
Tax Credits

**Claimed by Hawaii
Individuals and Corporations**

1999

**Department of Taxation
State of Hawaii**

STATE OF HAWAII

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Department of Taxation
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INTRODUCTION

Beginning with the 1977 tax year, the Department of Taxation has published annual studies in order to provide current information on trends in credit claims and the effect of statutory changes affecting credits. Prior to the 1997 tax year, these studies analyzed credits claimed by individuals. Since the taxable year 1997, the studies have been expanded to cover credits claimed by both corporations and individuals.

This report analyzes fifteen tax credits claimed on the 1999 individual and/or corporation income tax returns. Those credits include: the low-income refundable tax credit, the capital goods excise tax credit, the child passenger restraint tax credit, the low-income renter's tax credit, the dependent care expense tax credit, the energy device tax credit, the fuel tax credit for commercial fishers, the enterprise zone tax credit, the vocational rehabilitation job tax credit, the motion picture tax credit, the hotel remodeling tax credit, the high technology tax credit, the low-income housing tax credit, the other state and foreign county tax credit, and the telephone lifeline service tax credit.

TAX CREDITS CLAIMED BY HAWAII INDIVIDUALS AND CORPORATIONS - 1999

SUMMARY

For tax year 1999, the Department of Taxation processed nearly 567,000 individual tax returns and more than 18,000 corporation tax returns. Forty-three percent of individual tax returns claimed tax credits amounting to \$53 million. Thirteen percent of corporation tax returns claimed tax credits amounting to \$21 million. Total tax credits claimed for tax year 1999 decreased to \$74 million from \$88 million for the previous year. The reason for this 15.9% drop was the replacement of the food credit by the low-income credit.

DATA SOURCE AND METHODOLOGY

The sole source of data for this study was a stratified sample of individual and corporation tax returns filed in 2000 for tax year 1999. In order to eliminate sampling error for less frequently claimed tax credits, the sample included every return with a tax credit other than the low-income tax credit and the low-income renter's tax credit.¹ Returns with only the low-income 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 study were extracted 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 system.

Among the four types of Hawaii individual income tax forms, Form N-11 was the most commonly used. More than 75% of taxpayers used this form to file their 1999 tax returns. However, Form N-11 is designed to be used by a taxpayer who also files a federal return. An individual taxpayer who does not file a federal return is eligible to use Form N-13 if he or she has less than \$100,000 taxable income, has only wages, tips, interest, dividends, and/or unemployment compensation, does not itemize deductions, and does not claim adjustments to income. Individual taxpayers who have more than \$100,000 taxable income and do not file a federal return are required to use Form N-12. Nonresidents and part-year residents must use Form N-15. Form N-30, the Corporation Income Tax Return, is filed by corporations who are directly taxable as entities and are also directly eligible for tax credits.

¹For N-15 returns, only a small fraction of persons could claim the low-income tax credit and the low-income renter's tax credit. They were included to prevent sampling error for the low-income tax credit and the low-income renter's tax credit.

Tax Credits - 1999

For this report, the cutoff date was November 2000 for individual returns and December 2000 for corporation returns. These cutoff dates allowed the inclusion of as many tax year 1999 returns as possible since the deadline for filing returns could be extended to October 20, 2000. Figure 1 shows the number of returns processed by type of return and the size of the sample selected.

Some of the statistics in this report are summarized by taxation districts. The four districts are:

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

OVERVIEW

For the taxable year 1999, the state legislature made several changes to the tax credits. First, the food tax credit which was introduced in 1987 was repealed. Second, the graduated low-income credit adopted by the 1998 Legislature was available beginning tax year 1999. Third, the high-technology tax credit approved by the 1999 Legislature was also available beginning tax year 1999.

Although the number of individual and corporation tax returns filed for tax year 1999 remained fairly stable from a year ago, the number of returns with tax credits experienced a significant 47.3% decrease from 464,474 to 244,865. Claims for tax credits appeared on 41.8% of 585,174 returns in 1999 compared to 79.6% of 583,809 returns in 1998. The dollar amount of credits totaled \$74 million representing a 15.9% decrease from \$88 million in 1998.

Figure 1
**Number of Individual and Corporation Returns Processed and Sampled
 by Taxation District**

		TAXATION DISTRICT			
		First	Second	Third	Fourth
Returns Processed					
N-11	434,939	319,449	46,630	47,894	20,966
N-12	18,335	13,321	1,769	2,363	882
N-13	63,897	46,070	5,545	9,016	3,266
N-15	49,566	43,135	2,906	2,589	936
N-30	18,437	14,786	1,498	1,686	467
Total	585,174	436,761	58,348	63,548	26,517
Returns in Sample					
N-11	46,505	33,862	5,015	5,169	2,459
N-12	1,029	762	97	119	51
N-13	2,317	1,654	215	316	132
N-15	3,628	2,939	324	279	86
N-30	2,824	2,238	223	284	79
Total	56,303	41,455	5,874	6,167	2,807
Percent of Returns Sampled (%)					
N-11	10.7	10.6	10.8	10.8	11.7
N-12	5.6	5.7	5.5	5.0	5.8
N-13	3.6	3.6	3.9	3.5	4.0
N-15	7.3	6.8	11.1	10.8	9.2
N-30	15.3	15.1	14.9	16.8	16.9
Total	9.6	9.5	10.1	9.7	10.6

Tax Credits - 1999

The proportion of individual income tax returns claiming tax credits fell substantially from 81.7% in 1998 to 42.8% in 1999. A total of 242,525 individual returns reported \$53 million in tax credits for tax year 1999. Compared to last year, the number of returns with credits declined by 219,539 or 47.5% while the credit amount dropped by \$9.9 million or 15.7%. The decline in dollar amount and return count can be explained by the elimination of the food credit which was available to all qualified residents regardless of income. In contrast, the low-income credit which replaced the food credit was only available to those with income of not more than \$20,000. The food credit was a flat \$27 per qualified person while the low-income credit is graduated. Nevertheless, the low-income credit was the most frequently claimed tax credit in 1999 as seen in Figure 2. It showed up on 76.8% of individual returns with credits. The dollar amount of the low-income credit was \$8.7 million representing 16.4% of total credit. Chart 1 shows that the low-income credit was the second largest in terms of dollar amount after "other credits" which amounted to \$21.3 million or 40.1% of the total. "Other credits" included the child car seat credit, the fuel credit for fishers, the enterprise zone credit, the vocational rehabilitation job credit, the motion picture credit, the high technology credit, the credit for income tax paid to another state or country, and the low-income housing credit.

In 1999, a total of 2,340 corporation income tax returns claimed \$21.1 million in tax credits. As compared with 2,410 returns claiming \$25.5 million in 1998, the number of returns with credit decreased by 2.9% while the credit amount fell by 17.3%. Among all tax credits, the capital goods credit was the most widely claimed by corporations, appearing on 97.5% of corporation returns with credit (Figure 2). The capital goods credit also had the largest dollar claims, amounting to \$18.2 million or 86.3% of total credit dollars (Chart 2).

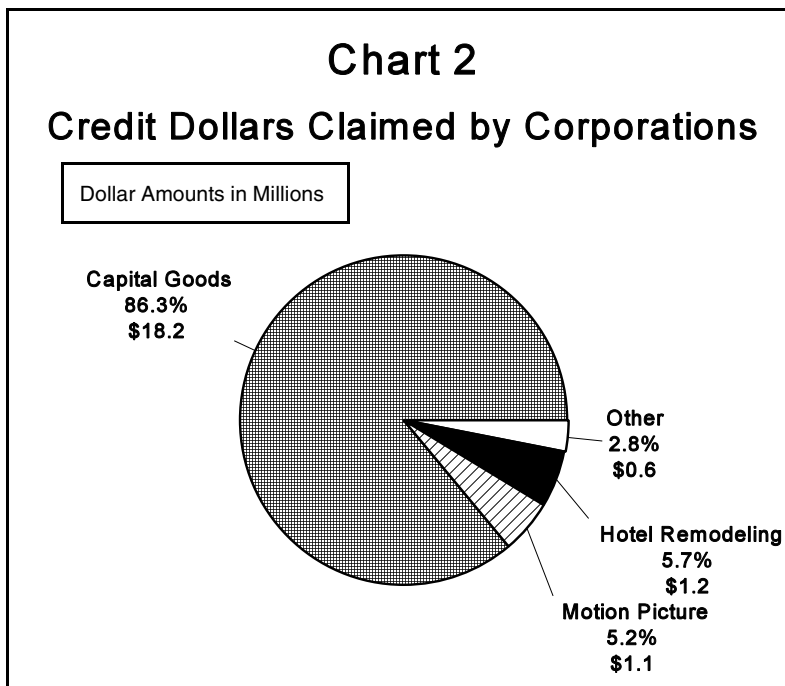
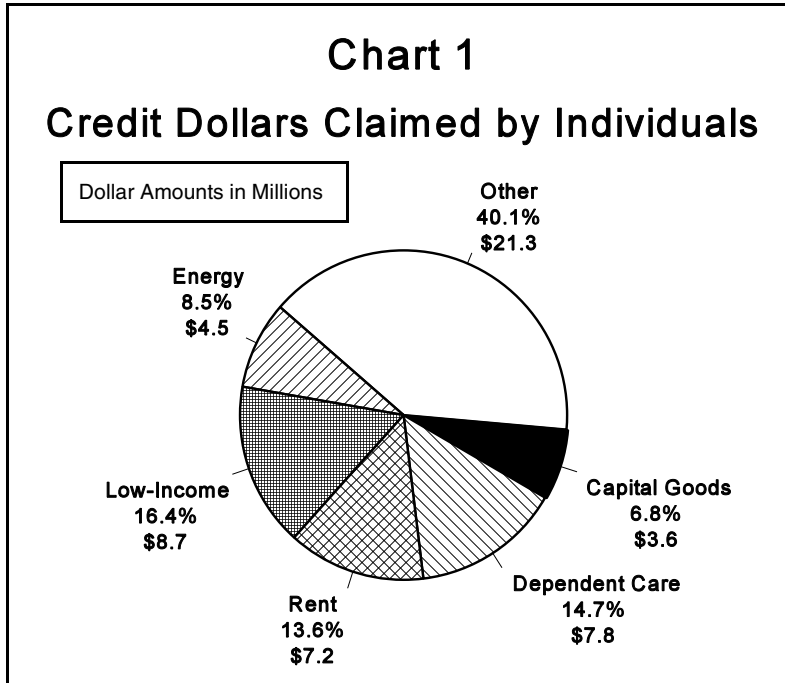
Chart 3 illustrates per capita amounts of selected personal tax credits claimed across adjusted gross income (AGI) brackets. The per capita amounts were generated by dividing the dollar amount of each type of credit by the number of persons within each AGI bracket. The number of persons included exemptions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

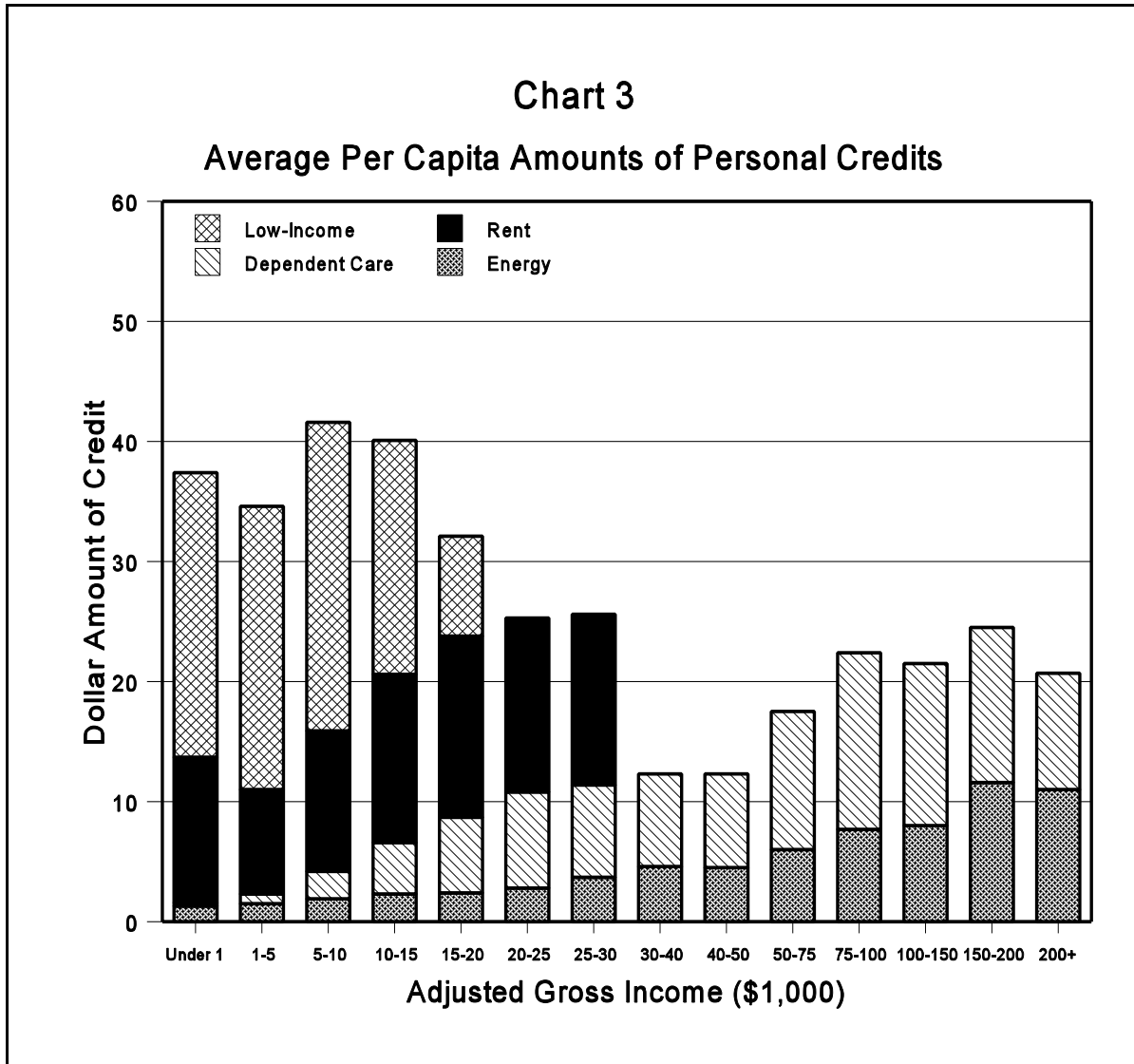
Figure 2
**Percent of Individual and Corporation Returns Claiming Tax Credits
for the 1999 Tax Year**

	Number of Returns	Percent of Total Returns	Percent of Total w/Credits
Individual Returns	566,737	100.0	
Returns with Tax Credits	242,525	42.8	100.0
Low-Income Credit	186,266	32.9	76.8
Capital Goods Excise Credit	3,424	0.6	1.4
Child Car Seat Credit	3,629	0.6	1.5
Renter's Credit	71,795	12.7	29.6
Dependent Care Credit	26,039	4.6	10.7
Energy Device Credit	3,948	0.7	1.6
Fuel Credit for Fishers	310	0.1	0.1
Enterprise Zone Credit	35	0.0	0.0
Vocational Rehabilitation Job Credit	14	0.0	0.0
Motion Picture Credit	7	0.0	0.0
High Technology Credit	21	0.0	0.0
Miscellaneous Nonrefundable Credits*	7,058	1.2	2.9
Corporation Income Tax Returns	18,437	100.0	
Returns with Tax Credits	2,340	12.7	100.0
Capital Goods Tax Credit	2,281	12.4	97.5
Fuel Credit for Fishers	21	0.1	0.9
Vocational Rehabilitation Job Credit	10	0.1	0.4
Hotel Remodeling Credit	21	0.1	0.9
Energy Device Credit	17	0.1	0.7
Low-Income Housing Credit	24	0.1	1.0
Other Credits**	15	0.1	0.6

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

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





As shown in Chart 3, the per capita claim for low-income credit was relatively constant among those with very low income and then declined as income moved toward the upper limit of AGI eligibility. This trend was due to the graduated tax credit schedule. The amount of credit per exemption was flat for AGI less than \$10,000. As income increased, the credit amount gradually phased out at AGI \$20,000. Average claim for the renter's credit was fairly constant up to the \$30,000 AGI eligibility limit. Of note is that per capita claims for both the dependent care credit and the energy device credit increased with income.

Tax Credits - 1999

Tax year 1999 was the fourth consecutive year that the general income tax credit was not available. Since 1981, Hawaii's state constitution has required a tax refund or tax credit to resident taxpayers whenever the state general fund surplus exceeds 5% of general fund revenues for each of two successive years. This condition has not been met since 1996.

ANALYSIS OF DATA

Low-Income Refundable Tax Credit

Tax year 1999 was the first year for which the low-income refundable tax credit was available. In 1998, the Legislature established this graduated tax credit to take the place of the flat food tax credit. In contrast to the food credit which does not have any income restriction, the low-income credit is only available to residents with AGI less than or equal to \$20,000. In addition, for a resident to qualify for the tax credit, he or she must: 1) be present in Hawaii for more than nine months of the taxable year; 2) not be in prison, youth correctional facility, or jail for the entire taxable year; and 3) not be claimed as a dependent by another taxpayer. The amount of credit per qualified exemption gradually phases out as AGI increases to \$20,000. The tax credit schedule based on the size of AGI is as follows:

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

Age exemptions are not allowed for the low-income tax credit. However, individuals may claim the credit for minor children receiving support from the Department of Human Services regardless of their family income. Each of these children is eligible for a \$35 credit.

In 1999, the low-income tax credit appeared on 32.9% of individual returns and amounted to \$8.7 million which was only one-third of the 1998 food credit. The decline was due to the AGI restriction and the graduated nature of the credit. However, this credit was the most commonly claimed in tax year 1999. It was reported on 76.8% of the individual returns with credits.

Tax Credits - 1999

Renter's Tax Credit

Hawaii residents who occupy and pay rent for real property within the State may qualify for the refundable low-income household renter's credit if they meet the following requirements: 1) physically reside in Hawaii for more than nine months of the taxable year; 2) not be eligible to be claimed as a dependent by any taxpayer; 3) have adjusted gross income under \$30,000; and 4) pay more than \$1,000 in annual rent for real property that is not wholly or partially exempt from the real property tax. In the case of a shared rental unit, the individual's share of rent determines his or her eligibility.

The amount of credit is equal to \$50 per qualified exemption. A taxpayer with age exemption may claim an additional \$50 credit. Married couples filing separately must qualify on the basis of their combined adjusted gross income.

As seen in Figure 3, 71,795 returns with adjusted gross income below \$30,000 claimed the renter's credit in 1999. This represents a moderate 0.5% increase over the previous year. The credit amount rose slightly from \$7.0 million to \$7.2 million. The average claim per return was \$100, representing a 2.3% increase.

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

Adjusted Gross Income		Number of Returns*	Returns with Credit	% with Credit
Under	\$1,000	42,847	10,643	24.8
\$1,000	" 5,000	41,300	7,481	18.1
5,000	" 10,000	45,368	10,266	22.6
10,000	" 15,000	43,465	11,999	27.6
15,000	" 20,000	41,146	12,235	29.7
20,000	" 30,000	68,846	19,171	27.8
TOTAL		282,972	71,795	25.4

*Excludes returns filed by dependents and full-year nonresidents.

Tax Credits - 1999

Dependent Care Tax Credit

Hawaii's refundable dependent care tax credit lessens the financial burden of a resident taxpayer who pays for the care of a child under age 13 or a spouse or dependent incapable of self care in order that the taxpayer may be gainfully employed.

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

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

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

For tax year 1999, the dependent care credit was reported on 26,039 individual returns as compared to 25,843 returns in the previous year. The proportion of individual returns

Tax Credits - 1999

claiming this credit was stable at 4.6%. The total credit claimed rose slightly from \$7.7 million to \$7.8 million. As a result, the average credit claim per return increased by only \$1 to \$301. The \$75,000 - \$100,00 AGI bracket had the highest percent of returns reporting this credit, 15.7%, while the \$50,000 - \$75,000 AGI bracket had the largest dollar amount, \$1.8 million or 23% of the total.

Child Passenger Restraint System Tax Credit

This refundable credit introduced in 1982 promotes the safety of children riding motor vehicles on public highways. Each individual taxpayer may claim a tax credit for the purchase of one or more new child passenger restraint systems which comply with federal motor vehicle safety standards. This credit is \$25 per return regardless of the cost or the number of restraint systems purchased.

Appearing on 3,629 returns, the child car seat credit amounted to \$90,725 in taxable year 1999. Both return count and dollar amount were up 5.4% from tax year 1998.

Capital Goods Excise Tax Credit

The capital goods excise tax credit provides a 4% refundable credit to Hawaii businesses that acquire depreciable business property and place it in service during the taxable year. The property must be subject to Hawaii's 4% general excise or use tax. Taxpayers would be reimbursed the 4% cost of the eligible property.

For 1999, the dollar amount of credit totaled \$21.8 million, which represented an investment of \$545 million in capital goods. Of that credit amount, corporations claimed \$18.2 million or 83.5%. A total of 5,705 returns claimed the credit, of which individual taxpayers accounted for 60%. Compared to 1998, the credit amount decreased 13% from \$25 million although the return count increased 3.8% from 5,498. Credit claims by corporations declined by 2.9% in number and by 19% in terms of dollar amount claimed. On the other hand, individual returns experienced a 8.7% rise in credit claims and a 45.5% increase in the dollar amount claimed.

Fuel Tax Credit for Commercial Fishers

Each principal operator of a commercial fishing vessel may claim this refundable credit for certain fuel taxes paid during the year. Tax year 1999 had reportable fuel credit of \$130,827, compared with \$115,246 a year earlier. This 13.5% growth was mainly attributed to corporations. More than doubling to \$21,462 from \$10,280, the credit amount claimed by corporations accounted for 71.8% of the total increase. Individual returns claimed \$109,365 in fuel credit, up 4.2% from a year ago. Although the dollar amount rose, the number of returns slid 11.5% from 374 to 331. Individual returns claiming the credit fell 11.9% from 352 to 310 while corporation returns with the credit declined by only

Tax Credits - 1999

one from 22 to 21. The inverse relation of credit amount and return count can be explained by the surge in fuel prices.

Energy Device Tax Credit

This nonrefundable 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 individual resident taxpayer who files a net income tax return for 1999 may claim this credit against his or her income tax liability for an energy device installed in 1999. Additions to existing systems and systems for a second home qualify for this credit. However, the cost of repairs to existing systems does not qualify for this credit. The tax credit applies only to the actual cost of the systems, including accessories and installation.

The amount of credit is 35% of the actual cost for solar energy systems, 20% of the actual cost for heat pumps and wind energy systems, and 50% of the actual cost for ice storage systems. For individual taxpayers, there is a cap on the credit amount claimed for solar energy systems and heat pumps. On solar energy systems, the amount of credit is limited to \$350 for multi-unit residential buildings and \$1,750 for single family residential buildings. On heat pumps, the amount of credit is limited to \$200 for multi-unit residential buildings and \$400 for single family residential buildings. For hotel, commercial or industrial taxpayers, the amount of credit is unlimited.

A total of 3,965 returns reported the energy credit which amounted to \$4.6 million in taxable year 1999. Of that amount, 97.8% or \$4.5 million was claimed by 3,948 individual returns. The remaining 2.2%, or \$0.1 million, was claimed by 17 corporation returns. Since 1997, both the return count and dollar claims have been very stable, at almost 3,900 returns and \$4.6 million per year.

Enterprise Zone Tax Credit

A qualified enterprise zone business may claim this nonrefundable 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 establishments in the zone. The applicable percentage decreases gradually by 10% a year from 80% to 20% over a 7-year period. This credit is not refundable and any unused credit may not be carried forward.

Claims for this credit in tax year 1999 increased from 19 incidences to 41. However, the amount of credit dropped to \$201,514, which was about 70% of the \$289,038 claimed in 1998.

Tax Credits - 1999

Tax Credit for Employment of Vocational Rehabilitation Referrals

The amount of this nonrefundable tax credit for the taxable year is equal to 20% of the qualified first-year wages for that year. The maximum amount of the qualified first-year wages which may be taken into account with respect to any individual is \$6,000. The amount of credit claimed in 1999 was \$25,337 reported by 24 taxpayers. Compared to 1998, the dollar amount decreased by \$11,329 or 30% and the number of claims decreased by 8 or 25%.

Motion Picture Tax Credit

A taxpayer may claim a refundable tax credit of up to 4% of costs incurred, and of up to 7.25% of transient accommodations costs incurred in Hawaii in the production of motion picture or television films. Fourteen returns claimed \$1.1 million in motion picture tax credit for 1999. The credit amount grew a substantial 61.3% from a year ago.

High-Technology Tax Credit

Taxable year 1999 was the first year that the nonrefundable tax credit for high-technology was available. Act 178, Session Laws of Hawaii 1999, established tax credits to assist in the creation of opportunities for high technology companies. A high-technology business investment tax credit may be claimed for taxable years beginning after December 31, 1998, for investments made on or after July 1, 1999. Twenty-three taxpayers reported a total of \$162,208 credit, with 94% or \$152,493 claimed by the individual taxpayers. The remaining 6% was claimed by corporation taxpayers and amounted to \$9,715.

Hotel Remodeling Tax Credit

This refundable credit is equal to 4% of the renovation costs for each qualified hotel facility. The credit amount is limited to 10% of the transient accommodations tax paid by the taxpayer in the preceding tax year. In 1999, the credit appeared on 21 returns and the amount of credit was \$1.2 million.

Other Nonrefundable Credits

Other nonrefundable 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 within the State of Hawaii. The federal credit must be claimed in order to claim the Hawaii credit.

Hawaii resident taxpayers who have out-of-state income that is taxed by another state or foreign country and also by Hawaii may claim a credit against their Hawaii income for the net income tax they paid to other states or foreign countries if they meet certain conditions.

Tax Credits - 1999

Claims for other nonrefundable credits increased 35.4% from \$15.5 million in 1998 to \$21.0 million in 1999. Individual taxpayers claimed \$20.7 million or 98.6% of the total credit, slightly higher than the 98.4% of a year ago. Despite the small proportional increase, the credit amount claimed by individuals exceeded the previous year's amount by \$5.4 million or 35.6%. Low-income housing credit reported by corporation taxpayers also jumped 21.8% to \$295,457 from \$242,576.

Lifeline Telephone Service Tax Credit

The purpose of lifeline telephone service is to subsidize telephone service to elderly and disabled residential telephone subscribers with an annual income of less than \$10,000. The telephone public utility is entitled to claim this lifeline telephone service tax credit on its public utility tax return. The credit is equal to the sum of foregone revenues and administrative costs of providing the subsidized rates.

At the end of 1999, the telephone company reported 8,090 subscribers who were registered for this subsidized service. The amount of credit claimed by the telephone company totaled \$168,884.

Figure 4
**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
1998	7,572	169,158
1999	8,090	168,884

* In effect seven months.

APPENDIX I

STATISTICAL TABLES

Tax Credits - 1999

TABLE 1
DOLLAR AMOUNTS OF TAX CREDITS CLAIMED
BY TYPE OF CREDIT AND BY TAXATION DISTRICT - 1999

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
TAX CREDITS CLAIMED BY INDIVIDUALS					
Low Income Credit	\$ 8,690,725	\$ 6,189,530	\$ 765,270	\$ 1,247,755	\$ 488,170
Renter's Credit	7,198,900	5,529,600	589,600	680,250	399,450
Dependent Care Credit	7,803,344	6,048,875	725,238	706,974	322,257
Child Car Seat Credit	90,725	61,575	12,625	8,075	8,450
Capital Goods Excise Credit	3,556,989	2,247,477	732,335	408,932	168,245
Fuel Credit for Fishing	109,365	41,254	6,154	53,952	8,005
Motion Picture Credit	52,225	49,779	0	2,446	0
Energy Device Credit	4,468,091	2,911,651	740,280	640,779	175,381
Vocational Rehabilitation Job Credit	14,060	8,297	3,047	1,105	1,611
Enterprise Zone Credit	169,806	118,196	3,674	8,740	39,196
High Technology Credit	152,493	149,668	2,412	0	413
Other Nonrefundable Credits *	20,676,128	15,817,850	2,116,196	1,605,645	1,136,437
TOTAL FOR INDIVIDUALS	\$ 52,982,851	\$ 39,173,752	\$ 5,696,831	\$ 5,364,653	\$ 2,747,615

*Other non-refundable credits include the low-income housing tax credit and the credit for taxes paid to other jurisdictions.

Tax Credits - 1999

TABLE 1 (Continued)
DOLLAR AMOUNTS OF TAX CREDITS CLAIMED
BY TYPE OF CREDIT AND BY TAXATION DISTRICT - 1999

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
TAX CREDITS CLAIMED BY CORPORATIONS					
Capital Goods Excise Credit	\$ 18,249,358	\$ 16,591,701	\$ 639,573	\$ 749,137	\$ 268,947
Fuel Credit for Fishing	21,462	12,958	3,176	5,328	0
Motion Picture Credit	1,066,791	998,926	1,612	66,253	0
Hotel Remodeling Credit	1,173,668	1,171,327	2,341	0	0
Energy Device Credit	94,872	89,196	598	5,078	0
Vocational Rehabilitation Job Credit	11,277	10,891	386	0	0
Enterprise Zone Credit	31,708	9,960	5,680	0	16,068
High Technology Credit	9,715	9,615	100	0	0
Low -Income Housing Credit	295,457	234,491	45,884	10,846	4,236
Lifeline Telephone Service Credit	168,884	168,884	0	0	0
TOTAL FOR CORPORATIONS	\$ 21,123,192	\$ 19,297,949	\$ 699,350	\$ 836,642	\$ 289,251

Tax Credits - 1999

TABLE 1 (Continued)
 DOLLAR AMOUNTS OF TAX CREDITS CLAIMED
 BY TYPE OF CREDIT AND BY TAXATION DISTRICT - 1999

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
TOTAL CREDITS CLAIMED (INDIVIDUALS & CORPORATIONS)					
Low Income Credit	\$ 8,690,725	\$ 6,189,530	\$ 765,270	\$ 1,247,755	\$ 488,170
Renter's Credit	7,198,900	5,529,600	589,600	680,250	399,450
Dependent Care Credit	7,803,344	6,048,875	725,238	706,974	322,257
Child Car Seat Credit	90,725	61,575	12,625	8,075	8,450
Capital Goods Excise Credit	21,806,347	18,839,178	1,371,908	1,158,069	437,192
Fuel Credit for Fishing	130,827	54,212	9,330	59,280	8,005
Motion Picture Credit	1,119,016	1,048,705	1,612	68,699	0
Hotel Remodeling Credit	1,173,668	1,171,327	2,341	0	0
Energy Device Credit	4,562,963	3,000,847	740,878	645,857	175,381
Vocational Rehabilitation Job Credit	25,337	19,188	3,433	1,105	1,611
Enterprise Zone Credit	201,514	128,156	9,354	8,740	55,264
High Technology Credit	162,208	159,283	2,512	0	413
Other Non-refundable Credits*	20,971,585	16,052,341	2,162,080	1,616,491	1,140,673
Lifeline Telephone Service Credit	168,884	168,884	0	0	0
GRAND TOTAL	\$ 74,106,043	\$ 58,471,701	\$ 6,396,181	\$ 6,201,295	\$ 3,036,866

*Other non-refundable credits include the low-income housing tax credit and the credit for taxes paid to other jurisdictions.

Tax Credits - 1999

TABLE 2
 NUMBER OF RETURNS CLAIMING SELECTED TAX CREDITS BY TYPE OF CREDIT
 AND BY TAXATION DISTRICT - 1999

Type of Credit	STATE	TAXATION DISTRICT			
		First	Second	Third	Fourth
Low Income Credit	186,266	133,436	17,457	24,963	10,410
Renter's Credit	71,795	54,294	6,835	6,941	3,725
Dependent Care Credit	26,039	19,538	2,484	2,666	1,351
Child Car Seat Credit	3,629	2,463	505	323	338
Capital Goods Excise Credit	5,705	4,218	619	625	243
Individuals	3,424	2,407	444	396	177
Corporations	2,281	1,811	175	229	66
Fuel Credit for Fishing	331	124	32	137	38
Energy Device Credit	3,965	2,528	676	575	186

Tax Credits - 1999

TABLE 3
 NUMBER OF INDIVIDUAL RETURNS CLAIMING TAX CREDITS
 BY SIZE OF CREDITS PER RETURN AND BY ADJUSTED GROSS INCOME - 1999

ADJUSTED GROSS INCOME CLASS	Number of Returns with Credits	SIZE OF TAX CREDIT										\$1000 and over
		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	
Under \$ 5,000	76,237	37,759	15,655	5,667	9,088	2,536	3,474	973	384	418	283	
" 5,000 "	40,042	17,445	8,362	4,355	3,620	2,169	2,253	613	509	537	179	
" 10,000 "	37,925	13,895	7,940	7,925	2,379	1,906	1,935	926	209	618	192	
" 15,000 "	36,047	21,779	7,264	88	2,588	1,667	961	685	235	591	189	
" 20,000 "	11,466	323	4,911	43	1,631	1,538	1,677	288	128	699	228	
" 25,000 "	10,853	302	4,938	69	1,623	1,190	1,301	351	227	617	235	
" 30,000 "	2,041	386	114	112	158	123	168	152	417	248	163	
" 35,000 "	1,941	407	103	138	145	105	174	247	229	234	159	
" 40,000 "	1,929	379	138	127	164	112	194	382	41	225	167	
" 45,000 "	1,957	336	143	134	164	138	175	393	58	232	184	
" 50,000 "	9,132	1,531	620	616	731	634	899	1,913	245	1,139	804	
" 75,000 "	5,890	892	395	320	518	430	579	1,177	189	799	591	
" 100,000 "	4,069	538	223	197	338	276	403	713	153	607	621	
" 150,000 "	1,151	135	55	51	69	64	91	153	40	172	321	
200,000 and over	1,845	178	50	41	94	65	91	135	81	233	877	
TOTAL	242,525	96,285	50,911	19,883	23,310	12,953	14,375	9,101	3,145	7,369	5,193	
Percent of Total*	100.0%	39.7%	21.0%	8.2%	9.6%	5.3%	5.9%	3.8%	1.3%	3.0%	2.1%	

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

Tax Credits - 1999

TABLE 4
 NUMBER CLAIMING RENTER'S TAX CREDIT, NUMBER OF EXEMPTIONS,
 AND TAX CREDITS CLAIMED, BY ADJUSTED GROSS INCOME - 1999

ADJUSTED GROSS INCOME CLASS	Number Claiming	Number of Exemptions*		Age*	Tax Credits Claimed
		Total	Regular*		
Under \$ 1,000	10,643	22,966	16,450	6,516	\$ 1,103,200
\$ 1,000 "	3,514	7,315	6,231	1,084	345,500
3,000 "	3,967	7,385	6,695	690	363,950
5,000 "	4,320	9,406	8,372	1,034	464,700
7,000 "	3,656	7,384	6,940	444	346,600
9,000 "	4,512	9,242	8,545	697	453,800
11,000 "	5,136	9,956	9,655	301	492,000
13,000 "	4,641	10,002	9,103	899	477,650
15,000 "	5,062	9,428	8,785	643	453,500
17,000 "	7,173	14,611	14,211	400	711,450
20,000 "	9,894	21,553	20,855	698	1,047,850
25,000 "	9,277	19,222	18,630	592	938,700
TOTAL	71,795	148,470	134,472	13,998	\$ 7,198,900

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

Tax Credits - 1999

TABLE 5
TOTAL INDIVIDUAL RETURNS FILED AND LOW INCOME TAX CREDITS CLAIMED BY ADJUSTED GROSS INCOME - 1999

ADJUSTED GROSS INCOME CLASS	Total No. of Returns Filed	RETURNS WITH CREDIT			RETURNS WITHOUT CREDIT		
		No. of Returns	No. of Exemptions*	Amount of Tax Credits	No. of Returns	Percent of Total	
Under \$ 5,000	132,785	74,863	109,997	\$ 4,073,290	57,922	43.6%	
\$ 5,000 "	61,963	39,225	66,734	2,363,015	22,738	36.7%	
10,000 "	50,908	37,093	65,254	1,611,355	13,815	27.1%	
15,000 "	44,164	35,080	63,892	642,905	9,084	20.6%	
20,000 and over**	276,917	5	7	160	276,912	100.0%	
TOTAL	566,737	186,266	305,884	\$ 8,690,725	380,471	67.1%	

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

** Foster children are eligible for the low income credit even if family adjusted gross income is larger than \$20,000.

Tax Credits - 1999

TABLE 6
 COMPARATIVE DATA ON INDIVIDUAL RETURNS FILED,
 SHOWING NUMBER AND PERCENTAGE CLAIMING THE LOW INCOME TAX CREDIT - 1999
 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 \$	96,013	29,946	6,826	50,535	18,297	6,031	52.6	61.1	88.4
\$ 5,000 "	40,611	15,809	5,543	23,146	10,936	5,143	57.0	69.2	92.8
10,000 "	30,421	13,845	6,642	20,117	10,800	6,176	66.1	78.0	93.0
15,000 "	25,808	11,743	6,613	19,109	9,598	6,373	74.0	81.7	96.4
20,000 and over ****	100,035	148,682	28,200	4	1	0	0.0	0.0	0.0
TOTAL	292,888	220,025	53,824	112,911	49,632	23,723	38.6	22.6	44.1

* Includes married filing separately.

** Includes qualified surviving spouse.

*** Head of Household

**** Foster children are eligible for the low income credit even if family adjusted gross income is larger than \$20,000.

Tax Credits - 1999

TABLE 7
 NUMBER CLAIMING DEPENDENT CARE TAX CREDIT, DEPENDENT CARE
 EXPENSES ALLOWED, AND TAX CREDIT CLAIMED, BY ADJUSTED GROSS INCOME - 1999
 STATEWIDE

ADJUSTED GROSS INCOME CLASS	Number of Returns Filed	Returns Claiming Credit	Percent With Credit	Expenses Allowed	Tax Credit Claimed
Under \$ 5,000	132,785	286	0.2	\$ 341,352	\$ 85,338
\$ 5,000 "	61,963	558	0.9	828,408	207,102
10,000 "	50,908	901	1.8	1,435,664	358,916
15,000 "	44,164	1,302	2.9	1,944,892	486,223
20,000 "	38,051	1,504	4.0	2,376,695	574,807
25,000 "	35,094	1,458	4.2	2,329,288	507,584
30,000 "	27,748	1,345	4.8	2,191,554	420,784
35,000 "	22,927	1,295	5.6	2,147,767	360,071
40,000 "	20,462	1,318	6.4	2,235,080	335,295
45,000 "	17,285	1,365	7.9	2,399,213	359,892
50,000 "	57,739	6,652	11.5	11,968,902	1,795,386
75,000 "	27,732	4,348	15.7	8,120,825	1,218,158
100,000 "	19,412	2,710	14.0	5,143,032	771,473
150,000 "	4,615	556	12.0	1,134,965	170,249
200,000 and over	5,852	441	7.5	1,013,750	152,066
TOTAL	566,737	26,039	4.6	\$ 45,611,387	\$ 7,803,344

Tax Credits - 1999

TABLE 8
 NUMBER CLAIMING DEPENDENT CARE TAX CREDITS BY ADJUSTED GROSS INCOME
 AND BY EXPENSES ALLOWED - 1999
 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	5,146	450	983	1,163	1,961	589	
\$ 500 "	4,495	285	737	932	1,961	580	
1,000 "	3,015	215	501	550	1,269	480	
1,500 "	2,270	156	363	433	982	336	
2,000 "	7,132	486	1,294	1,515	2,912	925	
2,500 "	517	18	65	91	250	93	
3,000 "	472	20	51	96	201	104	
3,500 "	429	23	25	95	209	77	
4,000 "	436	18	45	89	215	69	
4,500 and over	2,127	74	200	359	1,040	454	
TOTAL	26,039	1,745	4,264	5,323	11,000	3,707	

Tax Credits - 1999

TABLE 9
 NUMBER CLAIMING CAPITAL GOODS EXCISE TAX CREDIT, AMOUNT OF CAPITAL ASSETS
 PURCHASED, AND TAX CREDIT CLAIMED - 1999
 INDIVIDUAL RETURNS, STATEWIDE

ADJUSTED GROSS INCOME CLASS	Number Claiming	Amount of Qualified Purchases	Tax Credit Claimed
Under \$ 10,000	748	\$ 12,843,300	\$ 513,732
\$ 10,000 "	255	3,621,100	144,844
20,000 "	203	1,831,725	73,269
30,000 "	213	2,245,650	89,826
40,000 "	215	2,486,575	99,463
50,000 "	399	5,021,950	200,878
75,000 "	292	4,554,875	182,195
100,000 "	325	6,077,900	243,116
150,000 "	188	8,822,075	352,883
200,000 and over	586	41,419,575	1,656,783
TOTAL	3,424	\$ 88,924,725	\$ 3,556,989

TABLE 10
 NUMBER CLAIMING CAPITAL GOODS EXCISE TAX CREDIT, AMOUNT OF CAPITAL ASSETS
 PURCHASED, AND TAX CREDIT CLAIMED - 1999
 CORPORATION RETURNS, STATEWIDE

GROSS RECEIPTS CLASS	Number Claiming	Amount of		Tax Credit Claimed
		Number Claiming	Qualified Purchases	
Under \$	270	\$	6,407,525	\$ 256,301
\$ 100,000 "	545		7,070,675	282,827
500,000 "	353		7,913,925	316,557
1,000,000 "	677		40,218,575	1,608,743
5,000,000 "	189		20,481,875	819,275
10,000,000 and over	247		374,141,375	14,965,655
TOTAL	2,281	\$	456,233,950	\$ 18,249,358

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

Tax Credits - 1999

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

Tax Credits - 1999

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.

Tax Credits - 1999

Year	Act	Tax Credit	Tax Credit Description or Modification
1994	85	General income credit	\$1 per qualified exemption.
1995	23	Medical services excise credit	Repealed the 4% portion of the tax credit and retains 6% of the nursing facility tax portion.
	93	General income credit	\$1 per qualified exemption.
	134	Medical services excise credit	Repealed the medical service tax credit and the nursing facilities tax credit.
	134	Food/excise credit	Reduced the food portion of the food/excise tax credit from \$55 to \$27 per qualified exemption, and repeals the excise portion of the food/excise tax credit.
1996	286	Enterprise zone credit	Exempted general excise taxes on the gross proceeds from manufacture of tangible personal property, the wholesale of tangible personal property, or the engaging in a service business by qualified businesses in the enterprise zone.
1997	107	Motion picture credit	Provided an income tax credit of up to 4% of costs incurred, and of up to 6% of transient accommodations costs incurred in the production of motion picture or television films in the state.
	108	Hotel remodeling credit	Provided an income tax credit equal to 4% of the renovation costs for each qualified hotel facility located in Hawaii, with tax credit cap of 10% of the transient accommodations tax paid by the taxpayer in the preceding tax year.
1998	157	Food tax credit	Repealed food tax credit beginning tax year 1999.
	157	Low-income credit	Established refundable graduated low-income credit beginning tax year 1999.
	163	Energy device credit	Extended sunset date for energy device credits to July 1, 2003.
1999	178	High-technology credit	10% of the investment made by the taxpayer in each qualified high technology business, up to a maximum allowed credit of \$500,000.
2000	195	Hotel remodeling credit	4% of the construction or renovation costs for taxable years beginning after December 31, 1998, and before January 1, 2003.

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 1999 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-316 *Motion Picture and Film Production Income Tax Credit*

N-318 *Tax Credits for High Technology*

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

N-756 *Enterprise Zone Tax Credit*

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