
hawaii income patterns

INDIVIDUALS -- 2002

DEPARTMENT OF TAXATION -- STATE OF HAWAII

STATE OF HAWAII

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INTRODUCTION

This 45th annual edition of Hawaii Income Patterns – Individuals presents data compiled from resident and nonresident individual income tax returns filed in 2003 for tax year 2002. Additional information was collected from the federal returns of resident taxpayers for items not available on the Hawaii tax form or not captured by the Department of Taxation's computerized system.

Statistics in this report represent all individual income tax returns. However, separate sections present additional details about special groups: elderly residents, disabled residents, and dependents who filed resident returns.

HAWAII INCOME PATTERNS – 2002 INDIVIDUALS

OVERVIEW

Tax year 2002 witnessed the final stage of a three-stage income tax rate reduction, which saw the top rate fall from 10% to 8.75% in 1999, then to 8.5% in 2001, and finally to 8.25% in 2002. This final stage of tax rate reduction was the primary factor behind a \$31.4 million or 3.2% decline in tax liability before credits from 2001 to 2002.

Figure 1
Comparison of Selected Items for All 2002 and 2001 Returns

Item	2002	2001	% Change
Number of Returns.....	578,292	575,170	0.5
Number of Exemptions.....	1,234,550	1,216,061	1.5
Number of Age Exemptions	135,108	135,931	(0.6)
Number of Regular Exemptions	1,099,442	1,080,130	1.8
	(Thousands of Dollars)		
Salaries and Wages	\$16,253,004	\$15,669,540	3.7
Interest Income	496,994	686,697	(27.6)
Capital Gains (Net of Losses)	771,400	1,084,048	(28.8)
Hawaii Total Income.....	20,044,374	19,795,577	1.3
Total Adjustments.....	282,048	235,502	19.8
Hawaii Adjusted Gross Income*	19,762,326	19,560,076	1.0
Taxable Income.....	15,203,709	14,845,667	2.4
Tax Liability Before Credits	956,797	988,226	(3.2)
Tax Liability After Credits	884,406	929,491	(4.9)

*Includes negative adjusted gross income.

Hawaii total income increased by \$249 million or 1.3% as salaries and wages advanced by 3.7% or \$583 million. This increase in salaries and wages counterbalanced the declines suffered by interest income and capital gains. Interest income slid by \$190 million or 28% in response to repeated decreases in prevailing bank interest rates. Net capital gains dropped by \$313 million or 29% as the stock market continued its plunge in 2002.

Among resident tax returns for which both Hawaii and federal tax liability was available, Hawaii gross tax liability averaged slightly more than one-third of federal gross tax liability. However, the large disparity between the small Hawaii standard deduction and the much larger federal standard deduction resulted in higher Hawaii tax liability for many low-income taxpayers. Among resident returns with Hawaii AGI under \$30,000

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and for which both Hawaii and federal information was available, Hawaii liability was larger than federal liability for nearly 94,000 taxpayers.

CONFORMITY TO THE INTERNAL REVENUE CODE

Legislation to conform to the Internal Revenue Code was first adopted by the 1978 Hawaii legislature. Since then, the legislature has adopted most of the provisions of the code for the sake of simplicity for Hawaii's taxpayers. However, some important differences between Hawaii and federal tax laws do remain.

Some income items are taxed by the federal government but not by Hawaii. These include social security benefits, most pension distributions, and interest on U.S. government bonds. In addition, Hawaii does not tax contributions to Hawaii's individual housing account and the first \$1,750 of Hawaii national guard or military reserve duty pay.

Other items are taxed by Hawaii but not by the federal government. These include federal cost of living allowances (COLA), employee contributions to the Hawaii state government retirement system, and interest on state and local government bonds issued by jurisdictions outside of Hawaii. For tax year 2002, the federal government introduced two new income exclusions, which Hawaii did not immediately adopt. One exclusion is for tuition and fees paid to qualified colleges and vocational schools and the other is for the first \$250 in qualified educator expenses.

Other federal-Hawaii differences include the size of the standard deduction and the personal exemption. Hawaii allows a miscellaneous itemized deduction for certain political contributions, which are not deductible on the federal return.

Tax credits differ on the federal and Hawaii returns. The federal return provides an earned income tax credit for low-income wage earners, an adoption credit, a credit for low-income elderly or disabled taxpayers, a credit for college expenses, and a credit for children under age 17. Although Hawaii has not adopted any of these credits, it does provide a tax credit for all low-income persons, a credit for low-income renters, and numerous credits for investors. Hawaii's various tax credits are discussed in greater detail in a separate report.¹

LEGISLATION

Act 157 of the 1998 legislature adopted a three-step decrease in individual income tax rates. Tax year 2002 witnessed the final step of this reduction as the highest income tax rate was lowered to 8.25% after dropping from 10% to 8.75% to 8.5% in the previous stages.

¹ Sasaki, Gail, Tax Credits Claimed by Hawaii Taxpayers - - 2002, Hawaii Department of Taxation, Tax Research and Planning Office, July 2004.

Under Act 223 of the 2002 legislature, Hawaii conformed to federal provisions relating to Code 529 qualified college tuition programs, Coverdell education savings accounts, individual retirement accounts, and qualified retirement plans. Other measures affecting income taxes adopted by the 2002 legislature include: Act 63, which provides a \$1 general income tax credit for tax year 2002; Act 289, which provides a refundable income tax credit for investment in a qualifying ethanol production facility; and Act 230, which allows Hawaii Department of Education coaches to exclude payment stipends if they waive those stipends to be dispensed to the school for the benefit of the coach's team.

DATA SOURCE AND METHODOLOGY

Return information was retrieved from the department's computerized Integrated Tax Information Management System (ITIMS) in late November 2003 in order to capture virtually all timely filed tax year 2002 returns since the due date for returns with extension was October 20, 2003. A stratified random sample was used to select returns for the data set used in this study. Since returns with large negative or positive incomes are subject to greater variability than returns with smaller incomes, the sample was stratified by Hawaii adjusted gross income (AGI) for resident returns and by worldwide AGI for nonresident returns to reduce sampling error. Sampling ranged from about 4.6% of returns for those with low positive AGI to 100% of returns with extreme negative or positive AGI. Returns with three low frequency items (individual housing accounts, medical savings accounts, and casualty/theft losses) were sampled separately at high rates to reduce the large sampling error inherent with low frequencies. The range of sampling frequency can be seen in Figure 2.

Most Hawaii taxpayers used the simplified Form N-11 to file their income tax returns. Since Form N-11 uses federal adjusted gross income as a starting point, data on sources of income and types of income adjustments are absent and must be retrieved from the taxpayer's federal return. Each year, the Internal Revenue Service provides Hawaii with data tapes containing federal tax return information. These federal data files were merged with the Hawaii sample of resident returns selected from the ITIMS data set. Some returns did not merge because they were filed after the late summer creation date of the federal data files. Some of these returns were later merged by matching the tax year 2001 IRS return with the 2002 Hawaii sample. After this procedure, there were still some returns that did not merge because there was neither a 2002 nor a 2001 federal return to match the Hawaii return. For such returns that had very large positive or very large negative AGI, return details were gleaned manually from schedules and attachments to the paper return. Other non-merged N-11 returns were dropped from the sample and the sample was re-weighted to adjust for the removed returns. While this procedure does introduce non-sampling error, it was deemed preferable to a situation of having numerous returns with no details of income and adjustments.

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In conformity to Internal Revenue Service Publication 1075, the Hawaii Department of Taxation does not publish or disclose statistics or other information that may identify, directly or indirectly, a particular taxpayer. The Department of Taxation does not disclose tabulations containing: data for fewer than three returns at the state level, fewer than 10 returns at the county level, or individual returns that represent a large percentage of the tabulation. Additional tabulations may be suppressed in statistical tables that would allow the reader to infer the quantities of the tabulations which were originally suppressed.

Figure 2

Sample Size and Frequency (Percent of Population) by Return Type

AGI* In \$Thousands	N-11		N-12		N-13		N-15	
	Size	%	Size	%	Size	%	Size	%
Under -\$1,000	35	100.0	0	n/a	0	n/a	83	100.0
-\$1,000 < -100	275	78.1	1	100.0	0	n/a	282	100.0
-100 < 0	3,193	33.7	91	87.5	4	100.0	546	38.8
0 < 50	15,507	4.6	552	5.4	2,351	5.2	1,403	4.6
50 < 100	8,119	9.2	71	8.4	85	10.7	1,200	10.4
100 < 200	4,485	17.4	100	100.0	7	100.0	1,175	20.0
200 < 500	1,640	33.4	7	100.0	0	n/a	1,164	41.5
500 < 1,000	560	82.5	0	n/a	0	n/a	962	100.0
1,000 and over	316	99.7	0	n/a	0	n/a	1,393	100.0
Special Characteristics**	576	52.6	48	94.1	0	n/a	200	100.0
TOTAL	34,706	7.5	870	7.6	2,447	5.3	8,408	15.2

*Hawaii AGI for N-11, N-12, and N-13; worldwide AGI for N-15.

**Returns with individual housing accounts, medical savings accounts, or casualty & theft losses.

For nonresident returns, no merge was attempted because federal returns report worldwide income. Since this study looks at Hawaii income on the nonresident Form N-15, federal worldwide amounts would not agree with Hawaii source amounts on the Hawaii return. Lack of federal information means that detail such as the breakout of Schedule E information is not available for nonresidents.

All returns in the sample were edited for departmental and taxpayer data entry errors. Corrections were made where information from the paper return made the error apparent. For N-11 returns, income and adjustment discrepancies could not be corrected because there is no information on the simplified paper return. For these returns, irresolvable discrepancies appear as "unknown income" and "unknown adjustments" in the tables in this report.

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Some of the information in this report is broken out into the four taxation districts of the state of Hawaii. The first district refers to the island of Oahu; the second district consists of the islands of Maui, Molokai, and Lanai; the third district is the island of Hawaii; and the fourth district consists of the islands of Kauai and Niihau.

TYPES AND NUMBER OF RETURNS FILED

Any individual with gross income subject to Hawaii's income tax law must file an income tax return if that income is more than the standard deduction and personal exemption amounts. In addition, any person doing business in Hawaii must file a return, regardless of income size. Some individuals with little or no income who are not required to file choose to file anyway to claim such tax credits as the low-income credit and renter's credit.

Dependent taxpayers with income that is greater than the applicable standard deduction amount must also file a return unless their parents report that income. If the child's income is derived solely from interest and dividends and is between \$500 and \$5,000, the parent may report that income by filing Form N-814, Parent's Election to Report Child's Interest and Dividends.

Hawaii taxpayers used one of four income tax forms for individuals:

- N-11 for residents who file a federal income tax return. Federal adjusted gross income is used as the starting point.
- N-12 for residents who do not file a federal income tax return and do not qualify to use Form N-13.
- N-13 for Hawaii residents with taxable income below \$100,000 and income sources including wages, salaries, tips, interest, ordinary dividends, and/or unemployment compensation. Taxpayers who have other sources of income, itemize deductions, or claim adjustments to income must use form N-11 or N-12.
- N-15 for part-year residents and nonresidents with income from Hawaii sources.

Tax year 2002 returns exceeded the previous year's count by 3,122, or 0.5%, as shown in detail in Figure 3. Nonresidents and part-year residents who filed Form N-15 increased by 2,760 or 5.3%, which was the largest proportional increase among all tax return types. Continuing a trend that began with the introduction of the simplified N-11 form in tax year 1995, the number of individuals filing N-11 again increased while the numbers filing N-12 and N-13 both decreased. This trend indicates increasing use of the N-11 form on the part of those taxpayers formerly accustomed to using the stand-alone N-12 and N-13 forms.

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Figure 3
 Comparison of Types of Return Filed
 In Each Taxation District in 2002 and 2001

Type of Return	TAXATION DISTRICT				
	State	First	Second	Third	Fourth
All Returns					
2002	578,292	425,905	60,037	65,555	26,795
2001	575,170	424,809	59,983	63,861	26,517
% Change	0.5%	0.3%	0.1%	2.7%	1.0%
Form N-11					
2002	465,525	337,619	51,591	53,624	22,691
2001	459,115	334,270	50,829	51,937	22,079
% Change	1.4%	1.0%	1.5%	3.2%	2.8%
Form N-12					
2002	11,377	8,378	994	1,451	554
2001	13,553	9,937	1,267	1,695	654
% Change	-16.1%	-15.7%	-21.5%	-14.4%	-15.3%
Form N-13					
2002	46,201	33,011	4,078	6,686	2,426
2001	50,073	35,820	4,437	7,169	2,647
% Change	-7.7%	-7.8%	-8.1%	-6.7%	-8.3%
Form N-15					
2002	55,189	46,897	3,374	3,794	1,124
2001	52,429	44,782	3,450	3,060	1,137
% Change	5.3%	4.7%	-2.2%	24.0%	-1.1%

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Figure 4 shows the distribution of resident and nonresident returns by filing status. The most common filing status among residents was status single, while joint returns were most common among nonresidents. A nonresident who is married to a resident is required to pay tax on all sources of income if they file a joint return. If that same nonresident files separately from his or her spouse, then tax liability is based on the ratio of Hawaii AGI to worldwide AGI. As shown in Figure 4, 8.1% of nonresidents chose to file as "married filing separately" compared with 1.7% of residents.

Figure 4
Number of Returns by Status of Taxpayer

Status	Residents		Nonresidents		All Returns	
	No. of Returns	% of Total	No. of Returns	% of Total	No. of Returns	% of Total
Joint	197,522	37.8%	27,139	49.2%	224,661	38.8%
Single.....	259,632	49.6%	21,209	38.4%	280,841	48.6%
Married Filing Separate.....	9,033	1.7%	4,485	8.1%	13,518	2.3%
Head of Household.....	56,500	10.8%	2,353	4.3%	58,853	10.2%
Qualified Widow(er).....	416	0.1%	3	0.0%	419	0.1%
TOTAL	523,103	100.0%	55,189	100.0%	578,292	100.0%

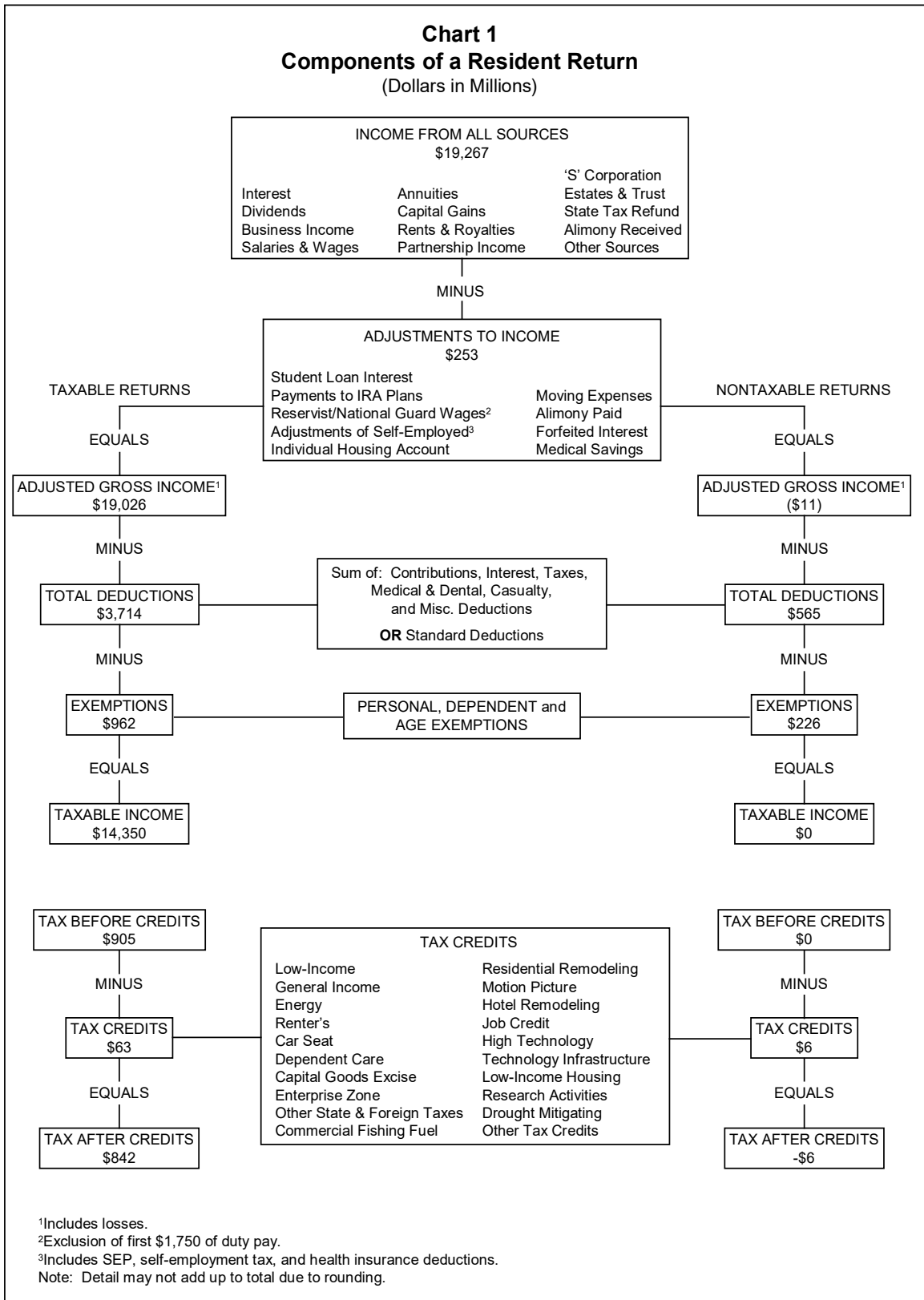
Note: Due to rounding, details may not add to totals.

RESIDENT RETURN STATISTICS

Chart 1 shows the major components of resident returns for the 2002 tax year.

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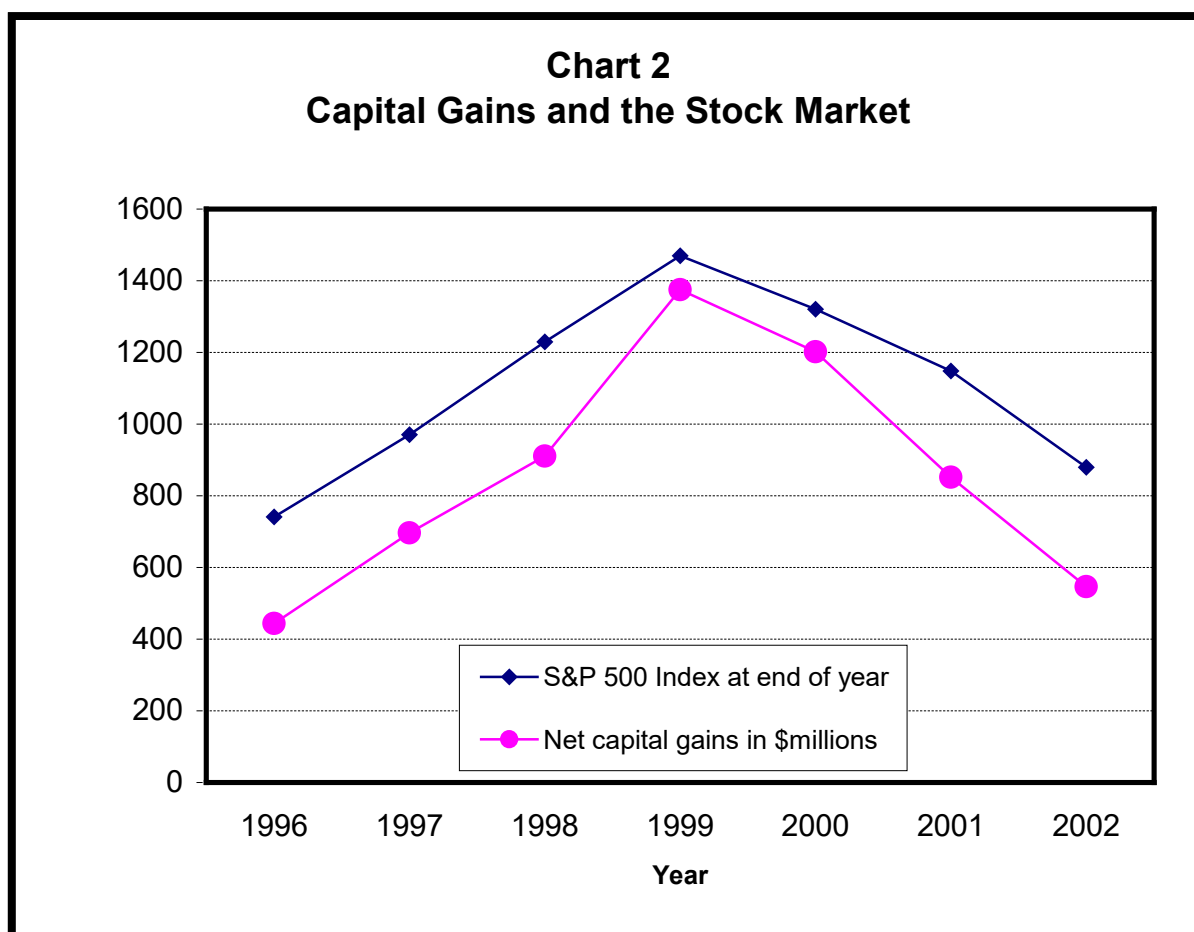
Chart 1
Components of a Resident Return
(Dollars in Millions)



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Resident Income and Adjustments

On their federal returns, Hawaii residents had total reportable income of \$21.5 billion for 2002, compared to \$21.2 billion a year earlier. The use of amounts reported on federal returns for income sources was necessary because there is no detailed information on income sources on the simplified Form N-11 used by most resident taxpayers. Table 4 in the appendix shows the distribution of 2002 income by source. Salaries and wages was the largest income category at \$15.7 billion, up from \$15.1 billion the previous year. Salaries and wages accounted for 73% of 2002 federal total income for Hawaii residents. The next largest income category was pensions and annuities at \$2.0 billion, which represented 9% of federal total income and increased from \$1.9 billion the previous year.



Resident net income from the sale of capital assets fell by \$305 million or 36% from \$852 million in 2001 to \$547 million in 2002. Chart 2 indicates a positive correlation between net income from capital asset sales and the Standard and Poor's 500 index², a widely regarded measure of the stock market, between 1996 and 2002.

² <http://finance.yahoo.com> was the data source for the Standard and Poor's 500 index levels at the close of each year.

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Another resident income category that showed a significant decline between 2001 and 2002 was interest income, which dropped by 29% from \$666 million to \$473 million. This decline was likely the result of the declining bank interest rates precipitated by interest rate cuts made by the Federal Reserve Board, which slashed the federal funds interest rate from 6.5% at the start of 2001 to 1.75% at the start of 2002. As a result, the bank prime lending rate³ fell on an annual basis from 6.91% in 2001 to 4.67% in 2002, a decline of 32%. The prevailing interest rates also affected dividend income, since some dividends represent the earnings of money market mutual funds, which are sensitive to short-term interest rates. Dividend income reported by residents declined by 17% from \$380 million in 2001 to \$314 million in 2002.

Despite these income source decreases, total reportable income on federal returns of Hawaii residents rose by 1.4% from \$21.2 billion to \$21.5 billion, helped in large measure by a \$569 million or 3.8% increase in resident salaries and wages. Resident pension and annuity income increased by \$83 million or 4.3%. Unemployment benefits reported by residents rose by \$37 million or 36% from \$102 million to \$139 million.

Total reportable income for the Hawaii state tax return is computed by: (1) adding items taxed by Hawaii but not by the federal government, which totaled \$430 million and which include COLA for federal employees, employee retirement contributions of state and county employees, and interest from municipal bonds issued by states other than Hawaii; and (2) subtracting items taxed by the federal government but not by Hawaii, which totaled \$2.6 billion and which included social security benefits, most pensions, and interest on federal bonds. For 2002, the resulting total reportable Hawaii income was \$19.3 billion, as shown in Chart 1. This amount represents a 1.3% or \$241 million increase over the previous year.

Taxpayers may claim certain adjustments that are deducted from their total income to obtain adjusted gross income. Allowable adjustments on both the federal and Hawaii returns include contributions made to a deductible individual retirement account (IRA), 50% of self-employment tax, 70% of self-employment insurance premiums, contributions to retirement accounts for the self-employed, the interest penalty on early withdrawal of savings, alimony paid, contributions to a medical savings account, moving expenses, and interest paid on student loans. Two adjustments that appear on the Hawaii return have no federal counterpart: (1) contributions to a Hawaii individual housing account; and (2) the first \$1,750 in Hawaii national guard or military reserve pay. For tax year 2002, the federal return included two new adjustments not yet adopted by Hawaii: (1) the first \$250 in qualified expenses of educators; and (2) the first \$3,000 in tuition and fees at qualified colleges and vocational schools.

Figure 5 shows the distribution of adjustments claimed by Hawaii residents for 2002. There is an "unknown" category because details of adjustments could not be retrieved if

³ Historical bank prime rates from <http://federalreserve.gov/releases/H15/data.htm>

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a taxpayer filed a simplified N-11 return and there was no matching federal return to supply the missing information. Total adjustments on Hawaii resident returns increased by \$42 million or 20% from \$211 million for 2001 to \$253 million for 2002.

Figure 5
Adjustments to Income on Resident Returns

Type of Adjustment	Number of Returns	Amount
One-half of Self-Employment Tax.....	49,721	\$ 61,353,794
Self-Employed Retirement Plans.....	5,403	61,794,664
Individual Retirement Account Contributions.....	15,243	40,871,736
Self-Employment Health Insurance Deduction.....	13,823	33,211,104
Alimony Paid.....	1,170	16,197,192
Hawaii National Guard/Military Reserve Pay.....	5,337	9,067,149
Moving Expenses.....	2,786	9,417,389
Student Loan Interest.....	15,121	9,909,352
Penalty for Early Withdrawal of Savings.....	2,861	1,173,260
Individual Housing Account Contributions.....	83	371,781
Medical Savings Account Contributions.....	44	61,779
Unknown Adjustments.....	7,037	9,552,118
Hawaii Total Adjustments.....	90,464	\$ 252,981,318
Educator Expenses (federal only).....	9,008	\$ 2,181,396
College Tuition and Fees (federal only).....	7,265	\$ 16,076,103

Changes in federal law were the apparent reason for large increases in four of the adjustment categories. The first category so affected was the adjustment for contributions to self-employed and small business retirement plans, which rose by \$13.7 million or 29%. The Simplified Employee Pension (SEP) is a retirement plan that can be used by a small business employer for the benefit of the employer and his or her employees. For 2002, the maximum contribution to SEP plan increased to the smaller of \$40,000 or 25% of the participant's compensation, compared to the previous limit of the smaller of \$35,000 or 15% of compensation. Another retirement plan available to small businesses is the SIMPLE IRA, for which the contribution limit increased to \$7,000 from \$6,500.

A second adjustment category showing a sizable increase related to a federal law change was the adjustment for contributions to a traditional deductible IRA. The maximum contribution increased from \$2,000 to \$3,000 (\$3,500 for those age 50 and above). The dollar amount of adjustments for traditional IRAs increased by \$8.5 million

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or 26% as taxpayers opted to take advantage of the higher maximums. The 26% increase in traditional IRA contributions did not match the 50% increase in the maximum contribution limit from \$2,000 to \$3,000 (75% increase from \$2,000 to \$3,500 for those age 50 and over) because the number of returns reporting the adjustment actually decreased by 6% as some taxpayers who contributed to traditional IRAs for 2001 possibly switched for 2002 to Roth IRAs, which provide no deduction up front, but which provide nontaxable income when withdrawn upon retirement.

A third adjustment category showing a substantial increase related to a federal law change was the adjustment for health insurance premiums paid by the self-employed. The amount of the adjustment was increased to 70% of premiums from 60% the previous year. For 2002, the dollar amount reported was \$8.2 million or 33% more than the amount reported for 2001. The number of returns reporting this adjustment rose by 6%.

A fourth adjustment category significantly affected by federal law change was the adjustment for student loan interest. Tax year 2002 saw the removal of the requirement that the adjustment could be taken only for interest paid during the first 60 months that interest payments are required. As a result, the number of returns reporting this adjustment surged by 51% from 10,022 for 2001 to 15,121 for 2002 and the dollar amount claimed rose by \$3.9 million or 66%.

Two new federal adjustments that were introduced for 2002 were not immediately adopted by Hawaii. One was the adjustment for the first \$3,000 in tuition and fees at qualified universities, colleges, and vocational schools. A total of 7,265 Hawaii taxpayers reported \$16.1 million for this adjustment on their federal returns.

Also new for 2002 was the federal adjustment for the first \$250 in qualified expenses of educators teaching in grade K-12 schools. In its initial year, a total of 9,008 Hawaii taxpayers reported \$2.2 million for this federal adjustment. Since Hawaii has adopted the educator expense adjustment for tax year 2003, these figures provide a baseline for the next edition of this report.

After subtraction of adjustments, Hawaii residents were left with \$19.0 billion in adjusted gross income (AGI). This represented an increase of 1.1% when compared with the previous year. As shown in Figure 6, median AGI for all resident returns rose to \$22,757 from \$22,626 the previous year. For taxable resident returns, median AGI increased to \$28,881 from \$28,159. Lower median AGI in the county of Hawaii may reflect the rural nature of much of that county.

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Figure 6
Median Adjusted Gross Income on Resident Returns
by Status, Taxation District and Year

Taxation District	All Returns		Joint		All Others**	
	2002	2001	2002	2001	2002	2001
All Resident Returns*						
Oahu	\$ 23,145	\$ 23,100	\$ 47,845	\$ 47,234	\$ 15,761	\$ 15,762
Maui	24,045	23,945	48,473	46,787	17,400	17,704
Hawaii	19,573	19,395	38,924	39,040	13,726	13,585
Kauai	22,136	21,381	43,886	44,017	15,901	14,693
STATE	\$ 22,757	\$ 22,626	\$ 46,853	\$ 46,012	\$ 15,707	\$ 15,649
Taxable Resident Returns						
Oahu	\$ 29,775	\$ 28,946	\$ 57,260	\$ 56,016	\$ 20,696	\$ 20,137
Maui	28,285	27,889	55,113	52,418	20,326	20,476
Hawaii	25,890	24,630	48,102	47,471	18,533	17,971
Kauai	26,743	25,842	50,813	49,828	19,316	18,752
STATE	\$ 28,881	\$ 28,159	\$ 55,554	\$ 53,899	\$ 20,219	\$ 19,809

*Includes returns with AGI losses.

**Includes single, married filing separately, heads of households, and qualifying surviving spouses.

Resident Deductions and Personal Exemptions

A taxpayer may choose to take a standard deduction or to itemize deductions. Hawaii's standard deduction amounts have remained unchanged since 1989, while the federal amounts are indexed to inflation and have increased each year. As a result, the disparity between the Hawaii and federal standard deduction amounts for 2002 was large:

<u>Status</u>	<u>Standard Deduction Amount</u>	
	<u>Hawaii</u>	<u>Federal</u>
Single.....	\$1,500	\$4,700
Joint.....	1,900	7,850
Married Filing Separately.....	950	3,925
Head of Household.....	1,650	6,900
Qualified Widow(er).....	1,900	7,850
Dependent.....	500	750

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As discussed in the next section on resident taxable income and tax liability, the disparity between the federal and Hawaii standard deduction amounts was a primary reason why many low-income taxpayers paid more state income taxes than federal income taxes.

Note that the standard deduction amount for dependents represents the minimum amount for those dependents with little or no earned income. With sufficient earned income, the standard deduction for dependents could range as high as the maximum amount for that dependent's filing status. For example, an unmarried dependent with at least \$1,500 in earned income would have a Hawaii standard deduction of \$1,500.

If a taxpayer has deductions greater than the standard amount, it would be to his or her advantage to itemize deductions. For 2002, 56% of residents reported itemized deductions totaling \$4.0 billion on their Hawaii returns. Hawaii resident standard deductions amounted to \$360 million. Due to the much larger federal standard deduction amount, only 34% of Hawaii residents itemized deductions on their federal returns. Thus, 22% of Hawaii residents took the standard deduction on their federal returns but still needed to keep detailed records of expenses in order to itemize on their state returns.

Hawaii itemized deductions may be taken for medical expenses, certain interest expenses, charitable contributions, certain tax expenses, casualty and theft losses, and miscellaneous items such as employee business expenses, tax preparation fees, and certain political contributions. Some of these items are partially deductible. For example, only medical expenses in excess of 7.5% of AGI are deductible. Certain miscellaneous deductions can only be deducted to the extent that they exceed 2% of AGI. Casualty and theft losses in excess of 10% of AGI are deductible.

In addition to the above limitations, returns with AGI above \$100,000 (\$50,000 for married persons filing separately) are subject to an overall limitation. This limitation requires that such a return forego the lesser of 80% of certain itemized deductions or 3% of the amount by which AGI exceeds the \$100,000 or \$50,000 threshold. This provision affected 32,774 higher-income resident taxpayers, who had to forego \$84 million in itemized deductions, reducing the allowable total of itemized deductions to \$3.9 billion.

Appearing on 98% of returns that itemized deductions, the deduction for state and local taxes was the most frequently claimed deduction category. Among returns claiming the deduction for taxes, the average amount claimed was \$4,171, down from \$4,214 the previous year. The final stage of income tax rate reduction reduced 2002 state income tax liability, which in turn reduced the size of the deduction for state income taxes paid.

Charitable contributions was the second most frequently claimed deduction, showing up on 83% of returns that itemized deductions. The average amount reported per return rose from \$1,968 for 2001 to \$2,073 for 2002.

Figure 7
Itemized Deductions Claimed by Residents - 2002
(Thousands of Dollars)

Deduction Type	Number of Claims	% of Itemizers	Amount of Claim	% of Total
Interest.....	154,673	53.2	\$ 1,700,674	42.5
Taxes.....	284,811	98.0	1,188,053	29.7
Charitable Contributions.....	240,385	82.7	498,272	12.4
Medical.....	69,477	23.9	258,339	6.5
Casualty & Theft.....	1,015	0.3	7,457	0.2
Miscellaneous.....	119,663	41.2	351,240	8.8
Total Itemized Deductions.....	290,617	100.0	\$ 4,004,036	100.0
Total Unallowed Deductions.....	32,774		84,404	
Allowable Itemized Deductions....	290,617		\$ 3,919,633	

NOTE: Totals may not add up due to rounding.

Although third in frequency at 53% of itemized returns, the deduction for interest paid was first in dollar volume at \$1.7 billion, of which \$1.6 billion was for mortgage interest. The average deduction amount for interest paid declined from \$11,245 to \$10,995 due to the decline in prevailing interest rates. Second in volume was the deduction for taxes at \$1.2 billion.

Itemized deductions with AGI eligibility criteria were claimed by a decidedly smaller percentage of itemizers. Miscellaneous deductions, much of which is subject to the 2% of AGI rule, showed up on 41% of itemized returns. Medical deductions, which are subject to the 7.5% of AGI rule, were claimed by 24% of itemizers. Only 0.3% of itemizers claimed the deduction for casualty and theft losses, which had to meet the 10% of AGI rule.

A Hawaii personal exemption of \$1,040 is allowed for each taxpayer, taxpayer's spouse, and qualified dependents. Each taxpayer and spouse who has attained age 65 may claim an additional \$1,040 exemption for age. A dependent who files his or her own return is not allowed to claim any exemptions on that return. Hawaii's personal exemption amount has not changed since 1985, whereas the federal personal exemption is indexed to inflation and has increased each year. The federal amount for 2002 was \$3,000.

Blind, deaf, or totally disabled taxpayers are allowed a special personal exemption of \$7,000 in lieu of all personal exemptions except those for a non-disabled spouse and that spouse's age. If the spouse is also disabled, the total allowable exemption amount is \$14,000.

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For 2002, resident exemptions numbered 1,116,294, of which 127,397 or 11% were for age. Exemptions for dependents numbered 300,073 and accounted for 27% of total resident exemptions. Exemptions for the taxpayer and spouse numbered 688,824, which was 62% of the total.

Resident Taxable Income and Tax Liability

Taxable income is the amount remaining after subtracting deductions and personal exemptions from adjusted gross income. There was taxable income on 83% of total Hawaii resident returns. Although taxable income increased to \$14.3 billion from \$14.1 billion in the previous year, tax liability before credits decreased by 3.6% from \$938.3 million to \$904.9 million as a result of the third and final stage of income tax rate reductions adopted by the 1998 legislature via Act 157. Net tax liability, or the actual amount that the taxpayer pays after subtraction of tax credits, declined by 5.2% from \$881.5 million to \$835.8 million.

Among resident taxpayers for whom both state and federal return information was available, state tax liability before credits amounted to 35% of federal tax liability before credits. However, the disparity between Hawaii's small standard deduction amounts and the much larger federal amounts resulted in higher state tax liability for many low-income taxpayers. To illustrate, an unmarried taxpayer with no dependents who has 2002 adjusted gross income of \$7,700 has no federal taxable income and thus no federal tax liability after subtracting the federal standard deduction of \$4,700 and a federal personal exemption of \$3,000. On that taxpayer's Hawaii return, subtracting the standard deduction of \$1,900 and a personal exemption of \$1,040 results in taxable income of \$4,760 and a Hawaii tax liability of \$135.

Among resident taxpayers for whom both Hawaii and federal return information was available, a total of 99,824 had higher state gross tax liability. Of these, nearly 94,000 were taxpayers with adjusted gross incomes under \$30,000. This statistic points to an inequity for these low-income taxpayers caused by the extreme divergence between the Hawaii and federal standard deduction and personal exemption amounts. Although Hawaii's personal tax credits for low-income individuals and low-income renters do provide some relief, they are now dwarfed by the federal child tax credit and the federal earned income tax credit. Hawaii net tax liability after credits was higher than federal net tax liability on 129,141 returns. Of these, 105,700 were taxpayers with adjusted gross incomes under \$30,000.

NONRESIDENT AND PART-YEAR RESIDENT RETURN STATISTICS

Nonresidents and part-year residents use Form N-15 to file their individual income tax returns for Hawaii. For 2002, the number of N-15 returns amounted to 55,189, a 5.3% increase over the 2001 total of 52,429. N-15 returns accounted for 9.5% of all 2002 individual returns.

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Nonresident Income and Adjustments

Nonresidents and part-year residents must report income amounts and adjustment amounts by category on a worldwide basis and also as amounts from Hawaii sources. Since this report is concerned with Hawaii income, nonresident statistics refer to Hawaii amounts, unless otherwise specified. Total income from Hawaii sources amounted to \$776.9 million, an increase of \$8.2 million from the previous year as shown in Figure 8.

Figure 8
Sources of Income Reported
by Nonresident Taxpayers in 2002 and 2001
(In Thousands of Dollars)

Sources of Income	2002	2001	Increase (Decrease)
TOTAL.....	\$ 776,935	\$ 768,756	\$ 8,179
Salaries and Wages.....	\$ 574,547	\$ 560,450	\$ 14,098
Interest.....	23,657	20,455	3,202
Ordinary Dividends.....	5,846	6,727	(881)
Capital Assets/Other Property.....	224,685	231,958	(7,274)
Rents, Royalties, Partnerships, S Corp., Estates and Trusts.....	60,020	41,672	18,347
All Other Sources.....	(111,820)	(92,507)	(19,313)

Total Hawaii adjustments to income rose to \$29.1 million from \$24.3 million. After subtraction of adjustments from total income, Hawaii AGI for 2002 was \$748 million, compared with \$744 million a year earlier. Hawaii AGI of nonresidents amounted to 5.8% of their worldwide AGI of \$12.9 billion.

Nonresident Deductions and Exemptions

Nonresidents and part-year residents are allowed prorated standard deductions and personal exemptions based on the ratio of Hawaii AGI to worldwide AGI. If they choose, they may use the Hawaii amounts of their itemized deductions in lieu of the prorated standard deduction. For 2002, nonresidents reported \$169 million in itemized deductions, of which \$7 million could not be used due to the phase-out of itemized deductions for high-income taxpayers, resulting in total allowable itemized deductions of \$162 million, compared to \$139 million for 2001. Prorated standard deductions amounted to \$18.0 million, up slightly from \$17.5 million the previous year. Prorated personal exemptions increased slightly to \$37.9 million from \$36.6 million.

Nonresident Taxable Income and Tax Liability

After subtracting deductions and personal exemptions from Hawaii AGI, nonresidents were left with \$854 million in Hawaii taxable income compared with \$789 million the previous year for an 8% increase. Due to the reduced 2002 income tax rates, liability before credits increased by only 4% to \$51.9 million from \$49.9 million. Net tax liability after credits amounted to \$48.6 million for 2002 compared with \$48.0 million for 2001.

TAX CHECKOFFS

Hawaii has two tax checkoffs, which are provisions that allow taxpayers to designate funds for specific causes. Some states have a wide range of checkoffs, whereas the federal tax return has only one checkoff, the provision that allows taxpayers to designate funds for the presidential election campaign without affecting tax liability. Hawaii has a similar checkoff that allows taxpayers to designate \$2 (up to \$4 for joint returns) to the Hawaii Election Campaign Fund. As with the federal election checkoff, this Hawaii checkoff does not affect tax liability. Candidates who agree to abide by Hawaii's election campaign spending limits can receive a share of this fund. For 2002, 98,735 returns designated \$272, 220 for this purpose.

Another Hawaii checkoff witnessed its second year of existence on the 2002 Hawaii return and allows taxpayers to designate \$2 of their tax refund to the Hawaii School-Level and Maintenance Special Fund. Since this checkoff does affect tax liability by reducing the size of the refund, response was decidedly smaller. Only 45,530 returns showed designations, which amounted to \$126,562.

ELDERLY RESIDENT TAXPAYERS

An elderly taxpayer is identified as one who has claimed the exemption for being age 65 or older. Resident returns with such exemptions numbered 92,879, or 18% of all resident returns. Elderly resident returns had total income reportable for state income tax purposes of \$1.93 billion as compared to \$3.68 billion reportable for federal income tax purposes. The difference between these two amounts was \$1.75 billion, which was 47% of federal total income. This large difference is due to the fact that the elderly benefit from two income sources that are either totally or mostly untaxed by Hawaii. One source is pension income, which Hawaii by and large does not tax. The other is social security benefits, which are not taxed by Hawaii at all. In contrast, returns of the non-elderly (defined here as those without age exemptions) showed a difference of \$456 million between federal total income of \$17.8 billion and state total income of \$17.3 billion. This difference represented only 2.6% of the federal total income of the non-elderly.

Figure 9 compares the distribution of federally reportable income for the elderly and the non-elderly. The largest income source of the elderly was pensions and annuities, which represented 36% of federally reportable income. As might be expected, the

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elderly had considerably more pension and annuity distributions, IRA distributions, and social security income than the non-elderly. However, the elderly also reported more dividends, interest, and net capital gains than the non-elderly, despite being outnumbered by more than four to one in terms of numbers of returns. Elderly returns showed positive income from rents and royalties, while non-elderly returns showed losses.

Figure 9
Sources of Income Reported by the Elderly and
All Other Residents - 2002
(In Thousands of Dollars)

Sources of Income	Elderly		All Others	
	Amount	% of Total	Amount	% of Total
FEDERAL TOTAL INCOME	\$ 3,681,957	100.0	\$ 17,789,711	100.0
Salaries and Wages.....	\$ 723,258	19.6	\$ 14,955,199	84.1
Taxable Dividends.....	167,473	4.5	146,041	0.8
Interest.....	239,370	6.5	233,967	1.3
Sole Proprietorships.....	75,236	2.0	735,334	4.1
Capital Assets and Other Property.....	292,359	7.9	254,356	1.4
Rents and Royalties.....	104,174	2.8	(40,117)	(0.2)
Partnerships.....	70,865	1.9	407,590	2.3
Estates and Trusts.....	49,062	1.3	36,834	0.2
Pensions and Annuities.....	1,334,662	36.2	664,799	3.7
Taxable IRA Distributions.....	184,468	5.0	130,975	0.7
Taxable Social Security.....	421,139	11.4	53,922	0.3
All Other Sources.....	19,891	0.5	210,810	1.2

Note: detail may not add up to total due to rounding.

From Hawaii total income of \$1.93 billion, elderly residents subtracted \$24 million in adjustments, resulting in Hawaii adjusted gross income of \$1.91 billion. After deductions and exemptions, taxable income amounted to \$896 million, compared with \$1.04 billion a year earlier. Tax liability before credits totaled \$80 million, down from \$91.6 million the previous year. Net tax liability after tax credits amounted to \$68 million for 2002.

BLIND, DEAF AND DISABLED RESIDENT TAXPAYERS

A taxpayer who has been certified as blind, deaf or totally disabled (BDD) may claim a special personal exemption of \$7,000 in lieu of all of the usual personal exemptions except those for a non-disabled spouse and that spouse's age. If the spouse is also certified as BDD, then the couple is allowed a total of \$14,000 in special personal exemptions.

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BDD exemptions were claimed on 5,010 resident returns. These returns reported total income of \$212 million for federal tax purposes and \$144 million for state tax purposes. The difference of \$68 million represented 32% of federal total income. As with elderly returns, this large difference was the result of the divergence between Hawaii and federal income tax law with regard to the taxability of pension and social security income.

For BDD taxpayers, pension and annuity income amounted to \$50.1 million or 24% of federal total income. This was second only to salaries and wages, which totaled \$67.3 million and represented 32% of federal total income. Other major income sources of BDD taxpayers were \$22.0 million in taxable social security benefits, \$18.0 million in net capital gains, and \$13.5 million in taxable interest income.

BDD taxpayers reported taxable income of \$50.7 million and tax liability of \$4.6 million before tax credits. Tax liability after credits totaled \$4.1 million.

DEPENDENT RESIDENT TAXPAYERS

Dependent taxpayers are individuals who file their own returns but who are eligible to be claimed as a dependent on another taxpayer's return. On the dependent's return, the personal exemption is not allowed and the normal standard deduction is allowed only if earned income is at least equal to the normal standard deduction amount for the dependent's status. If earned income is less than the normal standard deduction amount, then the allowed amount of standard deduction is the greater of \$500 or the amount of earned income.

For 2002, resident dependents filed 31, 993 returns. They had total reportable income of \$141 million for Hawaii state tax purposes. Divergence of Hawaii and federal law in terms of reportable income was of minimal import as total reportable income for federal income taxes was only slightly larger at \$142 million. Wages was by far the major source of income at \$131 million, followed distantly by dividends at \$4.4 million and interest at \$4.3 million. Taxable income amounted to \$98 million, resulting in tax liability of \$3.8 million before credits and \$3.7 million after credits.

STATISTICAL TABLES⁴

⁴ "d" in the tables denotes the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information.

TABLE 1
PERCENT DISTRIBUTION OF SELECTED DATA ON ALL RESIDENT RETURNS BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS		Number of Returns		Adjusted Gross Income		Taxable Income		Tax Liability		
		Number	%	Amount	%	Amount	%	Amount	%	
<u>TAXABLE RESIDENT RETURNS</u>										
	Under \$	\$	27,704	6.4%	\$ 89,330,648	0.5%	\$ 35,622,475	0.2%	\$ 572,733	0.1%
\$	5,000	"	43,239	10.0%	322,333,226	1.7%	182,696,712	1.3%	5,113,509	0.6%
	10,000	"	81,217	18.8%	1,209,404,778	6.4%	834,396,039	5.8%	35,441,125	3.9%
	20,000	"	70,981	16.4%	1,760,990,048	9.3%	1,314,003,737	9.2%	67,883,153	7.5%
	30,000	"	51,520	11.9%	1,782,420,807	9.4%	1,335,171,709	9.3%	75,740,171	8.4%
	40,000	"	35,962	8.3%	1,609,898,547	8.5%	1,201,714,080	8.4%	70,865,786	7.8%
	50,000	"	60,733	14.0%	3,709,166,163	19.5%	2,717,680,963	18.9%	167,996,960	18.6%
	75,000	"	29,231	6.8%	2,523,598,783	13.3%	1,869,660,168	13.0%	121,996,507	13.5%
	100,000	"	20,750	4.8%	2,473,763,862	13.0%	1,893,916,482	13.2%	131,558,319	14.5%
	150,000	"	5,176	1.2%	881,955,521	4.6%	708,129,053	4.9%	52,016,096	5.7%
	200,000	and over	5,909	1.4%	2,663,010,710	14.0%	2,256,581,236	15.7%	175,694,915	19.4%
TOTAL - TAXABLE RETURNS			432,422	100.0%	\$ 19,025,873,093	100.0%	\$ 14,349,572,654	100.0%	\$ 904,879,274	100.0%
<u>NONTAXABLE RESIDENT RETURNS</u>										
Loss			9,969	11.0%	\$ (305,754,224)					
\$	0	under \$	64,573	71.2%	79,280,846	NOT APPLICABLE				
	5,000	"	8,928	9.8%	63,186,712					
	10,000	and over	7,211	8.0%	151,871,507					
TOTAL - NONTAXABLE RETURNS			90,681	100.0%	\$ (11,415,159) ¹					
ALL RESIDENT RETURNS			523,103		\$ 19,014,457,934 ¹		\$ 14,349,572,654		\$ 904,879,274	

¹ Includes returns with negative AGI.

TABLE 2
SELECTED DATA ON ALL RETURNS FILED, BY TYPE OF RETURN FILED AND BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS			Number of Returns			Adjusted Gross Income		
			Single ¹	Joint	H/H	Single ¹	Joint	H/H ²
<u>TAXABLE RESIDENT RETURNS</u>								
	Under	\$ 5,000	26,936	316	452	\$ 85,871,111	\$ 1,421,358	\$ 2,038,179
\$ 5,000	"	10,000	34,062	4,694	4,483	250,417,805	37,073,514	34,841,907
10,000	"	20,000	52,086	15,475	13,656	765,947,748	233,630,258	209,826,772
20,000	"	30,000	38,600	17,908	14,473	954,089,836	447,892,196	359,008,016
30,000	"	40,000	25,944	17,314	8,262	895,180,740	604,868,718	282,371,349
40,000	"	50,000	14,177	17,430	4,355	631,306,169	784,824,085	193,768,293
50,000	"	75,000	15,903	40,434	4,396	942,452,370	2,504,734,486	261,979,307
75,000	"	100,000	3,554	24,776	901	302,488,841	2,143,207,336	77,902,606
100,000	"	150,000	1,913	18,388	449	228,921,184	2,191,271,750	53,570,928
150,000	"	200,000	602	4,421	153	103,184,316	752,508,917	26,262,288
200,000	and over		807	4,938	164	432,254,039	2,155,278,407	75,478,264
TOTAL - TAXABLE RETURNS			214,584	166,094	51,744	\$5,592,114,159	\$11,856,711,025	\$1,577,047,909
<u>NONTAXABLE RESIDENT RETURNS</u>								
Loss			6,100	3,421	448	\$ (138,873,488)	\$ (149,994,244)	\$ (16,886,492)
\$ 0	under	\$ \$ 5,000	43,652	17,201	3,720	42,205,653	31,270,844	5,804,349
5,000	"	10,000	2,819	5,536	573	19,959,756	39,009,590	4,217,366
10,000	and over		1,510	5,270	431	33,260,937	110,451,189	8,159,381
TOTAL - NONTAXABLE RETURNS			54,081	31,428	5,172	\$ (43,447,142) ³	\$ 30,737,379 ³	\$ 1,294,604 ³
ALL RESIDENT RETURNS			268,665	197,522	56,916	\$5,548,667,017 ³	\$11,887,448,404 ³	\$1,578,342,513 ³
ALL NONRESIDENT RETURNS			25,694	27,139	2,356	\$ 251,805,438 ³	\$ 463,258,955 ³	\$ 32,803,738 ³
TOTAL - ALL RETURNS			294,359	224,661	59,272	\$5,800,472,455 ³	\$12,350,707,359 ³	\$1,611,146,251 ³

See end of table for footnotes.

TABLE 2 (continued)
 SELECTED DATA ON ALL RETURNS FILED, BY TYPE OF RETURN FILED AND BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS			Taxable Income			Tax Liability		
			Single ¹	Joint	H/H ²	Single ¹	Joint	H/H ²
<u>TAXABLE RESIDENT RETURNS</u>								
	Under	\$ 5,000	\$ 35,207,571	\$ 163,678	\$ 251,226	\$ 566,896	\$ 2,323	\$ 3,514
\$ 5,000	"	10,000	157,280,658	10,380,095	15,035,959	4,677,489	154,957	281,063
10,000	"	20,000	577,396,941	118,868,867	138,130,231	27,023,667	3,281,894	5,135,564
20,000	"	30,000	773,360,441	273,780,084	266,863,212	44,042,052	10,943,098	12,898,003
30,000	"	40,000	736,904,264	391,008,218	207,259,227	46,013,246	18,535,985	11,190,940
40,000	"	50,000	506,559,594	549,474,634	145,679,852	33,267,066	29,042,829	8,555,891
50,000	"	75,000	743,373,978	1,779,050,240	195,256,745	51,510,579	104,182,460	12,303,921
75,000	"	100,000	239,639,387	1,570,035,850	59,984,931	17,503,306	100,390,759	4,102,442
100,000	"	150,000	184,415,852	1,669,920,036	39,580,594	13,892,808	114,831,108	2,834,403
150,000	"	200,000	85,528,236	601,588,512	21,012,305	6,567,439	43,874,225	1,574,432
200,000	and over		372,948,636	1,817,701,953	65,930,647	29,413,568	141,111,404	5,169,943
TOTAL - TAXABLE RETURNS			\$4,412,615,558	\$8,781,972,167	\$1,154,984,929	\$274,478,116	\$566,351,042	\$64,050,116
<u>NONTAXABLE RESIDENT RETURNS</u>								
Loss								
\$ 0	under	\$ 5,000						
5,000	"	10,000	NOT APPLICABLE			NOT APPLICABLE		
10,000	and over							
TOTAL - NONTAXABLE RETURNS								
ALL RESIDENT RETURNS			\$4,412,615,558	\$8,781,972,167	\$1,154,984,929	\$274,478,116	\$566,351,042	\$64,050,116
ALL NONRESIDENT RETURNS			\$ 300,982,175	\$ 523,911,495	\$ 29,243,098	\$ 18,903,515	\$ 31,390,362	\$ 1,624,026
TOTAL - ALL RETURNS			\$4,713,597,733	\$9,305,883,662	\$1,184,228,027	\$293,381,631	\$597,741,404	\$65,674,142

¹ Includes married filing separately.

² Includes heads of household and qualifying surviving spouses.

³ Includes returns with negative AGI.

TABLE 3
SELECTED DATA ON NONRESIDENT RETURNS FILED BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS		Number of Returns	Hawaii Adjusted Gross Income	Worldwide Adjusted Gross Income	<u>No. of Exemptions</u> Regular Age		Hawaii Taxable Income	Hawaii Tax Liability
TAXABLE NONRESIDENT RETURNS								
	Under \$ 5,000	13,153	\$ 31,436,092	\$ 2,125,607,304	23,645	1,514	\$ 23,490,727	\$ 383,244
\$ 5,000	" 10,000	8,454	61,547,923	1,219,002,348	16,711	831	46,528,571	1,242,634
10,000	" 20,000	8,124	114,231,399	825,075,773	16,772	637	93,557,304	3,768,388
20,000	" 30,000	4,434	109,469,485	847,225,692	9,995	397	89,204,076	4,451,193
30,000	" 40,000	2,193	75,568,873	414,170,325	5,419	108	62,552,137	3,448,477
40,000	" 50,000	1,226	54,535,010	306,114,386	2,884	195	44,717,866	2,572,172
50,000	" 75,000	1,712	104,924,112	743,673,557	3,996	145	86,547,750	5,537,604
75,000	" 100,000	670	57,710,429	284,581,443	1,673	85	47,721,570	3,212,761
100,000	" 150,000	534	64,406,832	1,130,385,916	1,205	151	54,141,853	3,829,739
150,000	" 200,000	230	39,032,346	493,560,113	524	95	34,411,319	2,506,709
200,000	and over	446	298,747,345	2,516,253,477	1,085	166	271,263,595	20,964,982
TOTAL - TAXABLE RETURNS		41,176	\$ 1,011,609,846	\$ 10,905,650,334	83,909	4,324	\$854,136,768	\$51,917,903
<u>NONTAXABLE NONRESIDENT RETURNS</u>								
Loss		7,043	\$ (276,266,449)	\$ 1,272,802,351	14,200	1,933	NOT APPLICABLE	
\$ 0	under \$ 5,000	6,355	3,653,309	570,455,357	10,995	1,177		
5,000	" 10,000	367	2,555,447	59,157,116	830	208		
10,000	and over	248	6,315,978	61,151,735	611	69		
TOTAL - NONTAXABLE RETURNS		14,013	\$ (263,741,715) ¹	\$ 1,963,566,559	26,636	3,387		
ALL NONRESIDENT RETURNS		55,189	\$ 747,868,131 ¹	\$ 12,869,216,893	110,545	7,711	\$854,136,768	\$51,917,903

¹ Includes returns with negative AGI.

TABLE 4
SOURCES OF INCOME AND STATUTORY ADJUSTMENTS ON ALL RETURNS FILED BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS	SALARIES AND WAGES		DIVIDENDS		INTEREST	
	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount
<u>TAXABLE RESIDENT RETURNS</u>						
Under \$ 5,000	22,890	\$ 73,407,102	4,341	\$ 2,938,609	11,580	\$ 6,652,372
\$ 5,000 "	34,595	247,764,128	5,377	7,165,434	16,247	21,669,666
10,000 "	69,972	996,643,791	11,962	22,782,511	35,779	53,200,605
20,000 "	65,694	1,565,638,421	10,984	20,580,601	37,312	38,186,392
30,000 "	48,873	1,618,979,516	10,953	15,183,749	33,243	28,389,592
40,000 "	34,492	1,449,878,774	8,617	13,226,289	25,567	24,278,107
50,000 "	58,535	3,341,009,221	19,657	29,187,417	48,965	49,313,149
75,000 "	28,423	2,239,152,543	13,295	20,515,949	26,208	30,515,086
100,000 "	19,765	2,046,367,184	12,131	24,535,819	19,590	30,992,359
150,000 "	4,708	620,606,545	3,732	12,602,589	4,967	20,355,985
200,000 and over	4,992	1,258,943,685	4,837	100,232,783	5,758	77,957,217
TOTAL - TAXABLE RETURNS	392,939	\$ 15,458,390,910	105,886	\$ 268,951,750	265,216	\$ 381,510,530
<u>NONTAXABLE RESIDENT RETURNS</u>						
Loss	2,062	\$ 34,713,104	5,233	\$ 10,278,738	7,759	\$ 20,054,116
\$ 0 under \$ 5,000	16,721	43,723,580	11,274	8,858,092	35,128	32,672,149
5,000 "	2,851	22,541,374	4,682	9,979,893	7,650	17,466,035
10,000 and over	3,796	119,087,434	3,623	15,446,035	6,154	21,633,878
TOTAL - NONTAXABLE RETURNS	25,430	\$ 220,065,492	24,812	\$ 44,562,758	56,691	\$ 91,826,178
ALL RESIDENT RETURNS	418,369	\$ 15,678,456,402	130,698	\$ 313,514,508	321,907	\$ 473,336,708
ALL NONRESIDENT RETURNS	33,200	\$ 574,547,478	3,469	\$ 5,845,902	10,172	\$ 23,657,180
TOTAL - ALL RETURNS	451,569	\$ 16,253,003,880	134,167	\$ 319,360,410	332,079	\$ 496,993,888

TABLE 4 (continued)
 SOURCES OF INCOME AND STATUTORY ADJUSTMENTS ON ALL RETURNS FILED BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS	BUSINESS AND PROFESSIONS				SALE OF CAPITAL ASSETS & OTHER PROPERTY				
	Profit		Loss		Profit		Loss		
	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount	
<u>TAXABLE RESIDENT RETURNS</u>									
Under \$ 5,000	1,468	\$ 5,294,654	150	\$ 345,295	1,491	\$ 942,633	885	\$ 1,548,857	
\$ 5,000 " 10,000	4,046	24,395,942	654	2,067,605	1,706	2,836,001	1,462	3,211,664	
10,000 " 20,000	6,763	61,516,716	2,002	8,660,125	3,782	7,757,888	4,410	9,215,850	
20,000 " 30,000	5,528	63,279,214	2,684	13,448,748	3,727	10,814,047	3,577	8,150,209	
30,000 " 40,000	4,523	54,695,020	2,614	10,103,108	3,090	12,808,033	4,169	11,425,816	
40,000 " 50,000	4,063	57,412,382	2,130	7,920,519	2,649	14,744,475	3,135	7,493,400	
50,000 " 75,000	7,466	126,365,780	4,345	19,467,188	5,678	33,374,060	7,801	21,849,263	
75,000 " 100,000	3,969	94,000,341	2,100	9,082,033	3,916	31,394,228	5,075	14,103,238	
100,000 " 150,000	3,335	119,352,693	1,519	9,437,280	4,088	69,752,024	4,507	11,626,426	
150,000 " 200,000	1,066	72,047,720	380	5,097,927	1,647	54,945,311	1,518	4,252,715	
200,000 and over	1,473	219,076,803	479	10,442,504	2,116	422,597,978	2,333	12,506,898	
TOTAL - TAXABLE RETURNS	43,700	\$ 897,437,265	19,057	\$ 96,072,332	33,890	\$ 661,966,678	38,872	\$ 105,384,336	
<u>NONTAXABLE RESIDENT RETURNS</u>									
Loss	1,057	\$ 13,651,807	2,330	\$ 29,475,346	689	\$ 19,739,425	5,230	\$ 35,211,758	
\$ 0 under \$ 5,000	3,466	9,488,611	624	5,682,690	2,848	4,096,986	3,206	6,989,118	
5,000 " 10,000	1,502	8,546,068	481	3,280,786	1,273	5,495,377	2,023	5,821,823	
10,000 and over	1,624	23,155,324	490	7,197,524	1,297	12,347,587	1,405	3,523,946	
TOTAL - NONTAXABLE RETURNS	7,649	\$ 54,841,810	3,925	\$ 45,636,346	6,107	\$ 41,679,375	11,864	\$ 51,546,645	
ALL RESIDENT RETURNS	51,349	\$ 952,279,075	22,982	\$ 141,708,678	39,997	\$ 703,646,053	50,736	\$ 156,930,981	
ALL NONRESIDENT RETURNS	2,001	\$ 30,718,675	999	\$ 11,184,887	4,020	\$ 238,840,848	2,504	\$ 14,156,111	
TOTAL - ALL RETURNS	53,350	\$ 982,997,750	23,981	\$ 152,893,565	44,017	\$ 942,486,901	53,240	\$ 171,087,092	

TABLE 4 (continued)
 SOURCES OF INCOME AND STATUTORY ADJUSTMENTS ON ALL RETURNS FILED BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS	RENTS AND ROYALTIES				PARTNERSHIPS AND S-CORPORATIONS				
	Profit		Loss		Profit		Loss		
	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount	
TAXABLE RESIDENT RETURNS									
Under \$ 5,000	350	\$ 1,002,375	87	\$ 766,209	152	\$ 323,174	65	\$ 51,890	
\$ 5,000 " 10,000	1,328	5,402,810	459	2,020,852	240	1,104,564	282	381,677	
10,000 " 20,000	3,085	19,278,592	1,251	5,725,084	1,133	9,839,482	651	3,041,700	
20,000 " 30,000	2,612	20,395,227	1,848	10,709,206	1,231	12,237,294	499	2,279,792	
30,000 " 40,000	2,320	16,463,339	1,942	12,177,206	906	10,171,917	586	4,150,296	
40,000 " 50,000	1,833	14,874,279	2,114	15,414,989	807	8,553,711	500	2,787,960	
50,000 " 75,000	3,603	29,450,285	5,765	42,918,935	2,188	41,245,410	1,131	6,390,893	
75,000 " 100,000	2,254	19,648,061	3,606	26,104,386	1,515	29,994,607	699	4,352,484	
100,000 " 150,000	2,411	28,066,555	3,548	24,489,210	1,792	66,307,357	885	7,326,396	
150,000 " 200,000	1,008	19,802,581	589	6,303,219	1,003	55,746,485	296	4,178,752	
200,000 and over	1,447	74,197,156	643	12,252,031	1,991	387,923,220	744	29,597,895	
TOTAL - TAXABLE RETURNS	22,251	\$248,581,260	21,852	\$158,881,327	12,958	\$623,447,221	6,338	\$ 64,539,735	
NONTAXABLE RESIDENT RETURNS									
Loss	589	\$ 4,568,053	2,324	\$ 27,370,546	363	\$ 11,108,354	790	\$ 57,687,355	
\$ 0 under \$ 5,000	1,650	3,525,324	1,054	6,914,551	452	1,118,099	391	3,146,189	
5,000 " 10,000	1,565	7,620,742	684	3,542,735	154	387,046	384	7,035,992	
10,000 and over	1,346	9,980,766	942	13,509,980	564	36,078,077	266	61,274,384	
TOTAL - NONTAXABLE RETURNS	5,150	\$ 25,694,885	5,004	\$ 51,337,812	1,533	\$ 48,691,576	1,831	\$129,143,920	
ALL RESIDENT RETURNS	27,401	\$274,276,145	26,856	\$210,219,139	14,491	\$672,138,797	8,169	\$193,683,655	
ALL NONRESIDENT RETURNS	-	-¹	-	-¹	-	-¹	-	-	
TOTAL - ALL RETURNS	27,401	\$274,276,145	26,856	\$210,219,139	14,491	\$672,138,797	8,169	\$193,683,655	

See end of table for footnotes.

TABLE 4 (continued)
 SOURCES OF INCOME AND STATUTORY ADJUSTMENTS ON ALL RETURNS FILED BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS	ESTATES AND TRUSTS		UNEMPLOYMENT COMPENSATION		PENSIONS AND ANNUITIES ²		TAXABLE IRA DISTRIBUTIONS	
	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount
TAXABLE RESIDENT RETURNS								
Under \$ 5,000	64	\$ 144,200	647	\$ 1,502,884	1,932	\$ 15,407,909	708	\$ 2,991,600
\$ 5,000 " 10,000	152	557,192	2,382	9,423,210	6,540	99,422,331	2,790	11,404,276
10,000 " 20,000	350	1,925,826	7,111	30,244,773	13,294	228,466,884	5,466	35,628,962
20,000 " 30,000	347	1,591,699	6,512	25,211,993	9,797	171,727,438	3,431	27,835,938
30,000 " 40,000	365	1,773,228	4,192	18,010,381	7,750	126,725,452	2,742	23,619,449
40,000 " 50,000	219	2,517,554	3,201	13,882,695	5,267	89,283,340	1,945	23,055,847
50,000 " 75,000	579	4,360,829	5,500	22,754,498	10,212	166,846,553	3,037	32,735,634
75,000 " 100,000	299	3,040,709	2,098	9,216,561	4,614	78,045,480	1,716	24,910,477
100,000 " 150,000	422	8,777,813	832	2,878,933	3,706	74,944,654	1,093	20,595,706
150,000 " 200,000	147	4,302,135	166	873,134	944	24,791,833	341	7,728,194
200,000 and over	328	55,807,134	70	472,758	1,184	40,154,760	448	11,077,854
TOTAL - TAXABLE RETURNS	3,272	\$84,798,319	32,711	\$ 134,471,820	65,240	\$ 1,115,816,634	23,717	\$ 221,583,937
NONTAXABLE RESIDENT RETURNS								
Loss	90	\$ (697,431)	174	\$ 901,954	4,314	\$ 112,832,449	1,118	\$ 14,969,963
\$ 0 under \$ 5,000	281	213,086	720	1,343,395	25,878	502,559,587	6,413	37,597,700
5,000 " 10,000	176	479,185	174	658,932	5,903	142,845,698	3,011	20,808,783
10,000 and over	158	1,103,017	470	1,936,863	4,415	125,406,749	1,677	20,482,612
TOTAL - NONTAXABLE RETURNS	705	\$ 1,097,857	1,538	\$ 4,841,144	40,510	\$ 883,644,483	12,219	\$ 93,859,058
ALL RESIDENT RETURNS	3,977	\$85,896,176	34,249	\$ 139,312,964	105,750	\$ 1,999,461,117	35,936	\$ 315,442,995
ALL NONRESIDENT RETURNS	-	- ¹	1,457	\$ 7,215,836	806	\$ 7,353,889	355	1,754,193
TOTAL - ALL RETURNS	3,977	\$85,896,176	35,706	\$ 146,528,800	106,556	\$ 2,006,815,006	36,291	\$ 317,197,188

See end of table for footnotes.

TABLE 4 (continued)
 SOURCES OF INCOME AND STATUTORY ADJUSTMENTS ON ALL RETURNS FILED BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS	STATE TAX REFUND INCOME		FEDERALLY-TAXABLE SOCIAL SECURITY		MISCELLANEOUS SOURCES ³				
	Number of Returns	Amount	Number of Returns	Amount	Gain		Loss		
					Number of Returns	Amount	Number of Returns	Amount	
TAXABLE RESIDENT RETURNS									
Under \$ 5,000	797	\$ 246,600	194	\$ 935,601	575	\$ 713,252	581	\$ 476,289	
\$ 5,000 " 10,000	1,852	784,350	2,598	17,358,032	2,173	4,870,778	1,073	352,342	
10,000 " 20,000	6,788	4,247,333	7,142	53,259,307	4,082	8,913,358	2,366	2,122,366	
20,000 " 30,000	12,224	9,238,624	7,180	56,053,856	5,136	9,255,112	1,714	3,771,082	
30,000 " 40,000	14,330	11,882,953	5,237	50,305,730	5,938	10,603,847	1,109	896,324	
40,000 " 50,000	14,696	13,113,694	3,025	35,290,031	4,926	6,613,602	948	1,202,059	
50,000 " 75,000	35,335	36,557,811	4,151	54,447,930	10,873	20,233,927	1,069	2,220,532	
75,000 " 100,000	20,633	24,161,704	1,898	25,640,091	6,802	15,095,692	663	745,818	
100,000 " 150,000	15,723	23,726,281	1,368	22,059,286	5,054	14,829,321	715	2,382,692	
150,000 " 200,000	3,752	8,388,905	525	8,477,629	1,064	8,459,570	240	905,148	
200,000 and over	4,278	29,570,526	940	16,812,887	1,445	33,069,012	250	6,110,190	
TOTAL - TAXABLE RETURNS	130,408	\$ 161,918,781	34,258	\$ 340,640,380	48,068	\$ 132,657,471	10,728	\$ 21,184,842	
NONTAXABLE RESIDENT RETURNS									
Loss	2,393	\$ 2,077,217	1,693	\$ 13,585,483	692	\$ 1,504,410	2,463	\$ 218,168,562	
\$ 0 under 5,000	5,445	1,754,564	9,593	56,709,069	3,066	2,844,494	2,518	\$ 4,800,225	
5,000 " 10,000	3,027	1,573,089	3,376	29,215,866	1,372	2,949,773	1,079	684,517	
10,000 and over	3,638	5,137,747	3,301	34,910,289	1,339	6,856,414	412	5,185,771	
TOTAL - NONTAXABLE RETURNS	14,503	\$ 10,542,617	17,963	\$ 134,420,707	6,469	\$ 14,155,091	6,472	\$ 228,839,075	
ALL RESIDENT RETURNS	144,911	\$ 172,461,398	52,221	\$ 475,061,087	54,537	\$ 146,812,562	17,200	\$ 250,023,917	
ALL NONRESIDENT RETURNS	4,298	7,038,912	-	- ¹	8,754	\$ 203,015,168	7,453	\$ 297,711,983	
TOTAL - ALL RETURNS	149,209	\$ 179,500,310	52,221	\$ 475,061,087	63,291	\$ 349,827,730	24,653	\$ 547,735,900	

See end of table for footnotes.

TABLE 4 (continued)
 SOURCES OF INCOME AND STATUTORY ADJUSTMENTS ON ALL RETURNS FILED BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS	UNKNOWN SOURCES ⁴				FEDERAL TOTAL INCOME FROM ALL SOURCES	
	Profit		Loss		Number of Returns	Amount
	Number of Returns	Amount	Number of Returns	Amount		
<u>TAXABLE RESIDENT RETURNS</u>						
Under \$ 5,000	1,169	\$ 1,037,214	517	\$ 1,697,983	27,704	\$ 108,653,656
\$ 5,000 " 10,000	3,506	2,765,374	674	3,374,239	43,239	445,515,709
10,000 " 20,000	6,418	2,903,578	1,532	10,683,202	81,217	1,497,161,279
20,000 " 30,000	6,649	5,059,823	1,587	5,958,335	70,981	1,992,788,307
30,000 " 40,000	5,135	7,961,992	1,488	12,524,216	51,520	1,956,297,232
40,000 " 50,000	3,284	4,240,582	722	5,365,688	35,962	1,730,780,747
50,000 " 75,000	5,609	18,467,890	1,838	20,173,757	60,733	3,893,329,826
75,000 " 100,000	2,751	13,666,456	1,235	15,677,896	29,231	2,588,932,130
100,000 " 150,000	2,440	24,117,509	775	16,399,587	20,750	2,505,641,903
150,000 " 200,000	716	17,841,768	346	8,557,672	5,176	907,674,951
200,000 and over	1,276	135,976,352	558	63,033,981	5,909	2,729,926,626
TOTAL - TAXABLE RETURNS	38,953	\$ 234,038,538	11,272	\$ 163,446,556	432,422	\$ 20,356,702,366
<u>NONTAXABLE RESIDENT RETURNS</u>						
Loss	1,195	\$ 18,915,533	1,050	\$ 50,253,033	9,969	\$ (139,963,425)
\$ 0 under \$ 5,000	5,978	3,579,784	1,055	8,310,535	64,573	674,241,212
5,000 " 10,000	1,792	965,749	265	3,672,429	8,928	247,495,328
10,000 and over	1,780	26,189,768	468	35,868,390	7,211	333,192,565
TOTAL - NONTAXABLE RETURNS	10,745	\$ 49,650,834	2,838	\$ 98,104,387	90,681	\$ 1,114,965,680
ALL RESIDENT RETURNS	49,698	\$ 283,689,372	14,110	\$ 261,550,943	523,103	\$ 21,471,668,046
ALL NONRESIDENT RETURNS	not applicable		not applicable		not available	
TOTAL - ALL RETURNS	49,698	\$ 283,689,372	14,110	\$ 261,550,943	523,103	\$ 21,471,668,046

See end of table for footnotes.

TABLE 4 (continued)
 SOURCES OF INCOME AND STATUTORY ADJUSTMENTS ON ALL RETURNS FILED BY ADJUSTED GROSS INCOME CLASS - 2002

Individual Income - 2002

ADJUSTED GROSS INCOME CLASS	ITEMS TAXED BY HAWAII BUT NOT BY FEDERAL		ITEMS TAXED BY FEDERAL BUT NOT BY HAWAII		HAWAII TOTAL INCOME		HAWAII STATUTORY ADJUSTMENTS ⁶	
	Number of Returns	Amount	Number of Returns	Amount ⁵	Number of Returns	Amount	Number of Returns	Amount
TAXABLE RESIDENT RETURNS								
Under \$ 5,000	1,223	\$ 462,406	2,647	\$ 18,235,840	27,704	\$ 90,880,222	1,940	\$ 1,549,574
5,000 " 10,000	3,192	1,890,818	6,941	119,721,168	43,239	327,685,359	5,594	5,352,133
10,000 " 20,000	10,397	11,067,314	16,174	280,462,371	81,217	1,227,766,222	11,911	18,361,444
20,000 " 30,000	14,899	18,478,835	16,546	230,332,134	70,981	1,780,935,008	11,135	19,944,960
30,000 " 40,000	13,286	18,076,705	15,354	172,738,223	51,520	1,801,635,714	10,342	19,214,907
40,000 " 50,000	9,541	21,177,191	11,738	123,729,286	35,962	1,628,228,652	7,814	18,330,105
50,000 " 75,000	16,804	71,381,593	26,198	215,562,689	60,733	3,749,148,730	14,906	39,982,567
75,000 " 100,000	9,064	61,338,574	14,905	101,618,486	29,231	2,548,652,218	7,844	25,053,435
100,000 " 150,000	8,121	89,171,406	11,595	91,840,032	20,750	2,502,973,277	6,030	29,209,415
150,000 " 200,000	1,927	25,462,231	2,855	34,095,340	5,176	899,041,842	1,693	17,086,321
200,000 and over	2,263	51,931,880	3,622	79,803,015	5,909	2,702,055,491	2,580	39,044,781
TOTAL - TAXABLE RETURNS	90,717	\$ 370,438,953	128,575	\$ 1,468,138,584	432,422	\$ 19,259,002,735	81,789	\$ 233,129,642
NONTAXABLE RESIDENT RETURNS								
Loss	2,347	\$ 46,014,558	5,638	\$ 206,843,838	9,969	\$ (300,792,705)	1,569	\$ 4,961,519
\$ 0 under \$ 5,000	5,010	5,171,631	27,601	596,300,779	64,573	83,112,064	3,583	3,831,218
5,000 " 10,000	2,404	1,887,854	6,424	182,721,455	8,928	66,661,727	1,688	3,475,015
10,000 and over	2,040	6,649,730	5,300	180,386,864	7,211	159,455,431	1,835	7,583,924
TOTAL - NONTAXABLE RETURNS	11,801	\$ 59,723,773	44,963	\$ 1,166,252,936	90,681	\$ 8,436,517	8,675	\$ 19,851,676
ALL RESIDENT RETURNS	102,518	\$ 430,162,726	173,538	\$ 2,634,391,520	523,103	\$ 19,267,439,252	90,464	\$ 252,981,318
ALL NONRESIDENT RETURNS	not meaningful		not meaningful		55,189	\$ 776,935,100	9,247	\$ 29,066,969
TOTAL - ALL RETURNS	102,518	\$ 430,162,726	173,538	\$ 2,634,391,520	578,292	\$ 20,044,374,352	99,711	\$ 282,048,287

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¹ Included in "miscellaneous sources".

² Amounts for pensions and annuities are federally taxable amounts, some of which is not taxable by Hawaii.

³ Residents: federally-taxable sources, including alimony received. Nonresidents: Hawaii-taxable sources, including Schedule E.

⁴ Items not on Hawaii return and federal return not available in IRS data set.

⁵ Does not include individual housing accounts and military reserve/Hawaii national guard duty pay, which are included as statutory adjustments in the last column.

⁶ Excludes adjustments for educator expenses and college tuition, which were not adopted by Hawaii.

TABLE 5
 SOURCES OF INCOME REPORTED IN EACH DISTRICT BY NUMBER OF RETURNS AND AMOUNT - 2002
 (Resident Returns)

Individual Income - 2002

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SOURCES OF INCOME	TAXATION DISTRICT							
	FIRST		SECOND		THIRD		FOURTH	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Salaries and Wages	301,241	\$ 11,818,299,317	47,799	\$ 1,637,147,021	48,686	\$ 1,543,113,024	20,643	\$ 679,897,040
Taxable Dividends	100,209	250,893,157	11,983	26,507,423	13,176	25,651,997	5,330	10,461,931
Interest	236,631	360,744,878	32,269	38,218,720	36,158	52,494,221	16,849	21,878,889
Business and Professions								
Net Profit	33,852	675,483,348	6,298	105,472,029	7,900	124,619,008	3,299	46,704,690
Net Loss	13,794	(84,483,482)	3,651	(20,677,584)	3,939	(23,531,199)	1,598	(13,016,413)
Sale of Capital Assets								
Net Gain	29,583	503,621,936	3,720	77,186,051	4,921	86,488,041	1,773	36,350,025
Net Loss	38,995	(124,041,941)	4,827	(14,051,379)	4,750	(12,718,626)	2,184	(6,119,035)
Rents and Royalties								
Net Profit	19,731	199,953,797	3,210	30,419,879	3,081	24,789,728	1,379	19,112,741
Net Loss	20,230	(161,583,716)	2,923	(25,345,514)	2,302	(12,660,169)	1,401	(10,629,740)
Partnerships and S-Corporations								
Net Profit	10,192	502,456,230	1,762	88,494,512	1,802	55,710,995	735	25,477,060
Net Loss	5,712	(141,905,065)	1,269	(19,282,355)	720	(25,252,245)	468	(7,243,990)
Estates and Trusts	3,154	76,078,808	387	2,878,571	340	4,753,575	96	2,185,222
Unemployment Compensation	23,156	98,586,835	4,412	14,248,374	4,655	18,757,467	2,026	7,720,288
Pensions and Annuities	80,318	1,605,188,615	8,757	123,030,179	11,794	195,524,805	4,881	75,717,518
Taxable IRA Distributions	27,727	243,348,869	2,816	26,652,669	3,773	29,483,325	1,620	15,958,132
State Tax Refund Income	106,892	130,795,129	16,017	20,324,846	14,907	14,100,828	7,095	7,240,595
Federally-Taxed Social Security	40,951	383,040,444	3,848	33,281,354	5,311	43,351,265	2,111	15,388,024
All Other Sources ¹	89,569	(64,043,518)	11,480	(6,722,574)	16,087	(11,058,630)	5,964	751,796
Federal Total Income	379,008	\$ 16,272,433,641	56,663	\$ 2,137,782,222	61,761	\$ 2,133,617,410	25,671	\$ 927,834,773
Hawaii Additions ²	75,350	359,257,754	10,404	29,726,194	11,583	28,710,357	5,181	12,468,421
Hawaii Subtractions ³	129,416	2,133,276,964	17,269	164,010,279	18,681	244,359,290	8,172	92,744,987
Hawaii Total Income	379,008	\$ 14,498,414,431	56,663	\$ 2,003,498,137	61,761	\$ 1,917,968,477	25,671	\$ 847,558,207
Less HI Adjustments to Income	63,479	181,959,842	10,329	28,256,569	11,801	30,526,337	4,855	12,238,570
Adjusted Gross Income ⁴	379,008	\$ 14,316,454,589	56,663	\$ 1,975,241,568	61,761	\$ 1,887,442,140	25,671	\$ 835,319,637

¹ Includes alimony received, other income, and unknown sources (detail unavailable on both state and federal returns).

² Items taxed by Hawaii but not by the federal government, such as federal cost of living allowances and certain state retirement contributions.

³ Items taxed by the federal government but not by Hawaii, such as social security contributions and certain pensions.

⁴ Includes losses.

TABLE 6
TYPES OF DEDUCTIONS BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS	CONTRIBUTIONS		INTEREST		MEDICAL & DENTAL		CASUALTY LOSS	
	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount
<u>TAXABLE RESIDENT RETURNS</u>								
Under \$ 5,000	280	\$ 129,230	86	\$ 86,172	305	\$ 364,771	4	\$ 10,604
\$ 5,000 " 10,000	4,088	4,195,690	1,207	2,426,214	3,361	5,647,757	21	30,762
10,000 " 20,000	19,847	25,042,076	5,851	25,034,400	12,350	27,726,622	111	276,711
20,000 " 30,000	30,654	39,553,803	12,234	77,563,162	10,867	24,754,369	139	363,462
30,000 " 40,000	31,129	42,624,666	15,103	124,624,719	7,143	17,939,562	138	356,866
40,000 " 50,000	24,951	40,990,726	14,614	127,323,042	4,652	11,467,075	102	245,685
50,000 " 75,000	50,286	94,572,470	36,877	389,087,695	5,836	17,386,773	168	702,003
75,000 " 100,000	26,444	55,039,847	22,795	290,693,255	1,284	6,163,195	57	319,279
100,000 " 150,000	19,442	51,123,020	17,962	264,607,906	539	4,887,151	51	506,988
150,000 " 200,000	4,749	16,993,416	4,370	76,767,127	101	1,803,028	7	246,610
200,000 and over	5,499	87,160,723	4,983	129,694,415	65	3,557,076	8	48,452
TOTAL - TAXABLE RETURNS	217,369	\$ 457,425,667	136,082	\$ 1,507,908,107	46,503	\$ 121,697,379	806	\$ 3,107,422
<u>NONTAXABLE RESIDENT RETURNS</u>								
Loss	909	\$ 4,154,801	2,831	\$ 33,305,897	2,591	\$ 11,822,824	13	\$ 307,158
\$ 0 under \$ 5,000	9,731	10,256,775	6,273	41,284,089	10,243	44,137,594	51	230,760
5,000 " 10,000	6,134	9,750,739	3,944	27,322,237	5,821	36,238,645	44	317,325
10,000 and over	6,242	16,684,220	5,543	90,853,981	4,289	44,442,700	101	3,494,801
TOTAL - NONTAXABLE RETURNS	23,016	\$ 40,846,535	18,591	\$ 192,766,204	22,944	\$ 136,641,763	209	\$ 4,350,044
ALL RESIDENT RETURNS	240,385	\$ 498,272,202	154,673	\$ 1,700,674,311	69,447	\$ 258,339,142	1,015	\$ 7,457,466
ALL NONRESIDENT RETURNS	13,645	\$ 31,976,024	5,551	\$ 43,831,202	2,805	\$ 7,660,600	193	\$ 673,543
TOTAL - ALL RETURNS	254,030	\$ 530,248,226	160,224	\$ 1,744,505,513	72,252	\$ 265,999,742	1,208	\$ 8,131,009

TABLE 6 (continued)
 TYPES OF DEDUCTIONS BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS	TAXES		MISCELLANEOUS DEDUCTIONS		TOTAL ALLOWABLE ITEMIZED DEDUCTIONS	
	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount
<u>TAXABLE RESIDENT RETURNS</u>						
Under \$ 5,000	348	\$ 279,027	304	\$ 166,298	481	\$ 1,036,102
\$ 5,000 " 10,000	4,805	3,326,817	2,260	2,252,698	5,192	17,879,938
10,000 " 20,000	22,558	23,852,263	11,848	22,470,937	23,164	124,403,009
20,000 " 30,000	38,076	63,432,528	17,195	38,503,577	38,298	244,170,901
30,000 " 40,000	41,234	92,691,344	15,534	38,665,031	41,482	316,902,188
40,000 " 50,000	31,868	91,435,553	12,160	38,520,416	31,955	309,982,497
50,000 " 75,000	57,890	231,427,262	23,038	78,211,538	57,970	811,169,760
75,000 " 100,000	28,840	168,066,810	10,168	41,188,732	28,850	561,226,865
100,000 " 150,000	20,641	173,563,840	6,777	29,951,775	20,654	512,607,200
150,000 " 200,000	5,139	64,500,484	1,502	8,128,420	5,139	157,524,688
200,000 and over	5,850	206,229,094	1,767	22,245,709	5,859	388,077,704
TOTAL - TAXABLE RETURNS	257,249	\$ 1,118,805,022	102,553	\$ 320,305,131	259,044	\$ 3,444,980,852
<u>NONTAXABLE RESIDENT RETURNS</u>						
Loss	3,775	\$ 8,223,215	2,551	\$ 4,069,280	4,244	\$ 61,883,175
\$ 0 under \$ 5,000	10,402	8,946,040	7,307	5,658,200	12,746	110,513,458
5,000 " 10,000	6,535	7,642,513	3,804	4,714,207	7,394	85,985,666
10,000 and over	6,850	44,436,419	3,448	16,493,135	7,189	216,269,464
TOTAL - NONTAXABLE RETURNS	27,562	\$ 69,248,187	17,110	\$ 30,934,822	31,573	\$ 474,651,763
ALL RESIDENT RETURNS	284,811	\$ 1,188,053,209	119,663	\$ 351,239,953	290,617	\$ 3,919,632,615
ALL NONRESIDENT RETURNS	20,478	\$ 66,398,611	4,500	\$ 18,903,392	22,336	\$ 162,397,594
TOTAL - ALL RETURNS	305,289	\$ 1,254,451,820	124,163	\$ 370,143,345	312,953	\$ 4,082,030,209

TABLE 6 (continued)
 TYPES OF DEDUCTIONS BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS	STANDARD DEDUCTIONS		TOTAL ALLOWABLE & STANDARD DEDUCTIONS		UNALLOWED ITEMIZED DEDUCTIONS	
	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount
TAXABLE RESIDENT RETURNS						
Under \$ 5,000	27,223	\$ 37,303,991	27,704	\$ 38,340,093	-	\$ -
\$ 5,000 " 10,000	38,047	58,662,896	43,239	76,542,834	-	-
10,000 " 20,000	58,053	91,717,250	81,217	216,120,259	-	-
20,000 " 30,000	32,683	52,627,250	70,981	296,798,151	-	-
30,000 " 40,000	10,038	16,450,750	51,520	333,352,938	-	-
40,000 " 50,000	4,007	6,627,650	35,962	316,610,147	-	-
50,000 " 75,000	2,763	4,723,600	60,733	815,893,360	840	217,981
75,000 " 100,000	381	691,950	29,231	561,918,815	239	244,253
100,000 " 150,000	96	166,300	20,750	512,773,500	20,626	12,033,480
150,000 " 200,000	37	67,500	5,176	157,592,188	5,139	10,914,397
200,000 and over	50	89,450	5,909	388,167,154	5,859	60,857,765
TOTAL - TAXABLE RETURNS	173,378	\$ 269,128,587	432,422	\$ 3,714,109,439	32,703	\$ 84,267,876
NONTAXABLE RESIDENT RETURNS						
Loss	5,725	\$ 7,769,578	9,969	\$ 69,652,753	-	\$ -
\$ 0 under \$ 5,000	51,827	80,061,028	64,573	190,574,486	-	-
5,000 " 10,000	1,534	2,830,250	8,928	88,815,916	-	-
10,000 and over	22	36,300	7,211	216,305,764	71	135,792
TOTAL - NONTAXABLE RETURNS	59,108	\$ 90,697,156	90,681	\$ 565,348,919	71	\$ 135,792
ALL RESIDENT RETURNS	232,486	\$ 359,825,743	523,103	\$ 4,279,458,358	32,774	\$ 84,403,668
ALL NONRESIDENT RETURNS	23,632	\$ 17,965,216	45,968	\$ 180,362,810	1,195	\$ 7,045,778
TOTAL - ALL RETURNS	256,118	\$ 377,790,959	569,071	\$ 4,459,821,168	33,969	\$ 91,449,446

TABLE 7
 TYPES OF DEDUCTIONS CLAIMED IN EACH TAXATION DISTRICT BY NUMBER OF RETURNS
 AND DOLLAR AMOUNT REPORTED AND ALLOWED - 2002
 (Resident Returns)

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TYPE OF DEDUCTION	TAXATION DISTRICT							
	FIRST		SECOND		THIRD		FOURTH	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Itemized Contributions	177,867	\$ 388,731,500	28,387	\$ 53,351,347	22,060	\$ 33,557,345	12,071	\$ 22,632,010
Interest	112,682	1,288,908,270	16,574	188,274,310	17,991	154,150,239	7,426	69,341,492
Medical and Dental	51,332	191,926,807	7,938	25,741,595	6,307	24,416,844	3,870	16,253,896
Casualty Loss	771	6,053,875	112	548,350	107	705,463	25	149,778
Taxes	209,071	915,743,861	32,837	118,997,345	29,027	105,337,430	13,876	47,974,573
Other Itemized Deductions	85,520	247,184,790	17,173	65,865,370	10,401	22,292,930	6,569	15,896,863
Total Itemized Deductions	213,498	\$3,038,549,103	33,274	\$452,778,317	29,686	\$340,460,251	14,159	\$172,248,612
Less: Unallowed Itemized Deductions	266,258	68,657,833	2,559	6,962,644	2,533	6,232,741	1,054	2,550,450
Net Allowed Itemized Deductions	213,498	\$2,969,891,270	33,274	\$445,815,673	29,686	\$334,227,510	14,159	\$169,698,162
Standard Deduction	165,510	255,433,013	23,389	36,198,181	32,075	50,296,267	11,512	17,898,282
Total Allowed Deductions	379,008	\$3,225,324,283	56,663	\$482,013,854	61,761	\$384,523,777	25,671	\$187,596,444

TABLE 8
NUMBER OF DEPENDENTS, NUMBER OF EXEMPTIONS, TAX WITHHELD, PAYMENTS OF DECLARATION, BALANCE DUE,
REFUNDS AND CARRIED FORWARD CREDITS BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS	DEPENDENTS		EXEMPTIONS ¹			TAX WITHHELD	
	Number of Returns	Number of Dependents	Number of Returns	Number of Exemptions	Amount	Number of Returns	Amount
<u>TAXABLE RESIDENT RETURNS</u>							
Under \$ 5,000	643	744	12,141	14,777	\$ 15,368,080	22,106	\$ 2,417,521
\$ 5,000 " 10,000	7,436	11,632	35,811	60,667	63,093,680	34,448	9,510,623
10,000 " 20,000	22,102	38,546	78,443	149,998	158,888,480	69,894	45,650,843
20,000 " 30,000	23,768	41,811	70,767	141,231	150,188,160	65,842	82,746,073
30,000 " 40,000	18,171	32,201	51,475	106,834	113,896,160	48,638	90,098,965
40,000 " 50,000	14,969	29,766	35,941	86,403	91,574,320	34,433	82,198,022
50,000 " 75,000	31,093	60,996	60,722	166,751	175,591,840	58,356	191,885,313
75,000 " 100,000	17,168	31,979	29,220	88,069	92,019,800	28,400	134,324,405
100,000 " 150,000	12,463	23,165	20,745	64,065	67,073,880	19,728	131,369,048
150,000 " 200,000	2,844	5,033	5,176	15,368	16,234,280	4,690	42,225,236
200,000 and over	2,798	5,211	5,906	17,415	18,262,320	4,900	91,449,823
TOTAL - TAXABLE RETURNS	153,455	281,084	406,347	911,578	\$ 962,191,000	391,435	\$ 903,875,872
<u>NONTAXABLE RESIDENT RETURNS</u>							
Loss	1,065	1,804	8,404	19,308	\$ 20,830,600	1,773	\$ 1,349,073
\$ 0 under \$ 5,000	5,994	10,008	60,220	135,537	146,043,200	15,086	1,214,614
5,000 " 10,000	1,627	3,325	8,928	27,586	32,359,440	2,878	817,835
10,000 and over	2,078	3,852	7,211	22,285	26,494,480	3,666	3,088,937
TOTAL - NONTAXABLE RETURNS	10,764	18,989	84,763	204,716	\$ 225,727,720	23,403	\$ 6,470,459
ALL RESIDENT RETURNS	164,219	300,073	491,110	1,116,294	\$ 1,187,918,720	414,838	\$ 910,346,331
ALL NONRESIDENT RETURNS	16,527	29,686	53,187	118,256	\$ 37,945,817	33,035	\$ 32,983,758
TOTAL - ALL RETURNS	180,746	329,759	544,297	1,234,550	\$ 1,225,864,537	447,873	\$ 943,330,089

See end of table for footnotes.

TABLE 8 (continued)
 NUMBER OF DEPENDENTS, NUMBER OF EXEMPTIONS, TAX WITHHELD, PAYMENTS OF DECLARATION, BALANCE DUE,
 REFUNDS AND CARRIED FORWARD CREDITS BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS	PAYMENTS OF DECLARATION ²		BALANCE DUE		REFUNDS & AMOUNT CREDITED	
	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount
TAXABLE RESIDENT RETURNS						
Under \$ 5,000	589	\$ 134,385	3,478	\$ 60,147	24,077	\$ 2,615,407
\$ 5,000 " 10,000	1,962	1,024,201	4,204	348,305	38,909	8,550,433
10,000 " 20,000	5,724	4,585,227	11,135	2,274,347	69,934	22,830,317
20,000 " 30,000	4,399	5,153,704	9,164	2,746,751	61,731	26,658,418
30,000 " 40,000	3,279	4,711,929	7,873	3,198,307	43,497	23,969,584
40,000 " 50,000	2,434	4,176,619	6,726	3,076,249	29,191	20,172,900
50,000 " 75,000	4,949	11,313,847	10,337	6,413,003	50,286	46,550,763
75,000 " 100,000	3,011	8,531,049	4,577	3,872,732	24,622	29,475,855
100,000 " 150,000	3,470	14,059,306	4,104	6,616,629	16,617	25,715,664
150,000 " 200,000	1,858	11,945,588	1,315	3,784,755	3,849	9,386,740
200,000 and over	3,250	80,914,894	1,439	12,605,391	4,451	37,605,668
TOTAL - TAXABLE RETURNS	34,925	\$ 146,550,749	64,352	\$44,996,616	367,164	\$ 253,531,749
<u>NONTAXABLE RESIDENT RETURNS</u>						
Loss	662	\$ 985,642	-	\$ -	8,307	\$ 3,062,280
\$ 0 under \$ 5,000	1,061	482,280	-	-	61,041	5,945,437
5,000 " 10,000	996	700,840	-	-	8,687	2,312,534
10,000 and over	1,071	1,936,120	-	-	6,904	5,346,449
TOTAL - NONTAXABLE RETURNS	3,790	\$ 4,104,882	-	\$ -	84,939	\$ 16,666,700
ALL RESIDENT RETURNS	38,715	\$ 150,655,631	64,352	\$44,996,616	452,103	\$ 270,198,449
ALL NONRESIDENT RETURNS	6,061	\$ 45,603,534	8,429	\$ 6,539,519	36,488	\$ 36,521,328
TOTAL - ALL RETURNS	44,776	\$ 196,259,165	72,781	\$51,536,135	488,591	\$ 306,719,777

¹ Excludes returns filed by dependents who can be claimed by another taxpayer.

² Includes estimated tax payments, extension payments, and prior year carryover credits.

TABLE 9
 NUMBER OF RETURNS FILED, BY NUMBER OF EXEMPTIONS CLAIMED AND BY ADJUSTED GROSS INCOME CLASS - 2002

ADJUSTED GROSS INCOME CLASS		NUMBER OF REGULAR EXEMPTIONS CLAIMED						AGE EXEMPTIONS CLAIMED		
		One	Two	Three	Four	Five	Six or more	One	Two	
RESIDENT RETURNS										
	Under \$	5,000	54,690	21,428	2,734	1,291	468	154	28,049	13,651
\$	5,000	" 10,000	27,975	11,591	3,139	1,277	410	347	7,815	5,257
	10,000	" 20,000	48,064	20,780	7,856	4,005	1,587	835	8,398	6,608
	20,000	" 30,000	37,912	19,392	7,693	4,025	2,013	1,311	4,906	3,487
	30,000	" 40,000	25,758	12,787	6,485	4,368	1,853	793	2,837	1,733
	40,000	" 50,000	14,461	8,877	4,889	4,587	1,919	1,333	1,603	842
	50,000	" 75,000	15,896	16,551	10,852	10,537	4,832	2,205	2,143	1,249
	75,000	" 100,000	3,499	9,203	6,263	7,218	2,131	928	1,093	495
	100,000	" 150,000	1,867	6,774	4,542	5,407	1,653	547	725	538
	150,000	" 200,000	593	1,848	1,108	1,253	314	75	338	202
	200,000	and over	790	2,447	960	1,194	427	99	454	456
TOTAL - RESIDENT RETURNS			231,505	131,678	56,521	45,162	17,607	8,627	58,361	34,518
TOTAL - NONRESIDENT RETURNS			22,524	16,079	6,355	5,332	2,187	710	3,021	2,345
TOTAL - ALL RETURNS			254,029	147,757	62,876	50,494	19,794	9,337	61,382	36,863

NOTE: Excludes returns filed by dependents who may be claimed by another taxpayer.

TABLE 10
 AVERAGE TAX LIABILITY AND EFFECTIVE TAX RATES, BEFORE AND AFTER CREDITS, BY ADJUSTED GROSS INCOME CLASS - 2002
 (Resident Returns)

ADJUSTED GROSS INCOME CLASS	INCOME TAX LIABILITY				EFFECTIVE TAX RATES				
	Before Credits		After Credits		BASED ON TAXABLE INCOME		BASED ON ADJ. GROSS INCOME		
	Total	Average	Total	Average	Before Credit	After Credit	Before Credit	After Credit	
TAXABLE RESIDENT RETURNS									
Under \$ 5,000	\$ 572,733	\$ 21	\$ (3,354)	\$ (0)	1.61%	-0.01%	0.64%	0.00%	
\$ 5,000 " 10,000	5,113,509	118	2,332,696	54	2.80%	1.28%	1.59%	0.72%	
10,000 " 20,000	35,441,125	436	29,680,100	365	4.25%	3.56%	2.93%	2.45%	
20,000 " 30,000	67,883,153	956	63,988,110	901	5.17%	4.87%	3.85%	3.63%	
30,000 " 40,000	75,740,171	1,470	74,039,617	1,437	5.67%	5.55%	4.25%	4.15%	
40,000 " 50,000	70,865,786	1,971	69,277,990	1,926	5.90%	5.76%	4.40%	4.30%	
50,000 " 75,000	167,996,960	2,766	163,061,400	2,685	6.18%	6.00%	4.53%	4.40%	
75,000 " 100,000	121,996,507	4,174	117,252,331	4,011	6.53%	6.27%	4.83%	4.65%	
100,000 " 150,000	131,558,319	6,340	126,329,319	6,088	6.95%	6.67%	5.32%	5.11%	
150,000 " 200,000	52,016,096	10,049	48,568,839	9,383	7.35%	6.86%	5.90%	5.51%	
200,000 and over	175,694,915	29,733	147,364,440	24,939	7.79%	6.53%	6.60%	5.53%	
TOTAL - TAXABLE RETURNS	\$ 904,879,274	\$ 2,093	\$ 841,891,488	\$ 1,947	6.31%	5.87%	4.76%	4.42%	
NONTAXABLE RESIDENT RETURNS									
Loss	-	-	(727,565)	(73)					
\$ 0 under \$ 5,000	-	-	(4,248,543)	(66)					
5,000 " 10,000	-	-	(793,859)	(89)					
10,000 and over	-	-	(321,392)	(45)					
TOTAL - NONTAXABLE RETURNS	\$ -	\$ -	\$ (6,091,359)	\$ (67)					
TOTAL RESIDENT RETURNS	\$ 904,879,274	\$ 1,730	\$ 835,800,129	\$ 1,598					

TABLE 11
COMPARISON OF NUMBER OF RESIDENT RETURNS, BEFORE AND AFTER CREDITS, AT SELECTED TAX LEVELS, AGI, AND BY STATUS - 2002

ADJUSTED GROSS INCOME CLASS	No Tax		\$1 - \$99		\$100 - \$499		\$500 - \$999		\$1,000 and over	
	Before	After	Before	After	Before	After	Before	After	Before	After
<u>SINGLE/MARRIED</u>										
<u>FILING SEPARATE RETURNS</u>										
Loss	6,100	6,100	-	-	-	-	-	-	-	-
\$ 0 under \$ 5,000	43,652	52,303	26,871	18,220	65	65	-	-	-	-
5,000 " 20,000	2,819	9,857	15,959	14,556	43,701	41,682	26,488	23,815	-	-
20,000 and over	1,510	1,032	442	432	1,677	2,027	10,548	11,362	88,833	87,214
TOTAL	54,081	69,292	43,272	33,208	45,443	43,774	37,036	35,177	88,833	87,214
<u>JOINT RETURNS</u>										
Loss	3,421	3,421	-	-	-	-	-	-	-	-
\$ 0 under \$ 5,000	17,201	17,495	316	22	-	-	-	-	-	-
5,000 " 20,000	5,536	18,078	8,807	3,890	10,634	6,767	728	380	-	-
20,000 and over	5,270	4,457	1,910	1,801	7,122	8,654	17,393	17,203	119,184	115,354
TOTAL	31,428	43,451	11,033	5,713	17,756	15,421	18,121	17,583	119,184	115,354
<u>HEAD OF HOUSEHOLD RETURNS ¹</u>										
Loss	448	448	-	-	-	-	-	-	-	-
\$ 0 under \$ 5,000	3,720	4,132	452	40	-	-	-	-	-	-
5,000 " 20,000	573	6,677	4,506	2,841	9,783	7,375	3,850	2,150	-	-
20,000 and over	431	577	275	422	1,626	2,524	9,151	9,716	22,101	20,014
TOTAL	5,172	11,834	5,233	3,303	11,409	9,899	13,001	11,866	22,101	20,014
<u>ALL RETURNS</u>										
Loss	9,969	9,969	-	-	-	-	-	-	-	-
\$ 0 under \$ 5,000	64,573	73,930	27,639	18,282	65	65	-	-	-	-
5,000 " 20,000	8,928	34,612	29,272	21,287	64,118	55,824	31,066	26,345	0	0
20,000 and over	7,211	6,066	2,627	2,655	10,425	13,205	37,092	38,281	230,118	222,582
TOTAL	90,681	124,577	59,538	42,224	74,608	69,094	68,158	64,626	230,118	222,582

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¹ Includes qualifying surviving spouses.

TABLE 12
 TYPE OF RETURN FILED BY THOSE WITH ADJUSTED GROSS INCOME UNDER \$100,000,
 SHOWING NUMBER OF RETURNS, ADJUSTED GROSS INCOME, AND TAX LIABILITY BY STATUS - 2002
 (Resident Returns)

ADJUSTED GROSS INCOME CLASS	FORM N-11 RETURNS			FORM N-12 RETURNS			FORM N-13 RETURNS		
	No. of Returns	Adjusted Gross Income	Tax Liability	No. of Returns	Adjusted Gross Income	Tax Liability	No. of Returns	Adjusted Gross Income	Tax Liability
ALL RETURNS									
\$ Loss	9,860	\$ (304,897,391)	\$ -	105	\$ (832,606)	\$ -	4	(\$ (24,227))	\$ -
Zero	2,642	-	-	1,488	-	-	9,956	-	-
\$ 1 under 1,000	16,571	7,351,226	3,930	1,769	651,302	-	4,855	1,757,406	290
1,000 " 5,000	44,362	130,068,448	454,125	2,253	5,907,726	11,682	8,381	22,875,386	102,706
5,000 " 10,000	45,776	339,154,939	4,275,554	936	6,433,033	66,877	5,455	39,931,966	771,078
10,000 " 15,000	39,910	495,611,891	11,256,466	757	9,518,728	222,151	3,922	49,191,684	1,553,233
15,000 " 20,000	37,103	648,633,353	19,554,400	734	12,643,519	407,155	3,475	60,002,449	2,447,720
20,000 " 30,000	66,115	1,638,944,488	60,312,537	1,019	25,547,632	1,004,759	5,426	134,182,326	6,565,857
30,000 " 40,000	48,511	1,679,936,478	69,366,220	884	30,427,827	1,277,143	2,694	91,662,724	5,096,808
40,000 " 50,000	34,397	1,540,920,731	66,589,985	466	20,614,727	1,100,389	1,234	54,199,619	3,175,412
50,000 " 60,000	28,658	1,567,828,153	69,261,517	293	16,143,288	774,856	509	27,651,344	1,697,509
60,000 " 75,000	30,880	2,070,845,456	94,327,242	336	22,209,679	1,093,883	208	13,409,213	841,953
75,000 " 100,000	28,949	2,499,090,167	120,544,450	229	19,972,278	1,014,747	75	6,536,369	437,310
TOTAL	433,734	\$ 12,313,487,939	\$ 515,946,426	11,269	\$ 169,237,133	\$ 6,973,642	46,194	\$ 501,376,259	\$ 22,689,876

See end of table for footnotes.

TABLE 12 (Continued)
 TYPE OF RETURN FILED BY THOSE WITH ADJUSTED GROSS INCOME UNDER \$100,000,
 SHOWING NUMBER OF RETURNS, ADJUSTED GROSS INCOME, AND TAX LIABILITY BY STATUS - 2002
 (Resident Returns)

ADJUSTED GROSS INCOME CLASS	FORM N-11 RETURNS			FORM N-12 RETURNS			FORM N-13 RETURNS		
	No. of Returns	Adjusted Gross Income	Tax Liability	No. of Returns	Adjusted Gross Income	Tax Liability	No. of Returns	Adjusted Gross Income	Tax Liability
SINGLE RETURNS ²									
\$ Loss	6,020	\$ (138,254,206)	\$ -	77	\$ (603,098)	\$ -	3	(\$ (16,184)	\$ -
Zero	1,773	-	-	1,186	-	-	8,702	-	-
\$ 1 under 1,000	11,532	5,427,691	3,930	1,341	478,388	-	3,834	1,378,014	290
1,000 " 5,000	32,791	95,189,141	449,108	1,738	4,514,711	11,147	7,691	21,088,819	102,421
5,000 " 10,000	31,141	228,894,805	3,872,947	748	5,075,881	60,922	4,992	36,406,875	743,620
10,000 " 15,000	24,971	309,119,600	9,093,752	560	7,093,167	198,759	3,204	40,039,822	1,395,938
15,000 " 20,000	20,851	363,265,928	13,853,317	544	9,424,146	330,593	2,899	49,727,735	2,151,308
20,000 " 30,000	34,199	845,276,990	38,018,706	569	14,379,374	681,554	4,164	102,564,859	5,341,792
30,000 " 40,000	23,608	816,065,403	41,249,811	447	15,023,170	804,418	1,982	67,320,778	3,959,017
40,000 " 50,000	13,212	588,771,181	30,452,893	300	13,362,242	779,674	733	32,025,646	2,034,499
50,000 " 60,000	9,107	494,531,260	26,598,031	97	5,393,232	290,811	246	13,341,111	892,705
60,000 " 75,000	6,297	418,980,910	22,888,300	132	8,657,208	478,280	80	5,203,633	362,452
75,000 " 100,000	3,454	294,028,190	17,000,721	71	5,972,465	321,471	29	2,488,186	181,114
TOTAL	218,956	\$4,321,296,893 ¹	\$203,481,516	7,810	\$88,770,886 ¹	\$3,957,629	38,559	\$371,569,294	\$17,165,156

See end of table for footnotes.

TABLE 12 (Continued)
TYPE OF RETURN FILED BY THOSE WITH ADJUSTED GROSS INCOME UNDER \$100,000,
SHOWING NUMBER OF RETURNS, ADJUSTED GROSS INCOME, AND TAX LIABILITY BY STATUS - 2002
(Resident Returns)

ADJUSTED GROSS INCOME CLASS	FORM N-11 RETURNS			FORM N-12 RETURNS			FORM N-13 RETURNS		
	No. of Returns	Adjusted Gross Income	Tax Liability	No. of Returns	Adjusted Gross Income	Tax Liability	No. of Returns	Adjusted Gross Income	Tax Liability
<u>JOINT RETURNS</u>									
\$ Loss	3,396	\$ (149,766,872)	\$ -	24	\$ (219,329)	\$ -	d	d	d
Zero	716	-	-	223	-	-	939	\$ -	\$ -
\$ 1 under 1,000	4,325	1,697,517	-	409	172,021	-	689	260,745	-
1,000 " 5,000	9,259	28,139,220	1,859	420	1,067,972	198	537	1,354,727	266
5,000 " 10,000	9,865	73,606,631	148,261	150	998,774	1,091	215	1,477,699	5,605
10,000 " 15,000	9,283	115,983,866	880,893	179	2,241,043	20,386	331	4,112,713	51,428
15,000 " 20,000	8,800	154,789,352	2,205,136	58	974,296	22,263	234	4,155,367	101,788
20,000 " 30,000	18,331	456,863,896	10,350,562	268	6,732,663	182,305	489	12,217,719	410,231
30,000 " 40,000	17,090	596,673,688	17,638,726	291	10,289,673	292,099	387	13,597,514	605,160
40,000 " 50,000	17,041	767,592,066	28,084,057	128	5,581,359	232,460	328	14,634,290	726,312
50,000 " 60,000	17,167	943,898,552	36,682,750	159	8,747,711	384,384	201	10,968,489	603,231
60,000 " 75,000	22,693	1,526,066,657	65,484,255	191	12,725,723	585,729	118	7,593,340	442,111
75,000 " 100,000	24,583	2,126,164,190	99,441,287	158	13,999,813	693,276	d	d	d
TOTAL	162,549	\$6,641,708,763	\$260,917,786	2,658	\$63,311,719	\$2,414,191	4,515	\$74,412,743	\$3,202,328

See end of table for footnotes.

TABLE 12 (Continued)
 TYPE OF RETURN FILED BY THOSE WITH ADJUSTED GROSS INCOME UNDER \$100,000,
 SHOWING NUMBER OF RETURNS, ADJUSTED GROSS INCOME, AND TAX LIABILITY BY STATUS - 2002
 (Resident Returns)

ADJUSTED GROSS INCOME CLASS	FORM N-11 RETURNS			FORM N-12 RETURNS			FORM N-13 RETURNS		
	No. of Returns	Adjusted Gross Income	Tax Liability	No. of Returns	Adjusted Gross Income	Tax Liability	No. of Returns	Adjusted Gross Income	Tax Liability
HEAD OF HOUSEHOLD RETURNS ³									
\$ Loss	444	\$ (16,876,313)	\$ -	4	\$ (10,179)	\$ -	-	\$ -	\$ -
Zero	153	-	-	79	-	-	315	-	-
\$ 1 under 1,000	714	226,018	-	19	893	-	332	118,647	-
1,000 " 5,000	2,312	6,740,087	3,158	95	325,043	337	153	431,840	19
5,000 " 10,000	4,770	36,653,503	254,346	38	358,378	4,864	248	2,047,392	21,853
10,000 " 15,000	5,656	70,508,425	1,281,821	18	184,518	3,006	387	5,039,149	105,867
15,000 " 20,000	7,452	130,578,073	3,495,947	132	2,245,077	54,299	342	6,119,347	194,624
20,000 " 30,000	13,585	336,803,602	11,943,269	182	4,435,595	140,900	773	19,399,748	813,834
30,000 " 40,000	7,813	267,197,387	10,477,683	146	5,114,984	180,626	325	10,744,432	532,631
40,000 " 50,000	4,144	184,557,484	8,053,035	38	1,671,126	88,255	173	7,539,683	414,601
50,000 " 60,000	2,384	129,398,341	5,980,736	37	2,002,345	99,661	62	3,341,744	201,573
60,000 " 75,000	1,890	125,797,889	5,954,687	13	826,748	29,874	10	612,240	37,390
75,000 " 100,000	912	78,897,787	4,102,442	-	-	-	-	-	-
TOTAL	52,229	\$1,350,482,283 ¹	\$51,547,124	801	\$17,154,528 ¹	\$ 601,822	3,120	\$55,394,222	\$2,322,392

¹ Includes losses.

² Includes married filing separately.

³ Includes qualifying surviving spouse.

TABLE 13
 SELECTED SOURCES OF INCOME 1993 - 2002
 All Returns
 (In Millions of Dollars)

SOURCES OF INCOME	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Salaries and Wages	\$12,938	\$13,454	\$12,947	\$12,570	\$13,814	\$14,155	\$14,559	\$14,597	\$15,670	\$16,253
Taxable Dividends	273	307	291	293	377	384	435	455	387	319
Interest	526	529	571	545	643	686	646	662	687	497
Business and Professions ¹										
Net Profit	752	780	620	-	781	857	879	873	928	983
Net Loss	105	111	87	-	122	126	135	154	148	153
Sale of Capital Assets										
Net Gain	611	577	452	556	904	1,146	1,658	1,611	1,238	942
Net Loss	54	42	61	34	75	89	102	105	154	171
Rents and Royalties ²										
Net Profit	254	273	222	245	241	238	250	245	275	274
Net Loss	180	187	191	234	251	263	254	237	227	210
Partnerships ²										
Net Profit	292	340	247	286	434	485	558	520	562	672
Net Loss	85	100	64	93	103	172	141	97	123	194
Estates and Trusts ²										
(Income Less Loss)	71	88	72	66	90	104	98	74	88	86
Total Hawaii Income ³	\$15,735	\$16,727	\$15,639	\$16,221	\$17,366	\$17,910	\$19,059	\$20,350	\$19,796	\$19,267

¹ Complete data not available.

² Data available for residents only.

³ Income before statutory adjustments.

TABLE 14
 TYPE AND AMOUNT OF DEDUCTIONS 1993 - 2002
 All Returns to 1996 and After 1998; Resident Returns Only For 1997 & 1998
 (In Millions of Dollars)

TYPE OF DEDUCTIONS	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Itemized Deductions:										
Contributions	\$ 289	\$ 287	\$ 271	\$ 313	\$ 356	\$ 396	\$ 472	\$ 485	\$ 501	\$ 530
Interest	1,335	1,408	1,415	1,557	1,640	1,695	1,725	1,788	1,798	1,745
Taxes	999	1,141	1,045	1,179	1,109	1,188	1,246	1,270	1,268	1,254
Medical and Dental	135	150	136	151	156	172	207	225	251	266
Casualty Losses	5	11	5	3	6	6	5	4	5	8
Moving Expenses ¹	20	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Other Deductions	183	206	192	283	210	243	292	327	334	370
Total Reported	\$ 2,967	\$ 3,203	\$ 3,064	\$ 3,487	\$ 3,477	\$ 3,700	\$ 3,945	\$ 4,099	\$ 4,158	\$ 4,173
Unallowed Deductions ²	42	47	39	46	58	68	88	7	85	91
Itemized Allowed	\$ 2,924	\$ 3,155	\$ 3,025	\$ 3,441	\$ 3,419	\$ 3,632	\$ 3,857	\$ 4,092	\$ 4,073	\$ 4,082
Standard Deductions	\$ 491	\$ 493	\$ 470	\$ 450	\$ 382	\$ 371	\$ 381	\$ 383	\$ 371	\$ 378

¹ Beginning in 1987, moving expenses became an itemized deduction. In 1994, moving expenses became an adjustment to income.

² Beginning 1991, itemized deductions were limited for taxpayers with adjusted gross income more than \$100,000 or \$50,000 if married filing separately.

TABLE 15
TYPE AND NUMBER OF RETURNS FILED IN EACH TAXATION DISTRICT, 1993 - 2002

Individual Income - 2002

TYPE OF RETURN	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
<u>First Taxation District</u>										
Form N-11	-	-	271,885	287,542	303,095	311,850	319,445	328,212	334,270	337,619
Form N-12	308,171	317,440	42,075	33,634	17,460	15,496	13,323	11,584	9,937	8,378
Form N-13	87,591	87,426	74,764	68,293	59,299	52,517	46,074	41,058	35,820	33,011
Form N-15	34,611	35,849	32,030	29,833	42,454	43,040	43,113	45,249	44,782	46,897
TOTAL - FIRST DISTRICT	430,373	440,715	420,754	419,302	422,308	422,903	421,955	426,103	424,809	425,905
<u>Second Taxation District</u>										
Form N-11	-	-	36,334	39,840	42,688	44,788	46,630	48,799	50,829	51,591
Form N-12	41,179	42,863	5,104	4,178	2,278	1,987	1,769	1,458	1,267	994
Form N-13	10,114	10,408	8,717	8,092	7,070	6,418	5,546	4,916	4,437	4,078
Form N-15	1,414	1,478	1,258	1,221	2,561	2,642	2,905	3,410	3,450	3,374
TOTAL - SECOND DISTRICT	52,707	54,749	51,413	53,331	54,597	55,835	56,850	58,583	59,983	60,037
<u>Third Taxation District</u>										
Form N-11	-	-	38,767	40,539	44,471	46,278	47,896	50,249	51,937	53,624
Form N-12	45,492	46,202	6,344	5,099	2,936	2,503	2,364	2,056	1,695	1,451
Form N-13	14,724	15,228	12,457	12,228	10,772	9,894	9,013	8,186	7,169	6,686
Form N-15	969	1,066	925	928	2,267	2,207	2,591	2,971	3,060	3,794
TOTAL - THIRD DISTRICT	61,185	62,496	58,493	58,794	60,446	60,882	61,864	63,462	63,861	65,555
<u>Fourth Taxation District</u>										
Form N-11	-	-	17,549	18,316	19,541	20,457	20,965	21,803	22,079	22,691
Form N-12	19,977	20,947	2,614	1,927	1,244	944	882	786	654	554
Form N-13	5,285	5,201	4,584	4,279	3,709	3,450	3,271	3,025	2,647	2,426
Form N-15	663	593	438	425	901	926	936	1,112	1,137	1,124
TOTAL - FOURTH DISTRICT	25,925	26,741	25,185	24,947	25,395	25,777	26,054	26,726	26,517	26,795
<u>All Taxation Districts</u>										
Form N-11	-	-	364,535	386,237	409,795	423,373	434,936	449,063	459,115	465,525
Form N-12	414,819	427,452	56,137	44,838	23,918	20,930	18,338	15,884	13,553	11,377
Form N-13	117,714	118,263	100,522	92,892	80,850	72,279	63,904	57,185	50,073	46,201
Form N-15	37,657	38,986	34,651	32,407	48,183	48,815	49,545	52,742	52,429	55,189
TOTAL - ALL RETURNS	570,190	584,701	555,845	556,374	562,746	565,397	566,723	574,874	575,170	578,292

TABLE 16
ADJUSTED GROSS INCOME, GROSS TAX LIABILITY, AND WAGES BY GEOGRAPHIC AREA - 2002

GEOGRAPHIC AREA	No. of Returns	Adjusted Gross Income		Gross Tax Liability			Wages			Percent of Returns With		
		Amount	Mean	Number	Amount	Mean	Number	Amount	Mean	Tax	Wages	Itemized
										Liability		Deductions
Downtown & Nuuanu	49,602	\$ 1,555,949,401	\$31,369	38,252	\$ 80,959,444	\$ 2,116	35,936	\$ 1,243,679,396	\$34,608	77%	72%	50%
Kaimuki-Hawaii Kai	46,014	2,417,932,607	52,548	37,552	130,637,707	3,479	33,137	1,749,107,255	52,784	82%	72%	62%
Makiki to Waikiki	52,033	1,771,252,316	34,041	41,888	91,066,202	2,174	38,041	1,356,072,219	35,648	81%	73%	51%
Airport, Kalihi	37,922	1,102,877,545	29,083	32,202	48,203,791	1,497	32,134	973,436,593	30,293	85%	85%	53%
Aiea, Pearl City	34,951	1,265,969,648	36,221	28,149	60,317,810	2,143	27,204	1,080,674,927	39,725	81%	78%	57%
Waipahu	29,393	1,017,605,088	34,621	25,562	42,634,019	1,668	26,028	935,983,964	35,961	87%	89%	59%
Kapolei, Ewa	30,228	1,106,126,721	36,593	26,704	45,251,890	1,695	27,415	1,028,643,885	37,521	88%	91%	63%
Wahiawa, Mililani	32,524	1,307,351,121	40,197	27,957	59,526,795	2,129	27,819	1,166,680,331	41,938	86%	86%	60%
Waianae Coast	15,380	400,396,277	26,034	12,171	16,418,446	1,349	12,883	366,495,013	28,448	79%	84%	41%
Kailua, Kaneohe	47,909	1,939,807,825	40,489	39,665	93,841,984	2,366	38,493	1,617,849,454	42,030	83%	80%	58%
Oahu North Shore	11,546	337,821,490	29,259	9,495	14,623,993	1,540	9,922	296,665,005	29,900	82%	86%	48%
Oahu Total	387,502	\$14,223,090,039	\$36,705	319,597	\$ 683,482,081	\$ 2,139	309,012	\$11,815,288,042	\$38,236	82%	80%	56%
Wailuku, Kahului	23,057	\$ 753,577,078	\$32,683	19,628	\$ 32,200,442	\$ 1,641	19,625	\$ 659,350,208	\$33,597	85%	85%	59%
Kihei	9,174	340,523,411	37,118	8,358	15,214,136	1,820	7,881	279,536,211	35,470	91%	86%	62%
Lahaina	8,592	312,288,678	36,346	7,677	14,894,069	1,940	7,459	260,857,115	34,972	89%	87%	60%
Rural Maui	15,682	577,175,613	36,805	13,068	27,465,936	2,102	12,439	427,823,933	34,394	83%	79%	57%
Molokai	2,520	67,179,211	26,658	2,098	2,894,348	1,380	2,173	58,433,113	26,891	83%	86%	47%
Lanai	1,428	50,181,863	35,141	1,300	2,251,339	1,732	1,309	44,738,626	34,178	91%	92%	57%
Maui County Total	60,453	\$ 2,100,925,854	\$34,753	52,129	\$ 94,920,270	\$ 1,821	50,886	\$ 1,730,739,206	\$34,012	86%	84%	58%
Hilo	21,169	\$ 628,965,851	\$29,712	16,544	\$ 29,478,997	\$ 1,782	16,124	\$ 527,314,727	\$32,704	78%	76%	45%
Hamakua Coast	5,587	146,609,039	26,241	4,341	6,644,374	1,531	4,436	117,823,679	26,561	78%	79%	46%
Kohala	8,212	337,429,951	41,090	7,200	16,482,881	2,289	7,005	257,715,034	36,790	88%	85%	58%
Kona	18,434	631,559,910	34,261	15,579	29,960,627	1,923	14,760	480,487,918	32,553	85%	80%	54%
Puna-Ka'u	12,968	277,154,495	21,372	9,721	11,678,454	1,201	9,651	238,239,682	24,685	75%	74%	40%
Big Island Total	66,370	\$ 2,021,719,246	\$30,461	53,385	\$ 94,245,333	\$ 1,765	51,976	\$ 1,621,581,040	\$31,199	80%	78%	48%
Lihue	7,241	\$ 228,898,792	\$31,611	6,023	\$ 10,025,934	\$ 1,665	5,821	\$ 196,577,971	\$33,770	83%	80%	60%
North Kauai	10,479	342,767,631	32,710	8,763	15,773,166	1,800	8,170	296,873,498	36,337	84%	78%	54%
Koloa-Poipu	1,800	59,539,151	33,077	1,495	2,867,972	1,918	1,346	42,856,266	31,840	83%	75%	55%
West Kauai	7,669	247,243,970	32,239	6,284	11,444,506	1,821	6,311	208,336,725	33,012	82%	82%	53%
Kauai County Total	27,189	\$ 878,449,544	\$32,309	22,565	\$ 40,111,578	\$ 1,778	21,648	\$ 744,644,460	\$34,398	83%	80%	55%
Total - Hawaii Addresses	541,514	\$19,224,184,683	\$35,501	447,676	\$912,759,262	\$ 2,039	433,522	\$15,912,252,748	\$36,705	83%	80%	55%
Other/Unknown	36,778	538,141,382	14,632	25,922	44,037,915	1,699	18,047	340,751,132	18,881	70%	49%	41%
Total - All Returns	578,292	\$19,762,326,065	\$34,174	473,598	\$956,797,177	\$ 2,020	451,569	\$16,253,003,880	\$35,992	82%	78%	54%

APPENDIX

**Links to Individual Income Tax Returns and Instructions On
Department's Website: <http://www.state.hi.us/tax/taxforms.html>**

[Form N-11](#), Individual Income Tax Return for Resident Filing Federal Return

[Form N-12](#), Individual Income Tax Return

[Instructions](#), Forms N-11 and N-12

[Form N-13](#), Short-Form Resident Individual Income Tax Return

[Instructions](#), Form N-13

[Form N-15](#), Nonresident and Part Year Resident Individual Income Tax Return

[Instructions](#), Form N-15

[Schedule D-1](#), Sales of Business Property

[Instructions](#), Schedule D-1

[Schedule J](#), Supplemental Annuities Schedule

[Schedule CR](#), Schedule of Tax Credits

[Schedule X](#), Tax Credits for Hawaii Residents

[Form N-615](#), Computation of Tax for Children Under Age 14

[Instructions](#), Form N-615

[Form N-814](#), Parent's Election to Report Child's Interest and Dividends