STATE OF HAWAII—DEPARTMENT OF TAXATION

INSTRUCTIONS FOR SCHEDULE CR
SCHEDULE OF TAX CREDITS

(NOTE: References to "married" and "spouse" are also references to "in a civil union" and "civil union partner," respectively.)

PURPOSE OF FORM

Schedule CR, Schedule of Tax Credits, is used to summarize the total refundable and nonrefundable tax credits claimed. Schedule CR and the applicable tax credit form(s) MUST be properly completed and attached immediately behind your tax return to claim, apply or carryover the tax credits listed on the form. Enter any total refundable or nonrefundable tax credits from lines 11 and 33 on the appropriate lines of your tax return.

IMPORTANT

Unused carryover amounts from prior tax years must be claimed every tax year until the carryover amount is exhausted. Schedule CR and the applicable tax credit forms must be attached to your tax return with the claimed unused carryover amounts, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amounts may be forfeited.

PART I — Refundable Tax Credits

Complete Part I of Schedule CR to claim the following refundable tax credits.

Line 1 – Capital Goods Excise Tax Credit (Form N-312)

A 4% credit is available to Hawaii businesses that acquire qualifying business property and place it in service during the taxable year.

For more information, see the instructions for Form N-312, Tax Information Release No. 88-6, "Capital Goods Excise Tax Credit," Tax Information Release No. 88-8, "Capital Goods Excise Tax Credit Recapture," Tax Information Release No. 89-4, "The Taxpayer Who Is Entitled To The Capital Goods Excise Tax Credit When The Parties Characterize A Transaction As A Lease Or Sale-Leaseback," and Tax Information Release No. 2001-4, "The Definition of "Cost"; The Payment of Tax Requirement; and Safe Harbor Guidelines Pertaining to the Capital Goods Excise Tax Credit."

Form N-20, Schedule K-1. Report each partner's distributive share of the total cost of the qualifying property, not the credit amount, on line 16 of Schedule K-1. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the total cost of the qualifying property, not the credit amount, on line 16b of Schedule K-1.

Form N-40, Schedule K-1. Report each beneficiary's distributive share of the total cost of the qualifying property, not the credit amount, on line 7a of Schedule K-1.

To claim this credit. Complete Form N-312 and Schedule CR and attach them to your return.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 1.

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 2 – Fuel Tax Credit for Commercial Fishers (Form N-163)

Each principal operator of a commercial fishing vessel may claim an income tax credit against their income tax for certain fuel taxes paid during the year. The tax credit shall be an amount equal to the fuel taxes imposed under section 243-4(a), Hawaii Revised Statutes (HRS), and paid by the principal operator during the taxable year.

Form N-20, Schedule K-1. Report each partner's distributive share of the fuel tax credit for commercial fishers on line 17 of Schedule K-1. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the fuel tax credit for commercial fishers on line 16a of Schedule K-1.

Form N-40, Schedule K-1. Report each beneficiary's distributive share of the fuel tax credit for commercial fishers on line 9d of Schedule K-1.

To claim this credit. Complete Form N-163 and Schedule CR and attach them to your return.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 2.

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 3 – Motion Picture, Digital Media, and Film Production Income Tax Credit (Form N-340)

Act 169, Session Laws of Hawaii (SLH) 2024, amends the motion picture, digital media, and film production income tax credit (film credit) by (1) requiring productions to provide evidence of reasonable efforts to comply with all applicable requirements to qualify for the film credit; (2) requiring taxpayers to be given notice of and an opportunity to cure requirements for the film credit within 30 days of receiving the notice. This act shall take effect on January 1, 2025.

A taxpayer may claim an income tax credit of (1) 22% of the qualified production costs incurred before January 1, 2033, by a qualified production in the City and County of Honolulu, and (2) 27% of the qualified production costs incurred before January 1, 2033, by a qualified production in the Kauai, Maui, or Hawaii county. The total tax credits claimed per qualified production shall not exceed $17,000,000.

For more information, see Form N-340, Motion Picture, Digital Media, and Film Production Income Tax Credit.

Form N-20, Schedule K-1. Report each partner's distributive share of the qualified production costs on line 21 of Schedule K-1. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the qualified production costs on line 16f of Schedule K-1.

Form N-40, Schedule K-1. Report each beneficiary's distributive share of the qualified production costs on line 9d of Schedule K-1.

To claim this credit. Complete Form N-340 and Schedule CR and attach them to your return.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 3.

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 4 – Refundable Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009) (Form N-342)

If you install and place in service an eligible renewable energy technology system in Hawaii, you may qualify to claim this credit. You may claim the credit as nonrefundable or refundable. Only taxpayers with excess tax credit may choose how to treat their excess renewable energy technologies income tax credit (RETITC). Excess tax credit means tax credit exceeds taxpayer's income tax liability. For information on how to claim the credit as nonrefundable, see the instructions for line 28. A refundable credit means you will receive a tax refund if your credit amount is greater than the amount of income tax you owe. You may elect to claim the credit as a refundable credit under the following circumstances:

Refundable Reduced Credit

For solar energy systems, such as solar water heaters or photovoltaic systems, you may elect to reduce the eligible credit amount by 30% and if this reduced amount exceeds the amount of income tax payment due, the excess of the credit amount over payments due will be refunded. This is an irrevocable election. A separate election may be made for each separate system that generates a credit.

Refundable Full Credit (For Qualified Individuals Only)

For any RETITC system, an individual may elect to have any excess of the credit over payments due refunded if:

(1) All your (and your spouse's) income is retirement income such as pension distributions, social security, or distributions from a public retirement system that is exempt from Hawaii income tax; or

(2) Your Hawaii adjusted gross income (AGI) is $20,000 or less ($40,000 or less if you are married filing a joint return).

A taxpayer and spouse who do not file a joint tax return shall only be entitled to make this election to the extent that they would have been entitled to make the election had they filed a joint tax return. This is an irrevocable election. A separate election may be made for each separate system that generates a credit.

Total Output Capacity

A system classified under "other solar energy system" such as a photovoltaic system must meet the total output capacity requirement to qualify for the credit unless an exception applies.

The total output capacity requirements are:

- Single-family residential property – 5 kilowatts per system
- Multi-family residential property – 0.360 kilowatts per unit per system
- Commercial property – 1,000 kilowatts per system

For more information, see Form N-342 and its instructions, Tax Information Release No. 2010-10, "Common Income Tax & General Excise Tax Issues Associated with the Renewable Energy Technologies Income Tax Credit, HRS §235-12.5," Tax Information Release No. 2022-02, "Updated Guidance Relating to the Renewable Technologies Income Tax Credit," and Tax Facts 2022-2, "Renewable Energy Technologies Income Tax Credit - Photovoltaic Systems."

Form N-20, Schedule K-1. Use Form N-342A to report each partner's distributive share of the renewable energy technologies income tax credit and attach it to the partner's Schedule K-1. The partner's distributive share is reported on line 23 of Schedule K-1. Partners will use Form N-342 to claim their credit and need to attach a copy of their Form N-342A to their Hawaii net income tax return in order to receive the credit. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Use Form N-342A to report each shareholder's distributive share of the renewable energy technologies income tax credit and attach it to the shareholder's Schedule K-1. The shareholder's distributive share is reported on line 16h of Schedule K-1. Shareholders will use Form N-342 to claim their credit and need to attach a copy of their Form N-342A to their Hawaii net income tax return in order to receive the credit.

Form N-40, Schedule K-1. Use Form N-342A to report each beneficiary's distributive share of the renewable energy technologies income tax credit and attach it to the beneficiary's Schedule K-1. The beneficiary's distributive share is reported on line 9d of Schedule K-1. Beneficiaries will use Form N-342 to claim their credit and need to attach a copy of their form N-342A to their Hawaii net income tax return in order to receive the credit.

To claim this credit. Complete Form N-342 and Schedule CR and attach them to your return. Fill in the appropriate oval on Schedule CR to indicate the type of energy system.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 4.

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 5 – Important Agricultural Land Qualified Agricultural Cost Tax Credit (Form N-344)

Act 139, SLH 2022, extends the sunset date of the important agricultural land agricultural cost tax credit to December 31, 2030.

If you are claiming the important agricultural land qualified agricultural cost tax credit, see Form N-344 for information.

Form N-20, Schedule K-1. Report each partner's distributive share of the important agricultural land qualified agricultural cost tax credit on line 24 of Schedule K-1. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the important agricultural land qualified agricultural cost tax credit on line 16i of Schedule K-1.

Form N-40, Schedule K-1. Report each beneficiary's distributive share of the important agricultural land qualified agricultural cost tax credit on line 9d of Schedule K-1.

To claim this credit. Complete Form N-344 and Schedule CR and attach them to your return.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 5.

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 6 – Tax Credit for Research Activities (Form N-346)

Note: *The federal credit for increasing research activities must be claimed in order to claim the state tax credit for research activities.*

Act 139, SLH 2024, amends the tax credit for research activities by (1) repealing the provision that made references to the base amount in the Internal Revenue Code inapplicable to the tax credit for research activities and allow the credits for all qualified research expenses to be taken without regard to previous years' expenses; (2) narrowing the qualifying criteria for the credit to applicants who are small businesses registered in the State; and (3) extending the sunset date of the credit to December 31, 2029. Effective for taxable years beginning after December 31, 2023.

A qualifying taxpayer may claim a refundable tax credit for research activities for tax years beginning before January 1, 2030.

In order to qualify for this tax credit, the qualified high technology business shall also claim a federal tax credit for the same qualified research activities under Internal Revenue Code (IRC) section 41. Qualified research expenses shall not include research expenses incurred outside Hawaii. Research expenses must be certified in order to claim the credit. See Forms N-346 and N-346A for details.

Form N-20, Schedule K-1. Report each partner's distributive share of the tax credit for research activities on line 25 of Schedule K-1. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the tax credit for research activities on line 16j of Schedule K-1.

Form N-40, Schedule K-1. Report each beneficiary's distributive share of the tax credit for research activities on line 7c of Schedule K-1.

To claim this credit. Complete Form N-346 and Schedule CR and attach them to your return. Form N-346A, which must be certified, and your federal Form 6765 also must be attached to your return.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 6.

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 7 – Refundable Renewable Fuels Production Tax Credit (For Tax Years Beginning After December 31, 2021) (Form N-360)

Act 216, SLH 2022, establishes a new renewable fuels production tax credit for taxable years beginning after December 31, 2021. (1) The credit

is available for 10 consecutive years beginning with the first taxable year the taxpayer claiming the credit begins producing at least 2.5 billion British thermal units (BTU) of renewable fuel per year; (2) the dollar amount of the credit is 20 cents per 76,000 BTU of renewable fuels; (3) the Hawaii State Energy Office must certify all claims for the credit, which cannot exceed $3,500,000 in any given year; and (4) allows the taxpayer to elect to have the credit be refunded to them.

Each taxpayer producing renewable fuels may claim a nonrefundable or refundable renewable fuels production tax credit for taxable years beginning after December 31, 2021. Only taxpayers with excess credit may choose how to treat their excess renewable fuels production tax credit. Excess tax credit means tax credit exceeds the taxpayer's income tax liability. For information on how to claim the credit as nonrefundable, see the instructions for line 30. A refundable credit means you will receive a tax refund if your credit amount is greater than the amount of income tax you owe. You may elect to claim the credit as a refundable under the following circumstances:

Refundable Reduced Credit

You may elect to reduce the eligible credit amount by 30% and if this reduced amount exceeds the amount of income tax payment due, the excess of the credit amount over payments due will be refunded. This is an irrevocable election.

Refundable Full Credit (For Qualified Individuals Only)

An individual taxpayer may elect to have any excess of the credit over payments due refunded if:

(1) All your (and your spouse's) income is retirement income such as pension distributions, social security, or distributions from a public retirement system that is exempt from Hawaii income tax; or

(2) Your Hawaii adjusted gross income (AGI) is $20,000 or less ($40,000 or less if you are married filing a joint return).

A taxpayer and spouse who do not file a joint tax return shall only be entitled to make this election to the extent that they would have been entitled to make the election had they filed a joint tax return. This is an irrevocable election.

For more information, see Form N-360, Renewable Fuels Production Tax Credit (For Tax Years Beginning After December 31, 2021).

Form N-20, Schedule K-1. Report each partner's distributive share of the renewable fuels production tax credit on line 27 of Schedule K-1. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the renewable fuels production tax credit on line 16l of Schedule K-1.

Form N-40, Schedule K-1. Report each beneficiary's distributive share of the renewable fuels production tax credit on line 9d of Schedule K-1.

To claim this credit. Complete Form N-360 and Schedule CR and attach them to your return.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 7.

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 8 – Earned Income Tax Credit (Form N-356)

Act 163, SLH 2023, amends the earned income tax credit for taxable years 2023 to 2027 by increasing the credit amount from 20% to 40% of the federal earned income tax credit claimed on the taxpayer's federal income tax return.

A qualifying individual taxpayer may claim a refundable earned income tax credit equal to 40 percent of the federal earned income credit claimed on the taxpayer's federal income tax return for taxable years 2023 through 2027. For information on how to claim the carryover credit from the 2022 tax year, see instructions for line 24.

A qualifying individual taxpayer is a taxpayer that: (1) files a federal income tax return for the taxable year and claims the earned income credit under IRC section 32, and (2) files a Hawaii income tax return for the taxable year using the same filing status used on the federal income tax return, and claiming the same dependents claimed on the federal income tax return.

For more information, see Form N-356, Earned Income Tax Credit.

To claim this credit. Complete Form N-356 and Schedule CR and attach them to your return.

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 9 – Claim of Right Tax Credit (Form N-364)

A taxpayer may claim a credit when an item of income reported in an earlier year at a higher tax rate is returned in a subsequent year at a lower tax rate if it is determined that the taxpayer did not have an unrestricted right to the item of income when reported, or if the amount repaid is more than $3,000, a taxpayer may be able to take a credit against their tax for the year in which they repaid it.

For more information, see Form N-364, Claim of Right Tax Credit.

To claim this credit. Complete Form N-364 and Schedule CR and attach them to your return.

Lines 10a and 10b – Other Credits

Line 10a – Pro Rata Share of Taxes Withheld and Paid by a Partnership or S Corporation on the Sale of Hawaii Real Property Interests

If the tax was withheld by a partnership or S corporation, and you are taxable on a pro rata share of the entity's gain on the sale, include ONLY the amount of your pro rata share of any net income taxes withheld and paid by the partnership or S corporation on Schedule CR, line 10a, and attach a copy of the Schedule K-1 issued to you by the partnership or S corporation.

Note: *If the partnership or S corporation filed a Form N-288C, Application for Tentative Refund of Withholding on Dispositions by Nonresident Persons of Hawaii Real Property Interests, you may not claim this credit for your share of the amount being refunded to the entity.*

Form N-20, Schedule K-1. Report each partner's distributive share of the credit for income tax withheld on Form N-288A on line 29 of Schedule K-1. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the credit for income tax withheld on Form N-288A on line 16n of Schedule K-1.

Line 10b – Credit From a Regulated Investment Company

A shareholder of a regulated investment company is allowed a credit for the tax paid to the State by the company on the amount of capital gains which by IRC section 852(b)(3)(D) is required to be included in the shareholder's return. The regulated investment company will notify you of the undistributed capital gains amount and the tax paid, if any. If this credit applies to you, include the amount on Schedule CR, line 10b, and attach an explanation.

Part II — Nonrefundable Tax Credits

Complete Part II of Schedule CR to claim the following nonrefundable tax credits:

Line 12 – Credit for Income Taxes Paid to Other States and Countries

This credit may be claimed by N-11, N-15, N-40, and N-70NP filers.

Note: *If you claim a credit for income taxes paid to other states and countries, you cannot also claim those amounts as an itemized deduction for state and foreign income taxes paid to another state or foreign country.*

Note: *This credit may not be claimed by nonresidents, unless they are married and filing a joint resident or joint part-year resident return.*

If you have out-of-state income that is taxed by another state or foreign country and also by Hawaii, you may claim a credit against your Hawaii income for the net income tax you paid to the other state or foreign country on income you reported in Column B while you were a Hawaii resident if you meet the following conditions:

(1) The income was earned while you were a Hawaii resident (or you are married and filing a joint resident or joint part-year resident return) and was not exempt from Hawaii income tax;

(2) The income on which the state or foreign tax is imposed was derived or received from sources outside Hawaii;

(3) You were liable for and paid tax to the foreign jurisdiction (net amount of tax paid to a foreign jurisdiction after all credits, reductions, and refunds allowed or allowable by the laws of the foreign jurisdiction have been deducted);

(4) The tax paid to the other state or foreign country is an income-based tax that is imposed on both residents and nonresidents of the other state or foreign country, rather than a sales, gross receipts, withholding, or value added tax (i.e., taxes withheld on dividends paid from foreign investments do not qualify);

(5) No credit is allowed if the foreign income is excluded on the federal return;

(6) No credit is allowed if the foreign tax credit is allowed on the federal return;

(7) The income must be taxed by the other state or foreign country for the same taxable year for which the Hawaii credit is claimed;

(8) No credit is allowed for penalties or interest paid to the other state or foreign country; and

(9) No credit is allowed for city or local income taxes paid to another state.

Out-of-State Tax Refund. If you claim this credit and you later receive a tax refund from the other state or foreign country, you MUST report this to the Department. You may be subject to penalties if you fail to make this report.

For more information, see section 235-55, HRS, and section 18-235-55, HAR.

To claim this credit. Complete the Other State and Foreign Tax Credit Worksheet in the instructions for your tax return. Enter the net amount of tax paid to the other state after all credits, reductions, and refunds allowed or allowable by the laws of the other state have been deducted (net tax liability). You must attach the following to your return:

(1) A copy of the tax return(s) from the other state(s).

(2) A copy of all federal Form(s) 1116 that you are filing this year. If you are not required to file federal Form 1116

(3) Attach a copy of the payee statement (such as federal Form 1099-DIV or 1099-INT) that you received for your foreign source income.

See the instructions for your return for more information.

Credit for Beneficiaries of Foreign Trusts

Any resident beneficiary of a trust with a situs in another State may claim a credit for income taxes paid by the trust to the other State on any income that is attributable to assets other than intangibles. This credit is not allowed for trusts that are residents in a foreign country (or in any territory or possession of the United States).

The trust will inform you of what your share of the trust's income is, and how much of it is long-term capital gains. The trust will also tell you your share of the tax the trust paid to the other state. Find out how much of the trust's income was attributable to real property and tangible personal property (not including stocks, bonds, mortgages, and other intangibles. Divide that number by the total amount of the trust's income, and multiply your share of the out-of-state tax by that percentage.

Credit for Shareholders of S Corporations

A shareholder of an S corporation shall be considered to have paid a tax imposed on the shareholder in an amount equal to the shareholder's pro rata share of any net income tax paid by the S corporation to a state which does not measure the income of S corporation shareholders by the income of the S corporation. The term "net income tax" means any tax imposed on or measured by a corporation's net income.

The S corporation will inform you of what your share of its income is, and how much of it is long-term capital gains. The S corporation will also tell you your share of the tax paid to the other state.

Credit for Members' Pro Rata Share of Taxes Paid by a Pass-Through Entity (PTE) to Another State

A resident or part-year resident who is a member of a partnership or S corporation may claim a nonrefundable credit for their pro rata share of taxes paid by the partnership or S corporation to another state or the District of Columbia, provided the taxes paid to the other state or District of Columbia result from a tax that is substantially similar to the tax imposed by Act 50, SLH 2023.

To claim this credit, you must attach the following to your return:

(1) A copy of the partnership's or S corporation's tax return filed in the other state or District of Columbia; and

(2) All available schedules showing the pro rata share of the taxes paid to the other state or District of Columbia.

Line 13 – Enterprise Zone Tax Credit (Form N-756)

A qualified enterprise zone business may claim a credit for a percentage of net income tax due to the State attributable to the conduct of business within a zone and a percentage of the amount of unemployment insurance premiums paid based on the payroll of employees employed at the business firm establishments in the zone. The applicable percentage is 80% the first year; 70% the second year; 60% the third year; 50% the fourth year; 40% the fifth year; 30% the sixth year; and 20% the seventh year. For qualifying businesses engaged in the manufacturing of tangible personal property or the producing of agricultural products, the credit shall continue after the seventh year in an amount equal to 20% of the taxes paid during the eighth, ninth, and tenth tax years. This credit is not refundable and any unused credit may NOT be carried forward.

For more information, see Form N-756, Enterprise Zone Tax Credit.

Form N-20, Schedule K-1. Use Form N-756A to report each partner's distributive share of the enterprise zone tax credit and attach it to the partner's Schedule K-1. The partner's distributive share is reported on line 18 of Schedule K-1. Partners will use Form N-756 to claim their credit and need to attach a copy of their Form N-756A to their Hawaii net income tax return in order to receive the credit. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Use Form N-756A to report each shareholder's distributive share of the enterprise zone tax credit and attach it to the shareholder's Schedule K-1. The shareholder's distributive share is reported on line 16c of Schedule K-1. Shareholders will use Form N-756 to claim their credit and need to attach a copy of their Form N-756A to Hawaii net income tax return in order to receive the credit.

Form N-40, Schedule K-1. Use Form N-756A to report each beneficiary's distributive share of the enterprise zone tax credit and attach it to the beneficiary's Schedule K-1. The beneficiary's distributive share is reported on line 9d of Schedule K-1. Beneficiaries will use Form N-756 to claim their credit and need to attach a copy of their form N-756A to their Hawaii net income tax return in order to receive the credit.

To claim this credit. Complete Form N-756 and Schedule CR and attach them to your return.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 13.

PART II — Lines 14 through 24

If you have any unused carryover credit amounts from prior tax years, the Schedule CR and applicable tax credit forms must be completed and attached to your tax return every tax year until the carryover credit amount is exhausted in order to claim the unused carryover credit in subsequent tax years. The unused carryover credit amount must be claimed whether or not you are applying any carryover amounts to your remaining tax liability for the taxable year.

Column (a) – You **MUST** enter the unused carryover amount of the credit from the prior tax year.

Column (c) – Please enter the amount of the credit that will be applied to your remaining tax liability for this tax year.

Column (d) – You **MUST** enter the amount of the unused credit that will be carried over to subsequent years. This line must be completed if you are carrying over any amount of unused tax credit whether or not you

are applying any carryover amounts to your remaining tax liability for the tax year.

Line 14 – Carryover of the Credit for Energy Conservation (Form N-323)

Note: *The credit for energy conservation expired on June 30, 2003. This credit may be claimed only if you have a carryover of the tax credit from a prior year. For new installations, see Form N-342.*

Each taxpayer who files an individual, corporate, fiduciary, or exempt organization business income tax return and who has unused energy conservation tax credits from the prior year may claim a tax credit against its income tax liability. Tax credits that exceed the taxpayer's income tax liability are not refunded but may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits.

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 14* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Line 15 – Carryover of the High Technology Business Investment Tax Credit (Form N-323)

Note: *The high technology business investment tax credit is not available for investments made after December 31, 2010. You may claim the tax credit only if you have a carryover of the tax credit from a prior year.*

Each taxpayer who files an individual, corporate, fiduciary, or exempt organization business income tax return and who has unused high technology business investment tax credits may claim a tax credit against its income tax liability. A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits.

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 15* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Line 16 – Carryover of the Cesspool Upgrade, Conversion or Connection Income Tax Credit (Form N-323)

Note: *The cesspool upgrade, conversion, or connection tax credit is not available for taxable years beginning after December 31, 2020. This credit may be claimed only if you have a carryover of the tax credit from a prior year.*

Each taxpayer who files an individual, corporate, fiduciary, or exempt organization business income tax return and who has unused cesspool upgrade, conversion, or connection income tax credits from the prior year may claim a tax credit against its income tax liability. Tax credits that exceed the taxpayer's income tax liability are not refunded but may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits.

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 16* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Line 17 – Carryover of the Technology Infrastructure Renovation Tax Credit (Form N-323)

Note: *The technology infrastructure renovation tax credit is not available for taxable years beginning after December 31, 2010. This credit may be claimed only if you have a carryover of the tax credit from a prior year.*

Each taxpayer who files an individual, corporate, fiduciary, or exempt organization business income tax return and who has unused technology infrastructure renovation tax credits from the prior year for renovation costs to provide a commercial building with technology enabled infrastructure may claim a tax credit against its income tax liability. Tax credits that exceed the taxpayer's income tax liability are not refunded but may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits.

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 17* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Line 18 – Carryover of the Hotel Construction and Remodeling Tax Credit (Form N-323)

Note: *The 10% nonrefundable hotel construction and remodeling tax credit may not be claimed for qualified construction or renovation costs incurred after June 30, 2003. This credit may be claimed only if you have a carryover of the tax credit from a prior year.*

Each taxpayer who files an individual, corporate, fiduciary, or exempt organization business income tax return and who has unused hotel construction and remodeling tax credits for qualified construction or renovation costs from the prior year may claim a tax credit against its income tax liability. Tax credits that exceed the taxpayer's income tax liability are not refunded but may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits, and Tax Information Release No. 2000-2, "Hotel Construction and Remodeling Tax Credit."

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 18* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Line 19 – Carryover of the Residential Construction and Remodeling Tax Credit (Form N-323)

Note: *The residential construction and remodeling tax credit may not be claimed for construction or renovation costs incurred after June 30, 2003. This credit may be claimed only if you have a carryover of the tax credit from a prior year.*

Each taxpayer who files an individual, corporate, fiduciary, or exempt organization business income tax return and who has unused residential construction and remodeling tax credits for qualified construction or renovation costs from the prior year may claim a tax credit against its income tax liability. Tax credits that exceed the taxpayer's income tax liability are not refunded but may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits, and Tax Information Release No. 2002-3, "Residential Construction and Remodeling Tax Credit."

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 19* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Line 20 – Carryover of the Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service Before July 1, 2009) (Form N-323)

Note: *This credit may be claimed only if you have a carryover of the renewable energy technologies income tax credit for systems installed and placed in service before July 1, 2009.*

Each taxpayer who files an individual, corporate, fiduciary, or exempt organization business income tax return and who has unused renewable energy technologies income tax credits for systems installed and placed in service before July 1, 2009, may claim a tax credit against its income tax liability. A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, See Form N-323, Carryover of Tax Credits.

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 20* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

See the discussion for the Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009), for the credit available for current system installations.

Line 21 – Carryover of the Organic Foods Production Tax Credit (Form N-323)

Note: *The organic foods production tax credit is not available for taxable years beginning after December 31, 2021. This credit may be claimed only if you have a carryover of the tax credit from a prior year.*

Each taxpayer who files an individual, corporate, fiduciary, or exempt organization business income tax return and who has unused organic foods production tax credits from the prior year may claim a tax credit against its income tax liability. Tax credits that exceed the taxpayer's income tax liability are not refunded but may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits.

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 21* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Line 22 – Carryover of the Renewable Fuels Production Tax Credit (For Tax Years Beginning Before January 1, 2022) (Form N-323)

Note: *The renewable fuels production tax credit is not available for taxable years beginning after December 31, 2021. This credit may be claimed only if you have a carryover of the tax credit from a prior year.*

Each taxpayer who files an individual, corporate, fiduciary, or exempt organization business income tax return and who has unused renewable fuels production tax credits for taxable years beginning before January 1, 2022 from the prior year may claim a tax credit against its income tax liability. Tax credits that exceed the taxpayer's income tax liability are not refunded but may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-323, Carryover of Tax Credits.

To claim the carryover of this credit. Complete Form N-323 and Schedule CR and attach them to your return.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 22* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Line 23 – Carryover of the Capital Infrastructure Tax Credit (Form N-348)

Note: *The capital infrastructure tax credit is not available for taxable years beginning after December 31, 2019. This credit may be claimed only if you have a carryover of the tax credit from a prior year.*

Each taxpayer who files an individual, corporate, fiduciary, or exempt organization business income tax return and who has unused capital infrastructure tax credits from the prior year may claim a tax credit against its income tax liability. Tax credits that exceed the taxpayer's income tax liability are not refunded but may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-348, Capital Infrastructure Tax Credit.

To claim the carryover of this credit. Complete Form N-348 and Schedule CR and attach them to your return.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 23* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Line 24 – Carryover of the Earned Income Tax Credit (Form N-356)

Act 25, SLH 2025, eliminates the unlimited carryforward in the nonrefundable earned income tax credit from tax year 2022, effective for taxable years beginning after December 31, 2025.

Note: *The nonrefundable earned income tax credit is not available for taxable years beginning after December 31, 2022. This credit may be claimed only if you have a carryover of the tax credit from the 2022 tax year.*

Each taxpayer who files an individual income tax return and who has unused earned income tax credits from the 2022 tax year may claim a tax credit against its income tax liability. Tax credits that exceed the taxpayer's income tax liability are not refunded but may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted, provided that no credit carried forward from the 2022 tax year shall be used as a credit for taxable years beginning after December 31, 2025. For information on how to claim the refundable credit for taxable years beginning after December 31, 2022, see the instructions for Line 8, "Earned Income Tax Credit (Form N-356)" on page 3.

For more information, see Form N-356, Earned Income Tax Credit.

To claim the carryover of this credit. Complete Form N-356 and Schedule CR and attach them to your return.

PART II — Lines 25 through 32

If you have any unused carryover credit amounts from prior tax years, the Schedule CR and applicable tax credit forms must be completed and attached to your tax return every tax year until the carryover credit amount is exhausted in order to claim the unused carryover credit in subsequent tax years. The unused carryover credit amount must be claimed whether or not you are applying any carryover amounts to your remaining tax liability for the taxable year.

Column (a) – You **MUST** enter the unused carryover amount of the credit from the prior tax year.

Column (b) – Please enter the NEW credit amount you are CLAIMING this tax year for the applicable tax credit. This line must be completed to

properly claim any new tax credits whether or not you are applying any of the new credit amount to your remaining tax liability for the tax year.

Column (c) – Please enter the amount of the credit that will be applied to your remaining tax liability for this tax year.

Column (d) – You **MUST** enter the amount of the unused credit that will be carried over to subsequent years. This line must be completed if you are carrying over any amount of unused tax credit whether or not you are applying any carryover amounts to your remaining tax liability for the tax year.

Line 25 – Tax Credit for Low-Income Housing (Form N-586)

Note: *Do not confuse this credit with the credit for low-income household renters.*

Hawaii's low-income housing tax credit is equal to 50% of the federal credit for qualified buildings located in the State of Hawaii. Owners of qualified low-income buildings placed in service after December 31, 2011, may receive a low-income housing tax credit loan instead of taking the credit.

Contact the Hawaii Housing Finance and Development Corporation for qualifying requirements and further information.

Form N-20, Schedule K-1. Report each partner's distributive share of the tax credit for low-income housing on line 19 of Schedule K-1. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the tax credit for low-income housing on line 16d of Schedule K-1.

Form N-40, Schedule K-1. Report each beneficiary's distributive share of the tax credit for low-income housing on line 7b of Schedule K-1.

To claim this credit and any carryover amount. Complete Form N-586 and Schedule CR and attach them to your return.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 25.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 25* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 26 – Credit for Employment of Vocational Rehabilitation Referrals (Form N-884)

The amount of the tax credit for the taxable year is equal to 20% of the qualified first-year wages for that year. The amount of the qualified first-year wages which may be taken into account with respect to any individual shall not exceed $6,000.

"Qualified wages" means the wages paid or incurred by the employer during the taxable year to an individual who is a vocational rehabilitation referral and more than one-half of the wages paid or incurred for such an individual is for services performed in a trade or business of the employer.

"Qualified first-year wages" means, with respect to any vocational rehabilitation referral, qualified wages attributable to service rendered during the one-year period beginning with the day the individual begins work for the employer.

The credit allowed shall be claimed against net income tax liability for the taxable year. A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-884, Credit for Employment of Vocational Rehabilitation Referrals.

Form N-20, Schedule K-1. Report each partner's distributive share of the credit for employment of vocational rehabilitation referrals on line 20 of Schedule K-1. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the credit for employment of vocational rehabilitation referrals on line 16e of Schedule K-1.

Form N-40, Schedule K-1. Report each beneficiary's distributive share of the credit for employment of vocational rehabilitation referrals on line 9d of Schedule K-1.

To claim this credit and any carryover amount. Complete Form N-884 and Schedule CR and attach them to your return.

For Form N-40, enter the fiduciary's distributive share of the credit on Schedule CR, line 26.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 26* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 27 – Credit for School Repair and Maintenance (Form N-330)

Licensed contractors, pest control operators, and professional engineers, architects, surveyors and landscape architects who are subject to Hawaii's income tax may claim an income tax credit for contributions of in-kind services for the repair and maintenance of public schools. The credit shall be an amount equal to 10% of the value of the services contributed. Certain other limitations and restrictions apply.

The credit allowed shall be claimed against net income tax liability for the taxable year. A tax credit which exceeds the taxpayer's income tax liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

For more information, see Form N-330, School Repair and Maintenance Tax Credit.

Form N-20, Schedule K-1. Report each partner's distributive share of the credit for school repair and maintenance on line 22 of Schedule K-1. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the credit for school repair and maintenance on line 16g of Schedule K-1.

Form N-40, Schedule K-1. Report each beneficiary's distributive share of the credit for school repair and maintenance on line 9d of Schedule K-1.

To claim this credit and any carryover amount. Complete Form N-330 and Schedule CR and attach them to your return.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 27.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 27* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 28 – Nonrefundable Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed in Service on or After July 1, 2009) (Form N-342)

If you install and place in service an eligible renewable energy technology system in Hawaii, you may qualify to claim this credit. You may claim the credit as nonrefundable or refundable. For information on how to claim the credit as refundable, see the instructions for Refundable Renewable Energy Technologies Income Tax Credit on page 1. A nonrefundable credit means your credit will be applied towards the amount of income tax you owe. If your nonrefundable credit is greater than the amount of income tax

that you owe, then you may carryover the remaining credit and apply it towards next year's income tax. You may continue to carryover the credit until it is exhausted.

Total Output Capacity

A system classified under "other solar energy system" such as a photovoltaic system must meet the total output capacity requirement to qualify for the credit unless an exception applies.

The total output capacity requirements are:

- Single-family residential property — 5 kilowatts per system
- Multi-family residential property — 0.360 kilowatts per unit per system
- Commercial property — 1,000 kilowatts per system

For more information, see Form N-342 and its instructions, Tax Information Release No. 2010-10, "Common Income Tax & General Excise Tax Issues Associated with the Renewable Energy Technologies Income Tax Credit, HRS §235-12.5," Tax Information Release No. 2022-02, "Updated Guidance Relating to the Renewable Technologies Income Tax Credit," and Tax Facts 2022-2, "Renewable Energy Technology Income Tax Credit - Photovoltaic Systems."

Form N-20, Schedule K-1. Use Form N-342A to report each partner's distributive share of the renewable energy technologies income tax credit and attach it to the partner's Schedule K-1. The partner's distributive share is reported on line 23 of Schedule K-1. Partners will use Form N-342 to claim their credit and need to attach a copy of their Form N-342A to their Hawaii net income tax return in order to receive the credit. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Use Form N-342A to report each shareholder's distributive share of the renewable energy technologies income tax credit and attach it to the shareholder's Schedule K-1. The shareholder's distributive share is reported on line 16h of Schedule K-1. Shareholders will use Form N-342 to claim their credit and need to attach a copy of their Form N-342A to Hawaii net income tax return in order to receive the credit.

Form N-40, Schedule K-1. Use Form N-342A to report each beneficiary's distributive share of the renewable energy technologies income tax credit and attach it to the beneficiary's Schedule K-1. The beneficiary's distributive share is reported on line 9d of Schedule K-1. Beneficiaries will use Form N-342 to claim their credit and need to attach a copy of their form N-342A to their Hawaii net income tax return in order to receive the credit.

To claim this credit and any carryover amount. Complete Form N-342 and Schedule CR and attach them to your return. Fill in the appropriate oval on Schedule CR to indicate the type of energy system.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 28.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 28* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 29 – Healthcare Preceptor Income Tax Credit (Form N-358)

A qualifying individual taxpayer may claim a nonrefundable healthcare preceptor income tax credit equal to $1,000 for each volunteer-based supervised clinical training rotation supervised by the taxpayer, up to a maximum of $5,000 per taxable year, for taxable years beginning after December 31, 2018.

For more information, see Form N-358, Healthcare Preceptor Income Tax Credit.

To claim this credit and any carryover amount. Complete Form N-358 and Schedule CR and attach them to your return.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 29* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 30 – Historic Preservation Income Tax Credit (Form N-325)

Each qualified taxpayer that obtains a credit certificate issued by the Department of Land and Natural Resources may claim a nonrefundable historic preservation income tax credit, for taxable years beginning after December 31, 2019, and before December 31, 2024.

The tax credit is equal to the 30% of the qualified expenses of the qualified taxpayer, provided that the total amount of tax credits allowed under this section shall not exceed $1,000,000 for all qualified taxpayers in any taxable year.

For more information, see Form N-325, Historic Preservation Income Tax Credit.

Form N-20, Schedule K-1. Report each partner's distributive share of the historic preservation income tax credit on line 26 of Schedule K-1. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the historic preservation income tax credit on line 16k of Schedule K-1.

Form N-40, Schedule K-1. Report each beneficiary's distributive share of the historic preservation income tax credit on line 9d of Schedule K-1.

To claim this credit and any carryover amount. Complete Form N-325 and Schedule CR and attach them to your return.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 30.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 30* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 31 – Nonrefundable Renewable Fuels Production Tax Credit (For Tax Years Beginning After December 31, 2021) (Form N-360)

Act 216, SLH 2022, establishes a new renewable fuels production tax credit for taxable years beginning after December 31, 2021. (1) The credit is available for 10 consecutive years beginning with the first taxable year the taxpayer claiming the credit begins producing at least 2.5 billion British thermal units (BTU) of renewable fuel per year; (2) the dollar amount of the credit is 20 cents per 76,000 BTU of renewable fuels; (3) the Hawaii State Energy Office must certify all claims for the credit, which cannot exceed $3,500,000 in any given year; and (4) allows the taxpayer to elect to have the credit be refunded to them.

Each taxpayer producing renewable fuels may claim a nonrefundable or refundable renewable fuels production tax credit for taxable years beginning after December 31, 2021. For information on how to claim the credit as refundable, see the instructions for line 7. A nonrefundable credit means your credit will be applied towards the amount of income tax you owe. If your nonrefundable credit is greater than the amount of income tax that you owe, then you may carryover the remaining credit and apply it towards next year's income. You may continue to carryover the credit until it is exhausted.

For more information, see Form N-360, Renewable Fuels Production Tax Credit (For Tax Years Beginning After December 31, 2021).

Form N-20, Schedule K-1. Report each partner's distributive share of the renewable fuels production tax credit on line 27 of Schedule K-1. If the partnership has credits from more than one source such as another flow-through entity, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the renewable fuels production tax credit on line 16l of Schedule K-1.

Form N-40, Schedule K-1. Report each beneficiary's distributive share of the renewable fuels production tax credit on line 9d of Schedule K-1.

To claim this credit and any carryover amount. Complete Form N-360 and Schedule CR and attach them to your return.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 31.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 31* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*

Deadline for claiming this credit. You cannot claim or amend the credit after 12 months following the close of your taxable year.

Line 32 – Pass-Through Entity Tax Credit (Form N-362)

Act 50, SLH 2024, amends the pass-through entity (PTE) tax credit for taxable years beginning after December 31, 2023 by (1) adding a definition for "qualified member;" (2) repealing the definition for "direct member" and "indirect member;" (3) amending the PTE level tax rate to 9%; and (4) amending the credit by allowing certain qualified members to use the credit against their net income tax liability in subsequent years until exhausted.

For more information, see Form N-362, Pass-Through Entity Tax Credit, Tax Information Release No. 2023-03 (Amended), "Proposed Temporary Administrative Rules Relating to Pass-Through Entity Taxation as Enacted by Act 50, Session Laws of Hawaii 2023," and Tax Information Release No. 2024-01, "Proposed Temporary Administrative Rules Relating to Pass-Through Entity Taxation as Enacted by Act 50, Session Laws of Hawaii 2024."

Form N-20, Schedule K-1. Report each partner's distributive share of the PTE tax credit on line 28 of Schedule K-1. If the partnership has credits from more than one source such as another PTE, separately identify each amount in the "Other Information Provided by Partnership" section.

Form N-35, Schedule K-1. Report each shareholder's distributive share of the PTE tax credit on line 16m of Schedule K-1.

Form N-40, Schedule K-1. Report each beneficiary's distributive share of the PTE tax credit on line 9d of Schedule K-1.

To claim this credit. Complete Form N-362 and Schedule CR and attach them to your return.

For Form N-40 filers, enter the fiduciary's share of the credit on Schedule CR, line 32.

Note: *To claim the unused credit to carryover to subsequent tax years, Schedule CR, line 32* ***must be completed*** *every tax year until the carryover amount is exhausted. The unused carryover amount must be claimed, whether or not you are applying any carryover amounts to your remaining tax liability for the tax year, or the unused carryover amount may be* ***forfeited****.*