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# **Tax Credits**

**Claimed by Hawaii  
Individuals and Corporations**

**2000**

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**Department of Taxation  
State of Hawaii**

STATE OF HAWAII

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Department of Taxation  
State of Hawaii  
June, 2002

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## INTRODUCTION

After the introduction of a consumer tax credit and an education tax credit for 1965 tax returns, the Department of Taxation published its first tax credit study. Designed to assist low-income taxpayers, these two credits were inversely graduated to modified adjusted gross income. A second study on 1970 individual returns included the same two credits plus two additional credits—drug and medical expenses and low-income household renters credit.

Since 1977, this study became an annual occurrence as legislators, individuals and organizations became aware and interested in the public's response to tax credits. Presently there are seventeen different tax credits offered to individual and corporate taxpayers. Corporations have been included in this tax credit study since tax year 1997.

This report summarizes seventeen tax credits claimed by Hawaii individuals and corporations on income tax returns filed for tax year 2000:

- Low-income refundable tax credit
- Low-income household renters tax credit
- Child and dependent care expenses tax credit
- Child passenger restraint system tax credit
- Capital goods excise tax credit
- Fuel tax credit for commercial fishers
- Energy conservation tax credit
- Enterprise zone tax credit
- Employment of vocational rehabilitation referrals tax credit
- Motion picture and film production income tax credit
- High technology business investment tax credit
- Increasing research activities tax credit
- Hotel construction and remodeling tax credit
- Income tax paid to another state or to a foreign country
- Low-income housing tax credit
- Lifeline telephone service credit
- Individual development account





## **TAX CREDITS CLAIMED BY HAWAII INDIVIDUALS AND CORPORATIONS - 2000**

### **SUMMARY**

Nearly 576,000 individual income tax returns and almost 17,000 corporation tax returns were processed by the Department of Taxation for tax year 2000. Of these totals, 41.2% of individual tax returns had tax credit claims amounting to \$50.0 million, while 13.7% of corporation tax returns had tax credit claims amounting to \$42.9 million. This compares to claims of \$53.0 million for individuals and \$21.1 million for corporations in tax year 1999. Total tax credits claimed by individuals and corporations totaled \$92.8 million in tax year 2000, \$18.7 million more than the \$74.1 million claimed in 1999. Part of the increase may be due to the inclusion of additional corporation returns beyond the December 2001 cutoff date and the inclusion of franchise tax returns, as explained below.

### **DATA SOURCE AND METHODOLOGY**

Resident taxpayers filed income tax returns on one of three forms: N-11, for those filing a federal tax return; N-12, for those not filing a federal tax return; and N-13, for those who have less than \$100,000 taxable income, do not itemize deductions and do not claim adjustments. Part-year residents and nonresidents with income from Hawaii sources file Form N-15. Corporations that are directly taxable as entities and are eligible for tax credits file Form N-30.

Included in this report, for the first time, are 114 franchise taxpayers (Form F-1) that may claim the capital goods, energy device, low-income housing and high technology tax credits. Data for franchise tax returns are grouped with those for corporations in this report.

Data were extracted from the Department of Taxation's computerized Comprehensive Net Income Tax (CNIT) system and a stratified sample of individual and corporation tax returns was used for this study. In order to eliminate sampling error for less frequently claimed tax credits, the sample included every return with a tax credit other than the low-income tax credit and the low-income renter's tax credit. Remaining returns with only these two credits or no credits were selected by a simple random sampling. Since N-15 filers rarely claim the two credits, all N-15 returns with any credit were part of the sample selection. N-30 returns with any credit were also part of the sample selection. Data from F-1 returns were collected manually.

Of the total 592,058 returns processed, 55,609 returns were included in the sample data set. While the filing deadline for tax year 2000 income tax returns was April 20, 2001, the deadline for filing returns could be extended to October 20, 2001. Figure 1 shows in detail the number of returns processed by type of return and size of sample selected.

Figure 1

Number of Individual, Corporation and Franchise Tax Returns  
Processed and Sampled by Taxation District

	TAXATION DISTRICT				
	State	First	Second	Third	Fourth
<b>Returns Processed</b>					
N-11	449,405	328,635	48,848	50,366	21,556
N-12	15,801	11,506	1,455	2,062	778
N-13	57,096	41,089	4,909	8,069	3,029
N-15	52,806	45,400	3,333	2,967	1,106
N-30	16,950	13,508	1,394	1,618	430
Total	592,058	440,138	59,939	65,082	26,899
<b>Returns in Sample</b>					
N-11	47,565	34,314	5,416	5,267	2,568
N-12	783	589	68	93	33
N-13	2,043	1,463	171	293	116
N-15	2,325	1,960	172	145	48
N-30	2,893	2,300	223	280	90
Total	55,609	40,626	6,050	6,078	2,855
<b>Percent of Returns Sampled (%)</b>					
N-11	10.6	10.4	11.1	10.5	11.9
N-12	5.0	5.1	4.7	4.5	4.2
N-13	3.6	3.6	3.5	3.6	3.8
N-15	4.4	4.3	5.2	4.9	4.3
N-30	17.1	17.0	16.0	17.3	20.9
Total	9.4	9.2	10.1	9.3	10.6

For this report, the cutoff date was November 2001 for individual returns and December 2001 for corporation returns. The late cutoff dates allowed for the inclusion of as many returns as possible. Unlike previous years, this report includes a few corporation returns processed after December 2001 with larger tax credit claims.

The state of Hawaii has four taxation districts. Some of the statistics in this report are summarized by the four taxation districts. The First District includes the island of Oahu; Second, the islands of Maui, Molokai and Lanai; Third, the island of Hawaii; and Fourth, the islands of Kauai and Niihau.

Tax Credit – 2000

**OVERVIEW**

Tax credit claims amounted to \$92.8 million in tax year 2000, \$18.7 million more than the \$74.1 million claimed in tax year 1999. Of the \$92.8 million, individuals claimed \$50.0 million (53.8%) while corporations claimed \$42.9 million (46.2%). A total of 114 franchise tax returns were filed for tax year 2000, of which there were 16 claims for tax credits totaling \$7.2 million.

Figure 2  
Percent of Individual and Corporation Returns Claiming Tax Credits  
for the 2000 Tax Year

	Number of Returns	Percent of Total Returns	Percent of Total w/Credits
Individual Returns	575,108	100.0%	
Returns with Tax Credits	237,136	41.2%	100.0%
Low-Income Credit	181,390	31.5%	76.5%
Capital Goods Excise Credit	2,972	0.5%	1.3%
Child Car Seat Credit	4,122	0.7%	1.7%
Renter's Credit	70,016	12.2%	29.5%
Dependent Care Credit	26,432	4.6%	11.1%
Energy Device Credit	4,025	0.7%	1.7%
Fuel Credit for Fishers	284	0.0%	0.1%
Enterprise Zone Credit	45	0.0%	0.0%
Vocational Rehabilitation Job Credit	21	0.0%	0.0%
Motion Picture Credit	11	0.0%	0.0%
High Technology Credit	102	0.0%	0.0%
Miscellaneous Nonrefundable Credits*	6,393	1.1%	2.7%
Corporation Income Tax Returns	16,950	100.0%	
Returns with Tax Credits	2,330	13.7%	100.0%
Capital Goods Excise Credit	2,266	13.4%	97.5%
Fuel Credit for Fishers	21	0.1%	0.9%
Vocational Rehabilitation Job Credit	10	0.1%	0.4%
Hotel Remodeling Credit	61	0.4%	2.6%
Energy Device Credit	5	0.0%	0.2%
Low-Income Housing Credit	9	0.0%	0.2%
Other Credits**	1	0.0%	0.0%

\* Includes credit for taxes paid to other jurisdictions and low-income housing credit.

\*\* Includes high technology credit, enterprise zone credit, and motion picture credit.

## Tax Credit – 2000

Overall, individual credit claims dropped \$3.0 million from \$53.0 million to \$50.0 million. Corporate claims more than doubled from \$21.1 million to \$42.9 million. Total number of returns filed by individuals and corporations increased by 1.2%, or 6,884 returns. Individual filers increased by 8,371 returns while corporate filers dropped by 1,487 returns. The number of individual and corporate returns claiming tax credits dropped from 244,865 to 239,450. The percentage of returns claiming tax credits was 39.3%, out of a total 592,058 returns filed in 2000, compared with 41.8% of 585,174 returns filed in 1999.

As tax credit claims by individuals dropped \$3.0 million, or 5.7%, the number of claims dropped by 5,389 claims, or 2.3%. In tax year 2000, 41.2% of all individual returns had claimed some kind of tax credit. The most commonly claimed low income and renter's credits dropped 2.7% and 2.5%, respectively. The credit amount claimed for the low income credit dropped from \$8.7 million to \$8.3 million, and from \$7.2 million to \$7.0 million for renter's credit. The dependent care credit increased slightly from \$7.8 million to \$8.0 million, as did the number of claims from 26,432 to 26,039.

Of the 16,950 corporation tax filers, 13.7% claimed tax credits, of which 97.5% claimed the capital goods excise tax credit. Of the total \$42.9 million in credits claimed by corporations, \$29.6 million, or 69.2%, was for the capital goods excise credit. The biggest increases for corporations were \$11.4 million in capital goods excise tax credits and \$5.0 million in hotel remodeling credit. These increases were the result of a \$600 million increase in construction projects<sup>1</sup> and the inclusion of franchise tax returns and additional corporation taxpayers filing after the cutoff date.

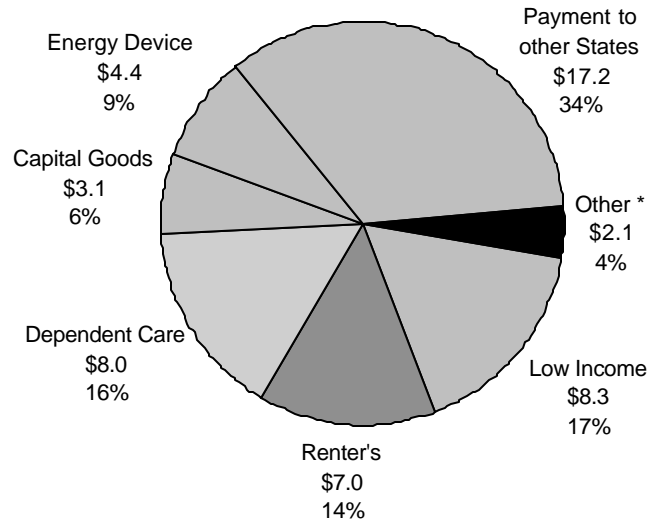
Chart 1 shows the distribution of the amounts of credits claimed by individuals. The three most claimed credits, low-income, rent and dependent care, were almost evenly distributed with approximately \$7 to 8 million dollars each in claims. The credit for income taxes paid to other states totaled \$17.2 million, while the energy device and capital goods excise tax credits amounted to \$4.4 million and \$3.1 million, respectively.

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<sup>1</sup> State of Hawaii, Department of Taxation "General Excise and Use Tax Collections – Calendar Year Summary December 31, 2000".

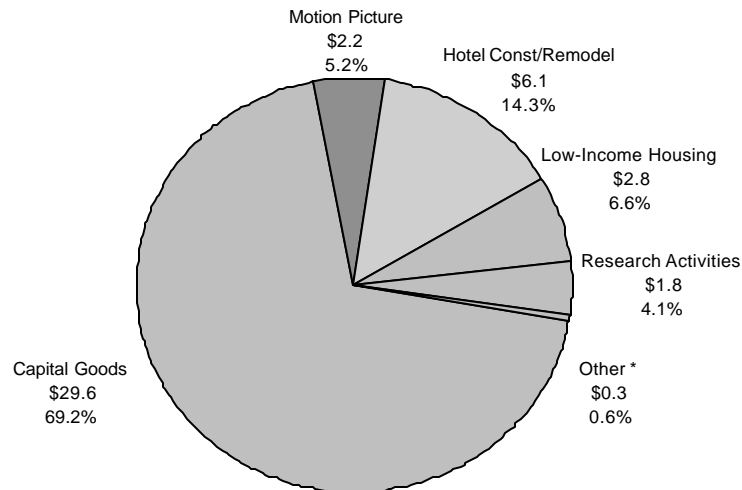
Tax Credit – 2000

**Chart 1**  
**Distribution of Tax Credits**  
**Claimed by Individuals - 2000**  
 (Millions of Dollars)



\* Includes car seat, fuel motion picture, hotel remodeling, job, enterprise zone, high tech, low-income housing and research.

**Chart 2**  
**Distribution of Tax Credits**  
**Claimed by Corporations - 2000**  
 (Millions of Dollars)

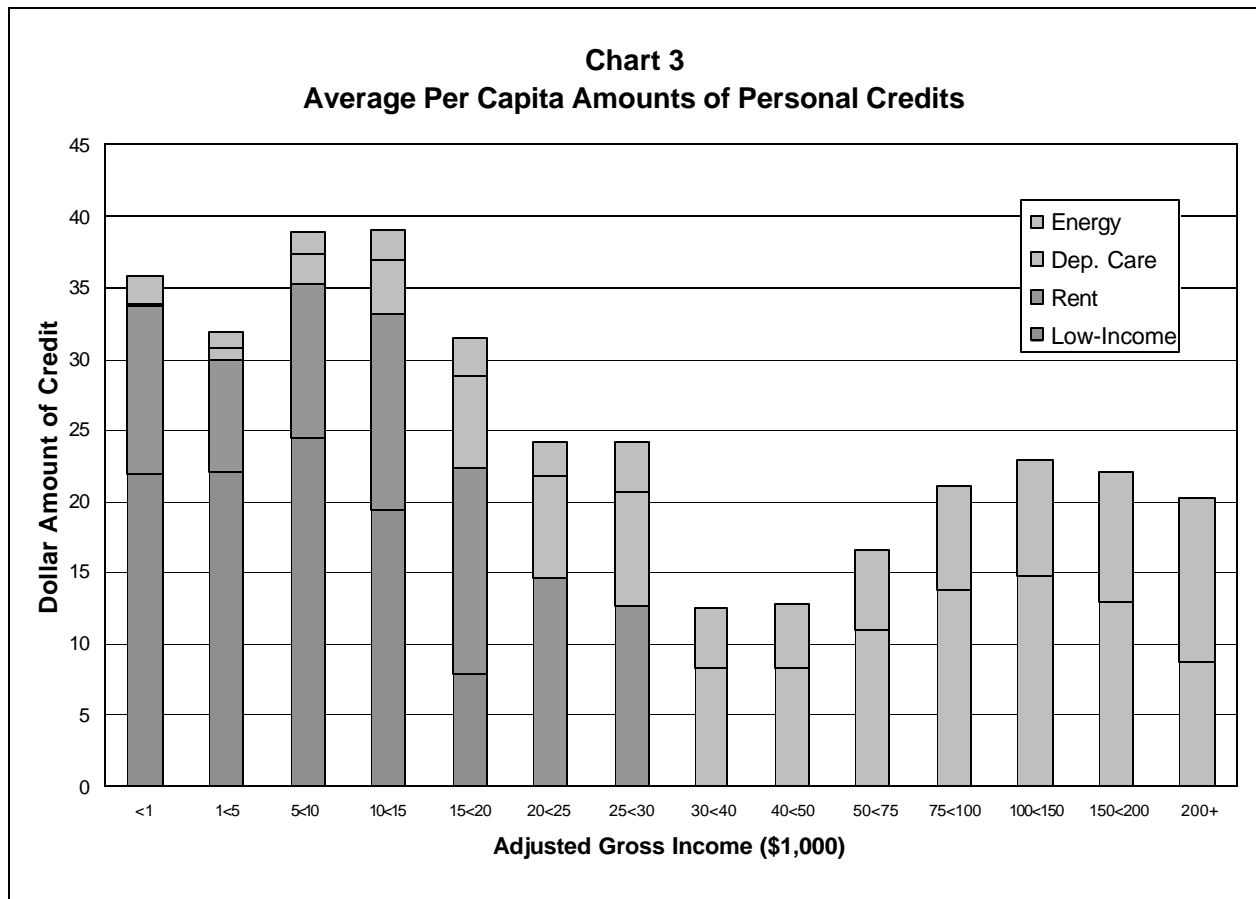


\* Includes fuel, energy device, job, enterprise zone, high tech and lifeline telephone.

## Tax Credit – 2000

Similarly, Chart 2 illustrates the distribution for corporations. The majority of claims was for the capital goods excise tax credit amounting to \$29.6 million. The next highest amount of credit claimed, \$6.1 million, was for hotel remodeling, followed by low-income housing (\$2.8 million), motion picture (\$2.2 million) and research (\$1.8 million).

Chart 3 illustrates per capita amounts of selected personal tax credits claimed by adjusted gross income (AGI) brackets. The per capita amounts were generated by dividing the dollar amount of each type of credit by the number of persons within each AGI bracket. The number of persons included exemptions for taxpayers, spouses, and dependents. To avoid a duplicated number of persons, age exemptions were excluded. Exemptions for minor children supported by payments administered by the Department of Human Services were included; although these children cannot be claimed as dependents, they are still eligible for the low-income tax credit.



The rent credit was almost evenly distributed among the different AGI groups up to \$30,000, while the low-income credit dropped as AGI increased because of the inversely

## Tax Credit – 2000

graduated credit amount. The rent credit was a flat \$50 per exemption. The energy and dependent care credits were higher among the higher AGI groups.

Tax year 2000 was the fifth consecutive year that the general income tax credit was not available. Since 1981, Hawaii's state constitution has required a tax refund or tax credit to resident taxpayers whenever the state general fund surplus exceeds 5% of general fund revenues for each of two successive years. This condition has not been met since 1996.

Tax credits were first introduced in 1965 to assist low-income taxpayers.<sup>2</sup> The first two credits were the consumer-type tax credit and the education tax credit. Both credits were inversely graduated according to modified adjusted gross income (MAGI) and adjusted gross income (AGI), respectively. The consumer credit ranged from \$18 (MAGI < \$1,100) to 45¢ (MAGI \$6,300 and over) per exemption. The grades K-12 education credit ranged from \$20 (AGI < \$3,000) to \$2 (AGI \$5,000 and over) per student. The higher education credit, also by AGI, ranged from \$50 to \$2 per student. Five years later, two more credits were added to the list of credits allowed. The drug and medical credit relieved taxpayers for such expenses and the low-income household renters credit assisted low-income (AGI < \$15,000) renters with rent expenses.

As years passed, credits were created as incentives for various purposes. By tax year 2000, the number of available tax credits rose to seventeen, as shown on Chart 4, a steady growth from modest beginnings. Businesses are allowed to claim eleven of the seventeen credits. Note that the credit for taxes paid to other states or foreign countries was effective since 1957, but not included in this study until the 1997 report.

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<sup>2</sup> Except for the credit for income tax paid to other states or foreign countries—Act 1, SLH 1957. This credit was not included in the tax credit studies until 1997.

**CHART 4**  
**Number and Type of Credits Available by Tax Years (1957- 2000)**

Tax Credit – 2000

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High Technology																					X
Research Activity																					X
Individual Development																				X	X
Low-Income Refundable																				X	X
Motion Picture																			X	X	X
Hotel Remodeling																			X	X	X
Nursing Facilities																X	X	X	X	X	X
Job Rehabilitation															X	X	X	X	X	X	X
Food/Excise														X	X	X					
Medical Services													X	X	X	X					
Capital Goods Excise												X	X	X	X	X	X	X	X	X	X
Low-Income Housing												X	X	X	X	X	X	X	X	X	X
Food											X	X	X				X	X	X		
Enterprise Zone										X	X	X	X	X	X	X	X	X	X	X	X
Car Seat									X	X	X	X	X	X	X	X	X	X	X	X	X
General Income								X	X	X	X	X	X	X	X	X					
Fishng Fuel							X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Dependent Care						X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Energy Device					X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Excise				X	X	X	X	X	X	X	X	X	X	X	X	X					
Dangerous Item			X	X	X	X	X	X	X												
Rent		X	X			X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X
Drug/Medical		X	X																		
Education	X	X	X																		
Consumer-Type	X	X	X																		
Out-of-State Taxes Paid*	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X	X

TAX YEAR	65-69	70	71-73	74	75-76	77-79	80	81	82-85	86	87	88	89	90	91-92	93-94	95	96	97-98	99	00
# CREDITS	3	5	6	3	4	6	7	8	9	10	10	12	13	13	14	15	13	12	14	15	17

\* Taxes paid to other states or foreign countries. Passed by the 1957 Legislature, but not tabulated for this study until 1997 report.



## ANALYSIS OF DATA

All tax credits are classified as refundable or nonrefundable. Refundable credits are any qualified amounts of credit regardless of tax liability. Nonrefundable credits may be claimed against the taxpayer's net income tax liability for the taxable year. In most cases, any excess may be claimed against the taxpayer's income tax liability in subsequent years until exhausted or up to a limited amount of time. Certain credits require the completion of specific tax forms along with required information or evidence. Facsimiles of these forms are found in Appendix III.

The tables in Appendix I illustrate various credits in further details. For the first time this year, credits are categorized by geographical areas based on zip codes (see table 11).

### Low-Income Refundable Tax Credit

The low-income refundable tax credit was first introduced in the 1999 tax year by the 1998 legislature to replace the food/excise tax credit. This credit is similar to the excise tax credit which was eliminated after tax year 1994. (See Outline of Tax Credit History in Appendix II.) While the food tax credit was a flat \$27 per qualified exemption regardless of income amount, this low-income tax credit is available to residents with AGI of \$20,000 or less. To qualify for this credit, each qualifying exemption must represent a person who: 1) physically resided in Hawaii for more than nine months of the taxable year; 2) was not in prison, youth correctional facility, or jail for the entire taxable year; and 3) may not be claimed as a dependent by another taxpayer. Each qualified exemption is entitled to an amount of credit based on AGI as shown below:

<u>Adjusted Gross Income</u>	<u>Tax Credit per Qualified Exemption</u>
Under \$10,000	\$35
\$10,000 under 15,000	25
15,000 to 20,000	10
Over \$20,000	0

Exemptions for age do not qualify for this credit. Taxpayers with minor children receiving support from the Department of Human Services are eligible for a \$35 credit per child regardless of income.

Although the taxpayer's AGI was limited to \$20,000 to qualify, the low-income tax credit was the most commonly claimed credit. Of the 575,108 returns filed by individuals in tax year 2000, the credit appeared on 31.5%, or 181,390 returns, amounting to \$8.3 million, almost equal to the 1999 total. Of all taxpayers filing as heads of household, 42.0% claimed this credit, followed by single filers (37.6%) and joint filers (20.7%).

## Tax Credit – 2000

### Low-Income Household Renter's Tax Credit

Resident taxpayers who resided and paid rent for such real property during the taxable year may qualify for the refundable low-income household renter's credit. The taxpayer must: 1) physically reside in Hawaii for more than nine months of the taxable year; 2) not be eligible to be claimed as a dependent by any taxpayer; 3) have AGI under \$30,000; and 4) pay more than \$1,000 in annual rent for real property that is not wholly or partially exempt from the real property tax. If a rental unit is shared with another person, the individual's portion of rent determines his or her eligibility.

The amount of credit is equal to \$50 per qualified exemption, and taxpayers 65 years of age or older may claim an additional \$50 for the age exemption. Married couples filing separately must combine their adjusted gross income to determine eligibility.

The low-income household renter's credit appeared on 70,016 returns for a total \$7.0 million in claims, almost the same as in the past year. The average claim also remained unchanged at \$100 per return. Of the total 142,960 exemptions qualifying for this credit, 13,419 were age exemptions.

Figure 3  
Returns with Renter's Credit by Adjusted Gross Income Class

Adjusted Gross Income			Number of Returns	Returns with Credit	% with Credit
	Under	\$ 1,000	64,094	10,668	16.6
\$	1,000	" 5,000	69,303	6,720	9.7
	5,000	" 10,000	63,668	10,509	16.5
	10,000	" 15,000	48,652	11,743	24.1
	15,000	" 20,000	43,374	11,325	26.1
	20,000	" 30,000	79,229	19,051	24.0
TOTAL			368,320	70,016	19.0

When first offered in 1970, through Act 180, the amount of credit ranged from 2% of rent paid for taxpayers with AGI under \$10,000 to 1% of rent paid for taxpayers with AGI of \$12,500 to under \$15,000. In 1977, Act 16 changed the credit to \$20 per qualifying exemption, and finally in 1981, Act 230 increased the credit to \$50 per qualifying exemption. While the credit amount has remained unchanged for the past 20 years, the consumer price index for residential rent expense has grown 109.7% from 1981 to 1997.<sup>3</sup>

<sup>3</sup>U.S. Department of Labor, Bureau of Labor Statistics Data, CPI-U.

## Tax Credit – 2000

### Child and Dependent Care Expenses Tax Credit

A taxpayer who pays for the care of a child under 13 years of age or for a spouse or dependent incapable of self care may qualify for this refundable tax credit if the taxpayer is gainfully employed.<sup>4</sup>

The credit amount ranges from 15% to 25% of qualified care expenses and decreases as adjusted gross income increases. The credit schedule is as follows:

<u>Adjusted Gross Income</u>	<u>Percent of Allowable Expenses</u>
Up to \$22,000	25%
\$22,001 - \$24,000	24%
\$24,001 - \$26,000	23%
\$26,001 - \$28,000	22%
\$28,001 - \$30,000	21%
\$30,001 - \$32,000	20%
\$32,001 - \$34,000	19%
\$34,001 - \$36,000	18%
\$36,001 - \$38,000	17%
\$38,001 - \$40,000	16%
\$40,001 and over	15%

Care expenses eligible for this credit are limited to \$2,400 for one qualified dependent and \$4,800 for two or more qualified dependents. Allowable expenses may not exceed the taxpayer's earned income; for joint returns, the amount may not exceed the income of the spouse with the lower-earned income. For example, if a couple with two dependents paid \$4,000 for care expenses and one spouse earned \$50,000 while the other earned \$3,000, the eligible expense amount would be \$3,000. Since the couple's adjusted gross income is more than \$40,000, the amount of credit would be 15% of \$3,000 or \$450.

For tax year 2000, the dependent care credit was reported on 26,432 returns, a slight 1.5% increase over the 1999 total of 26,039 returns. Credit claims amounted to nearly \$8.0 million, up slightly from \$7.8 million in 1999.

### Child Passenger Restraint System Tax Credit

Any taxpayer who purchases one or more new child passenger restraint systems that comply with federal motor vehicle safety standards may claim this refundable tax credit. While this credit was introduced in 1982 to encourage the purchase of voluntary child restraint system, car seats became mandatory in the following year. The credit is \$25 per

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<sup>4</sup>Section 235-55.6,(d),(2), SLH 1993. As a special rule, a spouse who is a student or incapable of caring for oneself may qualify for this credit as gainfully employed. The amount of credit is limited to \$200 for one qualifying individual and \$400 for two or more.

## Tax Credit – 2000

return regardless of the cost or the number of restraint systems purchased during the year. A total of 4,122 claims were filed for the child passenger restraint system tax credit, amounting to \$103,050, up 13.6% over the previous year's total of \$90,725.

### Capital Goods Excise Tax Credit

Hawaii businesses may claim a capital goods excise tax credit for the purchase of eligible depreciable property that is used in a trade or business. The depreciable property must have a useful life or recovery period of three years or more, and must be placed in service in Hawaii and subject to the general excise or use tax. The refundable credit is equal to 4% of the qualifying cost of such property. Any property claimed under the hotel construction and remodeling tax credit or the motion picture and film production income tax credit may not be claimed under the capital goods excise tax credit.

A total of \$32.7 million was claimed in tax year 2000 on 5,238 returns. Among claimants, 56.7%, or 2,972 were individuals and 43.3% or 2,266 were corporations. The amount of credit claimed was \$3.1 million, or 9.4%, by individuals and \$29.6 million, or 90.6%, by corporations. The total \$32.7 million compares with \$21.8 million claimed in tax year 1999.

As mentioned earlier, this large increase is mostly due to the inclusion of franchise tax returns and a few corporation returns processed after the original cutoff date of December 2001 to include those with larger tax credit claims.

### Fuel Tax Credit for Commercial Fishers

The principal operator of a commercial fishing vessel may claim the refundable tax credit for certain fuel taxes paid during the taxable year. The credit amount is equal to the fuel taxes imposed under section 243-4(a), HRS, and paid by the operator.

Claims for this credit amounted to \$122,936 claimed by 305 taxpayers. This is down slightly from the \$130,827 claimed by 331 taxpayers in 1999.

### Energy Conservation Tax Credit

Taxpayers who install an energy conservation device such as a solar system, wind energy system, heat pump or ice storage system, may claim the energy conservation tax credit. The credit applies only to the actual cost of the systems, including accessories and installation, but does not include the cost of repairs to existing systems.

The credit amount is equal to 35% of the cost of solar systems, 20% of the cost of wind energy systems and heat pumps, and 50% of the cost of ice storage systems. For single-family residential buildings, the credit is limited to \$1,750 for solar systems and \$400 for

## Tax Credit – 2000

heat pumps. For multi-unit buildings used primarily for residential purposes, the credit is limited to \$350 per unit for solar systems and \$200 per unit for heat pumps. There are no limits for hotels, commercial buildings and industrial facilities, and for all wind energy systems and ice storage systems.

Nearly 100%, or 4,025 of the 4,036 claims for the energy device credit, was claimed by individual taxpayers. The total of \$4.4 million claimed was slightly lower than the \$4.6 million claimed in the previous year.

### Enterprise Zone Tax Credit

A business located in a designated enterprise zone may claim a credit equal to a percentage of net income tax due and the amount of unemployment insurance premiums paid based on the payroll of employees employed only at the business located in the enterprise zone. In the first year the credit is 80% of the qualified amounts, decreasing by 10% each year, up to 20% in the seventh year. This is a nonrefundable credit and any unused credit may not be carried forward.

This credit increased from \$201,514 to \$368,189 in 2000. Of the 51 claims, 6 were individual taxpayers.

### Employment of Vocational Rehabilitation Referrals

A taxpayer who employs a vocational rehabilitation referral, or an individual who is certified by the Department of Human Services Vocational Rehabilitation and Services for the Blind Division as having a physical or mental disability which results in a substantial handicap to employment, may qualify for this nonrefundable credit. The credit is equal to 20% of the qualifying first-year wages for that taxable year, up to \$6,000.

Thirty-one claims were filed for the job credit. Individuals and corporations claimed approximately \$9,000 each of the total \$18,962.

### Motion Picture and Film Production Income Tax Credit

Any taxpayer who produces a motion picture or television film that benefits Hawaii's economy may claim a motion picture and film production income tax credit. This refundable credit is equal to 4% of the amount of costs incurred in Hawaii for producing the motion picture or television film plus 7.25% of transient accommodations costs incurred in Hawaii for the production of the motion picture or television film. Only the portion of production costs that is not claimed for depreciation purposes may qualify for the credit.

## Tax Credit – 2000

Fifteen taxpayers claimed the motion picture credit. Claims for this credit amounted to \$2.2 million, nearly doubling the \$1.2 million claimed in 1999.

### High Technology Business Investment Tax Credit

Taxpayers making investments in a qualified high technology business may claim the nonrefundable high technology business investment tax credit, as allowed in Act 178, HRS, enacted by the 1999 legislature. Effective for taxable years beginning after December 31, 1998, the amount of credit is equal to 10% of the total invested, up to a maximum allowable credit of \$500,000 for the taxable year.

A total of \$387,633 was claimed on 103 returns. This compares with the \$162,208 claimed in 1999, which was the first year this credit was offered.

### Increasing Research Activities Tax Credit

Act 178, HRS, also allowed for the research activities tax credit. Qualified expenses for research done in a technological nature by a process of experimentation relating to a new or improved function, performance, reliability or quality to develop a new or improved business component of the taxpayer may qualify for the research activities tax credit. This refundable credit conforms to the 20% federal research and development income tax credit. The Hawaii credit is calculated in the same method as the federal, except that only the Hawaii portion of research is accepted. This credit is available for tax years 2000-2005, even if the federal credit is repealed during this period.

In its first year, this credit appeared on 36 returns for a total claim of \$1.8 million. Twenty-five individuals claimed \$12,765, while eleven corporations claimed \$1.8 million.

### Hotel Construction and Remodeling Tax Credit

A taxpayer may claim a refundable credit for any hotel construction and remodeling costs incurred in the taxable year. The hotel construction and remodeling credit is equal to 4% of the costs, provided the taxpayer does not take a deduction for depreciation purposes under IRC section 179.

The hotel remodeling credit increased significantly from \$1.2 million in 1999 to \$7.1 million. While the amount was divided (\$1.0 million for individuals and \$6.1 million for corporations), the number of claims was almost evenly distributed (66 individuals and 61 corporations).

## Tax Credit – 2000

### Income Tax Paid to Another State or to a Foreign Country

If a taxpayer has out-of-state income that was taxed by another state or foreign country and by Hawaii, then the taxpayer may claim a credit against Hawaii income for the net income tax paid to other states or foreign countries. The following conditions must be met: 1) income must be earned while the taxpayer was a Hawaii resident, 2) the income on which the tax was imposed was from sources outside Hawaii, 3) the income was subject to income tax of the other state or foreign country, 4) the income is not exempt from federal income tax, 5) the foreign tax credit is not allowed on the federal return, and 6) no credit is allowed for city or local income taxes paid to another state. If the taxpayer receives a tax refund from the other state or foreign country, it must be reported to the Department of Taxation, or be subject to penalties.

A total 6,226 individuals filed a claim for this credit totaling \$17.2 million.

### Low-Income Housing Tax Credit

Owners of residential buildings providing low-income housing may claim the low-income housing credit. This nonrefundable tax credit is equal to 30% of the applicable percentage basis of each building located in Hawaii. The percentage shall be calculated as provided in section 42, of the IRC. If necessary, the Housing Community Development Corporation of Hawaii (HCDCH) shall determine the amount of credit allocation.

The low-income housing tax credit was first introduced through Act 145, enacted by the 1992 legislature. This act allowed banks and other financial corporations to claim the low-income housing tax credit equal to 30% of the applicable federal low-income housing credit under Section 42 of the Internal Revenue Code (IRC). Act 148, SLH 2000, allows all taxpayers to claim the credit, whether or not the taxpayer claimed the federal credit, effective with tax year 2000.

Claims for the low-income housing credit amounted to \$2.9 million for tax year 2000. Seventy-five individuals claimed \$126,738 of this total. Corporations claimed the remaining \$2.8 million, of which franchise tax return filers claimed \$2.6 million.

### Individual Development Account Contribution Tax Credit

Individual Development Account (IDA) is a special savings account program to assist an eligible person (determination made by the fiduciary) to save or accumulate assets, obtain an education and promote micro-enterprise development. A nonrefundable income tax credit of 50% of the amount contributed to fiduciary organizations may be claimed on the income tax return. This credit is effective for taxable years 2000 to 2004 with an aggregate limit of \$1 million. Amounts claimed as deductions to charitable contributions may not qualify for this credit. No claims were made for this credit for tax year 2000.

## Tax Credit – 2000

### Lifeline Telephone Service Tax Credit

Lifeline telephone service is available to elderly and disabled residential telephone subscribers with an annual income of less than \$10,000. The Public Utilities Commission determines and certifies the lifeline service costs. The telephone public utility is entitled to claim this tax credit which is equal to the sum of foregone revenues and administrative costs of providing subsidized telephone rates to these eligible individuals.

At the end of tax year 2000, a total of 7,815 subscribers were registered for this service, and the total amount of tax credit claimed by the public utility was \$171.2 thousand.

Figure 4  
Lifeline Credit and Number of Subscribers  
Since Inception of Credit in 1986

<u>Year</u>	<u>No. Subscribers at Year End</u>	<u>Amount of Credit</u>
1986*	4,520	\$ 98,108
1987	5,561	191,332
1988	6,013	210,932
1989	6,473	225,392
1990	6,166	247,064
1991	5,982	219,464
1992	7,677	232,166
1993	6,500	257,062
1994	6,666	247,579
1995	6,952	266,713
1996	7,318	274,828
1997	7,267	365,926
1998	7,572	169,158
1999	8,090	168,884
<u>2000</u>	<u>7,815</u>	<u>171,218</u>

- In effect seven months.



# **APPENDIX I**

## **STATISTICAL TABLES**

TABLE 1							
DOLLAR AMOUNTS OF TAX CREDITS CLAIMED							
BY TYPE OF CREDIT AND BY TAXATION DISTRICT - 2000							
Type of Credit	STATE	TAXATION DISTRICT					
		First	Second	Third	Fourth		
<b>TOTAL CREDITS CLAIMED BY INDIVIDUALS &amp; CORPORATIONS</b>							
Low Income Credit	\$ 8,255,545	\$ 5,939,625	\$ 738,960	\$ 1,186,710	\$ 390,250		
Renter's Credit	7,025,400	5,402,700	616,450	635,250	371,000		
Dependent Care Credit	7,950,416	6,117,925	776,033	730,997	325,461		
Child Car Seat Credit	103,050	70,500	13,675	9,075	9,800		
Capital Goods Excise Credit	32,793,475	27,969,417	1,717,063	2,829,302	277,693		
Fuel Credit for Fishing	122,936	57,670	10,147	49,008	6,111		
Motion Picture Credit	2,243,343	2,216,934	24,300	2,099	10		
Hotel Remodeling Credit	7,121,331	6,770,880	61,969	104,303	184,179		
Energy Device Credit	4,413,266	2,813,678	836,620	575,680	187,288		
Vocational Rehabilitation Job Credit	18,962	12,577	3,900	10	2,475		
Enterprise Zone Credit	368,189	296,860	27,144	6,386	37,799		
High Technology Credit	393,633	345,200	10,204	16,350	21,879		
Payments to other States	17,196,432	12,564,992	1,681,601	2,022,495	927,344		
Low-Income Housing Credit	2,939,860	2,910,068	3,895	25,897	0		
Research Activities Credit	1,766,558	1,694,160	71,381	932	85		
Lifeline Telephone Service Credit	171,218	171,218	0	0	0		
<b>GRAND TOTAL</b>	<b>\$ 92,883,614</b>	<b>\$ 75,354,404</b>	<b>\$ 6,593,342</b>	<b>\$ 8,194,494</b>	<b>\$ 2,741,374</b>		

TABLE 1 (continued)  
 DOLLAR AMOUNTS OF TAX CREDITS CLAIMED  
 BY TYPE OF CREDIT AND BY TAXATION DISTRICT - 2000

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
<b>TAX CREDITS CLAIMED BY INDIVIDUALS</b>					
Low Income Credit	\$ 8,255,545	\$ 5,939,625	\$ 738,960	\$ 1,186,710	\$ 390,250
Renter's Credit	7,025,400	5,402,700	616,450	635,250	371,000
Dependent Care Credit	7,950,416	6,117,925	776,033	730,997	325,461
Child Car Seat Credit	103,050	70,500	13,675	9,075	9,800
Capital Goods Excise Credit	3,084,549	1,737,197	843,163	386,783	117,406
Fuel Credit for Fishing	99,601	38,757	6,743	47,990	6,111
Motion Picture Credit	8,157	1,875	4,173	2,099	10
Hotel Remodeling Credit	982,242	736,744	15,885	93,951	135,662
Energy Device Credit	4,395,026	2,795,893	836,620	575,680	186,833
Vocational Rehabilitation Job Credit	9,319	4,631	2,700	10	1,978
Enterprise Zone Credit	328,550	264,613	22,513	6,386	35,038
High Technology Credit	387,633	339,200	10,204	16,350	21,879
Payments to other States	17,196,432	12,564,992	1,681,601	2,022,495	927,344
Low-Income Housing Credit	126,738	107,952	3,122	15,664	0
Research Activities Credit	12,765	11,699	49	932	85
<b>TOTAL FOR INDIVIDUALS</b>	<b>\$ 49,965,423</b>	<b>\$ 36,134,303</b>	<b>\$ 5,571,891</b>	<b>\$ 5,730,372</b>	<b>\$ 2,528,857</b>

TABLE 1 (continued)  
DOLLAR AMOUNTS OF TAX CREDITS CLAIMED  
BY TYPE OF CREDIT AND BY TAXATION DISTRICT - 2000

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
<b>TAX CREDITS CLAIMED BY CORPORATIONS</b>					
Capital Goods Excise Credit	\$ 29,708,926	\$ 26,232,220	\$ 873,900	\$ 2,442,519	\$ 160,287
Fuel Credit for Fishing	23,335	18,913	3,404	1,018	0
Motion Picture Credit	2,235,186	2,215,059	20,127	0	0
Hotel Remodeling Credit	6,139,089	6,034,136	46,084	10,352	48,517
Energy Device Credit	18,240	17,785	0	0	455
Vocational Rehabilitation Job Credit	9,643	7,946	1,200	0	497
Enterprise Zone Credit	39,639	32,247	4,631	0	2,761
High Technology Credit	6,000	6,000	0	0	0
Low-Income Housing Credit	2,813,122	2,802,116	773	10,233	0
Research Activities Credit	1,753,793	1,682,461	71,332	0	0
Lifeline Telephone Service Credit	171,218	171,218	0	0	0
<b>TOTAL FOR CORPORATIONS</b>	<b>\$ 42,918,191</b>	<b>\$ 39,220,101</b>	<b>\$ 1,021,451</b>	<b>\$ 2,464,122</b>	<b>\$ 212,517</b>

TABLE 2  
NUMBER OF RETURNS CLAIMING TAX CREDITS BY TYPE OF CREDIT  
AND BY TAXATION DISTRICT - 2000

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Low Income Credit	181,390	130,757	17,185	24,495	8,953
Renter's Credit	70,016	52,918	6,769	6,662	3,667
Dependent Care Credit	26,432	19,777	2,629	2,689	1,337
Child Car Seat Credit	4,122	2,820	547	363	392
Capital Goods Excise Credit	5,246	3,791	622	578	255
Individuals	2,972	1,998	431	355	188
Corporations	2,274	1,793	191	223	67
Fuel Credit for Fishing	305	113	34	131	27
Energy Device Credit	4,036	2,521	790	541	184
Hotel Remodeling Credit	127	89	14	7	17
Research Activities Credit	36	26	2	5	3
Payments to other States	6,226	4,610	618	683	315
Enterprise Zone Credit	51	27	3	4	17
Low-Income Housing Credit	84	70	3	11	0
High Technology Credit	103	91	4	6	2
Other Credits *	47	31	8	2	6

\* Includes motion picture, vocational rehabilitation job and other credits.

TABLE 3

NUMBER OF INDIVIDUAL RETURNS CLAIMING TAX CREDITS  
BY SIZE OF CREDITS PER RETURN AND BY ADJUSTED GROSS INCOME - 2000

ADJUSTED GROSS INCOME CLASS			Number of Returns with Credits	SIZE OF TAX CREDIT									
				under \$50	\$50 under \$75	\$75 under \$100	\$100 under \$150	\$150 under \$200	\$200 under \$300	\$300 under \$400	\$400 under \$500	\$500 under \$1,000	\$1,000 and over
Under	\$ 5,000		72,321	35,314	15,148	6,311	8,425	2,434	2,833	893	312	402	249
\$ 5,000	"	10,000	40,854	18,681	8,102	5,063	3,596	1,905	1,929	507	473	457	141
10,000	"	15,000	37,020	14,993	6,283	7,714	2,132	2,188	2,004	953	147	425	181
15,000	"	20,000	34,156	20,936	6,051	190	2,581	1,657	964	817	180	597	183
20,000	"	25,000	12,383	354	4,773	68	2,241	1,741	1,781	307	228	675	215
25,000	"	30,000	9,841	306	4,115	68	1,510	1,086	1,433	207	239	643	234
30,000	"	35,000	2,097	389	103	122	168	122	212	153	423	263	142
35,000	"	40,000	1,976	358	97	143	150	127	187	263	237	257	157
40,000	"	45,000	1,911	355	123	122	147	121	172	416	62	245	148
45,000	"	50,000	1,983	367	139	148	149	125	180	423	57	236	159
50,000	"	75,000	9,025	1,505	660	600	736	629	824	1,918	269	1,113	771
75,000	"	100,000	5,995	905	371	396	520	393	583	1,271	202	770	584
100,000	"	150,000	4,423	607	233	244	363	295	420	870	130	668	593
150,000	"	200,000	1,188	141	45	69	64	61	96	185	42	174	311
200,000	and over		1,963	163	62	48	98	79	116	147	54	237	959
TOTAL			237,136	95,374	46,305	21,306	22,880	12,963	13,734	9,330	3,055	7,162	5,027
Percent of Total*			100.0%	40.2%	19.5%	9.0%	9.6%	5.5%	5.8%	3.9%	1.3%	3.0%	2.1%

\* Details may not add up to total due to rounding.

TABLE 4

NUMBER CLAIMING RENTER'S TAX CREDIT, NUMBER OF EXEMPTIONS,  
AND TAX CREDITS CLAIMED, BY ADJUSTED GROSS INCOME - 2000

ADJUSTED GROSS INCOME CLASS			Number Claiming	Number of Exemptions*			Tax Credits Claimed
	Under	\$		Total	Regular*	Age*	
		1,000	10,668	22,252	16,120	6,132	\$ 1,094,100
\$ 1,000	"	3,000	3,059	4,966	4,075	891	247,500
3,000	"	5,000	3,661	7,831	6,603	1,228	383,500
5,000	"	7,000	4,164	8,320	7,722	598	389,750
7,000	"	9,000	4,292	8,290	7,499	791	408,950
9,000	"	11,000	4,349	8,434	7,745	689	418,400
11,000	"	13,000	4,754	9,085	8,587	498	438,300
13,000	"	15,000	4,693	9,444	8,793	651	467,050
15,000	"	17,000	4,819	9,782	9,482	300	480,600
17,000	"	20,000	6,506	13,037	12,589	448	643,300
20,000	"	25,000	10,791	24,184	23,539	645	1,190,450
25,000	"	30,000	8,260	17,335	16,787	548	863,500
<b>TOTAL</b>			<b>70,016</b>	<b>142,960</b>	<b>129,541</b>	<b>13,419</b>	<b>\$ 7,025,400</b>

\* Reflects the number of personal exemptions for net income tax purpose only.

TABLE 5									
TOTAL INDIVIDUAL RETURNS FILED AND LOW INCOME TAX CREDITS CLAIMED BY ADJUSTED GROSS INCOME - 2000									
ADJUSTED GROSS INCOME CLASS			Total No. of Returns Filed	RETURNS WITH CREDIT				RETURNS W/O CREDIT	
				No. of Returns	No. of Exemptions*	Exemptions per Return	Amount of Tax Credits	No. of Returns	Percent of Total
	Under	\$ 5,000	129,991	71,405	105,355	1.48	\$ 3,789,585	58,586	45.1%
\$ 5,000	"	10,000	63,382	40,099	64,909	1.62	2,299,990	23,283	36.7%
10,000	"	15,000	48,302	36,356	61,472	1.69	1,551,475	11,946	24.7%
15,000	"	20,000	43,149	33,476	59,635	1.78	612,500	9,673	22.4%
20,000	and over **		290,284	54	111	2.06	1,995	290,230	100.0%
TOTAL			575,108	181,390	291,482	1.61	\$ 8,255,545	393,718	68.5%
* Reflects the number of personal exemptions for net income tax purpose only.									
** Foster children are eligible for the low income credit even if family adjusted gross income is larger than \$20,000.									



TABLE 6  
 COMPARATIVE DATA ON INDIVIDUAL RETURNS FILED,  
 SHOWING NUMBER AND PERCENTAGE CLAIMING THE LOW INCOME TAX CREDIT - 2000  
 STATEWIDE

ADJUSTED GROSS			Number of Returns Filed			Returns with Credit			% of Returns with Credit		
INCOME CLASS			Single <sup>1</sup>	Joint <sup>2</sup>	H/H <sup>3</sup>	Single <sup>1</sup>	Joint <sup>2</sup>	H/H <sup>3</sup>	Single <sup>1</sup>	Joint <sup>2</sup>	H/H <sup>3</sup>
	Under	\$ 5,000	94,193	29,786	6,012	47,892	18,221	5,292	50.8	61.2	88.0
\$	5,000	" 10,000	43,696	13,742	5,944	25,116	9,830	5,153	57.5	71.5	86.7
	10,000	" 15,000	30,409	11,365	6,528	21,132	9,018	6,206	69.5	79.3	95.1
	15,000	" 20,000	25,403	10,556	7,190	18,614	8,282	6,580	73.3	78.5	91.5
	20,000	and over <sup>4</sup>	106,563	154,110	29,611	0	51	3	0.0	0.0	0.0
TOTAL			300,264	219,559	55,285	112,754	45,402	23,234	37.6	20.7	42.0

<sup>1</sup> Includes married filing separately.

<sup>2</sup> Includes qualified surviving spouse.

<sup>3</sup> Head of Household

<sup>4</sup> Foster children are eligible for the low income credit even if family adjusted gross income is larger than \$20,000.

TABLE 7  
 NUMBER CLAIMING DEPENDENT CARE TAX CREDIT, DEPENDENT CARE  
 EXPENSES ALLOWED, AND TAX CREDIT CLAIMED, BY ADJUSTED GROSS INCOME - 2000  
 STATEWIDE

ADJUSTED GROSS INCOME CLASS			Number of Returns Filed	Returns Claiming Credit	Percent With Credit	Expenses Allowed	Tax Credit Claimed
	Under	\$ 5,000	129,991	284	0.2	\$ 369,727	\$ 87,249
\$ 5,000	"	10,000	63,382	509	0.8	787,404	196,851
10,000	"	15,000	48,302	757	1.6	1,223,792	305,948
15,000	"	20,000	43,149	1,301	3.0	1,990,093	497,290
20,000	"	25,000	41,927	1,543	3.7	2,433,774	588,772
25,000	"	30,000	36,823	1,493	4.1	2,484,011	541,576
30,000	"	35,000	27,773	1,402	5.0	2,312,316	443,926
35,000	"	40,000	22,226	1,301	5.9	2,241,163	376,433
40,000	"	45,000	20,567	1,280	6.2	2,299,817	344,981
45,000	"	50,000	17,559	1,402	8.0	2,500,913	375,148
50,000	"	75,000	61,192	6,636	10.8	11,862,844	1,779,480
75,000	"	100,000	30,664	4,440	14.5	8,104,171	1,215,662
100,000	"	150,000	19,711	3,007	15.3	5,717,832	857,698
150,000	"	200,000	4,929	598	12.1	1,195,126	179,273
200,000	and over		6,913	479	6.9	1,067,510	160,129
TOTAL			575,108	26,432	4.6	\$ 46,590,493	\$ 7,950,416

TABLE 8  
 NUMBER CLAIMING DEPENDENT CARE TAX CREDITS BY ADJUSTED GROSS INCOME  
 AND BY EXPENSES ALLOWED - 2000  
 STATEWIDE

ALLOWABLE DEPENDENT CARE EXPENSES		TOTAL	ADJUSTED GROSS INCOME				
			Under \$15,000	\$15,000 under \$30,000	\$30,000 under \$50,000	\$50,000 under \$100,000	\$100,000 and over
Under	\$ 500	5,022	371	935	1,058	2,040	618
\$ 500	" 1,000	4,654	269	737	945	2,008	695
1,000	" 1,500	3,078	209	498	595	1,281	495
1,500	" 2,000	2,232	132	401	441	891	367
2,000	" 2,500	7,452	418	1,371	1,575	2,994	1,094
2,500	" 3,000	514	16	60	103	251	84
3,000	" 3,500	481	19	48	105	225	84
3,500	" 4,000	420	24	48	87	186	75
4,000	" 4,500	404	11	43	68	204	78
4,500	and over	2,175	81	196	408	996	494
TOTAL		26,432	1,550	4,337	5,385	11,076	4,084

TABLE 9							
NUMBER CLAIMING CAPITAL GOODS EXCISE TAX CREDIT, AMOUNT OF CAPITAL ASSETS PURCHASED, AND TAX CREDIT CLAIMED - 2000							
INDIVIDUAL RETURNS, STATEWIDE							
ADJUSTED GROSS INCOME CLASS			Number Claiming	Amount of Qualified Purchases	Tax Credit Claimed		
	Under	\$ 10,000	543	\$ 9,234,650	\$ 369,386		
\$ 10,000	"	20,000	215	1,601,450	64,058		
20,000	"	30,000	188	1,877,625	75,105		
30,000	"	40,000	163	2,147,125	85,885		
40,000	"	50,000	180	1,713,500	68,540		
50,000	"	75,000	331	4,430,075	177,203		
75,000	"	100,000	266	3,385,800	135,432		
100,000	"	150,000	308	4,060,950	162,438		
150,000	"	200,000	191	4,626,775	185,071		
200,000	and over		587	44,035,775	1,761,431		
TOTAL			2,972	\$ 77,113,725	\$ 3,084,549		



# Tax Credit - 2000

TABLE 11  
NUMBER OF RETURNS CLAIMING TAX CREDITS  
BY GEOGRAPHICAL AREAS - 2000

Geographical Area	Number of Returns	Low Income Credit	Renter's Credit	Dependent Care Credit	Child Car Seat Credit	Capital Goods Excise Credit	Energy Device Credit	Payments to other States	All Other Credits*
<b>Oahu</b>									
Kaimuki to Hawaii Kai	49,185	13,646	4,317	2,299	329	432	400	949	71
Makiki to Waikiki	51,831	19,477	11,376	1,668	234	276	146	707	35
Downtown, Nuuanu	51,115	20,665	10,035	1,631	207	254	128	502	39
Airport, Kalihi	35,575	13,268	7,255	1,696	239	81	165	203	16
Kailua, Kaneohe	46,739	12,637	2,893	2,956	401	278	421	572	36
North Shore	12,276	4,051	1,472	406	70	33	76	107	4
Wahiawa, Mililani	31,848	8,371	3,134	2,215	325	85	224	230	21
Aiea, Pearl City	33,191	10,521	2,625	1,793	273	133	267	328	25
Waipahu	26,409	9,608	4,059	1,840	217	46	165	98	6
Kapolei, Ewa	27,244	6,910	1,928	2,149	288	47	309	107	13
Waianae Coast	16,219	7,648	2,766	441	92	15	99	50	20
<b>Maui</b>									
Wailuku to Kahului	22,201	7,119	2,319	1,046	248	117	347	128	7
Kihei	8,752	2,190	1,464	415	90	59	132	181	7
Lahaina	8,790	2,052	914	322	44	59	81	120	5
Rural Maui	15,603	4,848	1,652	822	142	192	200	265	19
Molokai	2,954	1,363	158	35	9	10	63	23	9
Lanai	1,297	309	259	55	17	0	7	8	3
<b>Hawaii</b>									
Hilo	21,697	8,927	2,853	1,023	148	74	108	149	34
Puna to Kau	12,172	6,650	803	391	63	37	109	113	30
Kona	17,758	6,266	1,947	779	73	148	234	301	71
Kohala	7,587	1,614	696	447	47	67	79	150	18
Hamakua	5,401	2,200	626	134	33	27	45	36	4
<b>Kauai</b>									
North Kauai	10,006	3,317	1,376	467	137	92	79	180	17
Lihue	7,119	2,631	1,108	395	113	43	39	59	9
Koloa to Poipu	2,181	524	163	109	28	17	19	33	3
West Kauai	7,639	2,827	1,125	386	117	45	48	80	33
Unknown (zip codes)**	59,155	1,751	693	512	138	2,579	46	547	195
<b>GRAND TOTAL</b>	<b>591,944</b>	<b>181,390</b>	<b>70,016</b>	<b>26,432</b>	<b>4,122</b>	<b>5,246</b>	<b>4,036</b>	<b>6,226</b>	<b>750</b>

\* Includes fishing fuel, motion picture, hotel remodeling/construction, research activities, enterprise zone, vocational rehabilitation, high technology, and low-income housing credits.

\*\* Zip code not available for all corporation and franchise tax returns. Also includes individuals with missing zip codes.

## **APPENDIX II**

### **OUTLINE OF TAX CREDIT HISTORY**

## Outline of Tax Credit History by Year of Enactment

Year	Act	Tax Credit	Tax Credit Description or Modification
1957	1	Out-of-state taxes paid	Credit on portion of income taxes paid to another state or foreign country
1965	155	Consumer-type	Range established at \$18 to \$0.45 per qualified exemption based on modified adjusted gross income (MAGI).
	155	Education credit	Set at \$50 to \$2 for higher education, \$20 to \$2 for K12, based on modified adjusted gross income (MAGI).
1967	229	Credit against individual income tax	Formerly named the consumer-type credit; limited to residents with MAGI under \$7,000; credit range changed to \$20 to \$1 per qualified exemption.
	229	Education credit	Limited to residents with adjusted gross income (AGI) under \$7,000.
1969	60	Credit against individual income tax	Expanded upper income limit to MAGI under \$10,000, raised maximum credit per qualified exemption to \$21.
1970	180	Drug and medical expense credit	Credit range established at 4% to 1% of expenses, based on MAGI under \$14,000.
	180	Rent credit	Credit range of 2% to 1% of rent paid, inversely graduated to AGI under \$15,000.
1971	59	Drug and medical expense credit	Person aged 65 or older allowed two exemptions beginning with 1972 tax year.
1974	221	Excise credit	Replaced four previous credits: credit against individual income tax, education, drug and medical expense, and rent credits; set at \$30 to \$6 per qualified exemption based on AGI under \$15,000.
1976	189	Energy device credit	Set at 10% of cost of solar device installed after 12/31/74 but before 12/31/81.
	208	Excise credit	Raised maximum credit to \$40 per qualified exemption; raised AGI ceiling to under \$20,000; person aged 65 or over allowed two exemptions.
1977	15	Rent credit	Set at \$20 per qualified exemption; AGI must be less than \$20,000 and annual rent must be greater than \$1,000; age 65 or over allowed two exemptions.
	196	Child and dependent care credit	Set at 5% of care expenses; maximum credit \$100 for one and \$200 for two or more qualified dependents.
1978	19	Hot water insulation credit	Up to \$30 for cost of materials; expired 12/31/84.



## Tax Credit - 2000

<b>Year</b>	<b>Act</b>	<b>Tax Credit</b>	<b>Tax Credit Description or Modification</b>
1980	228	Excise Credit	Increased credit per qualified exemption; new range \$48 to \$8.
1981	230	Rent credit	Raised to \$50 per qualified exemption.
	231	General income credit	Set at \$100 per qualified exemption.
	233	Energy device credit	Expanded to include home heat pumps and wind energy devices; extended expiration date to 12/30/85.
	234	Child and dependent care credit	Raised to 10% of expenses; maximum credit raised to \$200 for one and \$400 for two or more qualified decedents.
1982	25	Child and dependent care credit	Changed to graduated credit ranging from 15% to 10% of expenses, based on AGI; maximum credit raised to \$360 for one and \$720 for two or more qualified dependents.
	134	Child passenger restraint credit	Set at \$25 per return for purchase of qualified care seat.
	265	General income credit	Reduced to \$25 per qualified exemption.
1983	67	Energy device credit	Eligibility extended to heat pumps for commercial use.
	97	General income credit	Reduced to \$1 per qualified exemption.
1984	55	General income credit	\$1 per qualified exemption.
1985	81	General income credit	\$1 per qualified exemption.
	232	Energy device credit	Extended expiration date to 12/30/92; increases to 15% if federal energy credit not extended beyond 12/31/85.
1986	49	General income credit	\$1 per qualified exemption.
	66	Energy device credit	Raised to 15% if federal energy credit not retroactively extended or reenacted.
	70	Energy device credit:	Expanded to include ice storage systems with credit set at 10% of cost.
1987	41	General income credit	\$1 per qualified exemption.
	239	Food credit	Set at \$45 per qualified exemption; to expire 12/31/90.
	239	Capital goods excise credit	Set at 3% of cost of qualified tangible business property for tax year 1988 and 4% of cost for 1989 and thereafter.
1988	11	Excise credit	Credit range changed to \$55 to \$10 per qualified exemption; AGI ceiling raised to \$30,000.
	185	General income credit	\$1 per qualified exemption.

## Tax Credit - 2000

Year	Act	Tax Credit	Tax Credit Description or Modification
1988	216	Low-income housing credit	30% credit on the qualified basis of each low-income building located in Hawaii as provided in IRC section 43(b).
1989	307	Energy device credit	Raised to 20% of cost if placed in service after 12/31/89.
	321	Medical services excise credit	Set at 4% of qualified medical expenses; maximum credit \$200 for most residents, \$400 if 65 or older, and \$600 if both joint taxpayers 65 years or older.
	321	Rent credit	AGI ceiling raised to \$30,000.
	321	Child and dependent care credit	Credit made refundable if it exceeds tax liability; AGI ceiling for maximum 15% rate raised from \$10,000 to \$22,000.
	322	Child and dependent care credit	Raised rate to 25% to 15% of qualified expenses effective after 12/31/89.
	323	General income credit	\$125 per qualified exemption.
1990	98	Renters credit	Allowed residents with no taxable income to claim the credit.
	186	General income credit	Reduced to \$60 per qualified exemption.
	187	Food/excise credit	Repealed excise credit and created a permanent food/excise credit; food credit increased from \$45 to \$55 per qualified exemption; no change in excise credit rates.
	319	Energy device credit	Extended expiration date to 12/31/98; credit ceilings set according to device and type of dwelling: solar device--lesser of 35% of cost or \$1,750 if placed in single-family dwelling or \$350 if placed in multi-family dwelling, no cap for hotel, commercial, or industrial installation; heat pump--lesser of 20% of cost or \$400 if installed in single-family unit or \$200 if placed in multi-family unit; no cap for hotel, commercial, or industrial installations; wind energy device--rate increased from 15% to 20% of cost; ice storage systems--rate increased to 50% of cost if installed and placed in service after 12/31/90.
1991	137	Job credit	20% of wage up to \$1,200 per vocational rehabilitation employee.
	179	General income credit	\$1 per qualified exemption.
	217	Medical services excise credit	Extended the medical service excise credit to 12/31/96.
1992	128	General income credit	\$1 per qualified exemption.
1993	184	General income credit	\$1 per qualified exemption.
	315	Medical services excise credit	6% of nursing facility expenses.

## Tax Credit - 2000

<b>Year</b>	<b>Act</b>	<b>Tax Credit</b>	<b>Tax Credit Description or Modification</b>
1994	85	General income credit	\$1 per qualified exemption.
1995	23	Medical services excise credit	Repealed the 4% portion of the tax credit and retains 6% of the nursing facility tax portion.
	93	General income credit	\$1 per qualified exemption.
	134	Medical services excise credit	Repealed the medical service tax credit and the nursing facilities tax credit.
	134	Food/excise credit	Reduced the food portion of the food/excise tax credit from \$55 to \$27 per qualified exemption, and repeals the excise portion of the food/excise tax credit.
1996	286	Enterprise zone credit	Exempted general excise taxes on the gross proceeds from manufacture of tangible personal property, the wholesale of tangible personal property, or the engaging in a service business by qualified businesses in the enterprise zone.
1997	107	Motion picture credit	Provided an income tax credit of up to 4% of costs incurred, and of up to 6% of transient accommodations costs incurred in the production of motion picture or television films in the state.
	108	Hotel remodeling credit	Provided an income tax credit equal to 4% of the renovation costs for each qualified hotel facility located in Hawaii, with tax credit cap of 10% of the transient accommodations tax paid by the taxpayer in the preceding tax year.
1998	156	Motion picture credit	Increases credit from 6% to 7.25% of transient accommodations costs incurred.
	157	Food tax credit	Repealed food tax credit beginning tax year 1999.
	157	Low-income credit	Established refundable graduated low-income credit beginning tax year 1999.
	163	Energy device credit	Extended sunset date for energy device credits to July 1, 2003.
1999	024	Low-income housing credit	Expanded to include insurance companies.
	160	IDA credit	IDA tax credit up to 50% of contribution to an individual development account (IDA).
	178	High technology credit	10% of the investment made by the taxpayer in each qualified high technology business, up to a maximum allowed credit of \$500,000, effective tax years 1999 to 2005.
	178	Research activity credit	Adopts federal income tax credit for increasing research activities, effective tax years 2000 to 2005.

## Tax Credit - 2000

<b>Year</b>	<b>Act</b>	<b>Tax Credit</b>	<b>Tax Credit Description or Modification</b>
1999	306	Qualified improvement credit	Qualified improvement tax credit for capitalized costs of construction and equipment of a permanent nature with respect to resort and hotel properties. Unspecified percent of credit may be applied against GET, income, PSC or TAT.
2000	148	Low-income housing credit	Allows partnerships to claim low-income housing credit.
	184	Individual development account	5% of amount contributed to an IDA up to \$1 million, between January 01, 2000 and December 31, 2004.
	174	Research activity credit	Retains credit for increasing research activities, even if federal credit is repealed.
	289	Ethanol investment credit	16 step investment tax credits for ethanol production facility based on gallons produced, capped at lesser of 30% of investment of specified dollar amount per step. Effective after December 31, 2001.
	297	Research activity credit	Increases state tax credit to 20% to match federal credit, and make the credit refundable.
	297	High technology credit	Eases requirements to qualify for credit.

## **APPENDIX III**

### **FACSIMILES OF N-11, N-12, N-13, N-15, N-30 AND F-1 TAX RETURNS AND TAX CREDIT FORMS**

## LINKS TO FORMS ON OUR WEBSITE

(all 2000 tax forms are available on our website at:  
<http://www.state.hi.us/tax/taxforms.html>)

N-11, Individual Income Tax Return

N-12, Individual Income Tax Return

N-13, Individual Income Tax Return

N-15, Individual Income Tax Return

Schedule X, Tax Credits for Hawaii Residents

F-1, Franchise Tax Return

N-30, Corporation Income Tax Return

Schedule CR, Schedule of Tax Credits

N-157, Credit for Energy Conservation

N-163, Fuel Tax Credit for Commercial Fishers

N-312, Capital Goods Excise Tax Credit

N-314, Hotel Construction and Remodeling Tax Credit

N-316, Motion Picture and Film Production Income Tax Credit

N-318, Tax Credits for High Technology (Part II includes Research Activities)

N-320, Individual Development Account Contribution Tax Credit

N-586, Tax Credit for Low-Income Housing

N-756, Enterprise Zone Tax Credit

N-884, Credit for Employment of Vocational Rehabilitation Referral

[Download a packet of these tax forms from our website \(pdf\) 1.5MB](#)