even if the amount on line 17 is the larger of the 2 amounts.

**Amended Returns.** — If after the child's return is filed, the parent's taxable income is changed or the net unearned income of any of the parent's other children is changed, the child's tax must be refigured using the adjusted amounts. If the child's tax is changed as a result of the adjustment(s), file an amended individual income tax return to correct the child's tax.

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**Child's Unearned Income Worksheet (keep a copy for your records)**

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1. Enter the total income amount from the child's federal Form 1040\* or Form N-15, line 20, whichever applies. \_\_\_\_\_
2. Enter the child's earned income (defined on page 1) plus any deduction for interest penalty on early withdrawal of savings the child claims on federal Form 1040 or Form N-15, line 29, whichever applies..... \_\_\_\_\_
3. Line 1 minus line 2. Enter the result here and on Form N-615, line 1..... \_\_\_\_\_

\* **Note:** Do not include income not subject to Hawaii income taxes (e.g., 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; and amounts received by an individual or a qualified high technology business as royalties and other income derived from patents, copyrights, and trade secrets (1) owned by the individual or qualified high technology business, and (2) developed and arising out of a qualified high technology business are excluded from gross income, adjusted gross income, and taxable income.)