

INSTRUCTIONS FOR FORM N-346A

CERTIFIED STATEMENT OF RESEARCH AND DEVELOPMENT COSTS INCURRED BY A
QUALIFIED HIGH TECHNOLOGY AND CLAIM OF THE TAX CREDIT FOR RESEARCH ACTIVITIES

GENERAL INSTRUCTIONS

Purpose of Form N-346A — Certification from the Department of Taxation (Department) is a prerequisite to claim the tax credit for research activities (credit). Every taxpayer, including partners, shareholders, beneficiaries, and patrons of partnerships, S corporations, estates, trusts, and cooperatives, respectively, claiming the credit must: (1) submit a properly completed Form N-346A to the Department; and (2) attach the Department-issued certificate to their tax return as a prerequisite to claim the credit. Form N-346A allows taxpayers to submit the required certification information in order to receive the necessary certificate for the tax year.

Certification Filing Requirements — Every qualified high technology business (QHTB) claiming the credit must attach Part II of Form N-346A (the certificate) that has been signed by the Department to the Hawaii income tax return as a prerequisite to claim the credit. If the QHTB is a partnership, S corporation, estate, trust, or cooperative for income tax purposes, both the QHTB and the partners, shareholders, beneficiaries, or patrons of the QHTB must attach a certificate to their Hawaii income tax return as a prerequisite to claim the credit.

When and Where to File — To obtain the certificate, Part I of Form N-346A must be completed, signed, and submitted by an authorized person of the QHTB to the Department on or before March 30th of each year if the income tax return is filed on a calendar basis. For fiscal year filers, the due date is on or before the day before the last day of the third month following the close of the fiscal year.

Filing Address:
Rules Office
Department of Taxation
P.O. Box 259
Honolulu, HI 96809-0259.

Please allow ten (10) business days from the date the properly completed documents are received for the Department's certification.

For situations in which the QHTB is a partnership, S corporation, estate, trust, or cooperative, the Department will allow the QHTB to complete, sign, and file a Form N-346A on behalf of each of its partners, shareholders, beneficiaries, or patrons, provided that such QHTB has a signed authorization from the investor at the time of submitting the Form N-346A to the Department, and

further provided that such filing is submitted on or before the due date. The QHTB must maintain the authorization(s) on file.

If a properly completed Form N-346A is submitted, the Department will send the signed certificate to the QHTB at the mailing address listed on the face of Form N-346A. If the QHTB is a partnership, S corporation, estate, trust, or cooperative for income tax purposes, the QHTB will send to its partners, shareholders, beneficiaries, or patrons their certificates and its partners, shareholders, beneficiaries, or patrons must attach their certificates behind Form N-346 at the time their income tax returns are filed with the Department. The QHTB must attach the certificate behind Form N-346 at the time its income tax return is filed with the Department.

Fee for Certifying Amounts for the Credit — The Department charges a fee for certifying credit amounts for the credit. The fee structure is as follows:

\$500 — Where the represented claim of credit on the Form N-346A submitted by the taxpayer is \$25,000 or more.

\$0 (No fee) — Where the represented claim of credit on the Form N-346A submitted by the taxpayer is less than \$25,000. However, the taxpayer is still subject to the certification requirements and is required to submit Form N-346A.

Note: Checks for the fee should be made payable to the Director of Finance.

Completing the Form N-346A — At the time Form N-346A is submitted, a "best estimate" is acceptable if the actual amounts or final numbers are not available. If Form N-346A was completed based upon a "best estimate," the Department will generally not require a revised and/or amended Form N-346A.

SPECIFIC INSTRUCTIONS

For all dollar entries, round off amounts to the nearest whole dollar.

Top of Page 1 of Form N-346A — At the top of Page 1, fill in the QHTB's name, identifying number, mailing address, and contact information.

Part I

Lines 1a through 1f — Enter, in the appropriate column, the amount of eligible research expenses reported on federal Form 6765, lines

1, 2, 5, 6, 7, and 8 or lines 18, 19, 24, 25, 26, and 27 for the 2017 tax year **and** the amount of eligible research expenses attributable to the research activity conducted IN HAWAII for the 2017 tax year.

Note: Expenses attributed to research activities OUTSIDE HAWAII do not qualify for the credit.

Line 1g — Add lines 1a through 1f and enter the Total Eligible Research Expenses.

Line 2 — Enter the amount of credit to be reported on line 4 of Form N-346.

Line 4 — If you are a partnership, S corporation, estate, trust, or cooperative for income tax purposes, attach a list of (a) the partners', shareholders', beneficiaries', or patrons' names and SSN/FEIN and (b) each partner's, shareholder's, beneficiary's, or patron's allocated/distributive share of the credit.

Top of Page 2 of Form N-346A — At the top of Page 2, fill in the name and identifying number of the taxpayer claiming the credit.

Part II

Part II, lines 1 and 2, are to be completed by the taxpayer claiming the credit.

Line 1 — Enter the amount of eligible research expenses attributable to the research activity conducted IN HAWAII for the 2017 tax year (Part I, line 1g). If you received a Schedule K-1 or a federal Form 1099-PATR from a flow-through entity, enter "Pass-through from Schedule K-1."

Line 2 — Enter the amount of credit for the 2017 tax year (Part I, line 2). If you received a Schedule K-1 or a federal Form 1099-PATR from a flow-through entity, enter the amount of the credit as shown on the Schedule K-1 or on the federal Form 1099-PATR.

The Department, and not the taxpayer claiming the credit, will sign Part II (Page 2 of Form N-346A) if the Department finds that the Form N-346A is properly completed.

Upon completion, the Department will mail Part II to the QHTB at the address reported on the face of Form N-346A.

The taxpayer claiming the credit shall attach the completed Part II of Form N-346A to Form N-346.