
hawaii income patterns

**CORPORATIONS
PROPRIETORSHIPS • 1998
PARTNERSHIPS**

DEPARTMENT OF TAXATION • STATE OF HAWAII

STATE OF HAWAII
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JUNE 2001

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INTRODUCTION

This "Hawaii Income Patterns--Corporation Proprietorship Partnership--1998" report summarizes financial data reported on income tax returns filed by corporations, sole proprietorships and partnerships for the accounting year ended in 1998. The data attempt to focus on business activities in the state of Hawaii.

This report is divided into four sections. Section 1 presents an overview of business activities summarizing data for all business types. Sections 2, 3 and 4 discuss business activities of corporations, sole proprietorships and partnerships, respectively. At the end of each section is a set of statistical tables. Finally, the appendix presents facsimiles of the various income tax forms filed by these businesses.

Section 1

HAWAII INCOME PATTERNS OVERVIEW OF BUSINESS RETURNS

Section 1

HAWAII INCOME PATTERNS

OVERVIEW OF BUSINESS RETURNS

Simplest among forms of business is the sole proprietorship which, by definition, is one owned by an individual person. An individual reports proprietorship activity on Schedule C, which is attached to the individual income tax return. If the proprietorship is a farm, activity is normally reported on Schedule F instead of Schedule C. If the proprietorship involves rental of real property, activity is reported on Schedule E. All three schedules no longer exist for Hawaii income tax purposes. As a result, data from these schedules were taken from the federal tax return.

Limitations on data collection resources precluded the gathering of data from Schedule E rental proprietorships. For this reason, Schedule E rental proprietorships were excluded, except where otherwise noted, from the totals of this report and previous reports in this series. Data on these taxpayers may be found in the report on individual income.¹

A partnership is an unincorporated business relationship in which two or more individuals or business entities are participants. Partnerships that conduct business in Hawaii or that have a Hawaii resident as a partner report their activities on Form N-20. Although a partnership itself is not taxed, the partnership's net income or loss is divided among its partners and must be included on their individual or business income tax returns.

Whereas partnership net income is passed on to its partners, the net profit of a corporation is taxable to the corporation itself. Such corporations subject to direct taxation are sometimes referred to as C corporations to distinguish them from S corporations discussed in the next paragraph. C corporations doing business in Hawaii report their activities on Form N-30. A "domestic" corporation is one that was incorporated under the laws of Hawaii, whereas a "foreign" corporation is one that was incorporated under the laws of any other state or a foreign country.

A corporation that meets certain qualifying restrictions may elect to become an S corporation, in which case it reports its financial activity on Form N-35. An S corporation pays no direct corporate income tax on the net income from its business activity but may be subject to a tax on capital gains and excess passive income. The S corporation's net income or loss from its trade or business as well as from other sources is divided among the shareholders to be reported as taxable income on their individual income tax returns.

Included in this report are tax returns of all businesses regardless of whether or not any activity was reported. A few business entities file neither proprietorship nor partnership nor corporation returns and are not covered by this report. Among these are banks, savings and loan institutions and other financial institutions that file franchise tax returns, and insurance companies that are subject to the insurance premium tax. Another group not covered is nonprofit corporations, a category that includes most hospitals.

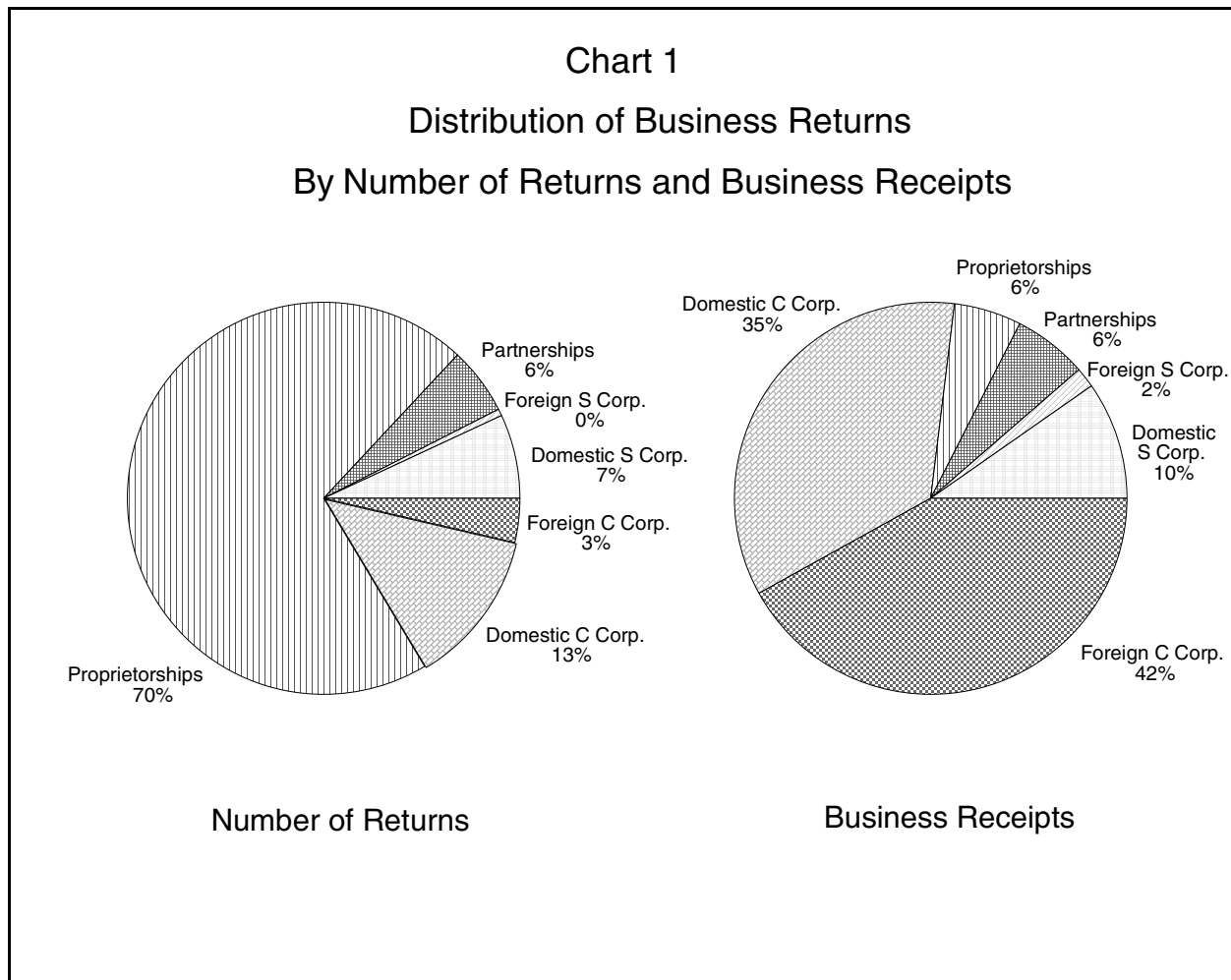
STATISTICAL OVERVIEW

A total of 124,250 returns was filed by corporations, partnerships and proprietorships in 1998. This represents a 13.5% increase over the number of returns filed for the 1995 business study. Business receipts totaled \$53.0 billion, dropping 0.4% from the 1995 total of \$53.2 billion.

¹ Tokushige, Walter, Hawaii Income Patterns--Individuals, 1998, Department of Taxation, State of Hawaii, June, 2000.

Overview of Business Returns - 1998

Proprietorships made up 70.5% of all business returns filed for the period. The remaining returns were distributed as follows: C corporations, 16.3%; S corporations, 7.5%; and partnerships, 5.7%. In contrast, business receipts were distributed as follows: C corporations, 76.7%; S corporations, 11.7%; partnerships, 5.9%; and proprietorships, 5.6%. This difference is shown in Chart 1. With higher capitalization, corporations generate larger average business receipts in contrast to sole proprietor entities. Many proprietors engage in part-time business activities that augment their total income. The introduction of national retail chain stores is a probable reason for the noticeable increase in business receipts for foreign corporations.



“Business receipts” is payments received for goods and services provided by the trade or business. Excluded from the category is income from sources such as interest, rent and capital gains. All sources of income less business expenses, including the cost of goods sold, result in either net profit or net loss. C corporations with net profit are subject to the corporate income tax, while any net loss may be carried back or forward to offset net income. Net profits or losses from partnership and S corporation operations are passed through to

Overview of Business Returns - 1998

partners and reported on their individual or business tax returns. Proprietors report net profit or loss as ordinary income or loss on their individual income tax returns.

A total of 75,381 business entities reported net profits compared to 68,432 in 1995, representing a 10.2% increase. Overall, 60.7% of all businesses were profitable, reporting a total \$4.8 billion in profits. Total net losses amounted to \$4.2 billion.

TAXATION DISTRICTS

The State of Hawaii is geographically divided into four taxation districts: First Taxation District includes the island of Oahu; Second Taxation District, the islands of Maui, Molokai and Lanai; Third Taxation District, the island of Hawaii; and Fourth Taxation District, the islands of Kauai and Niihau. While each business files a tax return within its respective district where the business was conducted, an organization that conducts business in more than one district may consolidate its return and file only in one district, namely the First Taxation District, which is the most populous district in the state. More C corporations, 80.0%, filed in the First Taxation District, as compared to approximately 70.5% of S corporations, partnerships and proprietorships.

DATA SOURCE AND METHODOLOGY

For this 1998 report, data were derived entirely from electronic media. An extract from Hawaii's comprehensive net income tax (CNIT) system was merged with the Internal Revenue Service (IRS) Business Master File (BMF) and Business Return Transaction File (BRTF). The absence of Schedules C and F for Hawaii prompted the need for proprietorship data from IRS Individual Master File (IMF) and Individual Return Transaction File (IRTF), allowing for a 100% sample. Also included in this 1998 Schedule C and F data set are nonresidents who had a Hawaii address. Overall, the change resulted in fewer data fields available and reduced comparability with prior year data.

This new methodology resulted in a data set slightly different from that of previous studies wherein data were transcribed manually for all business returns. For example, in earlier studies, businesses reporting no activity on their returns were manually eliminated from the data set. The 1998 data set included all returns because this determination could not be made from the limited data available on tape. As a result, the increase in the number of returns reported over 1995 is slightly artificial.

Another manual change done during transcribing was reclassifying Schedule K rental income from Forms N-20 and N-35 to business receipts. Other major sources of income, such as commissions earned by real estate agents, insurance agents and all other commissioned agents, entered as "other income" were also counted as business receipts. For 1998, data on neither Schedule K rental income nor sources of "other income" were examined for attribution to business receipts. Consequently, business receipts for N-20 returns dropped since a majority of partnerships were involved in rental activities.

The scope of possible edits was also limited this year. Manual transcribing in prior years allowed for the editing of data such as the addition of totals and differences. Manual transcribing also allowed the reporting of current year losses. This year, net loss includes multi-year accumulated net operating losses.

The lack of Schedule O and P data for S corporations and partnerships prevented precise identification of such entities and business sourcing. Part of the problem was alleviated by assuming that businesses filing Schedule O and P in 1995 did the same for 1998. Another method used to locate Schedule O & P filers was to examine returns with high sales volumes or foreign addresses.

INDUSTRIAL CLASSIFICATION

Beginning in 1998, IRS adopted the North American Industry Classification System (NAICS, 1997 edition) replacing the Standard Industrial Classification Manual (SIC) as the guide for identifying business activity by type of industry. This new business classification system consists of a six-digit number of which the first two digits identify the major activity, and the remaining four digits classify industries into more specific groups. Most of the classification presented in this report is at the major two-digit level.

The transition from SIC to NAICS classification system created several changes. For this report, some of the major groups were combined for simplicity. "Mining", "utilities" and "construction" were combined and renamed "construction/mining/utility". "Professional, scientific and technical services", "management of companies and enterprises", and "administrative and support and waste management and remediation services" were combined as "professional/management services". "Finance and insurance" was combined with "real estate and rental and leasing" and renamed "finance/insurance/real estate". "Insurance" refers to insurance agents only who are not subject to the insurance premium tax.

Other changes include the reclassification of major groups. "Transportation, communications, electric, gas, and sanitary services" were divided into "transportation and warehousing", "information", "utility" and "administrative and support and waste management and remediation services". The broad "services" category was split into several service groups (see tables at the end of this section for breakdown). Furthermore, some detailed activities were placed in different categories. For example, "veterinary" and "landscape care and maintenance" services moved from "agricultural services" to "professional/management services".

As self-reported by taxpayers, industry classification posed some problems. Some taxpayers left this information blank and others used the four-digit SIC codes, which were converted to NAICS codes. Where possible, codes were checked against actual returns. In most cases, the business name was used to identify business activity. For Schedules C and F, NAICS codes were strictly dependent on IRS data. As a result, 6,997 business returns were grouped in the unclassified category, of which 6,430 were sole proprietors. In some cases, statistical tables are not fully comparable to tables in previous years.

For proprietors filing multiple Schedules C and F, each schedule or business activity was counted as one return. For other businesses conducting more than one type of business, only one NAICS code is assigned. A noticeable shift from retail to wholesale trade may be partly due to this multiple activity for some businesses.

Table 4 of this section subdivides the broad industrial categories into selected detailed groups. Included in the table are the number of businesses and the amount of business receipts, net profits and net losses by broad industry groups and selected detailed industry groups.

STATISTICAL TABLES

SECTION 1

OVERVIEW OF BUSINESS RETURNS

Overview of Business Returns - 1998

TABLE 1
 DISTRIBUTION OF BUSINESSES, BUSINESS RECEIPTS,
 AND NET PROFITS - 1998
 (Dollar Amounts in Thousands)

	ALL RETURNS	"C" CORPORATIONS		"S" CORPORATIONS		PARTNERSHIPS		PROPRIETORS
		DOMESTIC (N-30)	FOREIGN (N-30)	DOMESTIC (N-35)	FOREIGN (N-35)	DOMESTIC (N-20)	FOREIGN (N-20)	(Sched. C & F)
Number of Businesses*	124,250	16,098	4,145	8,889	480	6,815	252	87,571
Percent of Total	100.0%	13.0%	3.3%	7.2%	0.4%	5.5%	0.2%	70.5%
Number of Businesses by Taxation District								
1st District (Oahu)	89,508	12,436	3,766	6,101	440	4,829	230	61,706
2nd District (Maui, Molokai, Lanai)	15,479	1,556	89	1,345	7	840	2	11,640
3rd District (Hawaii)	14,112	1,639	260	1,032	30	798	17	10,336
4th District (Kauai, Niihau)	5,151	467	30	411	3	348	3	3,889
Business with \$1 Million or More in Business Receipts	5,092	2,296	1,168	960	121	324	49	174
Percent of Total	100.0%	45.1%	22.9%	18.9%	2.4%	6.4%	1.0%	3.4%
Business Receipts	\$53,002,724	\$18,543,464	\$22,179,391	\$5,298,911	\$877,121	\$2,149,254	\$972,315	2,982,267
Percent of Total	100.0%	35.0%	41.8%	10.0%	1.7%	4.1%	1.8%	5.6%
Businesses with Net Profit	75,381	7,123	1,664	4,589	245	1,646	94	60,020
Percent Distribution	100.0%	9.4%	2.2%	6.1%	0.3%	2.2%	0.1%	79.6%
Ratio of Profitable Businesses to All Businesses	60.7%	44.2%	40.1%	51.6%	51.0%	24.2%	37.3%	68.5%
Amount of Net Profit	\$4,801,302	\$1,013,363	\$1,205,899	\$433,771	\$38,045	\$1,202,965	\$45,662	\$861,596
Percent Distribution	100.0%	21.1%	25.1%	9.0%	0.8%	25.1%	1.0%	17.9%
Amount of Net Loss**	\$4,241,285	\$1,352,880	\$1,535,854	\$313,989	\$182,969	\$643,082	\$69,954	\$142,557
Percent Distribution	100.0%	31.9%	36.2%	7.4%	4.3%	15.2%	1.6%	3.4%

* All returns filed, including returns reporting no activity.

** Total accumulation of net losses available.

NOTES: Totals may not add up due to rounding.

Overview of Business Returns - 1998

TABLE 2
DISTRIBUTION OF BUSINESSES BY TYPE OF RETURN
AMONG MAJOR INDUSTRY GROUPS - 1998

INDUSTRY GROUP	ALL RETURNS	*C* CORPORATIONS		*S* CORPORATIONS		PARTNERSHIPS		PROPRIETORS
		DOMESTIC (N-30)	FOREIGN (N-30)	DOMESTIC (N-35)	FOREIGN (N-35)	DOMESTIC (N-20)	FOREIGN (N-20)	(Sched. C & F)
ALL INDUSTRIES *	124,250	16,098	4,145	8,889	480	6,815	252	87,571
Agriculture/Fishing	8,699	306	15	405	4	235	2	7,732
Construction/Mining/Utility	8,297	1,402	310	810	108	452	22	5,193
Manufacturing	3,202	432	288	260	27	103	16	2,076
Wholesale	5,584	1,173	713	620	71	142	17	2,848
Retail	15,413	1,692	246	1,048	20	447	8	11,952
Transportation/Warehousing	2,649	313	76	173	9	35	4	2,039
Information	1,890	205	272	188	29	91	51	1,054
Finance/Insurance/Real Estate	18,850	4,858	932	1,528	37	3,793	53	7,649
Professional/Mgmt Services	22,309	2,145	819	1,708	118	642	52	16,825
Education	1,414	94	25	47	3	13	--	1,232
Health Care/Social Assistance	6,964	1,073	73	413	5	89	4	5,307
Arts/Entertainment/Recreation	5,254	346	34	373	11	163	7	4,320
Accommodations/Food	3,402	1,046	88	713	7	326	10	1,212
Other Services	13,326	807	155	471	18	171	2	11,702
Unclassified	6,997	206	99	132	13	113	4	6,430
<u>PERCENT DISTRIBUTION</u>								
ALL INDUSTRIES	100.0%	13.0%	3.3%	7.2%	0.4%	5.5%	0.2%	70.5%
Agriculture/Fishing	100.0%	3.5%	0.2%	4.7%	0.0%	2.7%	0.0%	88.9%
Construction/Mining/Utility	100.0%	16.9%	3.7%	9.8%	1.3%	5.4%	0.3%	62.6%
Manufacturing	100.0%	13.5%	9.0%	8.1%	0.8%	3.2%	0.5%	64.8%
Wholesale	100.0%	21.0%	12.8%	11.1%	1.3%	2.5%	0.3%	51.0%
Retail	100.0%	11.0%	1.6%	6.8%	0.1%	2.9%	0.1%	77.5%
Transportation/Warehousing	100.0%	11.8%	2.9%	6.5%	0.3%	1.3%	0.2%	77.0%
Information	100.0%	10.8%	14.4%	9.9%	1.5%	4.8%	2.7%	55.8%
Finance/Insurance/Real Estate	100.0%	25.8%	4.9%	8.1%	0.2%	20.1%	0.3%	40.6%
Professional/Mgmt Services	100.0%	9.6%	3.7%	7.7%	0.5%	2.9%	0.2%	75.4%
Education	100.0%	6.6%	1.8%	3.3%	0.2%	0.9%	0.0%	87.1%
Health Care/Social Assistance	100.0%	15.4%	1.0%	5.9%	0.1%	1.3%	0.1%	76.2%
Arts/Entertainment/Recreation	100.0%	6.6%	0.6%	7.1%	0.2%	3.1%	0.1%	82.2%
Accommodations/Food	100.0%	30.7%	2.6%	21.0%	0.2%	9.6%	0.3%	35.6%
Other Services	100.0%	6.1%	1.2%	3.5%	0.1%	1.3%	0.0%	87.8%
Unclassified	100.0%	2.9%	1.4%	1.9%	0.2%	1.6%	0.1%	91.9%

* All returns filed, including returns reporting no activity.
NOTES: Totals may not add up due to rounding.

Overview of Business Returns - 1998

TABLE 3
DISTRIBUTION OF BUSINESSES BY INDUSTRY AND DISTRICT - 1998

INDUSTRY GROUP	TAXATION DISTRICT				
	ALL	FIRST	SECOND	THIRD	FOURTH
ALL INDUSTRIES *	124,250	89,508	15,479	14,112	5,151
Agriculture/Fishing	8,699	5,908	1,132	1,252	407
Construction/Mining/Utility	8,297	5,917	1,019	973	388
Manufacturing	3,202	2,351	361	380	110
Wholesale	5,584	4,296	534	572	182
Retail	15,413	10,922	2,006	1,793	692
Transportation/Warehousing	2,649	1,846	351	328	124
Information	1,890	1,425	208	191	66
Finance/Insurance/Real Estate	18,850	14,159	2,166	1,802	723
Professional/Mgmt Services	22,309	16,237	2,728	2,465	879
Education	1,414	1,019	155	183	57
Health Care/Social Assistance	6,964	5,031	897	779	257
Arts/Entertainment/Recreation	5,254	3,577	776	679	222
Accommodations/Food	3,402	2,408	452	358	184
Other Services	13,326	9,402	1,779	1,573	572
Unclassified	6,997	5,010	915	784	288
PERCENT DISTRIBUTION BY INDUSTRY	100.0%	100.0%	100.0%	100.0%	100.0%
Agriculture/Fishing	7.0%	6.6%	7.3%	8.9%	7.9%
Construction/Mining/Utility	6.7%	6.6%	6.6%	6.9%	7.5%
Manufacturing	2.6%	2.6%	2.3%	2.7%	2.1%
Wholesale	4.5%	4.8%	3.4%	4.1%	3.5%
Retail	12.4%	12.2%	13.0%	12.7%	13.4%
Transportation/Warehousing	2.1%	2.1%	2.3%	2.3%	2.4%
Information	1.5%	1.6%	1.3%	1.4%	1.3%
Finance/Insurance/Real Estate	15.2%	15.8%	14.0%	12.8%	14.0%
Professional/Mgmt Services	18.0%	18.1%	17.6%	17.5%	17.1%
Education	1.1%	1.1%	1.0%	1.3%	1.1%
Health Care/Social Assistance	5.6%	5.6%	5.8%	5.5%	5.0%
Arts/Entertainment/Recreation	4.2%	4.0%	5.0%	4.8%	4.3%
Accommodations/Food	2.7%	2.7%	2.9%	2.5%	3.6%
Other Services	10.7%	10.5%	11.5%	11.1%	11.1%
Unclassified	5.6%	5.6%	5.9%	5.6%	5.6%

* All returns filed, including returns with no activity.

NOTES: Totals may not add up due to rounding.

Overview of Business Returns - 1998

TABLE 4
 DISTRIBUTION OF BUSINESSES, BUSINESS RECEIPTS, NET PROFITS AND NET LOSSES
 BY MAJOR INDUSTRY AND SELECTED DETAILED INDUSTRY CATEGORIES - 1998
 (Dollar Amounts in Thousands)

INDUSTRY	NO. OF RETURNS*	BUSINESS RECEIPTS		NET PROFIT		NET LOSS	
		Number	Amount	Number	Amount	Number	Amount
ALL INDUSTRIES	124,250	104,548	\$ 53,002,724	75,381	\$ 4,801,302	42,185	\$ 4,241,285
AGRICULTURE & FISHING	8,699	7,531	590,079	4,261	62,378	4,365	172,271
Fruit Tree /Nut Farming	2,061	1,756	62,750	1,029	10,476	1,018	23,728
Greenhouse Nursery Floriculture	1,128	993	75,623	619	9,084	504	5,151
Vegetable/Melon Farming	893	803	43,535	484	6,175	397	3,147
Animal Production	1,118	869	102,167	311	11,195	796	76,042
Fishing/Hunting	1,910	1,765	64,044	924	9,897	977	6,735
CONSTRUCTION, MINING & UTILITY	8,297	7,206	7,042,640	5,626	438,083	2,270	540,892
Oil/Gas/Mining	185	142	180,094	94	3,408	75	4,642
Utilities	90	71	1,361,317	40	182,042	40	50,714
General Building Contractors	2,655	1,915	3,536,568	1,496	130,685	937	437,206
Road & Heavy Construction	240	203	287,920	131	21,073	75	2,904
Special Trades Contractors	5,127	4,875	1,676,740	3,865	100,876	1,143	45,427
Plumbing/Heating/Air Conditioners	526	509	243,796	376	13,506	139	6,419
Painting/Wall Cover	586	566	134,749	475	9,590	104	3,103
Electrical	584	558	278,088	414	15,006	161	11,750
Mason/Drywall/Insulation/Tile	505	484	130,394	393	9,804	105	3,063
Carpentry/Floor	1,179	1,150	81,013	994	12,429	179	1,292
Roofing/Siding /Sheet Metal	228	220	140,922	157	6,003	66	3,079
MANUFACTURING	3,202	2,882	3,673,144	1,935	148,418	1,117	119,787
Food, Beverage, Tobacco	431	388	630,608	230	14,332	178	35,226
Textile, Apparel	499	466	109,349	349	14,405	141	2,096
Wood Products	246	227	25,881	155	2,332	84	20,935
Paper/Printing	325	302	133,961	193	7,706	127	11,517
Petroleum /Coal Products	21	10	1,452,228	7	52,041	4	616
Nonmetallic/Mineral Products	208	182	171,026	122	8,290	76	13,405
Computer/Electronics Products	70	52	126,157	33	9,331	23	619
Electrical Equipment/Appliances	42	33	58,272	16	18,254	21	12,393
Furniture/Related Products	139	136	43,762	104	2,188	33	1,875

Note: Since only selected detailed industry categories are listed, amounts do not add up to totals of major industry categories. A business with several lines of sales and services is classified under only one category.

* All returns filed, including returns reporting no activity.

Overview of Business Returns - 1998

TABLE 4 (Continued)
 DISTRIBUTION OF BUSINESSES, BUSINESS RECEIPTS, NET PROFITS AND NET LOSSES
 BY MAJOR INDUSTRY AND SELECTED DETAILED INDUSTRY CATEGORIES - 1998
 (Dollar Amounts in Thousands)

INDUSTRY	NO. OF RETURNS*	BUSINESS RECEIPTS		NET PROFIT		NET LOSS	
		Number	Amount	Number	Amount	Number	Amount
WHOLESALE TRADE	5,584	5,055	7,880,701	3,157	908,784	2,255	579,914
Motor Vehicle & Parts	107	100	1,287,137	62	15,364	42	36,151
Furniture/Home Furnishings	103	95	69,098	54	3,696	48	1,828
Lumber/Construction Material	169	152	261,188	97	6,593	62	7,257
Professional/Comm'l Equipment	186	169	204,525	103	5,308	71	37,248
Electrical Goods	170	154	572,445	81	8,365	76	9,829
Hardware/Plumbing Equipment	117	111	177,147	64	8,277	51	1,114
Machinery Equipment Supplies	177	152	231,628	80	10,621	79	12,990
Paper Products	104	98	266,329	61	4,249	39	2,685
Drugs/Sundries	123	112	575,540	71	150,622	45	4,758
Apparel/Notions	390	354	500,816	245	11,930	138	4,050
Groceries	501	459	1,314,709	309	24,399	176	114,791
Farm Products	60	53	28,301	32	1,477	27	480
Chemical Products	71	65	104,885	45	3,067	23	2,020
Petroleum Products	57	43	237,369	31	114,156	16	1,444
Alcoholic Beverages	47	43	311,964	24	5,560	22	11,302
RETAIL TRADE	15,413	14,074	10,939,065	7,646	402,054	7,575	232,435
Motor Vehicles & Parts	572	512	2,448,723	343	46,365	211	14,652
Furniture/Home Furnishings	198	184	114,826	108	4,173	88	3,110
Electronics/Appliances	296	275	242,427	160	6,304	129	6,226
Building Material/Garden Supplies	279	256	318,334	164	10,594	108	4,217
Grocery Stores	348	331	1,747,498	211	45,649	131	8,118
Specialty Food Stores	469	440	196,602	266	6,724	193	6,368
Liquor Stores	113	111	37,420	65	1,259	44	595
Health/Personal Care Stores	844	760	1,150,160	382	67,899	443	10,168
Gas Stations	201	181	542,009	108	6,467	92	3,834
Clothing Stores	948	888	1,141,660	525	29,220	397	54,389
Jewelry/Luggage/Leather Goods Stores	498	466	296,723	325	15,965	164	7,239
Sporting Goods/Hobbies/Music	713	667	185,137	397	9,340	309	5,466
Other General Merchandise Stores	302	263	1,295,656	138	76,420	148	23,690
Other Miscellaneous Stores	1,141	1,047	277,343	608	12,473	498	9,683
Elec Shopping Mail Order House	361	287	10,149	101	539	254	1,037
Vending Machine	220	201	9,069	85	503	134	640
Direct Selling	6,392	5,766	88,508	2,772	39,726	3,614	9,788

Note: Since only selected detailed industry categories are listed, amounts do not add up to totals of major industry categories. A business with several lines of sales and services is classified under only one category.

* All returns filed, including returns reporting no activity.

Overview of Business Returns - 1998

TABLE 4 (Continued)
 DISTRIBUTION OF BUSINESSES, BUSINESS RECEIPTS, NET PROFITS AND NET LOSSES
 BY MAJOR INDUSTRY AND SELECTED DETAILED INDUSTRY CATEGORIES - 1998
 (Dollar Amounts in Thousands)

INDUSTRY	NO. OF RETURNS*	BUSINESS RECEIPTS		NET PROFIT		NET LOSS	
		Number	Amount	Number	Amount	Number	Amount
TRANSPORTATION & WAREHOUSING	2,649	2,497	1,895,746	1,934	66,158	667	268,685
Air Transportation	146	114	1,005,027	68	12,158	67	242,033
Water Transportation	64	49	282,288	38	19,467	22	784
Truck Transportation	330	315	243,611	212	10,012	114	5,059
Transit/Ground Passenger Transportation	1,569	1,525	168,029	1,239	11,861	315	8,301
Scenic Transportation	129	114	69,659	82	2,544	46	1,946
Courier/Messenger	158	157	25,316	139	1,444	18	349
Warehouse/Storage	30	24	20,375	16	504	11	165
INFORMATION	1,890	1,580	1,324,305	921	88,699	848	147,263
Publishing	358	316	500,765	188	44,324	157	19,795
Motion Picture	333	286	100,152	185	4,789	133	5,216,831
Sound Recording	61	57	880	30	280	31	265
Broadcasting/Telecommunication	527	388	608,653	174	29,624	282	117,857
Information Service/Data Processing	611	533	113,855	344	9,682	245	4,129
FINANCE, INSURANCE & REAL ESTATE	18,850	9,187	5,147,096	8,563	988,381	6,110	743,629
Credit Intermediation	469	333	199,433	225	33,678	154	28,529
Securities/Commodities/Investment	1,447	632	2,089,764	575	245,969	509	112,387
Insurance Carriers	2,405	2,125	263,257	1,751	54,154	535	31,719
Real Estate	13,611	5,469	1,696,179	5,612	590,114	4,592	536,270
Rental/Leasing	755	587	756,829	372	32,821	278	23,382
PROFESSIONAL & MANAGEMENT SERVICE	22,309	20,054	6,006,881	15,827	828,181	5,877	614,780
Legal Service	1,401	1,220	466,415	1,052	116,882	305	6,378
Accounting/Tax Preparation/Payroll	2,246	2,156	206,637	1,785	44,086	433	2,032
Architect/Engineer	1,678	1,484	547,870	1,171	41,479	414	8,521
Specialized Design	678	636	44,291	450	5,615	225	928
Computer System Design	895	812	77,678	572	10,524	313	8,255
Mgmt/Scientific/Technical Consultant	2,215	1,899	261,060	1,554	57,595	602	39,122
Scientific Research & Development	103	85	6,718	61	805	34	3,053
Advertising	607	538	110,452	375	8,648	219	3,972
Travel Service	1,202	1,063	1,239,212	695	42,766	480	44,964
Building/Dwelling Service	3,099	3,001	256,931	2,587	28,474	497	3,794

Note: Since only selected detailed industry categories are listed, amounts do not add up to totals of major industry categories. A business with several lines of sales and services is classified under only one category.

Overview of Business Returns - 1998

TABLE 4 (Continued)
 DISTRIBUTION OF BUSINESSES, BUSINESS RECEIPTS, NET PROFITS AND NET LOSSES
 BY MAJOR INDUSTRY AND SELECTED DETAILED INDUSTRY CATEGORIES - 1998
 (Dollar Amounts in Thousands)

INDUSTRY	NO. OF RETURNS *	BUSINESS RECEIPTS		NET PROFIT		NET LOSS	
		Number	Amount	Number	Amount	Number	Amount
EDUCATIONAL SVC	1,414	1,310	73,333	1,029	11,952	360	3,302
HEALTH CARE & SOCIAL ASSISTANCE	6,964	6,607	1,716,163	5,335	219,896	1,492	59,385
Physicians	1,680	1,588	934,084	1,202	118,249	428	30,854
Dentists	748	710	250,658	579	43,090	147	2,091
Other Health Practice	1,493	1,433	134,898	1,130	30,163	347	4,595
Medical Diagnostic Labs	101	96	30,518	83	1,866	18	140
Home Health Care Service	429	406	10,514	353	3,005	73	394
Other Ambulatory Health Care	347	303	193,575	240	5,483	91	13,586
Nursing/Residential Care	411	377	106,067	318	7,556	77	5,193
Child Day Care Service	1,296	1,281	15,379	1,108	5,272	188	563
ARTS, ENTERTAINMENT & RECREATION	5,254	4,800	577,449	3,143	73,343	2,033	54,225
Performing Art/Spectator Sport	395	350	65,214	227	9,591	160	2,267
Amusement/Recreation	1,294	1,166	396,532	680	33,436	568	43,196
ACCOMMODATION & FOOD SERVICES	3,402	3,087	4,222,662	1,675	247,968	1,610	560,039
Accommodations	567	464	2,404,069	250	159,875	274	493,006
Food/Drinking Places	2,729	2,526	1,802,921	1,365	86,918	1,297	66,357
OTHER SERVICES	13,326	12,509	1,153,534	9,831	128,208	3,310	48,361
Repair/Maintenance	4,038	3,874	385,644	2,950	41,509	1,054	9,240
Personal/Laundry Service	8,409	7,873	739,439	6,199	79,140	2,083	37,143
Religious, Civic, Etc. Organizations	833	718	25,996	651	6,962	159	1,891
UNCLASSIFIED	6,997	6,169	\$ 759,926	4,498	\$ 188,799	2,296	\$ 96,316

Note: Since only selected detailed industry categories are listed, amounts do not add up to totals of major industry categories. A business with several lines of sales and services is classified under only one category.

* All returns filed, including returns reporting no activity.

Section 2

HAWAII INCOME PATTERNS
CORPORATION

Section 2

HAWAII INCOME PATTERNS

CORPORATION

C corporations and S corporations are presented in this section. These two groups are divided into four subgroups: domestic C corporations, foreign C corporations, domestic S corporations, and foreign S corporations.

Under Chapter 235, Hawaii Revised Statutes (HRS), corporations are subject to the income tax on income attributable to Hawaii exclusive of the income allocable and subject to an income tax in another jurisdiction. Domestic corporations are incorporated under the laws of Hawaii, while foreign corporations are formed under the laws of other states or foreign countries.

Banks, building and loan associations, industrial loan companies, and other financial corporations subject to franchise taxes under Chapter 241, HRS, are exempt from the income tax under Chapter 235, HRS. Also exempt are insurance companies that are subject to the insurance premium tax under Chapter 431, HRS. Insurance agencies whose gross receipts are from commissions are not exempt and are included in the report's tabulations.

Business entities are not restricted to business only in Hawaii. A corporation that conducts business both in Hawaii and elsewhere may use separate accounting or apply apportionment factors to determine the amount of income allocable to Hawaii. A qualified corporation that conducts business in more than one state, that does not own or rent real estate or personal tangible property in Hawaii, and whose in-state activity consists only of sales of less than \$100,000 may elect to file a Multistate Tax Compact Short Form Return (Form N-310) in lieu of Form N-30. An alternative tax is computed at 1/2% of gross sales in or into Hawaii.

C corporations conducting business in Hawaii must file Form N-30, 'Corporation Income Tax Return'. The corporation pays the tax at the following rates: 4.4% on taxable income up to \$25,000, 5.4% on the excess over \$25,000 but not over \$100,000, and 6.4% on the excess over \$100,000. Net capital gains are taxed at 4%.

S corporations file Form N-35, 'S Corporation Income Tax Return'. Usually exempt from the corporate income tax, an S corporation may be taxed on a portion of large capital gains or may be liable for the tax on excessive passive income. Otherwise, most S corporations pass all income and losses to their shareholders who in turn report the amounts on their individual income tax return.

To qualify as an S corporation, a business entity must have no more than 35 shareholders, all of whom must be individuals, estates, or certain trusts. Individual shareholders must be citizens or residents of the United States. Partnerships and corporations cannot be shareholders.

SUMMARY

Corporations numbered 29,612, an increase of 17.1% over the 1995 total of 25,293. C corporations increased 12.1% from 18,062 returns in 1995 to 20,243 in 1998; domestic C corporations increased 11.4% to 16,098, and foreign C corporations 14.9% to 4,145. The total number of S corporations rose 29.6%, from 7,231 to 9,369 returns. Domestic S corporations increased 30.7% to 8,889, while foreign S corporations grew 11.1% to 480 returns.

Corporation - 1998

Business receipts for all corporations grew 4.7% from \$44.8 billion in 1995 to \$46.9 billion in 1998, a \$2.1 billion increase. As illustrated in Table A, domestic C corporations experienced an 18.8% drop in receipts, while foreign C, domestic S and foreign S corporations grew 34.5%, 11.0%, and 23.6%, respectively.

Type of Corporation	Business Receipts		Percent Change
	1998	1995	
Domestic C	\$18,543,464	\$22,829,865	-18.8%
Foreign C	22,179,391	16,486,897	34.5%
Domestic S	5,298,911	4,772,493	11.0%
Foreign S	877,121	709,693	23.6%
TOTAL	\$46,898,887	\$44,798,948	4.7%

Of the 2,585 C corporations reporting business receipts of \$5.0 million or more, 492 were domestic C corporations, while 2,093 were foreign corporations. About 4.8% of the domestic corporations were represented in this group as compared to 69.4% of foreign corporations.

Active S corporations numbered 7,307, a 1.1% growth from the 1995 count of 7,231. Business receipts advanced almost \$700 million to \$6,176.0 million. Act 239, SLH 1987, repealed the requirement that all S corporation shareholders had to be Hawaii residents. Starting January 1, 1990, an entity which qualifies as an S corporation for federal purposes also qualifies as a Hawaii S corporation. Since the 1987 study business receipts have increased from \$962.7 million in 1987 to \$6.2 billion in 1998, while the number of returns jumped from 2,495 to 9,369.

ANALYSIS OF DATA

TAXATION DISTRICTS

Statewide, corporation returns filed increased 17.1% over 1995, from 25,293 to 29,612 returns. Of a total of 29,612 corporation returns, 76.8% were assigned to the First Taxation District. The Second, Third, and Fourth Districts made up 10.1%, 10.0%, and 3.1%, respectively. Since companies with statewide operations may file one corporate income tax return that reflects total operations in the district where the principal business is conducted, Oahu, or the First Taxation District, is usually the filing district.

TABLE B					
Number of Returns and Tax Liability by Taxation Districts					
(In Thousands of Dollars)					
Type of Corporation	TAXATION DISTRICT				
	All	First	Second	Third	Fourth
C Corporations	20,243	16,202	1,645	1,899	497
Nontaxable Returns	14,014	11,317	1,142	1,227	328
Taxable Returns	6,229	4,885	503	672	169
Taxable Income	\$1,732,074	\$1,649,040	\$29,641	\$43,352	10,041
Amount of Tax	\$67,888	\$63,427	\$1,513	\$2,393	\$555
S Corporations	9,369	6,541	1,352	1,062	414
Without Taxable Income	4,398	3,128	564	517	189
With Taxable Income	4,971	3,413	788	545	225
Taxable Income*	\$475,171	\$387,574	\$48,669	\$25,985	\$12,943

* S Corporation taxable income is taxable to individual shareholders. Totals may not add up due to rounding.

A total of 6,229 C corporation returns had taxable income totaling \$1.7 billion with tax liability of \$67.9 million, while 4,971 S corporations had taxable income of \$475.2 million. The tax liability was passed on to each individual shareholder.

Almost 70% of C corporations had no taxable income, compared to 47% for S corporations. These corporations showed no taxable income, or had total expenses or net operating losses exceeding total reported income. Selected data by taxation districts are presented in Table B.

DOMESTIC C CORPORATIONS

Domestic C corporations numbered 16,098, making up nearly 80% of the total C corporations, and over 54% of all C and S corporate returns. Business receipts of \$18.5 billion represent 39.5% of all C and S corporation receipts. In 1998, the number of domestic C corporations accounted for 13% of the population, and business receipts for 35.0% of all business entities.

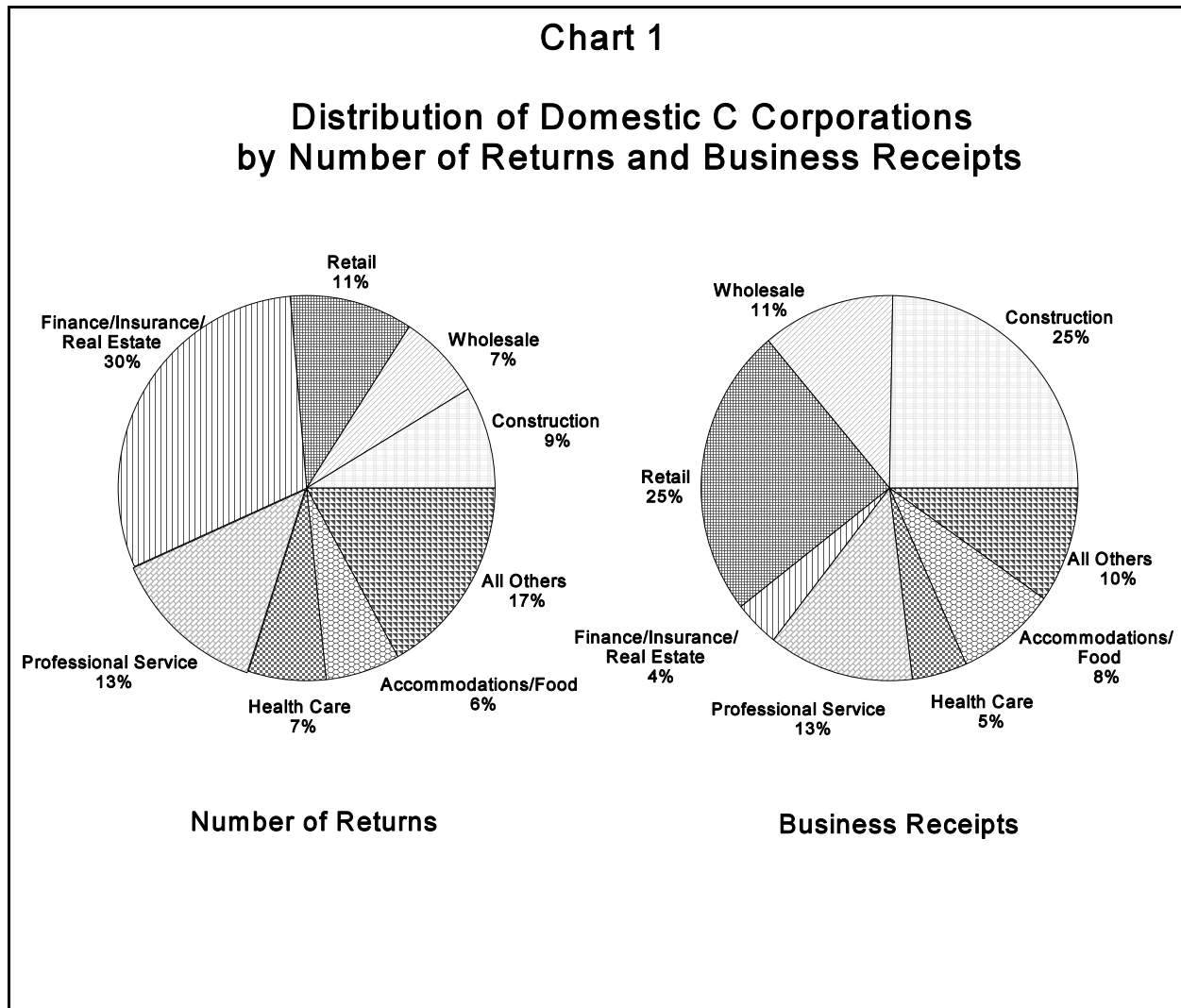
Of the total 16,098 domestic C corporations, nearly one-half or 7,945, reported business receipts under \$1 million. Fourteen percent, or 2,295, reported business receipts of \$1 million or more, while the remaining 36%, or 5,858 reported no business receipts. A total of 4,566 domestic C corporations reported taxable income. One-half, or 2,288 fell into the under-\$1 million-business-receipt category with taxable income totaling \$51.6 million. Of the remaining half, one-fourth in the \$1 million-or-more-business-receipt category had

taxable income totaling \$301.0 million, while the remaining one-fourth with no business receipts had taxable income amounting to \$178.2 million. Table C illustrates a more detailed break down.

Size of Business Receipts	Business Receipts		Taxable Income	
	Number	Amount (\$000)	Number	Amount (\$000)
TOTAL	16,098	\$18,543,464	4,566	\$530,752
Under \$ 100,000	2,839	103,460	675	11,679
\$ 100,000 " 500,000	3,579	942,978	1,017	19,644
500,000 " 1,000,000	1,527	1,087,210	596	20,227
1,000,000 " 5,000,000	1,803	3,801,088	858	72,357
5,000,000 " 10,000,000	264	1,842,243	156	37,265
10,000,000 and over	228	10,766,485	104	191,422
No Receipts	5,858	--	1,160	178,158

As shown in Chart 1, construction and retail industries averaged higher business receipts while the finance, insurance, and real estate industry averaged smaller amounts of business receipts. The number of returns in the finance, insurance, and real estate industry ranked highest, followed by services (professional, health care, accommodations/food and part of all others).

In the services group, slightly more than one-third were in the professional, management and administrative activity, followed by health care, and accommodations and food services. Accommodations and food services averaged \$1.7 million in receipts, followed by professional and administrative services with \$1.5 million, health care by \$0.9 million and arts, entertainment and recreation by \$0.6 million.



FOREIGN C CORPORATIONS

Foreign corporations are organized under the laws of other states or countries. A foreign C corporation doing business in Hawaii is subject to the Hawaii corporate income tax on business that is attributable to the state. Foreign C corporations determine income allocable to Hawaii by separate accounting of business done in the state or by allocating income on the basis of Hawaii's proportionate share of sales, wages and property.

Corporation - 1998

Foreign C corporations increased 14.9% from 3,606 in 1995 to 4,145 in 1998. Hawaii's portion of business receipts rose 34.5% from \$16.5 billion to \$22.2 billion. Taxable income jumped from \$384.8 million to \$1.2 billion. Finance, insurance and real estate activity made up 22.5% of the 4,145 foreign C corporations, followed by professional services, 19.8% and wholesale activities, 17.2%.

Business receipts were greatest among the wholesale activities (\$4.1 billion), followed by retail (\$3.9 billion), finance, insurance, and real estate (\$3.6 billion), manufacturing (\$2.9 billion), and professional, management and administrative services (\$2.1 billion). Total business receipts for foreign C corporations amounted to \$22.2 billion.

Large foreign C companies continue to dominate the major business statistics. Table D shows that 16.7% of the companies reported business receipts of at least \$5.0 million but these enterprises accounted for almost 91.2% of the \$22.2 billion in primary business receipts.

			Business Receipts	
			Number	Amount (\$000)
Size of Business Receipts				
TOTAL			3,123	\$22,179,391
	Under	\$ 100,000	976	25,310
\$ 100,000	"	500,000	640	161,072
500,000	"	1,000,000	339	242,902
1,000,000	"	5,000,000	658	1,487,004
5,000,000	and over		510	20,263,103

S CORPORATIONS

The number of domestic S corporations rose 30.7% from 6,799 in 1995 to 8,889 in 1998. Among domestic S corporations, the professional, management, and administrative services activity made up 19.2% of the total; followed by finance, insurance and real estate, 17.2%; retail, 11.8%; construction, 9.1%; accommodations and food services, 8.0%, and wholesale, 7.0%.

While 6,969 domestic S corporations reported business receipts totaling \$5.3 billion, 10,240 domestic C corporations reported \$18.5 billion in business receipts. Nearly 78% of domestic C corporations had business receipts totaling under \$1.0 million, and 22.4% had business receipts of \$1.0 million or more. In comparison, 86.2% of domestic S corporations had business receipts under \$1.0 million and 13.8% grossed \$1.0 million or more.

Corporation - 1998

Total deductions for domestic C corporations amounted to \$10.0 billion, and for domestic S corporations, \$2.5 billion. Cost of goods totaled \$10.3 billion for domestic C corporations and \$2.8 billion for domestic S corporations.

An S corporation with income from activities within and without Hawaii may use an apportionment formula to allocate business income attributable to Hawaii. The apportionment formula is based on the average Hawaii share of three factors--sales, payroll, and property . Foreign S corporations numbered 480 in 1998, slightly more than the 432 reported in 1995.

An S corporation may be assessed a tax on excess net passive income, if applicable, or a tax on capital gains. In tax year 1998, a total of 19 domestic and nine foreign S corporations incurred \$101,275 in income tax liabilities.

TAX CREDITS

Corporations may claim several different tax credits: capital goods excise tax, fuel tax for commercial fishers, motion picture/film production, hotel remodeling, energy conservation, vocational rehabilitation referral, enterprise zone, low-income housing and lifeline telephone service. A total of \$25.5 million in tax credits was claimed by corporations in tax year 1998.² The largest credit amount claimed by corporations was \$22.5 million in capital goods excise tax credit.

²Tokushige, Walter, Tax Credits Claimed by Hawaii Individuals and Corporations--1998, Department of Taxation, State of Hawaii, April, 2000.

STATISTICAL TABLES

SECTION 2

CORPORATION

TABLE 1
DISTRIBUTION OF DOMESTIC CORPORATION RETURNS
BY TAXATION DISTRICT AND BY INDUSTRY - 1998

INDUSTRY	TAXATION DISTRICT				
	All	First	Second	Third	Fourth
DOMESTIC "C" CORPORATIONS	16,098	12,436	1,556	1,639	467
Agriculture/Fishing	306	150	30	109	17
Construction/Mining/Utility	1,402	1,058	125	165	54
Manufacturing	432	332	44	50	6
Wholesale	1,173	979	59	117	18
Retail	1,692	1,204	193	233	62
Transportation/Warehousing	312	225	39	33	15
Information	205	165	18	14	8
Finance/Insurance/Real Estate	4,858	3,880	504	343	131
Professional/Mgmt Services	2,146	1,742	163	181	60
Education	94	80	6	7	1
Health Care/Social Assistance	1,073	838	85	125	25
Arts/Entertainment/Recreation	346	206	79	45	16
Accommodations/Food	1,046	781	123	110	32
Other Services	807	633	72	81	21
Unclassified	206	163	16	26	1
DOMESTIC "S" CORPORATIONS	8,889	6,101	1,345	1,032	411
Agriculture/Fishing	405	213	51	120	21
Construction/Mining/Utility	810	520	146	88	56
Manufacturing	260	179	37	34	10
Wholesale	620	503	55	43	19
Retail	1,048	706	169	108	65
Transportation/Warehousing	173	102	35	32	4
Information	188	137	28	19	4
Finance/Insurance/Real Estate	1,528	1,137	191	134	66
Professional/Mgmt Services	1,708	1,198	256	180	74
Education	47	40	5	2	0
Health Care/Social Assistance	413	270	65	65	13
Arts/Entertainment/Recreation	373	185	104	70	14
Accommodations/Food	713	495	103	65	50
Other Services	471	317	83	57	14
Unclassified	132	99	17	15	1

TABLE 2
 NUMBER OF RETURNS WITH TAXABLE INCOME
 BY TYPE OF CORPORATION AND BY SIZE OF TAXABLE INCOME - 1998

SIZE OF TAXABLE INCOME	TYPE OF CORPORATION (Amounts in Thousands of Dollars)									
	ALL		DOMESTIC "C"		FOREIGN "C"		DOMESTIC "S"		FOREIGN "S"	
	No. of Returns	Taxable Income*	No. of Returns	Taxable Income*	No. of Returns	Taxable Income*	No. of Returns	Taxable Income*	No. of Returns	Taxable Income*
TOTAL	11,113	\$2,211,823	4,566	\$530,752	1,664	\$1,205,899	4,632	\$436,071	251	\$39,101
Under \$ 25,000	5,938	53,143	2,667	24,266	914	5,139	2,357	22,971	147	767
\$ 25,000 " 100,000	3,202	155,874	1,264	57,609	332	17,747	1,606	80,517	47	2,673
100,000 " 500,000	1,323	264,960	487	86,057	269	62,587	567	116,316	42	10,669
500,000 " 1,000,000	201	130,990	72	43,712	57	38,463	72	48,816	9	7,138
1,000,000 and over	198	1,568,521	76	319,108	92	1,081,963	30	167,450	6	17,854

*Exclusive of net losses.

Note: Totals may not add up due to rounding.

TABLE 3
DISTRIBUTION OF BUSINESSES BY INDUSTRY AND DISTRICT - 1998

INDUSTRY GROUP	TAXATION DISTRICT				
	ALL	FIRST	SECOND	THIRD	FOURTH
ALL INDUSTRIES *	124,250	89,508	15,479	14,112	5,151
Agriculture/Fishing	8,699	5,908	1,132	1,252	407
Construction/Mining/Utility	8,297	5,917	1,019	973	388
Manufacturing	3,202	2,351	361	380	110
Wholesale	5,584	4,296	534	572	182
Retail	15,413	10,922	2,006	1,793	692
Transportation/Warehousing	2,649	1,846	351	328	124
Information	1,890	1,425	208	191	66
Finance/Insurance/Real Estate	18,850	14,159	2,166	1,802	723
Professional/Mgmt Services	22,309	16,237	2,728	2,465	879
Education	1,414	1,019	155	183	57
Health Care/Social Assistance	6,964	5,031	897	779	257
Arts/Entertainment/Recreation	5,254	3,577	776	679	222
Accommodations/Food	3,402	2,408	452	358	184
Other Services	13,326	9,402	1,779	1,573	572
Unclassified	6,997	5,010	915	784	288
PERCENT DISTRIBUTION BY INDUSTRY	100.0%	100.0%	100.0%	100.0%	100.0%
Agriculture/Fishing	7.0%	6.6%	7.3%	8.9%	7.9%
Construction/Mining/Utility	6.7%	6.6%	6.6%	6.9%	7.5%
Manufacturing	2.6%	2.6%	2.3%	2.7%	2.1%
Wholesale	4.5%	4.8%	3.4%	4.1%	3.5%
Retail	12.4%	12.2%	13.0%	12.7%	13.4%
Transportation/Warehousing	2.1%	2.1%	2.3%	2.3%	2.4%
Information	1.5%	1.6%	1.3%	1.4%	1.3%
Finance/Insurance/Real Estate	15.2%	15.8%	14.0%	12.8%	14.0%
Professional/Mgmt Services	18.0%	18.1%	17.6%	17.5%	17.1%
Education	1.1%	1.1%	1.0%	1.3%	1.1%
Health Care/Social Assistance	5.6%	5.6%	5.8%	5.5%	5.0%
Arts/Entertainment/Recreation	4.2%	4.0%	5.0%	4.8%	4.3%
Accommodations/Food	2.7%	2.7%	2.9%	2.5%	3.6%
Other Services	10.7%	10.5%	11.5%	11.1%	11.1%
Unclassified	5.6%	5.6%	5.9%	5.6%	5.6%

* All returns filed, including returns with no activity.

NOTES: Totals may not add up due to rounding.

TABLE 4
TOTAL RETURNS, TAXABLE RETURNS, TAXABLE INCOME, AND AMOUNT OF TAX
BY INDUSTRY FOR "C" CORPORATIONS - 1998
(Amounts in Thousands of Dollars)

INDUSTRY	TOTAL RETURNS	TOTAL TAXABLE RETURNS	AMOUNT OF TAXABLE INCOME*	Tax Liability	
				Number	Amount
DOMESTIC "C" CORPORATIONS					
TOTAL	16,098	4,566	\$530,752	4,529	\$30,843
Agriculture/Fishing	306	86	8,471	85	408
Construction/Mining/Utility	1,402	438	141,898	440	8,764
Manufacturing	432	120	9,828	119	555
Wholesale	1,173	442	31,118	440	1,740
Retail	1,692	474	40,293	474	2,306
Transportation/Warehousing	312	97	5,779	96	320
Information	205	46	5,324	46	322
Finance/Insurance/Real Estate	4,858	1,244	158,637	1,222	9,060
Professional/Mgmt Services	2,146	692	69,574	687	3,955
Education	94	25	1,014	25	55
Health Care/Social Assistance	1,073	318	10,473	313	578
Arts/Entertainment/Recreation	346	88	3,573	89	196
Accommodations/Food	1,046	233	28,587	234	1,692
Other Services	807	236	15,186	232	852
Unclassified	206	27	998	27	41
FOREIGN "C" CORPORATIONS					
TOTAL	4,145	1,664	\$1,205,899	1,530	\$37,323
Agriculture/Fishing	15	7	2,326	7	137
Construction/Mining/Utility	310	114	19,667	110	1,071
Manufacturing	288	127	102,208	118	6,145
Wholesale	713	359	653,497	335	4,009
Retail	246	112	149,020	105	9,346
Transportation/Warehousing	76	31	30,676	30	2,354
Information	272	84	48,711	71	2,990
Finance/Insurance/Real Estate	932	290	53,937	253	2,558
Professional/Mgmt Services	819	356	45,971	331	2,550
Education	25	12	1,411	10	74
Health Care/Social Assistance	73	21	4,258	18	247
Arts/Entertainment/Recreation	34	19	1,213	18	50
Accommodations/Food	88	30	69,843	29	4,436
Other Services	155	59	5,076	55	238
Unclassified	99	43	18,083	40	1,119

* Exclusive of net losses.

** Also includes recaptured credits and estimated tax penalty.

Note: Totals may not add up due to rounding.

TABLE 5
TAXABLE INCOME AND BUSINESS RECEIPTS
BY SIZE OF BUSINESS RECEIPTS FOR DOMESTIC CORPORATIONS - 1998

SIZE OF BUSINESS RECEIPTS	TAXABLE INCOME*		BUSINESS RECEIPTS	
	Number	Amount (\$000)	Number	Amount (\$000)
DOMESTIC "C" CORPORATIONS				
TOTAL	4,565	\$530,752	16,098	\$18,543,464
Under \$ 100,000	675	11,679	2,839	103,460
\$ 100,000 " 500,000	1,017	19,644	3,579	942,978
500,000 " 1,000,000	596	20,227	1,527	1,087,210
1,000,000 " 5,000,000	858	72,357	1,803	3,801,088
5,000,000 " 10,000,000	156	37,265	264	1,842,243
10,000,000 and over	103	191,422	228	10,766,485
None or Not Reported	1,160	178,158	5,858	--
DOMESTIC "S" CORPORATIONS				
TOTAL	4,632	\$436,071	6,969	\$5,298,911
Under \$ 100,000	1,379	19,948	2,636	98,033
\$ 100,000 " 500,000	1,758	66,656	2,576	645,465
500,000 " 1,000,000	555	41,712	797	560,595
1,000,000 " 5,000,000	566	169,120	791	1,662,360
5,000,000 " 10,000,000	96	33,611	112	771,988
10,000,000 and over	47	64,280	57	1,560,471
None or Not Reported	231	40,743	--	--

* Exclusive of net losses.

Note: Totals may not add up due to rounding.

TABLE 6
 DISTRIBUTION OF DOMESTIC CORPORATION RETURNS
 BY SIZE OF BUSINESS RECEIPTS AND BY SIZE OF TAXABLE INCOME - 1998

SIZE OF TAXABLE INCOME	ALL RETURNS	SIZE OF BUSINESS RECEIPTS (In Thousands of Dollars)						
		NO BUSINESS RECEIPTS	Under \$100	\$100 under \$500	\$ 500 under \$1,000	\$1,000 under \$5,000	\$ 5,000 under \$10,000	\$10,000 and over
DOMESTIC "C" CORPORATIONS								
TOTAL	13,664	4,364	2,466	3,247	1,396	1,712	257	222
Under \$ 25,000	2,825	795	595	775	347	291	17	5
25,000 " 100,000	1,179	236	70	215	214	382	48	14
100,000 " 500,000	434	94	8	27	34	165	71	35
500,000 " 1,000,000	69	15	0	0	0	19	15	20
1,000,000 and over	59	20	2	0	1	1	5	30
No Taxable Income	9,098	3,204	1,791	2,230	800	854	101	118
DOMESTIC "S" CORPORATIONS								
TOTAL	8,148	1,197	2,625	2,573	794	790	112	57
Under \$ 25,000	2,357	140	1,141	840	147	83	3	3
25,000 " 100,000	1,606	57	232	810	289	193	20	5
100,000 " 500,000	567	19	5	106	114	263	48	12
500,000 " 1,000,000	72	10	1	2	5	18	21	15
1,000,000 and over	30	5	0	0	0	9	4	12
No Taxable Income	3,516	966	1,246	815	239	224	16	10

TABLE 7

TAXABLE INCOME AND BUSINESS RECEIPTS REPORTED BY FOREIGN C CORPORATIONS
BY SIZE OF BUSINESS RECEIPTS AND INDUSTRY- 1998

INDUSTRY & SIZE OF BUSINESS RECEIPTS	TAXABLE INCOME		BUSINESS RECEIPTS	
	Number	Amount (\$000)	Number	Amount (\$000)
INDUSTRY--TOTAL	3,198	\$ (329,955)	3,123	\$ 22,179,391
Agriculture/Fishing	13	(20,868)	12	16,351
Construction/Mining/Utility	206	(59,916)	199	906,248
Manufacturing	224	44,205	223	2,879,739
Wholesale	643	233,478	644	4,534,329
Retail	214	84,182	220	3,913,935
Transportation/Warehousing	65	(11,735)	61	1,091,129
Information	222	(44,691)	210	802,144
Finance/Insurance/Real Estate	604	(199,357)	564	3,607,576
Professional/Mgmt Services	646	(271,540)	636	2,053,883
Education	21	1,233	21	14,849
Health Care/Social Assistance	48	(112)	46	206,006
Arts/Entertainment/Recreation	30	(6,549)	30	84,733
Accommodations/Food	77	(55,407)	74	1,136,721
Other Services	113	(5,831)	110	392,183
Unclassified	72	(17,047)	73	539,566
BUSINESS RECEIPTS--TOTAL	3,198	\$ (329,955)	3,014	\$ 22,179,391
No Receipts	305	59,537	5	--
Under \$ 10,000	293	(67,092)	330	1,235
\$ 10,000 " 25,000	174	1,446	186	3,265
25,000 " 50,000	147	(8,924)	162	6,004
50,000 " 100,000	189	(8,731)	198	14,807
100,000 " 250,000	349	(11,107)	360	60,170
250,000 " 500,000	265	(10,037)	275	100,902
500,000 " 1,000,000	331	(79,196)	338	242,902
1,000,000 " 5,000,000	646	(133,840)	656	1,487,004
5,000,000 " 10,000,000	207	(282,997)	207	1,498,077
10,000,000 " 25,000,000	161	(151,849)	165	2,633,146
25,000,000 " 50,000,000	60	(41,223)	61	2,088,991
50,000,000 " 100,000,000	29	4,083	29	1,860,241
\$100,000,000 and over	42	399,975	42	12,182,647

Note: Totals may not add up due to rounding.

TABLE 8
 DISTRIBUTION OF DOMESTIC CORPORATION RETURNS,
 BY SIZE OF BUSINESS RECEIPTS AND BY INDUSTRY - 1998

INDUSTRY	SIZE OF BUSINESS RECEIPTS (In Thousands of Dollars)							
	ALL RETURNS	NO BUSINESS RECEIPTS	Under \$100	\$100 under \$500	\$ 500 under \$1,000	\$1,000 under \$5,000	\$ 5,000 under \$10,000	\$10,000 and over
DOMESTIC "C" CORPORATIONS								
TOTAL	16,098	5,857	2,839	3,579	1,527	1,803	264	229
Agriculture/Fishing	306	71	94	82	26	28	1	4
Construction/Mining/Utility	1,402	295	227	338	174	275	51	42
Manufacturing	432	89	86	105	58	77	9	8
Wholesale	1,173	162	237	252	155	268	59	40
Retail	1,692	204	272	490	253	382	38	53
Transportation/Warehousing	312	39	76	78	36	66	12	5
Information	205	55	49	52	18	21	5	5
Finance/Insurance/Real Estate	4,858	3,710	530	387	114	99	10	8
Professional/Mgmt Services	2,146	569	529	527	203	249	34	35
Education	94	30	34	19	5	6	0	0
Health Care/Social Assistance	1,073	107	168	485	206	91	7	9
Arts/Entertainment/Recreation	346	60	140	88	26	26	4	2
Accommodations/Food	1,046	133	137	430	154	149	26	17
Other Services	807	182	228	230	95	63	8	1
Unclassified	206	151	32	16	4	3	0	0
DOMESTIC "S" CORPORATIONS								
TOTAL	8,889	1,920	2,636	2,576	797	791	112	57
Agriculture/Fishing	405	101	144	96	36	26	1	1
Construction/Mining/Utility	810	182	156	259	71	116	20	6
Manufacturing	260	25	88	89	30	23	1	4
Wholesale	620	58	215	144	62	110	21	10
Retail	1,048	96	263	367	147	131	25	19
Transportation/Warehousing	173	29	54	51	13	18	5	3
Information	188	36	66	51	14	19	2	0
Finance/Insurance/Real Estate	1,528	883	320	221	48	49	5	2
Professional/Mgmt Services	1,708	275	694	512	117	98	7	5
Education	47	6	19	14	4	4	0	0
Health Care/Social Assistance	413	38	118	180	55	18	4	0
Arts/Entertainment/Recreation	373	56	166	100	22	25	3	1
Accommodations/Food	713	54	98	299	125	115	17	5
Other Services	471	49	183	164	45	28	1	1
Unclassified	132	32	52	29	8	11	0	0

Corporation - 1998

TABLE 9
INCOME STATEMENTS OF DOMESTIC CORPORATIONS BY INDUSTRY - 1995
(Amounts in Thousands of Dollars)

INDUSTRY	BUSINESS RECEIPTS		OTHER INTEREST		RENTAL INCOME		ROYALTY INCOME		CAPITAL GAINS*		OTHER INCOME	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
DOMESTIC "C" CORPORATIONS												
TOTAL	10,244	\$18,543,464	9,221	\$628,874	3,046	\$536,097	158	\$12,639	1,197	\$310,877	6,892	\$987,030
Agriculture/Fishing	235	261,943	148	2,819	49	4,250	1	45	32	5,538	144	14,350
Construction/Mining/Utility	1,108	4,546,344	895	355,051	218	43,397	6	10	141	15,134	604	81,199
Manufacturing	343	454,817	201	2,495	56	3,927	4	3,739	24	2,640	149	3,444
Wholesale	1,011	2,089,907	653	19,588	126	7,998	7	2,582	79	1,974	513	23,188
Retail	1,488	4,512,527	868	17,909	171	32,851	2	372	125	4,742	697	93,589
Transportation/Warehousing	273	345,371	140	2,857	27	3,529	1	0	25	958	111	7,380
Information	150	172,740	83	1,211	16	1,366	4	184	14	2,756	85	6,215
Finance/Insurance/Real Estate	1,148	699,906	3,330	128,943	1,866	360,021	107	3,996	398	148,218	2,288	452,354
Professional/Mgmt Services	1,577	2,508,413	1,187	51,658	184	20,963	12	1,298	170	89,226	924	163,928
Education	64	20,604	30	221	6	104	0	0	3	327	24	391
Health Care/Social Assistance	966	866,165	694	5,204	101	3,055	3	17	71	7,024	501	32,451
Arts/Entertainment/Recreation	286	177,793	130	2,655	28	1,925	5	129	12	228	120	13,623
Accommodations/Food	914	1,555,699	455	32,728	115	47,968	4	174	55	28,740	430	81,428
Other Services	626	318,812	367	3,831	71	4,522	2	93	42	2,594	272	13,868
Unclassified	55	12,424	40	1,705	12	220	0	0	6	779	30	(379)
DOMESTIC "S" CORPORATIONS												
TOTAL	6,969	\$5,298,911	n.a.**	n.a.**	n.a.**	n.a.**	n.a.**	n.a.**	437	\$9,544	2,120	\$230,496
Agriculture/Fishing	304	129,474	--	--	--	--	--	--	17	212	110	2,015
Construction/Mining/Utility	628	651,554	--	--	--	--	--	--	62	620	197	4,069
Manufacturing	235	150,169	--	--	--	--	--	--	11	140	59	(7,857)
Wholesale	562	759,659	--	--	--	--	--	--	33	178	188	8,479
Retail	952	1,443,013	--	--	--	--	--	--	68	120	244	19,277
Transportation/Warehousing	144	151,607	--	--	--	--	--	--	23	1,122	45	2,223
Information	152	79,179	--	--	--	--	--	--	10	25	44	1,268
Finance/Insurance/Real Estate	645	285,644	--	--	--	--	--	--	48	3,982	382	44,357
Professional/Mgmt Services	1,433	561,856	--	--	--	--	--	--	63	2,506	380	126,137
Education	41	14,067	--	--	--	--	--	--	3	2	9	230
Health Care/Social Assistance	375	149,126	--	--	--	--	--	--	16	51	97	1,971
Arts/Entertainment/Recreation	317	125,109	--	--	--	--	--	--	23	164	97	5,143
Accommodations/Food	659	595,663	--	--	--	--	--	--	29	129	161	18,913
Other Services	422	156,056	--	--	--	--	--	--	28	304	85	3,759
Unclassified	100	46,734	--	--	--	--	--	--	3	(11)	22	511

* Schedule D for N-30 (corporation) returns and schedule D-1 for N-35 (S-corporation) returns.

** Category not applicable to S corporations

Note: Totals may not add up due to rounding

TABLE 10
 BUSINESS EXPENSES AND COST OF GOODS
 OF DOMESTIC CORPORATIONS, BY INDUSTRY - 1998
 (Amounts in Thousands of Dollars)

INDUSTRY	TOTAL DEDUCTIONS		COST OF GOODS SOLD AND/OR OPERATIONS	
	Number	Amount	Number	Amount
DOMESTIC "C" CORPORATIONS				
TOTAL	15,025	\$10,266,002	6,325	\$10,253,780
Agriculture/Fishing	283	176,360	127	120,014
Construction/Mining/Utility	1,320	1,508,658	968	3,455,206
Manufacturing	384	174,310	318	284,838
Wholesale	1,127	576,858	938	1,505,567
Retail	1,625	1,636,339	1,438	2,932,225
Transportation/Warehousing	296	251,787	102	107,600
Information	187	143,932	80	54,875
Finance/Insurance/Real Estate	4,508	1,401,257	226	205,214
Professional/Mgmt Services	1,990	1,705,993	568	913,817
Education	81	16,706	20	1,724
Health Care/Social Assistance	1,053	887,752	112	28,660
Arts/Entertainment/Recreation	325	147,331	149	36,674
Accommodations/Food	1,001	1,409,452	858	495,461
Other Services	732	218,523	390	107,576
Unclassified	113	10,743	31	4,329
DOMESTIC "S" CORPORATIONS				
TOTAL	8,009	\$2,542,865	4,306	\$2,803,582
Agriculture/Fishing	364	91,400	174	80,961
Construction/Mining/Utility	756	179,486	539	468,526
Manufacturing	254	53,975	214	91,835
Wholesale	598	185,194	506	564,756
Retail	1,011	469,210	896	939,301
Transportation/Warehousing	163	94,965	55	53,288
Information	171	55,163	89	23,033
Finance/Insurance/Real Estate	1,031	225,730	129	96,087
Professional/Mgmt Services	1,616	439,189	500	154,997
Education	45	11,977	14	1,560
Health Care/Social Assistance	398	124,148	80	10,114
Arts/Entertainment/Recreation	349	92,940	150	33,771
Accommodations/Food	691	390,672	624	213,095
Other Services	445	93,532	273	58,209
Unclassified	117	35,285	63	14,049

Note: Totals may not add up due to rounding.

Section 3

HAWAII INCOME PATTERNS

PROPRIETORSHIP

Section 3

HAWAII INCOME PATTERNS

PROPRIETORSHIP

Proprietorships are unincorporated, single-owner businesses that report business activity on Schedules C and F on the federal individual income tax returns. As presented in this section, individuals owning a business in the state, or residents owning a business outside of Hawaii must report their business activity for Hawaii income tax purposes. Along with individual income such as salaries and wages, sole proprietorship income is taxed under the provisions of Chapter 235, HRS.

SUMMARY

Sole proprietorships business entities numbered 87,571 in 1998, representing an 11.3 % growth over 78,676 businesses in 1995. Included in this growth are sole proprietors filing N-15 returns, which were previously excluded. Sole proprietors continue to be the most numerous form of business enterprise, accounting for 70.5% of all business entities. However, these solely-owned businesses are mostly small and accounted for only 5.6% of total business receipts.

Business receipts for sole proprietors amounted to nearly \$3.0 billion in 1998, a 10.1% increase over the 1995 total of \$2.7 billion. Total expenses of \$2.2 billion, including cost of goods, reflect a 26.6% decline over 1995. Net profits of \$861.6 million represent a 14.7% rise over \$751.4 million in 1995. Selective data for comparative years 1995 and 1998 are presented in Table A.

TABLE A Selected Data from Proprietorship Returns, 1998 and 1995 (In Thousands of Dollars)			
Selected Items	1998	1995	% Change
Number of Businesses	87,571	78,676	11.3%
Business Receipts	\$2,982,267	\$2,707,538	10.1%
Total Expenses	1,330,543	2,105,567	-36.8%
Cost of Goods Sold	847,949	862,507	-1.7%
Net Profit	861,596	751,410	14.7%
Net Loss	142,557	115,147	23.8%

SAMPLE SELECTION AND METHODOLOGY

Since Schedules C and F are no longer required to be filed with the resident individual income tax returns, data for sole proprietorships relied entirely upon the Internal Revenue Service (IRS) data base. As a result, although this study used a 100% sample, unlike before, it did not have recourse to actual Schedule C or F for data validation purposes. Where an individual operated more than one proprietorship, as reported on multiple Schedules C or F, each proprietorship was counted as a separate entity.

Each return was assigned an industry code which describes the principal business activity of the taxpayer. The four-digit SIC codes were changed to the six-digit NAICS code. Unassigned and unidentifiable codes were designated "unclassified", a category amounting to 7%, or 6,430, of proprietorships and 1.5% of corporations and partnerships.

ANALYSIS OF DATA

TAXATION DISTRICTS

Nearly 71% of the solely-owned businesses filed their returns in the First District. The Second District is represented by 13.3% of the total, Third District by 11.8%, and Fourth District by 4.4%. Distribution of proprietorships among the four taxation districts has remained almost unchanged for over ten years.

BUSINESS RECEIPTS AND DEDUCTIONS

Statewide proprietor business receipts rose 10.1% from \$2,707.5 million in 1995 to \$2,982.3 million in 1998. About 69% of the proprietors reported business receipts under \$25,000, 16.5% had receipts totaling \$25,000 to under \$100,000, and 7.5% had business receipts of \$100 thousand or more. The remaining 7% reported no business receipts.

TABLE B Selected Proprietorship Data, 1998 and 1995 (In Thousands of Dollars)			
	1998	1995	Difference
Number of Businesses	87,571	78,676	8,895
Business Receipts	\$2,982,267	\$2,707,538	\$274,729
Number with Net Profit	60,020	55,233	4,787
Net Profit	\$861,596	\$751,410	\$110,186
Number with Net Loss	27,551	22,807	4,744
Net Loss	\$142,557	\$115,147	\$27,410

Proprietorship - 1998

Professional services made up \$443.5 million, or 14.9% of the total amount of business receipts. All services business receipts totaled \$1,234.1 million, or 41.4% of the total. The retail trade made up 17.1% of the total receipts, followed by construction with 13.2%.

Over 46%, or 40,598 of all proprietors, were involved in service activities. Professional, management and administrative services ranked highest with 19.2% of total businesses. Next highest activity was retail trade by 13.6% and agriculture and fishing by 8.8%. Professional, management and administrative services and retail trade were the predominant activities in all districts.

Total expenses of \$2,178.5 million, along with cost of goods which is subtracted in the income portion of the return, fell 26.6%, from 1995. The net income for all proprietors totaled \$719.0 million. Other available expense data include home business expenses of \$18.0 million and mortgage interest expenses of \$21.3 million.

NET PROFITS AND LOSSES

About 68.5% of the population, or 60,020 businesses reported \$861.6 million in net profits, while 27,551 businesses reported net losses of \$142.6 million. This compares with 55,233 returns with net profits of \$751.4 million, and 22,807 returns with net losses of \$115.1 million in 1995.

PROPRIETORS' SOURCES OF INCOME

Any profit or loss from a proprietorship is reported as income or loss on the owner's individual income tax return. Proprietors reported \$719.0 million in net income after losses, which was approximately 13% higher than the 1995 total of \$636.3 million. Other income sources for proprietors are not included in this data set.

STATISTICAL TABLES

SECTION 3

PROPRIETORSHIP

Proprietorship - 1998

TABLE 1
NUMBER OF PROPRIETORSHIPS BY TAXATION DISTRICT
AND BY MAJOR INDUSTRY - 1998

INDUSTRY	TAXATION DISTRICT				
	All	First	Second	Third	Fourth
TOTAL*	87,571	61,724	11,622	10,338	3,887
Agriculture/Fishing	7,732	5,455	1,004	923	350
Construction/Mining/Utility	5,193	3,653	691	617	232
Manufacturing	2,076	1,476	263	248	89
Wholesale	2,848	1,961	402	342	143
Retail	11,952	8,473	1,577	1,377	525
Transportation/Warehousing	2,039	1,414	271	253	101
Information	1,054	741	148	124	41
Finance/Insurance/Real Estate	7,649	5,365	987	932	365
Professional/Mgmt Services	16,825	11,919	2,226	1,976	704
Education	1,232	864	142	169	57
Health Care/Social Assistance	5,307	3,789	731	570	217
Arts/Entertainment/Recreation	4,320	3,027	572	536	185
Accommodations/Food	1,212	835	160	149	68
Other Services	11,702	8,190	1,580	1,404	528
Unclassified	6,430	4,562	868	718	282

* All returns filed, including returns reporting no activity.

TABLE 2
NUMBER OF PROPRIETORSHIPS BY TAXATION DISTRICT
AND BY SIZE OF BUSINESS RECEIPTS - 1998

SIZE OF BUSINESS RECEIPTS	TAXATION DISTRICT				
	All	First	Second	Third	Fourth
TOTAL*	87,571	61,724	11,622	10,338	3,887
No Business Receipts	6,091	4,356	782	704	249
Under \$ 1,000	12,158	8,593	1,616	1,413	536
\$ 1,000 " 2,500	11,467	8,110	1,499	1,369	489
2,500 " 5,000	10,395	7,306	1,353	1,280	456
5,000 " 10,000	11,440	8,025	1,569	1,317	529
10,000 " 25,000	15,029	10,605	1,975	1,782	667
25,000 " 50,000	8,736	6,144	1,180	1,041	371
50,000 " 75,000	3,663	2,581	486	420	176
75,000 " 100,000	2,046	1,422	274	250	100
100,000 " 250,000	4,266	3,012	560	495	199
250,000 and over	2,280	1,570	328	267	115

* All returns filed, including returns reporting no activity.

Proprietorship - 1998

TABLE 3
 BUSINESS RECEIPTS, OTHER INCOME, NET PROFIT, AND NET LOSS DATA
 BY SIZE OF BUSINESS RECEIPTS AND BY INDUSTRY - 1998

SIZE OF BUSINESS RECEIPTS AND INDUSTRY	BUSINESS RECEIPTS		OTHER INCOME		NET PROFIT		NET LOSS	
	Number	Amount (\$000)	Number	Amount (\$000)	Number	Amount (\$000)	Number	Amount (\$000)
SIZE OF BUSINESS RECEIPTS								
TOTAL*	87,571	\$ 2,982,267	5,399	\$ 51,171	60,020	\$ 861,596	27,551	\$ 142,557
No Business Receipts	6,091	\$ (22)	1,189	\$ 26,501	823	\$ 14,483	5,268	\$ 21,936
Under \$ 1,000	12,158	5,874	508	1,043	5,615	2,319	6,543	14,916
\$ 1,000 " 2,500	11,467	19,099	424	1,053	6,856	7,176	4,611	15,870
2,500 " 5,000	10,395	37,695	398	964	7,006	14,603	3,389	18,835
5,000 " 10,000	11,440	82,363	440	1,500	8,534	33,562	2,906	14,214
10,000 " 25,000	15,029	243,759	678	3,809	12,480	97,638	2,549	16,925
25,000 " 50,000	8,736	308,627	507	3,004	7,693	118,814	1,043	10,600
50,000 " 75,000	3,663	223,361	250	1,052	3,288	82,653	375	5,393
75,000 " 100,000	2,046	176,556	158	1,142	1,809	60,343	237	3,738
100,000 " 250,000	4,266	661,622	447	6,619	3,832	191,256	434	9,517
250,000 and over	2,280	1,223,333	400	4,484	2,084	238,750	196	10,615
INDUSTRY								
TOTAL*	87,571	\$ 2,982,267	5,399	\$ 51,171	60,020	\$ 861,596	27,551	\$ 142,557
Agriculture/Fishing	7,732	\$ 136,105	229	\$ 786	3,879	\$ 31,451	3,853	\$ 25,372
Construction/Mining/Utility	5,193	394,676	215	1,000	4,219	75,026	974	7,784
Manufacturing	2,076	79,867	121	1,520	1,418	16,033	658	3,492
Wholesale	2,848	169,952	225	1,809	1,697	21,371	1,151	6,523
Retail	11,952	508,866	1,375	6,732	6,029	58,569	5,923	23,695
Transportation/Warehousing	2,039	56,816	109	802	1,639	14,874	400	2,414
Information	1,054	23,316	63	296	596	6,585	458	1,939
Finance/Insurance/Real Estate	7,649	232,484	507	9,589	5,384	125,112	2,265	11,606
Professional/Mgmt Services	16,825	443,544	822	12,850	12,934	189,345	3,891	18,017
Education	1,232	13,139	36	189	947	5,737	285	1,008
Health Care/Social Assistance	5,307	354,125	418	5,240	4,435	153,796	872	4,745
Arts/Entertainment/Recreation	4,320	62,634	191	1,281	2,742	21,695	1,578	6,231
Accommodations/Food	1,212	100,967	102	360	740	9,973	472	4,948
Other Services	11,702	259,645	623	4,358	9,032	81,785	2,670	15,436
Unclassified	6,430	146,133	363	4,358	4,329	50,243	2,101	9,347

* All returns filed, including returns reporting no activity.
 Note: Totals may not add up due to rounding.

Proprietorship - 1998

TABLE 4
 SELECTED DATA FOR PROPRIETORSHIPS
 BY SIZE OF BUSINESS RECEIPTS AND BY INDUSTRY - 1998

SIZE OF BUSINESS RECEIPTS AND INDUSTRY	NET INCOME*		RETURNS & ALLOWANCES		COST OF GOODS	
	Number	A m o u n t (\$000)	Number	A m o u n t (\$000)	Number	A m o u n t (\$000)
TOTAL	87,571	\$ 719,039	2,705	\$ 10,535	22,187	\$ 847,949
SIZE OF BUSINESS RECEIPTS						
No Business Receipts	6,091	\$ (7,453)	30	\$ 228	389	\$ 1,335
Under \$ 1,000	12,158	(12,597)	220	36	2,672	1,708
\$ 1,000 "	11,467	(8,694)	235	90	2,110	2,903
2,500 "	10,395	(4,231)	236	162	1,986	9,719
5,000 "	11,440	19,348	233	175	2,255	8,276
10,000 "	15,029	80,713	331	367	3,483	24,267
25,000 "	8,736	108,214	310	648	2,887	40,596
50,000 "	3,663	77,261	200	524	1,519	38,853
75,000 "	2,046	56,605	134	425	1,015	37,933
100,000 "	4,266	181,739	422	1,414	2,411	182,074
250,000 and over	2,280	228,135	354	6,466	1,460	500,285
TOTAL	87,571	\$ 719,039	2,705	\$ 10,535	22,187	\$ 847,949
INDUSTRY						
Agriculture/Fishing	7,732	6,079	22	80	283	7,554
Construction/Min ing/Utility	5,193	67,243	98	623	2,579	183,598
Manufacturing	2,076	12,542	103	702	1,222	34,147
Wholesale	2,848	14,848	205	620	1,716	108,956
Retail	11,952	34,874	688	1,475	7,433	292,394
Transportation/W arehousing	2,039	12,460	30	229	113	7,082
Information	1,054	4,645	36	357	202	6,655
Finance/Insurance/Real Estate	7,649	113,506	126	980	292	10,658
Professional/Mgmt Services	16,825	171,328	400	3,236	2,189	54,954
Education	1,232	4,729	33	32	81	557
Health Care/Social Assistance	5,307	149,050	327	1,163	485	12,691
Arts/Entertainment/Recreation	4,320	15,464	103	227	721	8,757
Accommodations/Food	1,212	5,025	58	112	713	35,856
Other Services	11,702	66,350	317	420	2,853	58,753
Unclassified	6,430	40,895	159	279	1,305	25,337

* All returns filed, including returns reporting no activity
 Note: Totals may not add up due to rounding.

Proprietorship - 1998

TABLE 4 (continued)
 SELECTED DATA FOR PROPRIETORSHIPS
 BY SIZE OF BUSINESS RECEIPTS AND BY INDUSTRY - 1998

SIZE OF BUSINESS RECEIPTS AND INDUSTRY	HOME BUSINESS EXPENSES		MORTGAGE INTEREST EXPENSES		TOTAL EXPENSES	
	Number	Amount (\$000)	Number	Amount (\$000)	Number	Amount (\$000)
TOTAL	5,530	\$ 18,002	2,906	\$ 21,264	76,881	\$ 1,330,543
SIZE OF BUSINESS RECEIPTS						
No Business Receipts	118	\$ 303	121	\$ 782	5,190	\$ 28,051
Under \$ 1,000	143	229	73	143	9,787	14,979
\$ 1,000 "	203	284	83	178	9,463	22,024
2,500 "	324	532	120	375	8,797	28,444
5,000 "	593	1,163	205	754	9,946	48,052
10,000 "	1,406	3,763	446	1,935	13,697	124,697
25,000 "	1,222	4,319	495	2,837	8,229	145,909
50,000 "	572	2,287	357	2,512	3,475	96,380
75,000 "	291	1,266	167	1,032	1,943	74,303
100,000 "	507	2,689	470	3,451	4,123	285,040
250,000 and over	151	1,166	369	7,264	2,231	462,663
	5,530	\$ 18,002	2,906	\$ 21,264	76,881	\$ 1,330,543
INDUSTRY						
Agriculture/Fishing	41	\$ 120	629	\$ 3,754	2,221	\$ 28,623
Construction/Mining/Utility	480	1,712	228	1,773	4,995	142,053
Manufacturing	205	658	78	347	1,954	33,147
Wholesale	225	840	74	422	2,708	46,180
Retail	409	1,073	207	1,188	11,376	185,593
Transportation/Warehousing	43	119	54	173	1,960	37,681
Information	89	248	15	37	981	11,695
Finance/Insurance/Real Estate	373	1,239	210	2,014	7,338	115,690
Professional/Mgmt Services	1,661	4,931	335	2,002	15,666	221,992
Education	84	178	7	9	1,103	7,832
Health Care/Social Assistance	664	2,905	444	3,950	5,015	193,555
Arts/Entertainment/Recreation	334	988	51	315	4,081	38,477
Accommodations/Food	52	286	156	2,222	1,156	60,032
Other Services	604	1,830	248	1,236	10,872	136,603
Unclassified	266	879	170	1,823	5,455	71,389

Note: Totals may not add up due to rounding.

Section 4

HAWAII INCOME PATTERNS

PARTNERSHIP

Section 4

HAWAII INCOME PATTERNS

PARTNERSHIP

Partnerships filing Form N-20 with activities for tax year ending 1998 are represented in this section. An unincorporated relationship between two or more entities or individuals who enter into an agreement to carry on a trade or business make up a partnership. The partners may be individuals, estates, trusts, other partnerships, or corporations; they report their share of partnership income on their respective income tax returns. A partnership that engages in a trade or business in Hawaii or has income from sources in the state must file an annual Hawaii partnership information return, regardless of partners' residence or nonresidence. A return must also be filed if the partnership has a Hawaii resident as a member but does not derive any income within the state.

As with C and S corporations, partnerships may conduct business in and out of the state of Hawaii. Beginning in 1994, partnerships with business activities in Hawaii and outside of the state may use an apportionment formula to allocate business income attributable to Hawaii. Ordinary income from the partnership's trade or business in Hawaii is based on the average Hawaii share based on three apportionment factors--property, payroll and sales. For purposes of this study, partnerships apportioning income are classified as "foreign" entities, while "domestic" partnerships refer to all others not apportioning income.

SUMMARY

The number of partnership returns filed grew to 7,067 in 1998 as compared with 5,474 in 1995 and 5,855 in 1992. This 1998 count however, is considerably higher than previous years counts because of the inclusion of returns reporting no activity. Of the four types of business organizations included in this report, partnerships are the only entities showing a decline in the amount of business receipts, dropping 45.5% from \$5.7 billion to \$3.1 billion. Net profits totaled \$1.2 billion, while net losses totaled \$0.7 billion.

Selected Items	1998	1995	% Change
Number of Partnerships	7,067	5,474	29.1%
Business Receipts	\$3,121,569	\$5,728,961	-45.5%
No. with Ordinary Income	1,740	3,128	-44.4%
No. without Ordinary Income	5,327	2,346	127.1%
Ordinary Income (Net Profit)	\$1,248,627	\$1,187,074	5.2%
Ordinary Loss (Net Loss)	\$ 713,036	\$799,722	-10.8%

While only 2,294 partnerships reported business receipts, excluded from this count are those with rental and other income sources reported on Schedule K or as "other income" on Form N-20. For partnerships whose sole source of income was rental activity reported on Schedule K or "other income", such income was attributed to business receipts in prior studies; that was not done due to this report's exclusive reliance on electronic data. This accounts for the drop in reported business receipts shown in Table A.

ANALYSIS OF DATA

TAXATION DISTRICTS

From 1995 to 1998, the number of partnerships rose in each of the four tax districts: First District, from 4,013 to 5,059; Second, from 543 to 842; Third, from 643 to 815; and Fourth, from 275 to 351. Statewide, the number of partnerships advanced from 5,474 to 7,067 partnership returns.

DOMESTIC PARTNERSHIPS

Domestic partnerships numbered 6,815, or 96.4%, of the total 7,067 partnership returns filed. Business receipts totaled \$2,149.3 million, with 4,650 businesses reporting no business receipts. Slightly under one-half of partnerships reporting business receipts reported receipts of \$100,000 or less, while the remaining half had receipts of \$100,000 or more. One-third of these partnerships had receipts totaling \$250,000 or more. Domestic partnerships reported net profits of \$1,203.0 million and net losses of \$643.1 million.

TABLE B						
Domestic Partnership Business Receipts and Net Profit (Loss) Data						
by Size of Business Receipts						
Size of Business Receipts		No. of Returns	Business Receipts	Net Profit	Net Loss	
(In Millions of Dollars)						
TOTAL		6,815	\$2,149.3	\$1,203.0	\$643.1	
Under	\$ 25,000	569	4.8	0.8	21.8	
\$ 25,000	" 50,000	222	8.1	4.4	20.4	
50,000	" 100,000	284	20.5	3.9	4.5	
100,000	" 250,000	379	62.5	10.7	16.3	
250,000	and over	711	2,053.4	268.0	191.8	
No Receipts Reported		4,650	--	914.6	388.3	

Partnership - 1998

Finance, insurance and real estate businesses were the most numerous, accounting for 55.7% of the partnership population, and making up 6.3% of total business receipts. Accommodations and food service partnerships made up 4.8% of total partners and 38.1% of business receipts.

FOREIGN PARTNERSHIPS

Starting in 1994, a partnership with business activity within and without Hawaii must apportion income attributable to Hawaii and everywhere. The apportionment formula is based on the average Hawaii to worldwide share of three factors, namely, property, payroll and sales. Partnerships apportioning income are classified as "foreign" partnerships.

TABLE C						
Distribution of Foreign and Domestic Partnerships by Size of Business Receipts						
Size of Business Receipts			Foreign Partnerships		Domestic Partnerships	
			No. of Returns	% Distribution	No. of Returns	% Distribution
TOTAL			252	100.0%	6,815	100.0%
	Under	\$ 25,000	38	15.1%	569	8.3%
\$ 25,000	"	50,000	17	6.7%	222	3.3%
50,000	"	100,000	10	4.0%	284	4.2%
100,000	"	250,000	14	5.6%	379	5.6%
250,000	and over		49	19.4%	711	10.4%
No Receipts Reported			124	49.2%	4,650	68.2%

Representing 3.6% of partnership returns, foreign partnerships totaled 252. Business receipts from these partnerships totaled \$972.3 million, up 15.3 from \$843.2 million in 1995. Over 49% of foreign partnerships reported no business receipts, while over 68% of domestic partnerships reported no receipts; largely due to the absence of Schedule K data and concealed other income sources.

STATISTICAL TABLES

SECTION 4

PARTNERSHIP

TABLE 1
DISTRIBUTION OF DOMESTIC PARTNERSHIP RETURNS
BY TAXATION DISTRICT AND BY INDUSTRY - 1998

INDUSTRY	TAXATION DISTRICT				
	All	First	Second	Third	Fourth
TOTAL *	6,815	4,829	840	798	348
Agriculture/Fishing	235	81	41	96	17
Construction/Mining/Utility	452	293	52	68	39
Manufacturing	103	70	12	17	4
Wholesale	142	106	8	26	2
Retail	447	300	55	57	35
Transportation/Warehousing	35	19	7	5	4
Information	91	63	6	12	10
Finance/Insurance/Real Estate	3,793	2,831	462	351	149
Professional/Mgmt Services	642	494	59	61	28
Education	13	9	1	3	--
Health Care/Social Assistance	89	58	12	15	4
Arts/Entertainment/Recreation	163	113	17	25	8
Accommodations/Food	326	202	63	29	32
Other Services	171	106	33	22	10
Unclassified	113	84	12	11	6

* All returns filed, including returns reporting no activity.

TABLE 2
DISTRIBUTION OF DOMESTIC PARTNERSHIP RETURNS
BY TAXATION DISTRICT AND BY SIZE OF BUSINESS RECEIPTS - 1998

INDUSTRY	TAXATION DISTRICT				
	All	First	Second	Third	Fourth
TOTAL *	6,815	4,829	840	798	348
No Receipts Reported	4,650	3,409	551	494	196
Under \$ 10,000	366	250	44	45	27
\$ 10,000 " 25,000	203	136	25	28	14
25,000 " 50,000	222	123	33	45	21
50,000 " 100,000	284	180	39	49	16
100,000 " 250,000	379	239	51	58	31
250,000 and over	711	492	97	79	43

* All returns filed, including returns reporting no activity.

TABLE 3
 NUMBER OF DOMESTIC PARTNERSHIPS, BUSINESS RECEIPTS AND ORDINARY INCOME OR LOSS
 BY INDUSTRY AND BY SIZE OF BUSINESS RECEIPTS - 1998

INDUSTRY AND SIZE OF BUSINESS RECEIPTS	BUSINESS RECEIPTS		ORDINARY INCOME (NET PROFIT)		ORDINARY LOSS (NET LOSS)	
	Number	Amount (\$000)	Number	Amount (\$000)	Number	Amount (\$000)
Business Receipts - Total	2,165	\$2,149,254	1,646	\$1,202,965	1,916	\$643,082
No Receipts Reported	0	0	346	914,602	1,100	388,321
Under \$ 10,000	366	1,328	148	354	199	20,677
\$ 10,000 " 25,000	203	3,436	120	1,021	78	1,088
25,000 " 50,000	222	8,122	132	4,389	80	20,356
50,000 " 100,000	284	20,546	173	3,921	104	4,499
100,000 " 250,000	379	62,453	257	10,669	118	16,312
250,000 and over	711	2,053,369	470	268,010	237	191,828
Industry - Total	2,165	\$2,149,254	1,646	\$1,202,965	1,916	\$643,082
Agriculture/Fishing	56	28,732	75	5,178	125	6,590
Construction/Mining/Utility	172	222,395	122	31,046	219	162,853
Manufacturing	81	28,037	43	986	45	22,815
Wholesale	114	144,381	78	151,426	52	1,034
Retail	390	161,765	221	39,877	186	6,552
Transportation/Warehousing	25	18,151	17	476	13	1,437
Information	61	19,507	36	2,759	37	8,152
Finance/Insurance/Real Estate	189	134,746	293	438,471	724	137,121
Professional/Mgmt Services	442	361,341	365	298,827	176	156,028
Education	10	496	5	124	5	96
Health Care/Social Assistance	66	115,946	47	21,934	34	5,461
Arts/Entertainment/Recreation	126	69,693	69	25,119	74	11,215
Accommodations/Food	263	819,074	135	71,802	159	98,599
Other Services	143	17,535	116	3,091	42	712
Unclassified	27	7,456	24	111,848	25	24,416

Note: Totals may not add up due to rounding.

TABLE 4

SELECTED SOURCES OF INCOME AND DEDUCTIONS FOR DOMESTIC PARTNERSHIPS BY INDUSTRY - 1998
(Amounts in Thousands of Dollars)

INDUSTRY	BUSINESS RECEIPTS		OTHER INCOME		TOTAL INCOME		COST OF GOODS		TOTAL DEDUCTIONS	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
ALL PARTNERSHIPS--TOTAL	2,165	\$2,149,254	657	\$521,522	2,905	\$2,435,542	1,294	\$778,671	3,066	\$1,875,659
Agriculture/Fishing	56	28,732	19	401	181	17,487	26	10,096	98	18,898
Construction/Mining/Utility	172	222,395	76	40,749	245	15,092	142	190,935	318	146,900
Manufacturing	81	28,037	12	222	78	(14,447)	71	22,278	84	7,381
Wholesale	114	144,381	23	4,664	120	210,276	99	90,504	120	59,884
Retail	390	161,765	67	38,914	390	108,532	371	91,582	396	75,208
Transportation/Warehousing	25	18,151	5	926	27	17,438	9	1,982	28	18,399
Information	61	19,507	19	10,179	67	22,503	33	5,346	66	27,896
Finance/Insurance/Real Estate	189	134,746	198	154,472	622	625,385	58	56,992	776	324,035
Professional/Mgmt Services	442	361,341	101	149,212	497	411,827	108	68,935	492	269,027
Education	10	496	1	11	9	392	2	88	8	364
Health Care/Social Assistance	66	115,946	18	302	69	106,009	7	315	78	89,536
Arts/Entertainment/Recreation	126	69,693	20	65,762	131	121,753	58	14,468	136	107,849
Accommodations/Food	263	819,074	80	55,007	280	652,634	209	217,422	286	679,431
Other Services	143	17,535	8	69	146	12,780	84	4,628	142	10,402
Unclassified	27	7,456	10	632	43	127,881	17	3,100	38	40,449

Note: Totals may not add up due to rounding.

TABLE 5
 DISTRIBUTION OF DOMESTIC PARTNERSHIP RETURNS BY SIZE OF BUSINESS RECEIPTS
 AND BY SIZE OF NET PROFIT - 1998

SIZE OF NET PROFIT	ALL RETURNS	SIZE OF BUSINESS RECEIPTS						
		NO BUSINESS RECEIPTS	Under \$10,000	under \$25,000	under \$50,000	under \$100,000	under \$250,000	and over
TOTAL *	6,815	4,650	366	203	222	284	379	711
Under \$ 1,000	5,169	4,304	218	83	90	111	122	241
\$ 1,000 " 5,000	174	60	63	17	12	8	8	6
5,000 " 10,000	240	47	66	34	29	29	22	13
10,000 " 25,000	160	26	17	33	16	24	29	15
25,000 " 50,000	275	55	2	33	45	48	58	34
50,000 " 75,000	220	43	0	2	27	45	64	39
75,000 " 100,000	109	11	0	0	1	16	34	47
100,000 and over	68	9	0	0	0	2	13	44
No Net Profit	400	95	0	1	2	1	29	272

* All returns filed, including returns reporting no activity.

TABLE 6
 BUSINESS RECEIPTS AND NET INCOME OR LOSS,
 BY NUMBER OF PARTNERS - 1998
 (Amounts in Thousands of Dollars)

NUMBER OF PARTNERS	NUMBER OF *		BUSINESS RECEIPTS		NET PROFIT		NET LOSS	
	Returns	Partners	Number	Amount	Number	Amount	Number	Amount
TOTAL	6,815	287,017	2,165	\$2,149,254	1,646	\$1,202,965	1,916	\$643,082
Not Indicated	719	0	171	219,453	135	431,161	249	252,515
Two	2,486	4,972	1,344	1,025,578	976	226,149	728	169,857
Three	983	2,949	307	225,248	219	38,694	270	78,476
Four	666	2,664	117	115,460	99	46,957	141	23,179
Five	391	1,955	52	89,316	48	21,085	94	35,756
Six	309	1,854	31	33,008	20	11,239	86	22,798
7 to 9	460	3,581	52	103,535	48	12,762	123	30,762
10 to 19	450	5,874	41	68,940	45	49,876	131	7,037
20 to 49	249	6,950	33	111,569	35	48,980	76	8,917
50 to 99	36	2,477	11	124,622	9	111,456	10	8,887
100 or more	66	253,741	6	32,524	12	204,606	8	4,898

* All returns filed, including returns reporting no activity.

Note: Totals may not add up due to rounding. Data for domestic partnerships only.

TABLE 7
 NUMBER OF FOREIGN PARTNERSHIPS AND SELECTED DATA
 BY INDUSTRY AND SIZE OF TOTAL RECEIPTS - 1998

CATEGORY	NUMBER OF		TOTAL RECEIPTS		ORDINARY INCOME OR NET PROFIT		ORDINARY LOSS OR NET LOSS	
	Partnerships	Partners	Number	Amount (\$000)	Number	Amount (\$000)	Number	Amount (\$000)
INDUSTRY GROUP -- TOTAL	252	27,215	161	\$972,315	94	\$45,662	72	\$69,954
Agriculture/Fishing	2	8	2	1,252	2	33	0	0
Construction/Mining/Utility	22	53	16	36,555	10	1,053	6	187
Manufacturing	16	44	10	2,676	7	85	3	8
Wholesale	17	31	15	30,344	10	2,856	4	213
Retail	8	15	6	347,443	3	681	3	41,353
Transportation/Warehousing	4	0	3	7,253	2	617	1	3
Information	51	9,501	29	203,176	13	16,029	25	12,300
Finance/Insurance/Real Estate	53	4,033	37	160,085	18	6,630	17	7,892
Professional/Mgmt Services	52	13,357	30	115,360	19	6,746	10	6,925
Education	0	0	0	0	0	0	0	0
Health Care/Social Assistance	4	34	1	17,346	1	5,408	0	0
Arts/Entertainment/Recreation	7	14	2	48,077	1	5,261	1	1,068
Accommodations/Food	10	125	7	2,321	5	220	2	4
Other Services	2	0	1	216	1	30	0	0
Unclassified	4	0	2	212	2	12	0	0
BUSINESS RECEIPTS -- TOTAL	252	27,215	161	\$972,315	94	\$45,662	72	\$69,954
Receipts Not Reported	124	21,364	0	0	13	7,737	25	20,246
Under \$ 10,000	29	30	31	78	11	6	18	1,707
\$ 10,000 " 25,000	9	22	12	197	5	13	4	25
25,000 " 50,000	17	64	14	504	10	38	7	33
50,000 " 100,000	10	20	12	892	6	220	4	240
100,000 " 250,000	14	90	20	3,700	11	304	3	72
250,000 and over	49	5,625	72	966,943	38	37,345	11	47,632

Note: Totals may not add up due to rounding.

APPENDIX

FACSIMILES OF TAX RETURNS AND INSTRUCTIONS

- Corporation
- S Corporation
- Proprietorship
- Farm
- Partnership

The following are links to the 1998 forms:

Form N-30 *Corporation Income Tax Return*
Instructions for Form N-30
Schedule D (Form N-30/N-70NP) *Capital Gains and Losses (N-30/N-70NP)* and
Instructions
Schedule O *Allocation and Apportionment of Income*
Schedule P *Apportionment Formula*
Instructions for Schedules O and P

Form N-35 *S Corporation Income Tax Return*
Instructions for Form N-35
Schedule D (Form N-35) *Gains and Losses and Built-in Gains* and Instructions
Schedule K-1 (Form N-35) *Shareholder's Share of Income, Credits, Deductions, etc.*
Instructions for Schedule K-1 (Form N-35)
Schedule NS (Form N-35) *Hawaii S Corporation Income Tax Return*

Form N-20 *Partnership Tax Return*
Instructions for Form N-20
Schedule D (Form N-20) *Gains and Losses* and Instructions
Schedule K-1 (Form N-20) *Partner's Share of Income, Credits, Deductions, etc.*
Instructions for Schedule K-1 (Form N-20)

Form N-310 *Multistate Tax Compact Short Form Return*

**The following are links to the Internal Revenue Service
Website for 1998 forms:**

Form 1040 (Schedule C) *Profit and Loss From Business Sole Proprietorship*
Instructions for Form 1040 (Schedule C)
Form 1040 (Schedule F) *Profit or Loss From Farming*
Instructions for Form 1040 (Schedule F)