FORM **N-12** (REV. 1994)

STATE OF HAWAII — DEPARTMENT OF TAXATION

# Individual Income Tax Return RESIDENT 1994

**Calendar Year 1994**

DO NOT WRITE OR STAPLE IN THIS SPACE

or other tax year beginning ____________, 1994 and ending ____________, 19 ____

| AMD | UNP | 008 | PNT | INT | |
|---|---|---|---|---|---|

USE STATE LABEL OTHERWISE PRINT OR TYPE

| | | |
|---|---|---|
| Name (If joint return, give first names and initials of both) | Last Name | Your social security number |
| C/O | | Spouse's social security number |
| Present mailing or home address (Number and street, including apartment number or rural route) | | Your occupation |
| City, town or post office, State and ZIP code | | Spouse's occupation |

**HAWAII ELECTION CAMPAIGN FUND**

| | | | | | |
|---|---|---|---|---|---|
| Do you want $2 to go to the Hawaii Election Campaign Fund? | Yes | | No | | Note: Checking "Yes" will not increase your tax or reduce your refund. |
| If joint return, does your spouse want $2 to go to the fund? | Yes | | No | | |

**FILING STATUS** **(Check only ONE box)**

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income).
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here. ● ____________
4 ☐ Head of household (with qualifying person). If the qualifying person is your child but not your dependent, enter this child's name here. ➤ ____________
5 ☐ Qualifying widow(er) with dependent child (Year spouse died 19 ● ________).

**EXEMPTIONS**

**Caution:** *If you can be claimed as a dependent on another person's tax return (such as your parents'), do not check box 6a, but be sure to check the box below line 32.*

**6a** ☐ Yourself ☐ Age 65 or over
**6b** ☐ Spouse ☐ Age 65 or over
Enter number of boxes checked on **6a** and **6b** ➧ ☐

**6c and 6d**

| Dependents: 1. First and last name | If more than 4 dependents, use attachment. | 2. Check if under age 1. | 3. If age 1 or older, dependent's social security number | 4. Relationship | 5. No. of months lived in your home in 1994. |
|---|---|---|---|---|---|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |

Enter number of your children listed **6c** ➧ ☐
Enter number of other dependents **6d** ➧ ☐

**6e** Total number of exemptions claimed ....... Add numbers entered in boxes above **6e** ➧ ☐

**INCOME**

| | | | |
|---|---|---|---|
| 7 | Wages, salaries, tips, etc. (attach Form HW-2; if unavailable, see Step 1 on page 6 of Instructions) | 7● | |
| 8 | Interest income (also attach Schedule B if over $400) | 8● | |
| 9 | Dividends (also attach Schedule B if over $400) | 9● | |
| 10 | State income tax refunds (does not apply if refund is for year you did not itemize deductions—see page 9 of Instructions) | 10 | |
| 11 | Alimony received ____________ Enter name and address of payer | 11 | |
| 12 | Business income or (loss) (attach Schedule C) | 12● | |
| 13a | Capital gain or (loss) (attach Schedule D). Enter amount from Schedule D, line 18 or 19 | 13a● | |
| 13b | Enter amount, if any, from Schedule D, line 27 ....... 13b● | | |
| 14 | Supplemental gains or (losses) (attach Schedule D-1) | 14 | |
| 15a | Total IRA distributions ....... 15a ______ , 15b Taxable amount (see Instructions) | 15b | |
| 16a | Total pensions and annuities 16a ______ , 16b Taxable amount (see Instructions) (attach Sch.J) | 16b● | |
| 17 | Rents, royalties, partnerships, estates, trusts, etc. (attach Schedule E) | 17● | |
| 18 | Farm income or (loss) (attach Schedule F) | 18● | |
| 19 | Unemployment compensation (insurance). | 19● | |
| 20 | Other income (state nature and source—see page 10 of Instructions) ____________ | 20● | |
| 21 | Add amounts in far right column for lines 7 through 20 ....... **Total Income** ➤ | 21 | |

**ADJUSTMENTS TO INCOME**

| | | | |
|---|---|---|---|
| 22a | Your IRA deduction | 22a | |
| 22b | Spouse's IRA deduction | 22b | |
| 23 | Moving expenses (attach Form N-139) | 23 | |
| 24 | Deductions for self-employment tax | 24 | |
| 25 | Keogh retirement plan and self-employed SEP deduction | 25 | |
| 26 | Interest penalty on early withdrawal of savings (see page 11 of Instructions). | 26 | |
| 27 | Alimony paid ____________ Enter name and social security number of recipient | 27 | |
| 28 | Payments to an individual housing account | 28● | |
| 29 | First $1,750 of military reserve or Hawaii national guard duty pay | 29● | |
| 30 | Add lines 22a through 29 ....... **Total Adjustments** ➤ | 30● | |

**AGI**

| | | | |
|---|---|---|---|
| 31 | Line 21 minus line 30 ....... **Adjusted Gross Income** ➤ | 31● | |

• ATTACH CHECK OR MONEY ORDER HERE • ATTACH COPY B OF FORM HW-2 HERE •

## TAX COMPUTATION

32 Amount from line 31. (adjusted gross income) ............ 32

Caution: • **If you can be claimed as a dependent on another person's return, see the worksheet on page 12 of the Instructions and check here ➤** • ☐
• **If you are married filing separately and your spouse itemizes deductions, see page 12 of the Instructions.**

33 If you do not itemize deductions, go to line 34.
If you itemize, enter amounts from Schedule A (Form N-12).

| | | |
|---|---|---|
| 33a | Medical and dental expenses (from Schedule A, line 4) ............ | 33a● |
| 33b | Taxes (from Schedule A, line 8) ............ | 33b● |
| 33c | Interest expense (from Schedule A, line 12) ............ | 33c● |
| 33d | Contributions (from Schedule A, line 16)............ | 33d● |
| 33e | Casualty and theft losses (from Schedule A, line 17)............ | 33e● |
| 33f | Miscellaneous deductions (from Schedule A, line 25) ............ | 33f● |

33g If line 32 is more than $100,000 ($50,000 for married filing separately) see the worksheet on page 12 of the Instructions.
If not, add lines 33a through 33f. Enter total here and go to line 35............ **Total Itemized Deductions ➤** 33g

34 **Standard Deduction.** If you checked filing status box: [ **1, enter $1,500**; **3, enter $950**; **2 or 5, enter $1,900**; **4, enter $1,650** ] ......... **Standard Deduction ➤** 34●

35 Line 32 minus line 33g or 34, whichever applies. **(This line MUST be filled in)** ............ 35●

36 Multiply $1,040 by the total number of exemptions claimed on line 6e. **If you and/or your spouse are blind, deaf, or disabled, check applicable box(es)** ●☐ Yourself ● ☐ Spouse, and see page 13 of the Instructions. ......... 36●

37 Taxable Income. Line 35 minus line 36. (but not less than zero.)............ **Taxable Income ➤** 37●

Caution: If under age 14 and you have more than $1,000 of investment income, check here ➤ ☐ and see page 13 of the Instructions and Form N-615.

38 **Tax.** Check if from ☐ Tax Table; ☐ Tax Rate Schedule I, II, or III; ☐ Schedule D; or ☐ Form N-615, Computation of Tax for Children Under Age 14 Who Have Investment Income of More Than $1,000. (●☐ Include separate tax from Forms N-2, N-103, N-152, N-312, N-405, N-586, or N-814) ... **Tax ➤** 38●

## CREDITS

| | | |
|---|---|---|
| 39 | Income tax paid to another state or to a foreign country (attach copy of return and tax receipt) .... | 39 |
| 40 | Energy Conservation Tax Credit (attach Form N-157)............ | 40● |
| 41 | Enterprise Zone Tax Credit (attach Form N-756) ............ | 41● |
| 42 | Low-Income Housing Tax Credit (attach Form N-586) (see page 14 of Instructions) ... | 42 |
| 43 | Credit for Employment of Vocational Rehabilitation Referrals (attach Form N-884) .... | 43● |

44 Add lines 39 through 43 ............ **Total Credits ➤** 44●

45 Line 38 minus line 44 (but not less than zero) ............ **Balance ➤** 45

## TAX PAYMENTS AND CREDITS

| | | |
|---|---|---|
| 46 | Hawaii State Income tax withheld and tax withheld on IHA distribution ............ | 46● |
| 47 | 1994 estimated tax payments ............ | 47● |
| 48 | Amount of estimated tax applied from 1993 return ............ | 48● |
| 49 | Amount paid with extension(s) ............ | 49● |
| 50 | Credit for Child and Dependent Care Expenses (attach Form N-141)............ | 50● |

51 Food/Excise Tax Credit—(attach Form N-311)
i **Food** portion exemptions from Form N-311, Part II, line 1 ● ________
ii **Excise** portion exemptions from Form N-311, Part II, line 8 ● ________
iii **DHS, etc**. exemptions from Form N-311, Part II, line 10 ● ________
iv If married filing separately, enter spouse's AGI here ●$ ________
Enter total credit amount from Form N-311, Part II, line 14 ............ 51●

| | | |
|---|---|---|
| 52 | Credit for Low-Income Household Renters (attach Form N-153) ............ | 52● |
| 53 | Fuel Tax Credit for Commercial Fishers (attach Form N-163)............ | 53● |
| 54 | Credit for $1 general income tax (see page 16 of Instructions for qualifications).......... | 54● |
| 55 | Credit for Child Passenger Restraint System(s) (attach Form N-165) ............ | 55● |
| 56 | Capital Goods Excise Tax Credit (attach Form N-312)............ | 56● |
| 57 | Medical Services Excise Tax Credit (attach Form N-858)............ | 57● |
| 58 | Other credits (see page 17 of Instructions) (attach schedule) ............ | 58● |

59 Add lines 46 through 58 ............ **Total ➤** 59●

## REFUND OR AMOUNT YOU OWE

60 If line 59 is larger than line 45, enter the amount **OVERPAID** (line 59 minus line 45) ............ 60●

61 Amount of line 60 to be **REFUNDED TO YOU** ............ **Refund ➤** 61●

62 Amount of line 60 to be **applied** to your **1995 ESTIMATED TAX** ............ 62●

63 If line 45 is larger than line 59, enter the **AMOUNT YOU OWE** (line 45 minus line 59). **DO NOT** include penalty and interest for the late filing of your return; see page 17 of the Instructions. Attach check or money order for full amount payable to "Hawaii State Tax Collector." Write your social security number and "1994 Form N-12" on it. ............ **Balance Due ➤** 63●

64 Estimated tax penalty. (see page 17 of Instructions) Also include on line 60 or 63, whichever applies........ 64●

✔ 65 If you do not need Hawaii income tax forms mailed to you next year because a tax preparer will prepare your return, check here, and you will receive a preprinted label only ➤ ● ☐

### DECLARATION

I declare, under the penalties set forth in section 231-34, HRS, that this return (including accompanying schedules or statements) has been examined by me and, to the best of my knowledge and belief, is a true, correct, and complete return, made in good faith, for the taxable year stated, pursuant to the Hawaii Income Tax Law, Chapter 235, HRS.

## PLEASE SIGN HERE

➤ ________ Your signature — Date

➤ ________ Spouse's signature (if filing jointly, BOTH must sign) — Date

Paid Preparer's Information

Preparer's Signature and date ➤ | Preparer's social security number | Check if self-employed ➤ ☐

Firm's name (or yours if self-employed) and address ➤ | Federal E.I. No. ➤ | ZIP Code ➤

SCHEDULES A & B
Form N-12
(Rev. 1994)

STATE OF HAWAII — DEPARTMENT OF TAXATION

# Schedule A—Itemized Deductions

**(Schedule B is on back)**

**➤Attach to Form N-12. See Instructions for Schedules A and B (Form N-12)**

# 1994

Name(s) as shown on Form N-12 | Your Social Security Number

| | | | | |
|---|---|---|---|---|
| **Medical and Dental Expenses** | | **Caution:** *Do not include expenses reimbursed or paid by others.* | | |
| | 1 | Medical and dental expenses. (See page 19 of the Instructions) | 1 | |
| | 2 | Enter amount from Form N-12, line 32 ... 2 | | |
| | 3 | Multiply line 2 above by 7.5% (.075) | 3 | |
| | 4 | Line 1 minus line 3. If zero or less, enter zero. Enter the result here and on Form N-12, line 33a. **Total** medical and dental expenses. ➤ | | 4 |
| **Taxes You Paid** *(See page 19 of the Instructions.)* | 5 | State and local income taxes | 5 | |
| | 6 | Real estate taxes | 6 | |
| | 7 | Other taxes. (List) ➤ | 7 | |
| | 8 | Add the amounts on lines 5 through 7. Enter the total here and on Form N-12 line 33b. **Total** taxes. ➤ | | 8 |
| **Interest You Paid** *(See pages 19-20 of Hawaii Instructions and federal Instructions.)* **Note:** Personal interest is no longer deductible. | 9a | Home mortgage interest and points reported to you on federal Form 1098 | 9a | |
| | b | Home mortgage interest not reported to you on federal Form 1098. (If paid to an individual, show that person's name and address) ➤ | 9b | |
| | 10 | Points not reported to you on federal Form 1098 (See federal Instructions for special rules.) | 10 | |
| | 11 | Investment interest (Attach Form N-158 if required). (See Instructions) | 11 | |
| | 12 | Add the amounts on lines 9a through 11. Enter the total here and on Form N-12, line 33c. **Total** interest expense. ➤ | | 12 |
| **Gifts to Charity** *(See pages 20-21 of the Instructions.)* | | **Caution:** *If you made a charitable contribution and received a benefit in return, see the* ***federal*** *Instructions.* | | |
| | 13 | Gifts by cash or check (If any gift of $250 or more, see Instructions) ... | 13 | |
| | 14 | Other than by cash or check. (If any gift of $250 or more, see Instructions) (Attach required statement if over $500) | 14 | |
| | 15 | Carryover from prior year | 15 | |
| | 16 | Add the amounts on lines 13 through 15. Enter the total here and on Form N-12, line 33d. **Total** contributions ➤ | | 16 |
| **Casualty and Theft Losses** | 17 | Total casualty and theft loss(es) (attach Form N-184). (See page 21 of the Instructions) Enter total here and on Form N-12, line 33e ➤ | | 17 |
| **Miscellaneous Deductions Subject to 2% AGI Limit** *(See pages 21-22 of the Instructions.)* | 18 | Unreimbursed employee business expenses—job travel, union dues, job education, etc. (You must attach Form N-106 if required) | 18 | |
| | 19 | Other expenses (investment, tax preparation, safe deposit box, etc.). List type and amount. ➤ | 19 | |
| | 20 | Add the amounts on lines 18 and 19. Enter the total | 20 | |
| | 21 | Multiply the amount on Form N-12, line 32 by 2% (.02). Enter the result here | 21 | |
| | 22 | Line 20 minus line 21. (Enter the result here, but not less than zero) ➤ | 22 | |
| **Other Miscellaneous Deductions** | 23 | Moving expenses incurred before 1994 (attach Form N-139). (See page 21 of the Instructions) | 23 | |
| | 24 | Miscellaneous deductions not subject to 2% AGI limit. (See pages 21-22 of the Instructions) (List type and amount) ➤ Enter the total here ➤ | 24 | |
| **Total Miscellaneous Deductions** | 25 | Add the amounts on lines 22 through 24. Enter the total here and on Form N-12, line 33f. **Total** miscellaneous deductions ➤ | | 25 |

**Total Itemized Deductions**

**Note:** If your adjusted gross income is more than $100,000 ($50,000 if married filing separately), you may not be able to deduct all of your itemized deductions on Form N-12, line 33g. See page 12 of the Instructions.

# Schedule B—Interest and Dividend Income



Name(s) as shown on Form N-12 (Do not enter name and social security number if shown on other side)

Your Social Security Number

## Part I Interest Income

*(See page 22 of the Instructions.)*

**Note:** If you received a federal Form 1099-INT, Form 1099-OID, or substitute statement, from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

**Note:** *You must report all taxable interest and dividends on Form N-12, even if you are not required to complete Schedule B.* **If you have received more than $400 in taxable interest income, you must complete Part I and list ALL interest received. If you received interest as a nominee for another, or you received or paid accrued interest on securities transferred between interest payment dates, see Instructions.**

| | Interest Income | | Amount |
|---|---|---|---|
| 1 | Interest income from seller-financed mortgages. (See Instructions and list name of payer) ➤ | 1 | |
| 2 | Other interest income. (List name of payer) ➤ | 2 | |
| 3 | Add the amounts on lines 1 and 2. Enter the total here and on Form N-12, line 8. ➤ | 3 | |

## Part II Dividend Income

*(See page 22 of the Instructions.)*

**Note:** If you received a federal Form 1099-DIV, or substitute statement, from a brokerage firm, list the firm's name as the payer and enter the total dividends shown on that form.

**If you received more than $400 in gross dividends (and/or) other distributions on stock, complete Part II. If you received dividends as a nominee for another, see Instructions.**

| | Dividend Income | | Amount |
|---|---|---|---|
| 4 | Dividend income. (List name of payer—include on this line capital gain distributions, nontaxable distributions, etc.) ➤ | 4 | |
| 5 | Add the amounts on line 4. Enter the total here. | 5 | |
| 6 | Capital gain distributions. Enter here and on Schedule D, line 14. | 6 | |
| 7 | Nontaxable distributions. (See Schedule D Instructions for adjustments to basis.) | 7 | |
| 8 | Add the amounts on line 6 and 7. Enter the total here. | 8 | |
| 9 | Line 5 minus line 8. Enter the result here and on Form N-12, line 9 ➤ | 9 | |

SCHEDULE C FORM N-12/N-15/N-40 (REV. 1994)

STATE OF HAWAII — DEPARTMENT OF TAXATION

# Profit or (Loss) From Business or Profession

**(Sole Proprietorship)**

**Partnerships, Joint Ventures, etc., Must File Form N-20**

**➤ Attach to Form N-12 or Form N-15 or Form N-40. ➤See Instructions for Schedule C (Form N-12).**

**1994**

Name of Proprietor | Social security no. of proprietor

A Main business activity (see Instructions) ➤ ;product➤

B Business name ➤ | C Hawaii G.E./Use Ident. No.

D Business address ➤

E Accounting Method: (1)☐ Cash (2)☐ Accrual (3)☐ Other (specify) ➤

F Method(s) used to value the closing inventory:
(1)☐ Cost (2)☐ Lower of cost or market (3)☐ Other (if other, attach explanation) (4)☐ Does not apply (if checked, skip line G)

| | | Yes | No |
|---|---|---|---|
| G | Was there any major change in determining quantities, costs, or valuations between opening and closing inventory? (If "Yes," attach explanation.) | | |
| H | Were you required to file Form HW-3 or Form N-196 for 1994? If "Yes," where filed ➤ | | |
| I | Did you "materially participate" in the operation of this business during 1994? (If "No," see Instructions for limitations on losses.) | | |
| J | Was this business in operation at the end of 1994? | | |

K How many months was this business in operation during 1994? ➤

## PART I Income

| | | | |
|---|---|---|---|
| 1 | Gross receipts or sales. | 1 | |
| 2 | Returns and allowances | 2 | |
| 3 | Balance (line 1 minus line 2) | 3 | |
| 4 | Cost of goods sold and/or operations (from Part III, line 41) | 4 | |
| 5 | Gross profit (line 3 minus line 4) | 5 | |
| 6 | Other income (attach schedule) | 6 | |
| 7 | **Total income** (add lines 5 and 6) ➤ | 7 | |

## PART II Expenses (Caution: Enter expenses for business use of your home on line 31.)

| | | | | | | |
|---|---|---|---|---|---|---|
| 8 | Advertising | 8 | | 21 | Rent or lease: | |
| 9 | Bad debts from sales or services (Cash method taxpayers, see p. 23 of Instructions.) | 9 | | a | Vehicles, machinery and equipment | 21a |
| | | | | b | Other business property | 21b |
| 10 | Car and truck expenses | 10 | | 22 | Repairs and maintenance | 22 |
| 11 | Commissions and fees | 11 | | 23 | Supplies (not included in Part III) | 23 |
| 12 | Depletion | 12 | | 24 | Taxes and licenses | 24 |
| 13 | Depreciation and section 179 deduction from Form N-164 (not included in Part III) | 13 | | 25 | Travel, meals, and entertainment: | |
| | | | | a | Travel | 25a |
| 14 | Employee benefit programs (other than on line 20) | 14 | | b | Meals and entertainment | |
| 15 | Freight (not included in Part III) | 15 | | c | Enter 50% of line 25b subject to limitations (see p. 24 of Instructions) | |
| 16 | Insurance (other than health) | 16 | | | | |
| 17 | Interest: | | | | | |
| a | Mortgage (paid to financial institutions) | 17a | | d | Line 25b minus line 25c | 25d |
| b | Other | 17b | | 26 | Utilities (see p. 24 of Instructions) | 26 |
| 18 | Legal and professional services | 18 | | 27 | Wages (less Hawaii jobs credit) | 27 |
| 19 | Office expense | 19 | | 28 | Other expenses (from line 47 on page 2) | 28 |
| 20 | Pension and profit-sharing plans | 20 | | | | |

| | | | |
|---|---|---|---|
| 29 | **Total expenses before business use of your home expenses** (add amounts in columns for lines 8 through 28) ➤ | 29 | |
| 30 | Tentative profit (loss). (Line 7 minus line 29) | 30 | |
| 31 | Expenses for business use of your home (attach federal Form 8829) | 31 | |
| 32 | **Net profit or (loss)** (line 30 minus line 31). If a profit, enter on Form N-12, line 12, Form N-15, line 12, or Form N-40, line 5. If a loss, go on to line 33 | 32 | |

33 If you have a loss, you MUST check the box that describes your investment in this activity (see Instructions) } 33a☐ All investment is at risk. 33b☐ Some investment is not at risk.

If you checked 33a, enter the loss on Form N-12, line 12, Form N-15, line 12, or Form N-40, line 5.
If you checked 33b, you MUST attach federal Form 6198.

## PART III Cost of Goods Sold and/or Operations

| | | | |
|---|---|---|---|
| 34 | Inventory at beginning of year. (If different from last year's closing inventory, attach explanation.) | 34 | |
| 35 | Purchases less cost of items withdrawn for personal use. | 35 | |
| 36 | Cost of labor. (Do not include salary paid to yourself.) | 36 | |
| 37 | Materials and supplies | 37 | |
| 38 | Other costs | 38 | |
| 39 | Add lines 34 through 38 | 39 | |
| 40 | Inventory at end of year | 40 | |
| 41 | **Cost of goods sold and/or operations** (line 39 minus line 40). Enter the result here and on page 1, line 4. | 41 | |

## PART IV Information on Your Vehicle.

Complete this part only if you are claiming car or truck expenses on line 10 and are not required to file Form N-164 for this business.

**42** When did you place your vehicle in service for business purposes? (month, day, year)➤ ........................................

**43** Of the total number of miles you drove your vehicle during 1994, enter the number of miles you used your vehicle for:

**a** Business ....................................... **b** Commuting ........................................ **c** Other .........................................

**44** Do you (or your spouse) have another vehicle available for personal use? ☐ **Yes** ☐ **No**

**45** Was your vehicle available for use during off-duty hours? ☐ **Yes** ☐ **No**

**46a** Do you have evidence to support your deduction? ☐ **Yes** ☐ **No**

**b** If "Yes," is the evidence written? ☐ **Yes** ☐ **No**

## PART V Other Expenses.

List below business expenses not included on lines 8-27 or line 31.

| | |
|---|---|
| ........................................ | |
| ........................................ | |
| ........................................ | |
| ........................................ | |
| ........................................ | |
| ........................................ | |
| ........................................ | |
| ........................................ | |
| ........................................ | |
| ........................................ | |
| ........................................ | |

| | | | |
|---|---|---|---|
| 47 | **Total other expenses.** Enter here and on page 1, line 28 | 47 | |

SCHEDULE D
FORM N-12/N-15
(REV. 1994)

STATE OF HAWAII—DEPARTMENT OF TAXATION

# Capital Gains and Losses

# 1994

➤ Attach to Form N-12 or N-15. ➤ See Instructions for Schedule D (Form N-12 or N-15).

Name(s) as shown on Form N-12 or N-15 | Your social security number

## PART I Short-term Capital Gains and Losses—Assets Held One Year or Less

| | (a) Description of property (Example, 100 shares 7% preferred of "Z" Co.) | (b) Date acquired (Mo., day, yr.) | (c) Date sold (Mo., day, yr.) | (d) Sales price (see Instructions) | (e) Cost or other basis (see Instructions) | (f) LOSS If (e) is more than (d), subtract (d) from (e). | (g) GAIN If (d) is more than (e), subtract (e) from (d). |
|---|---|---|---|---|---|---|---|
| 1 | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| 2 | Enter your short-term totals, if any, from line 46 | | 2 | | | | |
| 3 | Total short-term sales price amounts. Add column (d) of lines 1 and 2 | | 3 | | | | |
| 4 | Short-term gain from Forms N-103 and N-171, and short-term gain or (loss) from Form N-184, Schedule D-3, and federal Form 8824 | | | | 4 | | |
| 5 | Net short-term gain or (loss) from partnerships, S Corporations, and fiduciaries from Schedule(s) K-1 | | | | 5 | | |
| 6 | Short-term capital loss carryover from 1993 Schedule D, line 39 | | | | 6 | | |
| 7 | Add lines 1, 2, and 4 through 6 in columns (f) and (g) | | | | 7 | ( ) | |
| 8 | Net short-term capital gain or (loss). Combine columns (f) and (g) of line 7 | | | | | 8 | |

## PART II Long-term Capital Gains and Losses—Assets Held More Than One Year

| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|---|---|---|---|---|---|---|---|
| 9 | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| 10 | Enter your long-term totals, if any, from line 48 | | 10 | | | | |
| 11 | Total long-term sales price amounts. Add column (d) of lines 9 and 10 | | 11 | | | | |
| 12 | Gain from Schedule D-1; long-term gain from Forms N-103, N-171, and federal Form 2439; and long-term gain or (loss) from Form N-184, Schedule D-3, and federal Form 8824 | | | | 12 | | |
| 13 | Net long-term gain or (loss) from partnerships, S Corporations, and fiduciaries from Schedule(s) K-1 | | | | 13 | | |
| 14 | Capital gain distributions | | | | 14 | | |
| 15 | Long-term capital loss carryover from 1993 Schedule D, line 46 | | | | 15 | | |
| 16 | Add lines 9, 10, and 12 through 15 in columns (f) and (g) | | | | 16 | ( ) | |
| 17 | Net long-term capital gain or (loss). Combine columns (f) and (g) of line 16 | | | | | 17 | |

## PART III Summary of Parts I and II

| | | | |
|---|---|---|---|
| 18 | Combine lines 8 and 17 and enter the net gain or (loss) here. If a loss, go to line 19. If a gain, also enter the gain on Form N-12, line 13a or Form N-15, line 13a | 18 | |
| **Note:** | If both lines 17 and 18 are net gains and your taxable income is taxed over the 7.25% tax rate, you should use Part IV on page 2 to figure your tax. | | |
| 19 | If line 18 is a loss, enter here and as a loss on Form N-12, line 13a or Form N-15, line 13a, the smaller of: **a.** The amount on line 18 or **b.** $3,000 ($1,500 if married filing a separate return) | 19 | ( ) |
| **Note:** | When figuring whether 19a or 19b is smaller, treat both numbers as if they are positive. Go on to Part V if the loss on line 18 is more than $3,000 ($1,500, if married filing a separate return), OR if taxable income on Form N-12, line 37 or Form N-15, line 37, is zero. | | |

Name(s) as shown on Form N-12 or Form N-15 (Do not enter name and social security number if shown on other side) | Your social security number

## PART IV Alternative Tax Computation (Complete this part AFTER completing your return up to line 37 of Form N-12 or line 37 of Form N-15)

Use Part IV if both lines 17 and 18 show net gains, and:

| you checked filing status box: | AND | Form N-12, line 37 or Form N-15, line 37 is over: |
|---|---|---|
| 1 or 3 | | $5,500 |
| 2, 4, or 5 | | $11,000 |

20 Enter your taxable income from Form N-12, line 37 or Form N-15, line 37 ........ 20

21 Enter the smaller of the gain on line 17 or the gain on line 18........ 21

22 If you are filing Form N-158, enter the amount from Form N-158, line 4e ........ 22

23 Line 21 minus line 22. If zero or less, stop here; you cannot use Part IV to figure your tax. Instead, use the Tax Table or Tax Rate Schedules, whichever applies........ 23

24 Line 20 minus line 23 ........ 24

25 Enter: **a** $3,500 if you checked filing status box 1 or 3; **b** $7,000 if you checked filing status box 2 or 5; or **c** $5,500 if you checked filing status box 4........ 25

26 Enter the **greater** of line 24 or 25........ 26

27 Line 20 minus line 26 (Also enter on Form N-12, line 13b or Form N-15, line 13b) ........ 27

28 Compute the tax based on the amount on line 26 using the Tax Table or Tax Rate Schedules, as applicable. ........ 28

29 Multiply line 27 by 7.25% (.0725) and enter the result........ 29

30 Add lines 28 and 29. Enter the result here and on Form N-12, line 38, or on Form N-15, line 38 and check the box for Schedule D........ 30

## PART V Computation of Capital Loss Carryovers From 1994 to 1995

### Section A—Carryover Limit

31 Enter the amount from Form N-12, line 35 or Form N-15, line 35. If a loss, enclose the amount in parentheses ........ 31

32 Enter the loss from line 19 as a positive amount ........ 32

33 Combine lines 31 and 32. If zero or less, enter zero........ 33

34 Enter the smaller of line 32 or line 33........ 34

### Section B.—Short-Term Capital Loss Carryover to 1995

(Complete this section only if there is a loss shown on line 8 and line 19. Otherwise, go on to Section C.)

35 Enter the loss shown on line 8 as a positive amount ........ 35

36 Enter the gain, if any, shown on line 17........ 36

37 Enter the amount shown on line 34 ........ 37

38 Add lines 36 and 37 ........ 38

39 Line 35 minus line 38. If zero or less, enter zero. This is your short-term capital loss carryover to 1995 ........ 39

### Section C.—Long-Term Capital Loss Carryover to 1995

(Complete this section only if there is a loss shown on line 17 and line 19.)

40 Enter the loss shown on line 17 as a positive amount ........ 40

41 Enter the gain, if any, shown on line 8........ 41

42 Line 34 minus line 35. If zero or less, enter zero ........ 42

43 Add lines 41 and 42 ........ 43

44 Line 40 minus line 43. If zero or less, enter zero. This is your long-term capital loss carryover to 1995 ........ 44

## PART VI Short-term Capital Gains and Losses—Assets Held One Year or Less (Continuation of Part I)

| | (a) Description of property (Example, 100 shares 7% preferred of "Z" Co.) | (b) Date acquired (Mo., day, yr.) | (c) Date sold (Mo., day, yr.) | (d) Sales price (see Instructions) | (e) Cost or other basis (see Instructions) | (f) LOSS If (e) is more than (d), subtract (d) from (e). | (g) GAIN If (d) is more than (e), subtract (e) from (d). |
|---|---|---|---|---|---|---|---|
| 45 | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| 46 | Short-term totals. Add columns (d), (f), and (g) of line 45. Enter here and on line 2 ........ | | 46 | | | | |

## PART VII Long-term Capital Gains and Losses—Assets Held More Than One Year (Continuation of Part II)

| | (a) | (b) | (c) | (d) | (e) | (f) | (g) |
|---|---|---|---|---|---|---|---|
| 47 | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| 48 | Long-term totals. Add columns (d), (f), and (g) of line 47. Enter here and on line 10. ........ | | 48 | | | | |

STATE OF HAWAII — DEPARTMENT OF TAXATION

# Schedule D-1 (Rev. 1994)

# Sales of Business Property

**(Also Involuntary Conversions and Recapture Amounts Under IRC Sections 179 and 280 F)**

**1994**

➤ **To be filed with Form N-12, N-15, N-20, N-30, N-35, N-40, etc. – See Separate Instructions**

**CAUTION: Do not confuse this schedule with the federal Schedule D-1.**

| Name(s) as shown on tax return | Social Security Number or Federal Employer I.D. No. |
|---|---|
| | |

## Part I Sales or Exchanges of Property Used in a Trade or Business and Involuntary Conversions From Other Than Casualty and Theft – Property Held More Than 1 Year

**Notes:**
- Use Form N-184 to report involuntary conversions from casualty and theft.
- File federal Form 6198 if you are reporting a loss and have amounts invested in the activity for which you are not at risk. (See Instructions under "At-Risk Rules")
- Complete federal Form 8582 before you complete Schedule D-1 if you are reporting a loss from a passive activity. (See Instructions under "Passive Loss Limitations")

1 Enter here the gross proceeds from the sale or exchange of real estate reported to you for 1994 on federal Form(s) 1099-S (or an equivalent statement) that you will be including on line 2 or 11 (Column d), or on line 22. .......................... 1

| | (a) Description of property | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) | (d) Gross sales price | (e) Depreciation allowed (or allowable) since acquisition | (f) Cost or other basis, plus improvements and expense of sale | (g) LOSS (f) minus the sum of (d) and (e) | (h) GAIN (d) plus (e) minus (f) |
|---|---|---|---|---|---|---|---|---|
| 2 | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |
| | | | | | | | | |

| | | Line | (g) | (h) |
|---|---|---|---|---|
| 3 | Gain, if any, from Form N-184, line 39 .......... | 3 | | |
| 4 | IRC section 1231 gain from installment sales from Form N-171, line 26 or 37 .......... | 4 | | |
| 5 | IRC section 1231 gain or (loss) from like-kind exchanges from federal Form 8824 .......... | 5 | | |
| 6 | Gain, if any, from Part III, line 34, from other than casualty and theft .......... | 6 | | |
| 7 | Add lines 2 through 6 in columns (g) and (h) .......... | 7 | ( ) | |

8 Combine columns (g) and (h) of line 7. Enter gain or (loss) here, and on the appropriate line as follows *(partnerships and S corporations see the Instructions for your line references)* .......... 8

If line 8 is zero or a loss, enter the amount on line 12 below and skip lines 9 and 10. If line 8 is a gain and you did not have any prior year IRC section 1231 losses, or they were recaptured in an earlier year, enter the gain as a long-term capital gain on Schedule D and skip lines 9, 10, and 13, below.

9 Nonrecaptured net IRC section 1231 losses from prior years (see Instructions) .......... 9

10 Line 8 minus line 9. If zero or less, enter zero .......... 10

If line 10 is zero, enter the amount from line 8 on line 13 below. If line 10 is more than zero, enter the amount from line 9 on line 13 below, and enter the amount from line 10 as a long-term capital gain on Schedule D. (see specific Instructions for line 10)

## Part II Ordinary Gains and Losses

11 Ordinary gains and losses not included on lines 12 through 18 (include property held 1 year or less)

| (a) | (b) | (c) | (d) | (e) | (f) | (g) | (h) |
|---|---|---|---|---|---|---|---|
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |
| | | | | | | | |

| | | Line | (g) | (h) |
|---|---|---|---|---|
| 12 | Loss, if any, from line 8 .......... | 12 | | |
| 13 | Gain, if any, from line 8, or amount from line 9 if applicable .......... | 13 | | |
| 14 | Gain, if any, from Part III, line 33 .......... | 14 | | |
| 15 | Net gain or (loss) from Form N-184, lines 31 and 38a .......... | 15 | | |
| 16 | Ordinary gain from installment sales from Form N-171, line(s) 26 and/or 37 .......... | 16 | | |
| 17 | Ordinary gain or (loss) from like-kind exchanges from federal Form 8824 .......... | 17 | | |
| 18 | Recapture of IRC section 179 expense deduction for partners and S corporation shareholders from property dispositions by partnerships and S corporations. (see Instructions) .......... | 18 | | |
| 19 | Add lines 11 through 18 in columns (g) and (h) .......... | 19 | ( ) | |

20 Combine columns (g) and (h) of line 19. Enter gain or (loss) here, and on the appropriate line as follows: .......... 20

a For all except individual returns: Enter the gain or (loss) from line 20, on the return being filed. (Form N-30, etc.)

b For individual returns:

(1) If the loss on line 12 includes a loss from Form N-184, line 35, column (b) (ii), enter that part of the loss here and on line 17 of Schedule A (Form N-12) or on line 18 of Schedule A (Form N-15). Identify as from "Schedule D-1, line 20b(1)." .......... 20b(1)

(2) Redetermine the gain or (loss) on line 20, excluding the loss (if any) on line 20b(1). Enter here and on line 14 of Form N-12 or Form N-15 .......... 20b(2)

## Part III Gain from Disposition of Property Under IRC Sections 1245, 1250, 1252, 1254, and 1255

| 21 (a) Description of IRC sections 1245, 1250, 1252, 1254, and 1255 property: | (b) Date acquired (mo., day, yr.) | (c) Date sold (mo., day, yr.) |
|---|---|---|
| A | | |
| B | | |
| C | | |
| D | | |

| Relate lines 21A through 21D to these columns ➤ ➤ ➤ | | Property A | Property B | Property C | Property D |
|---|---|---|---|---|---|
| 22 Gross sales price (**Note:** *See line 1 before completing.*) | 22 | | | | |
| 23 Cost or other basis plus expense of sale | 23 | | | | |
| 24 Depreciation (or depletion) allowed (or allowable) | 24 | | | | |
| 25 Adjusted basis, line 23 minus line 24 | 25 | | | | |
| 26 Total gain, line 22 minus line 25 | 26 | | | | |
| 27 **If IRC section 1245 property:** | | | | | |
| a Depreciation allowed (or allowable) after applicable date (see Instructions) | 27a | | | | |
| b Enter **smaller** of line 26 or 27a | 27b | | | | |
| 28 **If IRC section 1250 property:** (If straight line depreciation was used, enter zero on line 28i) | | | | | |
| a Additional depreciation after 12/31/76 (see Instructions) | 28a | | | | |
| b Applicable percentage times the **smaller** of line 26 or line 28a (see Instructions) | 28b | | | | |
| c Line 26 minus line 28a. If line 26 is not more than line 28a, skip lines 28d through 28h | 28c | | | | |
| d Additional depreciation after 12/31/74 and before 1/1/77 | 28d | | | | |
| e Applicable percentage times the smaller of line 28c or 28d (see Instructions) | 28e | | | | |
| f Line 28c minus line 28d. If line 28c is not more than line 28d, skip lines 28g and 28h | 28f | | | | |
| g Additional depreciation after 12/31/64 and before 1/1/75 | 28g | | | | |
| h Applicable percentage times the smaller of line 28f or 28g (see Instructions) | 28h | | | | |
| i Add line 28b, 28e, and 28h | 28i | | | | |
| 29 **If IRC section 1252 property:** Skip this section if you did not dispose of farm property or farmland, or if this form is completed by a partnership. | | | | | |
| a Soil, water and land clearing expenses made after 12/31/76 | 29a | | | | |
| b Line 29a times applicable percentage (see Instructions) | 29b | | | | |
| c Enter **smaller** of line 26 or 29b | 29c | | | | |
| 30 **If IRC section 1254 property:** | | | | | |
| a Intangible drilling and development costs deducted after 12/31/76 (see Instructions) | 30a | | | | |
| b Enter **smaller** of line 26 or 30a | 30b | | | | |
| 31 **If IRC section 1255 property:** | | | | | |
| a Applicable percentage of payments excluded from income under IRC section 126 (see Instructions) | 31a | | | | |
| b Enter **smaller** of line 26 or 31a | 31b | | | | |

**Summary of Part III Gains (Complete Property columns A through D through line 31b before going on line 32.)**

| | | |
|---|---|---|
| 32 Total gains for all properties (add columns A through D, line 26) | 32 | |
| 33 Add columns A through D, lines 27b, 28i, 29c, 30b, and 31b. Enter here and on Part II, line 14 | 33 | |
| 34 Line 32 minus line 33. Enter the portion from casualty and theft on Form N-184, Section B, line 33, and enter the portion from other than casualty and theft on Schedule D-1, Part I, line 6 | 34 | |

## Part IV Recapture Amounts Under IRC Sections 179 and 280F When Business Use Drops to 50% or Less (See Instructions for Part IV.)

| | | (a) Section 179 | (b) Section 280F |
|---|---|---|---|
| 35 IRC section 179 expense deduction or IRC section 280F recovery deductions | 35 | | |
| 36 Depreciation or recovery deductions (see Instructions) | 36 | | |
| 37 Recapture amount. (line 35 minus line 36) (see Instructions for where to report) | 37 | | |

**1994**
**(Rev. 1994)**

STATE OF HAWAII—DEPARTMENT OF TAXATION

# Instructions for Schedule D-1

## Sales of Business Property

**(Also Involuntary Conversions and Recapture Amounts Under IRC Sections 179 and 280F)**

**(Section references are to the Internal Revenue Code as adopted and incorporated in Chapter 235, HRS)**

**(Publication references are to federal Publications)**

**CAUTION: Do not confuse this schedule with the federal Schedule D-1**

## Who May File

Any individual, corporation, partnership, estate or trust may file Schedule D-1, unless instructions for the form it relates to (Form N-12, N-30, etc.) provides otherwise.

## Purpose of Form

Use Schedule D-1 to report:

- The sale or exchange of property used in your trade or business; depreciable and amortizable property; oil, gas, geothermal, or other mineral properties; and section 126 property.
- The involuntary conversion (from other than casualty or theft) of property used in your trade or business and capital assets held in connection with a trade or business, or a transaction entered into for profit.
- Disposition of noncapital assets other than inventory or property held primarily for sale to customers in the ordinary course of your trade or business.
- Recapture of section 179 expense deductions for partners and S corporation shareholders from property dispositions by partnerships and S corporations.
- The computation of recapture amounts under sections 179 and 280F(b)(2), when the business use of section 179 or listed property drops to 50% or less.

Do not use this form, unless otherwise stated, to report gain or loss on the disposition of a capital asset; instead, use the Schedule D associated with the return you are filing. (Refer to Schedule D instructions for the definition of a capital asset.)

## Other Forms To Use

- Use Form N-184, Casualties and Thefts, to report involuntary conversions from casualty and theft.
- Use federal Form 8824, Like-Kind Exchanges, for each exchange. A "like-kind exchange" occurs when you exchange business or investment property for property of like kind. For exchanges of property used in a trade or business (and other noncapital assets), enter the gain or (loss) from federal Form 8824, if any on line 5 or 17.

## Special Rules

**Installment Sales.—**If you sold property at a gain and you will receive a payment in a tax year after the year of sale, you must report the sale on the installment method unless you elect not to do so.

Use Form N-171, Installment Sale Income, to report the sale on the installment method. Also use Form N-171 to report any payment received in 1994 from a sale made in an earlier year that you reported on the installment method.

To elect out of the installment method, report the full amount of the gain on a timely filed return (including extensions).

See Publication 537, Installment Sales, for more details.

**Recapture of Preproductive Expenses.—**If you elected out of the uniform capitalization rules of section 263A, any plant or animal that you produce is treated as section 1245 property. For dispositions of plants and animals reportable on Schedule D-1, enter the recapture amount taxed as ordinary income on line 24. See Publication 225, Farmer's Tax Guide, for more information.

**Involuntary Conversion of Property.—**You may not have to pay tax on a gain from an involuntary or compulsory conversion of property. See Publication 544, Sales and Other Dispositions of Assets, for details.

**At Risk Rules.—**If you report a loss on an asset used in an activity for which you are not at risk, in whole or in part, see the instructions for federal Form 6198, At-Risk Limitations. Also get Publication 925, Passive Activity and At-Risk Rules. Losses from passive activities are first subject to the at-risk rules and then to the passive activity rules.

**Passive Loss Limitations.—**If you have an overall loss from passive activities, and you are reporting a loss on an asset used in a passive activity, use federal Form 8582, Passive Activity Loss Limitations, to see how much of the loss is allowed before entering it on Schedule D-1.

Unused passive activity credits are not allowable when you dispose of your interest in an activity. However, if you dispose of your entire interest in an activity, you may elect to increase the basis of the credit property by the original basis reduction of the property to the extent that the credit has not been allowed because of the passive activity rules. No basis adjustment may be elected on a partial disposition of your interest in an activity. See Publication 925 for details.

**Transfer of Appreciated Property to Political Organizations.—**Treat a transfer of property to a political organization as a sale of property on the date of transfer if the property's fair market value when transferred is more than your adjusted basis. Apply the ordinary income or capital gains provisions as if a sale actually occurred. See section 84.

**Allocation of Purchase Price.—**If you acquire or dispose of assets which constitute a trade or business, the buyer and seller must allocate the total purchase price using the "residual method" and file federal Form 8594, Asset Acquisition Statement.

**Federal Form 1099-A, Information Return for Acquisition or Abandonment of Secured**

### Examples of Items Reportable on this Form.—Where to Make First Entry.

| Below are common examples of items reportable on this form. Columns (b) and (c) indicate where to make the first entry on Schedule D-1. **(a) Type of property** | **(b) Held one year or less** | **(c) Held more than one year** |
|---|---|---|
| **1** Depreciable trade or business property: | | |
| **a** Sold or exchanged at a gain | Part II | Part III (sec. 1245, 1250) |
| **b** Sold or exchanged at a loss | Part II | Part I |
| **2** Depreciable residential rental property: | | |
| **a** Sold or exchanged at a gain | Part II | Part III (sec. 1250) |
| **b** Sold or exchanged at a loss | Part II | Part I |
| **3** Farm land held less than 10 years upon which soil, water, and/or land-clearing expenses were deducted after December 31, 1976: | | |
| **a** Sold at a gain | Part II | Part III (sec. 1252) |
| **b** Sold at a loss | Part II | Part I |
| **4** Disposition of certain cost-sharing payments described in section 126 | Part II | Part III (sec.1255) |
| **5** Cattle and horses acquired after December 31, 1974, that were used in a trade or business for draft, breeding, dairy, or sport purposes: | **Held less than 24 months** | **Held 24 months or more** |
| **a** Sold at a gain | Part II | Part III (sec. 1245) |
| **b** Sold at a loss | Part II | Part I |
| **c** Raised cattle and horses sold at a gain | Part II | Part I |
| **6** Livestock other than cattle and horses acquired after December 31, 1974, that were used in a trade or business for draft, breeding, dairy, or sport purposes: | **Held less than 12 months** | **Held 12 months or more** |
| **a** Sold at a gain | Part II | Part III (sec. 1245) |
| **b** Sold at a loss | Part II | Part I |
| **c** Raised livestock sold at a gain | Part II | Part I |
| **Note:** *All livestock acquired before January 1, 1975, used in a trade or business for draft, breeding, or dairy purposes, receive same treatment as livestock held for 12 months or more.* | | |

**Property.—**If you receive a federal Form 1099-A from your lender, you may have gain or loss to report because of acquisition or abandonment. See Publication 544 for more information.

## Where to Report Transactions on this Form

Page 1 contains a chart identifying examples of property reportable on this form and the part in which you should first report it.

The chart refers to three parts:

**Part I** is for reporting sales or exchanges of property used in your trade or business and certain involuntary conversions of property or capital assets used in a trade or business, or held for profit, and kept for more than 1 year. You may have to complete Part III before Part I if you disposed of, at a gain, depreciable property (certain amortizable property, certain oil or gas property, or certain farm property) held for more than one year. If livestock is involved, see section 1231 for a longer holding period.

**Part II** is for reporting gain or loss on the sale, exchange, or involuntary or compulsory conversion of noncapital assets (trade or business property) not reportable in Part I. Examples are: land held one year or less that does not qualify as a capital asset, and certain depreciable property held one year or less (for livestock see section 1231 for a longer holding period), and gains on certain involuntary conversions of capital assets held one year or less.

**Part III** is for reporting the sale, exchange, or involuntary or compulsory conversion of certain property subject to amortization or depreciation, certain farm property, oil or gas property, or section 126 property. Do not use Part III unless there is a gain and the property was held for more than one year.

## Line-by-Line Instructions

To show losses, enclose figures in (parentheses).

### Part I

Section 1231 transactions are:

- Sales or exchanges of real or depreciable property used in a trade or business and held for more than 1 year. To figure the holding period, begin counting on the day after you received the property and include the day you disposed of it.
- Cutting of timber that the taxpayer elects to treat as a sale or exchange under section 631(a).
- Disposal of timber with a retained economic interest that is treated as a sale under section 631(b).
- Disposal of coal (including lignite) or iron ore mined in the United States with a retained interest that is treated as a sale under section 631(c).
- Sale or exchanges of cattle and horses, regardless of age, used in a trade or business by the taxpayer for draft, breeding, dairy, or sporting purposes and held for 24 months or more from acquisition date.
- Sales or exchanges of livestock other than cattle and horses, regardless of age, used by a taxpayer for draft, breeding, dairy, or sporting purposes and held for 12 months or more from acquisition date.

**Note:** *Livestock does not include poultry.*

- Sales or exchanges of unharvested crops. See section 1231(b)(4).
- Involuntary conversions of trade or business property or capital assets held in connection with a trade or business or a transaction entered into for profit, and kept more than 1 year.

These conversions may result from **(a)** part or total destruction, **(b)** theft or seizure, or **(c)** requisition or condemnation (whether threatened or carried out). If any recognized losses were from involuntary conversions from fire, storm, shipwreck, or other casualty, or from theft, and they exceed the recognized gains from the conversions, do not include them in figuring your net section 1231 losses.

Section 1231 transactions **do not** include:

- Sales or exchanges of inventory or property held primarily for sale to customers.
- Sales or exchanges of copyrights, literary, musical, or artistic compositions, letters or memoranda, or similar property **(a)** created by your personal efforts, **(b)** prepared or produced for you (in the case of letters, memoranda, or similar property), or **(c)** that you received from someone who created them or for whom they were created, as mentioned in **(a)** or **(b)**, in a way (such as by gift) that entitled you to the basis of the previous owner.
- Sales or exchanges of U.S. Government publications, including the Congressional Record, that you received from the Government, other than by purchase at the normal sales price, or that you got from someone who had received it in a similar way, if your basis is determined by reference to the previous owner's basis.

**Line 9.—Nonrecaptured Net Section 1231 Losses—**Part or all of your section 1231 gains on line 8 may be taxed as ordinary income instead of receiving long-term capital gain treatment. These net section 1231 gains are treated as ordinary income to the extent of the "nonrecaptured section 1231 losses." The nonrecaptured losses are net section 1231 losses deducted during the 5 preceding taxable years that have not yet been applied against any net section 1231 gain for determining how much of the gain is ordinary income under these rules.

**Example.** If you had net section 1231 losses of $4,000 and $6,000 in 1989 and 1990 and net section 1231 gains of $3,000 and $2,000 in 1993 and 1994, line 8 would show the 1994 gain of $2,000, and line 9 would show nonrecaptured section 1231 losses of $7,000 ($10,000 net section 1231 losses minus the $3,000 that was recaptured becouse of the 1993 gain). The $2,000 gain on line 8 is all ordinary income and would be entered on line 13 of Schedule D-1. For recordkeeping purposes, the $4,000 loss from 1989 is all recaptured ($3,000 in 1993 and $1,000 in 1994) and you have $5,000 left to recapture from 1990 ($6,000 minus the $1,000 recaptured this year).

**Figuring the prior year losses.—**You had a net section 1231 loss if your section 1231 losses exceeded your section 1231 gains. Section 1231 gains are included only to the extent taken into account in computing gross income. Section 1231 losses are included only to the extent taken into account in computing taxable income except that the limitation on capital losses does not apply. Get Publication 544 for more information.

**Line 10.—**For recordkeeping purposes, if line 10 is zero, the amount on line 8 is the amount of net section 1231 loss recaptured in 1994. If line 10 is more than zero, you have recaptured in 1994 all of your net section 1231 losses from prior years.

### Part II

If a transaction is not reportable in Part I or Part III and the property is not a capital asset reportable on Schedule D, report the transaction in Part II.

If you receive ordinary income from a sale or other disposition of your interest in a partnership, get Publication 541, Tax Information on Partnerships.

**Line 11.—**Report other ordinary gains and losses, including property held one year or less on this line.

**Section 1244 (small business) stock.—**Individuals report ordinary losses from the sale or exchange (including worthlessness) of section 1244 (small business) stock on line 11. The maximum amount that may be treated as an ordinary loss is $50,000 ($100,000, if married filing a joint return). Gains from the sale or exchange of section 1244 stock (and losses in excess of the maximum amount that may be treated as an ordinary loss) are reported on Schedule D.

If you claim a section 1244 stock loss, you **must** file a statement with your return that specifies:

1. The address of the corporation that issued the stock;
2. The manner in which you acquired the stock;
3. The amount and type of consideration you gave in exchange for the stock; and
4. If you acquired the stock in a nontaxable transaction in exchange for property other than money, the type of property and the adjusted basis and fair market value of the property on the date it was transferred to the corporation.

If you do not file this statement with your return, ordinary loss treatment under section 1244 may not be allowed.

Be sure to keep adequate records to distinguish section 1244 stock from any other stock owned in the same corporation. See Publication 550, Investment Income and Expenses, for more information.

**Line 18.—**Enter any recapture of section 179 expense deduction included on Schedule K-1 (Form N-20), line 19 and on Schedule K-1 (Form N-35), line 22, but only if it is due to a disposition. Include if only to the extent that you took a deduction for it in an earlier year. See instructions for Part IV if you have section 179 recapture when the business use percentage of property dropped to 50% or less.

**Line 20b(1).—**You must complete this line if there is a gain on Schedule D-1, line 3; a loss on Schedule D-1, line 12; **and** a loss on Form N-184, line 35, column (b)(ii). Enter on this line and on Schedule A (Form N-12), line 17, or Schedule A (Form N-15), line 18, as the case may be, the **smaller** of the loss on Schedule D-1, line 12; or the loss on Form N-184, line 35, column (b)(ii). To figure which loss is smaller, treat both losses as positive numbers.

### Part III

Part III is used to compute recapture of depreciation and certain other items that must be reported as ordinary income on the disposition of property. Fill out lines 21 through 26 to determine the gain on the disposition of the property. If you have more than four properties to report, use additional forms. For more information, see Publication 544.

**Note:** *If the property was sold on the installment sales basis, see the Instructions for Form N-171 before completing this part. Also, if you have both installment sales and non-installment* *sales, you may want to use a separate Schedule D-1, Part III, for each installment sale and one Schedule D-1, Part III, for the non-installment sales.*

**Line 22.—**The gross sales price includes money, the fair market value of other property received, and any existing mortgage or other debt the buyer assumes or takes the property subject to. For casualty or theft gains, include insurance or other reimbursement you received or expect to receive for each item. Include on this line your insurance coverage, whether or not you are submitting a claim for reimbursement.

For section 1255 property, show the amount realized from the sale, exchange, or involuntary conversion. Enter the fair market value for any other disposition.

**Line 23.—**The asset basis used on this line should be determined without taking into account any reduction under section 179 (expense deduction) which is to be accounted for on line 24.

**Line 24.—**This line should show all adjustments for deductions (whether for the same or other property) allowed or allowable to you or any other person for depreciation or amortization. If you are not a partnership or an S corporation, use the following computation to determine the amount to enter on line 24:

- **Add** preproductive expenses, depreciation, amortization, or depletion allowed or allowable.
- **Add** the section 179 expense deducted.
- **Subtract** any section 179 or 280F recapture amount included in gross income in a prior tax year because the business use of the property dropped to 50% or less.

You may have to include depreciation allowed or allowable on another asset (and recompute the basis amount for line 23) if you use its adjusted basis in determining the adjusted basis of the property described on line 21. An example is property acquired by a trade-in. See Regulations section 1.1245-2(a)(4).

Partnerships should enter the deductions for depreciation, amortization, or depletion allowed or allowable on line 24. Enter the section 179 expense deduction on Form N-20, Schedule K, line 19.

S corporations should enter the deduction for depreciation, amortization, or depletion allowed or allowable on line 24. Enter the section 179 expense deduction on Form N-35, Schedule K, line 17 but only if you are disposing of property acquired in tax years beginning after 1982.

**Line 25.—**For section 1255 property, enter the adjusted basis of the section 126 property disposed of.

## Line 27.—Section 1245 Property

Section 1245 property is depreciable (or amortizable under section 185 (repealed) or 1253(d)(2) or (3) (as in effect before the enactment of Public Law 103-66)) and is one of the following:

- Personal property.
- Livestock held for draft, breeding, dairy, or sport purposes.
- Elevators and escalators placed into service before 1-1-87.
- Real property (other than property described under tangible real property below) subject to amortization or deductions under section 169, 179, 185 (repealed), 188 (repealed), 190, 193, or 194.
- Tangible real property (except buildings and their structural components) if it is used in any of the following ways:
  (1) As an integral part of manufacturing, production, extraction, or furnishing transportation, communications, or certain other public utility services.
  (2) As a research facility in these activities.
  (3) For the bulk storage of fungible commodities (including commodities in a liquid or gaseous state) used in these activities.
- A single purpose agricultural or horticultural structure (as defined in section 168(i)(13).
- A storage facility (not including a building or its structural components) used in connection with the distribution of petroleum or any primary product of petroleum.

See section 1245(b) for exceptions and limits involving:

- Gifts.
- Transfers at death.
- Certain tax-free transactions.
- Certain like-kind exchanges, involuntary conversions, etc.
- Sales or exchanges to carry out FCC policies, and exchanges to comply with SEC orders.
- Property distributed by a partnership to a partner.
- Transfers to tax-exempt organizations where the property will be used in an unrelated business.
- Timber property.

See the following section for special rules:

- Section 1245 (a)(4) for player contracts and section 1056(c) for information required from the transferor of a franchise of any sports enterprise if the sale of exchange involves the transfer of player contracts.
- Section 1245(a)(5) as in effect before the Tax Reform Act of 1986 for property placed in service before 1-1-87, when only a portion of a building is section 1245 recovery property.
- Section 1245(a)(6) as in effect before the Tax Reform Act of 1986, for qualified lease property placed in service by 1-1-87.

## Line 28.—Section 1250 Property

Section 1250 property is depreciable real property (other than section 1245 property). ACRS deductions under section 168 are subject to recapture under section 1245 except for the following, which are treated as section 1250 property if the property was placed in service before 1-1-87.

- 15-year, 18-year, or 19-year real property and low-income housing which is residential rental property.
- 15-year, 18-year, or 19-year real property and low-income housing which is used mostly outside the United States.
- 15-year, 18-year, or 19-year real property and low-income housing for which a straight line election was made.
- Low-income rental housing as described in clause (i), (ii), (iii), or (iv) of section 1250(a)(1)(B). See instructions for line 28b.

Section 1250 recapture applies to certain recovery property and to depreciable nonrecovery real property when an accelerated depreciation method was used.

The section 1250 recapture rules **do not** apply to dispositions of 27.5-year (or 40-year, if elected) residential rental property or 22-year, 31.5-year, or 39-year (or 40-year, if elected) nonresidential real property, placed in service after 12-31-86 (or after 7-31-86, if the election is made).

See section 1250(d) for exceptions and limits involving:

- Gifts.
- Transfers at death.
- Certain tax-free transactions.
- Certain like-kind exchanges, involuntary conversions, etc.
- Sales or exchanges to carry out FCC policies, and exchanges to comply with SEC orders.
- Property distributed by a partnership to a partner.
- Disposition of a main home.
- Disposition of qualified low-income housing.
- Transfers of property to tax-exempt organizations where the property will be used in an unrelated business.
- Disposition of property as a result of foreclosure proceedings.

## Special Rules

- For additional depreciation attributable to rehabilitation to rehabilitation expenditures, see section 1250(b)(4).
- If substantial improvements have been made, see section 1250(f).

**Lines 28a, 28d, and 28g.—**For property held for more than one year, additional depreciation is the excess of actual depreciation attributable to periods after December 31, 1964, over depreciation computed for the same period using the straight line method. Enter on line 28a the additional depreciation for the period after December 31, 1976, on line 28d the additional depreciation for the period after December 31, 1974, and before January 1, 1977, and on line 28g the additional depreciation for the period after December 31, 1964, and before January 1, 1975.

If the depreciation figured using the straight line method is more than the actual depreciation taken for any period, the additional depreciation for the next prior period should be reduced, but not below zero, by that amount.

**Line 28b.—**Use 100% as the percentage for this line, except for low-income rental housing described in clause (i), (ii), (iii), or (iv) of section 1250(a)(1)(B). For this type of low-income rental housing, see section 1250(a)(1)(B) for the percentage to use.

**Line 28e.—**Use 100% as the percentage for this line, except for residential rental property (and property disposed of under a written contract binding at all times since July 24, 1969). For this type of property, see section 1250(a)(2)(B) for the percentage to use.

**Line 28h.—**The applicable percentage is 100 percent minus one percent for each full month the property was held for more than 20 full months.

## Line 29.—Section 1252 Property

Partnerships should skip this section. Partners should enter on the applicable lines of Part III amounts subject to section 1252 according to instructions from the partnerships.

You may have ordinary income on the disposition of certain farmland held for more than 1 year but less than 10 years.

Refer to section 1252 to determine if there is ordinary income on the disposition of certain farmland for which deductions were allowed for expenditures made after December 31, 1976, under sections 175 (soil and water conservation) and 182 (land clearing) as in effect before January 1, 1986. If you dispose of such farmland within the 10th or later year after you acquire it, skip line 29.

Gain from disposition of certain farmland is subject to ordinary income rules under section 1252 before being considered under section 1231 (Part I).

**Line 29b.—**Enter 100 percent of line 29a on line 29b except as follows:

- 80 percent if the farmland was disposed of within the sixth year after acquisition;
- 60 percent if disposed of within the seventh year;
- 40 percent if disposed of within the eighth year;
- 20 percent if disposed of within the ninth year; or
- zero, if disposed of within the tenth or later year.

## Line 30.—Section 1254 Property

If you dispose of oil, gas, or geothermal property placed in service before 1-1-87 at a gain, treat all or part of the gain as ordinary income. Include on line 24 any depletion allowed (or allowable) in determining the adjusted basis of the property.

If you dispose of oil, gas, geothermal, or other mineral properties (section 1254 property) placed in service after 12-31-86 at a gain, you must recapture all expenses that were deducted as intangible drilling costs, depletion, mine exploration costs, and development costs, under sections 263, 616, and 617.

**Exception:** Property acquired under a written contract entered into before 9-26-85 and binding at all times thereafter, is excluded from this change.

Previously expensed mining costs, that have been included in income upon reaching the producing state, are not taken into account in determining recapture under section 1254.

**Line 30a.—**If the property was placed in service before 1-1-87, enter the total amount of expenses after 12-31-76 that:

- were deducted by the taxpayer or any other person as intangible drilling and development costs under section 263(c); and
- would have been reflected in the adjusted basis of the property if they had not been so deducted.

If the property was placed in service after 12-31-86, enter the total amount of expenses that:

- were deducted under section 263, 616, or 617 by the taxpayer or any other person; and
- which, but for such deduction would have been included in the basis of the property; plus
- the deduction under section 611 which reduced the adjusted basis of such property.

If you dispose of a portion of section 1254 property or an undivided interest in it, see section 1254(a)(2).

## Line 31.—Section 1255 Property

**Line 31a.—**Use 100 percent if the property is disposed of less than 10 years after receipt of payments excluded from income. Use 100 percent minus 10 percent for each year, or part of a year, that the property was held over 10 years. Use zero if 20 years or more.

# Part IV

**Section 179 Property.—**If you took a deduction under section 179 for property placed in service before 1-1-87 (other than listed property, as defined in section 280F(d)(4)), and the business use of the property was reduced to 50% or less during either of the two taxable years following the taxable year the property was placed in service, complete column (a) of lines 35 through 37 to figure the amount to be recaptured.

For property placed in service after 12-31-86 the recapture must be made if the property is not used predominantly in your trade or business at any time.

**Section 280F Property.—**If you have listed property that you placed in service in a prior year and the business use percentage dropped to 50% or less this year, you must figure the amount to be recaptured. Complete column (b), lines 35 through 37.

**Note:** *If you have more than one property subject to the recapture rules, use a separate schedule to figure the recapture amounts and attach the statement to your tax return.*

**Line 35.—Column (a)—**Enter the section 179 expense deducted when the property was placed in service.

**Column (b)—**Enter the depreciation allowable on the property in prior tax years. Include any section 179 expense deduction you took as depreciation.

**Line 36.—Column (a)—**Enter the depreciation deductions that would have been allowed on the section 179 amount from the year it was placed in service until the current year.

**Column (b)—**Enter the depreciation that would have been allowable if the property had not been used more than 50% in a qualified business. Figure the deductions from the year it was placed in service until the current year. See Publication 534, Depreciation, and Publication 917 for more information.

**Line 37.—**Subtract line 36 from line 35 and enter the recapture amount as “other income” on the same form or schedule you took the deduction. For example, if you took the deduction on Schedule C (Form N-12/N-15/N-40), report the recapture amount as other income on Schedule C (Form N-12/N-15/N-40).

Be sure to increase the basis of the property by the recapture amount.

SCHEDULE E
FORM N-12/N-15
(REV. 1994)

STATE OF HAWAII—DEPARTMENT OF TAXATION

# Supplemental Income Schedule

**(From rents and royalties, partnerships, estates and trusts, REMICs, etc.)**

**➤ Attach to Form N-12 or N-15. ➤ See Instructions for Schedule E (Form N-12 or N-15)**

# 1994

| Name(s) as shown on Form N-12 or Form N-15 | Your social security number |
|---|---|
| | |

**Part I** **Income or (Loss) From Rentals and Royalties** **Caution:** Your rental loss may be limited. See Instructions. **Hawaii G.E. number ➤**

| 1 | Show kind and location of each **rental property**: | | | Yes | No |
|---|---|---|---|---|---|
| A | ........................................ | 2 For each rental property listed on line 1, did you or your family use it for personal purposes for more than the greater of 14 days or 10% of the total days rented at fair rental value during the tax year? | A | | |
| B | ........................................ | | B | | |
| C | ........................................ | | C | | |
| | | 3 For each **rental real estate property** listed on line 1, did you actively participate in its operation during the tax year? (See Instructions) | A | | |
| | | | B | | |
| | | | C | | |

| | | Properties A | Properties B | Properties C | D Totals (Add columns A, B, and C) |
|---|---|---|---|---|---|
| **Rental and Royalty Income** | | | | | |
| 4 Rents received | 4 | | | | 4 |
| 5 Royalties received | 5 | | | | 5 |
| **Rental and Royalty Expenses** | | | | | |
| 6 Advertising | 6 | | | | |
| 7 Auto and travel | 7 | | | | |
| 8 Cleaning and maintenance | 8 | | | | |
| 9 Commissions | 9 | | | | |
| 10 Insurance | 10 | | | | |
| 11 Legal and other professional fees | 11 | | | | |
| 12 Management fees | 12 | | | | |
| 13 Mortgage interest paid to financial institutions (see Instructions) | 13 | | | | 13 |
| 14 Other interest | 14 | | | | |
| 15 Repairs | 15 | | | | |
| 16 Supplies | 16 | | | | |
| 17 Taxes | 17 | | | | |
| 18 Utilities (see Instructions) | 18 | | | | |
| 19 Other (list)➤ ........................ | | | | | |
| ........................ | | | | | |
| ........................ | | | | | |
| ........................ | | | | | |
| ........................ | | | | | |
| ........................ | | | | | |
| ........................ | | | | | |
| ........................ | | | | | |
| ........................ | 19 | | | | |
| 20 Add lines 6 through 19 | 20 | | | | 20 |
| 21 Depreciation expense or depletion (see Instructions) | 21 | | | | 21 |
| 22 Total expenses. Add lines 20 and 21 | 22 | | | | |
| 23 Income or (loss) from rental or royalty properties. Line 4 (rents) or line 5 (royalties) minus line 22. If the result is a (loss), see Instructions to find out if you must file federal Form 6198. | 23 | | | | |
| 24 Deductible rental loss. **Caution:** *Your rental loss on line 23 may be limited. See Instructions to find out if you must file federal Form 8582* | 24 | ( ) | ( ) | ( ) | |

| | | |
|---|---|---|
| 25 | **Income.** Add rental and royalty income from line 23. Enter the total income here | 25 |
| 26 | **Losses.** Add royalty losses from line 23 and rental losses from line 24. Enter the total (losses) here | 26 ( ) |
| 27 | Combine amounts on lines 25 and 26. Enter the net income or (loss) here | 27 |
| 28 | Net farm rental income or (loss) from federal Form 4835 (Attach copy of federal form) | 28 |
| 29 | Total rental or royalty income or (loss). Combine amounts on lines 27 and 28. Enter the total here. If Parts II, III, and IV on page 2 do not apply to you, write this amount on Form N-12, line 17, or Form N-15, line 17. Otherwise, include this amount in line 42, on page 2 of Schedule E. | 29 |

**FOR LIMITATIONS ON LOSSES FROM PASSIVE ACTIVITIES, SEE THE INSTRUCTIONS FOR FEDERAL FORM 1040.**

| Name(s) as shown on Form N-12 or Form N-15 (Do not enter name and social security number if shown on other side) | Your social security number |
|---|---|
| | |

## Part II Income or (Loss) from Partnerships and S Corporations

If you report a loss from an at-risk activity, you MUST check either column (e) or (f) to describe your investment in the activity. If you check column (f), you must attach federal Form 6198. See Instructions.

| 30 | **(a)** Name | **(b)** Enter P for partnership; S for S corporation | **(c)** Check if foreign partnership | **(d)** Employer identification number | Investment At Risk? **(e)** All is at risk | **(f)** Some is not at risk |
|---|---|---|---|---|---|---|
| A | | | | | | |
| B | | | | | | |
| C | | | | | | |
| D | | | | | | |
| E | | | | | | |

| | Passive Income and Loss | | Nonpassive Income and Loss | | |
|---|---|---|---|---|---|
| | **(g)** Passive loss allowed from federal Form 8582 | **(h)** Passive income from Schedule K-1 | **(i)** Nonpassive loss from Schedule K-1 | **(j)** IRC section 179 deduction (see Instructions for limits) | **(k)** Nonpassive income from Schedule K-1 |
| A | | | | | |
| B | | | | | |
| C | | | | | |
| D | | | | | |
| E | | | | | |
| 31 **a** Totals | | | | | |
| **b** Totals | | | | | |

| | | | |
|---|---|---|---|
| 32 | Add amounts in columns (h) and (k), line 31a. Enter total income here | 32 | |
| 33 | Add amounts in columns (g), (i), and (j), line 31b. Enter total (loss) and IRC section 179 deduction here | 33 | ( ) |
| 34 | Total partnership and S corporation income or (loss). Combine amounts on lines 32 and 33. Enter the total here and include in line 42 below | 34 | |

## Part III Income or (Loss) from Estates and Trusts

| 35 | **(a)** Name | **(b)** Employer identification number |
|---|---|---|
| A | | |
| B | | |
| C | | |

| | Passive Income and Loss | | Nonpassive Income and Loss | |
|---|---|---|---|---|
| | **(c)** Passive deduction or loss allowed from federal Form 8582 | **(d)** Passive income from Schedule K-1 | **(e)** Deduction or loss from Schedule K-1 | **(f)** Other income from Schedule K-1 |
| A | | | | |
| B | | | | |
| C | | | | |
| 36 **a** Totals | | | | |
| **b** Totals | | | | |

| | | | |
|---|---|---|---|
| 37 | Add amounts in columns (d) and (f), line 36a. Enter total income here | 37 | |
| 38 | Add amounts in columns (c) and (e), line 36b. Enter total (loss) here | 38 | ( ) |
| 39 | Total estate and trust income or (loss). Combine amounts on lines 37 and 38. Enter the total here and include in line 42 below | 39 | |

## Part IV Income or (Loss) from Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

| 40 | **(a)** Name | **(b)** Employer identification number | **(c)** Excess inclusion from Schedules Q, line 2c (see Instructions) | **(d)** Taxable income (net loss) from Schedules Q, line 1b | **(e)** Income from Schedules Q, line 3b |
|---|---|---|---|---|---|
| | | | | | |

| | | | |
|---|---|---|---|
| 41 | Combine columns (d) and (e) only. Enter the total here and include in line 42 below | 41 | |

## Part V Summary of Parts I Through IV

| | | | |
|---|---|---|---|
| 42 | TOTAL income or (loss). Combine lines 29, 34, 39, and 41. Enter total here and on Form N-12, line 17 or Form N-15, line 17 ➤ | 42 | |

**FOR LIMITATIONS ON LOSSES FROM PASSIVE ACTIVITIES, SEE THE INSTRUCTIONS FOR FEDERAL FORM 1040.**

**SCHEDULE F**
FORM N-12/N-15
N-20/N-40
(REV. 1994)

STATE OF HAWAII—DEPARTMENT OF TAXATION

# Farm Income and Expenses

# 1994

**Attach to Form N-12, N-15, N-20, OR N-40 • See Instructions for Schedule F**

**Note:** You may use federal Schedule F provided your Hawaii G.E./Use I.D. No. is written on that schedule.

| | |
|---|---|
| Name of proprietor | Hawaii G.E./Use I.D. No. |
| | Social Security Number (SSN) |
| **A** Principal Product. (Describe in one or two words your principal crop or activity for the current tax year.) | **B** Agricultural Activity Code (from Part IV) ➤ |
| **C** Accounting Method: ☐ Cash ☐ Accrual | **D** Employer ID Number (Not SSN) |

**E** Did you "materially participate" in the operation of this business during 1994? (If "No," see Instructions for limitations on losses) ☐ Yes ☐ No

## PART I Farm Income—Cash Method—Complete Parts I and II (Accrual method taxpayers complete Parts II and III, and line 11 of Part I.)

**Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Schedule D-1.**

| | | | | |
|---|---|---|---|---|
| 1 | Sales of livestock and other items you bought for resale | 1 | | |
| 2 | Cost or other basis of livestock and other items you bought for resale | 2 | | |
| 3 | Line 1 minus line 2 | | 3 | |
| 4 | Sales of livestock, produce, grains, and other products you raised | | 4 | |
| 5a | Total cooperative distributions (federal Form(s)1099-PATR) | 5a | **5b** Taxable amount | 5b |
| 6a | Agricultural program payments (see Instructions) | 6a | **6b** Taxable amount | 6b |
| 7 | Commodity Credit Corporation (CCC) loans: | | | |
| a | CCC loans reported under election (see Instructions) | | 7a | |
| b | CCC loans forfeited or repaid with certificates | 7b | **7c** Taxable amount | 7c |
| 8 | Crop insurance proceeds and certain disaster payments (see Instructions): | | | |
| a | Amount received in 1994 | 8a | **8b** Taxable amount | 8b |
| c | If election to defer to 1995 is attached, check here .. ➤ ☐ | **8d** Amount deferred from 1993 | | 8d |
| 9 | Custom hire (machine work) income | | 9 | |
| 10 | Other income, including federal and State gasoline or fuel tax credit or refund (see Instructions) | | 10 | |
| 11 | Add amounts in the right column for lines 3 through 10. If accrual method taxpayer, enter the amount from page 2, line 51. This is your **gross income** ➤ | | 11 | |

## PART II Farm Expenses—Cash and Accrual Method (Do not include personal or living expenses such as taxes, insurance, repairs, etc., on your home.)

| | | | | | |
|---|---|---|---|---|---|
| 12 | Car and truck expenses (attach Form N-164) | 12 | 25 | Pension and profit-sharing plans | 25 |
| 13 | Chemicals | 13 | 26 | Rent or lease: | |
| 14 | Conservation expenses (attach federal Form 8645) | 14 | a | Vehicles, machinery, and equipment | 26a |
| 15 | Custom hire (machine work) | 15 | b | Other (land, animals, etc.) | 26b |
| 16 | Depreciation and IRC section 179 expense deduction not claimed elsewhere (see Instructions) | 16 | 27 | Repairs and maintenance | 27 |
| | | | 28 | Seeds and plants purchased | 28 |
| | | | 29 | Storage and warehousing | 29 |
| 17 | Employee benefit programs other than on line 25 | 17 | 30 | Supplies purchased | 30 |
| | | | 31 | Taxes | 31 |
| 18 | Feed purchased | 18 | 32 | Utilities | 32 |
| 19 | Fertilizers and lime | 19 | 33 | Veterinary, breeding, and medicine | 33 |
| 20 | Freight and trucking | 20 | 34 | Other expenses (specify) | |
| 21 | Gasoline, fuel and oil | 21 | a | | 34a |
| 22 | Insurance (other than health) | 22 | b | | 34b |
| 23 | Interest: | | c | | 34c |
| a | Mortgage (paid to banks, etc.) | 23a | d | | 34d |
| b | Other | 23b | e | | 34e |
| 24 | Labor hired (less Hawaii jobs credit) | 24 | f | | 34f |

| | | | |
|---|---|---|---|
| 35 | Add lines 12 through 34f. These are your **total expenses** ➤ | 35 | |
| 36 | **Net farm profit or (loss).** Line 11 minus line 35. If a profit, enter on Form N-12/N-15, line 18; N-20, line 5; or N-40, line 5. If a loss, you MUST go to line 37. (Fiduciaries and partnerships, see Instructions) ➤ | 36 | |

37 If you have a loss, you MUST check the box that describes your investment in this activity (see Instructions).
If you check 37a, enter the loss on Form N-12/N-15, line 18; N-20, line 5; or N-40, line 5. **37a** ☐ All investment is at risk.
If you checked 37b, you MUST attach federal Form 6198. **37b** ☐ Some investment is not at risk.

## Part III Farm Income—Accrual Method

**Do not include sales of livestock held for draft, breeding, sport, or dairy purposes; report these sales on Schedule D-1 and do not include this livestock on line 46 below.**

| | | | | |
|---|---|---|---|---|
| 38 | Sales of livestock, produce, grains, and other products during the year | | 38 | |
| 39a | Total cooperative distributions (from federal Form(s) 1099-PATR) | 39a | 39b Taxable amount | 39b | |
| 40a | Agricultural program payments (see Instructions) | 40a | 40b Taxable amount | 40b | |
| 41 | Commodity Credit Corporation (CCC) loans: | | | |
| a | CCC loans reported under election (see Instructions) | | 41a | |
| b | CCC loans forfeited or repaid with certificates | 41b | 41c Taxable amount | 41c | |
| 42 | Crop insurance proceeds | | 42 | |
| 43 | Custom hire (machine work) income | | 43 | |
| 44 | Other income, including federal and State gasoline or fuel tax credit or refund (see Instructions) | | 44 | |
| 45 | Add amounts in the right column for lines 38 through 44 | | 45 | |
| 46 | Inventory of livestock, produce, grains, and other products at beginning of the year | 46 | | |
| 47 | Cost of livestock, produce, grains, and other products purchased during the year | 47 | | |
| 48 | Add lines 46 and 47 | 48 | | |
| 49 | Inventory of livestock, produce, grains, and other products at end of year | 49 | | |
| 50 | Cost of livestock, produce, grains, and other products sold. Line 48* minus line 49 | | 50 | |
| 51 | Line 45 minus line 50. Enter the result here and on page 1, line 11. This is your **gross income** ➤ | | 51 | |

*If you use the unit-livestock-price method or the farm-price method of valuing inventory and the amount on line 49 is larger than the amount on line 48, subtract line 48 from line 49. Enter the result on line 50. Add lines 45 and 50. Enter the total on line 51.

## Part IV Principal Agricultural Activity Codes

**Caution:** ***File Schedule C*** *(Form N-12/N-15/N-40), Profit or Loss From Business, instead of Schedule F if:*

- *Your principal source of income is from providing agricultural services such as soil preparation, veterinary, farm labor, horticultural, or management for a fee or on a contract basis, or*
- *You are engaged in the business of breeding, raising, and caring for dogs, cats, or other pet animals.*

Select one of the following codes and write the 3-digit number on page 1, line B.

120 **Field crop,** including grains and nongrains such as cotton, peanuts, feed corn, wheat, tobacco, Irish potatoes, etc.

160 **Vegetables and melons,** garden-type vegetables and melons, such as sweet corn, tomatoes, squash, etc.

170 **Fruit and tree nuts,** including grapes, berries, olives, etc.

180 **Ornamental floriculture and nursery products**

185 **Food crops grown under cover,** including hydroponic crops

211 **Beefcattle feedlots**

212 **Beefcattle,** except feedlots

215 **Hogs, sheep, and goats**

240 **Dairy**

250 **Poultry and eggs,** including chickens, ducks, pigeons, quail, etc.

260 **General livestock,** not specializing in any one livestock category

270 **Animal specialty,** including fur-bearing animals, pets, horses, etc.

280 **Animal aquaculture,** including fish, shellfish, mollusks, frogs, etc., produced within confined space

290 **Forest products,** including forest nurseries and seed gathering, extraction of pine gum, and gathering of forest products

300 **Agricultural production,** not specified

**1994**
**(REV. 1994)**

STATE OF HAWAII—DEPARTMENT OF TAXATION

# Instructions for Schedule F
# Farm Income and Expenses

**(Section references are to the Internal Revenue Code as adopted and incorporated in Chapter 235, HRS)**
**(Publication references are to federal publications)**
**Note: You may use federal Schedule F provided your Hawaii G.E./Use I.D. No. is written on that Schedule.**

## Purpose

Use **Schedule F** to report farm income and expenses if you file Hawaii **Forms N-12, N-15, N-20,** or **N-40.**

**Do not** report the following income on **Schedule F:**

- Rent you received that was based on farm production or crop shares if you did not materially participate in the operation or management of the farm. Report this income on **Schedule E (Form N-12/N-15)** and attach a copy of federal Form 4835, Farm Rental Income and Expenses.
- Rent from your pasture land. Report this income in Part I of **Schedule E (Form N-12/N-15)**. However, report on line 10 of **Schedule F** pasture income received from taking care of someone else's livestock.
- Sales, exchanges, or involuntary conversions (other than casualties or thefts) of certain trade or business property. Report this income on **Schedule D-1**, Supplemental Schedule of Gains and Losses.
- Sales of livestock held for draft, breeding, sport, or dairy purposes. Report this income on **Schedule D-1**.

Use **Form N-184**, Casualties and Thefts, to report a casualty or theft involving farm business property, including livestock held for draft, breeding, sport or dairy purposes.

## Lines A and B

On line A, enter your principal crop or activity for the current year.

On line B, enter one of the 15 principal agricultural activity codes listed in Part IV on Page 2 of Schedule F. Select the code that best describes the source of most of your income. **Field crop** includes the production of grains, such as wheat, rice, feed corn, soybeans, barley, rye, and lentils; and nongrains such as cotton, tobacco, sugar, and Irish potatoes.

## Line C

Under the **cash method**, include all income in the year you actually get it. Generally, deduct expenses when you pay them. If you use the cash method, check the box labeled "cash." Complete Parts I and II of Schedule F.

Under the **accrual method**, include income in the year you earn it. It does not matter when you get it. Deduct expenses when you incur them. If you use the accrual method, check the box labeled "accrual." Complete Parts II and III and line 11 of Schedule F.

Other rules also apply that determine the timing of deductions based on economic performance. See **Publication 538,** Accounting Periods and Methods, for details.

**Farming syndicates** cannot use the cash method of accounting. A farming syndicate may be a partnership, any other noncorporate group, or an S corporation **if**:

**1.** The interests in the business have ever been for sale in a way that would require registration with any federal or State agency, **or**

**2.** More than 35% of the loss during any tax year is shared by limited partners or limited entrepreneurs. A *limited partner* is one who can lose only the amount invested in the partnership. A *limited entrepreneur* is a person who does not take any active part in managing the business.

## Line D

Enter your federal employer ID number if available. **Do not** enter your SSN.

## Line E

**Material Participation.** For the definition of material participation for purposes of the passive activity rules, see the federal instructions for **Schedule C (Form 1040)**.

If you meet any of the material participation tests described in the federal instructions for Schedule C (Form 1040), check the "Yes" box.

If you are a retired or disabled farmer, you are treated as materially participating in a farming business if you materially participated 5 of the 8 years preceding your retirement or disability. Also, a surviving spouse is treated as materially participating in a farming activity if the real property used for farming meets the federal estate tax rules for special valuation of farm property passed from a qualifying decedent, and the surviving spouse actively manages the farm.

Check the "No" box if you did not materially participate. If you checked "No" and you have a loss from this business, see **Limit on Losses** below. If you have a profit from this business activity but have current year losses from other passive activities or prior year unallowed passive activity losses, see the instructions for federal **Form 8582,** Passive Activity Loss Limitations.

**Limit on Losses.** If you checked the "No" box on line E and you have a loss from this business, you may have to use federal Form 8582 to figure your allowable loss, if any, to enter on Schedule F, line 36. Generally, you can deduct losses from passive activities only to the extent of income from passive activities.

For more details, see **Publication 925,** Passive Activity and At-Risk Rules.

# Part I

## Farm Income—Cash Method

In Part I, show income received for items listed on lines 1 through 10. Count both the cash actually or constructively received and the fair market value of goods or other property received for these items.

Income is constructively received when it is credited to your account or set aside for you to use.

If you ran the farm yourself and received rents based on farm production or crop shares, report these rents as income on line 4.

**Sales of Livestock Because of Drought.** If you sold livestock because of a drought, you can count the income from the sale in the year after the drought, instead of in the year of the sale. You can do this if **all** of the following apply:

- Your main business is farming.
- You can show that you sold the livestock only because of the drought.
- Your area qualified for federal aid.

## Information Returns

If you received information returns (federal Forms 1099 or CCC-1099-G) showing amounts paid to you, first determine if the amounts are to be included with farm income. Then, use the chart below to determine where to report the income on Schedule F. Include the federal Form 1099 or CCC-1099-G amounts with any other income reported on that line.

| Information return | Where to report |
|---|---|
| Federal Form 1099-PATR. . . . . . . . . . | Line 5a |
| Federal Form 1099-A . . . . . . . . . . . . . | Line 7b |
| Federal Form 1099-MISC (for crop insurance) . . . . . . . . . . . . | Line 8a |
| Federal Form 1099-G or CCC-1099-G (for disaster payments) . . . . . . . . . | Line 8a |
| Federal Form 1099-G or CCC-1099-G (for other agricultural program payments) . . . . . . . . . . . . . . . . . . . | Line 6a |

You may also receive federal Form 1099-MISC for other types of income. In this case, report it on whichever line best describes the income. For example, if you received a federal Form 1099-MISC for custom farming work, include this amount on line 9, "Custom hire (machine work) income."

## Lines 1 and 2

On line 1 show amounts received from sales of livestock and other items bought for resale. On line 2, show the cost or other basis of the livestock and other items you actually sold.

## Line 4

Show amounts received from sales of livestock, produce, grains, and other products you raised.

## Lines 5a and 5b

If you received distributions from a cooperative in 1994, you should receive federal Form 1099-PATR, Statement for Recipients (Patrons) of Taxable Distributions Received from Cooperatives. On line 5a, show your total distributions from cooperatives. This includes patronage dividends, nonpatronage distributions, per-unit retain allocations, and redemption of nonqualified notices and per-unit retain allocations.

Show patronage dividends (distributions) received in cash, and the dollar amount of qualified written notices of allocation. If you received property as patronage dividends, report the fair market value of the property as income. Include cash advances you received from a marketing cooperative. If you received per-unit retains in cash, show the amount of cash. If you received qualified per-unit retain certificates, show the stated dollar amount of the certificate.

Do not include as income on line 5b patronage dividends from buying personal or family items, capital assets, or depreciable assets. Enter these amounts on line 5a only. If you do not report patronage dividends from these items as income, you must subtract the amount of the dividend from the cost or other basis of these items.

## Lines 6a and 6b

Enter on line 6a the TOTAL of the following amounts. These are government payments you received, usually reported to you on federal Form 1099-G. You may also receive federal Form CCC-1099-G from the federal Department of Agriculture showing the amounts and types of payments made to you.

- Price support payments.
- Diversion payments.
- Cost-share payments (sight drafts).
- Payments in the form of materials (such as fertilizer or lime) or services (such as grading or building dams).
- Face value of commodity credit certificates (often called “generic” or “PIK” certificates).

On line 6b report only the taxable amount. For example, if you qualify to exclude payments received under certain cost-sharing conservation programs (see Publication 225), do not include these payments on Line 6b.

## Lines 7a through 7c

**Commodity Credit Corporation (CCC) Loans.** Generally, you do not report CCC loan proceeds as income. However, if you pledge part or all of your production to secure a CCC loan, you may elect to report the loan proceeds as income in the year you receive them, instead of in the year you sell the crop. If you make this election (or made the election in a prior year), report loan proceeds you received in 1994 on line 7a and attach a statement to your return showing the details of the loan(s).

**What If I Forfeited a CCC Loan?** Include the full amount forfeited on Line 7b, even if you reported the loan proceeds as income.

If you **did not** elect to report the loan proceeds as income, also include the forfeited amount on line 7c.

If you did elect to report the loan proceeds as income, you generally will not have an entry on line 7c. But if the amount forfeited is different from your basis in the commodity, you may have an entry on line 7c.

**What If I Repaid a CCC Loan With CCC Certificates?** Include on line 7b the amount of any CCC loan you repaid with certificates, even if you reported the loan proceeds as income.

If you **did not** elect to report the CCC loan proceeds as income, include on line 7c the amount of the loan you repaid with the certificates minus your basis in those certificates. Your basis in certificates is the face value of the certificates you included as income, or the amount you paid for them.

If you elected to report the loan proceeds as income, do not include on line 7c the amount of the loan you repaid with the certificates.

For more information on the tax consequences of electing to report CCC loan proceeds as income, forfeiting CCC loans, and repaying CCC loans with certificates, see Publication 225.

## Lines 8a through 8d

In general, you must report crop insurance proceeds in the year you receive them. Federal crop disaster payments are treated as crop insurance proceeds. However, if 1994 was the year of damage, you may elect to include certain proceeds in income for 1995. To make this election, check the box on line 8c and attach a statement to your return. See Publication 225 for a description of the proceeds for which an election may be made and for what you must include in your statement.

Generally, if you elect to defer any eligible crop insurance proceeds, you must defer all such crop insurance proceeds (including federal disaster payments).

Enter on line 8a the TOTAL crop insurance proceeds you received in 1994, even if you elect to include them in income for 1995.

Enter on line 8b the taxable amount of the proceeds you received in 1994. Do not include proceeds you elect to include in income for 1995.

Enter on line 8d the amount, if any, of crop insurance proceeds you received in 1993 and elected to include in income in 1994.

## Line 9

Enter on this line the income you received for custom hire (machine work).

## Line 10

Use this line to report income not shown on lines 1 through 9. For example, include the following income items on line 10:

- Illegal federal irrigation subsidies. See Publication 225.
- Barter income.
- Income from discharge of indebtedness. Generally, if a debt is cancelled or forgiven, you must include the cancelled amount in income. However, certain solvent farmers may exclude from income discharged qualified farm indebtedness. For information on whether you must include in income any discharge of indebtedness, see Publication 225.
- State gasoline tax refund you got in 1994.
- The amount of credit for federal tax on fuels claimed on your 1993 federal Form 1040.
- The amount of credit for alcohol used as a fuel that was entered on federal Form 6478.
- Any recapture of excess depreciation, including any section 179 expense deduction, if the business use percentage of any listed property decreased to 50% or less in 1994. Use **Schedule D-1**, Sales of Business Property, to figure the recapture. See the federal instructions for **Schedule C (Form 1040)** for the definition of listed property.
- The inclusion amount on leased listed property (other than vehicles) when the business use percentage drops to 50% or less. Get Publication 534, Depreciation, to figure the amount.

Report the gain or (loss) on the sale of commodity futures contracts on this line if the contracts were made to protect you from price changes. These are a form of business insurance and are considered hedges. Enter any profit on line 10. If you had a loss in a closed futures contract, enclose it in parentheses.

**Caution:** *For property acquired and hedging positions established, you must clearly identify on your books and records that the transaction was a hedging transaction.*

Purchases or sales contracts are not true hedges if they offset losses that already occurred. If you bought or sold commodity futures with the hope of making a profit due to favorable price changes, do not report the profit or loss on this line. Report the gain or loss on **Schedule D-3,** Gains and Losses from Section 1256 Contracts and Straddles.

# Part II

## Farm Expenses

**Do not** deduct:

- Personal or living expenses (such as taxes, insurance, or repairs on your home) that do not produce farm income.
- Expenses of raising anything you or your family used.
- The value of animals you raised that died.
- Loss of inventory.
- Personal losses.

If you were repaid for any part of an expense, you must subtract the amount you were repaid from the deduction.

**(Note: See the federal instructions for Schedule F, Profit or Loss From Farming, for a discussion of the following topics:**

**1. Capitalizing Costs of Property,**

**2. Election To Deduct Certain Preproductive Period Expenses, and**

**3. Prepaid Farming Expenses.**

## Line 12

You can deduct the actual cost of running your car or truck, or take the standard mileage rate. You **must** use actual costs if you did not own the vehicle or if you used more than one vehicle simultaneously in your business (such as in fleet operations).

If you deduct actual costs, include on line 12 the business portion of expenses for gasoline, oil, repairs, insurance, tires, license plates, etc. Show depreciation on line 16 and rent or lease payments on line 26a.

If you want to take the standard mileage rate, multiply the number of business miles by 29 cents a mile. Add to this amount your parking fees and tolls, and enter the total on line 12.

If you claim any car or truck expenses (actual or the standard mileage rate), you must provide the information requested in Part V of Form N-164 (or federal Form 4562) and attach Form N-164 (or federal Form 4562) to your return.

For more details, see **Publication 917,** Business Use of a Car.

## Line 14

Amounts you spent to conserve soil or water, or to prevent erosion of your land can be deducted only if the expenses are consistent with a conservation plan approved by the Soil Conservation Service (SCS) of the federal Department of Agriculture for the area in which your land is located. If no plan exists, the expenses must be consistent with a plan of a comparable state agency. You cannot deduct expenses if they were paid or incurred for land used in farming in a foreign country. You must attach federal **Form 8645,** Soil and

Water Conservation Plan Certification, to your return if you claim this deduction.

Do not deduct expenses you pay or incur to drain or fill wetlands or to prepare land for center pivot irrigation systems.

The amount you deduct may not exceed 25% of your gross income from farming (excluding certain gains from selling assets such as farm machinery and land). If your conservation expenses are more than the limit, the excess may be carried forward and deducted in later tax years. However, the amount deductible for any 1 year may not exceed the 25% gross income limit for that year. Attach a copy of the original federal Form 8465 to your return for each carryover year you claim the deduction.

## Line 15

Enter amounts paid for custom hire or machine work (the machine operator furnished the equipment). Do not include amounts paid for rental or lease of equipment that you operated yourself; report those amounts on line 26a.

## Line 16

You can deduct depreciation of buildings, improvements, cars and trucks, machinery, and other farm equipment of a permanent nature.

Do not deduct depreciation on your home, furniture, or other personal items, land, livestock you bought or raised for resale, or other property in your inventory.

You may also choose under IRC section 179 to expense a portion of the cost of certain depreciable property you bought in 1994 for use in your business.

For more details, including when you must complete and attach Form N-164 (or federal Form 4562), see the federal instructions for **Schedule C (Form 1040)**.

Note that if you take a section 179 deduction, you may not claim the Capital Goods Excise Tax Credit for that portion of the costs of the property for which the section 179 deduction was taken.

Figure your depreciation deduction, including the section 179 expense deduction, on **Form N-164**, Depreciation and Amortization. Enter on line 16 of Schedule F the amount from Form N-164, Part I.

If you took a Capital Goods Excise Tax Credit on property that you disposed of before the end of its class life or life years, or the business use percentage decreases, or the use of the property otherwise changes so that it no longer qualifies, you may have to refigure the credit. For more details, see Part II, Form N-312, Capital Goods Excise Tax Credit.

## Line 17

Deduct contributions to employee benefit programs that are not an incidental part of a pension or profit-sharing plan included on line 25. Examples are accident and health plans, group-term life insurance, and dependent care assistance programs.

Do not include on line 17 any contributions you made on your behalf as a self-employed person to an accident and health plan or for group-term life insurance.

## Line 18

Generally, you cannot currently deduct expenses for feed to be consumed by your livestock in a later tax year. See **Prepaid Farming Expenses** in the federal instructions for Schedule F, Profit or Loss From Farming.

## Line 20

Do not include as freight paid the cost of transportation incurred in purchasing livestock held for resale. Instead, add these costs to the cost of the livestock, and deduct them when the livestock are sold.

## Line 22

Deduct premiums paid for farm business insurance on line 22. Deduct on line 17 amounts paid for employee accident and health insurance.

Do not deduct amounts credited to a reserve for self-insurance or premiums paid for a policy that pays for your lost earnings due to sickness or disability.

## Lines 23a and 23b

**Interest Allocation Rules.** The tax treatment of interest expense differs depending on its type. For example, home mortgage interest and investment interest are treated differently. “Interest allocation” rules require you to allocate (classify) your interest expense so it is deducted on the correct line of your return and gets the right tax treatment. These rules could affect how much interest you are allowed to deduct on Schedule F.

Generally, you allocate interest expense by tracing how the proceeds of the loan are used. See **Publication 535,** Business Expenses, for details.

If you paid interest on a debt secured by your main home, and any of the proceeds from that debt were used in your farming business, see Publication 535 to figure the amount that is deductible on Schedule F.

If you have a mortgage on your real property used in your farming business (other than your main home), enter on line 23a the interest you paid for 1994 to banks or other financial institutions for which you received a federal **Form 1098,** Mortgage Interest Statement.

**Note:** *If the recipient was not a financial institution or you did not receive a **federal Form 1098** from the recipient, report your mortgage interest on line 23b.*

If you paid $600 or more of interest on this mortgage, the recipient should send you a federal Form 1098 or similar statement showing the total interest received from you during 1994. This statement must be sent to you by February 1, 1995. If you paid more mortgage interest to financial institutions than is shown on federal Form 1098 or similar statement, see Publication 535 to find out if you can deduct the additional interest. If you can, enter the amount on line 23a. Attach a statement to your return explaining the difference and write “See attached” in the left margin next to line 23a.

If you and at least one other person (other than your spouse if you file a joint return) were liable for and paid interest on the mortgage and the other person received the federal Form 1098, report your share of the interest on line 23b. Attach a statement to your return showing the name and address of the person who received the federal Form 1098. In the left margin, next to line 23b, write “See attached.”

On line 23b, enter the interest on other loans related to this farm. Do not deduct interest you prepaid in 1994 for later years; include only the part that applies to 1994.

## Line 24

Enter amounts you paid for farm labor minus the amount of any Hawaii jobs credit you claimed on Form N-884. Do not include amounts paid to yourself.

Count the cost of boarding farm labor but not the value of any products they used from the farm. Count only what you paid household help to care for farm laborers.

**Caution:** *If you provided taxable fringe benefits to your employees, such as personal use of a car, do not include in farm labor the amounts depreciated or deducted elsewhere.*

## Line 25

Enter your deduction for contributions to employee pension, profit-sharing, or annuity plans. If the plan included you as a self-employed person, see the federal instructions for **Schedule C (Form 1040).**

## Lines 26a and 26b

If you rented or leased vehicles, machinery, or equipment, enter on line 26a the business portion of your rental cost. But if you leased a vehicle for a term of 30 days or more, you may have to reduce your deduction by an **inclusion amount.** For details, see the federal instructions for **Schedule C (Form 1040).**

Enter on line 26b amounts paid to rent or lease other property such as pasture or farm land.

## Line 27

Enter amounts you paid for repairs and maintenance of farm buildings, machinery, and equipment. You can also include what you paid for tools of short life or small costs, such as shovels and rakes.

**Do not** deduct repairs or maintenance on your home.

## Line 31

You may deduct the following taxes:

- Real estate and personal property taxes on farm business assets.
- Social security and Medicare taxes you paid to match what you are required to withhold from farm employees' wages and any federal unemployment tax paid. To deduct one-half of your self-employment tax, see the instructions for federal Form 1040.

**Do not deduct:**

- Federal income taxes.
- Estate and gift taxes.
- Taxes assessed to pay for improvements, such as paving and sewers.
- Taxes on your home or personal property.
- State and local sales taxes on property purchased for use in your farm business, instead, treat these taxes as part of the cost of the property.
- Other taxes not related to the farm business.

## Line 32

Enter amounts you paid for gas, electricity, water, etc., for business use on the farm. Do not include personal utilities.

You cannot deduct the base rate (including taxes) of the first telephone line into your residence, even if you use it for business. See the federal instructions for **Schedule C (Form 1040).**

## Lines 34a through 34f

Enter all ordinary and necessary farm expenses not deducted elsewhere on Schedule F, such as advertising, office supplies, etc.

See the federal instructions for Schedule F, Profit or Loss From Farming, for a discussion of the following subjects:

1. Amortization,
2. At-Risk Loss Deduction,
3. Bad Debts,
4. Business Use of Your Home,
5. Legal and Professional Fees,
6. Travel, Meals, and Entertainment, and
7. Preproductive Period Expenses.

## Line 36

If you have a loss, the amount of loss you can deduct this year may be limited. Go on to line 37 before entering your loss on line 36. If you answered "No" to Question E on Schedule F, also see federal Form 8582. Enter the net profit or **deductible** loss here and on Form N-12 or N-15, line 18; or Form N-40, line 5. Partnerships should stop here and enter the profit or loss on this line and on Form N-20, line 5.

## Line 37

**At-Risk Rules.** Generally, if you have (a) a loss from a farming activity, and (b) amounts in the activity for which you are **not at risk,** you will have to complete federal **Form 6198,** At-Risk Limitations, to figure your allowable loss.

The at-risk rules generally limit the amount of loss (including loss on the disposition of assets) you can claim to the amount you could actually lose in the activity.

Check **box 37b** if you have amounts for which you are not at risk in this activity, such as the following:

- Nonrecourse loans used to finance the activity, to acquire property used in the activity, or to acquire the activity, that are not secured by your own property (other than property used in the activity). However, there is an exception for certain nonrecourse financing borrowed by you in connection with holding real property.
- Cash, property, or borrowed amounts used in the activity (or contributed to the activity, or used to acquire the activity) that are protected against loss by a guarantee, stop-loss agreement, or similar arrangement (excluding casualty insurance and insurance against tort liability).
- Amounts borrowed for use in the activity from a person who has an interest in the activity, other than as a creditor, or who is related, under section 465(b)(3), to a person (other than you) having such an interest.

If all amounts are at risk in this business, check **box 37a** and enter your loss on line 36. But if you answered "No" to Question E, you may need to complete federal **Form 8582** to figure your allowable loss to enter on line 36. See the instructions for federal Form 8582 for more details.

If you checked **box 37b**, get federal Form 6198 to determine the amount of your deductible loss and enter that amount on line 36. But if you answered "No" to Question E, your loss may be further limited. See the instructions for federal Form 8582. If your at-risk amount is zero or less, enter zero on line 36. Be sure to attach federal Form 6198 to your return. If you checked box 37b and you fail to attach federal Form 6198, processing of your tax return may be delayed.

Any loss from this activity not allowed for 1994 because of the at-risk rules is treated as a deduction allocable to the activity in 1995.

For more details, see **Publication 925,** Passive Activity and At-Risk Rules. Also see the instructions for federal Form 6198.

# Part III

## Farm Income — Accrual Method

If you use the accrual method, report farm income when you earn it, not when you receive it. Generally, you must include animals and crops in your inventory if you use this method. See **Publication 538,** Accounting Periods and Methods, for exceptions, inventory methods, how to change methods of accounting, and for rules that require certain costs to be capitalized or included in inventory.

## Line 38

Enter the amount earned from the sale of livestock, produce, grains, and other products you raised.

## Lines 39a through 41c

See the instructions for lines 5a through 7c, above.

## Lines 43 and 44

See the instructions for lines 9 and 10, above.

**SCHEDULE J**
**FORM N-12/N-15/N-40**
**(REV. 1994)**

**STATE OF HAWAII — DEPARTMENT OF TAXATION**

# SUPPLEMENTAL ANNUITIES SCHEDULE

**Annuities, benefits under pension and profit-sharing plans, death benefits, and pensions in general.**

**Attach to Form N-12, N-15, or N-40**

**1994**

Name(s) as shown on Form N-12, N-15, or N-40 | Your Social Security Number or FEIN

## PART I — COMPUTATION OF ANNUAL PENSION EXCLUSION (Complete this Part only for the first year an annuity is received. Keep a copy of the first year computations for your records because you will use information from this Part every year you receive payments from your annuity.)

| | | | | |
|---|---|---|---|---|
| 1. Annual annuity. | | | 1 | |
| 2. Multiple. (See Instructions.) | | | 2 | X years |
| 3. Total expected return. (Line 1 multiplied by line 2.) | | | 3 | |
| 4. Employee's contributions: | | | | |
| a. Upon which tax was withheld. (Investment in contract) | 4a | | | |
| b. Upon which tax was not withheld. | 4b | | | |
| c. Total employee's contributions. (Line 4a plus line 4b.) If there were no employee contributions, see Instructions. | 4c | | | |
| 5. Employer's contributions. If there were no employer contributions, enter zero on line 5, skip lines 6-13, and enter zero on line 14. | 5 | | | |
| 6. Total cost of annuity. (Line 4c plus line 5) | | | 6 | |
| 7. Annuity proceeds in excess of cost. (Line 3 minus line 6.) | | | 7 | |
| 8. Is this annuity received as part of an employer's retirement plan because you retired or because you are a beneficiary of someone who retired? If you checked No, skip lines 9 through 13 and enter zero on line 14. | | | 8 | Yes / No |
| 9. Portion of the total cost of the annuity attributable to employee contributions. (Line 4c divided by line 6. Round to 2 decimal places.) | | | 9 | |
| 10. Portion of the total cost of the annuity attributable to employer contributions. (Line 5 divided by line 6. Round to 2 decimal places.) | | | 10 | |
| 11. Excess attributable to employee's contribution. (Line 7 multiplied by line 9.) | | | 11 | |
| 12. Excess attributable to employer's contribution. (Line 7 multiplied by line 10.) | | | 12 | |
| 13. Expected return attributable to employer's contribution. (Add lines 5 and 12.) | | | 13 | |
| 14. Annual pension exclusion. (Line 13 divided by the multiple on line 2.) | | | 14 | |
| 15. Annual exclusion of the employee's investment in the annuity contract. (Line 4a divided by the multiple on line 2.) | | | 15 | |
| 16. Annual death benefit exclusion, if applicable. Enter the amount of the death benefit exclusion available $ ____________. Divide this amount by the multiple on line 2 | | | 16 | |

## PART II — COMPUTATION OF TAXABLE ANNUITY (Complete for any year in which an annuity is received.)

| | | |
|---|---|---|
| 17. Amount of annuity received this year. | 17 | |
| 18. Annual pension exclusion. (From line 14.) | 18 | |
| 19. Line 17 minus line 18. | 19 | |
| 20. Enter total amount of annuity dividends received this year. | 20 | |
| 21. Portion of total cost of annuity attributable to employee's contribution. (See Instructions) | 21 | |
| 22. Taxable annuity dividends. (Line 20 multiplied by line 21.) | 22 | |
| 23. Add lines 19 and 22. | 23 | |
| 24. Annual recovery of employee's investment. (From line 15.) | 24 | |
| 25. Line 23 minus line 24. (For lump-sum distributions, see Instructions) | 25 | |
| 26. Death benefit exclusion. (From line 16) | 26 | |
| 27. Total taxable annuity. (Line 25 minus line 26.) Enter this amount on Form N-12, line 16b, on Form N-15, line 16, Column A, or on Form N-40, line 8. | 27 | |

# GENERAL INSTRUCTIONS

This form is used to compute the taxable part of distributions from pensions and other annuities received during the year. This form is also used for determining the taxable portion of lump-sum distributions from qualified retirement plans for which the recipient uses Form N-152 and makes the capital gain election or elects to use either the 5- or 10-year averaging method.

To qualify as a **pension**, the payment must be received upon retirement. It can be received in a lump-sum or in periodic payments. This includes payments made to a retired employee as well as payments made to the beneficiary of a retired employee because of the employee's death. Required distributions received by pension plan participants who have reached age 70 1/2 and who are still employed by their employers also qualify as pensions. Payments received because of separation of service before retirement do not qualify. Benefits incidental to a retirement plan received on or after termination of employment because of death or disability qualify for the pension exclusion if the other requirements for the exclusion are met.

The **pension exclusion** applies only to amounts attributable to employer contributions. Amounts attributable to employer contributions which already have been deducted under other provisions cannot be deducted again.

## WHO MUST USE THIS FORM

You **MUST** use this form if you received payment from any of the following:

1. A privately purchased annuity. The portion of your cost included in each distribution may be excluded.
2. A profit-sharing plan to which employee contributions were made. Only the increase in the value of the plan attributable to your contributions is taxable.
3. A death benefit as a beneficiary of a deceased employee.

4. A pension plan to which employee contributions were made (i.e. both the employee and the employer contributed towards the cost of the pension). Only the increase in the value of the plan attributable to your contributions is taxable.
5. A qualified retirement plan in the form of a lump-sum and you are using Form N-152 to make a capital gain election or to use the 5- or 10-year averaging method to report the lump-sum distribution.

If you did not contribute to the cost of your annuity that is not a part of an employer's pension plan or you recovered your entire cost before July 1, 1989, under the prior three year recovery rule, report your total annuity received this year on Form N-12, lines 16a and 16b or Form N-15, line 16, Column A.

If you receive benefits from more than one plan, a separate Schedule J must be completed for each plan.

## WHO SHOULD NOT USE THIS FORM

DO **NOT** use this form if you received a payment from any of the following:

1. An annuity you receive which is NOT part of your employer's pension plan AND to which no employee contributions were made. The full amount received is taxable and must be reported on Form N-12, lines 16a and 16b, or Form N-15, line 16, column A.
2. An annuity you receive which is NOT part of your employer's pension plan in which the cost to you was recovered before July 1, 1989, under the three year recovery rule formerly permitted. The full amount received is taxable and must be reported on Form N-12, lines 16a and 16b, or Form N-15, line 16, Column A.
3. A pension plan to which NO employee contributions were made (i.e. the employer paid for the entire cost of the pension) if distributions are made after retiring or after attaining the age of 70-1/2. The entire amount is NOT subject to Hawaii taxation and need not be reported.
4. A pension plan to which NO employee contributions were made (i.e. the employer paid for the entire cost of the pension) if distributions are made for any reason other than because of retirement or the attainment of age 70-1/2 (e.g., you quit, were laid off or fired, the plan was terminated, etc.). The full amount received is taxable and must be reported on Form N-12, lines 16a and 16b, or Form N-15, line 16, Column A.
5. The state retirement system or any other public retirement system. These amounts are not subject to Hawaii's personal net income tax.

If you have received a lump-sum distribution, also see Form N-152, Tax on Lump-Sum Distributions.

See Administrative Rules section 18-235-7(a)(3) for further information.

# LINE-BY-LINE INSTRUCTIONS

## PART I — COMPUTATION OF THE ANNUAL PENSION EXCLUSION —

Use this part to compute the amount of the nontaxable portion of pension or annuity payments received each year.

This Part must be completed only in the first year a distribution is received. The computations made in this Part will not change from year to year. Keep a copy of this Part since you will need the information each year a distribution is received to compute the taxable portion of the distribution.

**Line 1. Annual annuity —** Enter the amount you will receive each year. If you received a distribution for only part of a year, report an amount that reflects what you would have received had distributions been made for a 12 month period.

Include on this line only amounts that are fixed and definite. Any indefinite or varying amounts should be included in Part II, line 20.

If you are using this form to determine the taxable amount of a lump-sum distribution to be reported on Form N-152, enter on line 1 the total amount of the distribution. If you are electing to include in taxable income this year the net unrealized appreciation (NUA) of your employer's securities received as part of the distribution, include on this line the amount from federal Form 1099-R, Box 6.

**Line 2. Multiple —** Enter the multiple used for federal purposes to determine the expected return on the contract. This number represents the expected number of years that the annuity will be paid based on your age and other factors. See the discussion regarding Expected Return and actuarial tables in Internal Revenue Service Publication 939.

If you are using this form to determine the taxable amount of a lump-sum distribution to be reported on Form N-152, enter "1" on this line.

**Line 4a. Employee's contributions upon which tax was withheld. (Investment in contract) —** This includes premiums, contributions, or other amounts paid including amounts your employer contributed if you were required to include these amounts in income.

Do NOT include amounts paid for health and accident benefits or deductible voluntary employee contributions. Also do NOT include any refunded premiums, rebates, dividends, or unrepaid loans (any of which were not included in your income) that you received before the later of the annuity starting date or the date on which you received your first payment. Finally, do NOT include any additional premiums paid for double indemnity or disability benefits and any other amounts received under the contract or plan before the later of the above dates that you did not have to include in your income.

Your employer or the organization that pays you the benefits (the plan administrator) should be able to tell you what your cost in the plan is.

**Line 4b. Employee's contributions upon which tax was not withheld —** The portion of the cost you paid for with money not previously taxed may not be deductible, but is part of your cost.

**Line 4c. Total employee's contributions —** Add the amounts on lines 4a and 4b. If the total is zero (i.e., there were no employee contributions), do not complete this form unless you are using this form to determine the taxable amount of a lump-sum distribution to be reported on Form N-152. See "WHO SHOULD NOT USE THIS FORM" in the general instructions. If the payments received qualify as a pension, no part of the annuity is taxable. You do not have to complete the rest of this form. Enter the total amount received this year on Form N-12, line 16a, and zero on line 16b or on Form N-15, line 16, Column A. If there were no employee contributions and the payments received do not qualify as a pension, the entire amount received is taxable. Enter the total amount received on Form N-12, lines 16a and 16b or on Form N-15, line 16, Column A.

**Line 5. Employer's contributions —** Enter the amount paid by the employer for the contract. If there were no employer contributions, enter zero on line 5, skip lines 6 through 13, enter zero on line 14, and continue on line 15.

**Line 15. Annual exclusion of the employee's investment in the annuity contract —** Divide the amount on line 4a by the multiple on line 2. This is the portion of your cost which is excluded from taxation each year. The tax-free part remains the same even if the total payment increases or you outlive the life expectancy factor used. If your annuity starting date is after 1986, however, the tax-free part cannot exceed the unrecovered cost of the contract.

**Line 16. Death benefit exclusion —** If you are the beneficiary of a deceased employee or a deceased former employee, the pension or annuity you get because of that person's death may qualify for a death benefit exclusion. This exclusion is limited to a maximum of $5,000 regardless of the number of employers paying death benefits or the number of beneficiaries.

The death benefit exclusion does not apply to amounts that the employee had, immediately before death, a nonforfeitable right to receive while living. It may apply to lump-sum distributions from a qualified pension, annuity, stock bonus, or profit-sharing plan or from certain tax-sheltered annuities. If you are the survivor under a joint and survivor annuity, the exclusion only applies if the deceased had received no retirement pension or annuity payments, or the deceased had received disability income payments that were not treated as pension or annuity income.

Even if the employee dies after the annuity starting date, the death benefit exclusion applies to amounts received by a beneficiary if the amounts are received other than as the survivor under a joint and survivor annuity.

If more than one person is entitled to a survivor annuity, the annuitants generally must allocate the allowable death benefit among themselves in proportion to the relative value of their benefits under the contract.

Further information regarding this exclusion may be found in Internal Revenue Service Publications 575 and 939.

## PART II — COMPUTATION OF TAXABLE ANNUITY —

Use this Part to compute the taxable portion of pension and annuity payments you received this year.

**Line 18. Annual pension exclusion —** Enter the amount from line 14. If the beginning date of your annuity is a date other than the first day of the year, however, the exclusion allowed for the first and last years will be the annual pension exclusion multiplied by the ratio of months the annuity is received to the total number of months in the year.

**Line 20. Amount of annuity dividends received this year —** Enter the amount of any variable or indefinite amounts you received from your pension or annuity this year in excess of the fixed, definite amount shown on line 1.

**Line 21. Portion of annuity attributable to employee's contribution —** Enter the amount from line 9, but if this annuity or distribution is not part of an employer's pension plan or is received for a reason other than retirement, death, or disability, enter 1.00 (100%).

**Line 24. Annual recovery of employee's investment. —** Enter the amount from line 15. If the beginning date of your annuity is a date other than the first day of the year, the exclusion allowed for the first and last years will be the annual amount multiplied by the ratio of months the annuity is received to the total number of months in the year.

If the employee's total investment in the contract has been recovered and the annuity starting date is after 1986, do not include any amount on this line for the recovery of the employee's investment in the contract.

**Line 25. Taxable annuity or distribution before adjustment for the death benefit exclusion —** If you are using this form to determine the taxable amount of a lump-sum distribution to be reported on Form N-152, enter this amount on line 1, Part III or Part IV of Form N-152. You do not have to complete the rest of this form.

**Line 27. Total taxable annuity —** Subtract the amount on line 26 from the amount on line 25. Enter the result on Form N-12, line 16b, on Form N-15, line 16, Column A, or on Form N-40, line 8.

FORM
**N-615**
(REV. 1994)

STATE OF HAWAII — DEPARTMENT OF TAXATION

# Computation of Tax for Children Under Age 14 Who Have Investment Income of More than $1,000

➤ See Instructions below and on back

➤ Attach ONLY to the Child's Form N-12, Form N-13, or Form N-15

**1994**

| Child's name shown on return | Child's social security number |
|---|---|
| | |
| **A** Parent's name (first, initial, last) (**Caution:** See Instructions on back before completing) | **B** Parent's social security number |

**C** Parent's filing status (check one): ☐ Single, ☐ Married filing jointly, ☐ Married filing separately, ☐ Head of household or ☐ Qualifying widow(er)

**D** Enter number of exemptions claimed on parent's return. (If the parent's filing status is married filing separately, see Instructions.) ➤ .............

## Step 1 Figure child's net investment income

| | | | |
|---|---|---|---|
| **1** | Enter the child's investment income, such as taxable interest and dividend income (See Instructions. If this amount is $1,000 or less, stop here; do not file this form.) | **1** | |
| **2** | If the child DID NOT itemize deductions on Schedule A (Form N-12 or Form N-15), enter $1,000. If the child ITEMIZED deductions, see Instructions. | **2** | |
| **3** | Line 1 minus line 2. Enter the result. (If zero or less, stop here; do not complete the rest of this form but ATTACH it to the child's return.) | **3** | |
| **4** | Enter the child's **taxable** income (from Form N-12, line 37; Form N-13, line 15; or Form N-15, line 37) | **4** | |
| **5** | Compare the amounts on lines 3 and 4 and enter the **smaller** of the two amounts. ➤ | **5** | |

## Step 2 Figure tentative tax based on the parent's tax rate

| | | | |
|---|---|---|---|
| **6** | Enter the parent's taxable income (from Form N-12, line 37; Form N-13, line 15; or Form N-15, line 37). If the parent transferred property to a trust, see Instructions. | **6** | |
| **7** | Enter the total, if any, of the net investment income from Forms N-615, line 5, of ALL OTHER children of the parent listed above. (Do NOT include the amount on line 5 above) | **7** | |
| **8** | Add the amounts on lines 5, 6, and 7. Enter the total | **8** | |
| **9** | Tax on the amount on line 8 based on the **parent's** filing status, see Instructions. Check if from ☐ Tax Table, ☐ Tax Rate Schedule, or ☐ Schedule D | **9** | |
| **10** | Enter the parent's tax (from Form N-12, line 38; Form N-13, line 16; or Form N-15, line 38) | **10** | |
| **11** | Line 9 minus line 10. Enter the result. (If no amount is entered on line 7, enter the amount from line 11 on line 13; skip lines 12a and 12b.) | **11** | |
| **12a** | Add the amounts on lines 5 and 7. Enter the total. **12a** | | |
| **b** | Divide the amount on line 5 by the amount on line 12a. Enter the percentage. | **12b** | |
| **13** | Multiply the amount on line 11 by the percentage on line 12b. Enter the result. ➤ | **13** | |

## Step 3 Figure child's tax — *If the amounts on lines 4 and 5 are the same, go to line 16 now.*

| | | | |
|---|---|---|---|
| **14** | Line 4 minus line 5. Enter the result **14** | | |
| **15** | Tax on the amount on line 14 based on the child's filing status, see Instructions. Check if from ☐ Tax Table, ☐ Tax Rate Schedule, or ☐ Schedule D. | **15** | |
| **16** | Add the amounts on lines 13 and 15. Enter the total. | **16** | |
| **17** | Tax on the amount on line 4 based on the **child's** filing status. Check if from ☐ Tax Table, ☐ Tax Rate Schedule, or ☐ Schedule D. | **17** | |
| **18** | Compare the amounts on lines 16 and 17. Enter the **larger** of the two amounts here and on Form N-12, line 38; Form N-13, line 16; or Form N-15, line 38. Be sure to check the box for Form N-615. ➤ | **18** | |

## General Instructions

**Purpose of Form. —** For children under age 14, investment income (such as taxable interest and dividends) over $1,000 is taxed at the parent's rate if the parent's rate is higher than the child's rate.

Do not use this form if the child's investment income is $1,000 or less. Instead, figure the tax in the normal manner on the child's income tax return. For example, if the child had $900 of taxable interest income and $200 of wages, Form N-615 is not required to be completed and the child's tax should be figured on Form N-13 using the Tax Table.

If the child's investment income is more than $1,000, use this form to see if any of the child's investment income is taxed at the parent's rate and, if so, to figure the child's tax. For example, if the child had $1,100 of taxable interest income and $200 from wages, complete Form N-615 and attach it to the child's Form N-13.

**Investment Income. —** As used on this form, "investment income" includes all taxable income other than earned income as defined on page 2. It includes income such as taxable interest, dividends, capital gains, rents, royalties, etc. It also includes annuity income and income (other than earned income) received as the beneficiary of a trust.

**Who Must File. —** Generally, Form N-615 must be filed for any child who was under age 14 on January 1, 1995, and who had more than $1,000 of investment income. If neither parent was alive on December 31, 1994, do not use, Form N-615. Instead, figure the child's tax based on his or her own rate.

**Note:** *The parent may be able to elect to report the child's investment income on his or her return. If the parent makes this election, the child will not have to file a return or Form N-615. For more information, see Instructions for Form N-12 or Form N-13 or get Form N-814, Parent's Election To Report Child's Interest and Dividends.*

**Additional Information. —** For more information about the tax on investment income of children, get federal Publication 929, Tax Rules for Children and Dependents.

## Line-by-Line Instructions

We have provided specific instructions for most of the lines on the form. Those lines that do not appear in these instructions are self-explanatory.

**Lines A and B. —** If the child's parents were married to each other and filed a joint return, enter the name and social security number of the parent who is listed first on the joint return. For example, if the father's name is listed first on the return and his social security number is entered in the block labeled "Your social security number," enter his name on line A and his social security number on line B.

If the parents were married but filed separate returns, entre the name and social security number of the parent who had the **higher** taxable income. If you do not know which parent has the higher taxable income, see federal Publication 929.

If the parents were unmarried, treated as unmarried for State income tax purposes, or separated either by a divorce or separate maintenance decree, enter the name and social security number of the parent who had custody of the child for most of the year (the custodial parent). **Exception:** If the custodial parent remarried and filed a joint return with his or her spouse, enter the name and social security number of the individual who is listed first on the joint return even if that individual is not the child's parent. If the custodial parent and his or her spouse filed separate returns, enter the name and social security number of the person with the **higher** taxable income, even if that person is not the child's parent.

**Note:** *If the parents were unmarried but lived together during the year with the child, enter the name and social security number of the parent who had the **higher** taxable income.*

**Line D. —** If the parent's filing status is married filing separately and the parent claimed an exemption for his or her spouse, write "Spouse" in the space to the left of the box on line D.

**Line 1. —** If the child had no earned income (defined below), enter the child's adjusted gross income (from Form N-12, line 32; Form N-13, line 11; or Form N-15, line 32).

If the child had earned income, use the worksheet below to figure the amount to enter on line 1. However, if the child had a net loss from self-employment or claims a net operating loss deduction, use the worksheet in federal Publication 929 instead of the one below to figure the amount to enter on Form N-615, line 1.

**Worksheet (keep a copy for your records)**

1. Enter the amount from the child's Form N-12, line 21; Form N-13, line 11; or Form N-15, line 21, whichever applies. ............................................ ________
2. Enter the child's earned income (defined below) plus any deduction the child claims on Form N-12, line 26 or Form N-15, line 26, whichever applies. ............................................ ________
3. Line 1 minus line 2. Enter the result here and on Form N-615, line 1. ................................ ________

**Earned Income** includes wages, tips, and other payments received for personal services performed. Generally, earned income is the total of the amounts reported on Form N-12, lines 7, 12, and 18; Form N-13, line 7; or Form N-15, lines 7, 12, and 18.

**Line 2. —** If the child itemized deductions on Schedule A (Form N-12/N-15), enter on line 2 the **greater** of:

- $500 plus the portion of the amount on Form N-12, line 33g or Form N-15, line 33h, that is directly connected with the production of the investment income on Form N-615, line 1; **OR**
- $1,000

**Line 6. —** Enter the taxable income shown on the tax return of the parent identified on line A of Form N-615. If the parent's taxable income is less than zero, enter zero on line 6. If the parent filed a joint return, enter the taxable income shown on the return even if the parent's spouse is not the child's parent.

**Caution:** *If the parent transferred property to a trust which sold or exchanged the property during the year at a gain, include any gain that was taxed to the trust under Internal Revenue Code (IRC) section 644 in the amount entered on line 6. Write "IRC Section 644" and the amount on the dotted line next to line 6. Also see the **Caution** below line 10.*

**Line 7. —** If the individual identified as the parent on this Form N-615 is also identified as the parent on any other Form N-615, add the amounts, if any, from line 5 on each of the other Forms N-615 and enter the total on line 7.

**Line 9. —** Figure the tax on the amount on line 8 using the Tax Table, Tax Rate Schedules or Schedule D (Form N-12/N-15) Capital Gains and Losses, whichever applies. If any net capital gain is included on lines 5, 6, and/or 7, the tax on the amount on line 8 (the total of those lines) may be less if Part IV of Schedule D can be used to figure the tax. (See federal Publication 929 for information on how to figure the net capital gain included on line 8.) Schedule D should be used to figure the tax if:

| the parent's filing status is | AND | the amount on Form N-615, line 8, is over |
|---|---|---|
| • Single | | $ 5,500 |
| • Married filing joint return or Qualifying widow(er) with dependent child | | $ 11,000 |
| • Married filing separate return | | $ 5,500 |
| • Head of household | | $ 11,000 |

**If Schedule D is used to figure the tax:**

1. Enter the child's name and social security number at the top of Schedule D, Page 2;
2. Enter on Part IV, line 20 the amount from Form N-615, line 8;
3. Enter on Part IV, line 21 the net capital gain included on Form N-615, line 8;
4. Complete Part IV;
5. Enter on Form N-615, line 9, the amount from Part IV, line 30, and check the box for "Schedule D"; and
6. Attach Schedule D, Page 2 to the child's return.

**Caution:** *If the parent is filing Schedule D with his or her own return, **DO NOT** attach that Schedule D to the child's return.*

**Line 10. —** Enter the tax as shown on the tax return of the parent identified on Form N-615, line A. If the parent filed a joint return, enter the tax shown on that return even if the parent's spouse is not the child's parent.

**Caution:** *If line 6 includes any gain taxed to a trust under IRC section 644, add the tax imposed under IRC section 644(a)(2)(A) to the tax shown on the parent's return. Enter the total on line 10 instead of entering the tax from the parent's return. Write "IRC Section 644" on the dotted line next to line 10.*

**Line 15. —** Figure the tax on the amount on line 14 using the Tax Table, Tax Rate Schedules, or Schedule D, whichever applies. If the amount on line 14 is more than $5,500 and includes any net capital gain, the tax on the amount on line 14 may be less if Schedule D (Form N-12/N-15) is used to figure the tax. See federal Publication 929 for information on how to figure the net capital gain included on line 14.

If Schedule D is used to figure the tax, follow the steps in the instructions for line 9. However, on line 20 of Part IV, enter the amount from Form N-615, line 14. On line 21, enter the net capital gain included on line 14. Enter the amount from Part IV, line 30, on Form N-615, line 15, and check the box for "Schedule D."

**Line 17. —** Figure the tax on the child's taxable income as if these rules did not apply. For example, if the child files Schedule D and can use Part IV to figure his or her tax, complete Part IV on the child's actual Schedule D.

**Line 18. —** Compare the amounts on lines 16 and 17, then enter the larger of the 2 amounts on line 18. Be sure to check the box for "Form N-615" on the appropriate line of the child's tax return even if the amount on line 17 is the larger of the 2 amounts.

**Amended Returns. —** If after the child's return is filed the parent's taxable income is changed or the net investment income of any of the parent's other children is changed, the child's tax must be refigured using the adjusted amounts. If the child's tax is changed as a result of the adjustment(s), file Form N-188X, Hawaii Amended Individual Income Tax Return, to correct the child's tax.

| FORM **N-814** (REV. 1994) | **Parent's Election to Report Child's Interest and Dividends** ➤See Instructions below and on back. ➤Attach to Parent's Form N-12 or Form N-15 | **1994** |
|---|---|---|

| Name(s) as shown on parent's return | Your social security number |
|---|---|
| Child's name (first, initial and last) | Child's social security number |

**Caution:** If more than one Form N-814 is attached, check here ➤ ☐

## Step 1 Figure amount of child's interest and dividend income to report on your return

| | | | | |
|---|---|---|---|---|
| **1 a** | Enter your child's **taxable** interest income, If this amount is different than the amounts shown on the child's federal Forms 1099-INT and 1099-OID, see the Instructions | **1a** | | |
| **b** | Enter your child's **tax-exempt** interest income. **DO NOT** include this amount on line 1a ... **1b** | | | |
| **2 a** | Enter your child's gross dividends (including any Alaska Permanent Fund dividends). If none, enter zero on line 2c and go to line 3. If your child received any capital gain distributions or dividends as a nominee, see the Instructions ... **2a** | | | |
| **b** | Enter your child's nontaxable distributions (from federal Form 1099-DIV, Box 1d) that are included on line 2a ... **2b** | | | |
| **c** | Line 2a minus line 2b. Enter the result | **2c** | | |
| **3** | Add lines 1a and 2c. Enter the total. If the total is $1,000 or less, skip lines 4 and 5 and go to line 6. If the total is $5,000 or more, **do not** file this form. Your child **MUST** file his or her own return to report the income | **3** | | |
| **4** | Base amount | **4** | 1,000 | 00 |
| **5** | Line 3 minus line 4. Enter the result. (If filing more than one Form N-814 or if line 2a includes any capital gain distributions, see the Instructions.) Also, include this amount in the total on Form N-12, line 20 or on Form N-15, line 20. In the space provided on line 20, Form N-12 or on line 20, Form N-15, write "Form N-814" and show the amount. Go on to line 6 below. | **5** | | |

## Step 2 Figure your tax on the first $1,000 of child's interest and dividend income

| | | | | |
|---|---|---|---|---|
| **6** | Amount not taxed | **6** | 500 | 00 |
| **7** | Line 3 minus line 6. Enter the result. If less than zero, enter zero | **7** | | |
| **8** | Tax • If the amount on line 7 is $500 or more, enter $10.00 here. (Also, see the **Note** below for where to enter it on your tax return.) • If the amount on line 7 is less than $500, multiply the amount on line 7 by 2% (.02). Enter the result here. (Also, see the **Note** below for where to enter it on your tax return.) | **8** | | |

**Note:** *Add the amount from line 8 to any tax you enter on your Form N-12, line 38 or Form N-15, line 38. Make sure to check the box noting that a tax from Form N-814 is included on line 38, Form N-12 or line 38, Form N-15. (If filing more than one Form N-814, see the Instructions.)*

# General Instructions

**Purpose of Form.**—Use this form if you are a parent and choose to report the income of your child on your return. If you do, the child will not have to file a return. You can make this election if your child meets **all** of the following conditions:

- Was under age 14 on January 1, 1994.
- Is required to file a 1994 return.
- Had income only from interest and dividends (including Alaska Permanent Fund dividends).
- Had gross income for 1994 that was more than $500 but less than $5,000.
- Had no estimated tax payments for 1994.
- Did not have any overpayment of tax shown on his or her 1993 return applied to the 1994 return.
- Had no Federal income tax withheld from his or her income (backup withholding).

The parent(s) must also qualify as explained on page 2 of these instructions.

**Step 1** is used to figure the amount of the child's income to report on the parent's return.

**Step 2** is used to figurean additional tax that must be added to your tax.

**How To Make the Election.**—To make the election, complete and attach Form N-814 to your tax return and file your return by the due date (including extensions). A separate Form N-814 must be filed for **each** child whose income the parent chooses to report.

**Caution:** *The income tax on your child's income may be less if you file a tax return for the child instead of making this election. This is because you cannot take certain deductions that your child would be entitled to on his or her own return. For details see* **Deductions You May Not Take** *on page 2.*

**Parents Who Qualify To Make the Election.**—You qualify to make this election if you file Form N-12 or N-15 and any of the following apply:

- You are filing a joint return for 1994 with the child's other parent.
- You and the child's other parent were married to each other but file separate returns for 1994 AND you had the **higher** taxable income. (If you do not know if you had the higher taxable income, get federal Publication 929, Tax Rules for Children and Dependents.)
- You were unmarried, treated as unmarried for income tax purposes, or separated from the child's other parent by a divorce or separate maintenance decree. You must have had custody of your child for most of the year (you were the custodial parent). If you were the custodial parent and you remarried, you may make the election on a joint return with your new spouse. But if you and your new spouse (your child's step-parent) do not file a joint return, you qualify to make the election only if you had **higher** taxable income than your new spouse.

**Note:** *If you and the child's other parent were not married but you lived together during the year with the child, you qualify to make the election only if you are the parent with the **higher** taxable income.*

**Deductions You May Not Take.**—If you elect to report your child's income on your return, you may not reduce that income by any of the following deductions that your child would be entitled to on his or her own return.

- Standard deduction of $500.
- Penalty on early withdrawal of child's savings.
- Itemized deductions (such as child's investment expenses or charitable contributions).

If any of the above applies to your child, first figure the tax on your child's income as if he or she is filing a return. Next, figure the tax as if you are electing to report your child's income on **your** return. Then, compare the two methods to determine which results in the lower tax.

**Investment Interest Expense. —**Your child's income (excluding Alaska Permanent Fund dividends and capital gain distributions) that you report on your return is considered to be **your** investment income for purposes of figuring your investment interest expense deduction. If your child received Alaska Permanent Fund dividends or capital gain distributions, get federal Publication 550, Investment Income and Expenses, to figure the amount you may treat as your investment income.

**Additional Information.**—For more information, see federal Publication 929.

# Line-by-Line Instructions

**Parent's Name and Social Security Number.**—Enter the name(s) shown on your return. If filing a joint return, enter the social security number of the person whose name is shown first on the return.

**Line 1a.** Enter **ALL** taxable interest income received by your child in 1994. If your child received a federal **Form 1099-INT** for tax-exempt interest, such as from municipal bonds, write the amount and "Tax-exempt interest" on the dotted line next to line 1a. Be sure to include this interest on line 1b but **do not** include it in the total for line 1a.

If your child received, as a **nominee**, interest that actually belongs to another person, write the amount and "ND" (for nominee distribution) on the dotted line next to line 1a. **Do not** include amounts received as a nominee in the total for line 1a.

If your child had accrued interest that was paid to the seller of a bond, amortizable bond premium (ABP) allowed as a reduction to interest income, or if any original issue discount (OID) included on line 1a is less than the amount shown on your child's federal **Form 1099-OID**, follow the instructions above for nominee interest to see how to report the nontaxable amounts. But, on the dotted line next to line 1a, write the nontaxable amount and "Accrued interest," "ABP adjustment," or "OID adjustment," whichever applies. **Do not** include any nontaxable amounts in the total for line 1a.

**Line 1b.** If your child received any tax-exempt interest income, such as interest on certain state and municipal bonds, enter the total tax-exempt interest on line 1b. Also include any exempt-interest dividends your child received as a shareholder in a mutual fund or other regulated investment company. **Do not** include this interest on lines 1a or 3.

**Line 2a.** Enter gross dividends received by your child in 1994, including capital gain distributions and nontaxable distributions. Federal **Form 1099-DIV** shows gross dividends in Box 1a. Also, include dividends your child received through a partnership, an S corporation, or an estate or trust.

If line 2a includes any **capital gain distributions** (from federal Form 1099-DIV, Box 1c), see the line 5 instructions that follow.

If your child received, as a **nominee**, dividends that actually belong to another person, write the amount and "ND" (for nominee distribution) on the dotted line next to line 2a. **Do not** include amounts received as a nominee in the total for line 2a.

**Line 5.** If you are filing more than one Form N-814, add the amounts from line 5 of **ALL** Forms N-814 and include the total on Form N-12, line 20 or on Form N-15, line 20. Be sure to write "Form N-814" and show the total of the line 5 amounts in this space provided on line 20, Form N-12 or on line 20, Form N-15.

If line 2a includes any **capital gain distributions** and you are filing **Schedule D** (Form N-12/N-15), part or all of your child's capital gain distributions should be reported on your Schedule D instead of on Form N-814, line 5. Before you enter an amount on line 5, see federal Publication 929 for details on how to figure the amount to report on your Schedule D.

**Line 8.** If you are filing more than one Form 814, add the amounts from line 8 of **ALL** Forms 814 and include the total on Form N-12, line 38 or on Form N-15, line 38.

Make sure to check the box noting that a tax from Form 814 is included on line 38, Form N-12 or on line 38, Form N-15.