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# TAX CREDITS

Claimed by Hawaii Residents • 1996

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DEPARTMENT OF TAXATION • STATE OF HAWAII

STATE OF HAWAII

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## TAX CREDITS CLAIMED BY HAWAII RESIDENTS - 1996

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**Food Tax Credit**

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**Renter's Tax Credit**

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**Medical Services Excise Tax Credit**

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**Dependent Care Expense Tax Credit**

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**Energy Device Tax Credit**

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**Child Passenger Restraint System Tax Credit**

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**Capital Goods Excise Tax Credit**

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**Lifeline Telephone Service Tax Credit**

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STATE OF HAWAII  
DEPARTMENT OF TAXATION  
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## INTRODUCTION

Beginning with the 1977 tax year, the Department of Taxation has published studies on tax credits on an annual basis in order to provide current information on trends in credit claims and the effect of statutory changes affecting credits.

This report deals with seven tax credits claimed by Hawaii residents on individual income tax returns filed in 1997 on activity that occurred during the 1996 tax year. Those credits are: the food tax credit, low-income renter's tax credit, dependent care expense tax credit, energy credit, child passenger restraint tax credit, capital goods excise tax credit, and medical services tax credit on nursing facility expenses. In addition, a section is included with data on the telephone lifeline service credit, which is claimed by the telephone company but which benefits low-income elderly and disabled residential telephone users.

## **TAX CREDITS CLAIMED BY HAWAII RESIDENTS - 1996**

### **SUMMARY**

For tax year 1996, 86% of Hawaii resident returns included claims for tax credits. The amount claimed on 1996 resident individual returns was \$46.7 million, up slightly from \$45.6 million the previous year. Of the 1996 dollar amount claimed, \$25.0 million was for the food tax credit, which was claimed by nearly every return that claimed credits. For the first time since its inception in 1981, the general income tax credit was not available because there was no state general fund surplus big enough to trigger the credit.

### **DATA SOURCE AND METHODOLOGY**

A stratified random sample of individual income tax returns filed in 1997 for tax year 1996 activity was the sole source of information for this report. Most of the data items used in this report were retrieved directly from the Department of Taxation's computerized Comprehensive Net Income Tax (CNIT) system. Other items not collected by the CNIT system were imputed if a direct relationship existed between those items and items collected by the system. An example is allowable nursing facility expenses, which can be imputed because of its direct relationship with the size of the nursing facility credit, an item collected by the CNIT system. In previous years, additional data had been collected manually from tax returns. Because of staffing limitation, manual data collection is no longer possible. As a result, some of the tables in the appendix have been abbreviated because manually-collected data items are no longer available.

Nearly three-fourths of Hawaii resident taxpayers filed their Hawaii tax return using Form N-11, which is a simplified return using totals derived from the federal tax return. Residents who did not file a federal return, did not itemize deductions, and had income below \$100,000 that was restricted to wages, interest, dividends, and unemployment compensation could choose to file Form N-13. Residents who did not file a federal return but who had more complex tax situations were required to file Form N-12, as were all part-year residents. Figure 1 shows the number of returns processed by type of return and the size of the sample selected. The sample data set for residents consisted of 15,863 returns, which was 3% of the 523,967 processed by the October 1997 cutoff date for this report.

## Chart 1 Outline of Tax Credit History

<b>1965</b>	<b>CONSUMER-TYPE</b> <b>Act 155</b> \$.45 to \$18/exemp MAGI <\$1,100 >\$6,300	<b>EDUCATION</b> <b>Act 155</b> K-12 \$2 to \$20/dep. Higher \$2 to \$50/dep. AGI <\$3,000 >\$5,000				
<b>1967</b>	<b>Act 229</b> \$1 to \$20/exemp MAGI <\$7,000 Residents only	<b>Act 229</b> K-12 \$2 to \$20/dep Higher \$5 to \$50/dep AGI <\$3,000 <\$7,000 Residents only				
<b>1969</b>	<b>Act 60</b> \$1 to \$21/exemp MAGI <\$10,000					
<b>1970</b>		<b>DRUG/MEDICAL</b> <b>Act 180</b> 1% to 4% of expense MAGI <\$14,000	<b>RENT</b> <b>Act 180</b> 1% to 2% of rent paid AGI <\$15,000			
<b>1971</b>		<b>Act 59</b> Double for elderly				
<b>1974</b>	<b>EXCISE</b> <b>Act 221</b> Combine four credits \$6 to \$30/exemp AGI <\$15,000					
<b>1976</b>	<b>Act 208</b> <b>\$6 to \$40/exemp</b> AGI <\$20,000 Double for elderly			<b>ENERGY</b> <b>Act 189</b> 10% of expense Expire 12/31/81		
<b>1977</b>			<b>Act 15</b> \$20/exemp AGI <\$20,000 Rent >\$1,000 Double for elderly		<b>DEPENDENT CARE</b> <b>Act 196</b> 5% of expense Max \$100 one ind. Max \$200 two or more	
<b>1978</b>				<b>Act 19</b> Include insulation material up to \$30		
<b>1980</b>	<b>Act 228</b> \$8 to \$48/exemp Include DSSH exemp					
<b>1981</b>			<b>Act 230</b> \$50/exemp	<b>Act 233</b> Extend to 12/31/85 Include wind energy & home heat pump	<b>Act 234</b> 10% of expense Max \$200 one ind. Max \$400 two or more	<b>GENERAL</b> <b>Act 231</b> \$100/exemp

### Outline of Tax Credit History (Chart 1 continued)

1982					<b>Act 25</b> 10% - 15% of expense Max \$360 one ind. Max \$720 two or more	<b>Act 265</b> \$25/exemp	<b>CAR SEAT</b> <b>Act 134</b> \$25/return		
1983				<b>Act 67</b> Include commercial heat pump		<b>Act 97</b> \$1/exemp			
1984						<b>Act 55</b> \$1/exemp			
1985				<b>Act 232</b> Extend to 12/31/92		<b>Act 81</b> \$1/exemp			
1986				<b>Act 66,70</b> 15% of expense Include ice storage		<b>Act 49</b> \$1/exemp			
1987						<b>Act 41</b> \$1/exemp	<b>FOOD</b> Act 239 \$45/exemp	<b>CAPITAL GOODS</b> <b>Act 239</b> 1988: 3% of expense 1989: 4% of expense	
1988	<b>Act 11</b> \$10 to \$55/exemp AGI <\$30,000					<b>Act 185</b> \$1/exemp			
1989		<b>MEDICAL SERVICE</b> <b>Act 321</b> 4% of medical expenses Max \$200 sgl \$400 senior \$600 sr couple	<b>Act 321</b> AGI <\$30,000	<b>Act 307</b> 20% of expense	<b>Act 321/322</b> AGI ceiling raised Rate inc. 15% to 25%	<b>Act 323</b> \$125/exemp			
1990	<b>Act 187</b> Repeal excise Combine food/excise Food--\$55/exemp		<b>Act 98</b> <\$1 AGI qualifies	<b>Act 319</b> Extend to 12/31/98 Solar--35%/cost up to \$1,750 Heat pump--20%/cost up to \$400 Wind en.--20%/cost Ice stor.--50%/cost		<b>Act 186</b> \$60/exemp	<b>Act 187</b> \$55/exemp		
1991		<b>Act 217</b> Extend to 12/31/96				<b>Act 179</b> \$1/exemp			<b>JOB CREDIT</b> <b>Act 137</b> 20%/wage up to \$1,200/voc.reh.emp.
1992						<b>Act 128</b> \$1/exemp			
1993		<b>Act 315</b> 6% of nursing facility exp.				<b>Act 184</b> \$1/exemp			
1994						<b>Act 85</b> \$1/exemp			
1995	<b>Act 134</b> Repealed	<b>Act 134</b> Repealed <b>Act 23 (special session)</b> Retain 6% nursing facility				<b>Act 93</b> \$1/exemp	<b>Act 134</b> \$27/exemp		

## Tax Credits - 1996

## Tax Credits - 1996

Figure 1  
Number of Returns Processed and Sampled by Taxation District

Taxation District	Returns Processed			Number in Sample		
	N-11	N-12	N-13	N-11	N-12	N-13
First	287,542	33,634	68,293	7,436	535	1,703
Second	39,840	4,178	8,092	1,795	152	387
Third	40,539	5,099	12,228	1,916	200	650
Fourth	18,316	1,927	4,279	814	62	213
STATE	386,237	44,838	92,892	11,961	949	2,953

Two of the tax credits discussed in this report, the child passenger restraint tax credit and the capital goods excise tax credit, are available to nonresidents. All nonresident Form N-15 tax returns served as the sole data source for nonresident claims for these credits.

Some of the information in this report is broken out by taxation districts. The four taxation districts are:

<u>Taxation District</u> .....	<u>Island(s)</u>
.....	
First	Oahu
Second	Maui, Molokai, Lanai
Third	Hawaii
Fourth	Kauai, Niihau

**OUTLINE OF TAX CREDIT HISTORY**

Chart 1 (on pages 4-5) presents a brief history of tax credits discussed in this report. It covers changes made to credits since 1965, when the first consumer credit was

## Tax Credits - 1996

introduced. The year in the leftmost column represents both the year of the legislative session and the year a particular act went into effect, unless noted otherwise. Each of the other columns is devoted to a type of credit and its logical successors.

### OVERVIEW

Tax year 1996 saw relatively little change in tax credits when compared with the major tax credit reductions that took place in tax year 1995. Tax credits claimed by residents rose a moderate 2.4% from \$45.6 million in 1995 to \$46.7 million in 1996. This rise was greater than the 0.5% increase in the number of resident returns filed, which went from 521,194 to 523,967.

The most important change in 1996 was the absence of the general income tax credit. This was the first year since the inception of this credit in 1981 that it was not required. A credit or refund of taxes is required by Hawaii's state constitution whenever the state general fund surplus exceeds 5% of general fund revenues for each of two successive years, a condition not met in tax year 1996. In 1995, Hawaii residents had claimed \$0.9 million in general income tax credits.

Figure 2  
Percent of Resident Returns Claiming Tax Credits  
for the 1996 Tax Year

	Number of Returns	Percent of Total Returns	Percent of Total w/Credits
All Resident Returns	523,967	100.0%	
Returns with Tax Credits	452,321	86.3%	100.0%
Food Credit	450,768	86.0%	99.7%
Renter's Credit	75,189	14.4%	16.6%
Dependent Care Credit	24,442	4.7%	5.4%
Nursing Facility Credit	1,546	0.3%	0.3%
Capital Goods Excise Credit	3,108	0.6%	0.7%
Child Car Seat Credit	2,636	0.5%	0.6%
Energy Device Credit	3,116	0.6%	0.7%

Tax Credits - 1996

As shown in Figure 2, approximately 86% of Hawaii residents claimed tax credits, and nearly all of those claiming credits claimed the food tax credit, which is available to all qualified Hawaii residents, regardless of income. The renter's credit was the next most commonly claimed credit, appearing on 14.4% of resident returns. Appearing on 4.7% of resident returns was the dependent care credit, which is available to wage earners with qualified dependents. Fewer than 1% of residents claimed the other tax credits.

Figure 3  
Comparison of Amount of Tax Credits Claimed in Each District  
by Type of Credit, 1996 over 1995  
(Thousands of Dollars)

Type of Credit	State	TAXATION DISTRICT			
		First	Second	Third	Fourth
<b>Renter's Credit</b>					
1996	\$7,057	\$5,395	\$691	\$647	\$325
1995	\$7,098	\$5,394	\$708	\$738	\$257
% Change	-0.6%	0.0%	-2.4%	-12.3%	26.5%
<b>Dependent Care</b>					
1996	\$7,217	\$5,514	\$695	\$720	\$289
1995	\$7,017	\$5,255	\$631	\$891	\$240
% Change	2.9%	4.9%	10.1%	-19.2%	20.4%
<b>Food</b>					
1996	\$24,996	\$18,343	\$2,566	\$2,873	\$1,215
1995	\$24,663	\$18,050	\$2,426	\$2,968	\$1,219
% Change	1.4%	1.6%	5.8%	-3.2%	-0.3%

Note: Totals may not add up due to rounding.

Figures 3 and 4 compare the number of returns claiming the major tax credits and the dollar amount of those claims by taxation district for tax years 1996 and 1995. Since there were no statutory changes affecting these credits, credit claims changed little between these years.

Tax Credits - 1996

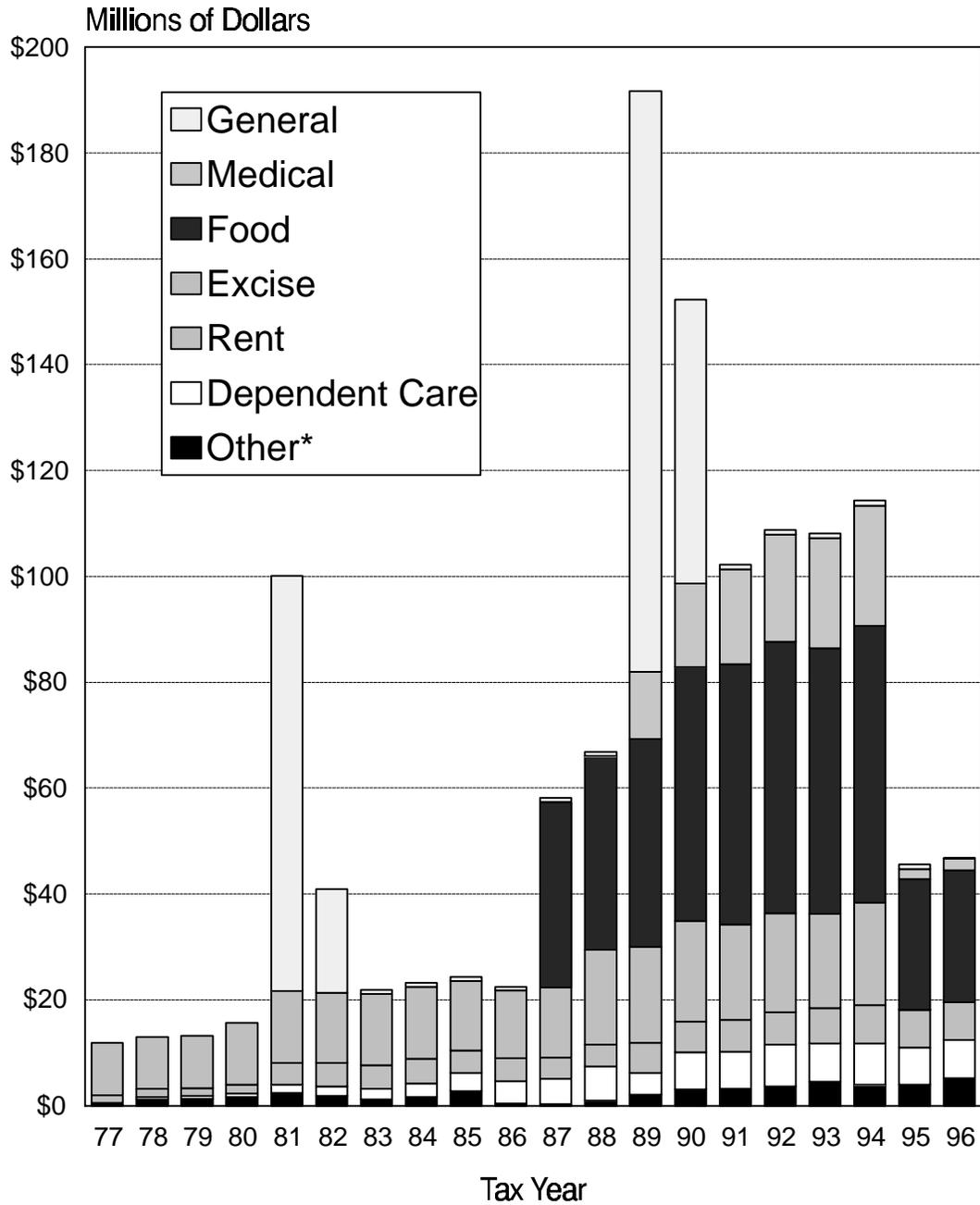
Figure 4  
Comparison of Number of Returns Claiming Tax Credits  
in Each District by Type of Credit, 1996 over 1995

Type of Credit	State	TAXATION DISTRICT			
		First	Second	Third	Fourth
<b>Renter's Credit</b>					
1996	75,189	57,966	7,356	6,970	2,897
1995	77,190	59,139	7,600	7,818	2,633
% Change	-2.6%	-2.0%	-3.2%	-10.8%	10.0%
<b>Dependent Care</b>					
1996	24,442	18,039	2,582	2,408	1,413
1995	23,855	17,712	2,273	2,799	1,071
% Change	2.5%	1.8%	13.6%	-14.0%	31.9%
<b>Food</b>					
1996	450,768	334,395	45,250	50,148	20,975
1995	452,620	336,138	43,214	51,521	21,747
% Change	-0.4%	-0.5%	4.7%	-2.7%	-3.6%

While there was little change between 1995 and 1996, there have been dramatic changes in the past. Chart 2 graphically shows the change in dollars of credit claimed since tax year 1977. During that time period, some of the most dramatic changes occurred when the general credit was altered from its nominal \$1 per qualified individual. Tax year 1981 saw a huge jump in dollars of credit claimed when the general credit was first introduced at a level of \$100 per individual. Credit dollars claimed plummeted in 1982 as the general credit was reduced to \$25 per individual and again in 1983 when it was reduced to \$1 per individual, the level at which it remained for several years. Credit dollars claimed rose dramatically in 1987 with the introduction of the food credit and reached an all-time high in 1989 with the introduction of the medical services credit and the increase in the general credit to \$125 per individual. In 1990, credit dollars claimed fell as the general credit was reduced to \$60 per individual and again in 1991 when it reverted to a nominal \$1 per person. Credit dollars plummeted again in 1995 after the excise credit was repealed, the medical services credit was limited to nursing facility expenses, and the food credit was reduced from \$55 to \$27 per person.

## Chart 2

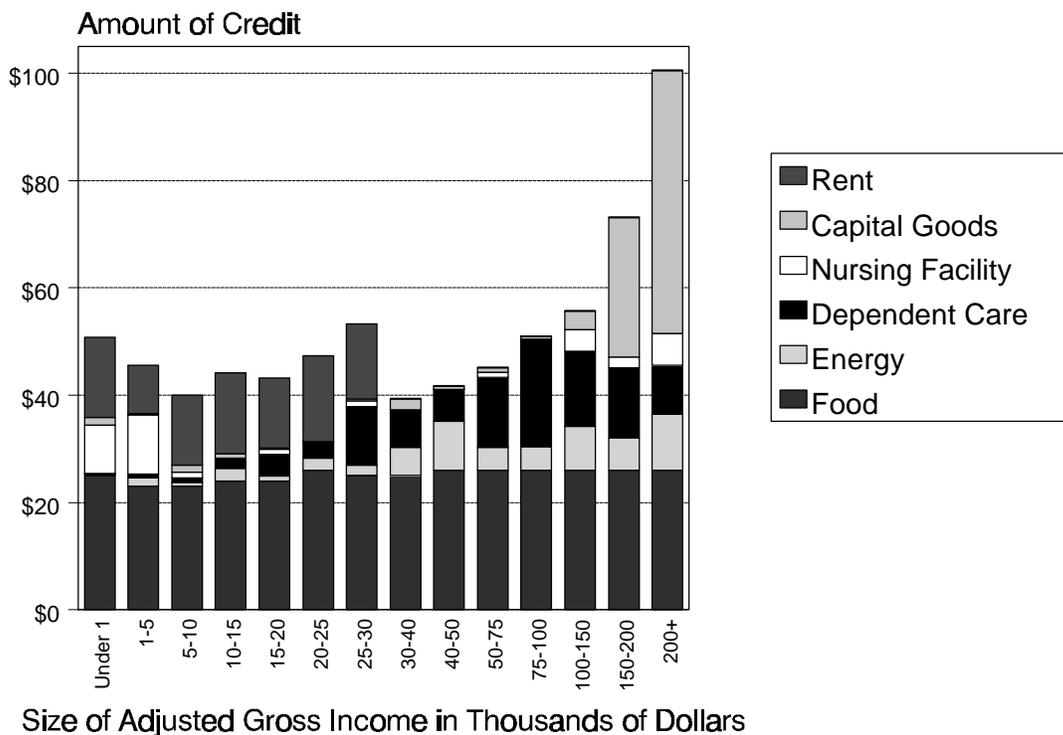
### Tax Credits Claimed by Residents 1977-1996



## Tax Credits - 1996

Per capita amounts of tax credits claimed are depicted across adjusted gross income (AGI) brackets in Chart 3. To obtain these averages, we divided the total dollar amount of each type of credit claimed on returns within each AGI bracket by the number of persons in that bracket. To obtain an unduplicated number of persons, we counted exemptions for taxpayers, spouses, and dependents but not age exemptions, since a person with an age exemption is already counted once as a taxpayer or spouse of a taxpayer. We also counted minor children supported by payments administered by the Department of Human Resources. These children cannot be claimed as dependents but are still eligible for the food tax credit. Chart 3 shows that, as one might expect, the per capita claim for the food credit is constant across income levels. Average claims for the nursing facility credit are highest among those with low incomes, while average claims for the capital goods excise credit are highest among those with high incomes. Rent credit claims show up only in AGI brackets up to \$30,000 because that amount is the statutory ceiling for eligibility for that credit.

**Chart 3**  
Average Per Capita Credit



**ANALYSIS OF DATA**

Food Tax Credit

Introduced in 1987, the food tax credit is available to any resident who: 1) physically resided in Hawaii for more than nine months of the taxable year; 2) cannot be claimed as a dependent by another taxpayer; and 3) was not confined to prison, a youth correctional center, or a jail for the entire taxable year. The credit amount is a flat \$27 per qualified person. No additional credit is allowed for age exemptions.

Since it is available to all qualified residents regardless of income, the food tax credit was the most commonly claimed tax credit in 1996. Food tax credit claims amounted to \$25.0 million, or 53.6% of all tax credit dollars claimed by residents. This credit was reported on 450,768 returns, or 86% of resident returns. If one does not count returns filed by dependents ineligible for the credit, then the food credit was claimed on 92% of resident returns. Some resident returns represent individuals who were ineligible because they physically resided elsewhere to attend school or perform military service. Others were ineligible because they were part-year residents who were not in Hawaii the required nine months. Figure 5 shows food credit claims from its inception in 1987 to 1996. While the

Figure 5  
Number of Returns Claiming Food Tax Credit  
Since Its Inception in Tax Year 1987

Tax Year	Returns with Credit	Percent Change	Number of Exemptions	Percent Change
1987	365,619		779,906	
1988	391,379	7.0%	814,241	4.4%
1989	426,144	8.9%	872,657	7.2%
1990	430,074	0.9%	870,950	-0.2%
1991	440,929	2.5%	894,672	2.7%
1992	458,033	3.9%	931,208	4.1%
1993	450,250	-1.7%	924,526	-0.7%
1994	472,544	5.0%	963,910	4.3%
1995	452,620	-4.2%	913,462	-5.2%
1996	450,768	-0.4%	925,787	1.3%

## Tax Credits - 1996

number of returns claiming the food credit dipped slightly between 1995 and 1996, the number of exemptions claiming the credit increased slightly. As a result, dollar amount claims rose from \$24.7 million to \$25.0 million.

### Renter's Tax Credit

To qualify for the low-income household renter's tax credit, a Hawaii resident 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 of another taxpayer; 3) have annual adjusted gross income less than \$30,000; and 4) occupy and pay more than \$1,000 in annual rent for a rental unit that was not wholly or partially exempt from the real property tax. In the case of a shared rental unit, the individual's share of the rent is used to determine whether he or she paid enough rent to qualify for the credit. Each qualified exemption is allowed a \$50 credit. A person with an age exemption is allowed an additional \$50 credit. Married couples filing separately must combine their adjusted gross incomes to determine if they fall under the \$30,000 AGI ceiling.

In 1996, the renter's credit amounted to \$7.1 million and was reported on 75,189 returns. As shown in Figure 6, nearly one in four taxpayers with AGI less than \$30,000 claimed the credit. Among returns with age exemptions and AGI less than \$30,000, only 15.6% claimed the renter's credit.

Figure 6  
Number Claiming Renter's Credit by Adjusted Gross Income Class

Adjusted Gross Income			Number of Returns*	Number with Credit	% with Credit
	Under	\$1,000	47,516	11,532	24.3%
\$1,000	"	5,000	45,265	6,763	14.9%
5,000	"	10,000	49,591	11,006	22.2%
10,000	"	15,000	46,077	11,821	25.7%
15,000	"	20,000	41,372	10,680	25.8%
20,000	"	30,000	78,956	23,387	29.6%
TOTAL			308,777	75,189	24.4%

\*Excludes returns filed by dependents

## Tax Credits - 1996

### Medical Services Excise Tax Credit

This credit is currently restricted to taxpayers who paid nursing facility expenses to facilities subject to the state's 6% nursing facilities tax. Between 1989 and 1994, the medical services excise tax credit used to cover 4% of qualified medical services expenses performed in Hawaii. This credit was limited to services subject to Hawaii's general excise tax and was subject to statutory ceilings. Beginning July 1, 1993, taxpayers could claim a credit equal to 6% of qualified nursing facilities expenses. To qualify, the payments must have been made to a facility subject to Hawaii's 6% nursing facilities tax. This nursing facilities credit was the only portion of medical services excise credit available to taxpayers in 1995 and 1996. It expired on June 30, 1997.

For 1996, a total of 1,546 returns claimed \$2.2 million for this credit. The previous year, 2,287 returns claimed \$1.9 million in credit. The average credit claimed was \$1,447. As might be expected, returns with age exemptions accounted for 80% of the returns with this credit and 98% of the credit dollars claimed.

### Dependent Care Tax Credit

Hawaii's dependent care tax credit provides a means of easing the financial burden for resident taxpayers who, in order to be able to hold gainful employment, must pay a care provider to care for a dependent child under age 13 or a disabled dependent or spouse. The portion of care expenses which qualify for the purposes of this credit is limited to a maximum of \$2,400 for one qualified dependent and \$4,800 for two or more qualified dependents. Further limiting the qualified portion of care expenses is the size of the taxpayer's earned income. The portion of care expenses in excess of earned income does not qualify. For joint returns, the limit is the amount of earned income of the lesser-earning spouse. For example, if a couple paid \$4,000 to care for two children and one spouse earned \$50,000 and the other earned only \$3,000, the amount of qualified allowable expenses would be limited to \$3,000. The amount of credit is a specified percentage of qualified allowable expenses, based on the size of adjusted gross income as follows:

## Tax Credits - 1996

<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%

In the case of the couple in the example, the amount of credit would be 15% of \$3,000 or \$450 since their adjusted gross income is more than \$40,000.

Returns claiming the dependent care credit for 1996 numbered 24,442, which was 2.5% more than in 1995. Credit claims amounted to \$7.2 million, 2.8% more than in the previous year. The average amount of credit claimed was \$295. Returns claiming the dependent care credit represented 4.7% of all resident returns. The incidence of claims was higher among those in upper middle income brackets, with a peak incidence of 22.9% among those with AGI between \$75,000 and \$100,000.

### Energy Device Tax Credit

Hawaii's energy device credit first appeared in 1976 as a credit equal to 10% of the cost to purchase and install the energy device. Along with the state credit, the federal government offered a 40% credit. Thus, government tax credits were subsidizing half the cost of the device. Tax year 1982 marked the high point in terms of number of claims as 9,514 returns claimed the credit. Energy credit claims plummeted after 1985 when the federal credit expired. The legislature attempted to revive interest in energy-saving devices by increasing the state credit to 15% and then to 20%. The most recent increase in 1990 resulted in a 35% credit for solar energy devices, a 20% credit for heat pumps and wind energy devices, and a 50% credit for ice storage systems. The credit for solar devices was limited to \$1,750 for single-family dwellings and \$350 for multi-family dwellings. For heat pumps, the amount of credit was limited to \$400 for single-family and \$200 for multi-family dwellings.

## Tax Credits - 1996

Between 1995 and 1996, claims for the energy device credit increased 17% from 2,668 to 3,116, while the amount of credit claimed jumped 45% from \$2.4 million to \$3.5 million. The average amount of credit claimed increased from \$910 to \$1,129.

### Child Passenger Restraint System Tax Credit

All Hawaii taxpayers, both residents and nonresidents, are entitled to a flat \$25 credit for the purchase of a new child passenger restraint system meeting federal motor vehicle safety standards. This credit has existed since 1982, when it was introduced to promote the safety of children riding motor vehicles on public highways. The following year, the legislature made it a requirement that young children riding in motor vehicles be restrained in a car seat.

For 1996, a total of 2,636 resident returns claimed \$65,900 in car seat credits. Among nonresidents, 158 returns claimed \$3,950 in credits.

### Capital Goods Excise Tax Credit

Introduced in tax year 1988, the capital goods excise credit reimburses businesses for the general excise tax that they pay on the purchase of tangible personal property. To be eligible for the credit, the property must be depreciable, be used in the taxpayer's trade or business, and be subject to Hawaii's 4% general excise or use tax. The credit is equal to 4% of the cost of the eligible property.

For 1996, residents claimed \$1.6 million in capital goods excise tax credits on 3,108 returns. The previous year, residents had claimed \$1.5 million in credits on 2,210 returns. The average amount of credit taken was \$510, a figure skewed upwards by large capital goods purchases by a small number of taxpayers. Thirty-three taxpayers who claimed more than \$5,000 in capital goods excise tax credits apiece accounted for \$459 thousand in credits, more than one-fourth of the total dollar amount claimed for this credit. Thus, a better idea of the typical amount of credit claimed can be gained by using the median, which was \$140 per return.

The capital goods excise tax credit is one of the few tax credits available to nonresidents. For 1996, nonresidents reported \$110,489 in credit on 326 returns.

### Lifeline Telephone Service Tax Credit

Lifeline telephone service was initiated in 1986 to provide subsidized telephone service to elderly and disabled telephone subscribers with limited income. The Public Utilities Commission has defined "limited income" as household income less than \$10,000. While these elderly and disabled individuals enjoy a lower rate, the lifeline telephone service tax

## Tax Credits - 1996

credit goes to the telephone company, which can claim it on its public utility tax return. The credit is equal to the sum of foregone revenues and administrative costs associated with providing the subsidized rates. For 1996, the telephone company claimed \$274,828 for this credit and reported 7,318 subscribers who were being serviced at subsidized rates at the close of the year.

Figure 7  
Lifeline Credit and Number of Subscribers  
Since Inception of Credit in 1986

Year	No. Subscribers at Year End	Amount of Credit
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

\*In effect seven months.

**APPENDIX I**

**STATISTICAL TABLES**

Tax Credits - 1996

TABLE 1  
TAX CREDITS CLAIMED BY RESIDENTS BY TYPE OF CREDIT AND BY TAXATION DISTRICT - 1996

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Renter's Credit	\$ 7,057,400	\$ 5,394,600	691,250	646,500	325,050
Food Tax Credit	24,996,249	18,343,233	2,565,891	2,872,530	1,214,595
Nursing Facility Tax Credit	2,237,423	2,003,192	35,345	173,198	25,688
Dependent Care Credit	7,216,959	5,513,566	695,198	719,663	288,532
Energy Device Credit*	3,518,251	2,024,941	240,221	1,039,964	213,125
Car Seat Credit	65,900	51,150	7,625	4,575	2,550
Capital Goods Excise Tax Credit	1,585,913	1,029,873	376,492	87,709	91,839
<b>TOTAL</b>	<b>\$ 46,678,095</b>	<b>\$ 34,360,555</b>	<b>\$ 4,612,022</b>	<b>\$ 5,544,139</b>	<b>\$ 2,161,379</b>

\*Includes energy credit carried forward to 1996 for devices installed before 1996.

Tax Credits - 1996

TABLE 2  
 NUMBER OF RESIDENT RETURNS CLAIMING TAX CREDITS BY TYPE OF CREDIT  
 AND BY TAXATION DISTRICT - 1996

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Renter's Credit	75,189	57,966	7,356	6,970	2,897
Food Tax Credit	450,768	334,395	45,250	50,148	20,975
Nursing Facility Tax Credit	1,546	1,369	73	100	4
Dependent Care Credit	24,442	18,039	2,582	2,408	1,413
Energy Device Credit*	3,116	1,780	231	877	228
Car Seat Credit	2,636	2,046	305	183	102
Capital Goods Excise Tax Credit	3,108	2,253	369	247	239

\*Includes returns claiming credit in 1996 for devices installed before 1996.

TABLE 3  
 NUMBER OF RESIDENT RETURNS CLAIMING TAX CREDITS  
 BY SIZE OF CREDITS PER RETURN AND BY ADJUSTED GROSS INCOME - 1996

ADJUSTED GROSS INCOME CLASS		Total Number of Returns with Credits	SIZE OF TAX CREDIT								
			Under \$25	\$25 under \$50	\$50 under \$75	\$75 under \$100	\$100 under \$150	\$150 under \$200	\$200 under \$300	\$300 under \$400	\$400 and over
Under \$	5,000	81,542	18	39,774	16,819	8,169	8,814	2,270	3,549	1,102	1,027
\$ 5,000 "	10,000	42,270	--	18,294	9,063	7,686	2,009	2,273	1,990	327	628
10,000 "	15,000	42,285	--	19,227	7,563	8,409	1,393	2,145	2,303	416	829
15,000 "	20,000	37,236	--	14,868	6,690	7,831	2,330	1,716	2,298	638	865
20,000 "	25,000	41,473	--	15,845	5,411	11,606	2,949	2,140	1,280	1,184	1,058
25,000 "	30,000	33,235	--	13,329	5,844	5,854	1,825	2,032	1,679	620	2,052
30,000 "	35,000	23,515	--	11,553	4,725	2,312	3,260	521	245	165	734
35,000 "	40,000	21,622	--	9,758	4,285	2,373	3,077	898	263	27	941
40,000 "	45,000	17,453	--	6,491	4,509	1,792	2,718	981	228	125	609
45,000 "	50,000	16,151	--	4,888	3,921	2,018	3,321	912	300	123	668
50,000 "	75,000	52,859	--	10,524	15,267	7,770	10,855	2,174	1,520	817	3,932
75,000 "	100,000	24,075	--	1,719	6,904	3,733	5,922	1,307	1,168	657	2,665
100,000 "	150,000	12,427	4	543	4,438	2,326	2,906	311	311	342	1,246
150,000 "	200,000	2,895	--	303	1,008	499	575	83	52	43	332
200,000 and over		3,283	--	376	1,173	429	671	82	87	65	400
TOTAL		452,321	22	167,492	97,620	72,807	52,625	19,845	17,273	6,651	17,986
Percent of Total*		100.0%	0.0%	37.0%	21.6%	16.1%	11.6%	4.4%	3.8%	1.5%	4.0%

\* 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 - 1996

ADJUSTED GROSS INCOME CLASS			Number Claiming	Number of Exemptions*			Tax Credits Claimed
				Total	Regular*	Age*	
	Under \$	1,000	11,532	24,543	18,092	6,451	\$ 1,153,300
\$	1,000	" 3,000	3,404	6,612	5,305	1,307	326,800
	3,000	" 5,000	3,359	6,289	5,255	1,034	292,050
	5,000	" 7,000	4,687	8,666	7,448	1,218	413,900
	7,000	" 9,000	4,298	8,227	7,061	1,166	407,300
	9,000	" 11,000	4,241	8,368	7,380	988	387,400
	11,000	" 13,000	4,397	7,445	6,713	732	359,000
	13,000	" 15,000	5,204	11,739	11,409	330	567,500
	15,000	" 17,000	3,962	8,324	7,809	515	389,900
	17,000	" 20,000	6,718	12,896	12,293	603	608,000
	20,000	" 25,000	14,196	25,595	24,845	750	1,229,400
	25,000	" 30,000	9,191	18,619	18,230	389	922,850
TOTAL			75,189	147,323	131,840	15,483	\$ 7,057,400

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

TABLE 5  
TOTAL RESIDENT RETURNS FILED AND FOOD TAX CREDITS CLAIMED BY ADJUSTED GROSS INCOME - 1996

ADJUSTED GROSS INCOME CLASS			Total No. of Returns Filed	RETURNS WITH CREDIT			RETURNS WITHOUT CREDIT		
				No. of Returns	No. of Exemptions*	Exemptions per Return	Amount of Tax Credits	No. of Returns	Percent of Total
	Under \$	5,000	115,701	81,185	129,804	1.60	\$ 3,504,708	34,516	29.8%
\$	5,000	" 10,000	58,111	42,001	67,901	1.62	1,833,327	16,110	27.7%
	10,000	" 15,000	47,672	42,153	68,668	1.63	1,854,036	5,519	11.6%
	15,000	" 20,000	42,157	37,146	67,585	1.82	1,824,795	5,011	11.9%
	20,000	" 25,000	42,841	41,473	74,161	1.79	2,002,347	1,368	3.2%
	25,000	" 30,000	36,136	33,165	62,168	1.87	1,678,536	2,971	8.2%
	30,000	" 35,000	25,371	23,515	48,318	2.05	1,304,586	1,856	7.3%
	35,000	" 40,000	22,958	21,595	47,311	2.19	1,277,397	1,363	5.9%
	40,000	" 45,000	17,891	17,213	40,436	2.35	1,091,772	678	3.8%
	45,000	" 50,000	16,797	16,151	41,600	2.58	1,123,200	646	3.8%
	50,000	" 75,000	54,575	52,671	145,625	2.76	3,931,875	1,904	3.5%
	75,000	" 100,000	24,636	24,046	78,264	3.25	2,113,128	590	2.4%
	100,000	" 150,000	12,729	12,281	36,856	3.00	995,112	448	3.5%
	150,000	" 200,000	3,013	2,895	8,229	2.84	222,183	118	3.9%
	200,000	and over	3,379	3,278	8,861	2.70	239,247	101	3.0%
TOTAL			523,967	450,768	925,787	2.05	\$ 24,996,249	73,199	14.0%

\* Exemptions claiming food tax credit.

TABLE 6  
 COMPARATIVE DATA ON RESIDENT RETURNS FILED,  
 SHOWING NUMBER AND PERCENTAGE CLAIMING THE FOOD TAX CREDIT - 1996  
 STATEWIDE

ADJUSTED GROSS INCOME CLASS		Number of Returns Filed			Returns with Credit			% of Returns with Credit				
		Single*	Joint**	H/H***	Single*	Joint**	H/H***	Single*	Joint**	H/H***		
	Under \$	5,000	87,283	22,216	6,202	54,900	20,370	5,915	62.9%	91.7%	95.4%	
\$	5,000	"	10,000	40,159	13,748	4,204	25,996	12,494	3,511	64.7%	90.9%	83.5%
	10,000	"	15,000	30,247	12,726	4,699	25,556	11,928	4,669	84.5%	93.7%	99.4%
	15,000	"	20,000	24,165	11,677	6,315	20,542	10,724	5,880	85.0%	91.8%	93.1%
	20,000	"	25,000	26,166	11,594	5,081	25,081	11,439	4,953	95.9%	98.7%	97.5%
	25,000	"	30,000	19,386	11,028	5,722	17,769	9,956	5,440	91.7%	90.3%	95.1%
	30,000	"	35,000	12,786	9,630	2,955	11,398	9,191	2,926	89.1%	95.4%	99.0%
	35,000	"	40,000	10,582	9,941	2,435	9,560	9,759	2,276	90.3%	98.2%	93.5%
	40,000	"	45,000	6,706	9,366	1,819	6,382	9,040	1,791	95.2%	96.5%	98.5%
	45,000	"	50,000	5,628	9,840	1,329	5,131	9,691	1,329	91.2%	98.5%	100.0%
	50,000	"	75,000	11,073	40,423	3,079	10,489	39,169	3,013	94.7%	96.9%	97.9%
	75,000	"	100,000	2,045	22,240	351	1,764	21,960	322	86.3%	98.7%	91.7%
	100,000	"	150,000	633	11,941	155	591	11,535	155	93.4%	96.6%	100.0%
	150,000	"	200,000	353	2,579	81	334	2,487	74	94.6%	96.4%	91.4%
	200,000	and over		416	2,869	94	382	2,802	94	91.8%	97.7%	100.0%
TOTAL				277,628	201,818	44,521	215,875	192,545	42,348	77.8%	95.4%	95.1%

\* Includes married filing separately.

\*\* Includes qualified surviving spouse.

\*\*\* Head of Household

TABLE 7  
 TOTAL RESIDENT RETURNS FILED, QUALIFIED NURSING FACILITY EXPENSES,  
 AND NURSING FACILITY TAX CREDIT CLAIMED BY ADJUSTED GROSS INCOME - 1996  
 STATEWIDE

ADJUSTED GROSS INCOME CLASS			Number of Returns Filed	Returns Claiming Credit	Percent with Credit	Qualified Nursing Fac. Expenses	Tax Credit Claimed
	Under \$	1,000	52,077	600	1.2%	\$ 11,669,161	\$ 700,161
\$	1,000	" 5,000	63,624	250	0.4%	12,814,969	768,903
	5,000	" 10,000	58,111	83	0.1%	1,620,167	97,211
	10,000	" 20,000	89,829	240	0.3%	1,824,800	109,493
	20,000	" 30,000	78,977	51	0.1%	1,628,872	97,733
	30,000	" 50,000	83,017	195	0.2%	125,160	7,511
	50,000	and over	98,332	127	0.1%	7,606,820	456,411
TOTAL*			523,967	1,546	0.3%	\$ 37,289,949	\$ 2,237,423

\* Details may not add up due to rounding.

TABLE 8  
 NUMBER CLAIMING DEPENDENT CARE TAX CREDIT, DEPENDENT CARE  
 EXPENSES ALLOWED, AND TAX CREDIT CLAIMED, BY ADJUSTED GROSS INCOME - 1996  
 STATEWIDE

ADJUSTED GROSS INCOME CLASS		Number of Returns Filed	Returns Claiming Credit	Percent With Credit	Expenses Allowed	Tax Credit Claimed
	Under \$ 5,000	115,701	102	0.1%	\$ 215,832	\$ 53,958
\$	5,000 "	58,111	275	0.5%	279,940	69,985
	10,000 "	47,672	465	1.0%	576,612	144,153
	15,000 "	42,157	979	2.3%	1,288,068	322,017
	20,000 "	42,841	680	1.6%	1,025,246	249,142
	25,000 "	36,136	1,975	5.5%	3,578,327	772,173
	30,000 "	25,371	1,181	4.7%	2,003,580	380,410
	35,000 "	22,958	1,126	4.9%	2,208,056	374,946
	40,000 "	17,891	818	4.6%	1,584,174	237,640
	45,000 "	16,797	1,330	7.9%	1,856,067	278,411
	50,000 "	54,575	7,406	13.6%	13,465,872	2,019,979
	75,000 "	24,636	5,652	22.9%	10,441,525	1,566,294
	100,000 "	12,729	1,835	14.4%	3,648,604	547,307
	150,000 "	3,013	347	11.5%	756,448	113,470
	200,000 and over	3,379	271	8.0%	580,483	87,074
TOTAL		523,967	24,442	4.7%	\$ 43,508,834	\$ 7,216,959

TABLE 9  
 NUMBER CLAIMING DEPENDENT CARE TAX CREDITS BY ADJUSTED GROSS INCOME AND BY EXPENSES ALLOWED - 1996  
 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	5,985	268	852	1,161	3,409	295
\$ 500 "	3,648	222	225	869	1,939	393
1,000 "	2,170	95	374	323	1,031	347
1,500 "	2,329	3	728	388	1,014	196
2,000 "	5,875	159	1,185	902	2,906	723
2,500 "	741	--	51	124	526	40
3,000 "	417	53	90	79	137	58
3,500 "	220	--	66	--	125	29
4,000 "	660	1	30	173	360	96
4,500 and over	2,397	41	33	436	1,611	276
<b>TOTAL</b>	<b>24,442</b>	<b>842</b>	<b>3,634</b>	<b>4,455</b>	<b>13,058</b>	<b>2,453</b>

TABLE 10  
NUMBER CLAIMING CAPITAL GOODS EXCISE TAX CREDIT, AMOUNT OF CAPITAL ASSETS  
PURCHASED, BUSINESS PROFIT OR LOSS, AND TAX CREDIT CLAIMED - 1996  
RESIDENT INDIVIDUAL RETURNS, STATEWIDE

ADJUSTED GROSS INCOME CLASS		Number Claiming	Amount of Qualified Purchases	Business Profit or (Loss)	Tax Credit Claimed
	Under \$ 10,000	549	\$ 5,974,475	\$ (9,050,728)	\$ 238,979
\$	10,000 "	152	2,096,450	(77,877)	83,858
	20,000 "	201	1,005,375	(163,407)	40,215
	30,000 "	256	5,018,425	(168,857)	200,737
	40,000 "	469	1,172,225	166,442	46,889
	50,000 "	398	2,902,300	5,609,497	116,092
	75,000 "	266	969,975	(5,370,238)	38,799
	100,000 "	272	3,380,725	9,280,390	135,229
	150,000 "	198	5,766,875	7,534,395	230,675
	200,000 and over	347	11,361,000	78,066,795	454,440
TOTAL		3,108	\$ 39,647,825	\$ 85,826,412	\$ 1,585,913

## **APPENDIX II**

### **FACSIMILES OF N-11, N-12, AND N-13 TAX RETURNS AND TAX CREDIT FORMS**

**>>Click on the following to link to the on-line copies of the 1996 Forms.<<**

[N-11 Individual Income Tax Return - Resident Filing Federal Return](#)

[N-12 Individual Income Tax Return - Resident or Part-Year Resident](#)

[N-13 Individual Income Tax Return - Resident](#)

[Schedule X Tax Credits for Hawaii Residents](#)

[N-157 Credit for Energy Conservation](#)

[N-312 Capital Goods Excise Tax Credit](#)

[N-312/N-312A Instructions for Form N-312/N312A](#)