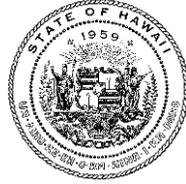


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DEPUTY DIRECTOR

August 15, 2012

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2012-01

Re: Composite Filing of Forms N-342 and/or N-342A for Taxpayers Claiming the Renewable Energy Technologies Income Tax Credit, HRS § 235-12.5 for 10 or More Systems

The Renewable Energy Technologies Income Tax Credit (“Renewable Energy Credit”) provided by § 235-12.5, Hawaii Revised Statutes (“HRS”), is claimed by filing a separate Form N-342 for each eligible system for which the taxpayer is claiming the Renewable Energy Credit.

In the case of a partnership, S corporation, estate, trust, or condominium apartment association, the entity is required to prepare a separate Form N-342A for each partner, member, shareholder, or beneficiary to indicate the partner’s, member’s, shareholder’s, or beneficiary’s prorated share of the credit. Generally, the entity must use a separate form for each eligible system.

In order to ease the administrative burden on taxpayers, the Department of Taxation (the “Department”), will allow taxpayers to file composite Form(s) N-342 and composite Form(s) N-342A in certain situations. However, the composite filing of Form(s) N-342 and Form(s) N-342A shall not change the calculation and application of the Renewable Energy Credit as provided for by § 235-12.5, HRS. This Tax Announcement outlines the procedures by which qualifying taxpayers may file composite Form(s) N-342 and N-342A.

I. Who May File a Composite Form N-342 or Form N-342A

- A. Composite Form N-342. Any individual or corporate taxpayer who is eligible to claim the Renewable Energy Credit for 10 or more systems or distributive shares of systems installed and placed in service in a single taxable year may file a composite Form N-342.
- B. Composite Form N-342A. Any partnership, S corporation, estate, trust, or condominium apartment association that has installed and placed in service 10 or more systems in a single taxable year may file composite Form(s) N-342A.

II. For Which Taxable Years May a Composite Form N-342 or N-342A be Filed

A taxpayer who qualifies to file a composite Form N-342 and/or Form N-342A may do so for taxable years that begin on or after January 1, 2011.

III. When Must a Composite Form N-342 be Filed

All claims for the credit, including amended claims, must be filed on or before the end of the

twelfth month following the close of the taxable year for which the credit may be claimed.

IV. Where to File

Attach the composite Form N-342 to the taxpayer's Hawaii income tax return ("income tax return") along with all other required forms, schedules, and attachments and submit the complete income tax return to the Department in the manner prescribed in the applicable Hawaii income tax return instructions. A composite Form N-342 cannot be electronically filed at this time.

In addition, the taxpayer must also submit a "soft" or electronic copy of the composite Form(s) N-342 and the Composite Schedule(s) for Form N-342 to the Department in one of the following ways:

- Email to: Tax.Directors.Office@hawaii.gov
- Mail or hand-delivery to:
 - Department of Taxation
Attn: Director's Office
830 Punchbowl Street
Honolulu, HI 96813
 - Composite Form(s) N-342 and Composite Schedule(s) for N-342 (Form N-342C for tax years 2012 and later) must be written/stored on a digital media storage source such as a CD-R or DVD-R
 - Note: Digital media storage sources will not be returned by the Department.

V. How to File a Composite Form(s) N-342 to Claim Multiple Renewable Energy Credits

A taxpayer that elects to file a composite Form(s) N-342 must attach to the taxpayer's Hawaii income tax return the following forms and schedules in the order listed:

- (1) Composite Form(s) N-342,
- (2) Composite Schedule(s) for Form N-342 (Form N-342C for tax years 2012 and later)
- (3) Form(s) N-342A (if required, *see below*),
- (4) Composite Schedule(s) for Form N-342A, (Form N-342B for tax years 2012 and later), (if required, *see below*), and
- (5) Any other form(s) or schedule(s) required to claim to the Renewable Energy Credit

Failing to properly file and/or comply with the terms and conditions for composite filing may result in the disallowance of all or part the credits and the revocation of the election to composite file.

VI. What Information Must Be Reported

A. Composite Form N-342

Print the word “COMPOSITE” in capital letters at the top of each composite Form N-342, Renewable Energy Technologies Income Tax Credit.

B. Credit Election

A separate election may be made for each separate system that generates a renewable energy tax credit. Once an election is made, it is irrevocable. Taxpayers filing a composite Form N-342 may elect to claim all the credits as refundable, all the credits as nonrefundable, or a combination of both.

For example, a taxpayer who has installed and placed in service 11 systems during a taxable year may claim 11 refundable credits, or 11 nonrefundable credits, or a combination of refundable and nonrefundable credits (e.g., 5 non-refundable credits and 6 refundable credits). The taxpayer may not make separate elections to apportion the credit for a single system. Thus, the taxpayer may not elect refundable credits for 5.5 systems and nonrefundable credits for 5.5 systems.

1. Single Election

A taxpayer filing a composite Form N-342 who elects all refundable credits (or all non-refundable), must file a single composite Form N-342 which reflects the aggregate amounts for each required line item. Therefore, taxpayers making a single election shall file one Form N-342 (representing all systems).

2. Dual Elections

Taxpayers electing a combination of both refundable and non-refundable credits shall file two composite Forms N-342. Each composite Form N-342 shall reflect the aggregate amounts for each required line item according to the proportion of the election. Therefore, taxpayers making separate elections shall file two separate Forms N-342 (one for refundable and one for non-refundable credits) together with two separate Composite Schedules for Form N-342 (Form N-342C for tax years 2012 and later).

C. Composite Schedule for Form N-342 (Form N-342C for tax years 2012 and later)

The taxpayer must also prepare and submit a Composite Schedule(s) for Form N-342.¹ All information required on the Composite Schedule for Form N-342 must be provided in the required format.

A taxpayer making separate system elections regarding refundable and non-refundable credit must prepare two separate Composite Schedules for Form N-342. As noted above, the filing of composite Form(s) N-342 and Composite Schedule(s) for Form N-342 does not change the calculation and application of the Renewable Energy Credit as provided for by § 235-12.5, HRS.

A taxpayer who receives Form(s) N-342A from an entity through which the taxpayer is claiming

¹ See Attachment A – Composite Schedule for Form N-342

the Renewable Energy Credit should report its distributive share for each system in a separate column of the Composite Schedule for Form N-342. A taxpayer who receives a composite Form N-342A and Composite Schedule for Form N-342A from an entity shall report each line from the Composite Schedule for Form N-342A on a separate column of the Composite Schedule for Form N-342.

Composite Schedule for Form N-342 Header (Form N-342C for tax years 2012 and later)

- Composite Schedule for Form N-342 for Tax Year ___ ___ ___ ___ or Fiscal Year beginning _____ and ending _____
- Taxpayer's Name
- Taxpayer's SSN or FEIN
- Hawaii Tax ID No. (if any)
- "Total Number of Properties" on which systems were installed that are listed on Part II. of the Composite Schedule for Form N-342.
 - If more than one Composite Schedule for Form N-342 is required, the total number of properties for all Composite Schedules for Form N-342 should be reported on the first Composite Schedule for Form N-342.
- "Property Number" must correspond to the order in which the real property addresses are listed on Part II. of the Composite Schedule for Form N-342.
 - For example, if three systems were installed on the first property listed on Part II. of the Composite Schedule for Form N-342, the property number "1" would be placed in the row titles "property No." in the first 3 columns.
- Type of System (Solar Water, Other Solar, or Wind)
- "Date Installed & Placed in Service" of each system

Part I. Corresponding Form N-342 Line Number

Part I. of the Composite Schedule for Form N-342 contains 53 rows, each of which represents a corresponding line on Form N-342. Rows should only be completed if the corresponding line on the Form N-342 would have been completed.

Each column represents a separate system that was installed and placed in service. Each column must contain the same information as a single Form N-342. Use additional Composite Schedules for Form N-342 if more than 10 systems are being reported.

Part II. Physical Property Addresses Where Each System was Installed and Placed in Service

The physical addresses of the real property on which the renewable energy systems were installed and placed in service should be listed in Part II. List the addresses only once, even if more than one system was installed on that property.

If multiple Composite Schedules for Form N-342 are being submitted, the addresses must be listed in a continuous numerical order starting with property number "1" on Part II. of the first Composite Schedules for Form N-342. If there are more than 29 addresses to be reported, property number "30" should be the first property listed on Part II. of the second Composite Schedules for Form N-342, and so on.

VII. Composite Filing Guidelines for Hawaii S Corporations, Partnerships, Estates, Trusts, or Condominium Associations

Every Hawaii S corporation, partnership, estate, trust, or condominium apartment association is required to prepare a Form N-342A for each individual or corporate shareholder, member, or beneficiary, respectively, in order that the prorated amount of such entity's tax credit may be claimed by the individual or corporate taxpayer. Generally, the entity must use a separate form for each eligible system.

A copy of composite Form N-342A and Composite Schedule for Form N-342A (Form N-342B for tax years 2012 and later) reflecting the member's distributive share of the tax credit shall be issued to that member as required by the Form N-342A Instructions. The entity must also attach a copy of each Form N-342A and Composite Schedule for Form N-342A (Form N-342B for tax years 2012 and later) issued to its members to the entity's tax return.

An entity that elects to file a composite Form(s) N-342 must attach to the entity's income tax return the following forms and schedules specifically in the order listed:

- (1) Composite Form(s) N-342,
- (2) Composite Schedule(s) for Form N-342 (Form N-342C for tax years 2012 and later),
- (3) Composite Form(s) N-342A,
- (4) Composite Schedule(s) for Form N-342A (Form N-342B for tax years 2012 and later), and
- (5) Any other form(s) or schedule(s) required to claim to the Renewable Energy Credit

Failing to properly file may result in the disallowance of all or part the credits and the composite filing election may be revoked by the Department upon failure to comply with the terms and conditions of this election.

1. Composite Form N-342A

The entity shall prepare a composite Form(s) N-342A for each shareholder, member, or beneficiary reflecting an aggregate total of the credits being claimed and the shareholder's, member's, or beneficiary's distributive share as generally required. The word "COMPOSITE" in capital letters must be written at the top of each composite Form N-342A.

2. Composite Schedule for Form N-342A (Form N-342B for tax years 2012 and later)

Each entity shall also prepare a Composite Schedule for Form N-342A (that corresponds to the composite Form N-342A) for each shareholder, member, or beneficiary of the entity.² All information required on Composite Schedule(s) for Form N-342A and Form(s) N-342A must be provided and submitted in the required format.

Composite Schedule for Form N-342A Header

- Composite Schedule for Form N-342A for Tax Year ___ ___ ___ or Fiscal Year

² See Attachment B – Composite Schedule for Form N-342A

- beginning _____ and ending _____
- Name of Issuing Entity (S Corporation, Partnership, Estate, or Trust, or Condominium Apartment Association)
 - Issuing Entity's SSN or FEIN
 - Hawaii Tax ID No. (if any)
 - Name of the recipient for whom the statement is being prepared
 - Recipient's SSN or FEIN
 - "Property Number" must correspond to the order in which the real property addresses are listed on Part II. of the Composite Schedule for Form N-342A.
 - For example, if three systems were installed on the first property listed on Part II. of the Composite Schedule for Form N-342A, the property number "1" would be placed in the row titles "property No." in the first 3 columns.
 - Type of System (Solar Water, Other Solar, or Wind)
 - "Date Installed & Placed in Service" of each system

Part I. Corresponding Form N-342A Line Number

Part I. of the Composite Schedule for Form N-342A contains 42 rows, each representing a corresponding line on Form N-342A. Each column must contain the same information as a single Form N-342A. Rows should only be completed if the corresponding line on the Form N-342A would have been completed.

Each column represents a separate system that was installed and placed in service. Use additional Composite Schedules for Form N-342A if more than 10 systems are being reported.

Part II. Physical Property Addresses Where Each System was Installed and Placed in Service

Each physical addresses of the real property on which the renewable energy systems were installed and placed in service should be listed in Part II. List the addresses only once, even if more than one system was installed on that property.

If more than one Composite Schedule for Form N-342A is being submitted, the addresses must be listed in continuous numerical order starting with property number "1" on Part II. of the first Composite Schedule for Form N-342A. If there are more than 28 addresses to be reported, property number "29" should be the first property listed on Part II. of the second Composite Schedule for Form N-342A, and so on.

3. Instructions for the Individual, Corporate Shareholder, Member, or Beneficiary who Receives a Composite Form(s) N-342A or 10 or More Forms N-342A

Each individual or corporate shareholder, member, or beneficiary of an entity through which the Renewable Energy Credit is being claimed must attach to the taxpayer's income tax return the following documents specifically in the order listed:

- (1) Composite Form(s) N-342,
- (2) Composite Schedule for Form N-342 (Form N-342C for tax years 2012 and later),
- (3) Composite Form(s) N-342A (or separate Form(s) N-342A), and
- (4) Composite Schedule for Form N-342A (Form N-342B for tax years 2012 and later),

and

(5) Any other form(s) or schedule(s) required to claim to the Renewable Energy Credit

Entity members making separate refundability elections must follow the election requirements as set forth above. Specifically, a member making separate elections must prepare two separate composite Forms N-342 and two separate Composite Schedules for Form N-342.

Multiple Level Pass-Through Entities

For situations in which there are multiple levels of investors in a renewable energy technology system, each level of investor must prepare and submit the required forms, schedules, and attachments as the “first level” of investors. Since the Renewable Energy Credit is determined at the entity level, entities that receive Form(s) N-342A which are then required to issue Form(s) N-342A to its members must attach to the entity’s tax return specifically in the order listed:

- (1) Composite Form N-342
- (2) Composite Schedule for Form N-342 (Form N-342C for tax years 2012 and later)
- (3) Composite Forms N-342A (one for each member of the entity)
- (4) Composite Schedules for Form N-342A (one for each member of the entity) (Form N-342B for tax years 2012 and later), and
- (5) Any other form(s) or schedule(s) required to claim to the Renewable Energy Credit

For more information on this issue, please contact the Technical Section at 808-587-1577 or by e-mail at Tax.Technical.Section@hawaii.gov.



FREDERICK D. PABLO
Director of Taxation

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2012-01

ATTACHMENT A

COMPOSITE SCHEDULE FOR FORM N-342

COMPOSITE SCHEDULE FOR FORM N-342

for calendar tax year 2011 or fiscal year beginning _____, 2011, and ending _____, 20_____
 (ATTACH THIS FORM TO YOUR FORM N-342)

Name	Property No.	Type of System	Date Installed & Placed in Service	SSN or FEIN	Hawaii Tax ID No. (if any) W
PART I. CORRESPONDING FORM N-342 LINE NUMBER					
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					
21					
22					
23					

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2012-01

ATTACHMENT B

COMPOSITE SCHEDULE FOR FORM N-342A

COMPOSITE SCHEDULE FOR FORM N-342A

for calendar tax year 2011 or fiscal year beginning _____, 2012, and ending _____, 20_____
(ATTACH THIS SCHEDULE TO FORM N-342)

Name of issuing entity (S Corporation, Partnership, Estate, or Trust, or Condominium Apartment Association)	Issuing entity's SSN or FEIN	Hawaii Tax ID No. (if any)
Name of recipient for whom this statement is being prepared:		Recipients SSN or FEIN:
Property No.		
Type of System		
Date Installed & Placed in Service		
PART I. CORRESPONDING FORM N-342A LINE NUMBER		
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		

