



TAX FACTS 97-4

FORM N-15: NONRESIDENT AND PART-YEAR RESIDENT RETURN

This issue of Tax Facts is devoted to answering questions about Form N-15.

1 Why do we have Form N-15?

Form N-15 is filed by nonresident individuals who have Hawaii tax liability and by individuals who are Hawaii residents for only part of the tax year.

2 If I am a part-year resident for the tax year, can I file Form N-11?

No. An individual who is taking up residence in Hawaii during the tax year or giving up residence in Hawaii during the tax year is considered a part-year resident and must file Form N-15.

3 When I file Form N-15, how will the Department know whether I am a nonresident or part-year resident?

At the top of Form N-15, you must fill in the applicable oval to indicate whether you are a nonresident or part-year resident. If the appropriate oval is not filled in, your return may be processed incorrectly, which may result in a delay. If you are a part-year resident, you also must fill in the period of your Hawaii residency on the line "Tax Year MM DD YY thru MM DD YY." If the part-year resident oval is filled in and the line to indicate the taxpayer's tax year is not completed, any claim for the credit for low-income household renters will be disallowed.

4 How does Form N-15 work?

Form N-15 has two columns, Columns A and B, which are used to report income and adjustments to income. Report in Column A your total income (regardless of source) and adjustments to your total income as if you were a full-year Hawaii resident to get your total adjusted gross income (AGI). Please be aware that this amount probably will NOT be the same as your federal AGI. Please see the instructions, as Hawaii does not adopt many of the federal tax provisions. If you are a nonresident, report in Column B income derived only from Hawaii sources and the allowable adjustments. If you are a part-year resident, report in Column B your total income (regardless of source) and adjustments to your total income during the period of residency, and income derived only from Hawaii sources and the allowable adjustments to your

Hawaii income for the period of nonresidency. The amount in column B is your Hawaii AGI.

Once your total AGI and Hawaii AGI have been calculated, the ratio of Hawaii AGI to the total AGI is used to prorate your personal exemptions and either your itemized deductions or your standard deduction. Your Hawaii taxable income is the Hawaii AGI less the prorated personal exemptions and deductions.

5 How do I know whether income was derived from Hawaii sources?

In determining whether income has its source in Hawaii or outside Hawaii, the following rules should generally be applied:

- The source of income derived from real or tangible personal property is the situs of the property (place where the property is located or used).
- The source of income from the performance of personal services is the place where the services are performed.
- The source of income from carrying on a trade or business is the place where the trade or business is carried on.
- The source of income earned from intangible property is the place of the owner's domicile, unless the property has acquired a business situs in Hawaii.

6 Before becoming a resident of Hawaii, I was a resident of California and earned wages of \$15,000. Do I report this amount in Column B?

No. Wages earned outside Hawaii while a nonresident are considered income derived from out-of-state sources and should not be reported in Column B.

7 I gave up my Hawaii residency on April 18 of the current tax year and moved to New York. I did not close my personal bank account in Hawaii and earned

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interest of \$2,000 for the tax year. Do I report the entire \$2,000 in Column B?

No. The amount of personal interest income reported in Column B should include only the interest earned while you were a Hawaii resident. The source of interest income is generally the place of the taxpayer's domicile. Accordingly, the interest earned on the personal Hawaii bank account during the period of nonresidency is considered to be income derived from out-of-state sources and should not be reported in Column B.

8 How do I determine the amount of interest income that was earned while I was a Hawaii resident?

If you cannot specifically determine the amount of interest income earned while you were a Hawaii resident, you may calculate that amount based upon a ratio of the number of days of residence in Hawaii to the total number of days in the taxable year. In Question 7, the amount of interest income to be reported in Column B would be \$586 ($\$2,000 \times 107/365 = \586.30 , rounded to \$586).

9 I was a nonresident for all of the tax year. On June 29, I sold real property held for investment in Hawaii and recognized a gain of \$20,000. Do I report this amount in Column B?

Yes. A gain on the sale of real property located in Hawaii is considered income derived from Hawaii sources and must be reported in Column B.

10 I established residence in Hawaii on December 1 of this year. I own rental property in another state that I continued to rent out after I became a Hawaii resident. How much of the net rental income or loss do I report in Column B?

Rental income derived from rental property located outside Hawaii is considered to be income derived from out-of-state sources. Accordingly, the amount of the net rental income or loss to be reported in Column B should only include the amount derived while you were a Hawaii resident. If you cannot specifically determine the amount of net rental income or loss derived while you were a Hawaii resident, you may calculate that amount based upon a ratio of the number of days of residence in Hawaii to the total number of days in the taxable year. If you had a total net rental income of \$18,000 for the year, the amount reported in Column B is \$1,529 ($\$18,000 \times 31/365 = \$1,528.77$, rounded to \$1,529).

11 Are there any limits on the deductions I can claim in Column A on Form N-15?

Yes. For example, carryovers of deductions for business losses that were incurred before you became subject to Hawaii's taxing jurisdiction may not be claimed. This is the same treatment that is accorded to an individual who becomes a resident of Hawaii during the taxable year, but who had losses that were incurred prior to becoming a resident.

12 I am a nonresident and will be filing Form N-15 for the current tax year. Can I deduct the mortgage interest and real property taxes that I paid on my home located in Colorado?

No. The mortgage interest and real property taxes paid on your Colorado home may not be deducted on your Form N-15. You may deduct only interest and property taxes paid on your property located in Hawaii.

13 I am a nonresident and will file Form N-15. Can I claim the tax credits that apply to residents?

Tax credits that only may be claimed by resident taxpayers appear on Form N-15, because the form is used by part-year residents. Please read the instructions for each tax credit to ensure that you claim only the tax credits to which you are entitled. The tax credits on Schedule X (the credit for low-income household renters and the credit for child and dependent care expenses), and the tax credit for income tax paid to another state or to a foreign country may not be claimed by nonresident taxpayers.

Tax credits that may be claimed by nonresident taxpayers include the credit for child passenger restraint system(s), and business tax credits, such as the capital goods excise tax credit, the fuel tax credit for commercial fishers, the motion picture and film production tax credit, the renewable energy technologies tax credit, the enterprise zone tax credit, and the credit for employment of vocational rehabilitation referrals.

14 The instruction booklet to Form N-15 contains worksheets. Do I need to submit them with Form N-15?

No. You do not need to submit the worksheets. We usually will not need the worksheets because we can verify your math by computer, but please keep the ones that you use. If we have a question on something that you put down, we may ask you for the worksheets to show how you arrived at a particular figure.

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15 Should I attach a copy of my federal income tax return to Form N-15?

Yes. We require that you attach a complete copy of your federal income tax return to Form N-15.

16 How can I get Form N-15?

All Hawaii tax forms and instructions may be obtained from any district tax office, or by calling the Department to request that the forms be mailed to you. Most forms, including Form N-15, also can be downloaded and printed from the Department's website. See the bottom of page 3 for our contact information.

17 What should I do if I am not able to file my Form N-15 by the due date (April 20)?

If you are not able to file your Form N-15 by April 20, you will be granted an automatic 6-month extension if all of the following requirements are met:

- On or before April 20, 100% of the properly estimated tax liability is paid;
- The tax return is filed on or before the expiration of the 6-month extension period;
- The tax return is accompanied by full payment of any tax not already paid; and
- You are not bound by a court order to file a tax return on or before the prescribed due date.

If you must make a tax payment to meet the requirement that 100% of the properly estimated tax liability is paid before April 20, you must file Form N-200V, Individual Income Tax Payment Voucher, with your payment. Remember, an extension of time to file is not an extension of time to pay.

18 After filing Form N-15, I realized that I made a mistake on the form. What should I do?

You can correct a mistake by filing an amended return. You can do this by picking up a blank Form N-15, filling in the oval for "AMENDED Return" in the upper left corner, and completing the return with all of the correct information. Attach a statement to the amended return explaining the changes to income, deductions, and credits. See the Form N-15 instruction booklet for more detailed instructions.

19 If I am a nonresident and a shareholder of a pass-through entity that receives income from Hawaii sources, can I elect to have the entity file a tax return on my behalf?

Yes. The entity can file a composite return and make composite payments of tax on your behalf if this is your ONLY source of Hawaii income. As a convenience to taxpayers, the Department allows S corporations, partnerships, limited liability companies, and limited liability partnerships to elect to file composite returns on behalf of participating shareholders, partners, or members, and to make composite payments for the participant's distributive share at the highest marginal tax rate applicable to that class of taxpayer, whether an individual or corporate taxpayer. No deductions are allowed except those necessary to determine each participant's distributive share of the entity's income, and no credits are allowed except those directly attributable to the entity. See the instructions for the pass-through entities' income tax returns.

Where to Get Forms and Information

Website: tax.hawaii.gov

Telephone: 808-587-4242

Toll-Free: 1-800-222-3229

Telephone for the hearing impaired: 808-587-1418

Toll-Free for the hearing impaired: 1-800-887-8974

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