



TAX CREDITS
CLAIMED BY
HAWAII INDIVIDUALS & CORPORATIONS
1997

DEPARTMENT OF TAXATION
STATE OF HAWAII

830 Punchbowl Street, Honolulu, Hawaii 96813-5094

Web Site: <http://www.state.hi.us/tax/tax.html>

STATE OF HAWAII

Benjamin J. Cayetano, Governor

DEPARTMENT OF TAXATION

Ray K. Kamikawa, Director

Marie Y. Okamura, Deputy Director

TAX RESEARCH & PLANNING OFFICE

Francis Okano, Tax Research & Planning Officer

PREPARED BY

Fang Ji, Research Statistician

Walter Tokushige, Research Statistician

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Food Tax Credit

Capital Goods Excise Tax Credit

Child Passenger Restraint System Tax Credit

Renter's Tax Credit

Dependent Care Expense Tax Credit

Nursing Facility Tax Credit

Energy Device Tax Credit

Fuel Tax Credit

Enterprise Zone Tax Credit

Vocational Rehabilitation Job Tax Credit

Motion Picture Tax Credit

Hotel Remodeling Tax Credit

Low-Income Housing Tax Credit

Other State and Foreign Country Tax Credit

Lifeline Telephone Service Tax Credit

STATE OF HAWAII
DEPARTMENT OF TAXATION
July, 1999

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INTRODUCTION

Tax credits have been an important part of Hawaii's tax system. The first two tax credits in Hawaii history, namely the consumer tax credit and the education tax credit, were introduced in 1965. Since then, more tax credits have been enacted. For tax year 1997, more than a dozen tax credits were available for individuals and/or corporations to claim.

The Department of Taxation published tax credit reports on an interim basis before 1976. Beginning with the 1977 tax year, the Department has published tax credit reports annually to provide current information on trends in credit claims by individual taxpayers and the effect of statutory changes on credits. This is the first issue which reports tax credits claimed by both corporations and individuals.

This report summarizes the following tax credits claimed by Hawaii individuals and/or corporations on income tax returns filed for 1997:

- Food tax credit
- Capital goods excise tax credit
- Child passenger restraint tax credit
- Low-income renter's tax credit
- Dependent care expense tax credit
- Medical services tax credit on nursing facility expenses
- Energy device tax credit
- Fuel tax credit
- Enterprise zone tax credit
- Vocational rehabilitation job tax credit
- Motion picture tax credit
- Hotel remodeling tax credit
- Low-income housing tax credit
- Other state and foreign country tax credit
- Telephone lifeline service credit

TAX CREDITS CLAIMED BY HAWAII RESIDENTS - 1997

SUMMARY

The Department of Taxation received about 563,000 individual tax returns and 19,000 corporation tax returns filed for tax year 1997. The tax credits claimed on these individual and corporation tax returns totaled \$80.4 million. Of the individual tax returns, about 455,000 returns claimed a total of \$57.4 million in tax credits. This amount includes credits for enterprise zone, vocational rehabilitation job, motion picture, hotel remodeling, low-income housing, as well as the tax credit for tax paid to other states and foreign countries. The above mentioned credits were not covered in the 1996 annual tax credit report. Therefore, a direct comparison of the total tax credits claimed by individuals for 1996 and 1997 is not available. About 14% of business tax returns included claims of \$22.7 million for tax credits. For the second year in a row since its inception in 1981, the general income tax credit was not available because of the condition of year-end state general fund balances.

DATA SOURCE AND METHODOLOGY

A stratified random sample of individual and corporation income tax returns filed in 1998 for tax year 1997 activity was the sole source of information for this report. The sample was stratified so that every return that contained a tax credit other than the food tax credit and the renter's credit was selected. This procedure eliminated sampling error for infrequently-claimed types of tax credits. Returns with only the food and/or renter's tax credits or no tax credits were selected by a simple random sample.

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 qualified purchases of capital goods, which can be imputed because of its direct relationship with the size of the capital goods excise tax credit, an item collected by the CNIT system.

Form N-11 is a simplified return using totals derived from the federal tax return. Nearly three-fourths of Hawaii individual taxpayers used this form. Individuals 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. Individuals who did not file a federal return but who had more complex tax situations were required to file Form N-12. Nonresidents were required to file Form

Tax Credits - 1997

N-15. Beginning with tax year 1997, part-year residents were also required to file Form N-15 instead of N-12. Corporations that file Form N-30, the Corporation Income Tax Return, are directly taxable as entities and are also directly eligible for tax credits. On the other hand, partnerships and S-corporations pass their income tax liability and tax credits to their individual and/or corporate partners or shareholders. Figure 1 shows the number of returns processed by type of return and the size of the sample selected. The sample data set for individuals consisted of 47,442 returns, which was 8.4% of the 562,745 individual tax returns processed by the November 1998 cutoff date for this report. The sample data set for corporations contained 3,190 returns selected from 18,922 corporation returns processed by the December 1998 cutoff date. It should be noted that the cutoff date used for individual tax returns in the 1996 report was October 1997. In this report, any comparison of individual tax credit statistics between 1996 and 1997 should be made with the different cutoff dates in mind.

For the purpose of this study, the tax year 1997 for individual taxpayers is the same as the calendar year 1997, while the tax year 1997 for corporation taxpayers refers to corporate accounting periods that ended in 1997.

Some of the statistics in this report are presented by four taxation districts:

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

OUTLINE OF TAX CREDIT HISTORY

The first two tax credits in Hawaii tax credit history were introduced in 1965. Since then, many tax credits have been introduced, some of which have expired. In tax year 1997, more than a dozen tax credits were available for individuals and corporations to claim. Appendix II chronologically presents a brief history of tax credits introduced and changes made since 1965. In the appendix, the year in the first column represents both the year of the legislative session and the year a particular act went into effect, unless noted otherwise.

Figure 1
Number of Returns Processed and Sampled by Taxation District

		TAXATION DISTRICT			
		First	Second	Third	Fourth
Returns Processed					
N-11	409,800	303,107	42,677	44,476	19,540
N-12	23,925	17,466	2,276	2,939	1,244
N-13	80,841	59,295	7,067	10,771	3,708
N-15	48,179	42,449	2,561	2,267	902
N-30	18,922	15,247	1,510	1,687	478
Total	581,667	437,564	56,091	62,140	25,872
Returns in Sample					
N-11	39,977	29,309	4,116	4,496	2,056
N-12	1,497	1,110	156	138	93
N-13	3,073	2,251	280	375	167
N-15	2,895	2,396	217	208	74
N-30	3,190	2,587	256	277	70
Total	50,632	37,653	5,025	5,494	2,460
Percent of Returns Sampled (%)					
N-11	9.8	9.7	9.6	10.1	10.5
N-12	6.3	6.4	6.9	4.7	7.5
N-13	3.8	3.8	4.0	3.5	4.5
N-15	6.0	5.6	8.5	9.2	8.2
N-30	16.9	17.0	17.0	16.4	14.6
Total	8.7	8.6	9.0	8.8	9.5

OVERVIEW

This report covers twelve types of tax credits available for individuals to claim in tax year 1997. It includes 562,745 individual tax returns for 1997, an increase of 2.7% from the previous year's study. Tax credits claimed by individuals in tax year 1997 amounted to \$47.9 million, which represented a 2.6% increase from \$46.7 million in tax year 1996.

The general income tax credit was not available in tax year 1997. This was the second year since the inception of this credit in 1981 that it was not available. 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. This condition was not met in both tax years 1996 and 1997. In 1995, Hawaii residents claimed \$0.9 million in general income tax credits.

Figure 2 indicates that approximately 81% of the returns claimed at least one tax credit. The food tax credit was the most popular tax credit in Hawaii and nearly all of those claiming credits claimed the food tax credit. This is because the food tax credit is available to all qualified Hawaii residents, regardless of their income. The renter's tax credit was the next most commonly claimed credit, appearing on 12.9% of individual returns. The third most commonly claimed tax credit was the dependent care credit, which appeared on 4.5% of individual returns. Fewer than 1% of residents claimed the other tax credits.

The department received 18,922 corporation income tax returns filed for tax year 1997, and 14% of the returns claimed at least one tax credit. The capital goods tax credit was the most common tax credit claimed by corporations. Of 2,675 corporation returns claiming business tax credits, 98.5% claimed capital goods tax credits.

Figures 3 and 4 compare the number of individual returns claiming the three major tax credits and the dollar amount of those claims by taxation district for tax years 1997 and 1996. Statewide, credit claims did not change significantly between these years.

There have been dramatic changes in the total amount of tax credits claimed each year since 1977, even though there was little change during 1995 to 1997. Chart 1 illustrates the variation in dollars of credit claimed since tax year 1977. Most of the dramatic variation reflects the changes that the state legislature made to different tax credits.

Figure 2
**Percent of Individual and Corporation Returns Claiming Tax Credits
for the 1997 Tax Year**

	Number of Returns	Percent of Total Returns	Percent of Total w/Credits
Individual Returns	562,745	100.0	
Returns with Tax Credits	455,121	80.9	100.0
Food Credit	453,358	80.6	99.6
Capital Goods Excise Credit	3,242	0.6	0.7
Child Car Seat Credit	3,418	0.6	0.8
Renter's Credit	72,824	12.9	16.0
Dependent Care Credit	25,342	4.5	5.6
Nursing Facility Credit	1,051	0.2	0.2
Energy Device Credit	3,927	0.7	0.9
Fuel Credit	373	0.1	0.1
Enterprise Zone Credit	7	0.0	0.0
Vocational Rehabilitation Job Credit	54	0.0	0.0
Motion Picture Credit	6	0.0	0.0
Hotel Remodeling Credit	20	0.0	0.0
Corporation Income Tax Returns	18,922	100.0	
Returns with Tax Credits	2,675	14.1	100.0
Capital Goods Tax Credit	2,635	13.9	98.5
Fuel Credit	26	0.1	1.0
Vocational Rehabilitation Job Credit	10	0.1	0.4
Hotel Remodeling Credit	36	0.2	1.3
Other Credits*	13	0.1	0.5

* Energy credit, enterprise zone credit, and motion picture credit are combined as "Other Credits" to avoid disclosure of business information due to the small number of returns in the categories.

Figure 3
**Comparison of Amount of Tax Credits Claimed in Each District
 for Selected Credits, 1997 over 1996**
 (Thousands of Dollars)

Type of Credit	State	TAXATION DISTRICT			
		First	Second	Third	Fourth
Renter's Credit					
1997	\$7,100	\$5,408	\$685	\$630	\$378
1996	\$7,057	\$5,395	\$691	\$647	\$325
% Change	0.6	0.2	-0.9	-2.6	16.3
Dependent Care					
1997	\$7,639	\$5,924	\$702	\$690	\$322
1996	\$7,217	\$5,514	\$695	\$720	\$289
% Change	5.8	7.4	1.0	-4.2	11.4
Food					
1997	\$25,139	\$18,436	\$2,609	\$2,890	\$1,204
1996	\$24,996	\$18,343	\$2,566	\$2,873	\$1,215
% Change	0.6	0.5	1.7	0.6	-0.9

Note: Totals may not add up due to rounding.

The most dramatic changes occurred with variation in the amount allowed per qualified individual for the general income tax credit. This credit was first introduced at a level of \$100 per qualified individual in 1981. As a result, tax credits claimed in 1981 experienced a first huge increase over the previous year. Tax credits 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 general credit remained at this level for several years. The increase in the general credit to \$125 per individual in 1989 pushed tax credits to an all-time high in 1989. 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.

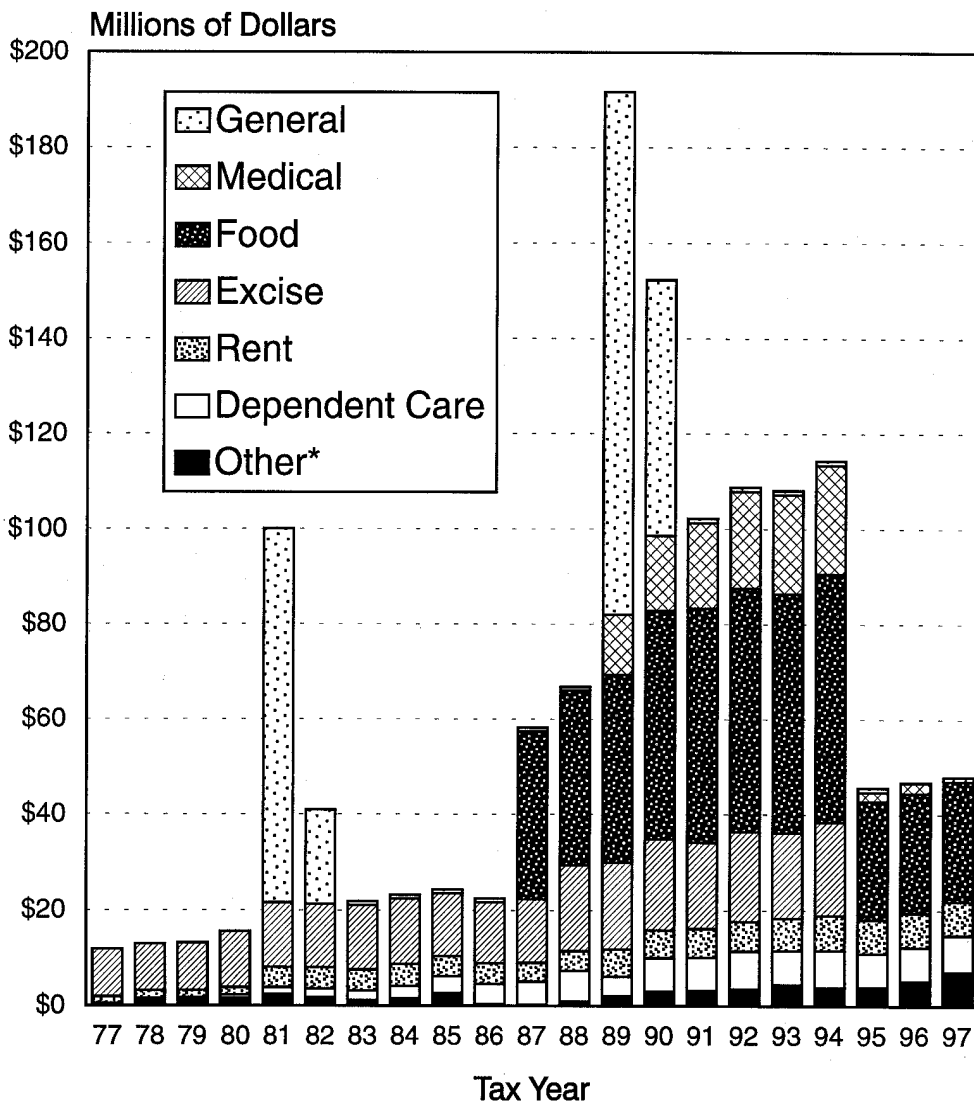
Figure 4
**Comparison of Number of Returns Claiming Tax Credits
 in Each District by Type of Credit, 1996 over 1995**

Type of Credit	State	TAXATION DISTRICT			
		First	Second	Third	Fourth
Renter's Credit					
1997	72,824	54,611	7,376	6,973	3,864
1996	75,189	57,966	7,356	6,970	2,897
% Change	-3.1	-5.8	0.3	0.0	33.4
Dependent Care					
1997	25,342	19,047	2,397	2,643	1,255
1996	24,442	18,039	2,582	2,408	1,413
% Change	3.7	5.6	-7.2	9.8	-11.2
Food					
1997	453,358	334,460	45,409	51,890	21,599
1996	450,768	334,395	45,250	50,148	20,975
% Change	0.6	0.0	0.4	3.5	3.0

To a lesser degree, the food tax credit also affected the amount of total credit dollars claimed. The large increase in total tax credits claimed in 1987 over 1986 was almost solely attributable to the introduction of the food credit in 1987. Since then, the dollar amount of food tax credit claims remained relatively stable until 1995 when the food credit was reduced from \$55 to \$27 per person.

The introduction of the medical services credit in 1989 added to the huge increase in claimed tax credits in that year due to the increase in the general credit to \$125 per individual. The medical services credit was limited to nursing facility expenses in 1995. This change partially explains the dramatic decrease in the amount of tax credits claimed in 1995 when compared with the previous year.

Chart 1 Tax Credits Claimed by Individuals 1977-1997

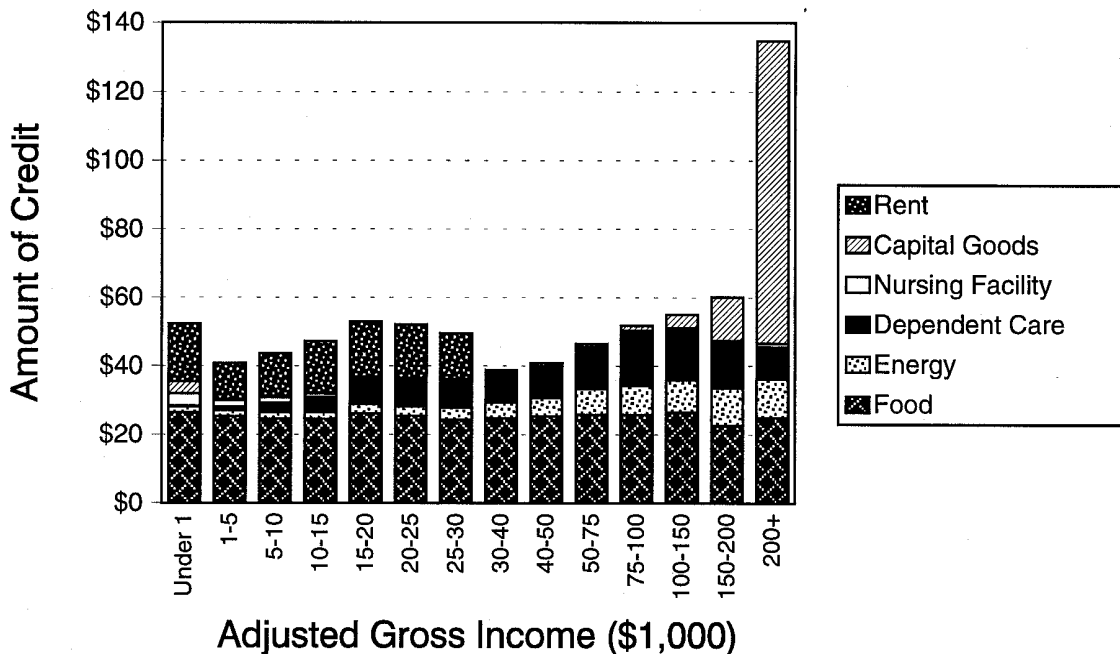


*Includes Energy, Car Seat, Capital Goods, Fuel, Enterprise Zone, Vocational Rehabilitation Job, Motion Picture, and Hotel Remodeling Credits.

Tax Credits - 1997

Chart 2 depicts per capita amounts of tax credits claimed across adjusted gross income (AGI) brackets. The averages were obtained by dividing the total dollar amount of each type of credit claimed on returns within each AGI bracket by the number of persons in that bracket. The number of persons includes exemptions for taxpayers, spouses, and dependents, but to avoid duplications, age exemptions were excluded. Minor children supported by payments administered by the Department of Human Resources were also included. These children cannot be claimed as dependents but are still eligible for the food tax credit. Chart 2 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. Dependent care credit claims generally vary with income. 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 2
Average Per Capita Credit



ANALYSIS OF DATA

Food Tax Credit

Introduced in 1987, the food tax credit partially compensates for the 4% general excise tax on food purchased for home consumption. The credit amount was a flat \$27 per qualified person in 1997. This tax credit may be claimed by each resident individual who:

- was a resident of Hawaii and was physically present in Hawaii for more than nine months during the taxable year;
- is not claimed and is not eligible to be claimed as a dependent by any taxpayer for federal or Hawaii individual income tax purposes; and
- was not confined in jail, prison, or a youth correctional facility for the entire taxable year.

Since this tax credit is available to all qualified resident individuals regardless of their income, it has been the most commonly claimed tax credit. In tax year 1997, 81% of total individual returns, or 453,358 returns, claimed this credit. Food tax credit claims amounted to \$25.1 million. Figure 5 shows food credit claims and exemptions from 1987 to 1997.

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
1997	453,358	0.6	931,069	0.6

Tax Credits - 1997

Renter's Tax Credit

To qualify for the low-income household renter's tax credit, a Hawaii resident must:

- physically reside in Hawaii for more than nine months of the taxable year;
- not be eligible to be claimed as a dependent of another taxpayer;
- have annual adjusted gross income less than \$30,000;
- occupy a rental unit that was not wholly or partially exempt from the real property tax; and
- pay more than \$1,000 in annual rent.

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. The renter's tax credit is \$50 for each qualified exemption. A person with an age exemption may claim 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.

Among 370,586 taxpayers reporting AGI below \$30,000, about 20% of them, or 72,824 taxpayers, claimed a total of \$7.1 million in renter's tax credits. This represents a moderate 0.6% increase over the tax credit amount claimed by 75,189 taxpayers in 1996. The average claim per return is \$97, an increase of \$3 per return from the previous year.

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	65,691	11,844	18.0
\$1,000	"	5,000	70,810	6,568	9.3
5,000	"	10,000	61,321	9,773	15.9
10,000	"	15,000	50,237	11,461	22.8
15,000	"	20,000	44,095	11,690	26.5
20,000	"	30,000	78,432	21,488	27.4
TOTAL			370,586	72,824	19.7

*Excludes returns filed by dependents

Tax Credits - 1997

Medical Services Excise Tax Credit

For 1997, this credit was available only to a taxpayer who

- paid nursing facility expenses during 1997 that were subject to the state's 6% nursing facilities tax; and
- was not claimed or was not otherwise eligible to be claimed as a dependent by another taxpayer for Hawaii individual net income tax purposes.

Between 1989 and 1994, the medical services excise tax credit was used to cover the 4% general excise tax paid for 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 the medical services excise credit available to taxpayers in 1995 to 1997. It expired on June 30, 1997. Therefore, the medical services excise tax credit may not be claimed for nursing facilities expenses incurred after June 30, 1997.

For 1997, a total of 1,051 returns claimed \$0.9 million for this credit. The average credit claimed was \$863. The number of claims and the amount claimed decreased by 23% and 59%, respectively, from the previous year. The average credit claimed dropped 40% from one year before. The termination of the medical services excise tax credit on June 30, 1997 largely contributed to the average credit decrease.

Dependent Care Tax Credit

Hawaii's dependent care tax credit eases the financial burden for an individual taxpayer who maintains a household that includes a dependent child under age 13 or a disabled dependent or spouse. The taxpayer may claim this credit for child and dependent care expenses paid during the taxable year that allowed the taxpayer to hold gainful employment. The amount of credit is a specified percentage of qualified allowable expenses, based on the size of adjusted gross income as follows:

Tax Credits - 1997

<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%

The portion of care expenses eligible for this credit is limited to a maximum of \$2,400 for one qualified dependent or \$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. 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.

Statewide, 25,342 returns claimed this credit in 1997, up 3.7% from 24,442 returns in 1996. Credit claims totaled \$7.6 million, 5.8% more than in the previous year. The average credit claim per return was \$301, an increase of \$6 per return from the previous year.

Child Passenger Restraint System Tax Credit

This credit, first introduced in 1982, promotes the safety of children riding motor vehicles on public highways. The 1983 legislature made it a requirement that young children riding in motor vehicles be restrained in a car seat.

All Hawaii taxpayers, both residents and nonresidents, are entitled to claim a tax credit for the purchase of one or more new child passenger restraint systems meeting federal motor vehicle safety standards. The credit is \$25 per return regardless of the number or the cost of restraint systems purchased and installed.

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For 1997, a total of 3,418 returns claimed \$85,450 for this credit, an increase of 30% from the previous year. Among the taxpayers claiming this credit were 195 returns from nonresidents.

Capital Goods Excise Tax Credit

The capital goods excise tax credit was first introduced in tax year 1988. This tax credit reimburses taxpayers for the 4% general excise tax paid 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.

Individuals and corporations claimed \$23.6 million for capital goods excise tax credits on 5,877 returns for 1997. Capital goods excise tax credits claimed by corporations accounted for 90% of the dollar total. This total amount of capital goods excise tax credits represents investment of \$590 million in capital goods in tax year 1997.

Individual returns claiming the credit numbered 3,242, which represented a 4.3% increase from one year before. The credit claims by individuals amounted to \$2.3 million, 43.2% more than the previous year.

Hawaii corporations claimed a total of \$21.4 million for this credit on 2,635 returns. Comparison of corporation claims for this credit between current and previous years is not readily available since this is the first issue of this report in which corporation tax credit claims are summarized.

The average amount of credit per return for individuals does not provide a good indicator in this case since the individuals in the higher AGI groups claimed larger amounts of credits. Among those individuals who claimed this credit, 14% of them reported AGI more than \$200,000 and claimed 47% of the total capital goods credit for individuals. The average capital goods credit for the group of individuals with less than \$200,000 AGI was \$434, while the average credit for the group with more than \$200,000 AGI was \$2,336.

The distribution of the credit claims by size of business receipts is skewed toward both ends. Average credit claims in the \$1 - \$1 million and \$1 million - \$10 million business receipt groups were \$713 and \$2,630 per claim, respectively. The group with business receipt of more than \$10 million averaged \$70,385, while the group with negative business receipts claimed an average of \$7,621 per return for this credit.

Tax Credits - 1997

The capital goods excise tax credit is one of the few tax credits available to nonresidents. For 1997, nonresident individuals claimed \$266,518 for this credit on 412 returns, a 165% increase from \$110,489 in 1996. The number of nonresident claims increased 26.4% over the previous year.

Energy Device Tax Credit

The purpose of this tax credit is to encourage Hawaii residents to conserve energy by installing energy devices such as solar energy systems, wind energy systems, heat pumps, and ice storage systems. Each resident taxpayer who files an individual income tax return for 1997 may claim this credit for an energy device installed in 1997. Additions to existing energy systems also qualify for the credit. The cost of repairing existing systems, however, does not qualify for this credit.

The amount of the tax credit is 35% of the actual cost for solar energy devices, 20% of the actual cost for heat pumps and wind energy devices, and 50% of the actual cost for ice storage systems. For hotel, commercial or industrial taxpayers, the amount of credit for energy devices is not limited. For individual taxpayers, there is a cap on the credit claimed for solar energy system and heat pumps. The credit for solar devices is limited to \$1,750 for single-family dwellings and \$350 for multi-family dwellings. The maximum amount of credit for heat pumps is \$400 for single-family and \$200 for multi-family dwellings.

Energy device credits totaled \$4.7 million 1997. A total of 3,927 individual taxpayers claimed \$4.6 million for the energy device credit, while 3,116 returns reported a total of \$3.5 million for this credit in 1996. Eight corporations claimed about \$66,000, less than 1.5% of the total for this credit. The average amount of this credit claimed per individual return was \$1,176 in 1997, \$47 more than the average in 1996.

From the private sector, Hawaiian Electric Company, Inc. has provided a rebate program for the installation of solar energy devices since 1996. The amount of the rebate is \$1,500 for the installation of a solar energy system in each new building and \$800 for each existing building. The provision of this rebate program partially explains the increase in the amount of energy device tax credit claimed in tax year 1997.

Fuel Credit

Each principal operator of a commercial fishing vessel who files an individual income tax return may claim this fuel tax credit. The tax credit is equal to the fuel taxes paid by the principal operator during the tax year.

Tax Credits - 1997

For 1997, individuals reported \$118,928 in credits on 373 returns, while 26 corporations claimed \$14,318 for this credit. Fuel credit claimed for 1997 totaled \$133,246.

Enterprise Zone Credit

A qualified business located in an enterprise zone may claim the enterprise zone tax credit for

- a percentage of state net income tax attributable to the conduct of business within a zone and;
- a percentage of the amount of unemployment insurance premiums paid based on the payroll of employees employed at the business firm established in the zone.

The applicable percentage is 80% the first year; 70% the second year; 60% the third year; 50% the fourth year; 40% the fifth year; 30% the sixth year; and 20% the seventh year. This credit is not refundable and any unused credit may not be carried forward.

Individuals and corporations claimed \$11,315 for this credit on nine tax returns for the tax year 1997.

Vocational Rehabilitation Job Credit

Enacted by the 1991 Legislature, the vocational rehabilitation tax credit is equal to 20% of the qualified first-year wages for that year. The amount of the qualified first year wages which may be taken into account with respect to any individual is limited to \$6,000. This tax credit is not refundable, but can be carried forward until exhausted. For tax year 1997, 64 returns from individuals and corporations claimed a total of \$33,069 for this credit. Of this total amount, individuals reported \$17,789 on 54 returns.

Motion Picture Credit

Act 107, Session Laws of Hawaii 1997, provides this refundable income tax credit to attract motion picture and television film production in Hawaii. A taxpayer may claim an income tax credit of up to 4% of costs incurred, and of up to 6% of transient accommodations costs incurred in Hawaii in the production of motion picture or television films. Nine individuals and corporations claimed \$8,386 in motion picture tax credits for tax year 1997.

Hotel Remodeling Credit

Established in Act 108, Session Laws of Hawaii 1997, the hotel remodeling tax credit encourages visitor accommodation owners to refurbish, repair and renovate their facilities.

Tax Credits - 1997

The amount of the tax credit is equal to 4% of the renovation costs incurred during the tax year. This tax credit is refundable and is capped at 10% of the transient accommodations tax paid by the taxpayer in the preceding tax year.

For 1997, 56 individual and corporation taxpayers claimed a total amount of \$0.9 million for this credit. The amount of the credit claimed by 36 corporations accounted for 96% of the credit claimed in the year.

Lifeline Telephone Service Tax Credit

Lifeline telephone service was initiated in 1986 to provide subsidized telephone service to elderly and disabled residential telephone subscribers with limited income. The Public Utilities Commission has defined "limited income" as household income of less than \$10,000. The telephone company is entitled to claim the lifeline telephone service tax credit 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. The telephone company claimed \$365,926 for this credit in 1997 and reported 7,267 subscribers who were being serviced at subsidized rates in December 1997.

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
1997	7,267	365,926

* In effect seven months.

Tax Credits - 1997

Other Non-Refundable Tax Credits

Other non-refundable tax credits include the low-income housing tax credit and the credit for taxes paid to other states and foreign countries. Hawaii's low-income housing tax credit is equal to 30% of the federal credit for qualified buildings located within the State of Hawaii. The qualifying requirements are available from the Housing Finance Development Corporation of the State of Hawaii. A taxpayer must claim the federal credit in order to claim this Hawaii credit.

The credit for income taxes paid to other states and countries is only available for Hawaii resident taxpayers. If a resident taxpayer has out-of-state income that is taxed by another state or foreign country and also by Hawaii, the taxpayer may claim this credit against his or her Hawaii income tax liability if he or she meets certain conditions.

Hawaii individuals and corporations claimed a total amount of \$9.8 million for these two non-refundable tax credits. Individuals reported an amount of \$9.4 million for these two credits, or 96% of the total.

APPENDIX I

STATISTICAL TABLES

Tax Credits - 1997

TABLE 1
TAX CREDITS CLAIMED BY INDIVIDUALS AND CORPORATIONS
BY TYPE OF CREDIT AND BY TAXATION DISTRICT - 1997

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Tax Credits Claimed by Individuals					
Food Credit	\$ 25,138,863	\$ 18,435,924	\$ 2,609,307	\$ 2,889,810	\$ 1,203,822
Capital Goods Excise Credit	2,271,292	1,617,834	411,109	185,775	56,574
Child Car Seat Credit	85,450	62,300	10,075	8,500	4,575
Renter's Credit	7,100,000	5,407,900	685,100	629,500	377,500
Dependent Care Credit	7,638,627	5,924,273	702,188	690,341	321,825
Nursing Facility Credit	907,150	765,860	50,284	60,179	30,827
Energy Device Credit	4,619,083	3,034,095	652,813	685,366	246,809
Fuel Credit	118,928	46,366	8,746	49,408	14,408
Enterprise Zone Credit	7,348	4,881	0	1,308	1,159
Vocational Rehabilitation Job credit	17,789	10,118	3,177	4,009	485
Motion Picture Credit	1,773	1,773	0	0	0
Hotel Remodeling Credit	35,156	13,807	2,719	18,630	0
Other Nonrefundable Credits *	9,449,913	5,769,640	988,111	2,294,968	397,194
Total	\$ 57,391,372	\$ 41,094,771	\$ 6,123,629	\$ 7,517,794	\$ 2,655,178

* Other non-refundable credits include low-income housing tax credit and other state and foreign country tax credit.

Tax Credits - 1997

TABLE 1 (Continued)
 TAX CREDITS CLAIMED BY INDIVIDUALS AND CORPORATIONS
 BY TYPE OF CREDIT AND BY TAXATION DISTRICT - 1997

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Tax Credits Claimed by Corporations					
Capital Goods Excise Credit	\$ 21,375,969	20,106,599	748,448	428,951	91,971
Energy Device Credit	65,809	65,120	54	635	0
Fuel Credit	14,318	7,651	338	6,293	36
Enterprise Zone Credit	3,967	0	2,831	0	1,136
Vocational Rehabilitation Job credit	15,280	14,080	0	0	1,200
Motion Picture Credit	6,613	4,831	1,782	0	0
Hotel Remodeling Credit	894,057	878,260	12,771	3,026	0
Lifeline Telephone Service Credit	365,926	365,926	0	0	0
Other Nonrefundable Credits *	315,216	311,512	0	0	3,704
Total	\$ 23,057,155	\$ 21,753,979	\$ 766,224	\$ 438,905	\$ 98,047

* Other non-refundable credits only include low-income housing tax credit.

Tax Credits - 1997

TABLE 1 (Continued)
 TAX CREDITS CLAIMED BY INDIVIDUALS AND CORPORATIONS
 BY TYPE OF CREDIT AND BY TAXATION DISTRICT - 1997

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Total Credits Claimed					
Food Credit	\$ 25,138,863	\$ 18,435,924	\$ 2,609,307	\$ 2,889,810	\$ 1,203,822
Capital Goods Excise Credit	23,647,261	21,724,433	1,159,557	614,726	148,545
Child Car Seat Credit	85,450	62,300	10,075	8,500	4,575
Renter's Credit	7,100,000	5,407,900	685,100	629,500	377,500
Dependent Care Credit	7,638,627	5,924,273	702,188	690,341	321,825
Nursing Facility Credit	907,150	765,860	50,284	60,179	30,827
Energy Device Credit	4,684,892	3,099,215	652,867	686,001	246,809
Fuel Credit	133,246	54,017	9,084	55,701	14,444
Enterprise Zone Credit	11,315	4,881	2,831	1,308	2,295
Vocational Rehabilitation Job credit	33,069	24,198	3,177	4,009	1,685
Motion Picture Credit	8,386	6,604	1,782	0	0
Hotel Remodeling Credit	929,213	892,067	15,490	21,656	0
Lifeline Telephone Service Credit	365,926	365,926	0	0	0
Other Nonrefundable Credits *	9,765,129	6,081,152	988,111	2,294,968	400,898
Total	\$ 80,448,527	\$ 62,848,750	\$ 6,889,853	\$ 7,956,699	\$ 2,753,225

* Other non-refundable credits include low-income housing tax credit and other state and foreign country tax credit.

Tax Credits - 1997

TABLE 2

NUMBER OF INDIVIDUALS AND CORPORATIONS RETURNS CLAIMING SELECTED TAX CREDITS BY TYPE OF CREDIT AND BY TAXATION DISTRICT - 1997

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Food Credit	453,358	334,460	45,409	51,890	21,599
Capital Goods Excise Credit	5,877	4,494	568	583	232
Individuals	3,242	2,356	354	361	171
Corporations	2,635	2,138	214	222	61
Child Car Seat Credit	3,418	2,492	403	340	183
Renter's Credit	72,824	54,611	7,376	6,973	3,864
Dependent Care Credit	25,342	19,047	2,397	2,643	1,255
Nursing Facility Credit	1,051	887	54	52	58
Energy Device Credit	3,935	2,496	577	598	264
Fuel Credit	399	149	37	154	59

Tax Credits - 1997

TABLE 3
 NUMBER OF INDIVIDUAL RETURNS CLAIMING TAX CREDITS
 BY SIZE OF CREDITS PER RETURN AND BY ADJUSTED GROSS INCOME - 1997

ADJUSTED GROSS INCOME CLASS	Number of Returns with Credits	Total									
		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 \$1000	\$1000 and over
Under \$ 5,000	82,653	39,040	17,788	8,367	8,881	2,829	3,720	1,034	249	420	325
\$ 5,000 " 10,000	42,102	19,286	9,327	6,890	2,074	1,470	1,751	655	179	295	175
10,000 " 15,000	39,318	16,062	7,872	7,563	2,024	2,139	1,980	885	153	460	180
15,000 " 20,000	38,567	14,658	7,307	7,986	2,217	2,271	1,676	1,179	308	745	220
20,000 " 25,000	38,159	14,988	5,428	8,824	2,424	2,246	1,886	1,075	291	752	245
25,000 " 30,000	33,284	12,837	5,747	7,495	1,741	1,931	1,367	1,055	267	557	287
30,000 " 35,000	23,943	11,943	4,427	2,692	3,038	540	265	179	140	525	194
35,000 " 40,000	20,647	8,797	4,894	2,567	2,459	591	349	195	315	321	159
40,000 " 45,000	19,226	6,892	4,955	2,465	2,668	943	337	196	360	266	144
45,000 " 50,000	15,708	5,443	3,822	2,020	2,428	631	281	213	389	297	184
50,000 " 75,000	54,730	12,090	14,511	7,557	11,556	2,439	1,720	922	1,784	1,349	802
75,000 " 100,000	24,647	2,240	7,407	4,098	5,929	1,057	908	559	1,115	878	456
100,000 " 150,000	14,811	1,398	4,020	2,912	3,705	525	477	286	607	572	309
150,000 " 200,000	3,113	263	1,100	663	508	51	90	68	126	143	101
200,000 and over	4,213	651	1,403	666	707	109	111	68	122	161	215
TOTAL	455,121	166,588	100,008	72,765	52,359	19,772	16,918	8,569	6,405	7,741	3,996
Percent of Total*	100.0%	36.6%	22.0%	16.0%	11.5%	4.3%	3.7%	1.9%	1.4%	1.7%	0.9%

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

Tax Credits - 1997

TABLE 4
 NUMBER CLAIMING RENTER'S TAX CREDIT, NUMBER OF EXEMPTIONS,
 AND TAX CREDITS CLAIMED, BY ADJUSTED GROSS INCOME - 1997

ADJUSTED GROSS INCOME CLASS			Number Claiming	Number of Exemptions*			Tax Credits Claimed
				Total	Regular*	Age*	
	Under \$	1,000	11,844	27,077	19,479	7,598	\$ 1,289,850
\$	1,000	" 3,000	2,883	5,701	4,756	945	258,000
	3,000	" 5,000	3,685	7,954	7,014	940	387,250
	5,000	" 7,000	3,717	7,355	6,414	941	357,450
	7,000	" 9,000	3,696	6,699	6,149	550	327,050
	9,000	" 11,000	4,617	8,474	7,929	545	404,850
	11,000	" 13,000	4,489	9,134	8,540	594	441,050
	13,000	" 15,000	4,715	9,327	8,586	741	456,200
	15,000	" 17,000	4,626	10,001	9,703	298	479,150
	17,000	" 20,000	7,064	13,543	13,149	394	668,700
	20,000	" 25,000	11,809	23,140	22,057	1,083	1,136,500
	25,000	" 30,000	9,679	18,237	18,082	155	893,950
TOTAL			72,824	146,642	131,858	14,784	\$ 7,100,000

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

Tax Credits - 1997

TABLE 5
TOTAL INDIVIDUAL RETURNS FILED AND FOOD TAX CREDITS CLAIMED BY ADJUSTED GROSS INCOME - 1997

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	136,501	82,154	133,637	1.63	\$ 3,608,199	54,347	39.8%
\$ 5,000	" 10,000	61,321	41,909	67,612	1.61	1,825,524	19,412	31.7%
10,000	" 15,000	50,237	39,176	65,913	1.68	1,779,651	11,061	22.0%
15,000	" 20,000	44,095	38,401	69,578	1.81	1,878,606	5,694	12.9%
20,000	" 25,000	41,622	38,026	69,361	1.82	1,872,747	3,596	8.6%
25,000	" 30,000	36,810	33,123	59,861	1.81	1,616,247	3,687	10.0%
30,000	" 35,000	26,308	23,884	48,426	2.03	1,307,502	2,424	9.2%
35,000	" 40,000	22,660	20,596	44,544	2.16	1,202,688	2,064	9.1%
40,000	" 45,000	20,670	19,188	45,454	2.37	1,227,258	1,482	7.2%
45,000	" 50,000	16,452	15,663	37,482	2.39	1,012,014	789	4.8%
50,000	" 75,000	56,931	54,603	150,645	2.76	4,067,415	2,328	4.1%
75,000	" 100,000	25,599	24,581	74,149	3.02	2,002,023	1,018	4.0%
100,000	" 150,000	15,564	14,767	44,736	3.03	1,207,872	797	5.1%
150,000	" 200,000	3,361	3,095	8,591	2.78	231,957	266	7.9%
200,000	and over	4,614	4,192	11,080	2.64	299,160	422	9.1%
TOTAL		562,745	453,358	931,069	2.05	\$ 25,138,863	109,387	19.4%

* Exemptions claiming food tax credit.

Tax Credits - 1997

TABLE 6
 COMPARATIVE DATA ON INDIVIDUAL RETURNS FILED,
 SHOWING NUMBER AND PERCENTAGE CLAIMING THE FOOD TAX CREDIT - 1997
 STATEWIDE

ADJUSTED GROSS			Number of Returns Filed			Returns with Credit			% of Returns with Credit		
INCOME CLASS			Single*	Joint**	H/H***	Single*	Joint**	H/H***	Single*	Joint**	H/H***
	Under \$	5,000	97,148	31,589	7,764	53,267	22,392	6,495	54.8	70.9	83.7
\$	5,000	" 10,000	41,492	14,458	5,371	24,995	11,864	5,050	60.2	82.1	94.0
	10,000	" 15,000	30,825	13,541	5,871	22,450	11,219	5,507	72.8	82.9	93.8
	15,000	" 20,000	25,707	11,972	6,416	21,569	10,691	6,141	83.9	89.3	95.7
	20,000	" 25,000	23,805	11,851	5,966	21,489	10,680	5,857	90.3	90.1	98.2
	25,000	" 30,000	20,140	10,725	5,945	18,070	9,364	5,689	89.7	87.3	95.7
	30,000	" 35,000	13,398	10,130	2,780	11,985	9,128	2,771	89.5	90.1	99.7
	35,000	" 40,000	9,810	9,491	3,359	8,805	8,588	3,203	89.8	90.5	95.4
	40,000	" 45,000	7,766	11,232	1,672	7,015	10,652	1,521	90.3	94.8	91.0
	45,000	" 50,000	5,564	9,401	1,487	5,263	8,916	1,484	94.6	94.8	99.8
	50,000	" 75,000	13,072	41,057	2,802	12,254	39,602	2,747	93.7	96.5	98.0
	75,000	" 100,000	2,599	22,566	434	2,399	21,749	433	92.3	96.4	99.8
	100,000 and over		2,530	20,583	426	2,315	19,362	377	91.5	94.1	88.5
TOTAL			293,856	218,596	50,293	211,876	194,207	47,275	72.1	88.8	94.0

* Includes married filing separately.

** Includes qualified surviving spouse.

***Head of Household

Tax Credits - 1997

TABLE 7
 TOTAL INDIVIDUAL RETURNS FILED, QUALIFIED NURSING FACILITY EXPENSES,
 AND NURSING FACILITY TAX CREDIT CLAIMED BY ADJUSTED GROSS INCOME - 1997
 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	65,691	378	0.6	\$ 4,456,202	\$ 267,379
\$ 1,000 "	5,000	70,810	126	0.2	1,967,626	118,060
5,000 "	10,000	61,321	106	0.2	1,811,267	108,678
10,000 "	20,000	94,332	144	0.2	1,983,784	119,029
20,000 "	30,000	78,432	77	0.1	947,813	56,870
30,000 "	50,000	86,090	95	0.1	1,772,505	106,352
50,000 and over		106,069	125	0.1	2,179,664	130,782
TOTAL*		562,745	1,051	0.2	\$ 15,118,861	\$ 907,150

* Details may not add up due to rounding.

Tax Credits - 1997

TABLE 8
 NUMBER CLAIMING DEPENDENT CARE TAX CREDIT, DEPENDENT CARE
 EXPENSES ALLOWED, AND TAX CREDIT CLAIMED, BY ADJUSTED GROSS INCOME - 1997
 STATEWIDE

ADJUSTED GROSS INCOME CLASS		Number of Returns Filed	Returns Claiming Credit	Percent With Credit	Expenses Allowed	Tax Credit Claimed
	Under \$ 5,000	136,501	315	0.2	\$ 362,000	\$ 90,500
\$	5,000 "	61,321	602	1.0	859,504	214,876
	10,000 "	50,237	860	1.7	1,279,628	319,907
	15,000 "	44,095	1,277	2.9	1,883,952	470,988
	20,000 "	41,622	1,465	3.5	2,225,525	538,182
	25,000 "	36,810	1,325	3.6	2,189,978	477,383
	30,000 "	26,308	1,356	5.2	2,266,453	435,411
	35,000 "	22,660	1,335	5.9	2,275,942	382,919
	40,000 "	20,670	1,362	6.6	2,423,971	363,605
	45,000 "	16,452	1,447	8.8	2,624,288	393,654
	50,000 "	56,931	6,796	11.9	12,325,466	1,848,874
	75,000 "	25,599	4,226	16.5	7,901,346	1,185,235
	100,000 "	15,564	2,213	14.2	4,468,491	670,288
	150,000 "	3,361	418	12.4	895,812	134,374
	200,000 and over	4,614	345	7.5	749,530	112,431
TOTAL		562,745	25,342	4.5	\$ 44,731,886	\$ 7,638,627

Tax Credits - 1997

TABLE 9

NUMBER CLAIMING DEPENDENT CARE TAX CREDITS BY ADJUSTED GROSS INCOME AND BY EXPENSES ALLOWED - 1997
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	4,952	507	996	1,071	1,969	409
\$	500	" 1,000	4,196	302	681	901	1,852	460
	1,000	" 1,500	3,089	213	464	690	1,378	344
	1,500	" 2,000	2,318	177	408	500	988	245
	2,000	" 2,500	6,759	444	1,113	1,496	2,884	822
	2,500	" 3,000	593	19	61	131	269	113
	3,000	" 3,500	515	17	56	105	247	90
	3,500	" 4,000	430	7	38	117	211	57
	4,000	" 4,500	424	9	47	106	201	61
	4,500	and over	2,066	82	203	383	1,023	375
TOTAL			25,342	1,777	4,067	5,500	11,022	2,976

Tax Credits - 1997

TABLE 10
 NUMBER CLAIMING CAPITAL GOODS EXCISE TAX CREDIT, AMOUNT OF CAPITAL ASSETS
 PURCHASED, AND TAX CREDIT CLAIMED - 1997
 INDIVIDUAL RETURNS, STATEWIDE

ADJUSTED GROSS INCOME CLASS			Number Claiming	Amount of Qualified Purchases	Tax Credit Claimed
	Under \$	10,000	705	\$ 8,170,950	\$ 326,838
\$	10,000	" 20,000	228	1,748,350	69,934
	20,000	" 30,000	225	1,992,400	79,696
	30,000	" 40,000	215	2,105,725	84,229
	40,000	" 50,000	217	2,027,225	81,089
	50,000	" 75,000	409	3,599,800	143,992
	75,000	" 100,000	279	2,877,575	115,103
	100,000	" 150,000	334	4,511,225	180,449
	150,000	" 200,000	176	3,232,250	129,290
	200,000	and over	454	26,516,800	1,060,672
TOTAL			3,242	\$ 56,782,300	\$ 2,271,292

Tax Credits - 1997

TABLE 11
 NUMBER CLAIMING CAPITAL GOODS EXCISE TAX CREDIT, AMOUNT OF CAPITAL ASSETS
 PURCHASED, AND TAX CREDIT CLAIMED - 1997
 CORPORATION RETURNS, STATEWIDE

ADJUSTED GROSS INCOME CLASS		Number Claiming	Amount of Qualified Purchases	Tax Credit Claimed
	Under \$ 100,000	330	\$ 11,407,300	\$ 456,292
\$	100,000 " 500,000	725	12,985,625	519,425
	500,000 " 1,000,000	403	7,463,375	298,535
	1,000,000 " 5,000,000	749	44,561,050	1,782,442
	5,000,000 " 10,000,000	177	16,315,500	652,620
	10,000,000 and over	251	441,666,375	17,666,655
TOTAL		2,635	\$ 534,399,225	\$ 21,375,969

APPENDIX II

OUTLINE OF TAX CREDIT HISTORY

Outline of Tax Credit History

Year	Act	Tax Credit	Tax Credit Description or Modification
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 (AGI).
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 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.
1980	228	Excise Credit	Increased credit per qualified exemption; new range \$48 to \$8.

Tax Credits - 1997

Year	Act	Tax Credit	Tax Credit Description or Modification
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; expended 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 Credits - 1997

Year	Act	Tax Credit	Tax Credit Description or Modification
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	Renter's credit	Allowed residents with no taxable income to claim the tax 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.
1994	85	General income credit	\$1 per qualified exemption.

Tax Credits - 1997

Year	Act	Tax Credit	Tax Credit Description or Modification
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.

APPENDIX III

FACSIMILES OF N-11, N-12, N-13, N-15, AND N-30 TAX RETURNS AND TAX CREDIT FORMS

The following are links to the 1997 forms on this CD:

Form N-11 *Resident Individual Income Tax Return*
Form N-12 *Resident or Part-Year Individual Income Tax Return*
Instructions for Forms N-11 and N-12

Form N-13 (Short Form) *Individual Income Tax Return*
Instructions for Form N-13

Schedule X *Tax Credits for Hawaii Residents*

Form N-15 *Nonresident Individual Income Tax Return*
Instructions for Form N-15

N-30 *Corporation Income Tax Return*

N-157 *Credit for Energy Conservation*

N-163 *Fuel Tax Credit for Commercial Fishers*

N-312 *Capital Goods Excise Tax Credit*

N-314 *Hotel Remodeling Tax Credit*

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

N-756 *Enterprise Zone Tax Credit*

N-884 *Credit for Employment of Vocational Rehabilitation Referrals*

N-586 *Tax Credit for Low-Income Housing*