

FORM N-346 (REV. 2024)	<h1 style="margin:0;">TAX CREDIT FOR RESEARCH ACTIVITIES</h1> Or fiscal year beginning _____, 20____, and ending _____, 20____	TAX YEAR 20 ____
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ATTACH TO FORM N-11, N-15, N-20, N-30, N-35, N-40, OR, N-70NP

Name(s) as shown on tax return	SSN or FEIN
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NOTE: If you received a Schedule K-1 from a flow-through entity, skip lines 1 through 4 and start on line 5.

<p>1 Enter the amount of your federal tax credit from federal Form 6765 for the tax year (Attach a copy of federal Form(s) 6765)</p> <p>2 Enter the amount of your eligible research expenses reported on federal Form(s) 6765 for the tax year and the amount of your eligible research expenses attributable to research activity conducted IN HAWAII for the tax year: (See instructions)</p> <table border="1" style="width:100%; border-collapse: collapse; margin-top: 10px;"> <thead> <tr> <th style="width:30%;"></th> <th style="width:20%; text-align: center;">Column A Reported On federal Form 6765</th> <th style="width:20%; text-align: center;">Column B IN HAWAII</th> </tr> </thead> <tbody> <tr> <td>a Certain amounts paid or incurred to energy consortia.....</td> <td style="text-align: center;">2a</td> <td></td> </tr> <tr> <td>b Basic research payments to qualified organizations.....</td> <td style="text-align: center;">2b</td> <td></td> </tr> <tr> <td>c Wages for qualified services (do not include wages used in figuring the federal work opportunity credit)</td> <td style="text-align: center;">2c</td> <td></td> </tr> <tr> <td>d Cost of supplies</td> <td style="text-align: center;">2d</td> <td></td> </tr> <tr> <td>e Rental or lease costs of computers</td> <td style="text-align: center;">2e</td> <td></td> </tr> <tr> <td>f Enter the applicable percentage of contract research expenses</td> <td style="text-align: center;">2f</td> <td></td> </tr> <tr> <td>g Total Eligible Research Expenses. Add lines 2a through 2f, and enter result.</td> <td style="text-align: center;">2g</td> <td></td> </tr> </tbody> </table>		Column A Reported On federal Form 6765	Column B IN HAWAII	a Certain amounts paid or incurred to energy consortia.....	2a		b Basic research payments to qualified organizations.....	2b		c Wages for qualified services (do not include wages used in figuring the federal work opportunity credit)	2c		d Cost of supplies	2d		e Rental or lease costs of computers	2e		f Enter the applicable percentage of contract research expenses	2f		g Total Eligible Research Expenses. Add lines 2a through 2f, and enter result.	2g		<p>1</p>	
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<p>3 Percentage of eligible research expenses attributable to Hawaii. Divide line 2g, Column B by line 2g, Column A. Enter the result as a decimal rounded to six (6) decimal places</p>	<p>3</p>																									
<p>4 Tentative tax credit for research activities. Multiply line 1 by line 3.....</p>	<p>4</p>																									
<p>5 Flow through of Hawaii tax credit for research activities received from other entities, if any. <i>Check the applicable box below.</i> Enter the name and Federal Employer I.D. No. of Entity:</p> <p><input type="checkbox"/> a Partner — enter appropriate amount from Schedule K-1 (Form N-20)</p> <p><input type="checkbox"/> b S Corp. shareholder — enter the appropriate amount from Schedule K-1 (Form N-35)</p> <p><input type="checkbox"/> c Beneficiary — enter the appropriate amount from the Schedule K-1 (Form N-40).....</p> <p><input type="checkbox"/> d Patron — enter the amount from federal Form 1099-PATR</p>	<p>5</p>																									
<p>6 Total credit allowed — Add lines 4 and 5. Enter the result here, rounded to the nearest dollar, and on the appropriate line for the credit on Schedule CR. For Pass-through entities, enter this amount on the appropriate lines of your tax return.</p>	<p>6</p>																									



CHANGES TO NOTE

Act 139, Session Laws of Hawaii 2024, amends the Hawaii tax credit for research activities (TCRA) for taxable years beginning after December 31, 2023 by (1) repealing the provision that previously made the base amount in the Internal Revenue Code (IRC) inapplicable to the TCRA and allowed credits for all qualified research expenses to be taken without regard to previous years' expenses; (2) amending the definition of "qualified high technology business" to a small business that conducts more than 50 percent of its activities in qualified research in Hawaii and is registered to do business in Hawaii; (3) adding the definition of a small business to mean a company with no more than five hundred employees; and (4) extending the sunset date of the TCRA to December 31, 2029.

GENERAL INSTRUCTIONS

Note: In order to claim the Hawaii tax credit for research activities, you must also claim the federal tax credit for increasing research activities under section 41 of the IRC.

Purpose of Form

Use Form N-346 to figure and claim the TCRA under section 235-110.91, Hawaii Revised Statutes.

Who May Claim the Credit

This credit may be claimed by a qualified high technology business (QHTB) defined as a small business that conducts more than 50 percent of its activities in research in Hawaii and is registered to do business in Hawaii. Any partnership, S corporation, estate, trust, or cooperative that allocates this credit (including a pro rata share of the credit from a flow-through entity) must attach Form N-346, Form N-346A, and federal Form 6765 to its income tax return. Taxpayers claiming their pro rata share of the credit must also attach a copy of their Schedule K-1s.

When the Credit May Not Be Claimed

This credit may not be claimed if either of the following apply to your tax situation:

- (1) you are not claiming the federal tax credit for research activities under IRC section 41.
- (2) You have no eligible Hawaii research expenses.

Credit Requirements

To claim the credit, the following requirements must be satisfied:

- (1) The credit must be certified by the Department of Business, Economic Development and Tourism (DBEDT). See Form N-346A for more information.
- (2) The credit form (Form N-346), certification form (Form N-346A), federal Form 6765, Schedule K-1s (pro rata share credit claims), and Schedule CR (for tax returns for which Schedule CR is required) must be attached to the taxpayer's income tax return.
- (3) The QHTB must complete an annual survey as prescribed by DBEDT. See DBEDT's website dbedt.hawaii.gov for more information.

Failure to satisfy these requirements shall constitute a waiver of the right to claim the credit. The total amount of the certified tax credits is limited to \$5,000,000 in the aggregate for all taxpayers in every taxable year after December 31, 2019, provided that no claim for the tax credit shall be made for research expenses incurred after December 31, 2029. Certification is issued on a first-come, first-served basis.

Calculation of the Hawaii TCRA

In order for a taxpayer to compute the amount of the Hawaii TCRA, it is necessary for the taxpayer to compute the amount of the federal tax credit for increasing research activities (using federal Form 6765) prior to calculating the Hawaii TCRA, since the federal tax credit for increasing research activities is the baseline upon which the TCRA is measured.

Calculation of the Hawaii TCRA involves a straight forward calculation by multiplying the federal tax credit for increasing research activities by a fraction, the numerator of which is the amount of eligible research expenses for research conducted in Hawaii and the denominator of which is the amount of expenses eligible for the federal tax credit for increasing research activities.

Deadline For Claiming the Credit

The deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim the credit after the deadline.

SPECIFIC INSTRUCTIONS

Note: If you are claiming your share of the TCRA from a partnership, S corporation, estate, trust, or cooperative, skip lines 1 through 4 and start on line 5.

Enter your fiscal or short tax year in the space provided.

Line 1 — Enter the amount of your federal tax credit for increasing research activities calculated on federal Form 6765. Attach a copy of your federally filed Form(s) 6765 for the tax year to Form N-346.

Lines 2a through 2f, Column A — Enter in Column A the amount of the eligible research expenses reported on federal Form(s) 6765 for the tax year.

Note: The tax credit is allocated by DBEDT on a calendar year basis. This means that after tax year 2024, the tax credit allocated to a fiscal year taxpayer may cover eligible research expenses incurred by the taxpayer in the same year as the calendar year and in the previous tax year. In this case, the fiscal year taxpayer may need to attach federal Forms 6765 that were filed for more than one tax year.

Lines 2a through 2f, Column B — Enter in Column B the amount of the eligible research expenses attributable to research activity conducted IN HAWAII for the tax year and which are part of the amounts reported on lines 2a through 2f, Column A.

Note: Expenses attributable to research activities OUTSIDE HAWAII do not qualify for the credit.

Line 3 — Divide line 2g, Column B by line 2g, Column A. Enter the result here rounded to six (6) decimal places. This is the percentage of the eligible research expenses for research conducted in Hawaii.

Line 4 — Multiply line 1 by line 3. Enter the result here. This is your tentative TCRA.

Line 5 — If you are claiming your share of the TCRA from a partnership, S corporation, estate, trust, or cooperative, then enter the amount here. Also, enter the name and federal employer identification number of any flow-through entity who has passed the TCRA through to you. If additional space is needed, include the information on an attached schedule.

Line 6 — Add lines 4 and 5. This is your total TCRA allowed for the tax year. Enter the amount here, rounded to the nearest dollar, and on the appropriate line for the credit on Schedule CR. For pass-through entities, enter this amount on the appropriate lines of your tax return.