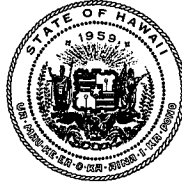


DAVID Y. IGE  
GOVERNOR

SHAN TSUTSUI  
LT. GOVERNOR



STATE OF HAWAII  
DEPARTMENT OF TAXATION  
P.O. BOX 259  
HONOLULU, HAWAII 96809  
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LINDA CHU TAKAYAMA  
DIRECTOR OF TAXATION

DAMIEN A. ELEFANTE  
DEPUTY DIRECTOR

DEPT. COMM. NO. 231

December 21, 2017

The Honorable Ronald D. Kouchi,  
President and Members of the Senate  
Twenty-Ninth Legislature  
State of Hawaii  
State Capitol, Room 409  
Honolulu, Hawaii 96813

The Honorable Scott Saiki,  
Speaker and Members of the House of  
Representatives  
Twenty-Ninth Legislature  
State of Hawaii  
State Capitol, Room 431  
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

For your information and consideration, I am transmitting copies the following reports in accordance to the following laws as detailed in the table below.

Report Title	Legal Reference
Department of Taxation Annual Report, 2016-2017	§231-3(8), HRS
Hawaii Individual Income Tax Statistics, Tax Year 2015	§231-3.4(a)(1), HRS
Hawaii Business Income Tax Statistics, Tax Year 2015	§231.3.4(a)(2), HRS
Tax Credits Claimed by Hawaii Taxpayers, Tax Year 2015	§231.3.4(a)(3), HRS
General Excise and Use Tax Exemptions, Tax Year 2017	§231.3.4(a)(4), HRS
Electronic Funds Transfer Penalty Payments Report	§231-9.9, HRS
Department Goals and Objectives, 2018	Act 100, SLH 1999

In accordance Section 93-16, Hawaii Revised Statutes, I am also informing you that the reports may be viewed electronically at <http://tax.hawaii.gov/stats/>.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Chu Takayama".

LINDA CHU TAKAYAMA  
Director of Taxation

Enclosures

**ANNUAL  
REPORT  
2016-2017**



**DEPARTMENT OF TAXATION  
STATE OF HAWAII**

# DEPARTMENT OF TAXATION

## VISION

*"The Department of Taxation will efficiently and effectively collect the revenue for funding programs and services for the people of Hawaii."*

## MISSION

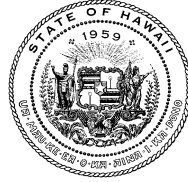
*"Our mission is to administer the tax laws for the State of Hawaii in a consistent, fair and uniform manner."*

## GOALS

1. To *"Increase Voluntary Compliance"* by
  - a. Increasing oversight utilizing various branches/areas of our Compliance Division
  - b. Developing procedures to ensure a more efficient and timely audit process
2. To *"Reduce Tax Fraud,"* through
  - a. Identification and preventing payment of fraudulent funds
3. To *"Improve customer service to all stakeholders"* by
  - a. Providing services to taxpayers whose issues/concerns cannot be resolved through normal channels
  - b. Providing specialized service to the tax practitioner community
4. To *"Improve technology and efficiencies through the successful implementation of the Tax System Modernization (TSM) project during this period"*
  - a. Complete Rollout 4 of the TSM project
  - b. Re-engineer business processes
5. *"Actively address tax receivable balances"* by
  - a. Collaboration with the Attorney General's office
  - b. Utilization of third parties to improve collections
6. To *"Foster and empower staff"* by
  - a. Developing each employee to his/her full potential

**DAVID Y. IGE**  
GOVERNOR

**SHAN TSUTSUI**  
LT. GOVERNOR



**MARIA E. ZIELINSKI**  
DIRECTOR OF TAXATION

**DAMIEN A. ELEFANTE**  
DEPUTY DIRECTOR

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**DEPARTMENT OF TAXATION**  
P.O. BOX 259  
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PHONE NO: (808) 587-1540  
FAX NO: (808) 587-1560

December 6, 2017

The Honorable David Y. Ige  
Governor, State of Hawaii  
Executive Chambers, State Capitol

Dear Governor Ige:

Thank you for the opportunity to present you with the attached Annual Report summarizing the operations of the Department of Taxation (Department) for the fiscal year (FY) ending June 30, 2017. The Department collected \$6.94 billion in tax revenue in FY2017, or 95% of the \$7.34 billion that was collected from all taxes administered by the State. The General Excise Tax (GET) is Hawaii's largest source of revenue and accounted for 44% of the State's total tax collections in FY2017. Revenue from the GET rose to \$3.24 billion in FY2017 from \$3.21 billion in FY2016, an increase of 1.0%. Revenue from Hawaii's Individual Income Tax (IIT), Hawaii's second largest tax, increased to \$2.19 billion in FY2017, up by 3.6% from \$2.12 billion in FY2016. The IIT accounted for 30% of the State's total tax collections in FY2017.

During FY2017, the Department continued with the Tax System Modernization (TSM) project. The TSM project is a multi-year project with five rollout phases that will completely replace the existing system. The project will expand electronic services, providing taxpayers with online access to accounts and enabling full electronic filing and payment. The project will also automate the licensing, tax clearance, and compliance processes. Additionally, TSM will provide the State with critical data capture capabilities, metrics, and cross-check controls that are not available in the existing legacy system. The Department has been able to increase taxpayer compliance utilizing TSM tools to identify non-filers, industry segment comparisons, and identity theft to name a few. Likewise, TSM increased data availability which in turn improved the analytical capabilities of the Department's research branch. With the adoption of online tax filing, which can be done at no-cost, the Department expects to see an increase in electronic filing in future years.

During FY2017, the Department completed Rollout 2 and prepared for Rollout 3. The Department completed Rollout 2 on time as of August 15, 2016 which covered the general excise & use tax, seller's collection, country surcharge, and rental motor vehicle tax types, which covers over 40% of State revenue collections. On August 15, 2017, the Department successfully executed Rollout 3 for tax types: corporate income, franchise, public service company, and withholding. The Department remains on schedule to complete the entire project by mid-2019.

The Department continues to achieve its goals with a small operating budget. In FY2017, the

Department's operating expenses were \$24.3 million down from \$25.5 million in FY2009. The Department collected \$6.94 billion in taxes; the cost of collecting each \$100 dollars of taxes was only roughly 35 cents.

In FY 2017, Hawaii Tax Online (HTO), the Department's web portal for payments and filing of tax returns, was launched. More than 45% of general excise and transient accommodation taxpayers registered and used the web portal. While the Department has encouraged taxpayers to use electronic transmission rather than paper return, it processed over 1 million paper checks and over 2 million paper tax returns and other documents this fiscal year.

The Department continues to improve service to taxpayers and tax practitioners. This is important for maintaining and improving voluntary compliance. The total number of calls answered increased from 287,616 in FY2017 up from 275,924 in FY 2016.

The Department aggressively recruited to fill vacancies in other areas as well. While the Department's total vacancy rate for permanent positions increased 12.9% or 8 position due to retirements, internal promotions, and resignations, vacancies in the staff offices decreased by 38.5%.

The Compliance Division continued to make significant assessments worth \$146 million in FY 2017. The total number of completed audit cases increased by 5.1% % from 17,065 cases in FY2016 to 17,936 cases in FY2017. The amount collected from assessments decreased from \$39.9 million in FY2015 to \$37.0 million in FY2016.

The Department continues to pursue its goals of increased voluntary compliance, improved processing, enhanced productivity, and improved customer service for all of our stakeholders. We are proud and appreciative of all that our staff has accomplished during the past year. Empowered with new tools and technological enhancements, our Department has increased the efficiency and effectiveness of revenue collection that pay for the public services that the citizens of Hawaii enjoy.

Sincerely,

/s/

MARIA E. ZIELINSKI  
Director of Taxation

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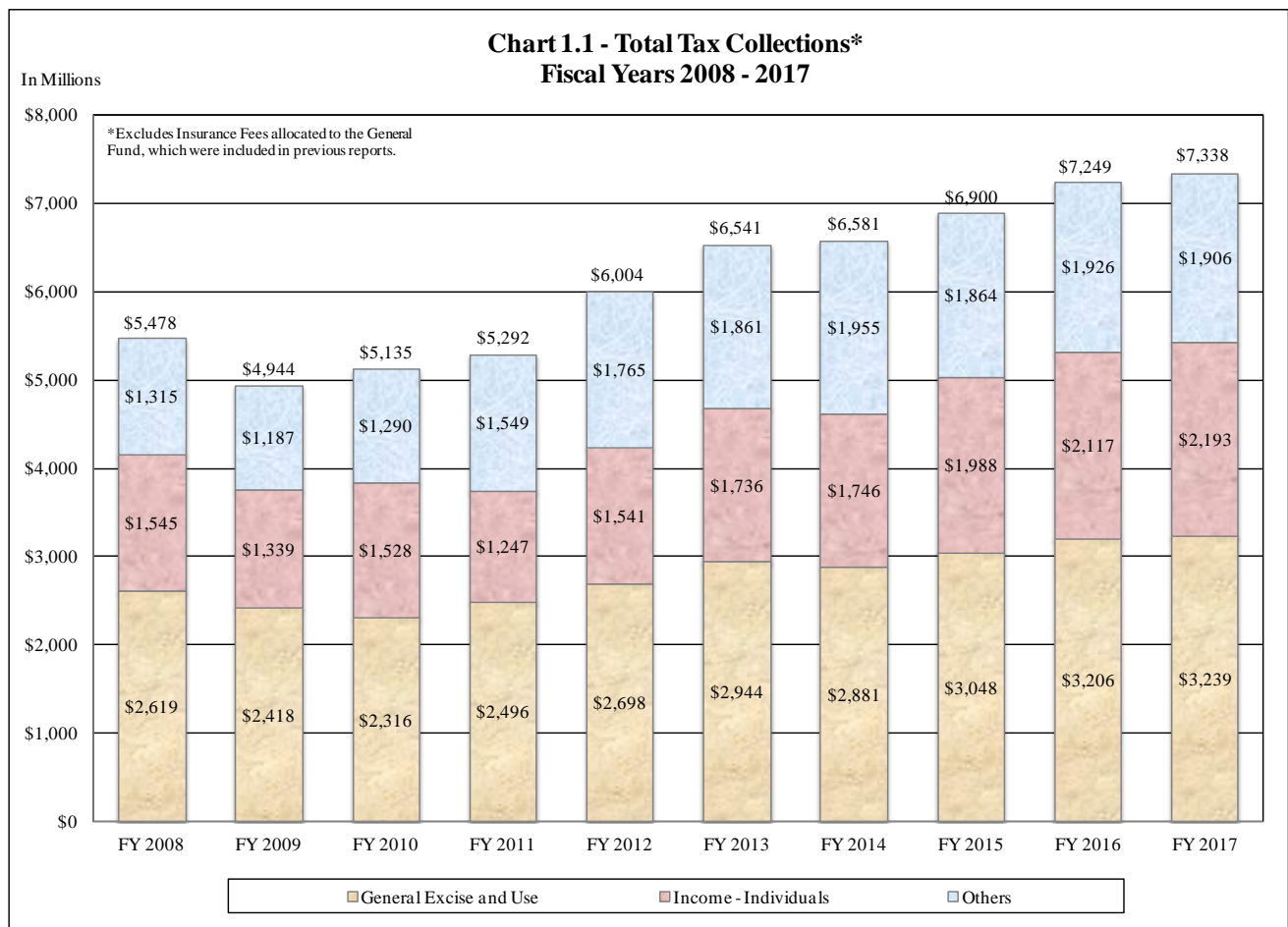
## 1.0 COLLECTION AND DISTRIBUTION OF TAXES

### 1.1 OVERVIEW

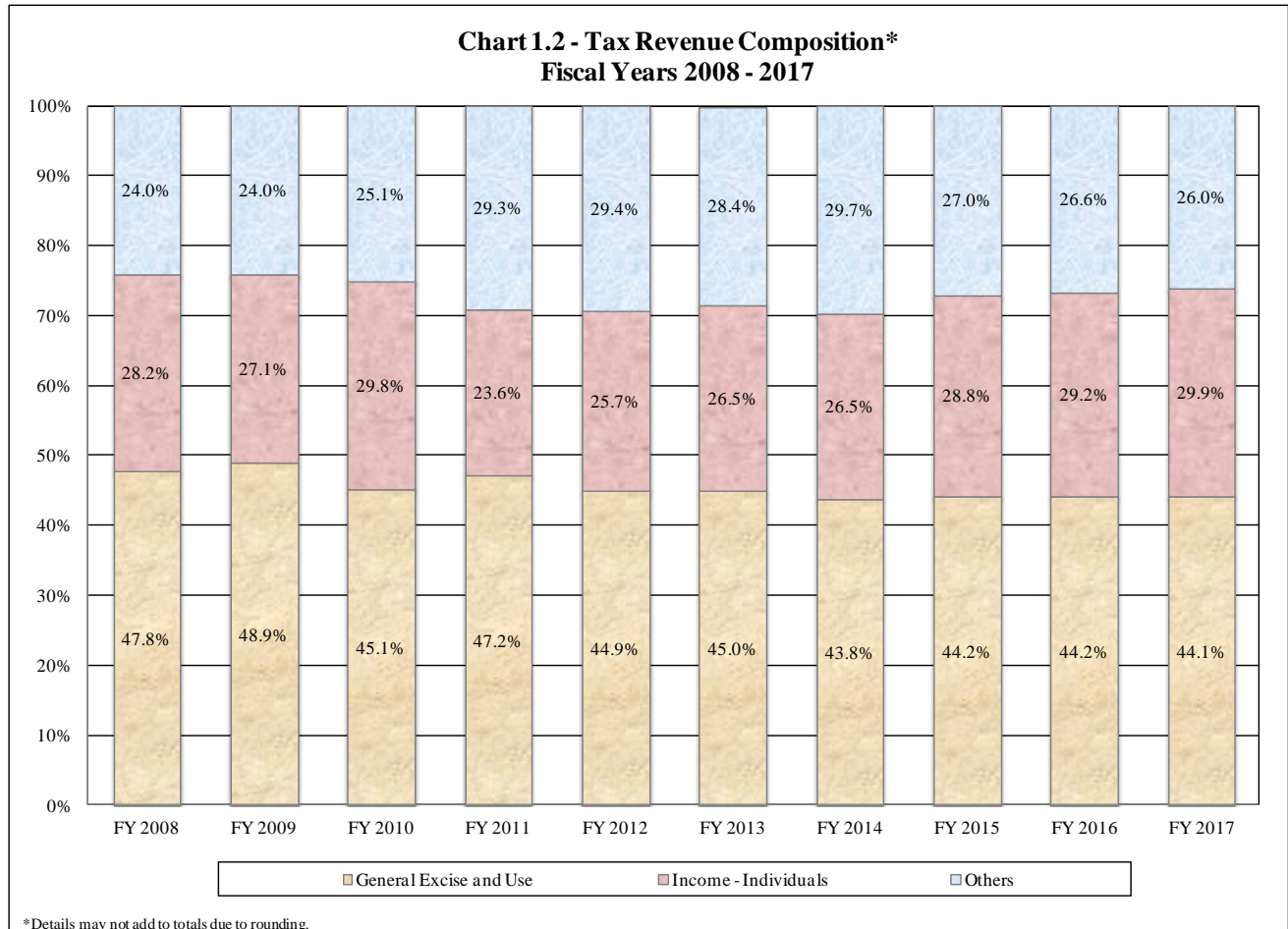
The Department of Taxation (Department) collects the revenues from the large majority of taxes imposed by the State. In addition, the Department collects the county surcharge imposed by the City and County of Honolulu and fuel taxes imposed by the counties. In fiscal year (FY) 2017, the Department collected a total of \$6.94 billion in net tax revenues, up from \$6.89 billion collected in FY 2016.

The Department's Office of Tax Research and Planning (TRP) tracks revenues from taxes collected by the Department as well as other taxes that are administered by the State but which are collected by other State agencies or the counties. Henceforth, revenues from the taxes tracked by TRP will be referred to as "total tax collections."

Total tax collections were \$7.34 billion in FY 2017, up from \$7.25 billion in FY 2016. In FY 2009, Hawaii experienced a decline in total tax collections as the Great Recession reduced incomes and spending of consumers and businesses. Since then, total tax collections have risen steadily due to temporary tax measures, an improving economy, and better tax administration. Chart 1.1 shows the main components of the total tax collections for FY 2008 through FY 2017.



The State's biggest sources of tax revenue are the general excise tax (GET)<sup>1</sup> and the individual income tax (IIT). In FY 2017, net GET collections amounted to \$3.24 billion and accounted for 44.1% of total tax collections, and net collections of the IIT amounted to \$2.19 billion and accounted for 29.9% of total tax collections. Chart 1.2 shows the shares of total tax collections accounted for by the GET and the IIT for FY 2008 through FY 2017.

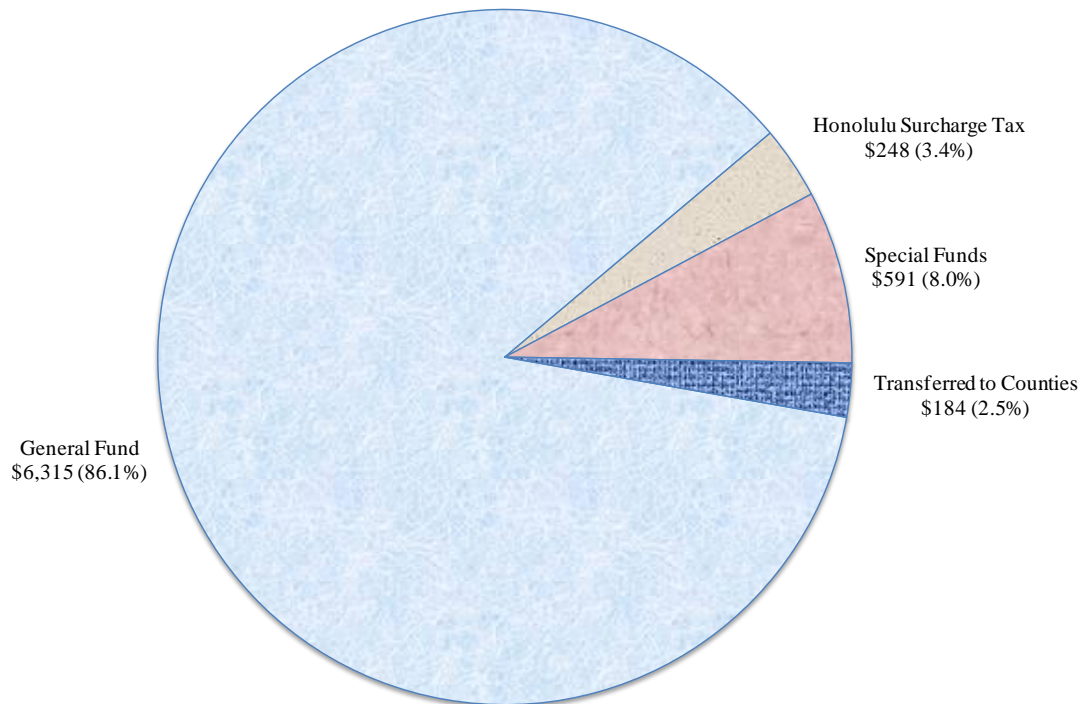


Of the total tax collections in FY 2017, \$6.32 billion, or 86.1%, was deposited into the State's General Fund. The tax revenues deposited into the General Fund are used to pay most of the State's operating expenses. An additional \$432.4 million, or 5.9% of the total tax collections, was transferred to the counties, including transfers of the county surcharge imposed by the City and County of Honolulu, fuel taxes imposed by the counties, and revenues from the transient accommodations tax that were allocated to the counties. The remaining \$590.7 million, or 8.0%, was transferred to various other State special funds. Chart 1.3 shows how the total tax collections were distributed in FY 2017.

<sup>1</sup> Throughout this report, the term "GET" will be used to include both the general excise tax and the use tax. The use tax complements the general excise tax and is levied on imports into the State from an unlicensed seller.



**Chart 1.3 - Fiscal Year 2017 Distribution of Tax Revenues\***  
(In millions of dollars)



\*Details may not add to totals due to rounding.

## 1.2 GENERAL EXCISE AND USE TAXES

### 1.2.1 Overview

Unlike the sales taxes imposed by many States and localities, Hawaii's general excise and use taxes (GET) are imposed on the business rather than on the customer. The GET covers virtually all forms of business activity, including services. Despite the relatively low tax rates, the GET generates substantial revenue because the tax base is very broad.

The GET is imposed at the rate of 0.50% on wholesaling, wholesale services, producing and manufacturing; at the rate of 0.15% on insurance commissions received by general agents, subagents and solicitors; and at the rate of 4.00% on most other activities, including retailing, business and professional services, contracting, theatre, amusement, radio, interest, commissions, and rentals. The fee for a GET license is a one-time charge of \$20.

### 1.2.2 Revenue

Revenue from the GET rose from \$3.21 billion in FY 2016 to \$3.24 billion in FY 2017, a rise of 1.0%. Chart 1.4 shows the total revenues from the GET and from the tax levied on the various categories of income for FY 2008 through FY 2017. Table 1.1 shows collection of the GET in greater detail for FY 2016 and FY 2017.

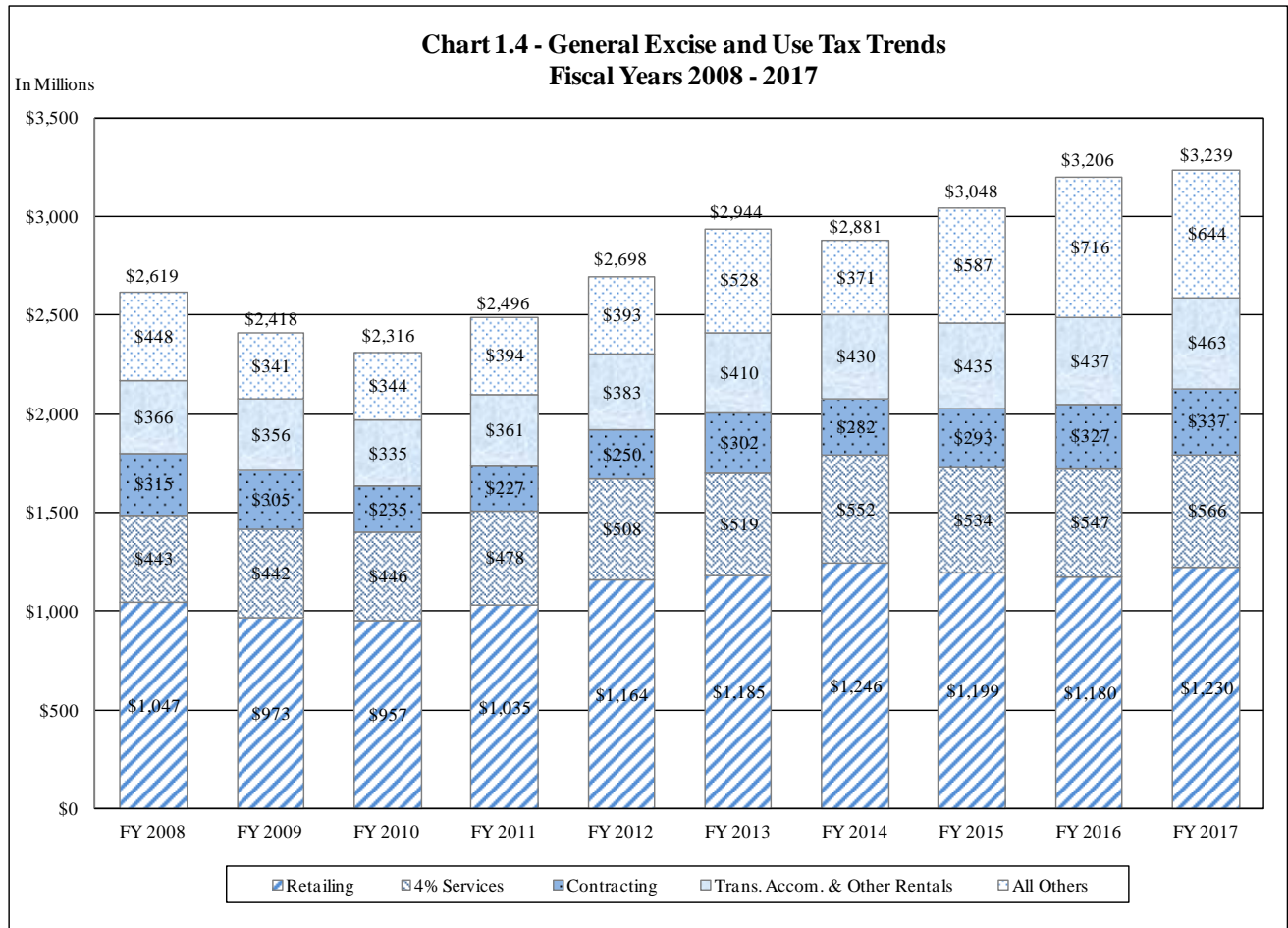


TABLE 1.1 - GENERAL EXCISE AND USE TAX BASE AND TAXES  
FOR FISCAL YEARS ENDING JUNE 30, 2017 AND 2016  
(In Thousands of Dollars)

SOURCE OF REVENUE	Rate	FY 2017	FY 2016	Difference	
				Amount	% Change
<u>TAX BASE</u>					
Retailing		\$ 30,746,503	\$ 29,497,784	\$ 1,248,719	4.2
Services		14,161,644	13,667,109	494,535	3.6
Contracting		8,417,926	8,184,839	233,087	2.8
Trans. Accom. Rentals		4,897,966	4,441,787	456,179	10.3
All Other Rentals		6,668,941	6,474,425	194,516	3.0
All Others (4%)		<u>5,918,583</u>	<u>5,406,921</u>	<u>511,663</u>	<u>9.5</u>
Subtotal		\$ 70,811,563	\$ 67,672,864	\$ 3,138,699	4.6
Producing		\$ 323,829	\$ 294,609	\$ 29,221	9.9
Manufacturing		731,315	733,992	(2,676)	(0.4)
Wholesaling		14,461,903	13,864,351	597,552	4.3
Use (1/2%)		6,799,232	7,354,311	(555,079)	(7.5)
Wholesale Services		870,497	707,822	162,674	23.0
Insurance Commissions		<u>495,059</u>	<u>485,363</u>	<u>9,696</u>	<u>2.0</u>
Subtotal		\$ 23,681,836	\$ 23,440,448	\$ 241,387	1.0
TOTAL - ALL ACTIVITIES		<u>\$ 94,493,398</u>	<u>\$ 91,113,312</u>	<u>\$ 3,380,086</u>	<u>3.7</u>
<u>TAX</u>					
Retailing	4.00%	\$ 1,229,860	\$ 1,179,911	\$ 49,949	4.2
Services	4.00%	566,466	546,684	19,781	3.6
Contracting	4.00%	336,717	327,394	9,323	2.8
Trans. Accom. Rentals	4.00%	195,919	177,671	18,247	10.3
All Other Rentals	4.00%	266,758	258,977	7,781	3.0
All Others (4%)	4.00%	<u>236,743</u>	<u>216,277</u>	<u>20,467</u>	<u>9.5</u>
Subtotal		\$ 2,832,463	\$ 2,706,915	\$ 125,548	4.6
Producing	0.50%	\$ 1,619	\$ 1,473	\$ 146	9.9
Manufacturing	0.50%	3,657	3,670	(13)	(0.4)
Wholesaling	0.50%	72,310	69,322	2,988	4.3
Use (1/2%)	0.50%	33,996	36,772	(2,775)	(7.5)
Wholesale Services	0.50%	4,352	3,539	813	23.0
Insurance Commissions	0.15%	<u>743</u>	<u>728</u>	<u>15</u>	<u>2.0</u>
Subtotal		\$ 116,676	\$ 115,503	\$ 1,173	1.0
Unallocated*		<u>\$ 290,086</u>	<u>\$ 383,736</u>	<u>\$ (93,649)</u>	<u>(24.4)</u>
TOTAL - ALL ACTIVITIES		<u>\$ 3,239,225</u>	<u>\$ 3,206,154</u>	<u>\$ 33,072</u>	<u>1.0</u>

\*Includes collections from penalty and interest, assessments and corrections, delinquent collections, refunds, protested payments, settlements and business activities of disabled persons.

NOTE: Details may not add to totals due to rounding.

### ***1.2.3 Recent Legislation***

Act 54, SLH 2017, adds a new category of affordable housing projects that qualifies for the GET exemption. The exemption for the new category is limited to contractors. The Act also limits the total amount of the exemption to \$7 million per year. The Act applies to taxable years beginning after December 31, 2017, and ending before July 1, 2022.

## **1.3 INDIVIDUAL INCOME TAX**

### ***1.3.1 Overview***

Hawaii's individual income tax (IIT) generally follows the federal definitions for determining net taxable income, but has its own exemptions, tax credits, and tax rates. In FY 2017, IIT had nine brackets, with tax rates ranging from 1.40% to 8.25%.

### ***1.3.2 Revenue***

The IIT is the State's second largest source of tax revenue. The biggest part of IIT collections is taxes withheld on employee wages. In FY 2017, withholding tax collections were \$1.92 billion, an increase of 5.9 % over the \$1.81 billion withheld in FY 2016. Total IIT refunds in FY 2017 were \$467.7 million, up from \$450.7 million in FY 2016. Net IIT collections in FY 2017 were \$2.19 billion, up by 3.6% over the \$2.12 billion collected in FY 2016. Chart 1.5 shows total collections of the IIT, along with wage withholding, payments with returns, estimated taxes, and refunds, for FY 2008 through FY 2017. Table 1.2 shows the figures for total collections of the IIT, broken down by its components, in FY 2016 and FY 2017.

### ***1.3.3 Recent Legislation***

Act 120, SLH 2015, provided a tax credit for converting cesspools to a septic system, or for connecting to a wastewater system, from July 1, 2015 to December 31, 2020.

Act 223, SLH 2015 (Act 223), increased the food/excise tax credit, but eliminated the tax credit for single taxpayers with federal adjusted gross income (AGI) of \$30,000 or more, or other taxpayers with federal AGI of \$50,000 or more. The Act applies to tax years 2016 and 2017, and is repealed on December 31, 2017.

Act 230, SLH 2016 (Act 230), allows taxpayers engaged in medical marijuana businesses to deduct business expenses and claim tax credits on their income taxes. Act 230 is effective for taxable years beginning after December 31, 2015.

Act 235, SLH 2016 (Act 235), amends the income tax credit for dependent care expenses by increasing the amount that certain taxpayers may claim for the dependent care expenses. Act 235 is effective for taxable years beginning after December 31, 2015.

Act 258, SLH 2016, provides a new tax credit for organic food production. The tax credit applies to taxable years beginning after December 31, 2016 and is repealed December 31, 2021.

Act 7, SLH 2017, makes the filing frequency for withholding tax quarterly for all taxpayers, effective January 1, 2018. However, the Act does not affect the frequency of withholding tax payments.

Act 107, SLH 2017, reinstates the three top tax brackets (with rates of 9%, 10%, and 11%) for high-income taxpayers that had previously been imposed temporarily by Act 60, SLH 2009. The new top tax brackets take effect for taxable years beginning after December 31, 2017. The Act repeals the sunset date (December 31, 2017) for the amendments made to the food/excise tax credit by Act 223. The Act also establishes a state nonrefundable earned income tax credit (EITC) equal to 20 percent of the federal EITC. The tax credit applies to tax years 2018 through 2022.

Act 125, SLH 2017, broadens the eligibility criteria for the cesspool tax credit, and is effective on July 1, 2017.

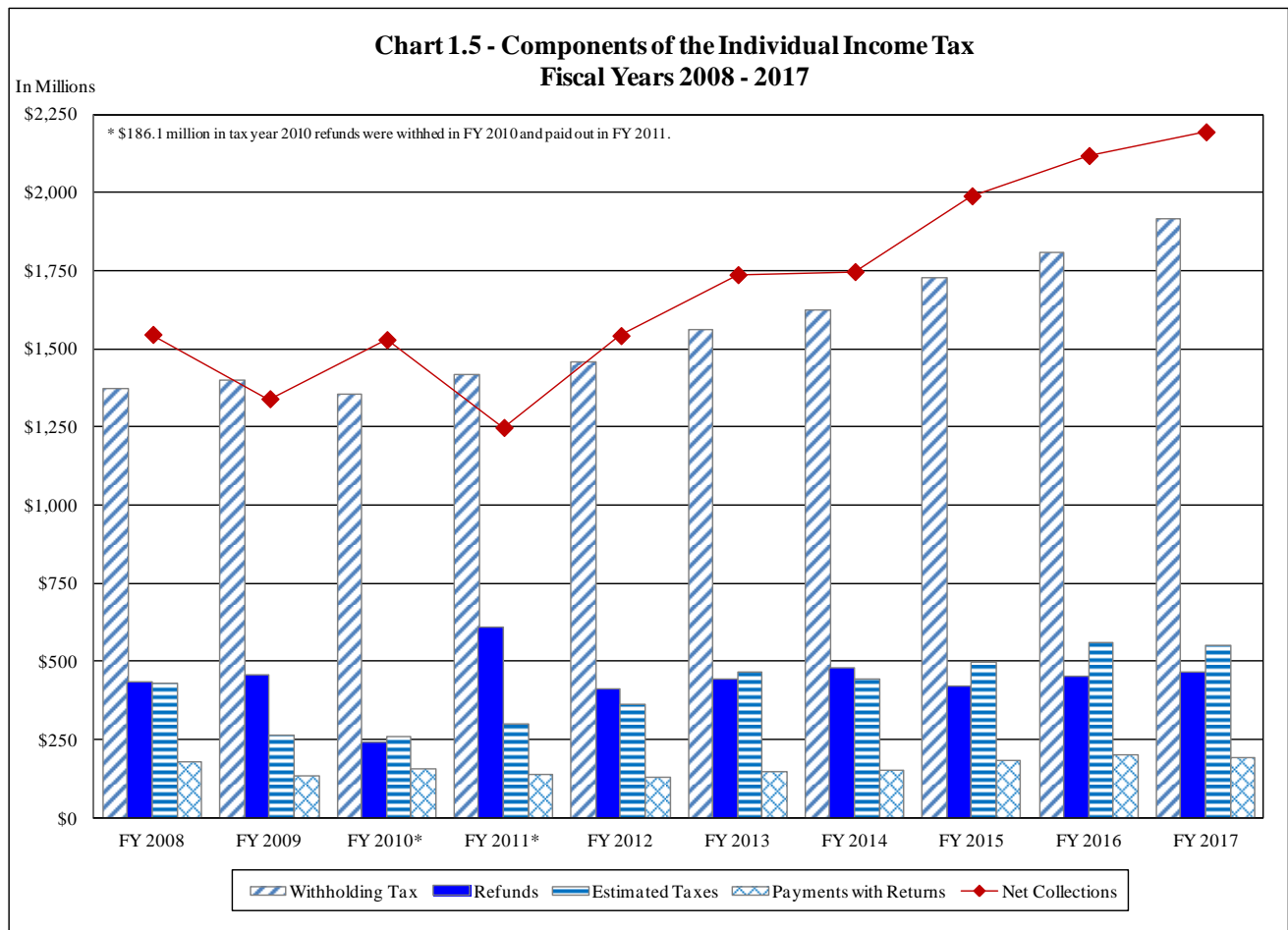


TABLE 1.2 - TAXES PAID BY INDIVIDUALS  
(In Thousands of Dollars)

	FY 2017	FY 2016	Difference	
			Amount	% Change
Declaration of Estimated Taxes	\$ 552,236	\$ 558,669	\$ (6,432)	(1.2)
Payment with Return	191,898	199,026	(7,128)	(3.6)
Withholding Tax on Wages	1,916,350	1,809,855	106,495	5.9
Subtotal	\$2,660,484	\$2,567,549	\$ 92,935	3.6
Refunds	467,681	450,690	16,991	3.8
NET	\$2,192,803	\$2,116,859	\$ 75,943	3.6

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

## 1.4 CORPORATE INCOME TAX

### 1.4.1 Overview

Hawaii's corporate income tax (CIT) has three tax brackets. The brackets and the corresponding tax rates are as follows: 4.4% on taxable income up to \$25,000; 5.4% on taxable income over \$25,000 but not over \$100,000; and 6.4% on taxable income over \$100,000. The tax rate for corporate capital gains is 4.0%.

### 1.4.2 Revenue

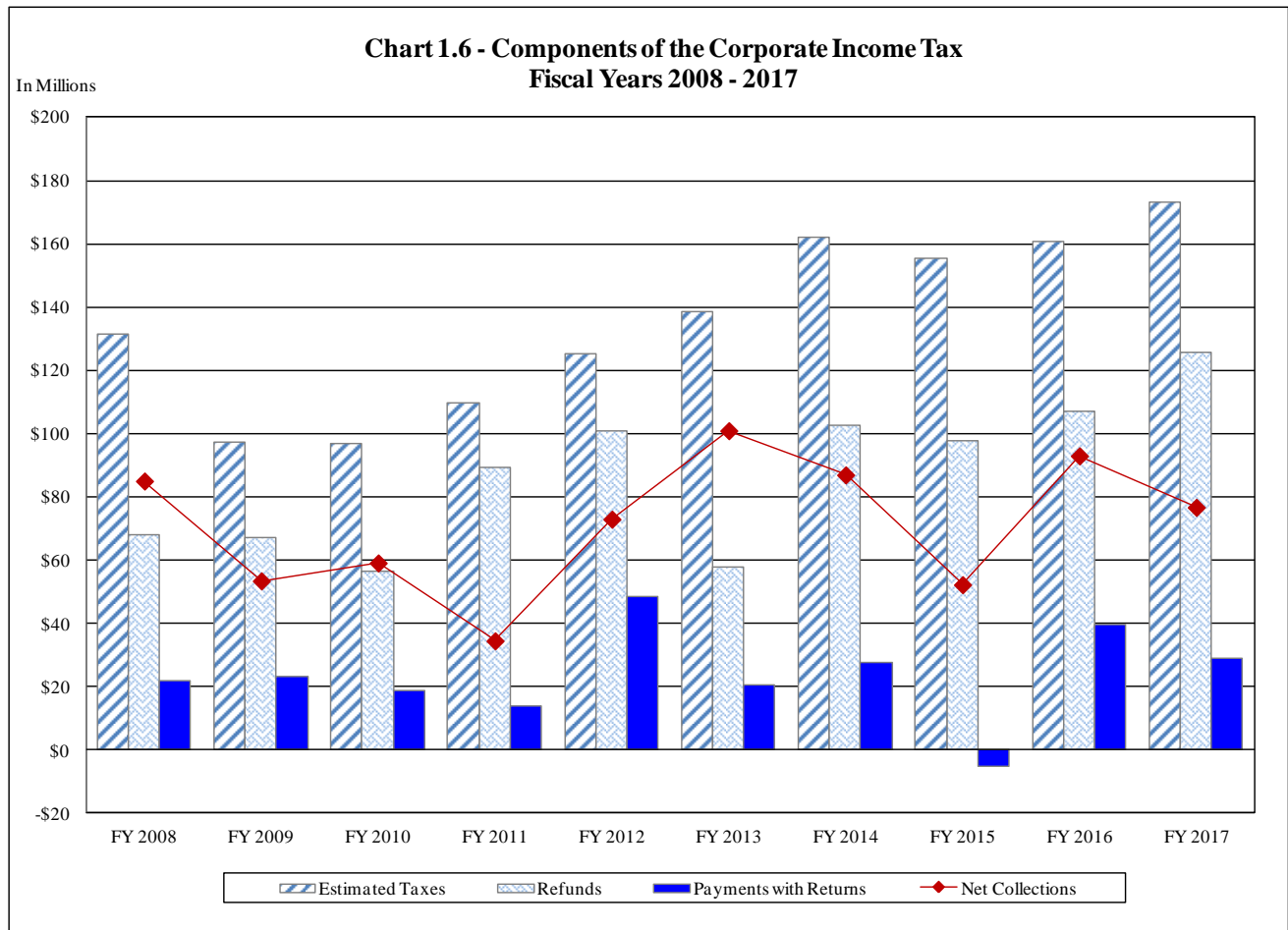
Net CIT collections totaled \$76.8 million in FY 2017, a decrease of 17.5% from the previous year's total of \$93.0 million. CIT collections are highly cyclical, but they are a relatively small part of Hawaii's total tax collections. In FY 2017, the CIT accounted for just 1.0% of total tax collections. Chart 1.6 shows total collections of the CIT, broken down by its components, for FY 2008 through FY 2017. Table 1.3 shows data on collections of the CIT for FY 2016 and FY 2017.

### 1.4.3 Recent Legislation

Act 142, SLH 2017, changes the certification process for the renewable fuels production tax credit. Taxpayers must file a third-party certified statement with the Department of Business, Economic Development, and Tourism (DBEDT) within 30 days of the close of the calendar year. DBEDT will then issue a certificate to taxpayers. The Act applies to taxable years beginning after December 31, 2017.

Act 143, SLH 2017, amends the film tax credit by imposing an aggregate cap of \$35 million per year, provided that any excess in claims above the cap can be applied in a subsequent year until December 31, 2025. The Act also extends the sunset date for the tax credit from January 1, 2019 to January 1, 2026. The Act is effective for taxable years beginning after December 31, 2018.

Act 213, SLH 2017, expands the categories of purchases that qualify for the capital infrastructure tax credit. The Act also increases the amount of the tax credit that can be claimed for costs incurred by any qualified infrastructure tenant during a tax year from \$1.25 million to \$2.50 million. The Act is effective on July 12, 2017.



**TABLE 1.3 - TAXES PAID BY CORPORATIONS**  
(In Thousands of Dollars)

	FY 2017	FY 2016	Difference	
			Amount	% Change
Declaration of Estimated Taxes	\$ 173,258	\$ 160,563	\$ 12,695	7.9
Payment with Return	29,212	39,459	(10,247)	(26.0)
Subtotal	\$ 202,470	\$ 200,022	\$ 2,448	1.2
Refunds	125,709	106,986	18,723	17.5
NET	\$ 76,761	\$ 93,036	\$ (16,275)	(17.5)

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

## **1.5 TRANSIENT ACCOMMODATIONS TAX**

### ***1.5.1 Overview***

The transient accommodations tax (TAT) is levied on the furnishing of a room, apartment, suite, or the like, which is customarily occupied by the transient for less than 180 consecutive days. The rate for the TAT has been 9.25% since July 1, 2010. The registration fee for transient accommodations operators is a one-time fee of \$5 for each registration consisting of 1 to 5 units and \$15 for each registration of 6 or more units. In FY 2017, plan managers of time share units paid TAT at the rate of 8.25% on the fair market rental value of the units from July 1, 2016 through December 31, 2016 and at the rate of 9.25% from January 1, 2017 through June 30, 2017.

### ***1.5.2 Revenue***

TAT collections totaled \$508.4 million for FY 2017, an increase of 13.8% from the \$446.8 million collected in FY 2016. In FY 2017, collections from the TAT were distributed as follows: \$103.0 million went to the counties; \$26.5 million went to the Convention Center Enterprise Special Fund; \$82.0 million went to the Tourism Special Fund; \$1.5 million went to the Turtle Bay Conservation Easement Special Fund; \$3.0 million went to the Special Land and Development Fund; and the remainder (\$292.4 million) went to the General Fund. Chart 1.7 shows collections of the TAT for FY 2008 through FY 2017. Chart 1.8 shows the allocations of the tax among the various funds. Table 1.4 shows TAT collections and allocations in FY 2016 and FY 2017.

### ***1.5.3 Recent Legislation***

Act 93, SLH 2015, raised the tax on resort time share vacation units from 7.25% to 8.25% in calendar year (CY) 2016, and to 9.25% in CY 2017 and thereafter.

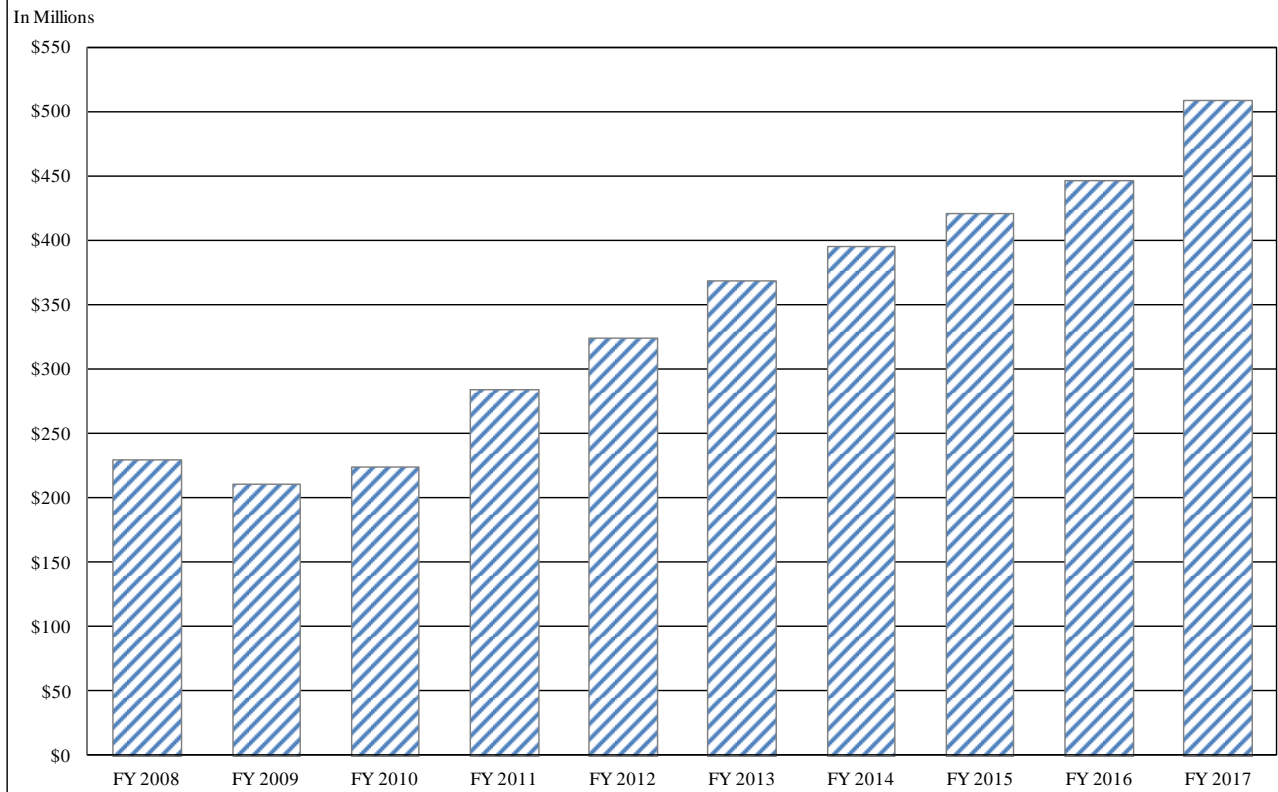
Act 117, SLH 2015, allocates \$3.0 million of the TAT annually to the Special Land and Development Fund, starting in FY 2017.

Act 121, SLH 2015, allocates \$1.5 million of the TAT to the Turtle Bay Conservation Easement Special Fund, replacing the \$3.0 million annual allocation made by Act 81, SLH 2014.

Act 223, SLH 2016, extends the TAT allocation of \$103.0 million to the counties to FY 2017.

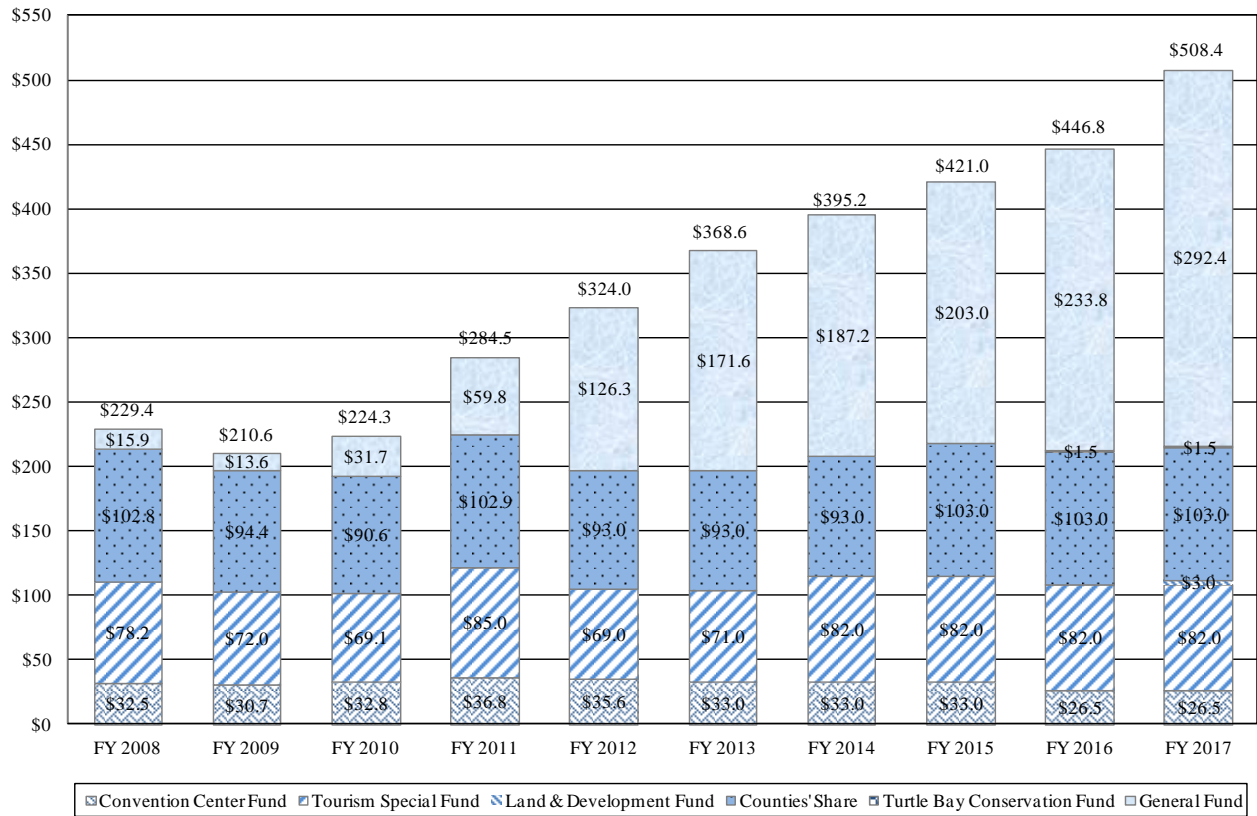


**Chart 1.7 - Transient Accommodations Tax  
Fiscal Years 2008 - 2017**



**Chart 1.8 - Transient Accommodations Tax Distributions**  
**Fiscal Years 2008 - 2017**

In Millions



**TABLE 1.4 - TRANSIENT ACCOMMODATIONS TAX**  
(In Thousands of Dollars)

			Difference	
	FY 2017	FY 2016	Amount	% Change
Collection				
Trans. Accom./Time Share Occ. Tax	\$ 508,357	\$ 446,781	\$ 61,577	13.8
Trans. Accom./Time Share Occ. Fees	20	13	7	48.9
Total	\$ 508,377	\$ 446,794	\$ 61,583	13.8
Distribution*				
Counties Share	\$ 103,000	\$ 103,000	\$ -	-
Convention Center Fund	26,500	26,500	-	-
Tourism Special Fund	82,000	82,000	-	-
Turtle Bay Special Fund	1,500	1,500	-	-
Land & Development Fund	3,000	-	3,000	n/m
General Fund	292,377	233,794	58,583	25.1
Total	\$ 508,377	\$ 446,794	\$ 61,583	13.8

\*For details on distribution see section 237D-6.5, HRS.

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

n/m = not meaningful.

## **1.6 FUEL TAXES**

### ***1.6.1 Overview***

The State and county fuel taxes are imposed on the distributors. The State Legislature sets the State fuel tax rates, whereas county councils set the county rates. There is also an environmental response tax (officially renamed as the "environmental response, energy and food security tax" by Act 73, SLH 2010) that is levied on each barrel of petroleum products and each million British thermal units (MMBtu) of non-petroleum fossil fuels sold by a distributor to any retail dealer or end user. The effective rates for the fuel taxes and for the environmental response tax are shown on page 15.

### ***1.6.2 Revenue***

Fuel tax collections (including the environmental response tax) amounted to \$194.8 million in FY 2017, a decrease of 1.7% from the \$198.1 million collected in FY 2016. Total taxable fuel consumption increased from 882.0 million gallons in FY 2016 to 887.4 million gallons in FY 2017. The biggest consumption of taxable fuel was gasoline (468.0 million gallons) and the second biggest consumption was aviation fuel (205.9 million gallons). Together, gasoline and aviation fuel accounted for 75.9% of the total consumption of taxable fuel in FY 2017.

Collections of the environmental response tax amounted to \$26.5 million in FY 2017, a decrease of 1.7% from the \$27.0 million collected in FY 2016. The environmental response tax rate on each barrel of petroleum product was \$1.05. The tax was levied on 24.2 million barrels of petroleum in FY 2017, down from 24.8 million barrels in FY 2016. The environmental response tax rate on each MMBtu of non-petroleum fossil fuels was nineteen cents. The tax was levied on 5.6 million MMBtu of non-petroleum fossil fuels in FY 2017, up from 4.8 million MMBtu in FY 2016. Chart 1.9 shows collections of the fuel taxes and the gallons consumed of the various fuel types, for FY 2008 through FY 2017. Data for taxable gallons consumed in FY 2016 and FY 2017 are given in Table 1.5.

The revenues from fuel taxes are distributed to several special funds. One percent of the fuel taxes paid on liquid fuel, not including aviation fuel, are deposited into the Boating Special Fund. Fuel taxes paid on sales of aviation fuel are deposited into the Airport Revenue Fund. Remaining revenues from the State fuel taxes are deposited into the State Highway Fund, whereas remaining revenues from county fuel taxes are deposited into the counties' highway funds.

Revenues from the environmental response tax were distributed as follows in FY 2017: For each barrel taxed at \$1.05, five cents went to the Environmental Response Revolving Fund administered by the Department of Health for oil spill prevention and remediation programs; fifteen cents went to the Energy Security Special Fund administered by the Department of Business, Economic Development, and Tourism to support the Hawaii clean energy initiative program; fifteen cents went to the Agricultural Development & Food Security Special Fund administered by the Department of Agriculture to fund activities intended to increase agricultural production or processing that may lead to reduced importation of food, fodder, or feed from outside the state; ten cents went to the Energy Systems Development Special Fund, and the remainder (sixty cents) went to the General Fund. For each MMBtu taxed at nineteen cents, one cent went to the Environmental Response Revolving Fund, three cents went to the Energy Security Special Fund, three cents went to the Agricultural Development & Food Security Special Fund, two cents went to the Energy Systems Development Special Fund, and the remainder (ten cents) went to the General Fund.

Table 1.6 shows how the fuel taxes and the environmental response tax were allocated in FY 2016 and FY 2017. The table also shows allocations of the motor vehicle taxes and fees to the State Highway Fund.

### ***1.6.3 Recent Legislation***

Act 107, SLH 2014, reestablished the Energy Systems Development Special Fund and extended the \$1.05 per barrel rate for the environmental response tax through fiscal year 2030. (The tax rate was scheduled to go back to \$0.05 per barrel at the end of fiscal year 2015.)

Act 185, SLH 2015, applies the environmental response tax to non-petroleum fossil fuels at nineteen cents per million British thermal units effective July 1, 2015, and removes the sunsets to various funds related to the tax.

SCHEDULE OF FUEL TAX RATES PER GALLON <sup>4</sup>  
(Effective July 1, 2016)

TYPE OF FUEL	STATE TAX	COUNTY TAX	TOTAL TAX
<b>GASOLINE AND DIESEL OIL (HIGHWAY):</b>			
City & County of Honolulu	16.0 ¢	16.5 ¢	32.5 ¢
County of Maui <sup>3</sup>	16.0	23.0	39.0
County of Hawaii	16.0	8.8	24.8
County of Kauai	16.0	17.0	33.0
<b>LIQUEFIED PETROLEUM GAS (HIGHWAY):</b>			
City & County of Honolulu	5.2 ¢	5.4 ¢	10.6 ¢
County of Maui <sup>3</sup>	5.2	11.5	16.7
County of Hawaii	5.2	2.9	8.1
County of Kauai	5.2	5.6	10.8
<b>ETHANOL (HIGHWAY):</b>			
City & County of Honolulu	2.4 ¢	2.4 ¢	4.8 ¢
County of Maui <sup>3</sup>	2.4	11.5	13.9
County of Hawaii	2.4	1.3	3.7
County of Kauai	2.4	2.5	4.9
<b>METHANOL (HIGHWAY):</b>			
City & County of Honolulu	1.9 ¢	1.8 ¢	3.7 ¢
County of Maui <sup>3</sup>	1.9	11.5	13.4
County of Hawaii	1.9	1.0	2.9
County of Kauai	1.9	1.9	3.8
<b>BIODIESEL (HIGHWAY):</b>			
City & County of Honolulu	4.0 ¢	8.3 ¢	12.3 ¢
County of Maui <sup>3</sup>	4.0	0.0	4.0
County of Hawaii	4.0	0.0	4.0
County of Kauai	4.0	0.0	4.0
NAPHTHA (Power-Generating Facility): All Counties	2.0 ¢	0.0 ¢	2.0 ¢
<b>COMPRESSED NATURAL GAS (HIGHWAY):</b>			
City & County of Honolulu	4.0 ¢	8.2 ¢	12.2 ¢
County of Maui <sup>3</sup>	4.0	11.4	15.4
County of Hawaii	4.0	4.4	8.4
County of Kauai	4.0	8.4	12.4
<b>LIQUEFIED NATURAL GAS (HIGHWAY):</b>			
City & County of Honolulu	4.0 ¢	8.2 ¢	12.2 ¢
County of Maui <sup>3</sup>	4.0	11.4	15.4
County of Hawaii	4.0	4.4	8.4
County of Kauai	4.0	8.4	12.4
<b>ENVIRONMENTAL RESPONSE, ENERGY, &amp; FOOD SECURITY TAX</b>			
All Counties, per barrel of petroleum products <sup>1</sup>	105.0 ¢	0.0 ¢	105.0 ¢
All Counties, per million BTU of fossil fuels <sup>2</sup>	19.0	0.0	19.0

<sup>1</sup> Does not include aviation fuel.

<sup>2</sup> Does not include petroleum products. BTU = British thermal unit.

<sup>3</sup> Effective July 1, 2016, pursuant to Maui County Resolution 16-79.

<sup>4</sup> Gasoline used for agricultural equipment off highways, aviation fuel, and diesel oil used off highways are taxed by the State at 1 cent per gallon.

**Chart 1.9 - Fuel Tax and Trends in Fuel Consumption**  
**Fiscal Years 2008 - 2017**

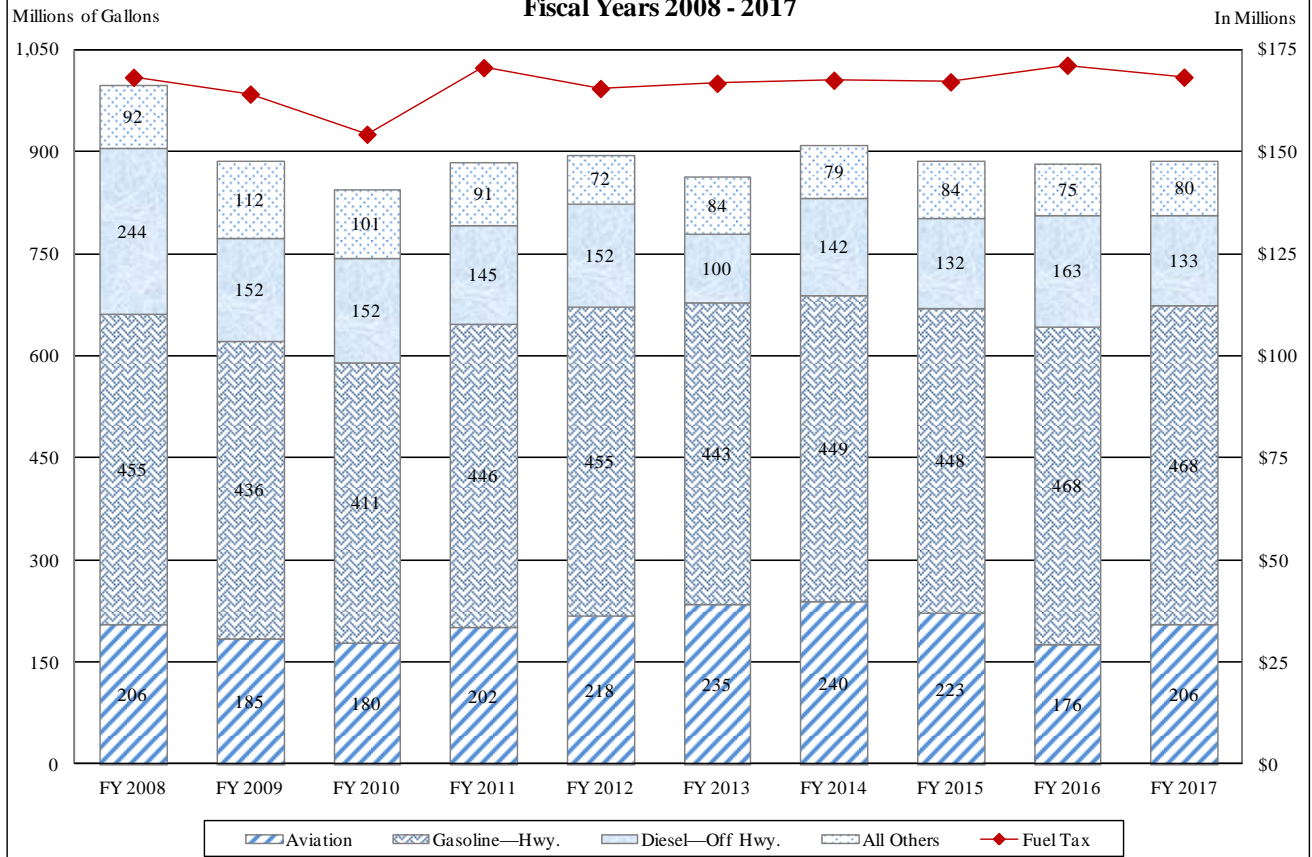


TABLE 1.5 - TAXABLE GALLONS OF FUEL CONSUMED  
(In Thousands of Gallons)

	FY 2017	FY 2016	Difference	
			Amount	% Change
Gasoline	468,009	467,645	365	0.1
Diesel Oil - Off Highway	133,425	162,813	(29,388)	(18.1)
Diesel Oil - Highway	44,747	48,013	(3,266)	(6.8)
Liq. Pet. Gas - Highway	9	14	(5)	(38.4)
Small Boats - Gasoline	376	1,369	(992)	(72.5)
Small Boats - Diesel Oil	3,326	2,591	736	28.4
Aviation Fuel	205,910	176,390	29,520	16.7
Other Fuel <sup>1</sup>	31,601	23,173	8,428	36.4
Total Gallons	887,404	882,008	5,396	0.6
Environmental Tax				
Petroleum Products (Barrel) <sup>2</sup>	24,209,274	24,792,278	(583,004)	(2.4)
Fossil Fuels (MMBtu) <sup>3</sup>	5,643,391	4,835,187	808,204	16.7

<sup>1</sup> Other fuel includes ethanol, methanol, biodiesel, naphtha, compressed natural gas, and liquefied natural gas.

<sup>2</sup> Barrel = 42 U.S. gallons of petroleum products.

<sup>3</sup> MMBtu = 1 million British thermal units.

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

TABLE 1.6 - ALLOCATION OF FUEL TAXES  
(In Thousands of Dollars)

	FY 2017 <sup>1</sup>	FY 2016 <sup>2</sup>	Difference	
			Amount	% Change
STATE HIGHWAY FUND				
Gasoline	\$ 74,157	\$ 76,915	\$ (2,758)	(3.6)
Diesel Oil - Off Highway	1,354	2,678	(1,325)	(49.5)
Diesel Oil - Highway	7,088	7,883	(795)	(10.1)
Liq. Pet. Gas - Highway	0	1	(0)	(38.4)
Other Fuel <sup>3</sup>	672	540	131	24.3
Subtotal	\$ 83,270	\$ 88,018	\$ (4,747)	(5.4)
Motor Vehicle	133,302	132,831	471	0.4
Rental Vehicle	53,187	54,872	(1,686)	(3.1)
TOTAL	\$ 269,759	\$ 275,721	\$ (5,962)	(2.2)
COUNTY HIGHWAY FUNDS				
City & County of Honolulu	\$ 51,992	\$ 52,765	\$ (773)	(1.5)
County of Maui	15,655	12,522	3,133	25.0
County of Hawaii	7,994	7,931	63	0.8
County of Kauai	5,636	5,459	177	3.2
TOTAL	\$ 81,278	\$ 78,677	\$ 2,601	3.3
BOATING SPECIAL FUND	\$ 1,662	\$ 1,684	\$ (22)	(1.3)
STATE AIRPORT FUND				
Aviation Fuel	\$ 2,059	\$ 2,807	\$ (748)	(26.6)
ENVIRONMENTAL RESPONSE REVOLVING FUND	\$ 1,267	\$ 1,288	\$ (21)	(1.6)
ENERGY SECURITY FUND	\$ 3,801	\$ 3,864	\$ (63)	(1.6)
ENERGY SYSTEMS DEVELOPMENT FUND	\$ 2,534	\$ 2,576	\$ (42)	(1.6)
AGRICULTURAL DEVELOPMENT & FOOD SECURITY FUND	\$ 3,801	\$ 3,864	\$ (63)	(1.6)
GENERAL FUND	\$ 15,090	\$ 15,359	\$ (269)	(1.8)

<sup>1</sup> Fuel tax collections were \$195,151 thousand for fiscal year 2017. Of the collections, \$390 thousand could not be distributed because the corresponding tax returns were not yet available.

<sup>2</sup> Fuel tax collections were \$198,404 thousand for fiscal year 2016. Of the collections, \$268 thousand could not be distributed because the corresponding tax returns were not yet available.

<sup>3</sup> Other fuel includes ethanol, methanol, biodiesel, naphtha, compressed natural gas, and liquefied natural gas.

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



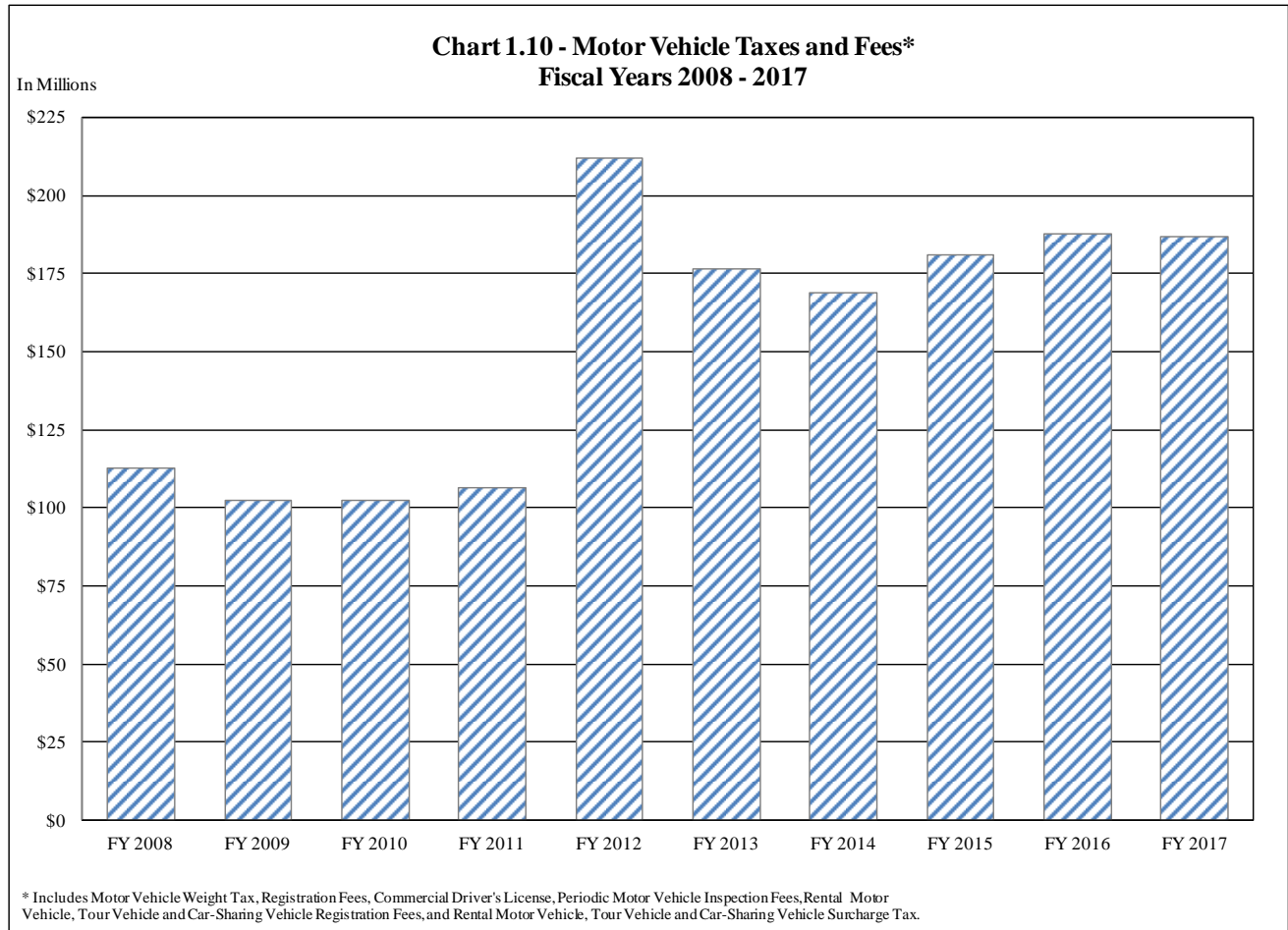
## **1.7 MOTOR VEHICLE TAXES AND FEES**

### ***1.7.1 Overview***

The State levies an annual registration fee per vehicle and a tax based on vehicle weight. The State also levies the rental motor vehicle, tour vehicle, and car-sharing vehicle surcharge tax (RVST). The tax on rentals of motor vehicles is imposed on the lessor. The rate of the tax is \$3.00 per day. The tax on tour vehicles is imposed on the tour vehicle operator. The rate of the tax is \$65 per month for each tour vehicle in the 26 passenger seat and over category, and \$15 per month for each tour vehicle in the 8 to 25 passenger seat category. The tax on motor vehicles that are rented or leased by a car-sharing organization is imposed on the car-sharing organization. The rate of the tax is 25 cents per half-hour. There is a one-time \$20 registration fee for those subject to any part of the RVST.

### ***1.7.2 Revenue***

For FY 2017, the State's motor vehicle taxes and fees (including the RVST) totaled \$186.5 million, compared to \$187.7 million in FY 2016, a decrease of 0.6%. Chart 1.10 shows the total motor vehicle taxes and fees for FY 2008 through FY 2017. The large increase in FY 2012 was caused by a temporary increase in the rate of the RVST to \$7.50 per day, which was in place for the period from July 1, 2011 to June 30, 2012. The collections for FY 2013 also reflect one month of collections at the higher tax rate, since the collections lag the liabilities incurred by one month.



## 1.8 CIGARETTE AND TOBACCO TAX

### 1.8.1 Overview

Wholesalers and dealers, as those terms are defined in section 245-1, Hawaii Revised Statutes (HRS), must pay an excise tax on the sale or use of tobacco products and on each cigarette or little cigar sold, used, or possessed. The tax per cigarette or little cigar was increased to 16 cents for sales on and after July 1, 2011. The excise tax on large cigars is 50% of the wholesale price and the excise tax on all other tobacco products (tobacco in any form except cigarettes, little cigars or large cigars) is 70% of the wholesale price. A \$2.50 tobacco tax license is required and must be renewed before July 1 each year. Cigarette wholesalers and dealers are required to affix a stamp to each individual cigarette package as proof that the tax has been paid. Every retailer engaged in the retail sale of cigarettes and other tobacco products is required to obtain a \$20 retail tobacco permit that must be renewed before December 1 each year.

### 1.8.2 Revenue

During FY 2017, collections of the cigarette and tobacco tax (including tobacco licenses) totaled \$124.1 million, compared to \$125.1 million in FY 2016, or a decrease of 0.8%. Chart 1.11 shows

the total collections of the tax for FY 2008 through FY 2017. The 16 cent tax per cigarette was distributed as follows in FY 2017: 2.000 cents went to the Hawaii Cancer Research Special Fund, 1.125 cents went to the Trauma System Special Fund, 1.250 cents went to the Community Health Centers Special Fund, and 1.250 cents went to the Emergency Medical Services Special Fund. Additionally, a total of \$1.9 million went to the Cigarette Stamp Administrative Fund and the Cigarette and Stamp Enforcement Fund. The remainder of the cigarette and tobacco tax went to the General Fund. Table 1.7 shows collections of the tobacco taxes and how the revenues were allocated in FY 2016 and FY 2017.

### ***1.8.3 Recent Legislation***

Act 238, SLH 2015, reduces the allocation of the tax on cigarettes to the Trauma System Special Fund from 1.500 cents per cigarette to 1.125 cents per cigarette, and caps the allocations to the Trauma System Special Fund, the Emergency Medical Services Special Fund and the Community Health Center Special Fund, effective July 1, 2015.

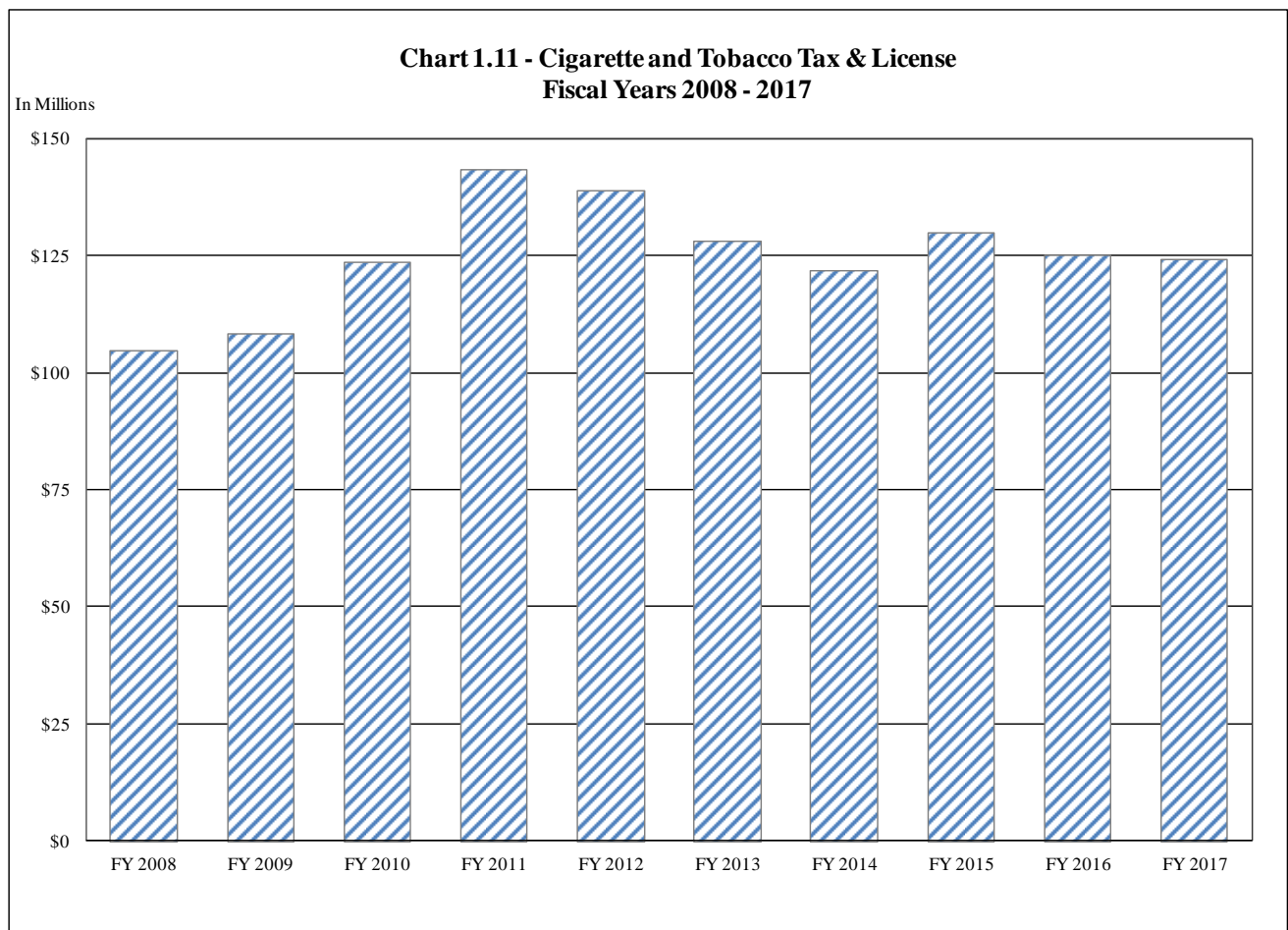


TABLE 1.7 - CIGARETTE & TOBACCO TAX  
(In Thousands of Dollars)

	FY 2017	FY 2016	Difference	
			Amount	% Change
Collection				
Tobacco & Licenses	\$ 124,066	\$ 125,093	\$ (1,027)	(0.8)
Distribution*				
Hawaii Cancer Research Fund	\$ 14,326	\$ 14,445	\$ (119)	(0.8)
Trauma System Fund	7,400	7,400	-	-
Emergency Medical Services Fund	8,800	8,800	-	-
Community Health Centers Fund	8,800	8,800	-	-
Cigarette Stamp Administrative & Enforcement Funds	1,947	1,964	(16)	(0.8)
General Fund	82,792	83,685	(892)	(1.1)
Total	\$ 124,066	\$ 125,093	\$ (1,027)	(0.8)

\*Details on distributions of the revenues are given in section 245-15, HRS.

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

## 1.9 PUBLIC SERVICE COMPANY TAX

### 1.9.1 Overview

The public service company (PSC) tax is levied on public utility businesses in lieu of all taxes except income taxes, vehicular taxes imposed under chapter 249, HRS, the franchise tax on public utilities imposed under chapter 240, HRS, and the use tax imposed under chapter 238, HRS. Generally, the tax is applied to gross income from the business of public utilities for the preceding calendar year. The tax rates on the PSC's range from 0.50% (levied on sales for resale) to 8.20%. For a public utility, only the first 4.0% is realized by the State; any excess over 4.0% is distributed to counties that provide a real property tax exemption for property used by the public utility in its business. For a carrier of passengers by land between points on a scheduled route, the gross income from passenger fares is taxed at 5.35%, all of which is realized by the State.

### 1.9.2 Revenue

The PSC tax yielded \$122.2 million in tax, penalty, and interest in FY 2017, a decrease of 20.0% from the \$152.8 million collected in FY 2016. All of the revenues from the PSC tax are allocated to the General Fund. Chart 1.12 shows the total collections of the tax for FY 2008 through FY 2017.



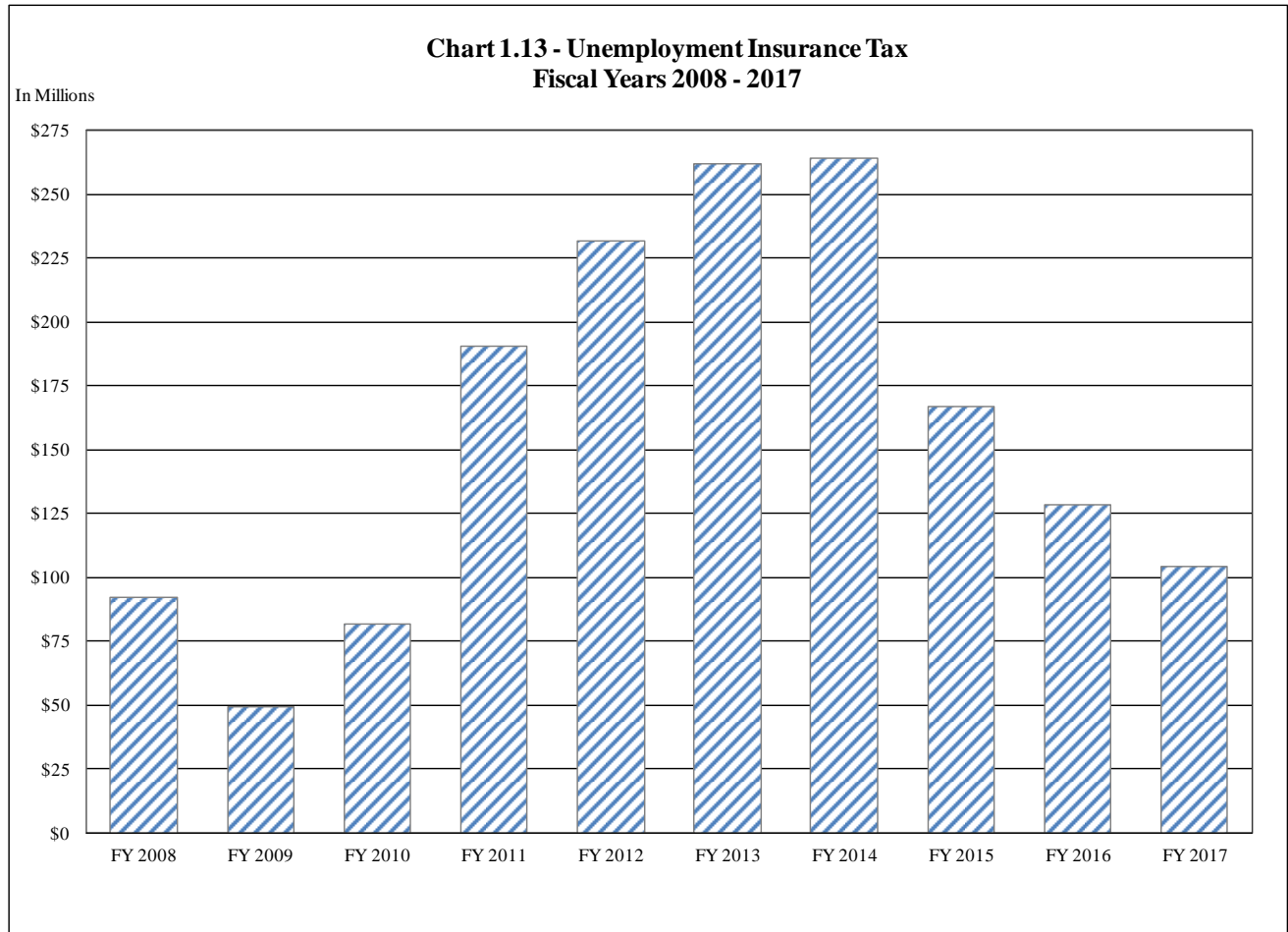
## 1.10 UNEMPLOYMENT INSURANCE TAX

### 1.10.1 Overview

The unemployment insurance (UI) tax (officially "employment security contributions") is imposed on wages paid by employers with one or more employees, with certain exemptions. The tax is experience rated. The UI tax rate for each year depends on the condition of the UI Trust Fund. The tax base represents the state's average annual wages reported by employers contributing to the Unemployment Trust Fund. For FY 2017, the tax base ranged from \$42,200 in CY 2016 to \$44,000 in CY 2017 and the contribution rate for new employers was 2.4% in both CY 2016 and CY 2017. Revenues from the tax go to the Unemployment Trust Fund. The Department of Labor and Industrial Relations administers the UI tax and the Department of Taxation collects the tax.

### 1.10.2 Revenue

For FY 2017, revenue from the UI tax totaled \$104.3 million, down by 18.9% from \$128.6 million collected in FY 2016. Chart 1.13 shows collections of the UI tax for FY 2008 through FY 2017.



## 1.11 INSURANCE PREMIUM TAX

### 1.11.1 Overview

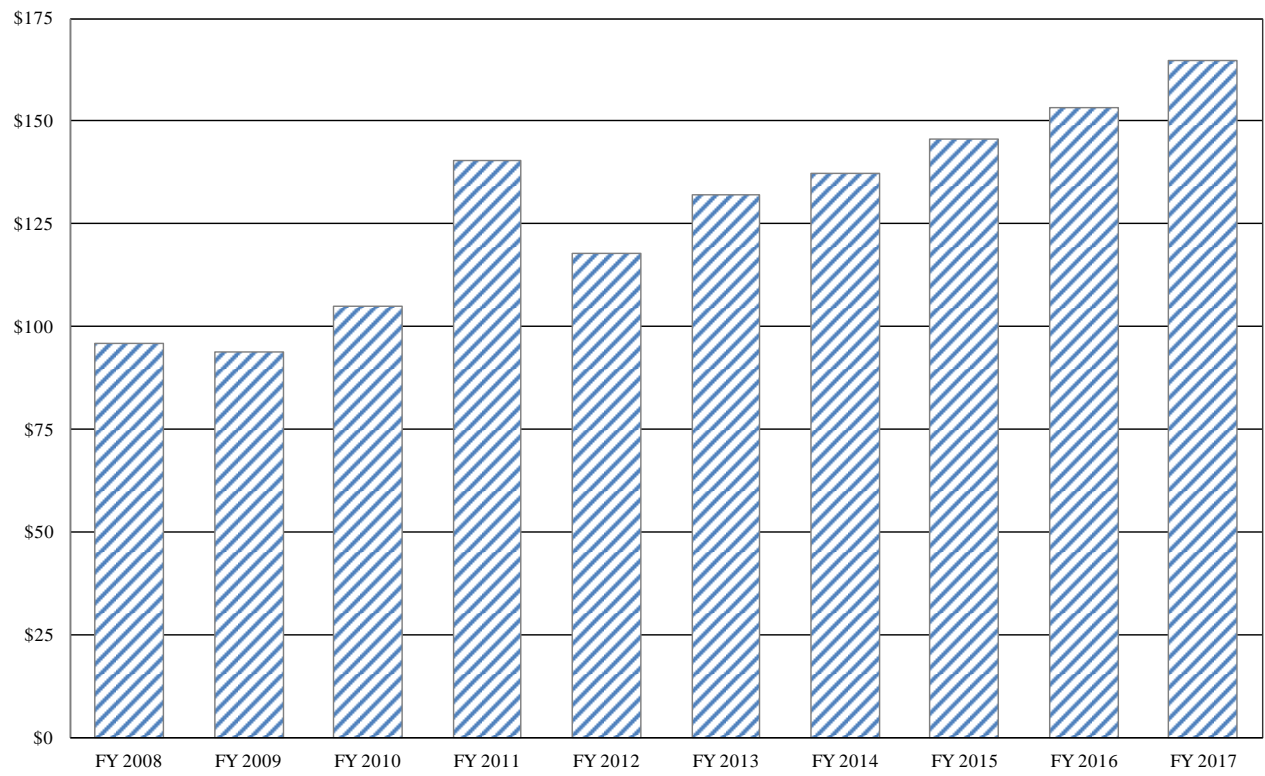
The tax on insurance premiums applies to insurance companies (underwriters) based on premiums written in Hawaii. The insurance premium tax is in lieu of all taxes except property tax and taxes on the purchase, use or ownership of tangible personal property. The tax rates are as follows: (1) Life Insurance, 2.75%; (2) Surplus Lines, 4.68%; (3) Ocean Marine, 0.8775% on gross underwriting profit; and (4) Other Insurance, 4.265%. To insurers who qualify, there is a 1.0% tax credit to facilitate regulatory oversight. The tax is administered and collected by the Insurance Commissioner, who is required to report to the Director of Taxation the amounts of all taxes collected under chapter 431, HRS.

### 1.11.2 Revenue

For FY 2017, the tax on insurance premiums totaled \$164.7 million, compared to \$153.2 million in FY 2016, an increase of 7.5%. Chart 1.14 shows collections of the tax for FY 2008 through FY 2017.

**Chart 1.14 - Tax on Insurance Premiums**  
**Fiscal Years 2008 - 2017**

In Millions



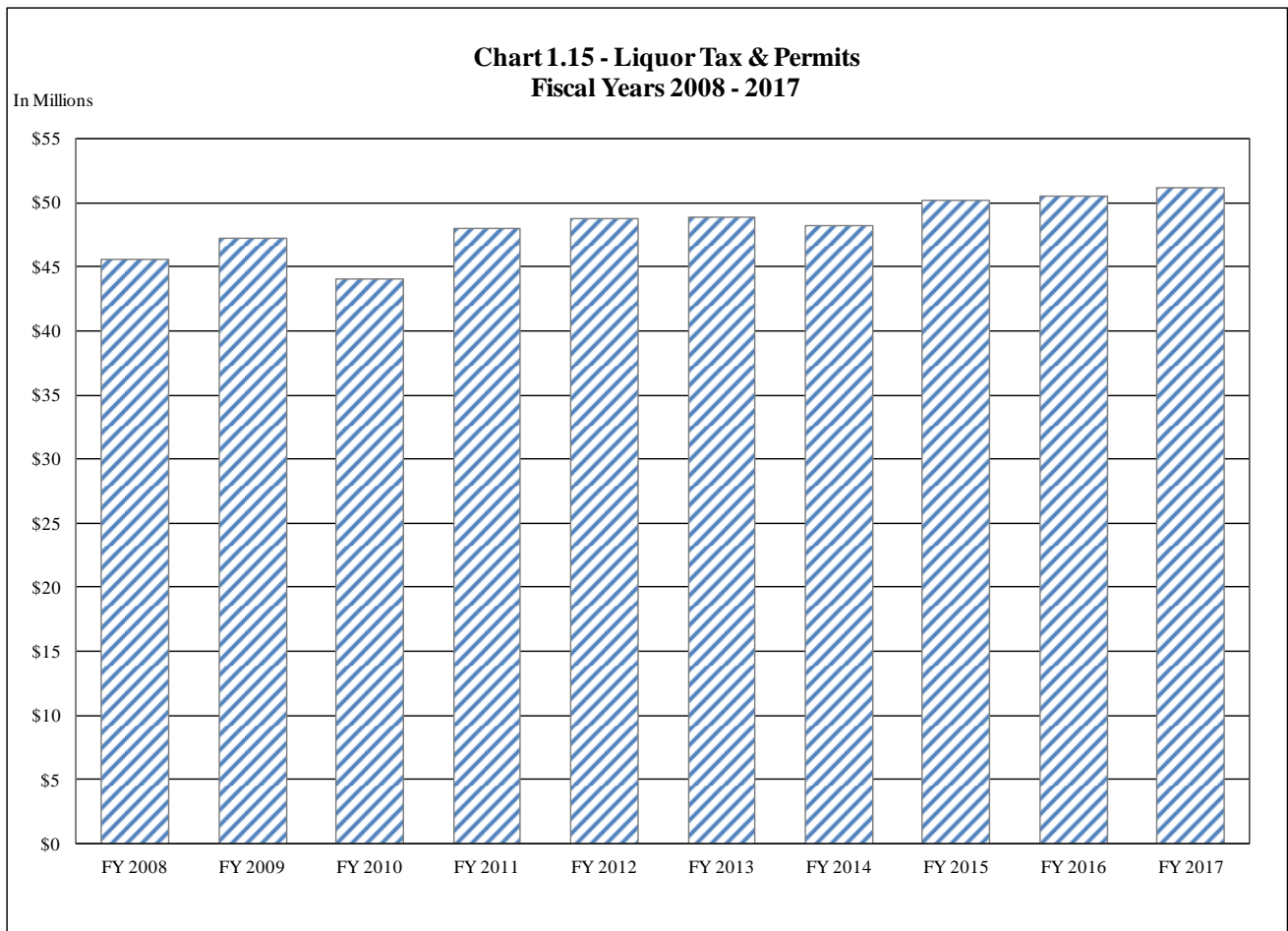
## 1.12 LIQUOR TAX

### 1.12.1 Overview

The tax on liquor is a gallonage tax imposed on dealers as defined in section 244D-1, HRS, and upon certain others who sell or use liquor. A \$2.50 liquor tax permit is required and must be renewed before July 1 each year. See section 244D-4, HRS, for exemptions from the tax. The tax rates per wine gallon are \$5.98 on distilled spirits, \$2.12 on sparkling wine, \$1.38 on still wine, \$0.85 on cooler beverages, \$0.93 on beer other than draft beer, and \$0.54 on draft beer.

### 1.12.2 Revenue

For FY 2017, the liquor tax and permit fees totaled \$51.2 million, an increase of 1.1% from the \$50.6 million collected in FY 2016. Chart 1.15 shows collections of the liquor tax and permit fees for FY 2008 through FY 2017.





## **1.13 CONVEYANCE TAX**

### ***1.13.1 Overview***

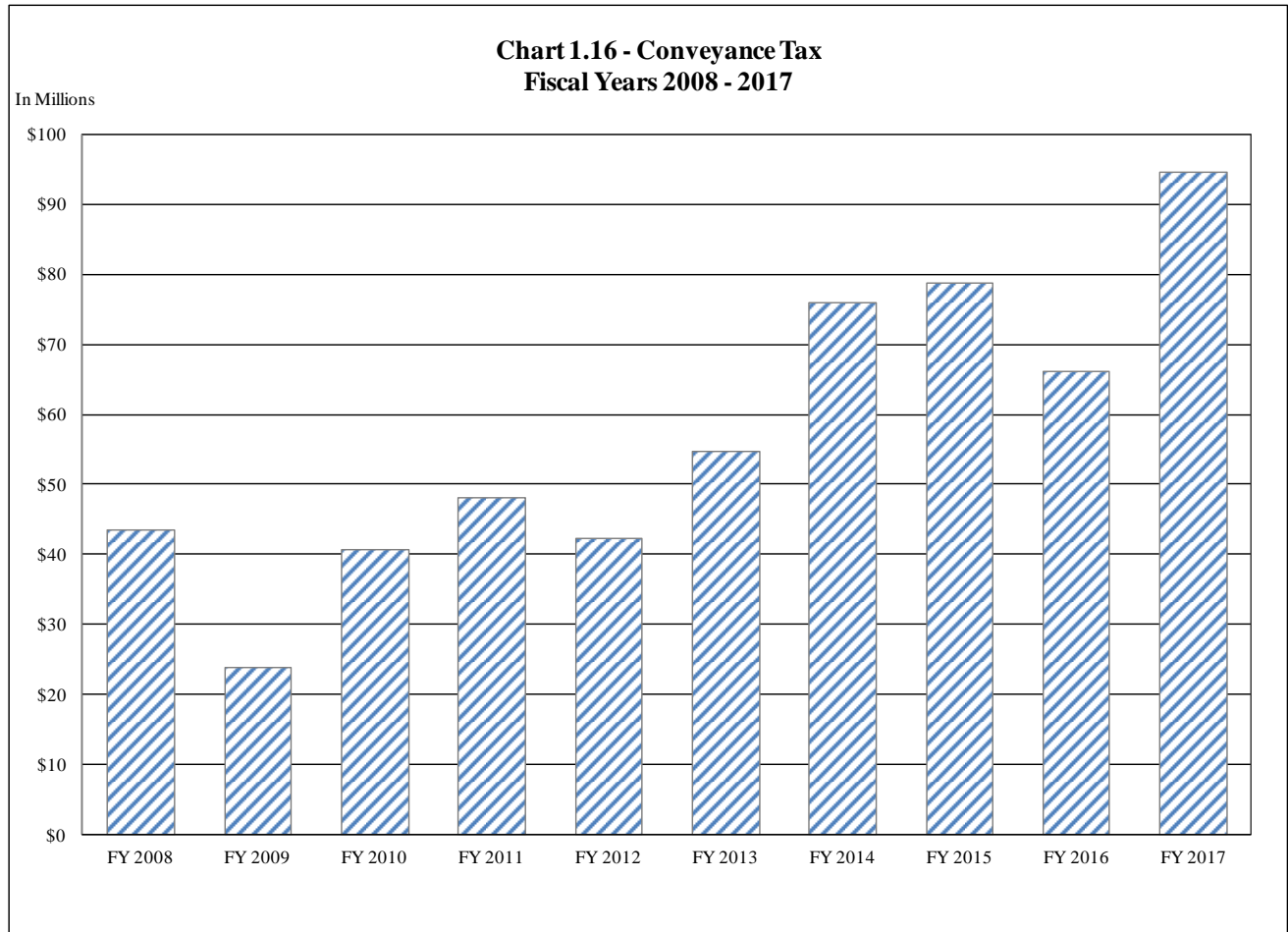
The conveyance tax is imposed on all documents transferring ownership or interest in real property and is based on the actual and full consideration paid or to be paid. For a sale of a condominium or single family residence, the rate of the conveyance tax depends on whether the purchaser is eligible for a county homeowners' exemption from the real property tax. If the purchaser is eligible for the exemption, or if the sale is of real property other than a condominium or single family residence, then the tax rate ranges from 10 cents per \$100 for properties with a value of less than \$600,000 to \$1 per \$100 for properties with a value of \$10,000,000 or more. If the purchaser is ineligible for the exemption, the tax rate for a sale of a condominium or single family residence ranges from 15 cents per \$100 for properties with a value of less than \$600,000 to \$1.25 per \$100 for properties with a value of \$10,000,000 or more. The conveyance tax is administered by the Department of Taxation, but it is collected by the Bureau of Conveyances in the Department of Land and Natural Resources.

### ***1.13.2 Revenue***

For FY 2017, revenue from the conveyance tax totaled \$94.5 million, compared to \$66.1 million in FY 2016, an increase of 43.1%. The revenues for FY 2017 were distributed as follows: 10% went to the Land Conservation Fund, provided that the amount in excess of \$6.8 million in any fiscal year is deposited into the General Fund; 50% went to the Rental Housing Trust Fund, provided that the amount in excess of \$38.0 million in any fiscal year is deposited into the General Fund; and the remaining 40% went to the General Fund. Chart 1.16 shows collections of the conveyance tax for FY 2008 through FY 2017.

### ***1.13.3 Recent Legislation***

Act 84, SLH 2015, eliminates the contributions of the conveyance tax to the Natural Area Reserve Fund, effective July 1, 2015, and caps the allocations to the other special funds.



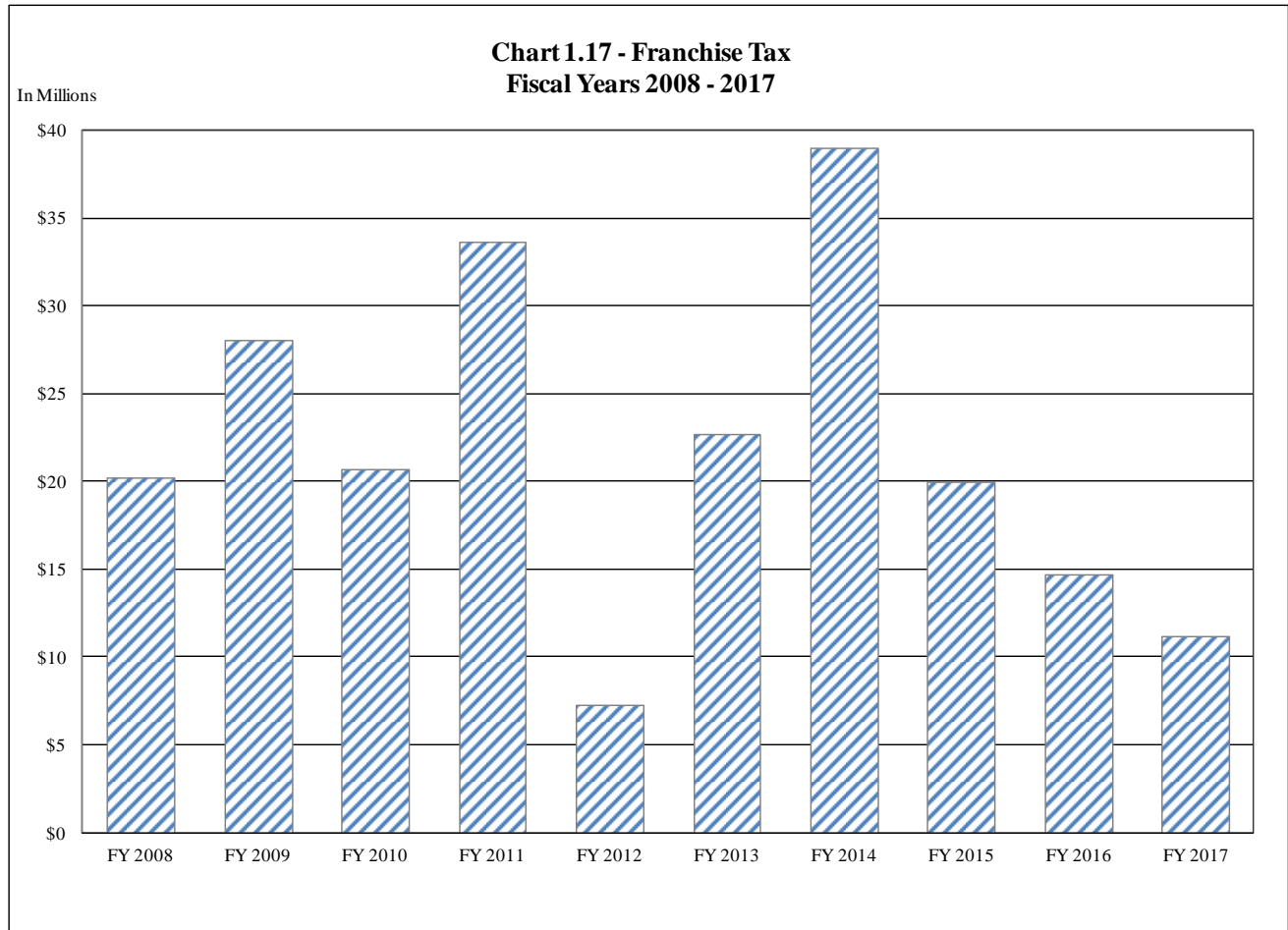
## 1.14 TAX ON BANKS AND OTHER FINANCIAL CORPORATIONS

### 1.14.1 Overview

The tax on banks and other financial corporations (the franchise tax) is levied on net income of banks, building and loan associations, development companies, financial corporations, financial services loan companies, trust companies, mortgage loan companies, financial holding companies, small business investment companies, and subsidiaries not subject to the tax imposed by chapter 235, HRS. The tax is in lieu of the net income tax imposed under chapter 235, HRS, and of the GET, but it uses the definition of net income from chapter 235, with modifications. The tax is levied on net income at the rate of 7.92%. The assessment date is January 1 of each year.

### 1.14.2 Revenue

For FY 2017, franchise tax collections totaled \$11.2 million, compared to \$14.7 million in FY 2016, a decrease of 23.9%. Chart 1.17 shows collections of the franchise tax for FY 2008 through FY 2017. Collections of the tax were low in FY 2012, due partly to a one-time transfer of \$16.5 million to the Litigated Claims Fund.



## 1.15 ESTATE AND TRANSFER TAX

### *1.15.1 Overview*

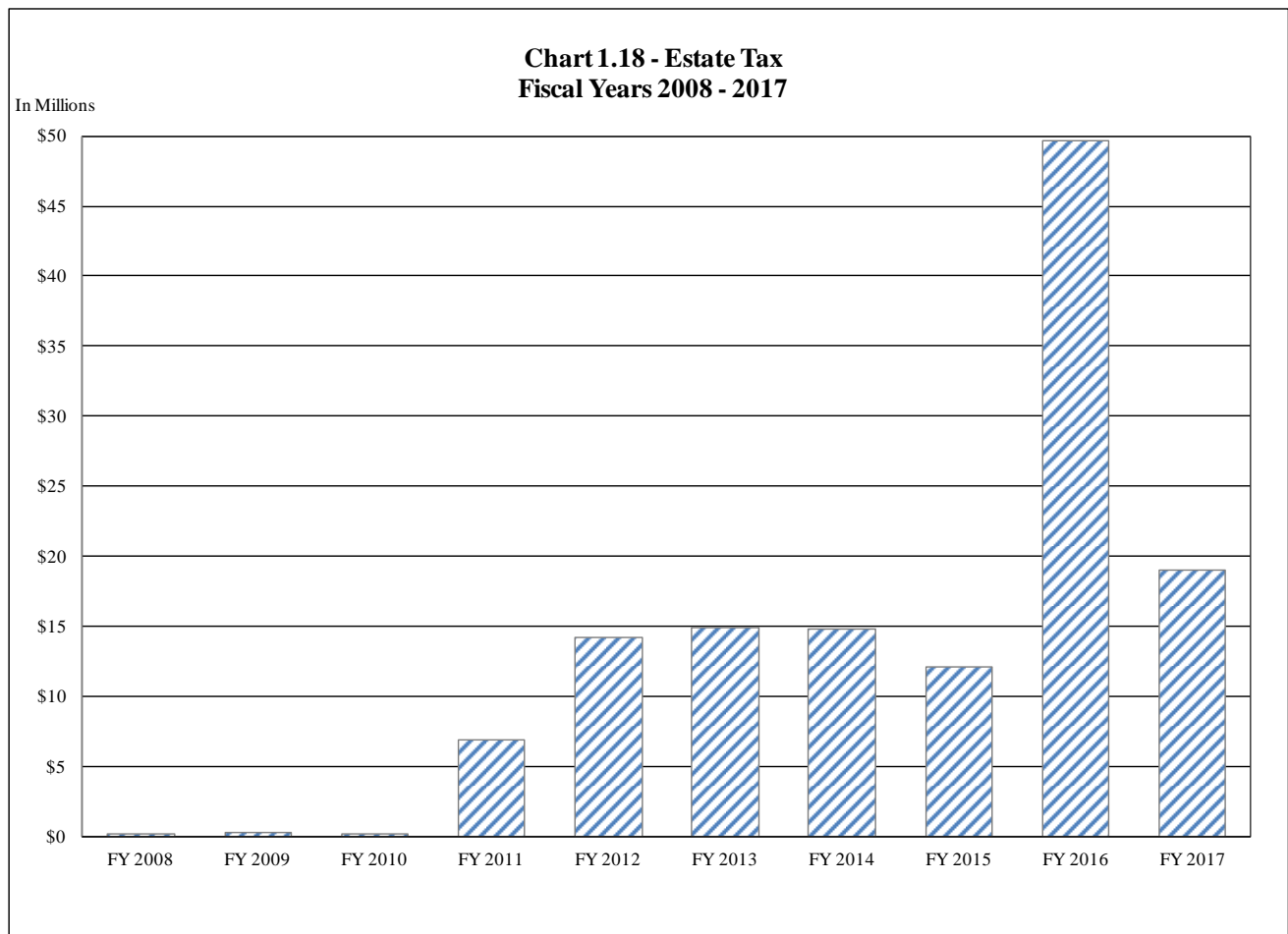
Hawaii's estate and transfer tax is levied on the transfer of a taxable estate. The taxable estate is based on the federal definition (with adjustments for nonresidents), but the State has its own tax rate schedule, with tax rates varying from 10.0% to 15.7%. The generation skipping tax is also based on the federal taxable transfer, but has its own tax rate (currently 2.25%).

### *1.15.2 Revenue*

For FY 2017, estate tax collections totaled \$19.0 million, compared to \$49.6 million collected in FY 2016. Chart 1.18 shows collections of the estate and transfer tax for FY 2008 through FY 2017.

### *1.15.3 Recent Legislation*

Act 156, SLH 2017, applies the estate and generation-skipping transfer tax to single member limited liability companies that do not elect to be taxed as corporations. The Act applies to decedents dying or taxable transfers occurring after December 31, 2016.



## 1.16 CITY AND COUNTY OF HONOLULU SURCHARGE TAX

### 1.16.1 Overview

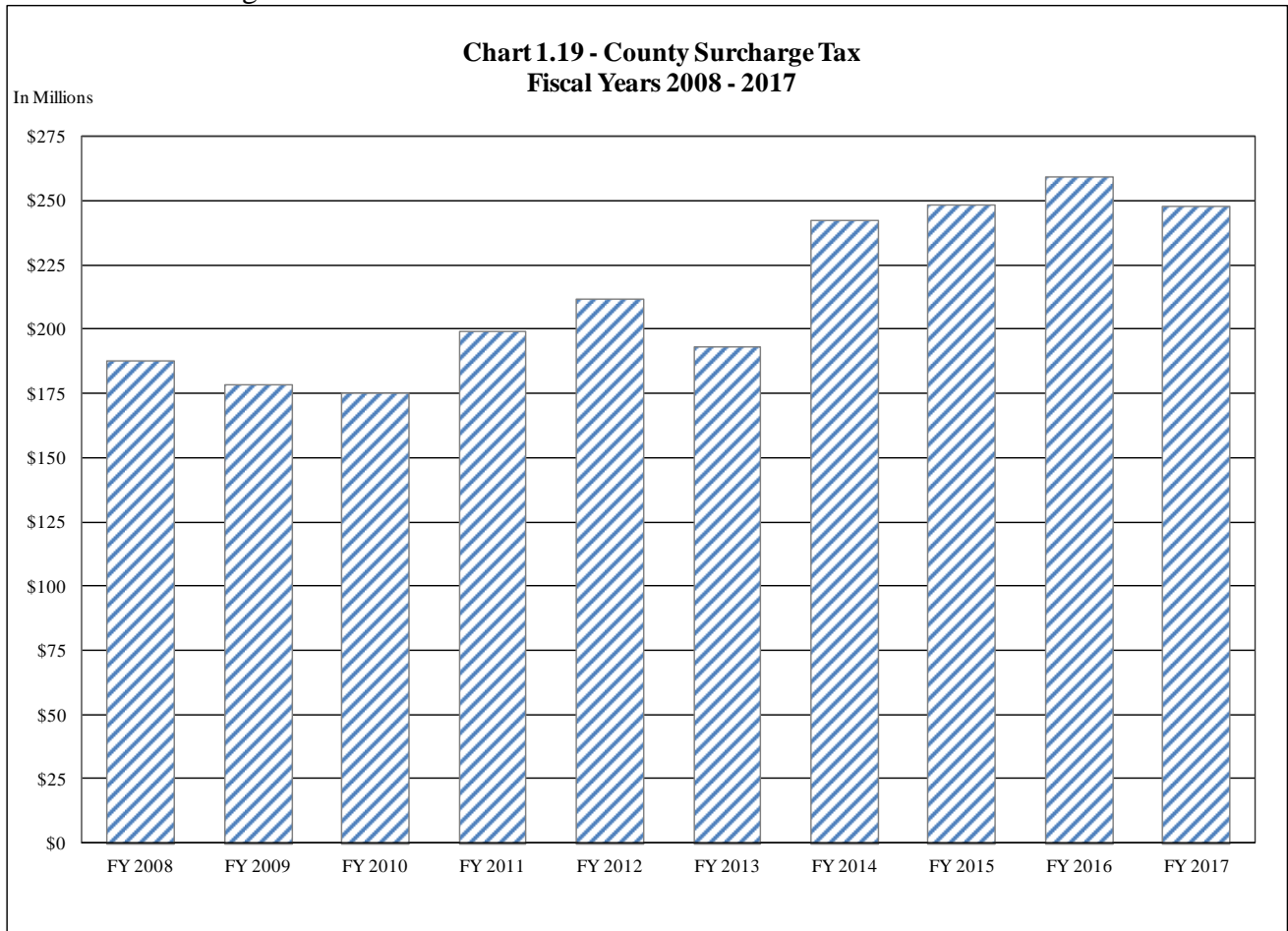
Act 247, SLH 2005, granted counties the authority to impose a county surcharge of no more than 0.5% on gross income that is subject to the State's GET at the rate of 4.0% to fund county public transportation systems. The Act specified that the surcharge be levied no earlier than January 1, 2007 and that it be automatically repealed on December 31, 2022. The Department of Taxation is required to administer and collect the surcharge for the counties. The City and County of Honolulu was the only county to adopt the surcharge, which took effect on January 1, 2007. The State keeps 10.0% of the collections from the county surcharge as administrative costs, and Honolulu County receives the remaining 90.0% of the collections.<sup>2</sup>

### 1.16.2 Revenue

For FY 2017, collections of Honolulu's county surcharge totaled \$248.2 million, a decrease of 4.3%

<sup>2</sup> The State will only collect 1.0% of the collections from the county surcharge to cover administrative costs beginning January 1, 2018.

from the \$259.2 million collected in FY 2016. Chart 1.19 shows collections of the county surcharge for FY 2008 through FY 2017.



### 1.17 TOTAL TAX COLLECTIONS

Total tax collections in FY 2017 amounted to \$7.34 billion, up by 1.2% from the \$7.25 billion collected in FY 2016. The Department collected the great majority of the total taxes (\$6.94 billion), but the counties collected \$133.3 million in State motor vehicle weight taxes and registration fees, the Insurance Commissioner (in the Department of Commerce and Consumer Affairs) collected \$164.7 million in insurance premium taxes, and the Bureau of Conveyances (in the Department of Land and Natural Resources) collected \$94.5 million in conveyance taxes. The total collections are shown in Table 1.8.

TABLE 1.8 - TAX COLLECTIONS  
(In Thousands of Dollars )

SOURCE OF REVENUE	FY 2017		FY 2016	
	Amount Collected	% of Total	Amount Collected	% of Total
Banks - Financial Corps.	\$ 11,174	0.15	\$ 14,691	0.20
Conveyance	94,537	1.29	66,083	0.91
Employment Security Contributions	104,313	1.42	128,577	1.77
Fuel & Environmental <sup>3</sup>	194,761	2.65	198,136	2.73
General Excise & Use	3,239,225	44.14	3,206,154	44.23
Honolulu County Surcharge	248,158	3.38	259,248	3.58
Income - Corporations	76,761	1.05	93,036	1.28
Income - Individuals	2,192,803	29.88	2,116,859	29.20
Inheritance and Estate	18,968	0.26	49,613	0.68
Insurance Premiums	164,688	2.24	153,173	2.11
Liquor & Permits	51,167	0.70	50,590	0.70
Motor Vehicle Tax <sup>1</sup>	186,490	2.54	187,704	2.59
Public Service Companies	122,159	1.66	152,760	2.11
Tobacco & Licenses	124,066	1.69	125,093	1.73
Trans. Accom. Fees	20	0.00	13	0.00
Trans. Accom. Tax	508,357	6.93	446,781	6.16
All Others <sup>2</sup>	734	0.01	693	0.01
<b>TOTAL</b>	<b>\$ 7,338,382</b>	<b>100.00</b>	<b>\$ 7,249,205</b>	<b>100.00</b>

<sup>1</sup> Includes motor vehicle weight tax, registration fees, commercial driver's license, periodic motor vehicle inspection fees, rental motor vehicle, tour vehicle and car-sharing vehicle registration fees, and rental motor vehicle, tour vehicle and car-sharing vehicle surcharge tax.

<sup>2</sup> Includes fuel retail dealer permits, fuel penalty and interest, permitted transfers tax, and general excise fees.

<sup>3</sup> Fuel tax collections were \$195,151 thousand for fiscal year 2017. Of the collections, \$390 thousand could not be distributed because the corresponding tax returns were not yet available. Fuel tax collections were \$198,404 thousand for fiscal year 2016. Of the collections, \$268 thousand could not be distributed because the corresponding tax returns were not yet available.

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

## 1.18 DISTRIBUTION OF TAXES

Of the \$7.34 billion in total tax collections in FY 2017, \$6.32 billion or 86.1% was deposited into the State's General Fund. The four counties received \$184.3 million from county fuel taxes and the TAT. In addition, \$248.2 million of county surcharge was collected for the City and County of Honolulu (before deducting the 10% administrative fee imposed by the State). The remaining tax revenues not deposited into the General Fund or transferred to the counties were distributed among various State special funds. The State Highway Fund received the largest portion, \$269.8 million. All of the unemployment insurance tax (the employment security contributions) went into the Unemployment Trust Fund for unemployment benefits. Table 1.9 shows allocations of taxes to the State's General Fund in FY 2016 and FY 2017. The distributions of the total tax collections among all funds in FY 2016 and FY 2017 are shown in Table 1.10.

TABLE 1.9 - STATE GENERAL FUND  
(In Thousands of Dollars)

SOURCE OF REVENUE	FY 2017		FY 2016	
	Amount Collected	% of Total	Amount Collected	% of Total
Banks - Financial Corps.	\$ 9,174	0.15	\$ 12,691	0.20
Conveyance	49,737	0.79	26,415	0.43
General Excise & Use	3,239,225	51.29	3,206,154	51.76
Income - Corporations	76,761	1.22	93,036	1.50
Income - Individuals	2,192,341	34.72	2,116,392	34.17
Inheritance and Estate	18,968	0.30	49,613	0.80
Insurance Premiums	164,688	2.61	153,173	2.47
Liquor & Permits	51,167	0.81	50,590	0.82
Public Service Companies	122,159	1.93	152,760	2.47
Tobacco & Licenses	82,792	1.31	83,685	1.35
Trans. Accom. Tax	292,357	4.63	233,781	3.77
Environmental Tax	15,090	0.24	15,359	0.25
All Others *	755	0.01	708	0.01
<b>TOTAL</b>	<b>\$ 6,315,215</b>	<b>100.00</b>	<b>\$ 6,194,356</b>	<b>100.00</b>

\* Includes fuel retail dealer permits, fuel penalty and interest, permitted transfers tax, general excise fees, trans accom fees and rental vehicle fees.

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

TABLE 1.10 - DISTRIBUTION OF COLLECTIONS  
(In Thousands of Dollars)

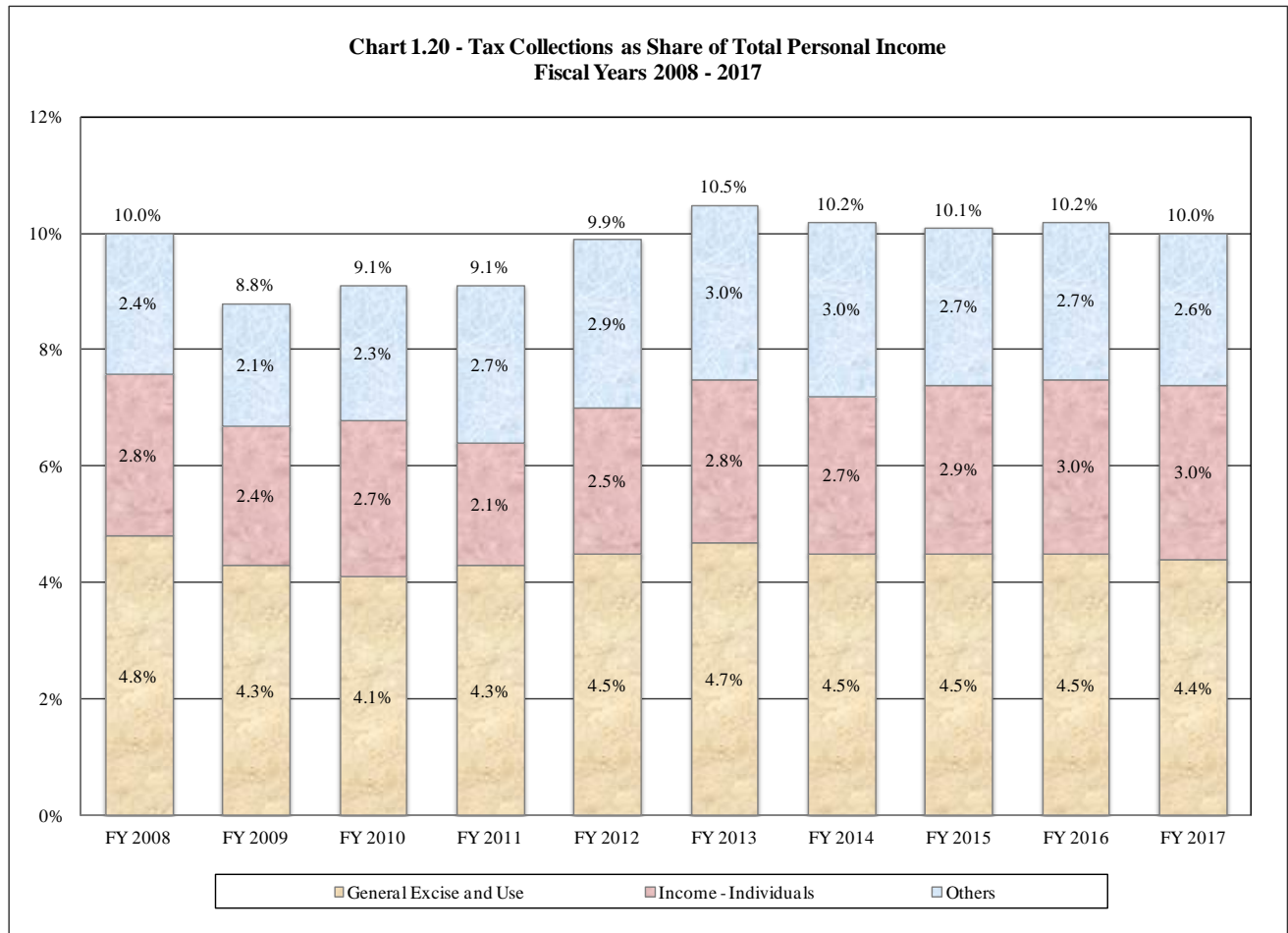
	FY 2017		FY 2016	
	Amount Distributed	% of Total	Amount Distributed	% of Total
<u>STATE FUND</u>				
State General Fund	\$ 6,315,215	86.06	\$ 6,194,356	85.45
State Highway Fund	269,759	3.68	275,721	3.80
State Airport Fund	2,059	0.03	2,807	0.04
Boating Special Fund	1,662	0.02	1,684	0.02
Environmental Fund	1,267	0.02	1,288	0.02
Cigarette Stamp Admin/Enf. Fund	1,947	0.03	1,964	0.03
Compliance Resolution Fund	2,000	0.03	2,000	0.03
Unemployment Trust Fund	104,313	1.42	128,577	1.77
Election Campaign Fund	164	0.00	180	0.00
Tourism Special Fund	82,000	1.12	82,000	1.13
Rental Housing Fund	38,000	0.52	33,057	0.46
Convention Center Fund	26,500	0.36	26,500	0.37
Public Libraries Fund	68	0.00	66	0.00
School Repairs & Maintenance Fund	74	0.00	72	0.00
Land Conservation Fund	6,800	0.09	6,611	0.09
Domestic Violence\Child Abuse Neglect Fund	155	0.00	149	0.00
Cancer Research Fund	14,326	0.20	14,445	0.20
Trauma System Fund	7,400	0.10	7,400	0.10
Emergency Medical Service Fund	8,800	0.12	8,800	0.12
Community Health Centers Fund	8,800	0.12	8,800	0.12
Energy Security Fund	3,801	0.05	3,864	0.05
Energy Systems Development Fund	2,534	0.03	2,576	0.04
Agricultural Development & Food Security Fund	3,801	0.05	3,864	0.05
Land and Development Fund	3,000	0.04	-	-
Turtle Bay Conservation Easement Fund	1,500	0.02	1,500	0.02
Subtotal - State	\$ 6,905,946	94.11	\$ 6,808,280	93.92
<u>HONOLULU COUNTY SURCHARGE</u>	\$ 248,158	3.38	\$ 259,248	3.58
<u>REVENUES TRANSFERRED TO COUNTIES</u>				
Other County Revenues				
Fuel Tax	\$ 81,278	1.11	\$ 78,677	1.09
Trans. Accom. Tax	103,000	1.40	103,000	1.42
Subtotal - Counties	\$ 184,278	2.51	\$ 181,677	2.51
<b>TOTAL</b>	<b>\$ 7,338,382</b>	<b>100.00</b>	<b>\$ 7,249,205</b>	<b>100.00</b>

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



## 1.19 TRENDS IN TAX COLLECTIONS

Table 1.11 provides data on total tax collections for FY 2008 through FY 2017. Chart 1.20 shows total tax collections relative to total personal income (TPI) in the State for FY 2008 through FY 2017.<sup>3</sup> From FY 2008 to FY 2009, the ratio declined, caused by big declines in collections of both the GET and the IIT relative to TPI. The ratio grew from FY 2009 to FY 2013, but fell from FY 2013 to FY 2014. The ratio stayed roughly the same from FY 2014 to FY 2017.



<sup>3</sup> The chart uses the most recent figures from the Bureau of Economic Analysis (BEA) for TPI. The Bureau periodically updates TPI figures and the updates often extend back for a number of years.

TABLE 1.11 - HISTORICAL COLLECTIONS FOR SELECTED TAXES  
(In Thousands of Dollars)

SOURCE OF REVENUE	Fiscal Year				
	2008	2009	2010	2011	2012
General Excise and Use	\$2,618,787	\$2,417,580	\$2,316,434	\$2,495,807	\$2,697,951
Income - Individuals	1,544,835	1,339,056	1,528,110	1,247,153	1,541,051
Transient Accom. Tax & Fees	229,388	210,622	224,252	284,472	323,951
Unemployment Insurance	92,279	49,071	82,017	190,511	231,669
Motor Vehicle Tax <sup>1</sup>	112,448	101,991	102,319	106,166	211,742
Fuel and Environmental <sup>4</sup>	169,927	165,717	155,703	195,336	193,101
Public Service Companies	127,481	126,069	157,661	117,940	150,528
Tobacco and Licenses	104,624	108,164	123,489	143,293	138,798
Insurance Premiums <sup>2</sup>	95,742	93,720	104,721	140,456	117,617
Income - Corporations	85,081	53,522	59,186	34,573	73,026
Liquor and Permits	45,620	47,242	44,074	48,054	48,854
Conveyance	43,421	23,772	40,634	47,906	42,106
Banks - Financial Corporations	20,212	28,075	20,666	33,677	7,229
Total Collections <sup>3</sup>	\$5,478,491	\$4,944,133	\$5,134,807	\$5,292,193	\$6,004,268

SOURCE OF REVENUE	Fiscal Year				
	2013	2014	2015	2016	2017
General Excise and Use	\$2,944,487	\$2,880,541	\$3,048,207	\$3,206,154	\$3,239,225
Income - Individuals	1,736,007	1,745,810	1,988,194	2,116,859	2,192,803
Transient Accom. Tax & Fees	368,576	395,242	420,981	446,794	508,377
Unemployment Insurance	262,290	264,178	167,248	128,577	104,313
Motor Vehicle Tax <sup>1</sup>	176,295	168,726	180,755	187,704	186,490
Fuel and Environmental <sup>4</sup>	193,949	193,550	193,082	198,136	194,761
Public Service Companies	163,930	166,179	163,481	152,760	122,159
Tobacco and Licenses	127,881	121,742	129,851	125,093	124,066
Insurance Premiums <sup>2</sup>	131,906	137,179	145,679	153,173	164,688
Income - Corporations	100,988	87,021	52,319	93,036	76,761
Liquor and Permits	48,962	48,305	50,281	50,590	51,167
Conveyance	54,686	75,831	78,702	66,083	94,537
Banks - Financial Corporations	22,673	38,983	19,930	14,691	11,174
Total Collections <sup>3</sup>	\$6,541,300	\$6,581,424	\$6,900,042	\$7,249,205	\$7,338,382

<sup>1</sup> Includes State Motor Vehicle Weight Tax, Registration Fees, Commercial Driver's License, Periodic Motor Vehicle Inspection Fees, Rental Motor Vehicle, Tour Vehicle and Car-Sharing Vehicle Registration Fees, and Rental Motor Vehicle, Tour Vehicle and Car-Sharing Vehicle Surcharge Tax.

<sup>2</sup> Excludes Insurance Fees allocated to the General Fund, which were included in previous reports.

<sup>3</sup> Includes the Inheritance and Estate Tax, the Honolulu County Surcharge, fuel permits, interest and penalties on fuel taxes, general excise fees, and permitted transfers tax.

<sup>4</sup> Fuel tax collections were \$198,404 thousand for fiscal year 2016. Of the collections, \$268 thousand could not be distributed because the corresponding tax returns were not yet available. Fuel tax collections were \$195,151 thousand for fiscal year 2017. Of the collections, \$390 thousand could not be distributed because the corresponding tax returns were not yet available.

## **2.0 TAX ADMINISTRATION**

### **2.1 OVERALL PERFORMANCE**

The Department of Taxation consists of two divisions, six staff offices, a Public Information Officer, and a Taxpayer Advocate. The two divisions are the Tax Services and Processing Division and the Compliance Division. The six staff offices are the Administrative Services Office, the Rules Office, the Tax Research and Planning Office, the Information Technology Services Office, the Administrative Appeals Office and the Tax Practitioner Priority Office.

The total number of authorized permanent positions in the Department increased from 384 positions in FY 2016 to 388 positions in FY 2017. The Department's operating budget is a small fraction of total tax revenue. In FY 2017, the Department's operating expenses were \$24.3 million, down from \$25.5 million in FY 2009. The Department collected \$6.94 billion in taxes in FY 2017, so the cost of collecting each \$100 dollars of taxes was about 35 cents.

The Department has continued to encourage taxpayers to use electronic transmissions rather than paper returns. Although there has been a significant increase in electronic filing of tax returns and payments, over 1 million paper checks and over 2 million paper tax returns and other documents were manually processed by the Department in FY 2017.

The total number of audit cases completed by the Compliance Division (the Office Audit Branch and Field Audit Branch combined) increased by 5.1%, from 17,065 in FY 2016 to 17,936 in FY 2017. Total assessments, however, declined by 27.0%, from \$200.6 million in FY 2016 to \$146.4 million in FY 2017.

### **2.2 TAX SERVICES AND PROCESSING DIVISION**

#### ***2.2.1 Overview***

The Tax Services and Processing Division (TSP) is comprised of three branches: Taxpayer Services, Document Processing and Revenue Accounting. Aside from providing various services to both individual and business taxpayers, the Taxpayer Services Branch (TPS) performs functions relating to licensing and taxpayer account management. The Document Processing Branch (DP) manages the receiving, editing and centralized processing of tax information and processes payments received from both paper and electronic filings, and is further responsible for securing and depositing tax payments. The Revenue Accounting Branch (RA) maintains revenue control and reconciliation functions for all State tax revenues. RA is also responsible for the preparation of various revenue related reports, such as the monthly Preliminary Report (on revenues collected) and the Statement of Tax Operations (STO).

Based on DOTAX's Strategic Plan, the TSP Division continues to support initiatives that improve efficiency, effectiveness, and accountability. In FY 2017, the second rollout of the Tax System Modernization Project (TSM) was implemented to include processing of general excise tax, transient accommodations tax, use tax, rental motor vehicle and tour vehicle surcharge and county surcharge. This phase covers over 40% of State revenue collections. Additionally, Hawaii Tax Online (HTO), the department's web portal for payments and filing of tax returns, was launched. In

the first eleven months since the launch of HTO, more than 45% of the general excise and transient accommodations tax payers registered and used this web portal.

Key individuals from TSP continue to participate in the entire process of testing and implementation of the TSM. The third rollout, which occurred in August 2017, included processing of corporate, withholding, franchise, use and public service company tax types.

The Division's strategic plan for upcoming years continues to include the ongoing promotion of electronic filing and electronic payment transactions. These options make processing more efficient while minimizing reliance on staffing resources, particularly during peak filing periods. Electronic data further ensures accuracy and allows flexibility in reporting. With TSM underway, the Division looks forward to utilizing new technology and transforming business processes in order to shift focus toward higher levels of customer service to the taxpayer and precision in reporting, which helps fulfill our fundamental goals of increasing voluntary compliance and modernizing processing. The Division has begun organizational change management to bring forth an efficient and productive operation.

### ***2.2.2 Taxpayer Services Branch***

The Taxpayer Services (TPS) Branch is made up of three main sections:

- (1) Customer Inquiry – provides information and taxpayer assistance pertaining to all taxes administered by the Department
- (2) Account Management – performs computer-based error correction activities to allow expedient processing, posting and updating of tax returns and payments, and
- (3) Licensing – processes, issues and updates all licenses and permits issued by the Department

#### **Customer Inquiry**

The Division has continued to recruit and train appropriate candidates for vacant positions in Taxpayer Services during FY 2017. Below are statistics for the incoming calls to this Division. It is noted for FY2017 a large spike in calls, mostly due to the conversion of taxpayer identification numbers for the Rollout 2 tax types as well as taxpayers needing assistance with the new look and feel of Hawaii Tax Online. The greatest increase in calls occurred between January and March.

Below is a summary of incoming calls for past in fiscal years:

<u>FY</u>	<u>Total Incoming Calls</u>	<u>Total Calls Answered</u>	<u>Answer Rate</u>
2017	528,444	287,616	54%
2016	385,605	275,924	72%
2015	417,659	180,452	43%
2014	369,010	153,286	42%
2013	326,501	193,988	59%
2012	312,441	173,948	56%
2011	513,503	205,383	40%
2010	380,142	232,471	61%
2009	364,804	291,228	80%
2008	284,217	228,875	81%

For the same reasons as stated with the incoming call statistics, the number of taxpayers walking into the office has increased for FY2017. The average number of taxpayers served each month by fiscal year is as follows:

<u>FY</u>	<u># of Taxpayers</u>
2017	4,529
2016	3,582
2015	3,558
2014	4,290
2013	4,451
2012	5,416
2011	6,131

### Account Management

The primary function of Account Management is to review, analyze and correct errors or other inconsistencies on returns and payments that were identified by our computer system during processing and placed on a work list for manual review. In FY 2017, the team reviewed and posted 265,626 returns, payments, and other documents to the system that the automated system was initially unable to process. Again, this number increased over prior years due to Rollout 2. As the system becomes familiar with the documents, the manual review has decreased.

The chart below reflects monthly average postings of documents work-listed since FY 2011:

<u>FY</u>	<u># of Postings</u>
2017	22,135
2016	18,162
2015	16,434
2014	18,222
2013	14,849
2012	14,908
2011	16,758

### Licensing

The Licensing Section processed 36,361 business license applications in FY 2017, compared to 36,336 applications the previous fiscal year. However, 64% of the applications were filed online (23,430) versus only 56% in FY 2016. This comes as a result of a concentrated effort by the Division to encourage taxpayers to utilize the Department's online business license application option, Hawaii Business Express. The Section also processed 6,029 cancellations, a 40% decrease from FY 2016, which was inflated due to the clean up preparing for the TSM Rollouts.

#### ***2.2.3 Document Processing Branch***

The main function of the Document Processing Branch (DP) is to quickly and efficiently process all tax returns and documents; to receive, secure, deposit, and account for tax payments; to ensure proper electronic storage and retrieval of documents; and to perform various functions relating to electronic filing. DP is comprised of six sections: Receiving and Sorting, Data Preparation, Imaging and Data Entry, Monetary Control, File Maintenance, and Electronic Processing.

Although there has been an increase in electronic filing of tax returns and payments, over 1.08 million paper checks and over 2.18 million paper tax returns and other documents were manually processed by the DPB.

For FY 2017, there were 2,193,555 (56%) paper tax returns, and 1,702,252 (44%) electronic tax returns processed. There was over \$7.59 billion in tax-related payments received, an increase of nearly \$200 million from FY 2016.

#### ***2.2.4 Revenue Accounting Branch***

The main function of the Revenue Accounting Branch (RA) is to maintain accounting records for all tax revenues, refunds and adjustments, district transfers and closing adjustments, and preparation of all Journal Vouchers and Summary Warrant Vouchers. RA is also responsible for error resolution, reconciliation and reporting functions for all State tax revenues. Specific tasks include the preparation of the Daily Cash Collection Report (Oahu District), the Preliminary Report, the Statement of Tax Operations (STO).

The monthly Preliminary Report, which is released by the fifth working day of each month, is a summary of all revenues received by the Department, less the amount of tax refunds paid. The

STO is a formal, detailed report of State revenues that is based on the Preliminary Report and is prepared by the tenth working day of each month. The RA Branch has consistently and diligently met the critical deadlines for these reports throughout this fiscal year, as well as in past years.

The RA Branch also performs manual accounting activities for all miscellaneous tax collections (with the exception of the estate and transfer tax), prepares journal entries associated with the various administratively-established trust accounts and for other legislatively mandated purposes, maintains the manual accounting system for all protested payments and tax appeals, provides allocation reports to the Department of Accounting & General Services (DAGS) and the Department of Budget & Finance (B&F), accounts for all tax refunds, and handles all refund exception activities, such as returned checks, tracers, or forgeries.

## **2.3 COMPLIANCE DIVISION**

### **2.3.1 Overview**

The objective of the Compliance Division is to maximize taxpayer compliance with Hawaii's tax laws in a consistent, uniform, and fair manner. The Compliance Division is composed of the Oahu Office Audit Branch, the Oahu Field Audit Branch, the Oahu Collections Branch, and the Maui, Hawaii, and Kauai District Tax Offices. In addition to these branches, there are also the Special Enforcement Section (SES) and the Criminal Investigation Section (CIS). The Division has the following three programs to meet the objectives of the voluntary compliance, self-assessment tax system: (1) auditing/examination, (2) collection, and (3) taxpayer services (information dissemination).

The major statistical accomplishments of this year are the 30% increase in delinquent tax collections to \$283 million (see Table 2.3); and the marked increase in assessments from \$5 to \$9 million, principally on transient accommodations by the Special Enforcement Section (see Section 2.3.5). This is especially noteworthy in a year when the focus of the Compliance Division has been the building of the new tax computer system, and significant resources have been dedicated to this effort.

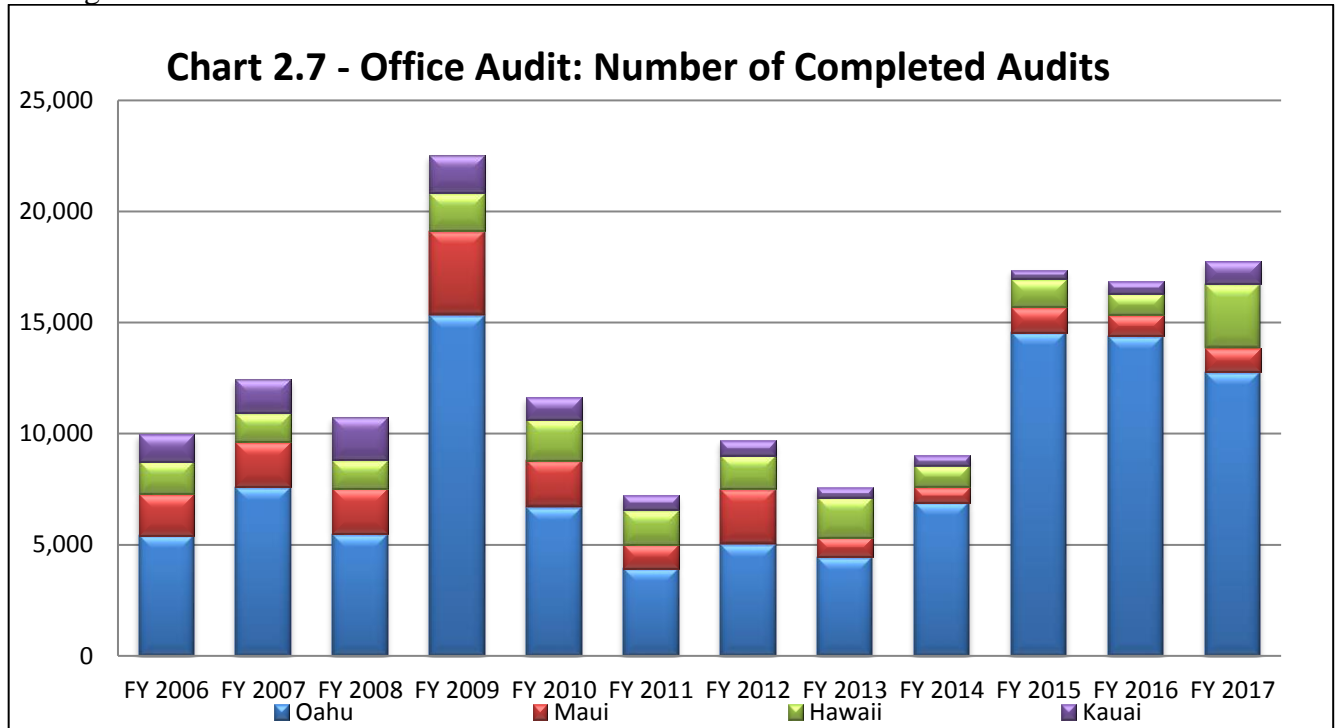
### **2.3.2 Office Audit Branch**

The Office Audit Branch performed examinations and audits to enhance voluntary compliance. In FY 2017, the Office Audit Branch completed 17,756 cases, an increase of 5.3% (890 cases) compared to FY 2016, the total dollars assessed was \$67.5 million, a decrease of 13.1% (\$10.2 million) compared to FY 2016. The majority of the audits were performed by Oahu Office Audit Branch, followed by the Hawaii District Office. In FY 2017, the Office Audit Branch processed the Estate and Transfer Tax returns and collected \$6.4 million for estate tax returns. Charts 2.7 and 2.8 (on the following page) show the number of audits completed and the dollars assessed by Office Audit for FY 2006 through FY 2017.

### **2.3.3 Field Audit Branch**

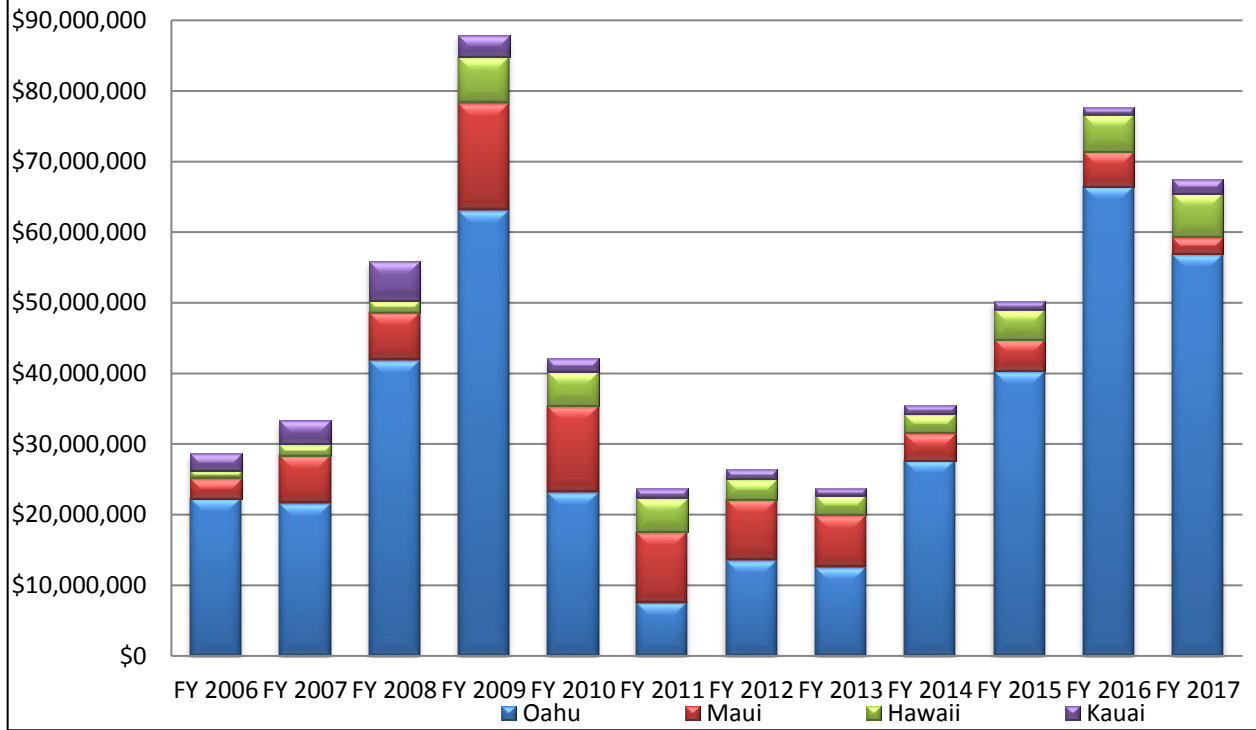
Similar to the Office Audit Branch, the Field Audit Branch performed examinations and audits to enhance voluntary compliance. The Field Audit Branch handled audits involving intricate auditing procedures. In FY 2017, the number of audits completed by Field Audit Branch completed was 180

cases, a decrease of 9.5% (19 cases) compared to FY 2016, and the total dollars assessed was \$78.9 million, a decrease of 35.8% (\$43.9 million). The decline in the number of audit cases in the Field Audit Branch was attributable to the demanding assignment of staff to work on TSM. Charts 2.9 and 2.10 show the number of audits completed and the dollars assessed by Field Audit for FY 2006 through FY 2017.

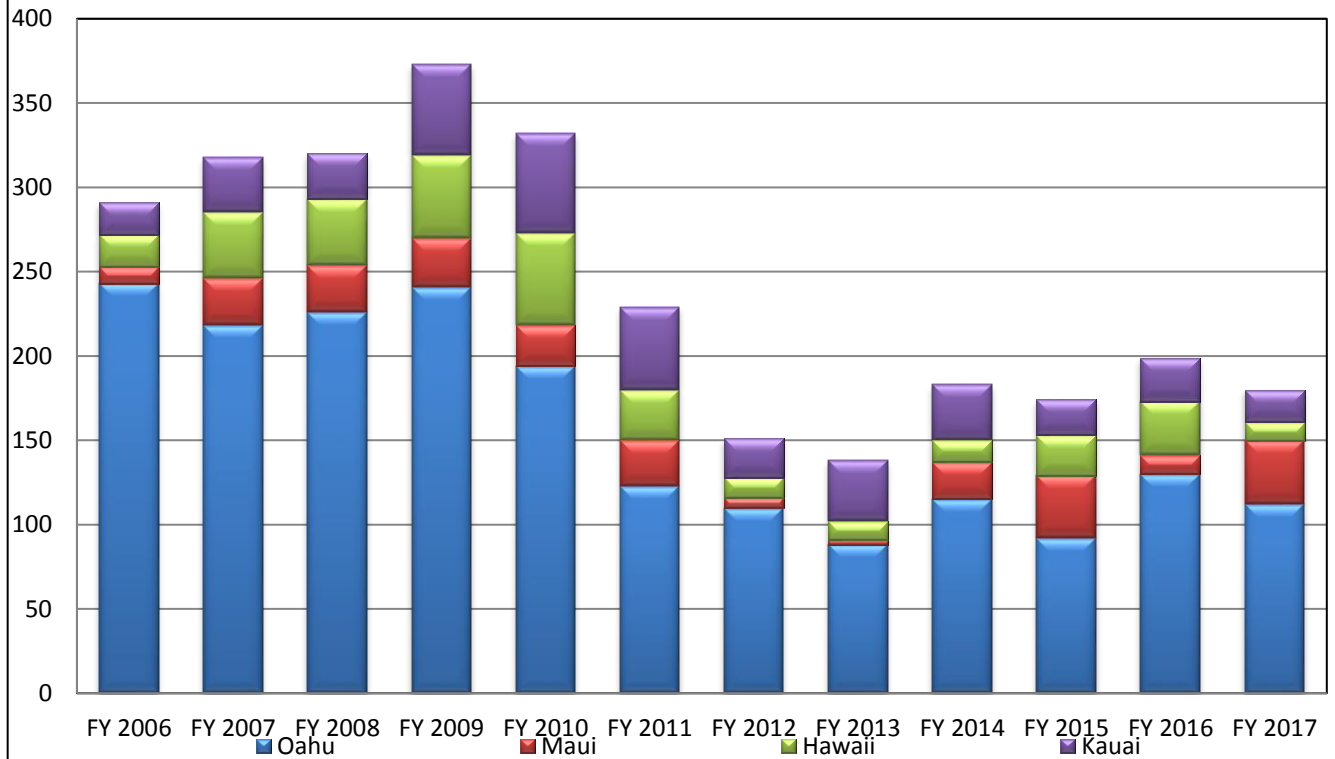




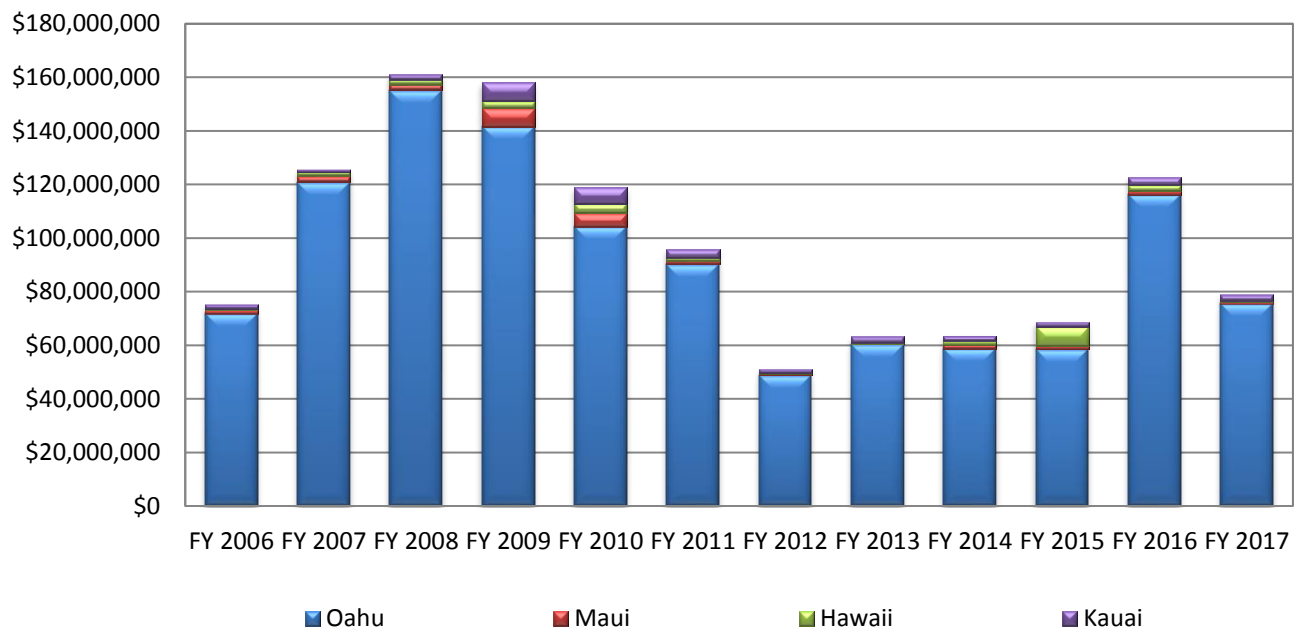
### Chart 2.8 - Office Audit: Dollars Assessed



**Chart 2.9 - Field Audit: Number of Completed Audits**

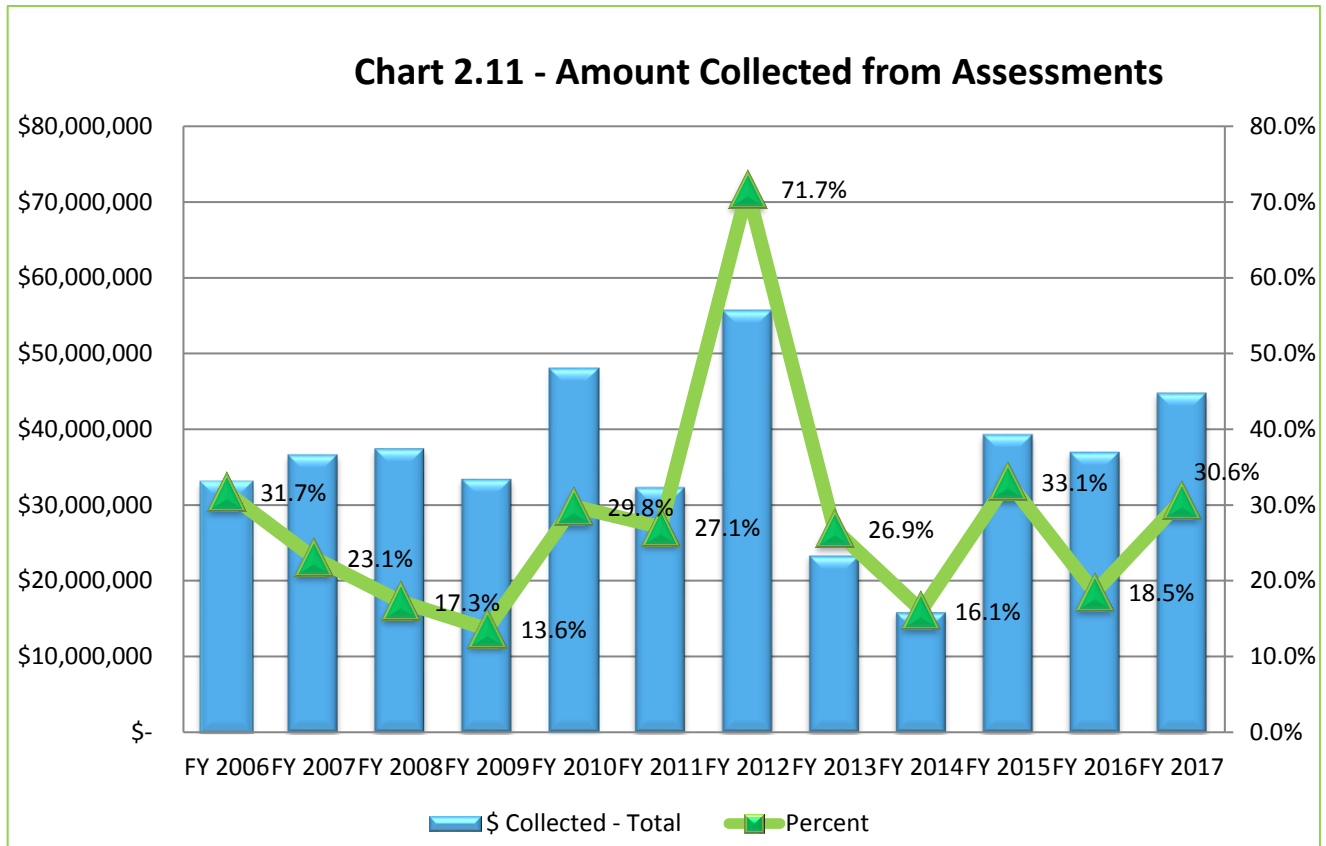


**Chart 2.10 - Field Audit: Dollars Assessed**



### 2.3.4 Revenue - Office and Field Audit Assessments

The amount collected at the time the audits were closed and prior to the mailing of any billing notices increased from \$37.0 million in FY 2016 to \$44.8 million in FY 2017.<sup>4</sup>



<sup>4</sup> The amounts assessed are the assessments generated during FY 2017. The amounts collected during FY 2017 may include assessments and settlements from prior fiscal years.

TABLE 2.1 - AMOUNTS ASSESSED FOR FY 2017

	<u>Office Audit</u>		<u>Field Audit</u>	
	Number of Audits	Dollar Assessed	Number of Audits	Dollar Assessed
Oahu	12,779	\$56,912,954	112	\$75,600,841
Maui	1,067	\$2,375,607	38	\$524,561
Hawaii	2,878	\$6,189,179	11	\$661,650
Kauai	1,032	\$2,058,733	19	\$2,118,784
Total FY 2017	17,756	\$67,536,473	180	\$ 78,905,836
Total FY 2016	16,866	\$77,696,490	199	\$122,880,670
Difference	890	\$(10,160,017)	(19)	\$(43,974,834)

### 2.3.5 *Special Projects*

Oahu Office Audit Branch conducted the following special projects during the fiscal year:

- Renewable Energy Tax Credit: The review of the tax credits claimed resulted in \$290,792 in assessments and adjustments.
- 1099-MISC: The examination of tax returns resulted in \$3.8 million in assessments and adjustments.
- Non-Filers: The examination of tax returns resulted in \$21.0 million in assessments and adjustments.
- HARPTA: During the fiscal year Oahu office audit examined gain computations inclusive of reviewing basis of properties resulting in \$135,138 in assessments.
- Itemized Deductions: The examination of tax returns resulted in \$1.8 million in assessments and adjustments.

Oahu Field Audit Branch conducted the following special projects during the fiscal year:

- Federal Contractors Project: This project, which targets unlicensed contractors working on federal installations, was started in 1983 and is an ongoing activity. This fiscal year, 4 audits were completed and resulted in \$332,829 in assessments.
- Referral Cases from the Criminal Investigation Unit: During this fiscal year, 1 case that was either originally considered for possible criminal prosecution or that arose pursuant to a criminal investigation was completed, resulting in a \$422,744 assessment.
- Research Tax Credit: During this fiscal year, 12 audit cases involving the research tax credit were completed resulting in \$2,791,295 in assessments.

- HARPTA: During this fiscal year, Field Audit has 2 cases of HARPTA issue, resulting in \$20,329,475.04 assessments.
- Multistate Tax Commission: During this fiscal year, 6 audit cases were completed that resulted in \$1,473,544 in assessments.

The Maui Office Audit Section conducted the following special projects during the fiscal year:

- Miscellaneous Deduction Project: Maui Office Audit assessed 93 taxpayers a total of \$177,331 in tax, \$4,493 in late filing penalties, and \$24,158 in interest.
- Renewable Energy Technologies Income Tax Credits: Maui Office Audit examined renewable energy income tax credits claimed in the amount of \$3,964,840 which resulted in the disallowance/assessments of credits in the amount of \$202,657.
- HARPTA Reviews: Maui Office Audit examined HARPTA/capital gains with the total of selling prices of \$278,259,110 which resulted in assessments or adjustments of \$33,500.
- The Maui Field Audit Section conducted the following special project during the fiscal year:
- Renewable Energy Technologies Income Tax Credits: Maui Field Audit reviewed renewable energy income tax credits claimed in the amount of \$10,751,933 which resulted in the disallowance of credits in the amount of \$357,611.
- HARPTA Reviews: Maui Field Audit examined HARPTA/capital gains with the total of selling prices of \$12,575,014 which resulted in assessments or adjustments of \$22,413.

The Hawaii District Office Audit Section conducted the following special projects during the fiscal year:

- Renewable Energy Tax Credits: The review of renewable energy tax credits claimed resulted in \$90,070 in assessments and adjustments.
- HARPTA Review: Examinations resulted in \$487,983 in assessments and adjustments of income, general excise, and transient accommodations taxes.
- 1099-MISC: Examinations in this area resulted in \$570,311 in general excise tax assessments.
- Other Leads: Examinations in this area resulted in \$258,454 in general excise tax assessments.
- Hawaii District Field Audit Section conducted the following special project during the fiscal year:
- Selected Exemptions: The Field Audit Section audited \$14,014,421 in exemptions claimed that resulted in tax assessments of \$327,877.

Kauai District Office Audit Section conducted the following special projects during the fiscal year:

- Referrals from Criminal Investigation Unit: The examination of tax returns resulted in \$42,500 in assessments and adjustments.
- 1099-MISC: The examination of tax returns resulted in \$69,400 in assessments and adjustments.
- Non-File: The examination of tax returns resulted in \$82,000 in assessments and adjustments.

The Kauai District Field Audit Section conducted the following special projects during the fiscal year:

- Renewable Energy Tax Credits: The review of renewable energy tax credits claimed totaling \$1,574,000 resulted in the disallowance of credits of \$197,100.
- Capital Goods Excise Tax Credit: The review of capital goods excise tax credits claimed totaling \$569,000 resulted in the disallowance of credits of \$500,000.

### ***2.3.6 Taxpayer Assistance Provided***

During FY 2017, the personnel in neighbor island district tax offices helped taxpayers properly file numerous tax returns and other documents over the telephone, at the service counter, and via correspondence. The Oahu Office Audit, Field Audit, and Collection units also provided support services to the neighbor island district tax offices and to the Oahu Taxpayer Services Branch when requested. Table 2.2 summarizes the number of times that taxpayer assistance was provided by the Maui, Hawaii, and Kauai District Tax Offices.

TABLE 2.2 – TAXPAYER ASSISTANCE PROVIDED BY  
MAUI, HAWAII AND KAUAI DISTRICT OFFICES

	FY2017	FY2016	<u>Difference</u>	
			Number	Percentage
Counter	70,942	73,568	(2,626)	(3.6)
Phone Services	45,988	51,694	(5,706)	(11.0)
Tax Clearances	5,589	5,542	47	0.8
Correspondence	15,041	19,872	(4,831)	(24.3)

The taxpayer services sections in the districts provide telephone and counter services, supplementing the centralized customer services provided by the Oahu TSP Division. The districts continue to receive a steady flow of telephone inquiries, and can use the statewide tax data system to assist with any tax inquiry.

Providing assistance to taxpayers is part of the Compliance Division’s continuing emphasis on taxpayer education and problem resolution. The Compliance Division believes that it is important to maintain taxpayers’ willingness to accurately and voluntarily comply with the State’s tax laws, so it will continue to emphasize its “taxpayer enabling and empowering activity.”

### 2.3.7 Collection Branch

The Compliance Division’s Tax Collections program consists of the Oahu collection branch and the collection sections in the Maui, Hawaii, and Kauai District Tax Offices. Collections of delinquent taxes totaled \$282.7 million for FY 2017, compared to \$217.6 million in FY 2016, an increase of \$65.1 million or 29.9%. The Oahu collection branch accounted for 83% of the statewide delinquent tax collections in FY 2017. During this period the Oahu collection branch experienced a 19% reduction in delinquent collectors due to special project assignments and attrition. New delinquency referrals were up \$75.8 million or 28.4%. Chart 2.12 shows delinquent collections for FY 2006 through FY 2017. The ending balance for FY 2017 includes penalty and interest (in addition to tax) for the first time. For comparison, Table 2.3 shows major performance measures for FY 2017 and FY 2016, including penalty and interest.

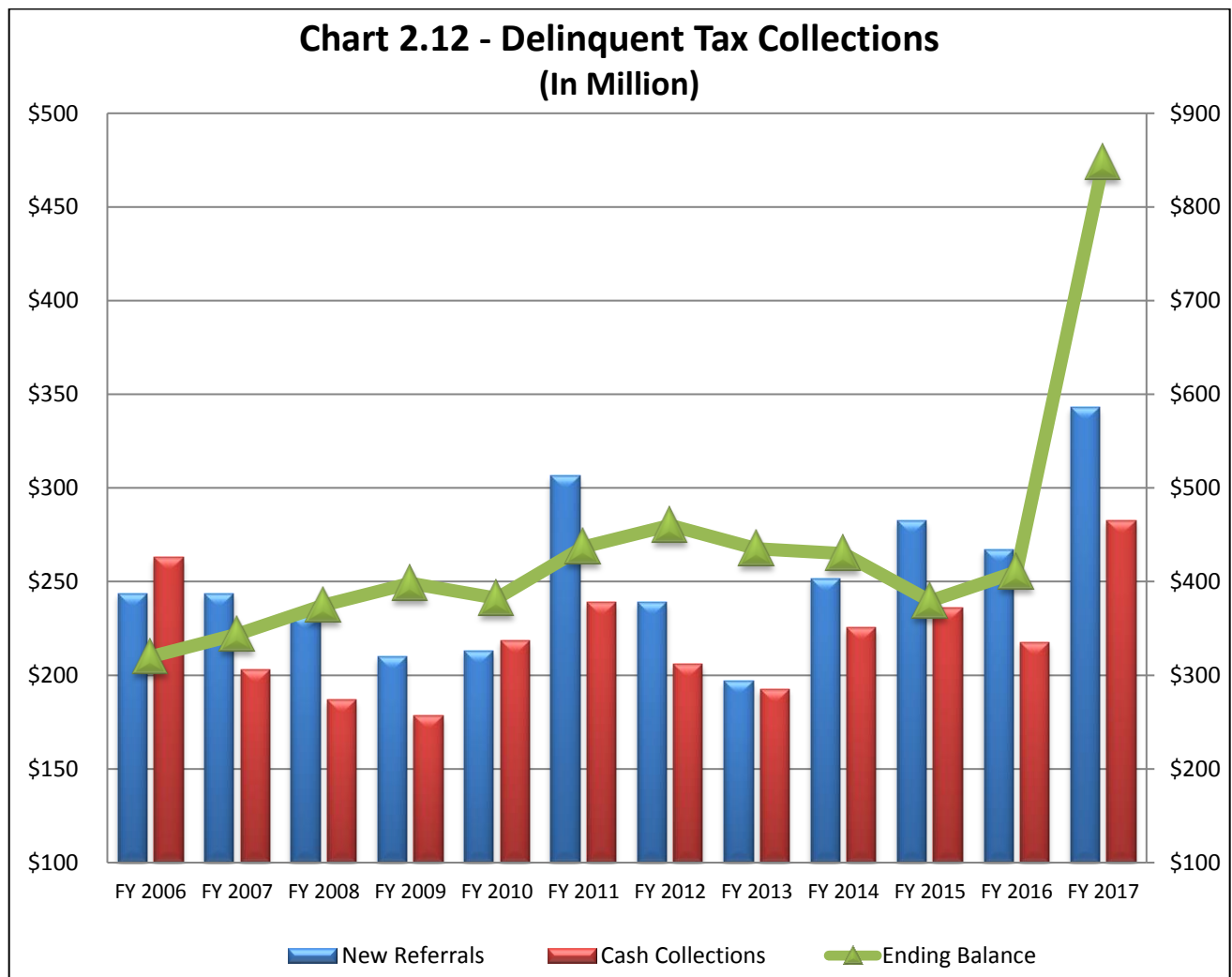


TABLE 2.3 - MAJOR PERFORMANCE MEASURES FOR FY 2017 AND FY 2016

Measure	FY 2017	FY 2016	Difference	
			Amount	Percentage
Total Delinquent Tax Balance (\$ Millions)	\$846.4	\$786.6*	\$59.8	7.6
Total New Delinquent Referrals (\$ Millions)	\$343.0	\$267.2	\$75.8	28.4
Total Cash Collected (\$ Millions)	\$ 282.7	\$217.6	\$65.1	29.9
Uncollectible Tax Write-Offs (\$ Millions)	\$0.5	\$23.3	\$(22.8)	(97.9)
Payment Plans Initiated	27,267	33,237	(5,970)	(18.0)
Tax Liens Filed	1,564	2,886	(1,322)	(45.8)
Levies Served	14,397	21,001	(6,604)	(31.4)

\*FY 2016 Total Delinquent Tax Balance has been restated to include penalty and interest to synchronize the comparability in the integrated accounts receivable tracking.

### ***2.3.8 Criminal Investigation Section***

During FY 2017, the Criminal Investigation Section (CIS) has achieved substantial outcomes in pursuing its investigative priorities. CIS conducted forty-two (42) investigations on entities with legitimate sources of income; and on individuals and criminal groups involved in illegal activities, such as narcotics trafficking, gambling, prostitution and other financial frauds. One (1) additional investigation relating to threats made against DOTAX employees was conducted.

CIS continues to work with the U.S. Attorney's Office for review and federal prosecutions of its investigations. During FY 2017, one fraudulent refund case was adjudicated with the defendant being sentenced to twenty four (24) months imprisonment and ordered to pay \$241,897 in restitution. Two (2) other tax preparer cases were also charged by the U.S. Attorney's Office during this period.

Moreover, CIS actively works with the County Prosecutor's Offices. During FY 2017, the Hawaii County Prosecutor's Office adjudicated a case involving a property management company with a conviction for one (1) count of Theft in the First Degree, ten (10) counts of failure to file tax returns relating to General Excise Taxes (GET) and Transient Accommodation Taxes (TAT) and two (2) counts of failure to collect and pay over taxes. The defendant was ordered to serve six (6) months imprisonment with four (4) years of probation; and ordered to pay restitution in the amount of \$138,960 to her victims. The Honolulu Prosecutor's Office adjudicated a case with a guilty plea to six (6) counts of tax evasion. The defendant was granted a deferral for a period of five (5) years and was ordered to pay restitution in the amount of \$16,919.

During FY 2017, CIS referred five (5) cases to the State of Hawaii Attorney General's Office for prosecution. Two (2) of the five (5) cases are pending plea agreements and the remaining cases are pending further action. One prosecution related to a local businessman with nine (9) separate business entities; and who made unsolicited admissions after the fact and filed their General Excise Tax Returns with payments. The other pending plea arrangement relates to a tax preparation firm. One (1) tax protester case is pending trial. CIS further concluded a prior FY 2016 criminal case with a



civil settlement of over \$175,000.

CIS is currently investigating other tax preparers covering all of the islands. These cases will be referred to the State of Hawaii Attorney General's Office upon completion. CIS continues to pursue investigations on mainland companies doing business in the State of Hawaii; and on individuals and criminal groups involved in illegal activities.

Completed investigations that were not referred for criminal prosecution were turned over to the appropriate Oahu Office Audit Branch, Field Audit Branch or Outer Island District Offices for further civil examination. Over four hundred (400) referrals were made for civil assessments. For FY 2017, these referrals amounted to over \$984,976 in additional assessments. These assessments were mutually exclusive to those made for prior year adjudicated criminal cases.

The Criminal Investigation Section will continue to be innovative in its investigative approach and strive to improve its processes for the Department of Taxation.

### ***Criminal Investigation/Enforcement Action***

During FY 2017, the Criminal Investigation Section continued to promote voluntary compliance through the aggressive enforcement of Hawaii Tax Laws and Regulations. It is estimated that CIS investigative efforts will have yielded approximately \$4,733,960 in restitution, assessments, penalties, and interest that would have otherwise not been realized by the State of Hawaii. In FY 2016, CIS investigative efforts yielded \$4,415,603. An additional \$872,380 in criminal collections was made in FY 2017.

### ***2.3.9 Special Enforcement Section***

The Special Enforcement Section (SES) was established in 2009, through the *Cash Economy Enforcement Act*. Its goal is to ensure that all sectors of Hawaii's economy, especially those that conduct a significant portion of business transactions in cash ("cash economy"), pay their fair share of taxes. In FY 2016, SES was given additional responsibilities for ensuring that short-term vacation rental operators comply with the state's transient accommodations tax laws.

The SES has broad legal authority to conduct civil investigations of reported or suspected violations of tax laws. It conducts complex financial investigations to determine correct income subject to tax by securing and examining books, records and other corroborating evidence. It executes a wide range of activities which include receiving and investigating complaints, developing leads through various sources, securing delinquent and amended tax returns and payments from taxpayers, conducting site visits, inspections, surveys, and training sessions at various events, business locations, and short-term rental sites throughout the state for the purpose of educating the public and business operators about their tax obligations and checking on tax compliance.

During FY 2017, SES initiated several projects that utilize publicly available and confidential database sources to develop leads on taxpayers who are potentially not compliant with transient accommodations and general excise tax laws. These projects utilized new resources made available by TSM to evaluate large amounts of data. As a result, significant numbers of leads have been generated indicative of unreported and under-reported income subject to transient accommodations

and general excise taxes. It is anticipated that these projects will result in substantial additional transient accommodations and related general excise tax collections in FY 2018 and beyond.

In FY 2017, SES continued to achieve significant gains in bringing taxpayers into compliance and in collecting tax revenues. SES collected \$5,268,362 in total revenue in FY 2017, as compared with \$3,505,618 in FY 2016, an increase of over 50%. Furthermore, with the assistance of Office Audits, \$487,245 of taxes were also assessed in FY 2017. Additional details of SES's accomplishments are as follows:

	<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
Complaints Received	307	364	391
Vendors Educated on Compliance of Tax Laws	1,331	1,470	1,554
Number of Events Visited Throughout the State	25	28	60
Number of Extensive Investigations Completed	76	31	34
Total Liability on Returns Secured from Taxpayers	\$8,724,539	\$4,583,190	\$2,332,782
Total Revenue Collected from Taxpayers	\$5,268,362	\$3,505,618	\$1,619,235

## **2.4 STAFF OFFICES**

### ***2.4.1 Administrative Services Office***

#### ***2.4.1.1 Fiscal Office***

The Administrative Services Office submitted the biennium budget for FY 2018 to the 2017 Legislature. The Legislature appropriated \$28.4 million for FY 2018 for operating expenses. The Legislature did not approve the requested \$18.8 million CIP funding for the Department's Tax System Modernization Project (TSM), therefore the required funds to continue the TSM Project will impact FY 2018 Operating Budget. To prepare for medical marijuana tax payments the Legislature appropriated \$500,000 to improve the safety and security of the Department's facilities.

For fiscal year 2017, \$28.8 million was appropriated for the Department. In discharging its duties and responsibilities, the Department incurred operating expenses of \$24.3 million for the year. The Department collected \$6.94 billion in net tax revenues in fiscal year 2017, so the cost to collect \$100 of taxes was about 35 cents.

#### ***2.4.1.2 Personnel Management***

In FY 2017 the Personnel Department's focused on filling vacancies, outside recruitment, internal promotions and retention programs. Personnel staff also participated in the development of the new payroll system, reviewing and organizing files to transition into the new payroll system.

During that fiscal year, the Department's total vacancy rate for permanent positions increased 12.9% or 8 positions attributed to retirements, internal promotions, and resignations. Vacancies in the Staff Offices decreased by 38.5%, Compliance Division increased by 38.7% and Tax Services & Processing increased by 5.6%. The Department has a total of 388 authorized permanent

positions: 316 Oahu, 29 Hawaii (Hilo/Kona), 25 Maui/Molokai, and 18 Kauai.

### ***2.4.2 Rules Office***

The Rules Office is comprised of the Rules staff and the Technical Section. The function of the Rules Office is to serve as a resource for complex policy recommendations and complex internal support. The Rules Office also assists in the Department's implementation of new legislation and in creating and maintaining the Department's tax forms, form instructions, and publications.

#### ***2.4.2.1 Rules Staff***

The Rules staff serves as the Department's internal advisory arm to the Director of Taxation on tax policy and advises the Director's Office and the Department on legislative and tax policy issues. Litigation and other external legal matters are handled exclusively by the Tax Division of the Department of the Attorney General.

In addition, the Rules staff assists, counsels, and represents the Department's compliance personnel with tax disputes and other administrative tax controversies. For example, the Rules staff provided assistance to the Department's compliance function in interpreting issues under audit, settlement negotiations and closings, and appeared on behalf of the Department before the Boards of Review. The Rules staff also assisted the Tax Division of the Department of the Attorney General with the judicial tax appeals and provided support to the Department's Tax System Modernization project.

The Rules staff also testified at legislative hearings on behalf of the Director, provided training for Department personnel, and spoke at several workshops for tax practitioners. For the 2017 legislative session, the Rules staff drafted and submitted 6 bills sponsored by the administration, which were submitted to both the House of Representatives and the Senate. Prior to the start of the legislative session, the Rules staff also reviewed and commented on proposed tax legislation submitted by other executive departments.

After reviewing the bills introduced to the 2017 Legislature, the Director's Office and the Rules staff determined there were approximately 370 measures proposing tax law changes and analyzed them in depth. The measures were tracked throughout the legislative session and written testimonies were prepared each time a tax measure was heard by the Legislature. In addition, the Rules staff drafted letters to legislative committee chairs to respond to specific questions raised during hearings or to address specific concerns of committee members.

During the fiscal year, the Rules staff prepared Tax Announcements, Tax Information Releases, letter rulings, Administrative Directives, and other publications. During FY 2017, 8 Tax Announcements were issued. Since 2009, when it became the Department's policy to publicly release taxpayer letter rulings in redacted form, 60 redacted letter rulings have been released.

In FY 2017, the Department promulgated administrative rules relating to the Motion Picture, Digital Media, and Film Production Income Tax Credit, Relating to Payments by EFT Program Participants, Registration of Representatives, Last Known Address, and Substantial Gainful Business or Occupation.

The Rules staff also reviewed and certified 52 requests for the credit for research activities pursuant

to HRS § 235-110.91.

#### ***2.4.2.2 Technical Section***

The Technical Section is tasked with varying responsibilities to carry out the Department's projects, goals and initiatives, and to support the Department's operational needs. Specifically, the Technical Section assists and advises all divisions within the Department, as well as outside parties such as individual and corporate taxpayers and tax professionals, on complex areas of the state tax laws. For FY 2017, the Technical Section responded to 1,437 email inquiries and 3,626 telephone inquiries. They also responded to formal requests which includes requests for letter rulings or information letters, determinations of tax status (such as for eligibility for the general excise tax exemptions for air-pollution control facilities), and multi-level marketing agreements as well as tax surveys and questionnaires from other government agencies, educational institutions, and major tax service product providers.

The Technical Section also reviews, researches, analyzes, and provides comments and recommendations on the technical and procedural aspects of legislative bills, administrative rules, and tax information releases. The staff is responsible for revising or creating the State's tax forms and instructions, incorporating all applicable federal and state tax law changes. For FY 2017, the Technical Section reviewed 289 tax forms, 55 tax form instructions, 77 Tax Modernization System letter templates and 19 Tax Publications. The Technical Section also developed 1 new tax form and 1 new tax form instruction, and made obsolete 11 tax forms and 2 tax form instructions. As part of the forms process, the department has a Forms Reproduction Policy under which companies who reproduce state tax forms, such as tax preparation software companies, must submit their facsimiles for review and for testing applicable forms through the department's tax return scanning machines. For FY 2017, 694 tax forms were submitted to the Technical Section for review, testing and approval.

Other duties of the Technical Section include analyzing and reviewing certain applications for tax exemptions. In FY 2017, 144 applications for an exemption from the general excise tax were received, 132 applications were reviewed and approved, 67 applications are pending further action and 7 applications were cancelled due to lack of response to a request for additional information or the organization did not qualify as exempt under §237-23(b), HRS. In addition, 2,931 applications for conveyance tax exemptions were reviewed and processed.

#### ***2.4.3 Tax Research and Planning Office***

The following are the main functions of the Tax Research and Planning (TRP) Office: (1) prepare reports on data collected by the Department, including reports on collections of the State's various taxes, on the income patterns of individual and business taxpayers, and on tax credits claimed by taxpayers; (2) provide administrative and technical support to the Council on Revenues, assisting in the preparation of forecasts for General Fund tax revenues and total personal income; (3) provide economic and statistical analyses to help the Department execute its policies and programs; (4) prepare reports on the revenue consequences of proposed tax legislation for the Legislature, the Governor, and other agencies in the Administration; (5) conduct economic analysis and educate the Legislature, the Governor, and other State agencies regarding the state's tax system; and (6) provide administrative and technical support to the Tax Review Commission when it is in session.

The TRP Office prepares the following reports on a monthly, fiscal year, and calendar year basis:

(1) State Tax Collections and Distributions; (2) General Excise and Use Tax Collections; (3) Liquid Fuel Tax Base and Collections; (4) Liquid Fuel Tax Allocations by Fund; (5) Liquor Tax Collections and Permits; (6) Tobacco Tax Collections and Licenses, and (7) Preliminary Comparative Statement of General Fund Tax Revenues.

In fiscal year 2017, the TRP Office worked on the Department of Taxation's Annual Report: 2015–2016, which was completed and submitted in December of 2016. The Office also published reports on tax credits claimed by Hawaii taxpayers in tax year 2014 and on statistics on Hawaii's individual income tax in tax year 2014.

For the 2017 Legislative session, TRP staff reviewed and tracked tax-related legislative bills and resolutions, and prepared more than 300 revenue estimates for various drafts of the bills. Revenue estimates were also prepared for various proposals in response to requests from the Administration, legislators, and others.

An important function of the TRP Office is to provide administrative and technical support to help the Council on Revenues produce its forecasts of tax revenues. The seven members of the Council are responsible for forecasting State General Fund revenues and the State's total personal income. The Council provides forecasts of State revenue for the current and six subsequent fiscal years. The forecasts are due on September 10, January 10, March 15, and June 1 of each year. The forecasts are used by the Governor and by the Legislature to develop and administer the State's budget. The Council also forecasts total personal income (TPI) for the current and immediately following calendar years. The TPI forecasts are due on August 5 and November 5 of each year. The growth in Hawaii total personal income is used to set the ceiling for expenditures from the State's General Fund, as required by the State's Constitution.

TRP staff applied advanced econometric modeling techniques to data on State tax collections and to data on other economic variables to help the Council produce its forecasts. The Council's last General Fund forecast for fiscal year 2017 was produced on May 30, 2017. The forecast called for tax collections dedicated to the Fund to grow by 2.5% compared with fiscal year 2016. Tax collections actually grew by 2.0%. The Council's last forecast for total personal income for calendar year 2016 was produced on October 31, 2016 and called for growth of 4.5% over calendar year 2015.

The TRP Office updated its econometric models that were developed to predict General Fund tax collections based on the Council's forecasts for economic variables, including its original model, the model that was developed under a contract with UCLA Anderson Forecast, and the single-equation model that the Office developed at the request of the Council on Revenues.

The TRP officer served as the co- Executive Director of the 2015-2017 Tax Review Commission. The office provided information and research needed to support the Commission's activities, delivering several presentation and preparing a report on the State's revenue system.

#### ***2.4.4 Information Technology Services Office***

The Information Technology Services (ITS) Office is responsible for providing technical support for the Department's computerized tax systems and applications, local area network, and network-

related components and infrastructures.

During FY 2017, the ITS Office continued to focus on managing, administering, and maintaining the Integrated Tax Information Management System (ITIMS) and supporting network-related components and infrastructures. The ITS Office also supported the multi-year Tax System Modernization (TSM) Program, which will eventually replace all the Department's current information technology systems and applications.

As the department progresses through its multi-year Tax System Modernization (TSM) Program, it becomes increasingly important that its current Integrated Tax Information Management System (ITIMS) remain stable with minimal changes introduced in order to facilitate the incremental, multi-year changeover.

As defined by its charter, the TSM Program was overseen by an executive steering committee consisting of senior Department officials, including the Director of Taxation, who acted as the program executive sponsor. The TSM Program Manager directed the TSM Project Management Office (PMO) and reported to the TSM Executive Steering Committee. The TSM PMO was tasked with providing project management and information technology expertise to facilitate the implementation of new technology and business process improvements.

The management of the TSM Program complied with recommendations made by the State Auditor in 2010 and represented an unprecedented effort to leverage experienced professionals and best practice methodologies to ensure the success of the Department's modernization initiative. Managing information technology projects under a program structure allowed for coordination to obtain benefits and control not available from managing projects individually.

Key initiatives continued or accomplished during FY 2017 include the following;

- Annual Tax Law Changes
- Upgrades to the department's networking infrastructure and devices
- A \$30 million contract with FAST Enterprises, LLC for the implementation and support of hardware, software, and services continued to be executed successfully. Full funding of the awarded proposal will require \$60 million to cover the implementation and maintenance of new systems through FY2025.
  - Production support for the first of five planned rollouts began as soon as it went into operations. Aging information technology replaced as part of this rollout included scanning and mail opening equipment, interactive voice response and telephony equipment, and a system for processing electronic returns received through an interface with the IRS.
  - The second rollout of the TSM Program was successfully deployed as scheduled on August 15, 2016. This entailed the deployment of a new tax information system for General Excise; Use; Seller's Collection; County Surcharge; Rental Motor Vehicle, Tour Vehicle, and Car-Sharing Vehicle Surcharge tax types.
  - The third rollout of the TSM Program, which involved adding support for Corporate Income, Franchise, Public Service Company, and Withholding tax types to the new tax information system, was successfully deployed on August 14, 2017.

- A contract with Advantech, LLC for independent verification and validation services continued to be executed in support of the TSM Program. Under this contract, consultants conducted a site visits and published four periodic assessments. Findings confirmed that the progress of the TSM Program was within the normal range for successful implementations.

Items that will likely continue into the next reporting period include the following: 1) production support for completed TSM Program rollouts; 2) provision of technical resources to facilitate knowledge transfer in preparation for future TSM Program rollouts; 3) annual Tax Law Changes; and 4) further strengthening measures to detect and stop fraudulent refunds.

While the complete replacement of existing legacy systems under the TSM Program is scheduled for completion by mid-2019, the strategic prioritization of systems impairing the Department's performance will allow the State to realize benefits as new systems are phased in.

#### ***2.4.5 Taxpayer Advocate***

The Taxpayer Advocacy Program assists taxpayers who do not have a resolution to their tax related issue after going through normal channels. This program provided assistance to 1737 taxpayers during the Fiscal Year ending June 30, 2017.

In directly, the Taxpayer Advocate also assisted taxpayers in working to resolve systemic problems within the Department. Examples of issues addressed include processing, inter-Departmental and workflow problems which affect taxpayers.

Other accomplishments of this office included speaking, teaching and participating in tax workshops and educational outreaches to tax professionals and the general public.

#### ***2.4.6 Tax Practitioner Priority Office***

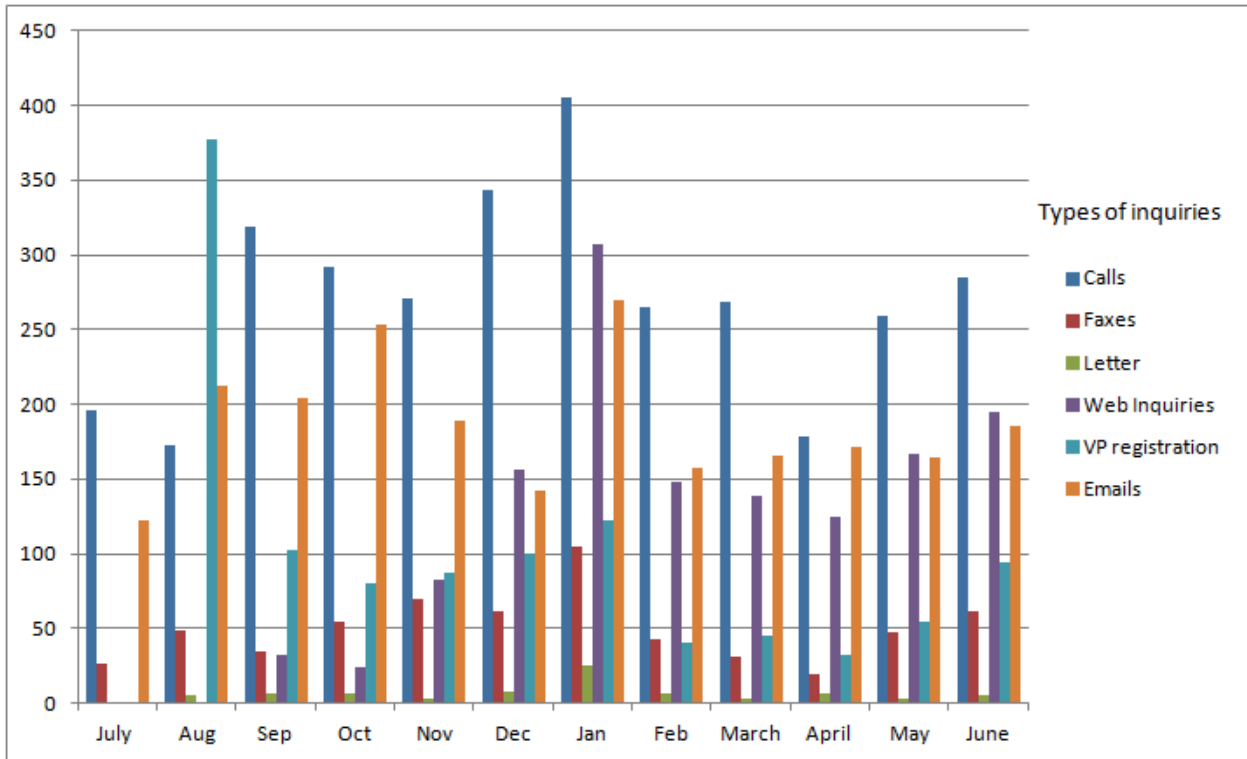
The Practitioner Priority Specialist (PPS) office provides tax practitioners a separate and dedicated connection to the Department's Taxpayer Services functions.

The PPS office has assisted 1,135 verified tax practitioners via telephone, email, and fax to resolve tax account issues such as locating and applying payments, explaining notices and letters, providing procedural guidance, and assisting with other taxpayer account inquiries. Tax issues outside these parameters were referred for follow up to the appropriate functions within the Department.

In directly, the PPS also assisted verified tax practitioners by working within the Department to improve services (including online) and workflows based on their input.

Other accomplishments of this office included speaking, teaching and participating in tax workshops and educational outreaches to tax professionals.

In fiscal year ending June of 2017, the PPS office resolved and/or referred for resolution 8,595 inquiries (see inquiry chart below):





## 2.5 MANAGEMENT PERSONNEL

As of June 30, 2017

### OFFICE OF THE DIRECTOR

Director of Taxation.....Maria E. Zielinski  
Deputy Director of Taxation.....Damien Elefante

### STAFF OFFICES

Public Information Officer .....Mallory Fujitani  
Rules Officer .....Ted Shiraishi  
    Technical Section Supervisor.....Denise Inouye  
Tax Research & Planning Officer .....Seth Colby  
    Senior Economist.....Yvonne Chow  
Information Technology Services Officer.....Robert Su  
Administrative Services Officer.....Dexter Suzuki  
    Personnel Officer .....Gene J. Dumaran  
Taxpayer Advocate .....Jaysen Y. Morikami  
Administrative Appeals Officer .....Adriane Aaronson  
Tax Practitioner Priority Specialist .....Jenny Xu

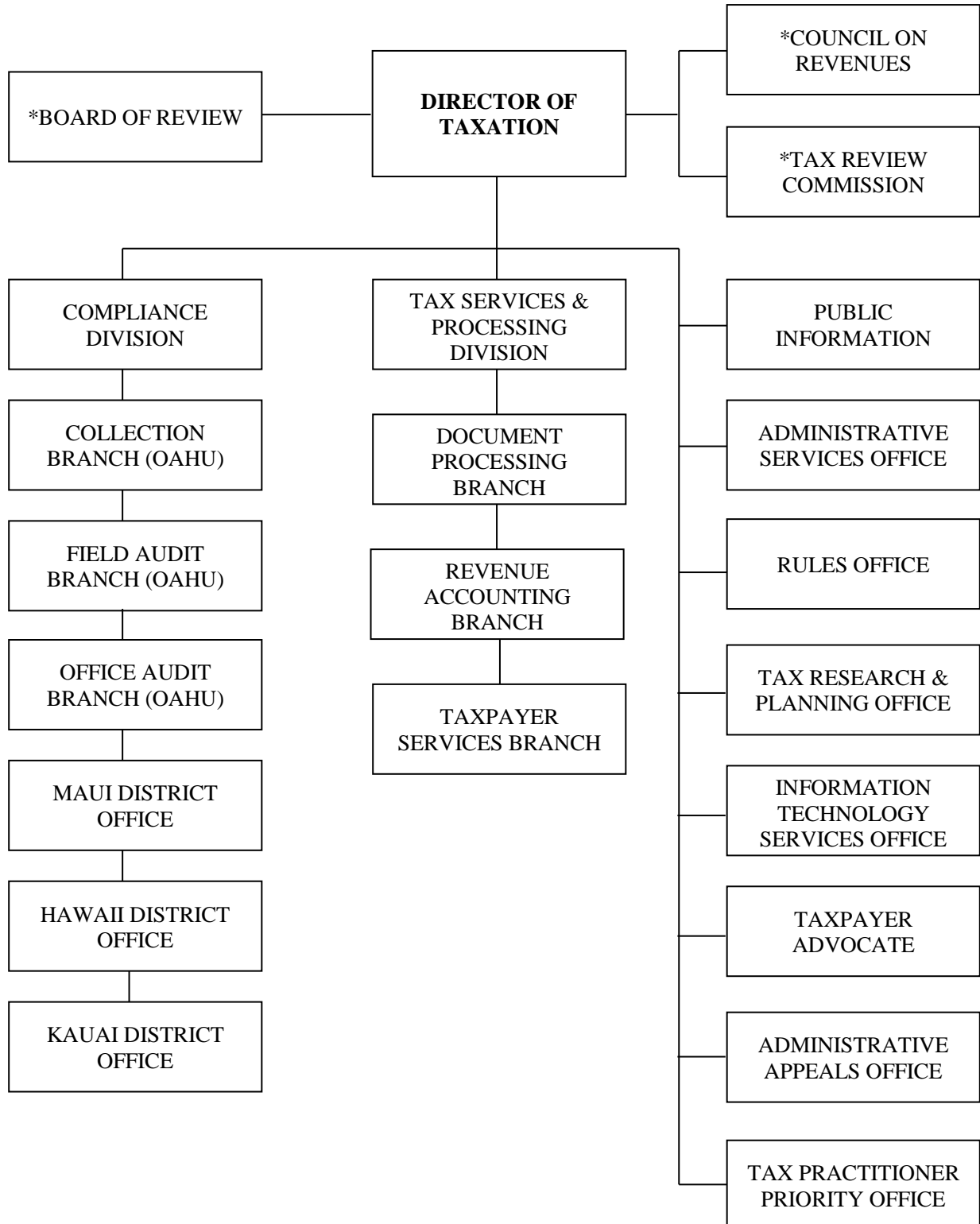
### OPERATIONS STAFF

Taxation Compliance Administrator .....Kevin Wakayama  
    Tax Compliance Coordinator.....Ikaika Rawlins  
    Oahu Field Audit Branch Chief .....Madelaina Lai  
    Oahu Office Audit Branch Chief .....Donald Kuriki  
    Acting Oahu Collection Branch Chief.....Glenn Shinbo  
    Maui District Tax Manager.....Kathleen Uehara  
    Hawaii District Tax Manager.....Duquesne Hulihee  
    Kauai District Tax Manager.....Erin Tsuda

Taxation Services Administrator.....Nicki Ann Thompson  
    Document Processing Operations Manager.....Todd Kuromoto  
    Revenue Accounting Branch Chief.....Jennifer Oshiro  
    Taxpayer Services Branch Chief.....John Pacheco

## 2.6 ORGANIZATION CHART

Department of Taxation  
State of Hawaii



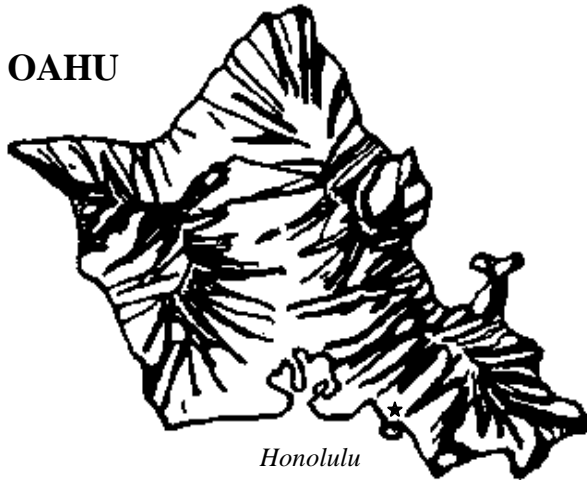
\*For Administrative Purposes.

## 2.7 DISTRICT OFFICES

### FIRST TAXATION DISTRICT

City & County of Honolulu

**OAHU**



*Honolulu*

Oahu Office  
830 Punchbowl Street  
Honolulu, Hawaii 96813

### SECOND TAXATION DISTRICT

Counties of Maui and Kalawao



*Kaunakakai*

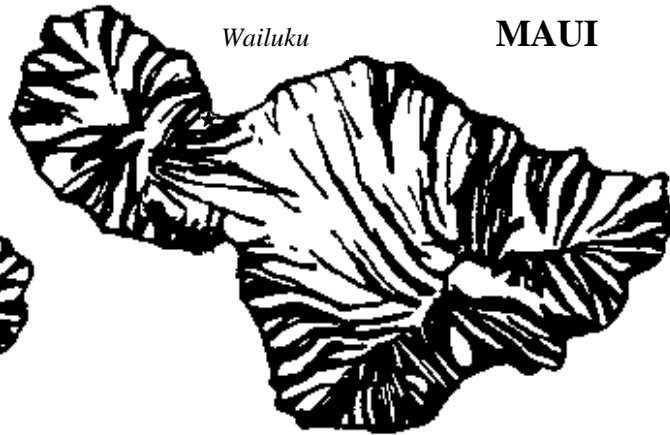
**MOLOKAI**

**LANAI**



*Wailuku*

**MAUI**



Maui Office  
54 South High Street  
Wailuku, Hawaii 96793

Molokai Office  
35 Ala Malama Street #101  
Kaunakakai, Hawaii 96748

**KAHOOLAWE**

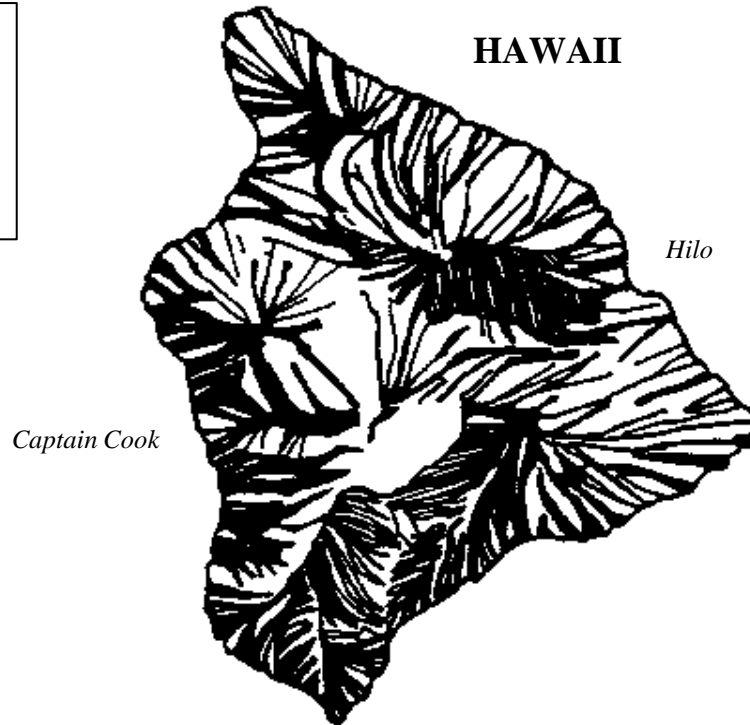


## THIRD TAXATION DISTRICT

County of Hawaii

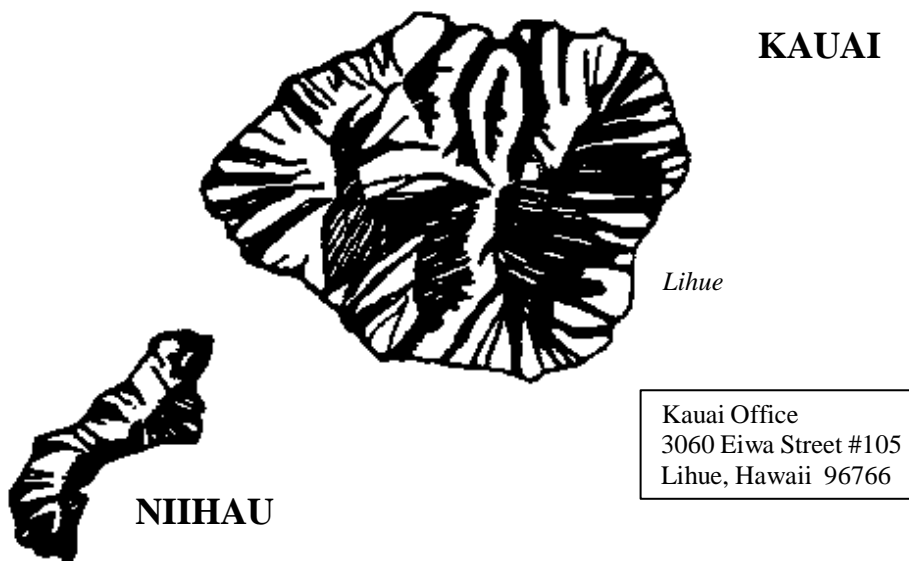
Hilo Office  
75 Aupuni Street  
Hilo, Hawaii 96720

Kona Office  
82-6130 Mamalahoa Highway #8  
Captain Cook, Hawaii 96704



## FOURTH TAXATION DISTRICT

County of Kauai



## 3.0 TAX APPEALS AND LITIGATION

### 3.1 ADMINISTRATIVE APPEALS OFFICE

The Administrative Appeals Office administers the Administrative Appeals and Dispute Resolution (AADR) program. AADR is a streamlined appeals process that assists taxpayers and return preparers in resolving their disputes involving proposed assessments, final assessments, and return preparer penalty assessments issued as a result of a DOTAX audit. Our mission is to help people resolve tax disputes fairly, expeditiously, and without litigation. The AAO is separate and independent of the Department offices that conduct audits and issue assessments.

This was a productive year for the AAO. In FY 2017, 86 appeals were filed and 62 cases closed. The AAO's caseload data is described in further detail in the table below. The AAO is working to integrate AADR into the Department's Tax System Modernization (TSM) project. Once the integration is complete, taxpayers will be able to electronically file their appeal applications with the AAO. For more information about the program, please visit our website at [tax.hawaii.gov/appeals](http://tax.hawaii.gov/appeals).

AAO Caseload for Fiscal Year 2017

Type of Case	Cases Received	Cases Closed <sup>1</sup>	Cases Pending June 30, 2017
General Excise/Use Tax	33	24	12
Income Tax	42	29	20
Other <sup>2</sup>	11	9	2
Total Cases	86	62	34

<sup>1</sup>Cases closed includes cases received in Fiscal Year 2016.

<sup>2</sup>"Other" cases involve miscellaneous tax types such as franchise tax and transient accommodations tax and cases where multiple tax types were appealed.

### 3.2 BOARDS OF TAXATION REVIEW

Each taxation district has an administrative (i.e., non-judicial) Board of Taxation Review consisting of five members. Tax disputes that are not resolved at the district tax office level may be appealed to a Board of Taxation Review unless the dispute involves the Constitution or laws of the United States. Statewide, the boards began the fiscal year with 206 pending tax appeals. During FY 2017, 27 new appeals were filed, 8 appeals withdrawn, and 29 appeals settled; a total of 196 appeals to the Boards of Taxation Review were pending at the end of the fiscal year.

The following table details appeals to the Boards of Taxation Review by taxation district:

	<u>Taxation District</u>					<u>Total</u>
	First		Second	Third	Fourth	
	Field Audit	Office Audit				
Appeals Pending (Beginning)	96	33	49	19	9	206
New Appeals	10	10	6	1	0	27
Appeals Withdrawn	4	1	2	1	0	8
Appeals Settled	11	0	11	7	0	29
Appeals Pending (Ending)	91	42	42	12	9	196

### 3.3 CIVIL DECISIONS, SETTLEMENTS AND OTHER LEGAL MATTERS

#### Matters Closed

During the last fiscal year, the Tax & Charities Division (“Division”) closed 826 Tax Department-related legal matters (excluding legislative matters in our case management system that the Department’s Legislative Division has not closed).

Appeals	-	17
Bankruptcies	-	435
Contracts	-	32
Foreclosures	-	236
Legislation (None closed yet)		
Miscellaneous	-	56
Opinions	-	23
Quiet Title	-	8
Subpoenas	-	19

#### Amounts Collected

Last fiscal year, the Division collected the following amounts<sup>5</sup>:

Tax Appeals	\$ 66,214.39
Foreclosures	\$ 357,180.01
Bankruptcies	\$ 1,160,456.10
Trusts	\$ 22,508.38
Miscellaneous	\$ 163,468.20
TOTAL:	<u>\$ 1,769,827.08</u>

<sup>5</sup> The Division also secured the dismissal of several tax appeals that would have potentially resulted in refunds to taxpayers from the General Fund and won cases on appeal that will have fiscal impact on similarly situated taxpayers and result in future tax collections that are impossible to forecast.

### ***3.2.1 Settled Cases***

#### ***Tax Appeal Court***

In the Matter of the Tax Appeal of CBIP, Inc., Case No. 09-0203, Tax Appeal Court, State of Hawaii.

Taxpayer appealed general excise tax assessments. The parties initially filed a stipulation for partial dismissal of the case. In the appeal that remained, Taxpayer argued that: (1) the assessment erroneously included general excise tax on amounts that were not gross income but, rather, were rebates of expenses; and (2) penalties were erroneous because non-filing and/or underpayment was not due to negligence or intentional disregard of rules. The parties settled the remaining claims and filed a stipulation to dismiss the case.

In the Matter of Taxpayer Appeal of Stephen A. Cipres, Case Nos. 11-1-0084, 12-1-0436, 12-1-0437, Tax Appeal Court, State of Hawaii.

Taxpayer challenged the Department's general excise tax assessments on the basis that the Department incorrectly increased his commissions for certain years and misinterpreted and misapplied the penalty provisions in the Hawaii Revised Statutes. This case was settled.

In the Matter of Charles A. Shipman, Jr., Case No. 13-1-0301, Tax Appeal Court, State of Hawaii.

Taxpayer appealed his tax assessment for general excise and transient accommodation taxes stating the assessed amounts were speculative/inflated and included improper stacking of failure to file penalties with negligence penalties. The parties agreed to dismiss this case.

Maria E. Zielinski v. Chester M. and Prudence S. Kanehira, Case No. 1 T.X. 15-1-0227

Maria E. Zielinski v. Fred M. and Shirfeir S. Sunada, Case No. 1 T.X. 15-1-0226

Maria E. Zielinski v. Dale and Alison Ohama, Case No. 1 T.X. 15-1-0231

Maria E. Zielinski v. Morris S. and Jeanne A. Creel, Case No. 1 T.X. 15-1-0232

Maria E. Zielinski v. Mark W. Baker and Lisa A. Hendrickson, Case No. 1 T.X. 15-1-0225; Tax Appeal Court, State of Hawaii;

Maria E. Zielinski v. Timothy M. and Iwalani O. Dayton, Case No. 1 T.X. 15-1-0229; Tax Appeal Court, State of Hawaii;

Maria E. Zielinski v. Predrag & Doris Miocinovic, Case No. 1 T.X. 15-1-0234; Tax Appeal Court, State of Hawaii; and

Maria E. Zielinski v. Neal S. and Linda Takase, Case No. 1 T.X. 15-1-0235; Tax Appeal Court, State of Hawaii.

In these cases, the Director of Taxation appealed decisions of the Board of Review. The Department denied Taxpayers' fully refundable Renewable Energy Technologies tax credits under Haw. Rev. Stat. § 235-12.5 because Taxpayers' adjusted gross incomes exceeded the statutory threshold entitling them to a fully refundable credit. The Board of Review ruled that Taxpayers could revoke their elections to receive refundable tax credits. These cases were settled.

In the Matter of Red Time Realty, LLC, Case No. 1 TX 15-1-0261, Tax Appeal Court, State of Hawaii.

Taxpayer appealed from a final assessment of general excise tax on gross income under Haw. Rev. Stat. §§ 237-38 and 237-39. The parties agreed to dismiss this case.

In the Matter of the Tax Appeal of New Cingular Wireless, Case No. 1 T.X. 15-1-0241, Tax Appeal Court, State of Hawaii.

Taxpayer filed refund claims for the public service tax it paid to the State. Taxpayer claimed it paid the tax on amounts not subject to the PSC. The Director denied the refund claims as they were barred by the statute of limitations. This case was settled.

In the Matter of the Tax Appeal of Andrew Bernstein and Jacqueline S. Showback, Case No. 1 T.X. 15-1-0249, Tax Appeal Court, State of Hawaii.

Taxpayers appealed from a final assessment reducing their renewable energy tax credit under Haw. Rev. Stat. § 235-12.5. This case was dismissed by stipulation.

In re Tax Appeal of Edward K. Fuller, Case No. 1 T.X. 15-1-0270, Tax Appeal Court, State of Hawaii;

In re Tax Appeal of Edward K. Fuller, Case No. 1 T.X. 15-1-310, Tax Appeal Court, State of Hawaii; and

In re Tax Appeal of Fuller Anesthesia, LLC, Case No. 1 T.X. 15-1-0309, Tax Appeal Court, State of Hawaii.

These three cases involve the same Taxpayer and his LLC, appealing general excise and income taxes for fiscal years 2006 through 2013, inclusive. The Department assessed Taxpayers after it disallowed Taxpayers' claims of the wholesale rate and certain deductions. These cases were settled.

### **3.2.2 Closed Cases**

#### ***Tax Appeal Court***

In the Matter of the Tax Appeal of Kamaaina's Food Service, Inc., Case Nos. 12-1-0237 and 12-1-0244 (Consolidated), Tax Appeal Court, State of Hawaii.

Taxpayer was assessed general excise tax and county surcharge when applicable, for unreported service income for tax years 1987 through 1992, 1994, 1995, 1997, 1998, and 2000 through 2009, inclusive, and/or imposed a 25 percent penalty for failure to file and a 25 percent penalty due to negligence or intentional disregard of rules. Taxpayer was assessed for general excise tax for unreported service income for tax years 1993, 1996, and 1999; the Department imposed a 25 percent penalty for failure to file and a 25 percent penalty due to negligence or intentional disregard of rules. Taxpayer disputed the assessments, arguing that the imposition of both penalties is not authorized by statute. The Court granted Director's motions for summary judgment.

In the Matter of the Tax Appeal of Barbara Gilliss, Case No. 12-1-0303, Tax Appeal Court, State of Hawaii.

Taxpayer was assessed general excise and county surcharge taxes, when applicable, for rental income in tax years 2002 through 2011, inclusive. Taxpayer argued that the penalties and interest should be waived. The Department filed a motion for summary judgment that was heard and granted on April 18, 2016.



In re Tax Appeal of David J. Scroggin and Genya G. Scroggin, Case No. 1 T.X. 15-1-0286, Tax Appeal Court, State of Hawaii.

Director prevailed on a motion to dismiss for failure to properly serve this appeal. Subsequently, after the Order granting the motion and Judgment were filed, Taxpayers filed a motion to set aside the dismissal claiming that they did not receive notice of the hearing on the Motion to Dismiss. The Taxpayers' Motion to Set Aside was denied.

In the Matter of the Tax Appeal of Steve F. Klein and Krista S. Bridges, Case No. 1 T.X. 15-1-0322, Tax Appeal Court, State of Hawaii.

Taxpayers appealed the disallowance of the Renewable Technologies Income Tax Credit under section Haw. Rev. Stat. 235-12.5 for failing to timely claim the credit. A notice of dismissal was filed.

In the Matter of the Tax Appeal of Haruki and Kayoko Higashitai, Case No. 1 T.X. 16-1-0324, Tax Appeal Court, State of Hawaii.

Taxpayer appealed income tax assessments disallowing itemized deductions for insufficient substantiation. Taxpayers also claimed that the notice of proposed assessment were not mailed to their current address and did not provide for translation services. The Court granted the Director's motion to dismiss.

### ***3.2.3 Pending Appeals***

#### ***Hawaii Supreme Court***

In the Matter of Priceline.com, SCAP No. 17-0000367, Supreme Court, State of Hawaii. (and consolidated cases).

These consolidated tax appeals are by online travel companies Priceline.com, Travelocity.com, Orbitz.com, Hotels.com ("OTCs") from assessments of general excise tax, penalties and interest for the OTCs' rental motor vehicle transactions in the State for tax years 2000 through 2013, inclusive. The Department assessed the OTCs for their "stand alone" car rentals as well as car rentals included as part of travel or tour packages. The Department and various taxpayers filed cross-appeals of the tax appeal court ruling. The parties submitted briefs to the Hawaii Supreme Court. No oral argument has been set.

Tax Foundation of the State of Hawaii, Inc. v. State of Hawaii, CAAP-16-0000462, Intermediate Court of Appeals, State of Hawaii.

In this case, the Tax Foundation of the State of Hawaii brought an action for injunctive and mandamus relief. At issue is the county surcharge on state tax, Haw. Rev. Stat. § 248-2.6, that requires the Department of Budget and Finance to transfer ten percent of the amount collected to the general fund to reimburse the Department of Taxation's costs of assessment and collection of the surcharge. Plaintiff argued that amounts transferred to the general fund exceed the Department of Taxation's actual costs and expenses. Under these facts, Plaintiff alleges that the statute violates the due process and equal protection clauses of the United States Constitution. The complaint seeks refunds on Plaintiff's behalf and on behalf of the City and County of Honolulu. The Department moved to dismiss the complaint for lack of subject matter jurisdiction. The complaint was dismissed and Plaintiff appealed to the Hawaii Supreme Court. The Hawaii Supreme Court heard oral arguments on July 6, 2017 and has not issued a ruling to date.

### ***Intermediate Court of Appeals***

In the Matter of the Tax Appeal of CompUSA Inc., CAAP No. 15-0000861, Intermediate Court of Appeals, State of Hawaii.

Taxpayer appealed from the disallowance of a use tax refund request for tax years 2006, 2007, and 2008. Taxpayer argues that under the commerce and equal protection clauses of the United States Constitution the imposition of Hawaii's use tax is unconstitutional. The Tax Appeal Court determined that the use tax is constitutional under the commerce and equal protection clauses of the United States Constitution. The issues were fully briefed and the parties are waiting for a decision from the Intermediate Court of Appeals.

### ***Tax Appeal Court***

In the Matter of the Tax Appeals of TMI Management, Inc., Case Nos. 09-0071 and 09-0072, Tax Appeal Court, State of Hawaii.

Taxpayer was assessed additional general excise taxes on amounts received for performing work for the federal government. Taxpayer argues, among other things, that the disputed income was exempt because Taxpayer was an employee leasing company and the disputed income was for salaries and expenses of leased employees. This case has been taken off the trial ready calendar to give the parties time to work on settlement.

In the Matter of the Tax Appeals of Bernard & Ellen Fuller and South Pacific Builders, Ltd., Case Nos. 09-0087, 09-0088, and 09-0089, Tax Appeal Court, State of Hawaii.

Taxpayers were assessed additional general excise and net income taxes on amounts received for performing work within the state. Taxpayers argue, among other things, that the disputed income was exempt because Taxpayers paid certain amounts to other contractors. Trial is set for July 16, 2018.

In the Matter of Tax Appeal of James J. Richard & Rachael D. Richard, Case No. 10-1-1805, Tax Appeal Court, State of Hawaii.

Taxpayers were assessed additional income and general excise taxes. Taxpayers challenged the Department's reclassification and recalculation of its liability that was based on Taxpayers' IRC § 338(g) election on a sale of a business. The basis of Taxpayers' claim is that they made an election error on the Form 8023 and the parties to the sale intended an IRC § 338(h) (10) election instead of the IRC § 338(g) election. Taxpayers also challenge the Department's reclassification of income that changed the amount received as personal loans and/or advances from their business to wages. The case was taken off the trial ready calendar to give the parties time to work on settlement.

In the Matter of the Tax Appeal of JN Group, Inc., Case No. 10-1808, Tax Appeal Court, State of Hawaii.

Taxpayer appeals general excise assessments for tax years ending March 31, 1998 through March 31, 2006, inclusive. Taxpayer claims that the amounts assessed constituted reimbursements that were exempt under Haw. Rev. Stat. § 237-20 the assessments of penalties were erroneous because any non-filing or underpayment was not due to negligence or intentional disregard of rules; the assessments violated the due process, commerce, and/or equal protection clauses of the United States Constitution and the Constitution of the State of Hawaii. Trial is set for June 25, 2018.

In the Matter of the Tax Appeal of Patrick O'Brien, Case No. 11-1-0013, Tax Appeal Court, State of Hawaii.

Taxpayer was assessed additional income taxes for unreported schedule C income from a single member LLC the Taxpayer owned. Taxpayer denies the income is taxable to him. Taxpayer's counsel has withdrawn from this case and Taxpayer is seeking new counsel. Trial is set for August 20, 2018.

In the Matter of the Tax Appeal of Security Resources, LLC, Case No. 11-1-0014; Tax Appeal Court, State of Hawaii.

Taxpayer was assessed additional general excise taxes for underreporting the amount of gross receipts it received. Taxpayer claims the assessments are overstated and that it is entitled to be taxed at the wholesale rate of .5 percent. Taxpayer also claims some of its sales are exempt because they were sales of tangible personal property to the federal government. Taxpayer's counsel has withdrawn from this case and Taxpayer is seeking new counsel. Trial is set for August 20, 2018.

In the Matter of the Tax Appeal of Ronald Au, Case No. 11-1-0144, Tax Appeal Court, State of Hawaii.

Taxpayer filed a petition to compel the Board of Review to prepare findings of fact and conclusions of law. The court denied the petition but granted leave to the Taxpayer to file a notice of appeal from general excise tax assessments for the period 2002 through 2005, inclusive, totaling \$175,000.00. The Tax Appeal Court granted the Department of Taxation's motion to dismiss the appeal for lack of subject matter jurisdiction by order filed February 29, 2012; however, the Court granted Taxpayer's motion for reconsideration of the dismissal. The Court has taken the State's motion for summary judgment under advisement and a trial date has been scheduled for February 26, 2018.

In the Matter of the Tax Appeal of Julie A. Dunham, Case No. 12-1-0390, Tax Appeal Court, State of Hawaii.

Taxpayer was assessed general excise and income taxes on non-filed returns for 1999 through 2010, inclusive. Taxpayer argues that the Department's income figures are incorrect. Trial is set for September 10, 2018.

In the Matter of the Tax Appeal of Ronald Au, Case No. 1 T.X. 12-1-0393, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the Department's income tax assessments on unreported income received for tax years 2008 and 2009. Trial is set for October 11, 2017.

In the Matter of the Tax Appeal of William A. Bartenstein, Case No. 13-1-0228, Tax Appeal Court, State of Hawaii.

Taxpayer was assessed additional general excise and/or use taxes, penalties and interest on goods imported for resale. Taxpayer argues that the Department's income figures were incorrect and the stacking of the negligence and underpayment penalties was erroneous. Trial is set for March 12, 2018.

In the Matter of the Tax Appeal of Ronald Au, Case No. 1 T.X. 14-1-0216, Tax Appeal Court, State of Hawaii.

Taxpayer appeals to the Tax Appeal Court, State of Hawaii from assessments of general

excise taxes for 2009 and 2010 in the amount of \$13,114.62. The Department moved to dismiss the tax appeal because it was not timely filed and because Taxpayer failed to pay the assessment in his appeal from the Board of Review. The motion was heard on March 17, 2014 and taken under advisement. Trial is scheduled for December 11, 2017.

In the Matter of the Tax Appeal of Skydiving School, Inc., Case Nos. 1 T.X. 14-1-0217 and 1 T.X. 14-1-0218, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from the denial of a refund claim and assessments of general excise taxes related to its skydiving business. Taxpayer's major issue is that its gross receipts from skydiving activities is not subject to the general excise tax because of federal preemption under the Anti-Head Tax Act, P.L. 103-272, 108 Stat. 1111, as amended, and as codified in 49 U.S.C. § 40116. Trial is set for November 27, 2017. The parties are working on an agreement to submit the matter on briefs in lieu of a trial.

In the Matter of the Tax Appeal of Edward A. Alquero, M.D., Inc., Case No. 1 T.X. 14-1-0219, Tax Appeal Court, State of Hawaii.

Taxpayer was assessed additional income and general excise taxes, penalties, and interest for underreported income related to his medical practice. Taxpayer claims he is entitled to deductions for certain expenses that were disallowed by the Department. Trial is set for January 22, 2018.

In the Matter of the Tax Appeal of Avery B. Chumbley, Case No. 1 T.X. 14-1-0226, Tax Appeal Court, State of Hawaii.

Taxpayer was assessed general excise taxes and interest for underreported gross receipts of a non-profit organization's fund raising activities. Taxpayer was assessed personally as the president of the organization at the time. Taxpayer claims he was entitled to deductions for certain expenses that were disallowed by the Department. Trial is set for April 23, 2018.

In the Matter of the Tax Appeal of Darren Truitt, Case No. 1 T.X. 14-1-0228, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the Department's assessment of additional income taxes, penalties, and interest for income attributed to his wholly-owned LLC. Trial is set for June 4, 2018.

In the Matter of the Tax Appeal of Construction Servs. & Management LLC, Case No. 1 T.X. 14-1-0229, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the Department's assessment of general excise taxes, penalties, and interest for underreported gross receipts. Trial is set for June 24, 2018.

In the Matter of the Tax Appeal of Hawaiian Telcom Services Company, Inc., Case No. 1 14-1-0231, Tax Appeal Court, State of Hawaii;

In the Matter of the Tax Appeal of Hawaiian Telcom Services Company, Inc., Case No. 1 15-1-0245, Tax Appeal Court, State of Hawaii; and

In the Matter of the Tax Appeal of Hawaiian Telcom Services Company, Inc., Case No. 1 16-1-0321, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the denial of use tax refund claims. Taxpayer claims that Haw. Rev. Stat. §§ 238-2 and 238-2.3 impermissibly imposes use tax in violation of the commerce clause and the equal protection clause of the United States Constitution; the statutes discriminate against interstate commerce and are not fairly apportioned; and that Taxpayer erroneously paid use taxes with respect to services and/or contracting performed within the state by a

licensed seller. Trial is not set.

In the Matter of the Tax Appeal of Hawaiian Telcom, Inc., Case No. 1 T.X. 14-1-0232, Tax Appeal Court, State of Hawaii;

In the Matter of the Tax Appeal of Hawaiian Telcom, Inc., Case No. 1 T.X. 15-1-0244, Tax Appeal Court, State of Hawaii; and

In the Matter of the Tax Appeal of Hawaiian Telcom, Inc., Case No. 1 T.X. 16-0322, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the denial of use tax refund claims. Taxpayer claims that Haw. Rev. Stat. §§ 238-2 and 238-2.3 impermissibly imposes use tax in violation of the commerce clause and the equal protection clause of the United States Constitution; the statutes discriminate against interstate commerce and are not fairly apportioned; and that Taxpayer erroneously paid use taxes with respect to services and/or contracting performed within the state by a licensed seller. Trial is not set.

In the Matter of the Tax Appeal of Hawaiian Telcom Communications, Inc., Case No. 1 T.X. 16-1-0323, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the denial of use tax refund claims. Taxpayer claims that Haw. Rev. Stat. §§ 238-2 and 238-2.3 impermissibly imposes use tax in violation of the commerce clause and the equal protection clause of the United States Constitution; the statutes discriminate against interstate commerce and are not fairly apportioned; and that Taxpayer erroneously paid use taxes with respect to services and/or contracting performed within the state by a licensed seller. Trial is not set.

In the Matter of the Tax Appeal of Hawaiian Electric Company, Inc., Case No. 1 T.X. 14-1-0233, Tax Appeal Court, State of Hawaii;

In the Matter of the Tax Appeal of Hawaiian Electric Company, Inc., Case No. 1 T.X. 15-1-0296, Tax Appeal Court, State of Hawaii; and

In the Matter of the Tax Appeal of Hawaiian Electric Company, Inc., Case No. 1 T.X. 16-1-0316, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the denial of use tax refund claims. Taxpayer claims that Haw. Rev. Stat. §§ 238-2 and 238-2.3 impermissibly imposes use tax in violation of the commerce clause and the equal protection clause of the United States Constitution and that the statutes discriminate against interstate commerce and were not fairly apportioned. Trial is not set.

In the Matter of the Tax Appeal of BAE Systems Holdings, Inc. & Subs., Case No. 1 T.X. 14-1-0234, Tax Appeal Court, State of Hawaii.

Taxpayer's claims for the High Tech Credit provided under Haw. Rev. Stat. § 235-110 were denied because Taxpayer did not make an investment as defined by statute. Taxpayer prevailed at the Board of Review and the Department filed this appeal. Trial is set for November 19, 2018.

In the Matter of the Tax Appeal of Hawaiian Airlines, Inc., Case No. 1 T.X. 14-1-0258, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the denial of use tax refund claims. Taxpayer claims that Haw. Rev. Stat. §§ 238-2 and 238-2.3 impermissibly imposes use tax in violation of the commerce clause and the equal protection clause of the United States Constitution and that the statutes discriminate against interstate commerce and are not fairly apportioned. Trial is not set.

In the Matter of the Tax Appeal of Hawaii Electric Light Company, Inc., Case No. 1 T.X. 14-1-0259, Tax Appeal Court, State of Hawaii;

In the Matter of the Tax Appeal of Hawaii Electric Light Company, Inc., Case No. 1 T.X. 15-1-0297, Tax Appeal Court, State of Hawaii; and

In the Matter of the Tax Appeal of Hawaii Electric Light Company, Inc., Case No. 1 T.X. 16-1-0317, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the denial of use tax refund claims. Taxpayer claims that Haw. Rev. Stat. §§ 238-2 and 238-2.3 impermissibly imposes use tax in violation of the commerce clause and the equal protection clause of the United States Constitution and that the statutes discriminate against interstate commerce and are not fairly apportioned. Trial is not set.

In the Matter of the Tax Appeal of Maui Electric Company, Inc., Case No. 1 T.X. 14-1-260, Tax Appeal Court, State of Hawaii;

In the Matter of the Tax Appeal of Maui Electric Company, Inc., Case No. 1 T.X. 15-1-0298, Tax Appeal Court, State of Hawaii; and

In the Matter of the Tax Appeal of Maui Electric Company, Inc., Case No. 1 T.X. 16-1-0315, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the denial of use tax refund claims. Taxpayer claims that Haw. Rev. Stat. §§ 238-2 and 238-2.3 impermissibly imposes use tax in violation of the commerce clause and the equal protection clause of the United States Constitution and that the statutes discriminate against interstate commerce and are not fairly apportioned. Trial is not set.

In re Tax Appeal of Longs Drug Stores Ca., LLC, Case No. 1 T.X. 14-1-0240, Tax Appeal Court, State of Hawaii;

In re Tax Appeal of Longs Drug Stores Ca., LLC, Case No. 1 T.X. 15-1-0237, Tax Appeal Court, State of Hawaii; and

In re Tax Appeal of Longs Drug Stores Ca., LLC, Case No. 1 T.X. 16-1-0314, Tax Appeal Court, State of Hawaii.

These cases are on hold pending the outcome of In the Matter of the Tax Appeal of CompUSA Inc., Case Nos. 12-1-0264, 12-1-0265, Tax Appeal Court, State of Hawaii. No trial date will be set until the Tax Appeal Court is notified of a decision in the CompUSA matter.

In the Matter of the Tax Appeal of Home Depot U.S.A., Inc., Case No. 1 T.X. 15-1-0218, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the Department's disallowance of the wholesale rate on general excise taxes due on sales to customers at its retail stores as well as the Department's denial of the subcontractor deduction related to work performed for customers. Trial is set for November 19, 2018.

In the Matter of the Tax Appeal of Dan S. Tetsutani, Case No. 1 T.X. 15-1-0219, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from a final assessment of additional general excise tax and/or use taxes stating the assessments were improper or in the alternative that Taxpayer should pay the wholesale rate of .5 percent. Trial is set for December 4, 2017.

Maria E. Zielinski v. Blake and Bianca Goodman, Case No. 1 T.X. 15-1-0221; Tax Appeal Court, State of Hawaii.

The Department denied Taxpayers' fully refundable Renewable Energy Technologies tax credits under Haw. Rev. Stat. § 235-12.5 because Taxpayers' adjusted gross income exceeded the statutory threshold entitling them to a fully refundable credit. The Board of Review ruled that Taxpayers could revoke their elections to receive refundable tax credits. Cross motions for summary judgment were heard on July 17, 2017 and the court has not ruled yet. Trial was taken off the trial ready calendar.

In re Tax Appeal of Escal Institute of Advanced Technologies, Inc., Case No. 1 T.X. 15-1-0276, Tax Appeal Court, State of Hawaii.

Taxpayer, for itself and its shareholders, appeals assessments on tax years 2008 and 2010 for income tax refunds denied; 2011 through 2013, inclusive, for income taxes assessed; and 2008, 2009, 2011 through 2013, inclusive, for general excise taxes assessed, alleging that refunds to shareholders were wrongly denied. Additionally, Taxpayer alleges that income taxes and general excise taxes were assessed on income from services performed outside Hawaii. Trial is scheduled for November 26, 2018.

In the Matter of Charles Mixon, Case No. 1 T.X. 15-1-0281, Tax Appeal Court, State of Hawaii.

Taxpayer appeals from a final assessment of general excise tax for underreported income under Haw. Rev. Stat. § 237-13(6)(A). Trial is set for January 8, 2018.

In re Tax Appeal of Pacific Isles Equipment Rental Inc., Case No. 1 T.X. 15-1-0315, Tax Appeal Court, State of Hawaii.

Taxpayer's President, a non-attorney, initially filed a Notice of Appeal of general excise taxes for tax years 2010, 2011, and 2012 and made payment "under protest." Taxpayer hired an attorney who filed a Complaint for Refund of Taxes in the tax appeal case. A motion to dismiss was granted in part and denied in part; the appeal survived. Taxpayer claims that pursuant to Haw. Rev. Stat. § 237-13, the 0.5 percent wholesale rate applies rather than the 4.5 percent contracting rate. Trial is not set.

In re Tax Appeal of Jeffrey Scott Lindner, Case No. 1 T.X. 16-1-0300, Tax Appeal Court, State of Hawaii.

Taxpayer appeals income taxes for tax years 2012 through 2014, inclusive. Taxpayer claims that he properly filed returns to qualify for HTBITC credits per Haw. Rev. Stat. § 235-110.9; however, the Department claims that it did not receive the returns. Trial is not set.

In re Tax Appeal of WC Maui Coast, LLC, Case No. 1 T.X. 16-1-0271, Tax Appeal Court, State of Hawaii.

Taxpayer appeals application of transient accommodations tax assessments for tax years 2012 and 2013 pursuant to Haw. Rev. Stat. § 237D-2. Taxpayer claims that amounts received from long term contracts with airlines are exempt from Transient accommodations taxes based on AG Opinion 90-6. Trial is scheduled for January 11, 2018.

In the Matter of the Tax Appeal of Polynesian Cultural Center, Case No. 1 T.X. 16-1-0290, Tax Appeal Court, State of Hawaii.

Taxpayer appeals the Department's assessment of additional general excise taxes based on the disallowance of the income splitting provisions allowed under Haw. Rev. Stat. § 237-

18(f). Trial is not set.

In re Tax Appeal of Thomas Aki, Case No. 1 T.X. 16-1-0291, Tax Appeal Court, State of Hawaii.

Taxpayer appeals income tax assessments for tax years 2012, 2013, and 2014 in which the Department disallowed business expenses and deductions under Haw. Rev. Stat. chapter 235, disallowed the personal exemption deduction, and disallowed the application of losses from prior years. Trial is not set.

In re Tax Appeal of Editha C. Doctolero, Case No. 1 T.X. 16-1-0292, Tax Appeal Court, State of Hawaii.

Taxpayer runs a wholesale flower-selling business and failed to fully pay general excise taxes on tax years 2001, 2003, and 2005 through 2013, inclusive. Taxpayer argues that the twelve-month limitation under Haw. Rev. Stat. § 237-9.3, HRS, does not apply because the wholesale rate is not a tax benefit subject to denial under Haw. Rev. Stat. § 237-9.3, but rather the regular rate of tax on wholesale sales. Trial is not set.

In the Matter of the Tax Appeal of Howard T. Chang and Jenifer M. Chang, Case No. 1 T.X. 16-1-0318, Tax Appeal Court, State of Hawaii.

Taxpayers appeal final assessments of income taxes based on gambling winnings without offset of gambling losses. Trial is not set.

In the Matter of the Tax Appeal of Gary Takahashi Sports Marketing Inc., Case No. 1 T.X. 16-1-0319, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise tax based on information obtained from the Internal Revenue Service. Taxpayer claims that assessments were improper because all sales occurred outside of Hawaii. Trial is not set.

In the Matter of the Tax Appeal of Gary K. Takahashi, Case No. 1 T.X. 16-1-0320, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise tax based on information obtained from the Internal Revenue Service. Taxpayer claims that the assessments should have been made on Gary Takahashi Sports Marketing Inc. and not on him individually. Trial is not set.

In the Matter of the Tax Appeal of Fung Yang, Case No. 1 T.X. 16-1-0325, Tax Appeal Court, State of Hawaii.

Taxpayer claims the solar credit for a photovoltaic system used to operate chillers for his farming operation. The Department disallowed the credit because (1) the credit was improperly claimed for equipment not related to the photovoltaic system; and (2) it was not clear that the system was installed for nonresidential use. Trial is not set.

In the Matter of the Tax Appeal of Woodley L. Hunt; Gayle G. Hunt; Hunt ELP, Ltd.; Hunt Companies, Inc.; HB GP, LLC; Marion L. Hunt; and Norma H. Hunt, Case No. 1 T.X. 16-1-0340, Tax Appeal Court, State of Hawaii.

Taxpayers appeal income tax assessments for underreported taxable income due to understatement of partnership's capital gains received from sale of real property in Hawaii. Taxpayers argue that the capital gains in question should be excluded from the Hawaii sales factor numerator and denominator for apportionment purposes. Trial is not set.



In the Matter of the Tax Appeal of Amerisourcebergen Drug Corporation, Case Nos. 1 T.X. 17-1-0218 -1 T.X. 17-1-0222, Tax Appeal Court, State of Hawaii.

Taxpayer sold drugs to non-profit hospitals for resale and paid general excise tax on the transactions at the wholesale rate. The Department assessed Taxpayer at the retail rate because the non-profit hospitals did not pay four percent on their retail sales of the drugs. Trial is not set.

In the Matter of the Tax Appeal of Janice P.C. Hori, Case No. 1 T.X. 17-1-1340, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise taxes that were made based on information obtained from Taxpayer's income tax return. Taxpayer did not file general excise tax returns for years listed on her income tax return. Trial is not set.

In the Matter of the Tax Appeal of Certified Erosion Control Hawaii LLC., Case No. 1 T.X. 17-1-1341, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise tax claiming it was entitled to the wholesale rate. Taxpayer was a non-filer and submitted unfiled returns with the auditor during the audit phase. Although Taxpayer qualified for the wholesale rate, the rate was disallowed because of Act 155. Trial is not set.

In the Matter of the Tax Appeal of Robert E. Atkinson, MD, Inc., Case No. 1 T.X. 17-1342, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of general excise tax of partnership payments. Trial is not set.

In the Matter of the Tax Appeal of SMB I LLC, Case No. 1 T.X. 17-1-1343, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments for the disallowance of the renewable energy technologies income tax credit and the capital goods excise tax credit because the credits were not properly claimed under Haw. Rev. Stat. §§ 235-12.5 and 235-110.7. The Department's Administrative Appeals Office is presently handling this case. Trial is not set.

In the Matter of the Tax Appeal of Samuel Fujikawa, Case No. 1 T.X. 17-1-1344, Tax Appeal Court, State of Hawaii.

Taxpayers appeal final assessments for the disallowance of the renewable energy technologies income tax credit and the capital goods excise tax credit because the credits were not properly claimed under Haw. Rev. Stat. §§ 235-12.5 and 235-110.7. The Department's Administrative Appeals Office is presently handling this case. Trial is not set.

In the Matter of the Tax Appeal of Robert and Kimberli Fujikawa, Case No. 1 T.X. 17-1-1345, Tax Appeal Court, State of Hawaii.

Taxpayers appeal final assessments for the disallowance of renewable energy technologies income tax credit and the capital goods excise tax credit because the credits were not properly claimed under Haw. Rev. Stat. §§ 235-12.5 and 235-110.7. The Department's Administrative Appeals Office is presently handling this case. Trial is not set.

In the Matter of the Tax Appeal Marc Unowitz and Ann Unowitz, Case No. 1 T.X. 17-1-1346, Tax Appeal Court, State of Hawaii.

Taxpayers appeal final assessments for the disallowance of the renewable energy technologies income tax credit and the capital goods excise tax credit because the credits were not properly claimed under Haw. Rev. Stat. §§ 235-12.5 and 235-110.7. The Department's Administrative Appeals Office is presently handling this case. Trial is not set.

In the Matter of the Tax Appeal of Steven J. Bookatz and Debra S. Bookatz, Case No. 1 T.X. 17-1347, Tax Appeal Court, State of Hawaii.

Taxpayers appeal final assessments of income based on gambling winnings that were not off set by itemized deductions due to the cap set forth in Act 97, Session Laws of Hawaii 2011. Trial is not set.

In the Matter of the Tax Appeal of Michelle Richardson, Case No. 1 T.X. 17-1-1349, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessments of income and general excise taxes that were based on federal data because Taxpayer is a non-filer. Trial is not set.

In the Matter of the Tax Appeal of Hawaii & Lighting Rentals, Inc., Case No. 1 T.X. 17-1350, Tax Appeal Court, State of Hawaii.

Taxpayer appeals final assessment of general excise taxes/use tax claiming it was entitled to wholesale rate. Taxpayer would have qualified for wholesale rate but audit revealed that Taxpayers customers either did not have a general excise license or did not file returns. Trial is not set.

In the Matter of the Tax Appeal of Maui Fresh Fish Investors, LLC, Case No. 1 T.X. 17-1361, Tax Appeal Court, State of Hawaii.

Taxpayer appeals a Board of Review's decision that agreed with the Director who disallowed credits that Taxpayer claimed for its investment in a Qualified High Technology Business. Trial is not set.

In the Matter of the Tax Appeal of Saturn Development I, LLC fka PDC I, Inc., Case No. 1 T.X. 17-1-1362, Tax Appeal Court, State of Hawaii;

In the Matter of the Tax Appeal of Saturn Development, LLC fka Property Development Centers, LLC, Case No. 1 T.X. 17-1-1363, Tax Appeal Court, State of Hawaii.

In these cases, Taxpayers appeal the denial of its conveyance tax refund claim. Taxpayers allege that it entered into a tentative agreement to sell properties, some of which were still under construction. It is claimed that the parties' tentative purchase price reflected anticipated construction costs, and that this estimated purchase price was used in the original Conveyance Tax Certificate and was subject to adjustment. Taxpayers later filed an amended Conveyance Tax Certificate claiming the actual sales prices for some of the parcels were lower than estimated and requested refunds for the overpayment of conveyance tax, which the Department denied. Trial is not set.

In the Matter of the Tax Appeal of Escal Institute of Advanced Technologies, Inc., Case No. 1 T.X. 17-1-1374, Tax Appeal Court, State of Hawaii.

Taxpayer, for itself and its shareholders, appeals assessments on tax years 2012 and 2013 for income tax refunds denied, alleging that refunds to shareholders were denied.

Additionally, Taxpayer alleges that income taxes and general excise taxes were assessed on income from services performed outside Hawaii. Trial is not set.

### ***3.2.4 Criminal Investigations/Enforcement Actions***

During FYE 2017, the Criminal Investigation Section (CIS) achieved substantial outcomes in pursuing its investigative priorities. CIS conducted forty-two (42) investigations on entities with legitimate sources of income and on individuals and criminal groups involved in illegal activities, such as narcotics trafficking, gambling, prostitution, and other financial fraud. CIS conducted one additional investigation relating to threats made against DOTAX employees.

CIS continues to work with the United States Attorney's Office for review and federal prosecution of its investigations. During FYE 2017, one fraudulent refund case was adjudicated with the defendant sentenced to twenty four (24) months imprisonment and \$241,897 in restitution. The United States Attorney's Office also charged two tax preparer cases during this period.

CIS also actively works with County Prosecutors. During FYE 2017, the Hawaii County Prosecutor's Office adjudicated a case involving a property management company with a conviction for one count of Theft in the First Degree, ten counts of failure to file tax returns relating to General Excise Taxes and Transient Accommodation Taxes and two counts of failure to collect and pay over taxes. The defendant was ordered to serve six months imprisonment with four years of probation and to pay restitution in the amount of \$138,960 to her victims. The Honolulu Prosecutor's Office adjudicated a case with a guilty plea to six counts of tax evasion. The defendant was granted a deferral for a period of five years and was ordered to pay restitution in the amount of \$16,919.

During FYE 2017, CIS referred five cases to the Attorney General's Office for prosecution. Two of the five cases are pending plea agreements and the remaining cases are pending further action. One prosecution related to a local businessman with nine separate business entities who made unsolicited admissions after the fact and filed General Excise Tax Returns with payments.

The other pending plea arrangement relates to a tax preparation firm. One tax protester case is pending trial. CIS further concluded a prior FYE 2016 criminal case with a civil settlement of over \$175,000.

CIS is currently investigating other tax preparers covering all of the islands. These cases will be referred to the Attorney General's Office upon completion. CIS continues to pursue investigations on mainland companies doing business in the State of Hawaii and on individuals and criminal groups involved in illegal activities.

Completed investigations that were not referred for criminal prosecution were turned over to the appropriate Oahu Office Audit Branch, Field Audit Branch or Outer Island District Offices for further civil examination. Over four hundred referrals were made for civil assessments. For FYE 2017, these referrals amounted to over \$984,976 in additional assessments. These assessments were mutually exclusive to those made for prior-year adjudicated criminal cases.

During FYE 2017, the Criminal Investigation Section continued to promote voluntary compliance through the aggressive enforcement of Hawaii Tax Laws and Regulations. CIS contributed

\$872,380 in criminal collections in FYE 2017. The Criminal Investigation Section continues to innovate its investigative approach and to strive to improve its processes for the Department of Taxation.

## **ADMINISTRATIVELY ATTACHED ENTITIES**

As of June 30, 2017

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Marilyn M. Niwao, Vice-Chair  
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Valerie Peralto  
Richard Rovelstad  
Vacant

#### ***FOURTH TAXATION DISTRICT (KAUAI)***

Vacant  
Vacant  
Vacant  
Vacant  
Vacant

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# **Hawaii Individual Income Tax Statistics**

**Tax Year 2015**

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**DEPARTMENT OF TAXATION  
STATE OF HAWAII**

## STATE OF HAWAII

David Y. Ige, Governor

## DEPARTMENT OF TAXATION

Maria E. Zielinski, Director

Damien A. Elefante, Deputy Director

## TAX RESEARCH & PLANNING OFFICE

Seth Colby, Tax Research & Planning Officer

Shi Fu, Research Statistician

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# **Hawaii Individual Income Tax Statistics**

**Tax Year 2015**

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**DEPARTMENT OF TAXATION**

**STATE OF HAWAII**

**December 2017**

**Prepared by Tax Research and Planning Office**

**WEB SITE: [tax.hawaii.gov](http://tax.hawaii.gov)**



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## Introduction

This study examines statistics from Hawaii income tax returns filed by Hawaii resident and nonresident taxpayers for tax year 2015. Nonresident taxpayers include part-year residents and nonresidents who have Hawaii individual income tax liabilities. The Department of Taxation (Department) has prepared annual studies on individual income tax statistics since 1958, but work on the studies was discontinued after 2008, owing to cutbacks in personnel in the wake of the Great Recession. The study for tax year 2012 was the first one published since the study for tax year 2005 was published in February of 2008.

Every individual doing business in the State must file an individual income tax return, whether or not the individual derives taxable income from the business. Additionally, every individual receiving gross income above a certain threshold amount must file a tax return. Generally, the threshold for resident taxpayers is the sum of the standard deduction and the personal exemption. For individuals claimed as a dependent on the tax return of another taxpayer (dependent taxpayers), the threshold amount is the standard deduction amount. For nonresident taxpayers, the threshold is prorated according to the portion of the taxpayer's total income that is included in Hawaii adjusted gross income (AGI). Taxpayers with income below the threshold can file a tax return to claim tax credits.

This study presents data taken from Hawaii and Federal individual income tax returns filed by all Hawaii resident and nonresident taxpayers for tax year 2015. In 2015, residents could file Form N-11 or Form-N-13 to pay Hawaii individual income tax. The shorter and simpler Form N-13 is available for resident taxpayers with taxable income below \$100,000 who do not itemize deductions or claim adjustments to income. Form N-11 may be used by an individual taxpayer who is a resident and who files a federal income tax return. Form N-11 uses federal AGI as the starting point for calculating Hawaii taxable income. Nonresidents and part-year residents use Form N-15 to pay Hawaii income tax liabilities.

## Hawaii's Individual Income Tax Law and the Internal Revenue Code

Hawaii generally follows federal definitions for taxable income of individuals, and the State Legislature annually passes legislation to conform Hawaii's income tax law to selected changes to the Internal Revenue Code (IRC). However, there are a number of differences between the income tax laws of Hawaii and the IRC. Unlike the IRC, Hawaii's definition of taxable income does not include social security benefits, distributions from employer-provided pensions, contributions made to a Hawaii individual housing account and in 2015, the first \$6,198 of Hawaii National Guard duty, or military reserve pay. The IRC also exempts interest on U.S. savings bonds from income whereas, Hawaii does not.

Hawaii includes in taxable income cost-of-living allowances paid to federal civilian employees in Hawaii, State or County employee contributions to the Hawaii state government contributory plan or to the hybrid plan of the Employees Retirement System, and interest on state and local government bonds issued by jurisdictions outside of Hawaii, whereas the IRC does not. Hawaii generally does not conform to tax credits in the IRC and offers a number of its own tax credits that are not available in the IRC.

Hawaii uses different standard deductions or personal exemptions amounts than the IRC. Hawaii's regular personal exemption was \$1,144 in 2015, whereas the federal personal exemption was \$4,000. Hawaii also allows an extra personal exemption for taxpayers who are at least 65 years of age and an exemption of \$7,000 for a person who is blind, deaf, or totally disabled.

The federal standard deduction in 2015 was \$12,600 for married couples filing a joint tax return, \$6,300 for single individuals and married couples filing separate tax returns and \$9,300 for a head of household, with an additional standard deduction of \$1,250 for the aged or blind (\$1,550 if the taxpayer is single and not a surviving spouse). Hawaii's standard deductions for 2015 were \$4,400 for joint returns, \$2,200 if the taxpayer was single or a married individual filing separately, and \$3,212 for a head of household.

The federal exemption and standard deduction amounts are adjusted for inflation each year, whereas Hawaii's standard deduction and exemption amounts are not automatically adjusted for inflation.

## **State Individual Income Tax Legislation**

Hawaii's Legislature enacted several measures related to individual income taxes that were effective for tax year 2015, of which the following are the most prominent:

### ***Act 60, Session Laws of Hawaii (SLH) 2009***

Created new top tax brackets for ordinary income of 9%, 10%, and 11% for taxable years 2009 through 2015, after which the top rate is scheduled to return to 8.25%.

### ***Act 97, SLH 2011***

Repealed the state tax deduction and capped itemized deductions for certain high income taxpayers for taxable years 2011 through 2015. The caps are set to expire December 31, 2015. The Act also delayed (until 2013) and made permanent a 10% increase in the standard deduction and personal exemption.

### ***Act 256, SLH 2013***

Amended section 3 of Act 97, SLH 2011, by carving out charitable contributions from the hard cap amounts. Thus, the total itemized deductions that may be claimed by taxpayers who meet or exceed the income thresholds is limited to the lesser of the overall limitations set by the IRC in tax year 2009, or the hard cap set by Act 97 plus allowable charitable contributions. Act 256 was effective for taxable years beginning after December 31, 2012.

### ***Act 52, SLH 2015***

Conformed Hawaii income tax law to the IRC as of December 31, 2014, and made various technical amendments. This act amends Hawaii income tax law under Chapter 235, Hawaii Revised Statutes (HRS), to conform to certain provisions of the Internal Revenue Code, as amended as of December 31, 2014.

## **Data Source and Methodology**

Data for this report were collected from the State Department's Integrated Tax Information Management System (ITIMS), which provides data in electronic form. Data from the ITIMS Tax Processing System (ITPS) were retrieved for State income tax returns filed for tax year 2015 and processed by March 31, 2017. Supplemental data extracted from the federal Individual Master File and Individual Return Transaction File (IMF/IRTF) were supplied by the Internal Revenue Service (IRS).

A total of 717,066 State tax returns were extracted for the study. The data taken from the tax returns are items as reported by individuals, before any subsequent audits, but after automatic adjustments made when processing the returns. The data items on the tax returns were checked for accuracy by examining the largest entries for each item and checking them against images of the tax returns, and by making sure that figures for total income, deductions, exemptions, and taxable income were consistent with each other.

## Number of Tax Returns Filed By Type of Return and Filing Status

Table 1A shows the number and type of State tax returns filed by Hawaii residents and nonresidents for tax year 2015, by Hawaii AGI class and by tax district <sup>1/</sup>. Hawaii Residents filed a total of 624,765 State individual income tax returns for tax year 2015. Approximately 97% of the State resident tax returns were filed on Form N-11 and 3% were filed on form N-13. Of the State resident tax returns, 70% were filed by taxpayers on Oahu, 12% by taxpayers on Maui, 13% by taxpayers on Hawaii and 5% by taxpayers on Kauai.

Hawaii Nonresidents filed a total of 92,301 Hawaii individual income tax returns (form N-15), or approximately 13% of the total number of returns filed. For residents and nonresidents, the income class for Hawaii AGI less than \$5,000 (including tax returns showing losses) contained the most returns. Returns in this income class accounted for 16% of all resident returns and 52% of all nonresident returns.

Hawaii Residents and nonresidents filed a total of 717,066 State individual income tax returns for tax year 2015.

**Table 1A**  
**Types of State Individual Income Tax Returns Filed for Tax Year 2015**

By Hawaii AGI Class <sup>1/</sup>

Hawaii AGI Class			Forms N-11	Forms N-13	Forms N-15	All Individual Returns
Less	than	\$5,000	90,116	8,376	47,775	146,267
\$5,000	under	\$10,000	45,894	1,361	10,891	58,146
\$10,000	under	\$20,000	79,463	2,008	11,761	93,232
\$20,000	under	\$30,000	72,591	1,721	6,384	80,696
\$30,000	under	\$40,000	62,243	1,296	3,793	67,332
\$40,000	under	\$50,000	49,030	840	2,467	52,337
\$50,000	under	\$75,000	75,992	864	3,474	80,330
\$75,000	under	\$100,000	47,671	257	1,899	49,827
\$100,000	under	\$150,000	48,636	19	1,688	50,343
\$150,000	under	\$200,000	18,155	0	728	18,883
\$200,000	under	\$300,000	10,455	0	622	11,077
\$300,000	and	over	7,777	0	819	8,596
Total - All Returns			608,023	16,742	92,301	717,066

By Tax District <sup>2/</sup>

Tax District	Forms N-11	Forms N-13	Forms N-15	All Individual Returns
Oahu (District 1)	427,533	12,045	87,098	526,676
Maui (District 2)	71,878	1,341	2,127	75,346
Hawaii (District 3)	77,148	2,754	2,216	82,118
Kauai (District 4)	31,464	602	860	32,926
Total - All Returns	608,023	16,742	92,301	717,066

<sup>1/</sup> Includes both taxable and nontaxable tax returns.

<sup>2/</sup> Forms N-15 for nonresidents that have an out-of-state address are allocated to Oahu.

<sup>1</sup> Hawaii is divided into the following four tax districts: District 1 is the City and County of Honolulu; District 2 consists of Maui and Kalawao Counties; District 3 is Hawaii County; and District 4 is Kauai County.

Table 1B shows the total state tax returns filed by Hawaii residents or nonresidents for Tax Year 2015 were 717,066, an increase of 1.9% over the 703,548 tax returns filed for Tax Year 2014. The tax returns filed by Oahu residents or nonresidents for 2015 were 526,676, up by 1.6% over the 518,264 filed for 2014.

**Table 1B**  
**Types of State Individual Income Tax Returns Filed for Tax Year 2015 and 2014**

By Hawaii AGI Class <sup>1/</sup>						
Hawaii AGI Class			2015	2014	Difference	
					Amount	% Change
Less	than	\$5,000	146,267	144,816	1,451	1.0%
\$5,000	under	\$10,000	58,146	58,038	108	0.2%
\$10,000	under	\$20,000	93,232	94,304	-1,072	-1.1%
\$20,000	under	\$30,000	80,696	80,479	217	0.3%
\$30,000	under	\$40,000	67,332	66,894	438	0.7%
\$40,000	under	\$50,000	52,337	50,377	1,960	3.9%
\$50,000	under	\$75,000	80,330	78,496	1,834	2.3%
\$75,000	under	\$100,000	49,827	48,380	1,447	3.0%
\$100,000	under	\$150,000	50,343	46,982	3,361	7.2%
\$150,000	under	\$200,000	18,883	17,120	1,763	10.3%
\$200,000	under	\$300,000	11,077	9,947	1,130	11.4%
\$300,000	and	over	8,596	7,715	881	11.4%
Total - All Returns			717,066	703,548	13,518	1.9%

By Tax District <sup>2/</sup>						
Tax District			2015	2014	Difference	
					Amount	% Change
Oahu (District 1)			526,676	518,264	8,412	1.6%
Maui (District 2)			75,346	73,017	2,329	3.2%
Hawaii (District 3)			82,118	79,891	2,227	2.8%
Kauai (District 4)			32,926	32,376	550	1.7%
Total - All Returns			717,066	703,548	13,518	1.9%

<sup>1/</sup> Includes both taxable and nontaxable tax returns.

<sup>2/</sup> nonresident alien tax returns that have an out-of-state address are allocated to Oahu.

Table 1C shows State tax liability of Hawaii residents and nonresidents for tax year 2015, by Hawaii AGI class and by tax district. Hawaii Residents paid a total of \$1.94 billion individual income tax for tax year 2015. Approximately 99.4% of the individual income tax was paid on Form N-11 and 0.6% paid on form N-13. Of the individual income tax paid by Hawaii resident taxpayers, 75% was paid by taxpayers on Oahu, 10% by taxpayers on Maui, 10% by taxpayers on Hawaii, and 5% by taxpayers on Kauai.

Hawaii Nonresidents paid a total of \$137.2 million individual income tax (form N-15), or approximately 7% of the total tax filed. For residents and nonresidents, the income class for Hawaii AGI higher than \$300,000 paid

the most tax. Tax paid by this income class accounted for 27% of all tax by Hawaii residents and 44% of all tax paid by Hawaii nonresidents.

Hawaii Residents and nonresidents paid a total of \$2,074 million individual income tax for tax year 2015.

**Table 1C**  
**State Individual Income Tax Liability for Tax Year 2015**  
(Dollar amounts are in millions)  
By Hawaii AGI Class <sup>1/</sup>

Hawaii AGI Class			Forms N-11	Forms N-13	Forms N-15	All Individual Returns
Less than	\$5,000		0.2	0.0	0.5	0.7
\$5,000 under	\$10,000		3.1	0.1	1.4	4.7
\$10,000 under	\$20,000		27.0	0.9	5.0	32.9
\$20,000 under	\$30,000		63.6	1.9	6.2	71.7
\$30,000 under	\$40,000		91.3	2.3	5.9	99.5
\$40,000 under	\$50,000		100.8	2.1	5.3	108.2
\$50,000 under	\$75,000		227.1	3.1	11.1	241.4
\$75,000 under	\$100,000		213.1	1.4	9.4	224.0
\$100,000 under	\$150,000		323.9	0.1	12.7	336.7
\$150,000 under	\$200,000		183.6	0.0	8.5	192.1
\$200,000 under	\$300,000		169.6	0.0	10.8	180.4
\$300,000 and over			521.7	0.0	60.5	582.2
Total - All Returns			1,925.0	12.0	137.2	2,074.3

By Tax District <sup>2/</sup>

Tax District	Forms N-11	Forms N-13	Forms N-15	All Individual Returns
Oahu (District 1)	1,438.8	8.8	131.1	1,578.7
Maui (District 2)	199.8	1.2	2.1	203.1
Hawaii (District 3)	197.6	1.5	2.5	201.7
Kauai (District 4)	88.9	0.5	1.4	90.8
Total - All Returns	1,925.0	12.0	137.2	2,074.3

<sup>1/</sup> Includes both taxable and nontaxable tax returns.

<sup>2/</sup> Forms N-15 for nonresidents that have an out-of-state address are allocated to Oahu.

Table 1D shows the total state Individual Income tax paid by Hawaii residents or nonresidents for Tax Year 2015 was \$2,074 million, an increase of 9.1% over the \$1,902 million tax paid for Tax Year 2014. The tax paid by Oahu residents or nonresidents for 2015 was \$1,579 million, up by 8.8% over the \$1,451 million paid for 2014.



**Table 1D**  
**State Individual Income Tax Liability for Tax Year 2015 and 2014**  
(Dollar amounts are in millions)

By Hawaii AGI Class <sup>1/</sup>

Hawaii AGI Class			2015	2014	Difference	
					Amount	% Change
Less	than	\$5,000	0.7	0.7	0.0	4.7%
\$5,000	under	\$10,000	4.7	4.6	0.1	2.1%
\$10,000	under	\$20,000	32.9	33.1	-0.1	-0.4%
\$20,000	under	\$30,000	71.7	70.1	1.5	2.2%
\$30,000	under	\$40,000	99.5	96.7	2.8	2.9%
\$40,000	under	\$50,000	108.2	102.3	5.9	5.7%
\$50,000	under	\$75,000	241.4	232.3	9.1	3.9%
\$75,000	under	\$100,000	224.0	214.2	9.8	4.6%
\$100,000	under	\$150,000	336.7	310.7	26.0	8.4%
\$150,000	under	\$200,000	192.1	173.5	18.6	10.7%
\$200,000	under	\$300,000	180.4	161.9	18.5	11.4%
\$300,000	and	over	582.2	502.1	80.1	16.0%
Total - All Returns			2,074.3	1,902.1	172.2	9.1%

By Tax District <sup>2/</sup>

Tax District			2015	2014	Difference	
					Amount	% Change
Oahu (District 1)			1,578.7	1,450.7	128.0	8.8%
Maui (District 2)			203.1	190.7	12.4	6.5%
Hawaii (District 3)			201.7	178.2	23.5	13.2%
Kauai (District 4)			90.8	82.5	8.3	10.1%
Total - All Returns			2,074.3	1,902.1	172.2	9.1%

<sup>1/</sup> Includes both taxable and nontaxable tax returns.

<sup>2/</sup> nonresident alien tax returns that have an out-of-state address are allocated to Oahu.

Table 2A shows the distribution of the number of State resident tax returns, Hawaii AGI, and tax liability by filing status. For tax year 2015, among residents, 'Single' filing status (including single and married individuals filing separately) accounted for 53.4% of returns. 'Joint' status (Married, filing jointly) accounted for 35.4% of resident returns. 'Head of household' status (including Head of household and qualified widower) accounted for 11.1% of resident returns. Tax returns with 'Joint' status accounted for 61.4% of total Hawaii AGI for resident tax returns, followed by 'Single' status (30.7%) and 'Head of household' status (7.9%). Tax returns with 'Joint' status accounted for 62.8% of total tax liability for resident tax returns, followed by 'Single' status (30.4%) and 'Head of household' status (6.7%).

For Tax Year 2015, the state tax returns filed by Hawaii residents were 624,765, an increase of 1.0% over the 618,366 tax returns filed by Hawaii residents for Tax Year 2014. The Hawaii AGI of Hawaii residents for 2015 were \$34 billion, up by 10.2% over the \$31 billion for 2014. The tax liability of Hawaii residents for 2015 were \$1.9 billion, up by 8.5% over the \$1.8 billion for 2014.

**Table 2A**  
**Number of Resident Tax Returns, Hawaii AGI, and Tax by Filing Status – 2015 and 2014**  
(Dollar amounts are in millions)

Status	2015			2014			% Change		
	No. Returns	Hawaii AGI*	Tax	No. Returns	Hawaii AGI*	Tax	No. Returns	Hawaii AGI*	Tax
Single**	333,767	\$10,425	\$590	329,104	\$9,433	\$548	1.4%	10.5%	7.5%
Joint	221,449	\$20,874	\$1,217	220,510	\$18,803	\$1,119	0.4%	11.0%	8.7%
Head of Household***	69,549	\$2,708	\$130	68,752	\$2,617	\$118	1.2%	3.5%	10.2%
Total	624,765	\$34,007	\$1,937	618,366	\$30,854	\$1,786	1.0%	10.2%	8.5%

Note: Details may not add to totals due to rounding.

\* Includes returns with negative AGI.

\*\* Includes returns both for single and married individuals filing separately.

\*\*\* Includes returns both for heads of households and for qualified widow(er).

Table 2B shows the distribution of the number of State nonresident tax returns, Hawaii AGI, and tax liability by filing status. For tax year 2015, among nonresident tax returns, the most common filing status was 'Single' status (48.4%), followed by 'Joint' status (47.4%). Tax returns with 'Single' status accounted for 53.8% of total Hawaii AGI and with 'Joint' status accounted for 41.4% of Hawaii AGI for the nonresident returns. Tax returns with 'Joint' status accounted for 56.7% of total tax liability for nonresident tax returns, followed by 'Single' status (39.7%) and 'Head of household' status (3.5%).

For Tax Year 2015, the state tax returns filed by Hawaii nonresidents were 92,301, an increase of 8.4% over the 85,182 tax returns filed by Hawaii nonresidents for Tax Year 2014. The Hawaii AGI of Hawaii nonresidents for 2015 were \$1.3 billion, up by 34.6% over the \$0.94 billion for 2014. The tax liability of Hawaii nonresidents for 2015 were \$137 million, up by 17.8% over the \$116 million for 2014.

**Table 2B**  
**Number of Nonresident Tax Returns, Hawaii AGI, and Tax by Filing Status – 2015 and 2014**  
(Dollar amounts are in millions)

Status	2015			2014			% Change		
	No. Returns	Hawaii AGI*	Tax	No. Returns	Hawaii AGI*	Tax	No. Returns	Hawaii AGI*	Tax
Single**	44,685	\$678	\$57	38,818	\$434	\$41	15.1%	56.3%	39.3%
Joint	43,786	\$522	\$75	43,098	\$452	\$71	1.6%	15.6%	5.4%
Head of Household***	3,830	\$60	\$5	3,266	\$51	\$4	17.3%	18.2%	15.5%
Total	92,301	\$1,261	\$137	85,182	\$937	\$116	8.4%	34.6%	17.8%

Note: Details may not add to totals due to rounding.

\* Includes returns with negative AGI.

\*\* Includes returns for single and married individuals filing separately and composite returns filed by nonresidents.

\*\*\* Includes returns both for heads of households and for qualified widow(er).

Figure 1A shows Hawaii Individual Income Tax Returns Filed by tax type for Tax Year 2012-2015. The total State Individual Income Tax Returns increased from 679,070 in 2012 to 717,066 in 2015 with an average yearly growth rate of 1.8%. Among which, the Individual Income Tax Returns filed on Form N-11 increased from 575,922 in 2012 to 608,023 in 2015 (1.8% yearly increase); the Individual Income Tax Returns filed on Form N-15 increased from 77,650 in 2012 to 92,301 in 2015 (5.9% yearly increase); yet the Individual Income Tax Returns filed on Form N-13 decreased from 25,498 in 2012 to 16,742 in 2015 (13.1% yearly decrease).

**Figure 1A**  
**Types of Hawaii Individual Income Tax Returns Filed for Tax Year 2012-2015**

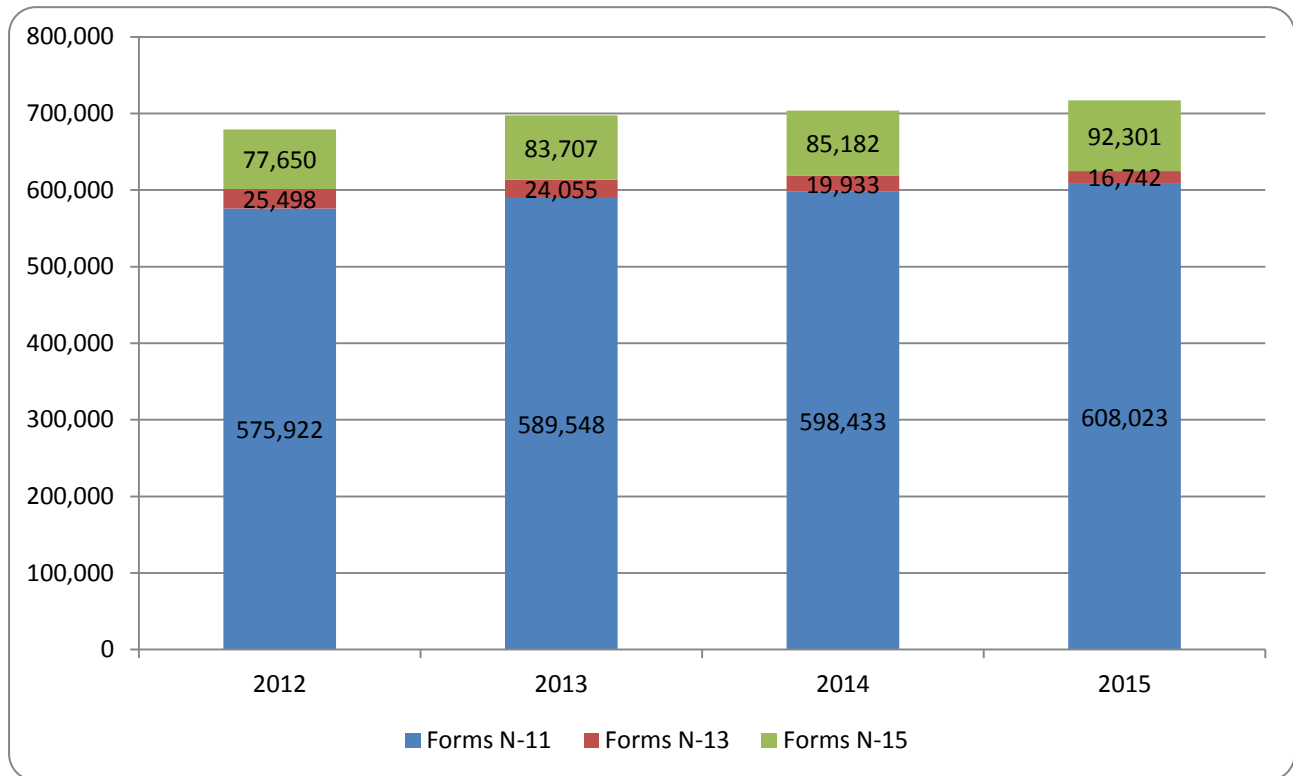
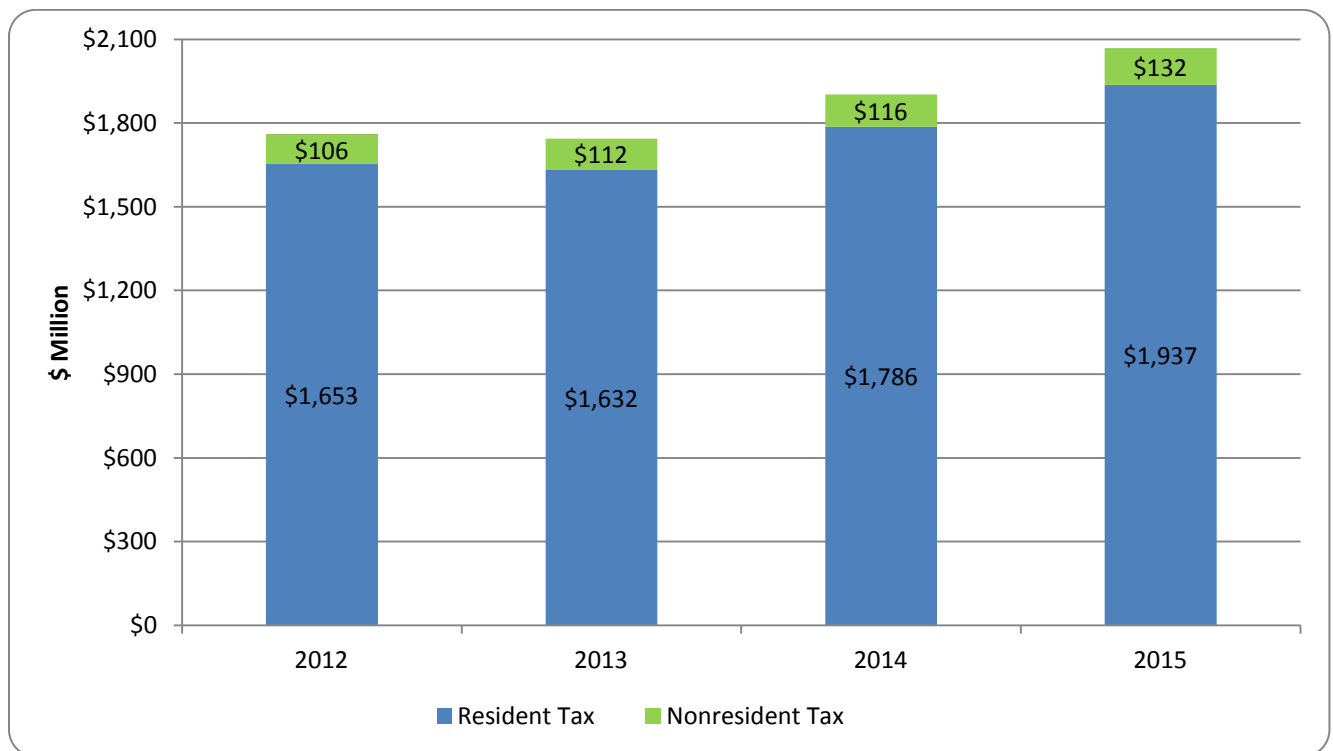


Figure 1B shows Hawaii Individual Income Tax Liability for Tax Year 2012-2015. The total State Individual Income Tax Liability increased from \$1.76 billion in 2012 to \$2.07 billion in 2015 with an average yearly growth rate of 5.6%. Among which, the Individual Income Tax Liability paid by Hawaii residents increased from \$1.65 billion in 2012 to \$1.94 billion in 2015 (5.4% yearly increase) and the Individual Income Tax Liability paid by Hawaii nonresidents rose from \$106 million in 2012 to \$132 million in 2015 (5.6% yearly increase).

**Figure 1B**  
**Hawaii Individual Income Tax Liability for Tax Year 2012-2015**



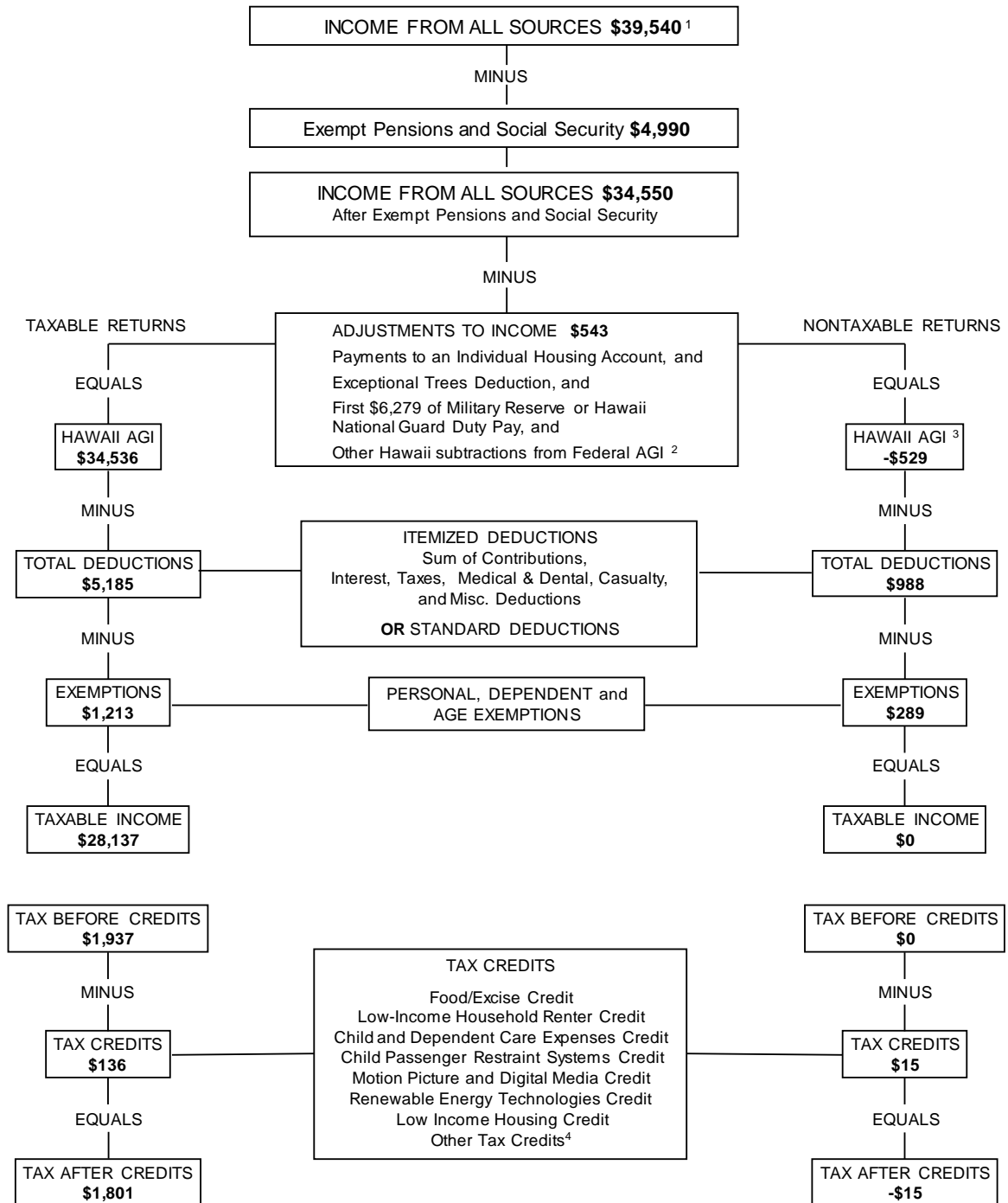
## Highlights of Statistics from State Resident Tax Returns

### Resident Income and Adjustments

Selected data from State resident tax returns are shown in Appendix Tables A-1 and A-2. Chart 1 on the next page shows the major components of State resident tax returns for tax year 2015. Federal AGI is the starting point for calculating Hawaii taxable income on Form N-11. The calculation of Hawaii AGI begins with Federal AGI. Income that is not taxed by Hawaii is subtracted from this figure and income taxed by Hawaii but not by the federal government is added to the figure. The largest income items subtracted from Federal AGI are social security benefits and certain employer-provided pensions. The largest income items added to Federal AGI are cost-of-living allowances for civilian Federal employees, contributions to the State employees' retirement system, and interest on federal bonds. Federal AGI is not reported on Form N-13.

For tax year 2015, Hawaii Residents with taxable income reported total Hawaii AGI of \$34.5 billion, total deductions of \$5.2 billion, total exemptions of \$1.2 billion, total taxable income of \$ 28.1 billion, total tax liability before credits of \$1.9 billion, and total tax liability after credits of \$1.8 billion.

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



<sup>1</sup> The income amount from all sources for Hawaii Residents is FAGI, Difference in state/federal wages, Interest on out-of-state bonds, and Other Hawaii additions to federal AGI.

<sup>2</sup> Includes Interest on federal obligations, Interest earned on an Individual Housing Account, Contributions to and interest by an individual development account, Certain income from a qualified high technology business, and other adjustment.

<sup>3</sup> Includes losses.

<sup>4</sup> Include capital goods excise tax credit, ethanol facility tax credit, tax credit for research activities, fuel credit for commercial fishers, employment of vocational rehabilitation referrals credit, school repair and maintenance, capital infrastructure tax credit, etc.

Note: 1. For Hawaii Resident Taxpayers who file Form N-11 or N-13

2. Detail may not add up to total due to rounding.

Table 3A shows sources of income reported in Federal tax returns by Hawaii Resident taxpayers for tax year 2015. Hawaii Residents reported \$39,540 million in total income from all sources after Federal adjustments in 2015. Salaries and wages totaled \$23,390 million, accounting for 59.2% of the total. Pensions and Annuities totaled \$3,573 million, accounting for 9.0% of the total. Social Security totaled \$1,418 million, accounting for 3.6% of the total.

**Table 3A**  
**Sources of Income Reported by Hawaii Resident Taxpayers in 2015**  
(In Thousands of Dollars)

Sources of Income		2015	% of Total
TOTAL .....	\$	<b>39,540,480</b>	<b>100.0%</b>
Salaries and Wages .....	\$	23,389,976	59.2%
Ordinary Dividends .....		525,924	1.3%
Interests .....		164,551	0.4%
Business Income.....		1,098,439	2.8%
Sale of Capital Assets & Other Property...		1,114,603	2.8%
Rents and Royalties.....		173,085	0.4%
Partnerships and S Corporations.....		860,791	2.2%
Unemployment Compensation.....		100,180	0.3%
Pensions and Annuities.....		3,572,784	9.0%
Social Security.....		1,417,524	3.6%
All Other Sources .....		7,122,623	18.0%

Note: 1. For Hawaii Resident Taxpayers who file Form N-11 or N-13

2. The income amount from all sources for Hawaii Residents is after Federal adjustments.

3. Details may not add to totals due to rounding.

Table 3B shows the adjustments that residents made to their Federal AGI to calculate their Hawaii AGI on Form N-11, and also the number of tax returns on which the adjustments were reported. For residents who filed Form N-11, Federal AGI was \$36.7 billion for those with Hawaii State taxable income and \$1.8 billion for those without Hawaii State taxable income. The bulk of the difference between Federal AGI and Hawaii AGI was accounted for by social security benefits and pensions that are taxed federally but exempt from Hawaii income tax. Together, these items totaled \$2.9 billion for residents with Hawaii taxable income and \$2.1 billion for residents without Hawaii taxable income. Items subtracted from Federal AGI in 2015 totaled \$5.5 billion whereas items added totaled only \$0.9 billion. Data on exempt pension and social security incomes are not available for this study for residents who filed Form N-13. However, residents filing Form N-13 claimed only about 3% of the total age exemptions claimed by residents in 2015.

**Table 3B**  
**Differences Between Federal AGI and Hawaii AGI for Residents**  
**Who Filed Form N-11 for Tax Year 2015**  
(Dollar amounts are in millions)

	Taxable Returns		Nontaxable Returns		Total	
	No. Returns	Amount	No. Returns	Amount	No. Returns	Amount
Federal AGI	509,564	\$36,655	98,459	\$1,747	608,023	\$38,402
<b>MINUS</b> (subtractions from Federal AGI)						
Exempt Pensions Taxed Federally	59,671	\$1,872	50,187	\$1,700	109,858	\$3,572
Social Security Benefits	60,573	\$988	33,281	\$430	93,854	\$1,418
Other Subtractions *	69,781	\$298	11,527	\$246	81,308	\$544
Total Subtractions	135,298	\$3,157	55,858	\$2,376	191,156	\$5,533
<b>PLUS</b>						
Hawaii Additions to Federal AGI **	140,570	\$795	11,855	\$97	152,425	\$892
<b>EQUALS</b>						
Hawaii AGI	509,564	\$34,293	98,459	\$-532	608,023	\$33,761

Note: Details may not add to totals due to rounding.

\* Includes interest on federal obligations, interest on an Individual Housing Account, expenses connected with federal credits, individual development accounts, certain income from high technology businesses, and other adjustments.

\*\*Includes taxable amounts of Individual Housing Accounts, Hawaii tax refunds, excluded income earned outside of the United States, certain depreciation amounts, public employees contribution to pension schemes, and other adjustments.



Table 3C shows for tax year 2015, among Form N-11 tax returns filed by residents, total Federal AGI reached \$38.4 billion, an increase of 6.0% over the \$36.2 billion reported for tax year 2014. Total Hawaii AGI amounted to \$33.8 billion for tax year 2015, up by 10.5% over the \$30.6 billion for tax year 2014.

**Table 3C**  
**Differences Between Federal AGI and Hawaii AGI for Residents**  
**Who Filed Form N-11 for Tax Year 2015 and 2014**  
(Dollar amounts are in millions)

	2015		2014		% Change	
	No. Returns	Amount	No. Returns	Amount	No. Returns	Amount
Federal AGI	608,023	\$38,402	598,433	\$36,240	1.6%	6.0%
<b>MINUS</b> (subtractions from Federal AGI)						
Exempt Pensions Taxed Federally	109,858	\$3,572	108,873	\$3,835	0.9%	-6.9%
Social Security Benefits	93,854	\$1,418	90,586	\$1,326	3.6%	6.9%
Other Subtractions*	81,308	\$544	80,059	\$1,327	1.6%	-59.0%
Total Subtractions	191,156	\$5,533	188,022	\$6,488	1.7%	-14.7%
<b>PLUS</b>						
Hawaii Additions to Federal AGI **	152,425	\$892	145,030	\$799	5.1%	11.6%
<b>EQUALS</b>						
Hawaii AGI	608,023	\$33,761	598,433	\$30,553	1.6%	10.5%

Note: Details may not add to totals due to rounding.

\*Includes interest on federal obligations, interest on an Individual Housing Account, expenses connected with federal credits, individual development accounts, certain income from high technology businesses, and other adjustments.

\*\*Includes taxable amounts of Individual Housing Accounts, Hawaii tax refunds, excluded income earned outside of the United States, certain depreciation amounts, and other adjustments.

## **State Resident Personal Exemptions and Deductions**

All individuals filing a Hawaii State income tax return, if not claimed as a dependent, may claim one personal exemption for themselves and an additional exemption for each qualified dependent. Individuals who are 65 or older may claim an additional personal exemption (the age exemption). The personal exemption amount was \$1,144 per exemption in 2015. Individuals who are certified as blind, deaf or totally disabled could claim a special personal exemption of \$7,000 for themselves. For tax year 2015, resident taxpayers reported a total of 1.3 million exemptions (including the age exemption) on 593,124 Hawaii State income tax returns, for an average of 2.3 exemptions per return. The total amount of exemptions claimed by residents was \$1.5 billion. The number and amount of the exemptions claimed in each income class are shown in Appendix Table A-5.

Residents may reduce their adjusted gross income by a standard deduction amount or by their allowable itemized deductions. The standard deduction amount for 2015 is based on the individual's filing status, as shown below:

Status	Standard Deduction
Single.....	\$2,200
Married Filing Jointly.....	\$4,400
Married Filing Separately.....	\$2,200
Head of Household.....	\$3,212
Qualified Widow(er) with Dependent Child.....	\$4,400

The standard deduction for an individual who may be claimed as a dependent is limited to the greater of \$500 or their earned income, up to the full standard deduction for their filing status. In most cases, the dependent individual's filing status is single, and the corresponding maximum standard deduction is \$2,200. Unlike the federal standard deduction amounts, which are adjusted annually for inflation, the Hawaii State standard deduction amounts are fixed by statute and are infrequently changed (see Table 4).

**Table 4**  
**Changes in Hawaii's Standard Deduction Over Time**

Status	Year					
	1982	1987	1989	2007	2014	2015
	Standard Deduction (\$)					
Single	800	1,000	1,500	2,000	2,200	2,200
Married Filing Joint	1,000	1,700	1,900	4,000	4,400	4,400
Married Filing Separate	500	850	950	2,000	2,200	2,200
Head of Household	800	1,500	1,650	2,920	3,212	3,212

There are six categories of itemized deductions: charitable contributions, interest expenses, medical and dental expenses, casualty and theft losses, taxes paid, and miscellaneous deductions. The amounts of

itemized deductions that may be claimed are subject to various limitations, including limits on the total amount of such deductions based on the taxpayer's total income. Appendix Table A-4 shows the types and amounts of deductions claimed by residents in 2015, including the standard deductions and itemized deductions, as well as the amounts of itemized deductions that were disallowed owing to the limits on the deductions. The data are summarized in Table 5A and Table 5B.

**Table 5A**  
**Itemized and Standard Deductions Claimed by Residents - 2015**  
(Dollar amounts are in millions)

Deduction Type	No. Returns	% of All Returns	Amount	% of Total Allowable Deductions
Charitable Contributions	230,226	37.9%	\$1,021	16.7%
Interest	165,987	27.3%	\$1,906	31.1%
Medical and Dental	76,414	12.6%	\$549	9.0%
Casualty and Theft	272	0.0%	\$5	0.1%
Taxes	324,793	53.4%	\$1,600	26.1%
Miscellaneous	124,283	20.4%	\$552	9.0%
Total Itemized Deductions	331,511	54.5%	\$5,630	91.8%
Total Disallowed Itemized Deductions	27,119	4.5%	\$269	4.4%
Total Allowable Itemized Deductions	331,511	54.5%	\$5,360	87.4%
Total Standard Deductions	276,512	45.5%	\$772	12.6%
Total Allowable Deductions	608,023	100.0%	\$6,132	100%

Note: Details may not add to totals due to rounding.

**Table 5B**  
**Itemized and Standard Deductions Claimed by Residents – 2015 and 2014**  
(Dollar amounts are in millions)

Deduction Type	2015		2014		% Change	
	No. Returns	Amount	No. Returns	Amount	No. Returns	Amount
Charitable Contributions	230,226	\$1,021	232,056	\$908	-0.8%	12.5%
Interest	165,987	\$1,906	165,063	\$1,918	0.6%	-0.6%
Medical and Dental	76,414	\$549	77,638	\$534	-1.6%	2.8%
Casualty and Theft	272	\$5	354	\$9	-23.2%	-44.0%
Taxes	324,793	\$1,600	319,839	\$1,772	1.5%	-9.7%
Miscellaneous	124,283	\$552	127,693	\$622	-2.7%	-11.2%
Total Itemized Deductions	331,511	\$5,630	325,555	\$5,763	1.8%	-2.3%
Total Disallowed Itemized Deductions	27,119	\$269	24,309	\$271	11.6%	-0.6%
Allowable Itemized Deductions	331,511	\$5,360	325,555	\$5,492	1.8%	-2.4%
Total Standard Deductions	276,512	\$772	292,802	\$812	-5.6%	-5.0%
Total Allowable Deductions	608,023	\$6,132	618,366	\$6,304	-1.7%	-2.7%

Note: Details may not add to totals due to rounding.

## State Resident Taxable Income and Tax Liability

Of the State tax returns filed by residents, 16.9% had no taxable income. Residents with taxable income reported total tax liabilities for 2015 of \$1.94 billion before tax credits and \$1.8 billion after tax credits. Oahu accounted for 74.2% of the total taxable income of residents, followed by Maui and Hawaii counties, with 10.6% and 10.5%, and Kauai with 4.7%. Appendix Table A-6 shows average Hawaii income tax liabilities and average effective tax rates by income class, both before and after tax credits. Appendix Table A-7 provides data on Hawaii AGI, taxable income, and deductions by tax district.

Figure 2 shows the percentage of total state resident tax liability by Hawaii AGI class. Residents with \$100,000 or more in Hawaii AGI paid 61.9% of the total taxes before tax credits paid by residents and 61.5% of the total after tax credits. Residents with \$200,000 or more in Hawaii AGI paid 35.7% of the total taxes paid by residents before tax credits and 34.7% of the total after tax credits.

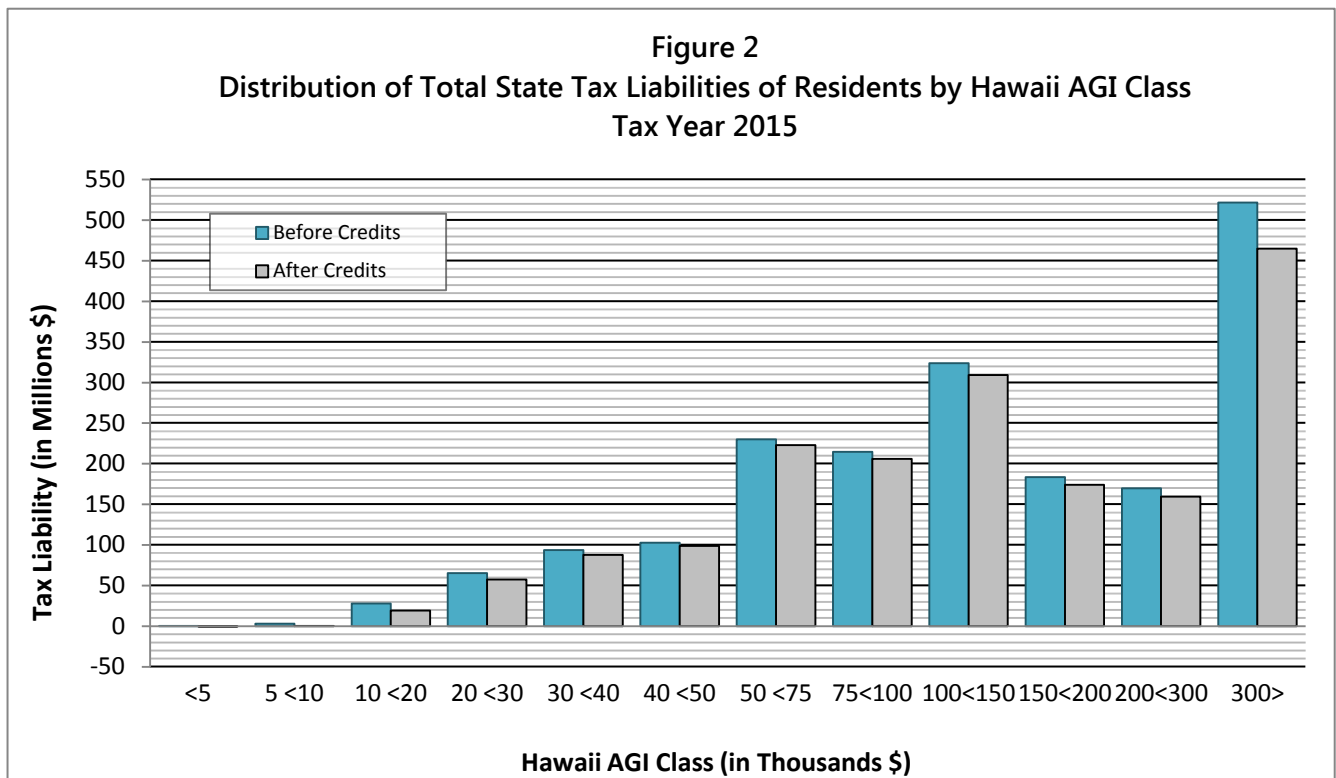


Figure 3 shows the ratio of share of state tax Liability/share of Hawaii AGI by Hawaii AGI Class for Tax Year 2015. The ratio is the share of the state tax liability for a given income bracket relative to the state income for the same income bracket. A score of 1 would suggest that the relative amount of tax liability for that tax bracket is the same share of Hawaii AGI relative.

For tax year 2015, the ratio increased from 0.08 for Hawaii AGI Class of \$5, 000 and lower, to 0.99 for Hawaii AGI Class of \$100,000 and \$150, 000, to 1.53 for Hawaii AGI Class of \$300, 000 and higher, suggesting for taxpayers with Hawaii AGI of \$150,000 or more that their share of taxes paid was higher than their share of Hawaii AGI, and for taxpayers with Hawaii AGI of \$300,000 or more that their share of taxes paid was 53% larger than their share of Hawaii AGI.

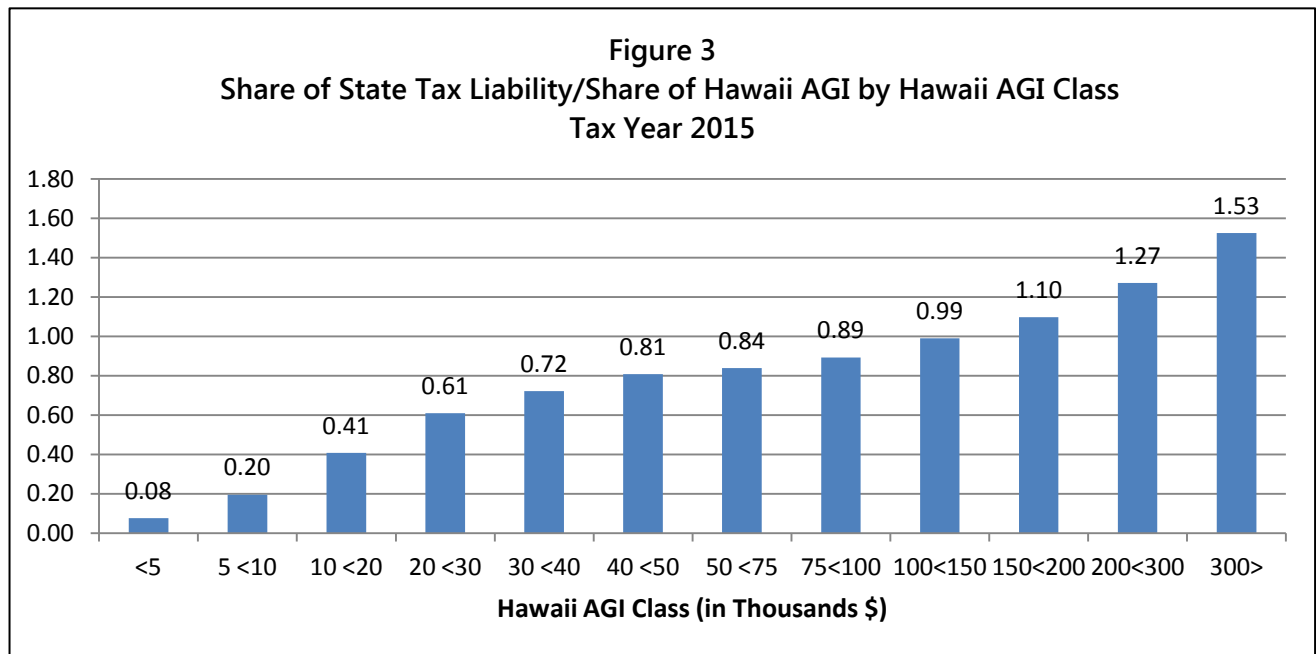
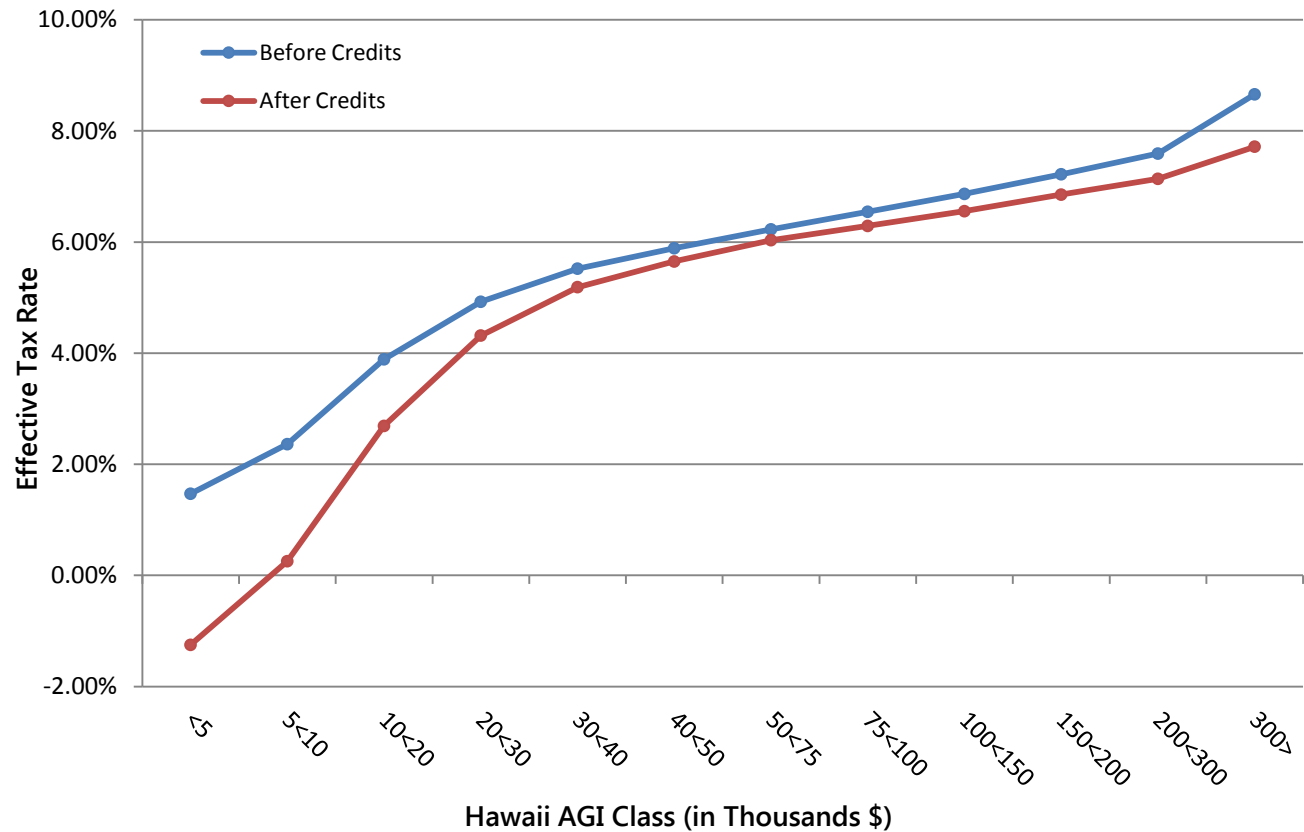


Figure 4 shows the average effective state tax rates for residents by income class. 66% of resident returns with Hawaii AGI below \$10,000 had no taxable income. For taxpayers with Hawaii AGI between \$5,000 and \$10,000 who had taxable income, the average effective tax rate was 2.4% before tax credits, but 0.3% after tax credits. The change in the average effective tax rate caused by tax credits was greatest for residents with Hawaii AGI less than \$5,000, where tax credits caused the average effective rate on taxable returns to drop by 2.8 percentage points from positive 1.5% to negative 1.3%. The average effective tax rate rises with income, both before and after tax credits, showing that Hawaii's income tax is progressive. The rate of climb of the average effective tax rate is greatest at the low and high ends of the income distribution. See Appendix Table A-6 for the data.

**Figure 4**  
**Average Effective Tax Rates on Taxable Income of Residents By Hawaii AGI Class**  
**Tax Year 2015**



## Highlights of Statistics from State Nonresident Tax Returns

Nonresidents, including those who were residents for only part of the tax year, use Form N-15 to file their Hawaii State income taxes. Table 6A shows Hawaii sources of income reported by Hawaii Nonresident taxpayers in tax year 2015. Hawaii Nonresidents reported \$1,318 million in total income from Hawaii sources in 2015. Salaries and wages totaled \$977 million, accounting for 74.1% of the total. Pensions and Annuities totaled \$15 million, accounting for 1.1% of the total. Sale of Capital Assets & Other Property totaled \$70 million, accounting for 5.3% of the total. Please see Appendix A-8 for more detailed data by Hawaii AGI Class.

**Table 6A**  
**Hawaii Sources of Income Reported by Nonresident Taxpayers in 2015**  
(In Thousands of Dollars)

Sources of Income	2015	% of Total
<b>TOTAL .....</b>	<b>\$ 1,317,815</b>	<b>100.0%</b>
Salaries and Wages .....	\$ 976,614	74.1%
Ordinary Dividends .....	12,886	1.0%
Interests .....	3,898	0.3%
Business Income.....	23,090	1.8%
Sale of Capital Assets & Other Property...	70,271	5.3%
Partnerships and S Corporations .....	15,128	1.1%
Estates and Trusts.....	2,028	0.2%
Unemployment Compensation.....	4,332	0.3%
Pensions and Annuities.....	14,744	1.1%
All Other Sources .....	194,825	14.8%

For tax year 2015, nonresidents filed 92,301 state individual income tax returns, representing 12.9% of the total number of resident and nonresident individual income tax returns filed for the year. The worldwide AGI of the nonresidents (what their Hawaii AGI would have been if they had been residents) was \$59.7 billion, approximately double the total Hawaii AGI for all residents. Appendix Table A-3 provides selected statistics from nonresident tax returns by Hawaii AGI class. Table 6B shows the total AGI, Hawaii AGI, Hawaii taxable income, and Hawaii tax liability before tax credits for nonresidents, by total AGI class.

**Table 6B**  
**Selected Data from Nonresident Tax Returns By Total (Worldwide) AGI Class - 2015**  
(Dollar amounts are in millions)

Total AGI Class	No. Returns	Total AGI*	Hawaii AGI	Taxable Income	Hawaii Tax Pre-Credits	Hawaii Tax Credit
<b>TAXABLE RETURNS</b>						
Loss	295	-\$264	\$20	\$15	\$1	\$0.1
\$0 under \$5,000	2,437	\$7	\$41	\$37	\$2	\$0.0
\$5,000 under \$10,000	4,014	\$30	\$20	\$12	\$0	\$0.0
\$10,000 under \$20,000	7,618	\$114	\$67	\$49	\$2	\$0.1
\$20,000 under \$30,000	6,271	\$155	\$82	\$65	\$3	\$0.3
\$30,000 under \$40,000	4,874	\$170	\$80	\$66	\$3	\$0.1
\$40,000 under \$50,000	3,814	\$171	\$76	\$62	\$3	\$0.3
\$50,000 under \$75,000	6,991	\$431	\$169	\$142	\$7	\$0.2
\$75,000 under \$100,000	4,758	\$414	\$160	\$135	\$8	\$0.3
\$100,000 under \$150,000	5,638	\$687	\$234	\$202	\$12	\$0.3
\$150,000 under \$200,000	3,059	\$528	\$165	\$144	\$9	\$0.3
\$200,000 under \$300,000	2,941	\$712	\$184	\$170	\$12	\$0.5
\$300,000 and over	6,787	\$37,938	\$959	\$928	\$75	\$5.3
<b>TOTAL TAXABLE RETURNS</b>	<b>59,497</b>	<b>\$41,092</b>	<b>\$2,257</b>	<b>\$2,024</b>	<b>\$137</b>	<b>\$7.7</b>
<b>NON-TAXABLE RETURNS</b>						
Loss	2,742	-\$4,017	-\$362			\$0.8
\$0 under \$5,000	5,121	\$5	-\$15			\$0.1
\$5,000 under \$10,000	992	\$7	-\$4		NOT APPLICABLE	\$0.0
\$10,000 and over	23,949	\$22,614	-\$616			\$5.9
<b>TOTAL NON-TAXABLE RETURNS</b>	<b>32,804</b>	<b>\$18,609</b>	<b>-\$996</b>			<b>\$6.7</b>
<b>OTAL ALL RETURNS</b>	<b>92,301</b>	<b>\$59,701</b>	<b>\$1,261</b>	<b>\$2,024</b>	<b>\$137</b>	<b>\$14</b>

Note: Details may not add to totals due to rounding.

\*The taxpayer's worldwide adjusted gross income as defined for Hawaii income tax purposes.



Table 6C shows for tax year 2015, 92,301 tax returns were filed by Hawaii nonresidents, an increase of 8.4% over the 85,182 filed for tax year 2014. Total Hawaii AGI reported by nonresidents amounted to \$1.3 billion for tax year 2015, up by 34.6% over the \$0.9 billion for tax year 2014.

**Table 6C**  
**Selected Data from Nonresident Tax Returns By Total (Worldwide) AGI Class - 2015 and 2014**  
(Dollar amounts are in millions)

Total AGI Class	2015		2014		Difference			
	No. Returns	Hawaii AGI	No. Returns	Hawaii AGI	No. Returns	% Change	Hawaii AGI	% Change
<b>TAXABLE RETURNS</b>								
Loss	295	\$20	266	\$17	29	10.9%	\$3	15.6%
\$0 under \$5,000	2,437	\$41	2,134	\$30	303	14.2%	\$11	37.1%
\$5,000 under \$10,000	4,014	\$20	3,570	\$18	444	12.4%	\$2	13.6%
\$10,000 under \$20,000	7,618	\$67	6,769	\$59	849	12.5%	\$8	13.4%
\$20,000 under \$30,000	6,271	\$82	5,693	\$75	578	10.2%	\$7	8.8%
\$30,000 under \$40,000	4,874	\$80	4,232	\$69	642	15.2%	\$11	16.1%
\$40,000 under \$50,000	3,814	\$76	3,475	\$69	339	9.8%	\$7	9.4%
\$50,000 under \$75,000	6,991	\$169	6,456	\$157	535	8.3%	\$12	7.8%
\$75,000 under \$100,000	4,758	\$160	4,600	\$145	158	3.4%	\$15	10.1%
\$100,000 under \$150,000	5,638	\$234	5,481	\$218	157	2.9%	\$16	7.5%
\$150,000 under \$200,000	3,059	\$165	2,833	\$148	226	8.0%	\$17	11.7%
\$200,000 under \$300,000	2,941	\$184	2,757	\$176	184	6.7%	\$8	4.5%
\$300,000 and over	6,787	\$959	6,326	\$793	461	7.3%	\$166	21.0%
<b>TOTAL TAXABLE RETURNS</b>	<b>59,497</b>	<b>\$2,257</b>	<b>54,592</b>	<b>\$1,976</b>	<b>4,905</b>	<b>9.0%</b>	<b>\$281</b>	<b>14.2%</b>
<b>NON-TAXABLE RETURNS</b>								
Loss	2,742	-\$362	3,009	-\$442	(267)	-8.9%	\$80	-18.1%
\$0 under \$5,000	5,121	-\$15	4,638	-\$16	483	10.4%	\$1	-6.2%
\$5,000 under \$10,000	992	-\$4	774	-\$3	218	28.2%	(\$1)	17.1%
\$10,000 and over	23,949	-\$616	22,169	-\$578	1,780	8.0%	(\$38)	6.5%
<b>TOTAL NON-TAXABLE RETURNS</b>	<b>32,804</b>	<b>-\$996</b>	<b>30,590</b>	<b>-\$1,039</b>	<b>2,214</b>	<b>7.2%</b>	<b>\$43</b>	<b>-4.1%</b>
<b>TOTAL ALL RETURNS</b>	<b>92,301</b>	<b>\$1,261</b>	<b>85,182</b>	<b>\$937</b>	<b>7,119</b>	<b>8.4%</b>	<b>\$324</b>	<b>34.6%</b>

Note: Details may not add to totals due to rounding.

### **State Nonresident Deductions and Personal Exemptions**

Nonresidents must prorate the standard deduction and personal exemption amounts to determine their Hawaii taxable income. The prorated amounts are determined using the ratio of Hawaii AGI to worldwide AGI. Hawaii AGI, less the prorated exemption amount, and less either the Hawaii itemized deductions or the prorated standard deduction, equals Hawaii taxable income. In 2015, 61,077 nonresident tax returns had the standard deduction and 31,224 nonresident tax returns had allowable itemized deductions. The nonresidents claimed prorated itemized deductions of \$1,140 million, but their allowable itemized deductions were only \$415 million. Their prorated standard deductions totaled \$77 million and their prorated exemptions totaled \$53 million.

### **State Nonresident Taxable income and Tax Liability**

As shown in Table 6B, income and Hawaii tax liability of the nonresidents is heavily skewed towards the high end of the income distribution. Nonresidents with taxable returns reported \$2.02 billion in taxable income in 2015 on total Hawaii AGI of \$2.26 billion. Their total Hawaii tax liability before tax credits was \$137 million, of which \$75 million (54%) was owed by nonresidents with worldwide AGI of \$300,000 or more. Though not shown in Table 6B, nonresidents had total Hawaii tax liability after tax credits of \$123 million, including negative amounts of tax owed by nonresidents with nontaxable returns. The average tax liability before tax credits per nonresident return with taxable income was \$2,306 and the average net tax liability after tax credits was \$2,064.

## Statistics from State Tax Returns of Residents Aged 65 or Older

Taxpayers aged 65 years or older may claim an extra personal exemption, the age exemption. A total of 184,026 age exemptions were claimed on 138,554 resident tax returns with the total age exemption cost of \$203 million in 2015<sup>2</sup>. The tax returns with the age exemption showed total Hawaii AGI of \$5.4 billion and total taxable income of \$4.5 billion. Slightly more than half of tax returns claiming an age exemption reported taxable income. Income taxes paid on the returns totaled \$329 million before tax credits and \$282 million after tax credits. The tax returns showed a total of \$148 million in standard deductions and a total of \$1.5 billion in itemized deductions.

State Tax returns filed using Form N-11 that included an age exemption showed \$2.8 billion in pension income that was exempt from Hawaii income tax and an additional \$1.3 billion in exempt Social Security benefits. Data on exempt pension and social security income are not available for residents filing Form N-13, however, the Form N-11 filings accounted for over 97% of the total number of age exemptions claimed by residents in 2015. Overall, the tax returns averaged \$39,366 in Hawaii AGI per return and \$2,037 per return in tax after tax credits. Selected data from resident tax returns with at least one age exemption are shown in Table 7.

**Table 7**  
**Selected Data on Resident Tax Returns With at Least One Age Exemption - 2015**  
(Dollar amounts are in millions)

	Taxable Returns	Nontaxable Returns	Total
Number of Tax Returns	71,561	66,793	138,554
Total Age Exemptions	94,893	89,133	184,026
Total Age Exemption Cost	\$102	\$102	\$203
Hawaii AGI	\$5,718	-\$272	\$5,446
Standard Deductions	\$67	\$81	\$148
Itemized Deductions	\$882	\$632	\$1,515
Taxable Income	\$4,528	na	\$4,528
Tax Liability Before Credits	\$329	na	\$329
Tax Liability After Credits	\$290	-\$8	\$282
Number of Taxpayers Over 65	67,743	65,925	133,668
Number of Taxpayers' Spouses Over 65	27,150	23,208	50,358

Note: "na" denotes "not applicable."

<sup>2</sup> Hawaii Taxpayers who are 65 or older may claim an additional regular personal exemption of \$1,144 (the age exemption) for tax year 2015, yet if their Hawaii AGI is more than \$89,981, the amount of the age exemption should be adjusted according to their Hawaii AGI.

## Statistics from State Tax Returns of Disabled Residents

A special personal exemption of \$7,000 is available to blind, deaf, or totally disabled taxpayers in lieu of the \$1,144 regular personal exemption. A disabled spouse on a joint tax return is also entitled to the \$7,000 exemption, but disabled taxpayers may not claim any additional exemptions for dependents or age, so the maximum allowable exemption on a joint tax return with two disabled taxpayers is \$14,000.

In 2015, a total of 5,432 disability exemptions were claimed on 5,296 resident tax returns with the total disability exemption cost of \$43 million. These tax returns showed Hawaii AGI of \$196 million, Hawaii taxable income of \$123 million, and Hawaii income taxes of \$8 million before tax credits and \$6 million after tax credits. Overall, the tax returns averaged \$37,066 in Hawaii AGI per return and \$1,215 per return in tax after tax credits. Selected data from the tax returns are shown in Table 8.

**Table 8**  
**Selected Data on State Resident Tax Returns With at Least One Disabled Exemption - 2015**  
(Dollar amounts are in millions)

	Taxable Returns	Nontaxable Returns	Total
Number of Tax Returns	2,986	2,310	5,296
Total Disability Exemptions	3,050	2,382	5,432
Total Disability Exemption Cost	\$24	\$19	\$43
Hawaii AGI	\$185	\$11	\$196
Standard Deductions	\$3	\$3	\$6
Itemized Deductions	\$34	\$33	\$68
Taxable income	\$123	na	\$123
Tax Liability Before Credits	\$8	na	\$8
Tax Liability After Credits	\$7	\$0	\$6
Number of Disabled Taxpayers	1,933	1,886	3,819
Number of Disabled Spouses	1,117	496	1,613

Note: "na" denotes "not applicable."

## Statistics from State Tax Returns of Dependent Residents

Taxpayers who may be claimed as dependents by other taxpayers may not claim a personal exemption for themselves. Dependents may itemize deductions or claim the standard deduction, which is the greater of \$500 or their earned income (up to the full standard deduction for their filing status).

As shown in Table 9, a total of 31,614 dependents filed tax returns for 2015, around 4% of the total returns filed. Among that, 31,412 or 99% of tax returns were filed by single dependents. Their Hawaii AGI totaled \$224 million and their taxable income totaled \$164 million. Their tax returns had tax liability before tax credits of \$6.9 million and tax liability after tax credits of \$6.7 million. Overall, the tax returns averaged \$7,088 in Hawaii AGI per return and \$213 per return in tax after tax credits.

**Table 9**  
**Selected Data on Tax Returns of Dependent Resident– 2015 and 2014**

(Dollar amounts are in millions)

	2015	2014	Growth Rate (%)
Number of Tax Returns	31,614	31,219	1.3%
Hawaii AGI	\$224	\$214	4.6%
Taxable income	\$164	\$156	5.5%
Tax Liability Before Credits	\$6.9	\$6.5	5.7%
Tax Liability After Credits	\$6.7	\$6.4	6.1%

Note: "na" denotes "not applicable."

## Statistics on Net Long-Term Capital Gains

Hawaii taxes long-term capital gains at 7.25% or the taxpayer's marginal tax rate on ordinary income, whichever is less. The alternative rate for long-term capital gains is a significant feature of Hawaii's income tax law because long-term capital gains income constitutes 9% of total taxable income.

Table 10 shows the distribution of long term capital gains by income class for Hawaii residents and nonresidents with taxable returns. As shown in the table, the capital gains are heavily concentrated on the high end of the income distribution.

**Table 10**  
**Income Eligible for the Tax Rate on Long-Term Capital Gains**  
(Dollar amounts are in millions)

Hawaii AGI Class	Long Term Capital Gains		Percent of Total Taxable Income		Tax Liability	
	Residents	Nonresidents	Residents	Nonresidents	Residents	Nonresidents
Less than \$5,000	-	-	-	-	-	-
\$5,000 under \$10,000	-	-	-	-	\$3.3	\$1.4
\$10,000 under \$20,000	-	-	-	-	\$27.9	\$5.0
\$20,000 under \$30,000	-	-	-	-	\$65.5	\$6.2
\$30,000 under \$40,000	\$3.9	\$0.7	0.2%	0.6%	\$93.6	\$5.9
\$40,000 under \$50,000	\$8.3	\$1.1	0.5%	1.2%	\$102.9	\$5.3
\$50,000 under \$75,000	\$29.9	\$6.0	0.8%	3.3%	\$230.3	\$11.1
\$75,000 under \$100,000	\$44.0	\$10.3	1.3%	7.3%	\$214.5	\$9.4
\$100,000 under \$150,000	\$103.4	\$23.3	2.2%	12.8%	\$324.0	\$12.7
\$150,000 under \$200,000	\$96.5	\$25.7	3.8%	21.9%	\$183.6	\$8.5
\$200,000 under \$300,000	\$162.2	\$44.1	7.3%	30.5%	\$169.6	\$10.8
\$300,000 and over	\$1,876.8	\$281.9	31.2%	39.7%	\$521.7	\$60.5
Total	\$2,324.9	\$393.1	8.3%	19.4%	\$1,936.8	\$136.8

Note: Details may not add to totals due to rounding.

A dash (-) denotes less than \$500,000 or less than 0.05%.

## **APPENDIX STATISTICAL TABLES**

**TABLE A-1**  
**SELECTED DATA FROM STATE RESIDENT TAX RETURNS BY HAWAII AGI CLASS - TAX YEAR 2015**  
(\$ in thousands)

Hawaii AGI CLASS	Number of Returns		Hawaii AGI		Taxable Income		Tax Liability	
	Number	%	Amount	%	Amount	%	Amount	%
<b>TAXABLE RESIDENT RETURNS</b>								
\$0 under \$5,000	14,952	2.9%	\$53,466	0.2%	\$16,493	0.1%	\$242	0.0%
\$5,000 under \$10,000	36,193	7.0%	\$273,916	0.8%	\$137,773	0.5%	\$3,254	0.2%
\$10,000 under \$20,000	74,249	14.3%	\$1,110,867	3.2%	\$717,090	2.5%	\$27,893	1.4%
\$20,000 under \$30,000	71,914	13.9%	\$1,793,431	5.2%	\$1,329,739	4.7%	\$65,495	3.4%
\$30,000 under \$40,000	62,582	12.1%	\$2,180,417	6.3%	\$1,695,211	6.0%	\$93,603	4.8%
\$40,000 under \$50,000	49,474	9.5%	\$2,213,940	6.4%	\$1,747,076	6.2%	\$102,892	5.3%
\$50,000 under \$75,000	76,488	14.7%	\$4,681,686	13.6%	\$3,696,856	13.1%	\$230,257	11.9%
\$75,000 under \$100,000	47,833	9.2%	\$4,142,354	12.0%	\$3,277,765	11.6%	\$214,546	11.1%
\$100,000 under \$150,000	48,601	9.4%	\$5,875,716	17.0%	\$4,717,778	16.8%	\$323,982	16.7%
\$150,000 under \$200,000	18,142	3.5%	\$3,101,612	9.0%	\$2,542,763	9.0%	\$183,592	9.5%
\$200,000 under \$300,000	10,454	2.0%	\$2,485,462	7.2%	\$2,233,585	7.9%	\$169,595	8.8%
\$300,000 and over	7,774	1.5%	\$6,622,873	19.2%	\$6,024,948	21.4%	\$521,712	26.9%
<b>TOTAL - TAXABLE RETURNS</b>	<b>518,656</b>	<b>100.0%</b>	<b>\$34,535,740</b>	<b>100.0%</b>	<b>\$28,137,078</b>	<b>100.0%</b>	<b>\$1,937,065</b>	<b>100.0%</b>
<b>NON-TAXABLE RESIDENT RETURNS</b>								
Loss	13,103	12.3%	-\$935,903					
\$0 under \$5,000	70,436	66.4%	\$78,904					
\$5,000 under \$10,000	11,062	10.4%	\$78,490				NOT APPLICABLE	
\$10,000 and over	11,507	10.8%	\$249,715					
<b>TOTAL - NONTAXABLE RETURNS</b>	<b>106,108</b>	<b>100.0%</b>	<b>-\$528,794</b>					
<b>TOTAL ALL RESIDENT RETURNS</b>	<b>624,765</b>		<b>\$34,006,946</b>		<b>\$28,137,078</b>		<b>\$1,937,065</b>	

Note: Details may not add to totals due to rounding.



**TABLE A-2**  
**SELECTED DATA ON ALL STATE TAX RETURNS, BY FILING STATUS AND BY HAWAII AGI CLASS - 2015**  
(\$ in thousands)

Hawaii AGI Class	Number of Returns			Hawaii AGI		
	Single*	Joint	H/H**	Single*	Joint	H/H*
<b>TAXABLE RESIDENT RETURNS</b>						
\$0 under \$5,000	14,936	7	9	\$53,398	\$26	\$41
\$5,000 under \$10,000	31,779	1,342	3,072	\$236,683	\$11,874	\$25,359
\$10,000 under \$20,000	51,613	11,072	11,564	\$765,339	\$170,324	\$175,205
\$20,000 under \$30,000	44,598	13,980	13,336	\$1,107,812	\$351,414	\$334,204
\$30,000 under \$40,000	36,011	14,721	11,850	\$1,252,708	\$515,904	\$411,805
\$40,000 under \$50,000	27,030	14,517	7,927	\$1,208,458	\$652,033	\$353,449
\$50,000 under \$75,000	34,045	33,229	9,214	\$2,054,589	\$2,070,103	\$556,994
\$75,000 under \$100,000	13,976	29,838	4,019	\$1,200,161	\$2,597,315	\$344,878
\$100,000 under \$150,000	8,374	37,863	2,364	\$986,186	\$4,611,145	\$278,385
\$150,000 under \$200,000	1,945	15,736	461	\$332,144	\$2,691,552	\$77,916
\$200,000 under \$300,000	1,353	8,798	303	\$322,736	\$2,090,265	\$72,461
\$300,000 and over	1,240	6,314	220	\$1,013,164	\$5,461,567	\$148,141
<b>TOTAL TAXABLE RETURNS</b>	<b>266,900</b>	<b>187,417</b>	<b>64,339</b>	<b>\$10,533,378</b>	<b>\$21,223,524</b>	<b>\$2,778,838</b>
<b>NON-TAXABLE RESIDENT RETURNS</b>						
Loss	7,547	5,105	451	-\$266,257	-\$574,551	-\$95,095
\$0 under \$5,000	51,667	15,542	3,227	\$51,792	\$20,861	\$6,250
\$5,000 under \$10,000	3,891	6,133	1,038	\$27,647	\$44,052	\$6,792
\$10,000 and over	3,762	7,251	494	\$78,812	\$159,715	\$11,189
<b>TOTAL NONTAXABLE RETURNS</b>	<b>66,867</b>	<b>34,031</b>	<b>5,210</b>	<b>-\$108,007</b>	<b>-\$349,923</b>	<b>-\$70,864</b>
<b>TOTAL ALL RESIDENT RETURNS</b>	<b>333,767</b>	<b>221,449</b>	<b>69,549</b>	<b>\$10,425,371</b>	<b>\$20,873,601</b>	<b>\$2,707,974</b>
<b>TOTAL ALL NONRESIDENT RETURNS</b>	<b>44,685</b>	<b>43,786</b>	<b>3,830</b>	<b>\$678,468</b>	<b>\$522,477</b>	<b>\$60,396</b>
<b>TOTAL ALL RETURNS</b>	<b>378,452</b>	<b>265,235</b>	<b>73,379</b>	<b>\$11,103,839</b>	<b>\$21,396,078</b>	<b>\$2,768,370</b>

Note: Details may not add to totals due to rounding.

\*Includes returns for married individuals filing separately.

\*\*Includes returns for heads of households and for qualifying spouses.

TABLE A-2 (Continued)  
 SELECTED DATA ON ALL STATE TAX RETURNS, BY FILING STATUS AND BY HAWAII AGI CLASS - 2015  
 (\$ in thousands)

Hawaii AGI Class			Taxable Income			Tax Liability		
			Single*	Joint	H/H**	Single*	Joint	H/H*
<b>TAXABLE RESIDENT RETURNS</b>								
\$0	under	\$5,000	\$16,483	\$8	\$2	\$242	\$0	\$0
\$5,000	under	\$10,000	\$129,191	\$1,634	\$6,949	\$3,129	\$23	\$103
\$10,000	under	\$20,000	\$551,631	\$66,721	\$98,738	\$23,521	\$1,396	\$2,975
\$20,000	under	\$30,000	\$893,376	\$197,041	\$239,322	\$48,048	\$6,852	\$10,595
\$30,000	under	\$40,000	\$1,043,998	\$332,860	\$318,353	\$62,597	\$14,573	\$16,433
\$40,000	under	\$50,000	\$1,014,889	\$451,786	\$280,402	\$64,702	\$22,372	\$15,818
\$50,000	under	\$75,000	\$1,713,281	\$1,538,428	\$445,148	\$116,151	\$86,719	\$27,387
\$75,000	under	\$100,000	\$996,562	\$2,005,865	\$275,338	\$71,606	\$124,650	\$18,290
\$100,000	under	\$150,000	\$871,415	\$3,624,270	\$222,093	\$65,258	\$243,083	\$15,641
\$150,000	under	\$200,000	\$303,403	\$2,171,232	\$68,128	\$23,399	\$155,118	\$5,075
\$200,000	under	\$300,000	\$300,658	\$1,866,376	\$66,551	\$24,696	\$139,797	\$5,102
\$300,000	and	over	\$933,557	\$4,949,862	\$141,530	\$86,404	\$422,372	\$12,936
<b>TOTAL TAXABLE RETURNS</b>			<b>\$8,768,443</b>	<b>\$17,206,081</b>	<b>\$2,162,553</b>	<b>\$589,754</b>	<b>\$1,216,957</b>	<b>\$130,354</b>
<b>NON-TAXABLE RESIDENT RETURNS</b>								
Loss								
\$0	under	\$5,000	NOT APPLICABLE			NOT APPLICABLE		
\$5,000	under	\$10,000						
\$10,000	and	over						
<b>TOTAL NON-TAXABLE RETURNS</b>								
<b>TOTAL ALL RESIDENT RETURNS</b>			<b>\$8,768,443</b>	<b>\$17,206,081</b>	<b>\$2,162,553</b>	<b>\$589,754</b>	<b>\$1,216,957</b>	<b>\$130,354</b>
<b>TOTAL ALL NONRESIDENT RETURNS</b>			<b>\$834,258</b>	<b>\$1,120,037</b>	<b>\$69,815</b>	<b>\$57,752</b>	<b>\$74,815</b>	<b>\$4,634</b>
<b>TOTAL ALL RETURNS</b>			<b>\$9,602,701</b>	<b>\$18,326,118</b>	<b>\$2,232,369</b>	<b>\$647,506</b>	<b>\$1,291,772</b>	<b>\$134,989</b>

Note: Details may not add to totals due to rounding.

\*Includes returns for married individuals filing separately.

\*\*Includes returns for heads of households and for qualifying spouses.

**TABLE A-3**  
**SELECTED DATA FROM STATE NON-RESIDENT TAX RETURNS BY HAWAII AGI CLASS - 2015**  
(\$ in thousands)

Hawaii AGI Class			Number of Returns	Hawaii AGI	Worldwide AGI*	Number of Exemptions		Hawaii Taxable Income	Hawaii Tax Liability
						Regular	Age		
<b>TAXABLE RETURNS</b>									
\$0	under	\$5,000	16,071	\$36,663	\$7,653,119	25,968	2,658	\$26,854	\$423
\$5,000	under	\$10,000	10,322	\$75,033	\$4,825,461	17,110	1,624	\$57,387	\$1,409
\$10,000	under	\$20,000	11,406	\$164,015	\$4,954,837	20,480	1,814	\$132,264	\$5,037
\$20,000	under	\$30,000	6,280	\$154,520	\$3,390,696	12,133	909	\$128,261	\$6,175
\$30,000	under	\$40,000	3,757	\$130,293	\$1,281,646	7,800	557	\$109,745	\$5,896
\$40,000	under	\$50,000	2,455	\$109,733	\$1,530,097	5,391	411	\$93,127	\$5,313
\$50,000	under	\$75,000	3,461	\$210,214	\$2,547,190	7,799	629	\$180,490	\$11,143
\$75,000	under	\$100,000	1,896	\$163,961	\$2,420,404	4,427	423	\$142,419	\$9,412
\$100,000	under	\$150,000	1,684	\$203,605	\$1,574,104	3,945	521	\$182,451	\$12,688
\$150,000	under	\$200,000	727	\$125,754	\$2,651,815	1,748	270	\$116,969	\$8,470
\$200,000	under	\$300,000	622	\$151,460	\$1,752,355	1,399	319	\$144,531	\$10,764
\$300,000	and	over	816	\$732,129	\$6,510,404	1,693	496	\$709,613	\$60,470
<b>TOTAL - TAXABLE RETURNS</b>			59,497	\$2,257,380	\$41,092,130	109,893	10,631	\$2,024,110	\$137,201
<b>NON-TAXABLE RETURNS</b>									
Loss			13,575	-\$1,018,841	\$10,232,657	28,425	7,540	NOT APPLICABLE	
\$0	under	\$5,000	18,129	\$5,451	\$7,744,751	34,911	5,165		
\$5,000	under	\$10,000	569	\$4,056	\$1,186,369	1,444	228		
\$10,000	and	over	531	\$13,173	-\$554,781	1,229	213		
<b>TOTAL - NONTAXABLE RETURNS</b>			32,804	-\$996,161	\$18,608,997	66,009	13,146		
<b>TOTAL ALL RETURNS</b>			92,301	\$1,261,220	\$59,701,126	175,902	23,777	\$2,024,110	\$137,201

Note: Details may not add to totals due to rounding.

\*The taxpayer's worldwide adjusted gross income as defined for Hawaii income tax purposes.

TABLE A-4  
TYPES OF STATE DEDUCTIONS BY HAWAII AGI CLASS - 2015  
(\$ in thousands)

Hawaii AGI Class	Contributions		Interest		Medical and Dental		Casualty Loss	
	No. Returns	Amount	No. Returns	Amount	No. Returns	Amount	No. Returns	Amount
<b>TAXABLE RESIDENT RETURNS</b>								
\$0 under \$5,000	67	\$52	18	\$17	61	\$93	1	\$0
\$5,000 under \$10,000	1,632	\$1,756	429	\$1,014	1,689	\$3,534	-	\$0
\$10,000 under \$20,000	8,646	\$12,541	3,551	\$15,567	6,731	\$20,555	14	\$38
\$20,000 under \$30,000	14,108	\$23,393	6,444	\$40,578	7,094	\$27,880	17	\$74
\$30,000 under \$40,000	19,527	\$32,555	8,974	\$67,682	6,171	\$27,060	17	\$82
\$40,000 under \$50,000	20,708	\$36,024	10,619	\$88,497	4,615	\$22,121	19	\$93
\$50,000 under \$75,000	41,152	\$82,067	26,448	\$244,917	6,736	\$38,398	43	\$437
\$75,000 under \$100,000	32,577	\$74,523	24,748	\$265,857	3,037	\$22,762	14	\$211
\$100,000 under \$150,000	37,120	\$104,456	33,312	\$426,897	1,921	\$20,918	27	\$314
\$150,000 under \$200,000	15,044	\$54,582	14,274	\$215,701	486	\$9,191	8	\$253
\$200,000 under \$300,000	7,956	\$47,807	7,894	\$140,365	247	\$7,133	8	\$709
\$300,000 and over	5,601	\$490,977	5,469	\$156,144	182	\$7,478	4	\$66
<b>TOTAL TAXABLE RETURNS</b>	<b>204,138</b>	<b>\$960,733</b>	<b>142,180</b>	<b>\$1,663,235</b>	<b>38,970</b>	<b>\$207,125</b>	<b>172</b>	<b>\$2,278</b>
<b>NON-TAXABLE RESIDENT RETURNS</b>								
Loss	751	\$2,611	4,267	\$48,254	6,138	\$45,068	22	\$486
\$0 under \$5,000	10,838	\$15,584	8,421	\$61,712	16,165	\$111,197	20	\$146
\$5,000 under \$10,000	5,604	\$9,774	3,785	\$29,178	6,369	\$45,959	12	\$123
\$10,000 and over	8,895	\$32,567	7,334	\$103,515	8,772	\$139,831	46	\$2,009
<b>TOTAL NONTAXABLE RETURNS</b>	<b>26,088</b>	<b>\$60,537</b>	<b>23,807</b>	<b>\$242,660</b>	<b>37,444</b>	<b>\$342,055</b>	<b>100</b>	<b>\$2,763</b>
<b>TOTAL ALL RESIDENT RETURNS</b>	<b>230,226</b>	<b>\$1,021,270</b>	<b>165,987</b>	<b>\$1,905,895</b>	<b>76,414</b>	<b>\$549,180</b>	<b>272</b>	<b>\$5,042</b>
<b>TOTAL ALL NONRESIDENT RETURNS</b>	<b>15,456</b>	<b>\$217,357</b>	<b>7,396</b>	<b>\$523,322</b>	<b>3,509</b>	<b>\$15,623</b>	<b>28</b>	<b>\$102</b>
<b>TOTAL ALL RETURNS</b>	<b>245,682</b>	<b>\$1,238,627</b>	<b>173,383</b>	<b>\$2,429,216</b>	<b>79,923</b>	<b>\$564,803</b>	<b>300</b>	<b>\$5,143</b>

Note: Details may not add to totals due to rounding.

TABLE A-4 (Continued)  
 TYPES OF STATE DEDUCTIONS BY HAWAII AGI CLASS - 2015  
 (\$ in thousands)

Hawaii AGI Class		Taxes		Miscellaneous Deductions		Total Allowable Itemized Deductions	
		No. Returns	Amount	No. Returns	Amount	No. Returns	Amount
<b>TAXABLE RESIDENT RETURNS</b>							
\$0 under	\$5,000	259	\$113	80	\$87	185	\$374
\$5,000 under	\$10,000	2,477	\$2,382	1,091	\$1,168	2,541	\$9,889
\$10,000 under	\$20,000	11,939	\$18,101	5,426	\$11,028	11,917	\$77,908
\$20,000 under	\$30,000	18,895	\$40,412	8,951	\$24,924	18,675	\$156,358
\$30,000 under	\$40,000	30,893	\$82,244	11,938	\$36,665	30,718	\$244,907
\$40,000 under	\$50,000	36,129	\$117,577	11,632	\$38,917	36,139	\$302,075
\$50,000 under	\$75,000	63,493	\$285,480	21,601	\$84,813	63,591	\$732,451
\$75,000 under	\$100,000	44,968	\$280,115	15,817	\$71,061	45,130	\$709,447
\$100,000 under	\$150,000	44,978	\$366,027	15,311	\$82,807	45,864	\$987,724
\$150,000 under	\$200,000	17,120	\$193,504	5,273	\$35,216	17,363	\$495,208
\$200,000 under	\$300,000	8,512	\$40,913	2,329	\$24,131	8,863	\$227,423
\$300,000 and over		5,977	\$48,563	1,430	\$82,180	6,111	\$591,434
<b>TOTAL TAXABLE RETURNS</b>		285,640	\$1,475,430	100,879	\$492,997	287,097	\$4,535,199
<b>NON-TAXABLE RESIDENT RETURNS</b>							
Loss		6,483	\$24,776	4,573	\$10,213	7,375	\$130,534
\$0 under	\$5,000	15,087	\$30,199	9,268	\$7,844	18,158	\$225,272
\$5,000 under	\$10,000	6,853	\$15,280	4,019	\$6,403	7,506	\$105,936
\$10,000 and over		10,730	\$53,043	5,544	\$34,591	11,375	\$363,212
<b>TOTAL NONTAXABLE RETURNS</b>		39,153	\$123,297	23,404	\$59,050	44,414	\$824,954
<b>TOTAL ALL RESIDENT RETURNS</b>		324,793	\$1,598,727	124,283	\$552,047	331,511	\$5,360,153
<b>TOTAL ALL NONRESIDENT RETURNS</b>		26,476	\$343,963	5,409	\$39,865	31,224	\$414,553
<b>TOTAL ALL RETURNS</b>		351,269	\$1,942,691	129,692	\$591,912	362,735	\$5,774,706

Note: Details may not add to totals due to rounding.

Table A-4 (Continued)  
Types of STATE Deductions By Hawaii AGI Class - 2015  
(\$ in thousands)

Hawaii AGI Class			Standard Deductions		Total Allowable and Standard Deductions		Disallowed Itemized Deductions	
			No. Returns	Amount	No. Returns	Amount	No. Returns	Amount
<b>TAXABLE RESIDENT RETURNS</b>								
\$0	under	\$5,000	15,038	\$30,511	15,223	\$30,885	-	\$0
\$5,000	under	\$10,000	34,099	\$80,479	36,640	\$90,368	-	\$0
\$10,000	under	\$20,000	62,963	\$167,821	74,880	\$245,730	-	\$0
\$20,000	under	\$30,000	53,606	\$148,458	72,281	\$304,816	7	\$904
\$30,000	under	\$40,000	32,223	\$96,868	62,941	\$341,775	29	\$1,380
\$40,000	under	\$50,000	13,484	\$48,207	49,623	\$350,282	28	\$1,154
\$50,000	under	\$75,000	13,069	\$51,188	76,660	\$783,639	104	\$3,662
\$75,000	under	\$100,000	2,749	\$10,240	47,879	\$719,687	680	\$5,082
\$100,000	under	\$150,000	2,744	\$7,542	48,608	\$995,267	1,255	\$13,695
\$150,000	under	\$200,000	779	\$2,336	18,142	\$497,545	9,712	\$13,239
\$200,000	under	\$300,000	1,591	\$6,184	10,454	\$233,607	8,903	\$33,634
\$300,000	and	over	1,663	\$6,480	7,774	\$597,914	6,189	\$193,973
<b>TOTAL TAXABLE RETURNS</b>			234,008	\$656,316	521,105	\$5,191,515	26,907	\$266,723
<b>NON-TAXABLE RESIDENT RETURNS</b>								
Loss			5,728	\$15,982	13,103	\$146,516	36	\$873
\$0	under	\$5,000	53,016	\$134,089	71,174	\$359,361	46	\$1,410
\$5,000	under	\$10,000	3,562	\$14,340	11,068	\$120,276	27	\$781
\$10,000	and	over	131	\$547	11,506	\$363,760	103	\$2,344
<b>TOTAL NONTAXABLE RETURNS</b>			62,437	\$164,958	106,851	\$989,912	212	\$5,409
<b>TOTAL ALL RESIDENT RETURNS</b>			296,445	\$821,274	627,956	\$6,181,427	27,119	\$272,132
<b>TOTAL ALL NONRESIDENT RETURNS</b>			61,077	\$45,656	92,301	\$460,210	1,324	\$725,167
<b>TOTAL ALL RETURNS</b>			357,522	\$866,930	720,257	\$6,641,636	28,443	\$997,299

Note: Details may not add to totals due to rounding.

TABLE A-5  
NUMBER OF DEPENDENTS, NUMBER OF EXEMPTIONS, TAX WITHHELD, PAYMENTS OF DECLARATION, AMOUNTS DUE, AND  
REFUNDS AND CARRIED FORWARD CREDITS BY HAWAII AGI CLASS - 2015

(\$ in thousands)

Hawaii AGI Class	Dependents		Exemptions			Tax Withheld	
	No. Returns	No. Dependents	No. Returns	No. Exemptions	Amount	No. Returns	Amount
<b>TAXABLE RESIDENT RETURNS</b>							
\$0 under \$5,000	95	95	5,337	5,833	\$6,673	11,881	\$1,544
\$5,000 under \$10,000	5,084	6,950	27,511	40,821	\$46,778	27,879	\$8,117
\$10,000 under \$20,000	19,314	33,556	68,755	129,288	\$149,611	59,899	\$39,418
\$20,000 under \$30,000	21,573	38,412	70,866	137,594	\$159,807	63,567	\$78,884
\$30,000 under \$40,000	19,836	35,426	62,343	124,064	\$144,288	57,340	\$107,405
\$40,000 under \$50,000	15,550	27,710	49,375	100,529	\$116,971	45,790	\$114,504
\$50,000 under \$75,000	27,411	49,971	76,431	173,696	\$201,769	71,125	\$247,118
\$75,000 under \$100,000	21,383	39,856	47,814	125,530	\$145,087	45,083	\$223,987
\$100,000 under \$150,000	25,494	47,731	48,591	141,936	\$162,700	45,920	\$320,735
\$150,000 under \$200,000	10,147	18,788	18,134	55,983	\$61,304	16,834	\$165,654
\$200,000 under \$300,000	5,423	9,847	10,448	31,924	\$18,270	9,167	\$118,995
\$300,000 and over	3,501	6,508	7,765	23,678	\$10	6,229	\$160,160
<b>TOTAL TAXABLE RETURNS</b>	<b>174,811</b>	<b>314,850</b>	<b>493,370</b>	<b>1,090,876</b>	<b>\$1,213,269</b>	<b>460,714</b>	<b>\$1,586,520</b>
<b>NON-TAXABLE RESIDENT RETURNS</b>							
Loss	1,358	2,090	12,753	30,446	\$36,116	2,093	\$2,558
\$0 under \$5,000	5,962	9,153	64,459	143,043	\$168,948	15,782	\$1,720
\$5,000 under \$10,000	2,310	4,663	11,045	33,551	\$40,408	3,544	\$1,091
\$10,000 and over	1,917	3,593	11,497	35,427	\$43,616	4,212	\$4,553
<b>TOTAL NONTAXABLE RETURNS</b>	<b>11,547</b>	<b>19,499</b>	<b>99,754</b>	<b>242,467</b>	<b>\$289,088</b>	<b>25,631</b>	<b>\$9,921</b>
<b>TOTAL ALL RESIDENT RETURNS</b>	<b>186,358</b>	<b>334,349</b>	<b>593,124</b>	<b>1,333,343</b>	<b>\$1,502,357</b>	<b>486,345</b>	<b>\$1,596,441</b>
<b>TOTAL ALL NONRESIDENT</b>	<b>24,347</b>	<b>44,736</b>	<b>87,261</b>	<b>199,793</b>	<b>\$52,998</b>	<b>44,178</b>	<b>\$73,955</b>
<b>TOTAL ALL RETURNS</b>	<b>210,705</b>	<b>379,085</b>	<b>680,385</b>	<b>1,533,136</b>	<b>\$1,555,355</b>	<b>530,523</b>	<b>\$1,670,396</b>

Note: Details may not add to totals due to rounding.

TABLE A-5 (Continued)  
NUMBER OF DEPENDENTS, NUMBER OF EXEMPTIONS, TAX WITHHELD, PAYMENTS OF DECLARATION, AMOUNTS DUE, AND  
REFUNDS AND CARRIED FORWARD CREDITS BY HAWAII AGI CLASS - 2015  
(\$ in thousands)

Hawaii AGI Class			Payments of Declaration*		Amounts Due**		Refunds and Amounts Credited***	
			No. Returns	Amount	No. Returns	Amount	No. Returns	Amount
<b>TAXABLE RESIDENT RETURNS</b>								
\$0	under	\$5,000	267	\$73	1,684	\$40	13,112	\$1,863
\$5,000	under	\$10,000	665	\$292	3,672	\$243	32,310	\$8,300
\$10,000	under	\$20,000	2,585	\$1,779	11,450	\$2,522	62,470	\$24,426
\$20,000	under	\$30,000	3,484	\$3,702	10,684	\$4,340	60,885	\$29,511
\$30,000	under	\$40,000	3,341	\$4,869	9,914	\$5,287	52,357	\$29,599
\$40,000	under	\$50,000	3,055	\$5,628	8,654	\$5,817	40,634	\$27,231
\$50,000	under	\$75,000	5,831	\$14,648	16,613	\$13,897	59,540	\$52,579
\$75,000	under	\$100,000	4,241	\$14,390	11,155	\$12,439	36,520	\$44,629
\$100,000	under	\$150,000	5,775	\$25,417	12,548	\$19,478	35,930	\$56,329
\$150,000	under	\$200,000	3,511	\$23,357	5,038	\$13,561	13,036	\$28,290
\$200,000	under	\$300,000	3,811	\$37,259	5,014	\$20,475	5,357	\$17,276
\$300,000	and	over	4,934	\$343,033	3,628	\$53,030	4,047	\$91,238
<b>TOTAL TAXABLE RETURNS</b>			<b>41,500</b>	<b>\$474,445</b>	<b>100,054</b>	<b>\$151,128</b>	<b>416,198</b>	<b>\$411,270</b>
<b>NON-TAXABLE RESIDENT RETURNS</b>								
	Loss		633	\$2,120	3	\$0	10,337	\$8,458
\$0	under	\$5,000	813	\$684	31	\$1	60,117	\$9,751
\$5,000	under	\$10,000	504	\$543	1	\$0	8,454	\$3,462
\$10,000	and	over	1,365	\$3,556	8	\$2	8,115	\$9,832
<b>TOTAL NONTAXABLE RETURNS</b>			<b>3,315</b>	<b>\$6,903</b>	<b>43</b>	<b>\$3</b>	<b>87,023</b>	<b>\$31,502</b>
<b>TOTAL ALL RESIDENT RETURNS</b>			<b>44,815</b>	<b>\$481,349</b>	<b>100,097</b>	<b>\$151,132</b>	<b>503,221</b>	<b>\$442,772</b>
<b>TOTAL ALL NONRESIDENT</b>			<b>10,360</b>	<b>\$122,508</b>	<b>15,053</b>	<b>\$20,291</b>	<b>50,597</b>	<b>\$93,927</b>
<b>TOTAL ALL RETURNS</b>			<b>55,175</b>	<b>\$603,857</b>	<b>115,150</b>	<b>\$171,422</b>	<b>553,818</b>	<b>\$536,699</b>

Note: Details may not add to totals due to rounding.

\* Includes estimated tax payments, extension payments and carryovers of credits from the prior year.

\*\*Equal to the tax liability after tax credits less tax withheld and less payments of declaration.

\*\*\*Equal to the sum of refunds plus amounts credited to the 2016 estimated taxes and plus check-box donations to school repair, public library, and domestic violence funds.



**TABLE A-6**  
**AVERAGE STATE TAX LIABILITIES AND EFFECTIVE TAX RATES FOR RESIDENT RETURNS,**  
**BEFORE AND AFTER TAX CREDITS, BY HAWAII AGI CLASS - 2015**  
(\$ in thousands)

Hawaii AGI Class			Income Tax Liability				Effective Tax Rates (%)			
			Before Credits		After Credits		Based on Taxable Income		Based on Hawaii AGI	
			Total	Average	Total	Average	Before Credits	After Credits	Before Credits	After Credits
<b>TAXABLE RESIDENT RETURNS</b>										
\$0	under	\$5,000	\$242	\$0.0	-\$206	\$0.0	1.5%	-1.3%	0.5%	-0.4%
\$5,000	under	\$10,000	\$3,254	\$0.1	\$352	\$0.0	2.4%	0.3%	1.2%	0.1%
\$10,000	under	\$20,000	\$27,893	\$0.4	\$19,293	\$0.3	3.9%	2.7%	2.5%	1.7%
\$20,000	under	\$30,000	\$65,495	\$0.9	\$57,416	\$0.8	4.9%	4.3%	3.7%	3.2%
\$30,000	under	\$40,000	\$93,603	\$1.5	\$87,962	\$1.4	5.5%	5.2%	4.3%	4.0%
\$40,000	under	\$50,000	\$102,892	\$2.1	\$98,718	\$2.0	5.9%	5.7%	4.6%	4.5%
\$50,000	under	\$75,000	\$230,257	\$3.0	\$223,084	\$2.9	6.2%	6.0%	4.9%	4.8%
\$75,000	under	\$100,000	\$214,546	\$4.5	\$206,187	\$4.3	6.5%	6.3%	5.2%	5.0%
\$100,000	under	\$150,000	\$323,982	\$6.7	\$309,301	\$6.4	6.9%	6.6%	5.5%	5.3%
\$150,000	under	\$200,000	\$183,592	\$10.1	\$174,282	\$9.6	7.2%	6.9%	5.9%	5.6%
\$200,000	under	\$300,000	\$169,595	\$16.2	\$159,452	\$15.3	7.6%	7.1%	6.8%	6.4%
\$300,000	and	over	\$521,712	\$67.1	\$464,985	\$59.8	8.7%	7.7%	7.9%	7.0%
<b>TOTAL TAXABLE RETURNS</b>			\$1,937,065	\$3.7	\$1,800,824	\$3.5	6.9%	6.4%	5.6%	5.2%
<b>NON-TAXABLE RESIDENT RETURNS</b>										
Loss					-\$3,780	-\$0.3				
\$0	under	\$5,000			-\$7,346	-\$0.1				
\$5,000	under	\$10,000	NOT APPLICABLE		-\$1,828	-\$0.2	NOT APPLICABLE			
\$10,000	and	over			-\$1,830	-\$0.2				
<b>TOTAL NONTAXABLE RETURNS</b>					-\$14,784	-\$0.1				
<b>TOTAL ALL RESIDENT RETURNS</b>			\$1,937,065	\$3.1	\$1,786,041	\$2.9				

Note: Details may not add to totals due to rounding.

**TABLE A-7**  
**HAWAII AGI, STATE TAXABLE INCOME, TAX LIABILITY, AND DEDUCTIONS CLAIMED BY RESIDENTS BY TAX DISTRICT - 2015**  
(\$ in thousands)

Tax Statistic	Tax District							
	Oahu (District 1)		Maui (District 2)		Hawaii (District 3)		Kauai (District 4)	
	No. Returns	Amount	No. Returns	Amount	No. Returns	Amount	No. Returns	Amount
Hawaii AGI	439,578	\$25,235,420	73,219	\$3,586,441	79,902	\$3,597,925	32,066	\$1,587,161
Taxable Income	366,743	\$20,873,365	61,863	\$2,992,957	63,350	\$2,940,827	26,701	\$1,329,926
Standard Deduction	201,383	\$553,756	34,114	\$95,169	42,068	\$120,543	15,689	\$44,198
Tax before Credits	366,168	\$1,447,581	61,769	\$200,985	63,245	\$199,118	26,645	\$89,383
Tax after Credits	412,983	\$1,347,204	69,211	\$179,956	75,334	\$177,272	30,429	\$81,610
<u>Itemized Deductions:</u>								
Contributions	167,639	\$798,370	27,412	\$78,471	24,067	\$111,727	11,108	\$32,702
Interest	117,202	\$1,401,567	18,707	\$217,703	21,859	\$199,910	8,219	\$86,715
Medical and Dental	53,636	\$402,931	8,619	\$54,007	10,307	\$67,732	3,852	\$24,509
Casualty Loss	176	\$2,672	37	\$1,048	47	\$752	12	\$570
Taxes	233,090	\$1,185,131	38,360	\$167,446	37,234	\$170,264	16,109	\$76,691
Miscellaneous	87,267	\$387,304	16,942	\$75,152	13,507	\$61,438	6,567	\$28,153
Disallowed Itemized Deductions	21,578	\$209,393	2,481	\$19,790	2,074	\$28,452	986	\$11,796
Total Itemized Deductions	238,195	\$3,966,296	39,105	\$573,621	37,834	\$582,842	16,377	\$237,394

Note: Details may not add to totals due to rounding.

**TABLE A-8**  
**SOURCES OF INCOME ON ALL RETURNS FILED BY Hawaii AGI CLASS - 2015**

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	11,677	\$ 42,192,118	1,677	\$ 1,216,310	1,923	\$ 563,427
\$ 5,000 "	27,070	200,481,791	3,152	5,828,148	4,821	2,924,292
10,000 "	57,567	835,294,525	7,480	20,165,702	11,895	9,369,456
20,000 "	60,715	1,461,889,988	7,614	25,758,777	12,239	10,364,223
30,000 "	54,916	1,840,870,501	7,506	26,633,704	12,608	9,252,857
40,000 "	43,820	1,866,674,392	7,004	25,040,698	12,262	7,634,961
50,000 "	67,514	3,871,828,588	14,433	55,860,072	24,727	16,821,721
75,000 "	42,396	3,393,492,643	10,949	43,647,841	19,448	12,669,354
100,000 "	42,556	4,655,245,063	14,713	60,698,713	24,135	16,479,171
150,000 "	15,051	2,236,796,213	7,274	41,276,513	10,516	9,855,216
200,000 "	7,552	1,424,122,966	4,880	49,109,004	6,337	9,967,543
300,000 and over	4,285	1,380,447,220	3,554	120,027,935	4,359	28,076,594
TOTAL - TAXABLE RETURNS	435,119	\$ 23,209,336,008	90,236	\$ 475,263,417	145,270	\$ 133,978,815
<u>NONTAXABLE RESIDENT RETURNS</u>						
Loss	1,741	\$ 32,012,599	3,387	\$ 7,417,804	5,663	\$ 5,699,248
\$ 0 under \$ 5,000	15,726	44,657,709	8,666	9,266,960	22,244	10,830,612
5,000 "	3,447	25,109,793	3,782	8,613,785	5,878	5,194,569
10,000 and over	3,836	78,860,176	4,796	25,362,180	6,580	8,848,016
TOTAL - NONTAXABLE RETURNS	24,750	\$ 180,640,277	20,631	\$ 50,660,729	40,365	\$ 30,572,445
ALL RESIDENT RETURNS	459,869	\$ 23,389,976,285	110,867	\$ 525,924,146	185,635	\$ 164,551,260
ALL NONRESIDENT RETURNS	17,984	\$ 976,614,367	2,972	\$ 12,885,596	4,876	\$ 3,897,836
TOTAL - ALL RETURNS	477,853	\$ 24,366,590,652	113,839	\$ 538,809,742	190,511	\$ 168,449,096

TABLE A-8 (continued)  
SOURCES OF INCOME ON ALL RETURNS FILED BY Hawaii AGI CLASS - 2015

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	1,008	\$ 3,752,101	88	\$ 308,369	1,171	\$ 1,428,756	215	\$ 394,069
5,000	"	10,000	4,002	27,808,442	402	2,060,274	1,801	4,574,136	696	1,572,719
10,000	"	20,000	8,525	95,725,556	1,314	8,024,971	4,217	16,643,615	1,824	4,321,714
20,000	"	30,000	5,827	81,560,988	1,793	10,910,472	4,291	22,631,769	2,036	4,755,511
30,000	"	40,000	4,618	71,032,546	1,932	11,580,504	4,234	25,372,343	1,966	4,595,844
40,000	"	50,000	4,151	71,245,996	1,748	10,837,479	4,110	27,909,685	1,814	4,817,836
50,000	"	75,000	7,755	151,364,511	3,434	20,249,779	8,375	65,606,685	3,574	9,011,076
75,000	"	100,000	5,499	117,903,652	2,487	13,810,646	6,472	61,509,410	2,781	7,262,663
100,000	"	150,000	6,201	168,394,431	2,719	14,425,706	9,009	114,446,770	3,603	9,803,000
150,000	"	200,000	2,479	107,864,610	979	6,607,620	4,762	93,163,610	1,846	5,084,692
200,000	"	300,000	1,610	113,729,806	550	3,761,000	3,541	142,352,730	1,427	4,135,584
300,000	and over		1,160	187,688,244	327	6,015,285	2,784	603,212,611	1,275	7,494,993
TOTAL - TAXABLE RETURNS			52,835	\$ 1,198,070,883	17,773	\$ 108,592,105	54,767	\$ 1,178,852,120	23,057	\$63,249,701
<u>NONTAXABLE RESIDENT RETURNS</u>										
	Loss		1,063	\$ 12,275,364	2,335	\$ 31,081,904	1,072	\$ 12,511,281	3,700	\$ 25,912,007
\$ 0	under	5,000	3,937	10,749,817	633	2,715,916	2,893	3,968,366	2,181	5,495,176
5,000	"	10,000	1,369	9,329,278	369	2,383,012	1,696	4,610,794	1,166	2,872,603
10,000	and over		1,432	17,956,387	590	5,169,586	2,616	17,702,092	1,717	5,512,425
TOTAL - NONTAXABLE RETURNS			7,801	\$ 50,310,846	3,927	\$ 41,350,418	8,277	\$38,792,533	8,764	\$ 39,792,211
ALL RESIDENT RETURNS			60,636	\$ 1,248,381,729	21,700	\$149,942,523	63,044	\$ 1,217,644,653	31,821	\$ 103,041,912
ALL NONRESIDENT RETURNS			1,691	\$ 27,540,621	660	\$ 4,450,218	2,262	\$ 76,010,698	1,049	\$5,739,545
TOTAL - ALL RETURNS			62,327	\$ 1,275,922,350	22,360	\$154,392,741	65,306	\$ 1,293,655,351	32,870	\$ 108,781,457

TABLE A-8 (continued)  
SOURCES OF INCOME ON ALL RETURNS FILED BY Hawaii AGI CLASS - 2015

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
<u>TAXABLE RESIDENT RETURNS</u>										
	Under	\$ 5,000	98	\$ 390,216	41	\$ 224,315	62	\$ 169,986	41	\$ 126,734
\$ 5,000	"	10,000	820	4,700,027	247	1,669,188	223	1,343,201	139	687,868
10,000	"	20,000	2,546	21,434,672	971	6,447,743	767	6,705,069	533	3,248,737
20,000	"	30,000	2,383	23,301,849	1,275	10,685,516	871	9,634,135	578	2,915,612
30,000	"	40,000	2,202	22,899,160	1,516	12,604,242	896	12,883,560	641	4,506,484
40,000	"	50,000	2,056	22,032,607	1,567	14,072,054	919	15,572,677	682	5,484,511
50,000	"	75,000	4,344	49,302,789	3,818	34,697,801	2,049	42,302,375	1,447	11,067,380
75,000	"	100,000	3,422	39,054,092	3,256	29,575,273	1,761	47,855,522	1,216	11,000,494
100,000	"	150,000	4,605	55,576,889	4,200	32,689,654	2,576	97,263,049	1,838	17,799,207
150,000	"	200,000	2,505	36,713,769	1,387	13,515,727	1,529	82,816,306	1,121	13,802,145
200,000	"	300,000	1,864	38,526,546	1,116	14,055,733	1,605	136,157,516	1,211	20,244,804
300,000	and over		1,527	75,216,368	1,056	23,574,145	1,919	583,118,630	1,504	67,001,273
TOTAL - TAXABLE RETURNS			28,372	\$389,148,984	20,450	\$193,811,391	15,177	\$1,035,822,026	10,951	\$157,885,249
<u>NONTAXABLE RESIDENT RETURNS</u>										
	Loss		1,278	\$11,680,120	2,712	\$ 42,347,757	438	\$ 11,693,613	917	\$27,900,997
\$ 0	under	\$ 5,000	1,695	5,568,653	873	6,270,931	349	2,123,532	379	2,862,885
5,000	"	10,000	1,284	7,019,874	602	4,755,816	235	1,123,654	229	1,588,080
10,000	and over		1,959	20,032,769	1,141	13,179,320	527	8,636,100	547	8,370,790
TOTAL - NONTAXABLE RETURNS			6,216	\$44,301,416	5,328	\$ 66,553,824	1,549	\$ 23,576,899	2,072	\$ 40,722,752
ALL RESIDENT RETURNS			34,588	\$433,450,400	25,778	\$ 260,365,215	16,726	\$ 1,059,398,925	13,023	\$198,608,001
ALL NONRESIDENT RETURNS			1,381	\$ 11,853,246	1,709	\$ 19,120,233	358	\$ 19,244,254	270	\$ 4,116,227
TOTAL - ALL RETURNS			35,969	\$ 445,303,646	27,487	\$ 279,485,448	17,084	\$ 1,078,643,179	13,293	\$202,724,228

TABLE A-8 (continued)  
SOURCES OF INCOME ON ALL RETURNS FILED BY Hawaii AGI CLASS - 2015

ADJUSTED GROSS INCOME CLASS			EASATES AND TRUSTS		UNEMPLOYMENT COMPENSATION		PENSIONS AND ANNUITIES		TAXABLE IRA DISTRIBUTIONS	
			Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount
<u>TAXABLE RESIDENT RETURNS</u>										
	Under	\$ 5,000	33	\$ 47,175	65	\$ 176,907	516	\$ 5,412,140	197	\$ 919,556
\$ 5,000	"	10,000	72	286,594	588	1,938,392	3,686	66,361,921	1,944	12,086,412
10,000	"	20,000	241	1,317,824	2,328	9,795,258	9,778	224,857,574	5,480	52,839,397
20,000	"	30,000	231	1,572,275	2,859	14,088,565	9,258	230,072,696	4,938	64,049,659
30,000	"	40,000	277	2,724,073	2,642	14,127,690	8,186	199,337,790	4,144	61,257,299
40,000	"	50,000	216	2,255,888	2,041	11,206,360	6,921	167,006,075	3,282	55,382,805
50,000	"	75,000	446	5,636,362	3,853	19,972,163	12,013	305,521,114	5,776	108,818,212
75,000	"	100,000	368	5,904,941	2,668	12,870,369	8,186	205,657,023	3,611	74,827,862
100,000	"	150,000	447	8,704,877	2,117	9,811,487	8,655	228,757,968	3,760	88,600,093
150,000	"	200,000	231	5,321,466	461	2,191,151	3,263	95,222,884	1,567	42,871,662
200,000	"	300,000	249	10,323,209	151	816,963	1,877	75,235,249	1,164	43,246,769
300,000	and over		228	19,157,731	51	341,786	1,205	68,893,430	829	35,219,196
TOTAL - TAXABLE RETURNS			3,039	\$ 63,252,415	19,824	\$ 97,337,091	73,544	\$ 1,872,335,864	36,692	\$ 640,118,922
<u>NONTAXABLE RESIDENT RETURNS</u>										
	Loss		94	\$ (35,938)	69	\$ 357,070	5,675	\$ 274,205,073	2,108	\$ 36,029,598
\$ 0	under	\$ 5,000	87	512,945	233	527,412	29,287	855,854,606	8,767	81,838,440
5,000	"	10,000	105	435,078	140	508,922	6,403	241,134,860	3,761	36,938,201
10,000	and over		183	1,336,939	225	1,449,613	6,933	329,254,004	4,373	72,954,413
TOTAL - NONTAXABLE RETURNS			469	\$ 2,249,024	667	\$ 2,843,017	48,298	\$1,700,448,543	19,009	\$ 227,760,652
ALL RESIDENT RETURNS			3,508	\$ 65,501,439	20,491	\$ 100,180,108	121,842	\$3,572,784,407	55,701	\$ 867,879,574
ALL NONRESIDENT RETURNS			68	\$ 2,027,889	797	\$ 4,331,542	2,200	\$ 14,744,162	755	\$ 16,639,582
TOTAL - ALL RETURNS			3,576	\$ 67,529,328	21,288	\$ 104,511,650	124,042	\$3,587,528,569	56,456	\$ 884,519,156

TABLE A-8 (continued)  
SOURCES OF INCOME ON ALL RETURNS FILED BY Hawaii AGI CLASS - 2015

ADJUSTED GROSS INCOME CLASS			STATE TAX REFUND INCOME		FEDERALLY-TAXABLE SOCIAL SECURITY		MISCELLANEOUS SOURCES		UNKOWN SOURCES <sup>3</sup>	
			Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount
<u>TAXABLE RESIDENT RETURNS</u>										
	Under	\$5,000	48	\$ 24,186	121	\$ 910,978	445	\$ 752,331	1,272	\$4,237,534
5,000	"	10,000	314	149,436	1,649	16,119,794	1,102	2,302,472	3,727	22,762,020
10,000	"	20,000	1,590	1,137,085	7,063	80,276,516	2,376	6,409,301	9,219	76,427,394
20,000	"	30,000	3,691	2,970,730	9,356	111,103,859	2,341	6,015,098	10,643	117,744,469
30,000	"	40,000	6,357	5,824,991	8,275	122,034,116	2,289	6,747,871	8,625	137,140,662
40,000	"	50,000	8,125	8,218,333	6,284	113,707,377	2,049	7,436,099	6,445	137,270,472
50,000	"	75,000	20,710	23,742,455	9,359	196,474,067	4,209	15,632,583	10,054	328,446,586
75,000	"	100,000	19,884	26,222,475	4,889	110,224,730	3,269	13,026,406	6,200	325,120,277
100,000	"	150,000	25,803	39,709,499	4,267	105,837,054	4,169	15,083,092	6,633	526,609,416
150,000	"	200,000	10,238	18,892,141	1,583	45,085,229	1,865	8,221,540	3,176	403,469,073
200,000	"	300,000	3,949	9,384,154	1,212	40,828,914	1,188	8,620,875	2,739	534,575,069
300,000	and over		1,585	9,935,141	1,111	44,957,820	952	28,983,894	3,282	3,650,045,141
TOTAL - TAXABLE RETURNS			102,294	\$ 146,210,626	55,169	\$ 987,560,454	26,254	\$119,231,562	72,105	\$6,263,848,113
<u>NONTAXABLE RESIDENT RETURNS</u>										
	Loss		609	\$ 746,708	3,432	\$ 53,217,502	2,899	\$(258,071,739)	4,920	\$(330,567,758)
\$ 0	under	5,000	1,408	934,899	16,406	177,922,064	3,243	(521,298)	16,860	60,286,040
5,000	"	10,000	695	736,161	4,706	70,922,702	1,135	1,503,743	3,917	30,914,878
10,000	and over		1,950	2,982,812	6,646	127,901,460	1,522	5,415,105	5,681	79,341,981
TOTAL - NONTAXABLE RETURNS			4,662	\$ 5,400,580	31,190	\$429,963,728	8,799	\$(251,674,189)	31,378	\$(160,024,859)
ALL RESIDENT RETURNS			106,956	\$ 151,611,206	86,359	\$1,417,524,182	35,053	\$(132,442,627)	103,393	\$6,103,823,254
ALL NONRESIDENT RETURNS			1,852	\$ 3,025,747	NA	NA	1,337	\$(13,108,093)	67,778	\$886,827,974
TOTAL - ALL RETURNS			108,808	\$ 154,636,953	86,359	\$1,417,524,182	36,390	\$(145,550,720)	171,171	\$6,990,651,228

<sup>3</sup> Items not on Hawaii return and federal return not available in IRS data set.

TABLE A-8 (continued)  
SOURCES OF INCOME ON ALL RETURNS FILED BY Hawaii AGI CLASS - 2015

ADJUSTED GROSS INCOME CLASS			FEDERAL AGI		ITEMS TAXED BY HAWAII BUT NOT BY FEDERAL*		ITEMS TAXED BY FEDERAL BUT NOT BY HAWAII**		HAWAII AGI	
			Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount	Number of Returns	Amount
<u>TAXABLE RESIDENT RETURNS</u>										
	Under	\$ 5,000	14,952	\$ 60,051,390	484	\$ 763,538	755	\$ 7,348,973	14,952	\$ 53,465,955
	5,000	" 10,000	36,193	357,139,965	2,044	3,816,667	4,121	87,040,625	36,193	273,916,007
	10,000	" 20,000	74,249	1,417,506,020	6,666	11,072,382	11,963	317,711,060	74,249	1,110,867,342
	20,000	" 30,000	71,914	2,129,663,719	10,456	17,542,761	14,500	353,775,698	71,914	1,793,430,782
	30,000	" 40,000	62,582	2,491,577,090	13,908	26,131,145	14,482	337,291,085	62,582	2,180,417,150
	40,000	" 50,000	49,474	2,473,253,072	15,220	34,000,383	12,813	293,312,991	49,474	2,213,940,464
	50,000	" 75,000	76,488	5,120,793,154	30,127	89,771,840	22,254	528,879,424	76,488	4,681,685,570
	75,000	" 100,000	47,833	4,390,191,127	19,337	93,642,135	16,040	341,478,807	47,833	4,142,354,455
	100,000	" 150,000	48,601	6,068,736,640	24,477	175,426,016	19,495	368,446,603	48,601	5,875,716,053
	150,000	" 200,000	18,142	3,169,206,509	9,206	89,483,244	8,196	157,077,593	18,142	3,101,612,160
	200,000	" 300,000	10,454	2,560,798,259	4,756	61,599,322	5,717	136,935,920	10,454	2,485,461,661
	300,000	and over	7,774	6,658,887,367		192,094,498	4,962	228,109,301	7,774	6,622,872,564
TOTAL - TAXABLE RETURNS			518,656	\$36,897,804,312	140,570	\$795,343,931	135,298	\$3,157,408,080	518,656	\$ 34,535,740,163
<u>NONTAXABLE RESIDENT RETURNS</u>										
	Loss		13,103	\$(470,404,050)	2,811	\$66,506,937	8,108	\$ 532,006,093	13,103	\$ (935,903,206)
	\$ 0 under	\$ 5,000	70,437	1,122,611,663	3,224	7,010,513	31,975	1,050,718,361	70,437	78,903,815
	5,000	" 10,000	11,062	398,080,212	1,916	3,744,873	6,732	323,334,794	11,062	78,490,291
	10,000	and over	11,507	699,553,824	3,904	20,228,168	9,043	470,066,730	11,507	249,715,262
TOTAL - NONTAXABLE RETURNS			106,109	\$1,749,841,649	11,855	\$97,490,491	55,858	\$2,376,125,978	106,109	\$ (528,793,838)
ALL RESIDENT RETURNS			624,765	\$38,647,645,961	152,425	\$892,834,422	191,156	\$ 5,533,534,058	624,765	\$ 34,006,946,325
ALL NONRESIDENT RETURNS				not available		not meaningful	12,451	\$ 56,595,976	92,301	\$1,261,219,502
TOTAL - ALL RETURNS			624,765	\$38,647,645,961	152,425	\$ 892,834,422	203,607	\$5,590,130,034	717,066	\$35,268,165,827

Note: \* include Difference in state/federal wages due to COLA, ERS, Interest on out-of-state bonds, Other Hawaii additions to federal AGI



\*\*include Pensions, Social Security, Payments to an Individual Housing Account, and Exceptional Trees Deduction, and First \$6,279 of Military Reserve or Hawaii National Guard Duty Pay, and Other Hawaii subtractions from Federal AGI.  
Details may not add to totals due to rounding.

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# **Hawaii Business Income Tax Statistics**

**Tax Year 2015**

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**DEPARTMENT OF TAXATION  
STATE OF HAWAII**

## STATE OF HAWAII

David Y. Ige, Governor

## DEPARTMENT OF TAXATION

Maria E. Zielinski, Director

Damien A. Elefante, Deputy Director

## Tax Research & Planning

Seth Colby, Tax Research & Planning Officer

Dongliang Wu, Research Statistician

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# **Hawaii Business Income Tax Statistics**

**Tax Year 2015**

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**DEPARTMENT OF TAXATION**

**STATE OF HAWAII**

**December 2017**

**Prepared by Tax Research and Planning Office**

**WEB SITE: [tax.hawaii.gov](http://tax.hawaii.gov)**

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## **INTRODUCTION**

This report covers the activities of C corporations, financial corporations and sole proprietorships whose accounting period ended in 2015. It also includes real estate rental activities reported on 2015 federal Schedule E by resident individuals. S corporations and partnerships are not included in this report because key data items were not captured from schedule K and schedule P of forms N-35 and N-20, which are critical to get incomes attributable to Hawaii for unitary business taxpayers. Business entities with no income and no expenses other than those costs to maintain licenses and to file tax returns are excluded from this report.

This report is organized into four sections. Section 1 presents an overview of all business activities (S corporations and partnerships were excluded due to reason mentioned above) encompassed in this report. Section 2 summarizes C corporations filing Form N-30. Section 3 discusses financial corporations filing Form F-1. Section 4 includes sole proprietorships filing federal Schedules C and/or F, single-member limited liability companies (LLCs) filing federal Schedules C, E, and/or F, and resident individuals filing federal Schedule E.



## **SECTION 1**

### **OVERVIEW OF BUSINESS RETURNS**

#### **SUMMARY**

A total of 155,593 income tax returns were filed by C corporations, financial corporations and sole proprietorships whose accounting periods ended in 2015. Their aggregate Hawaii business receipts totaled \$79.6 billion. A total of 105,379 businesses, or 56.0% of all businesses, reported net profits of \$4.6 billion. The remaining businesses recorded net losses of \$1.9 billion (Table 1-1).

The most common business entities were sole proprietors (Schedules C, F and E), representing 91.6% of all three types of business filings for the period. However, sole proprietors accounted for only 7.3% of the total business receipts. The largest portion of cumulative receipts was attributable to C corporations, contributing 89.6% of the total. With higher capitalization, C corporations generated larger average business receipts although they made up only 8.3% of all business entities. Business with \$1 million or more in business receipts accounted for 90.9% of the total business receipts even though they made up only 2.3% of all business entities (Table 1-1).

#### **BUSINESS RETURNS**

The most common forms of business are the sole proprietorship, partnership, C corporation, and S corporation. A sole proprietorship is an unincorporated business that is owned by one individual. It is the simplest form of business organization. Proprietorship's liabilities are the proprietor's personal liabilities. Proprietors report their business activities on Schedule C and/or Schedule F (for farming activities) and attach the schedules to their federal individual income tax returns.

A limited liability company (LLC) is a relatively new business structure allowed by state statute. Owners of an LLC are called members. Members of LLCs have limited personal liability for the debts and actions of the LLCs. A single-member LLC is automatically treated as if it were a sole proprietorship, unless an election is made to be treated as a corporation. Single-member LLCs report their incomes and expenses on Schedules C, E, and/or F and attach the schedules to their federal individual income tax returns.

If a sole proprietor owns more than one business, he or she has to complete a separate schedule for each business. In the case of multiple schedules filed, each schedule is considered a separate entity in this report.

A partnership is an entity in which two or more partners join to form a business venture. Each partner expects to share in the profits and losses of the business. Partnerships file Form N-20 to report their activities, but they do not directly pay income tax. Instead, they "pass through" any profits, losses, and credits to their partners. Partners include their share of income, loss, and credit on their individual tax returns. Unfortunately, the partnership statistics could not be extracted and was excluded in this report due to reasons mentioned in the introduction.

In forming a corporation, prospective shareholders exchange money and/or property for the corporation's capital stock. C corporations with gross income from property owned, trade or business conducted, or any other source in Hawaii file Form N-30 and are subject to the corporate income tax. In addition, every corporation that is incorporated under the laws of Hawaii must file Form N-30 if it has gross income from any source outside of Hawaii. Financial corporations are exempt from the income tax but are subject to the franchise tax. They report their activities on Form F-1.

An eligible domestic corporation that elects to become an S corporation can avoid the corporate income tax. However, the S corporation is liable for the tax on certain capital gains and passive income. To be treated as an S corporation, the corporation has to meet the following requirements: 1) the corporation has no more than 100 shareholders; 2) the corporation has only one class of stock; 3) all of the shareholders are U.S. residents, either citizens or resident aliens; 4) all of the shareholders are individuals (i.e., no corporations or other entities own the stock except for certain trusts, or estates); and 5) the corporation operates on a calendar year financial basis. S corporations file Form N-35. The S corporation's shareholders include their share of income, loss, deduction, and credit on their individual tax returns. Unfortunately, the S corporation statistics could not be extracted and was excluded in this report due to reasons mentioned in the introduction.

Individuals who received rental income from real estate and were not in the real estate business file and attach Schedule E to their federal individual income tax returns. In this report, rental activity reported on Schedule E is treated as a business entity and included in the proprietorship count.

## **DATA SOURCE AND METHODOLOGY**

The primary data sources for C corporations, S corporations and partnerships were the Hawaii Department of Taxation's computerized Integrated Tax Information Management System (ITIMS). The Internal Revenue Service's Business Return Transaction File (BRTF) was the secondary source, and it provided additional data items not captured by

the state systems. Certain data items that are not available from electronic sources were collected manually from paper returns.

Since federal Schedules C, F and E are not required on Hawaii tax returns, the Internal Revenue Service's Individual Return Transaction File (IRTF) was the primary data source for sole proprietorships. Supplemental data items not captured by IRTF were extracted from ITIMS.

For financial corporations, all data items were recorded manually from Form F-1 because this data is not available in electronic format.

Wage information was obtained from a combination of various sources: Tax System Modernization (TSM) program (Form HW-3, Employer's Annual Return & Reconciliation of Hawaii Income Tax Withheld from Wages; Form HW-14, Periodic Withholding Tax Returns ), BRTF, and IRTF. The count of W-2 forms was retrieved from form HW-3. Due to missing or wrong federal employer identification number (FEIN) on schedule C and F, the count of W-2 forms could not be obtained for proprietorships.

In this report, "business receipts" refers to primary payments received for goods and services provided by the trade or business. It does not include passive income such as interest, rent and capital gains, except where passive income is the major business activity of an entity. Business receipts and all other income less business expenses, including the cost of goods sold and returns and allowances result in either net profits or net losses. For proprietors, any profit or loss from their business activities is included as ordinary income on their individual tax returns.

A business entity that filed allocation and apportionment of income is classified as an "apportioned" entity in this report. Its out-of-state sales and compensation paid are excluded from gross business receipts and wages. Apportioned Hawaii sales and compensation paid are reported as business receipts and wages paid respectively. Business entities not apportioning income are classified as "non-apportioned" entities.

## **INDUSTRIAL CLASSIFICATION**

Each return was assigned an industry code that described its principal business activity. The industry code was provided on the business income tax return by the taxpayer. Where the industry code was not valid or left blank, the code assigned was based on the taxpayer's description of its business activity as reported on the tax return. An entity with multiple business activities was assigned an industry code that most closely reflected its principal activity. For proprietors filing multiple Schedules C and F, each schedule was assigned a separate code because each proprietorship activity was treated as a single entity. The 2012 edition of the North American Industry Classification System (NAICS) was used as a guideline in the assignment of codes.

It should be noted that assigning only one industry code to an entity can impose some limitations on data interpretation. An entity that is classified in a specific industrial category may operate several other business activities more properly included in other categories. For example, an entity that manufactures petroleum products may have wholesale (sales to retail stores) and retail (sales to final consumers) activities. Also, the activities reported for a given industrial category may not be inclusive of all comparable business operations. For instance, the category "liquor stores" would not include the liquor sales by department stores and grocery stores. In general, the activity that generated the largest portion of business receipts for an entity determined its assignment to an industrial category.

## **STATISTICAL OVERVIEW**

### **TAXATION DISTRICTS**

The State of Hawaii is geographically divided into four taxation districts: the First Taxation District includes the island of Oahu; the Second Taxation District, the islands of Maui, Molokai and Lanai; the Third Taxation District, the island of Hawaii; and the Fourth Taxation District, the islands of Kauai and Niihau. Each business entity normally files its tax return in the district where it is located. Entities conducting business in more than one district may consolidate their data and file only in one district, generally the First, the most populous district in the state.

Table 1-3 shows the distribution of businesses by district. As expected, business filings were concentrated in the First District and paralleled the population distribution in each district. Business returns were distributed as follows: 65.1% in the First District, 13.8% in the Second District, 15.2% in the Third District, and 5.9% in the Fourth District. A similar distribution pattern was seen in most industry groups. All industries were concentrated in the First District, except the agriculture and fishing industry. More than half of the agriculture and fishing entities were in the Third District, which has more than 60% of the state's agricultural area.

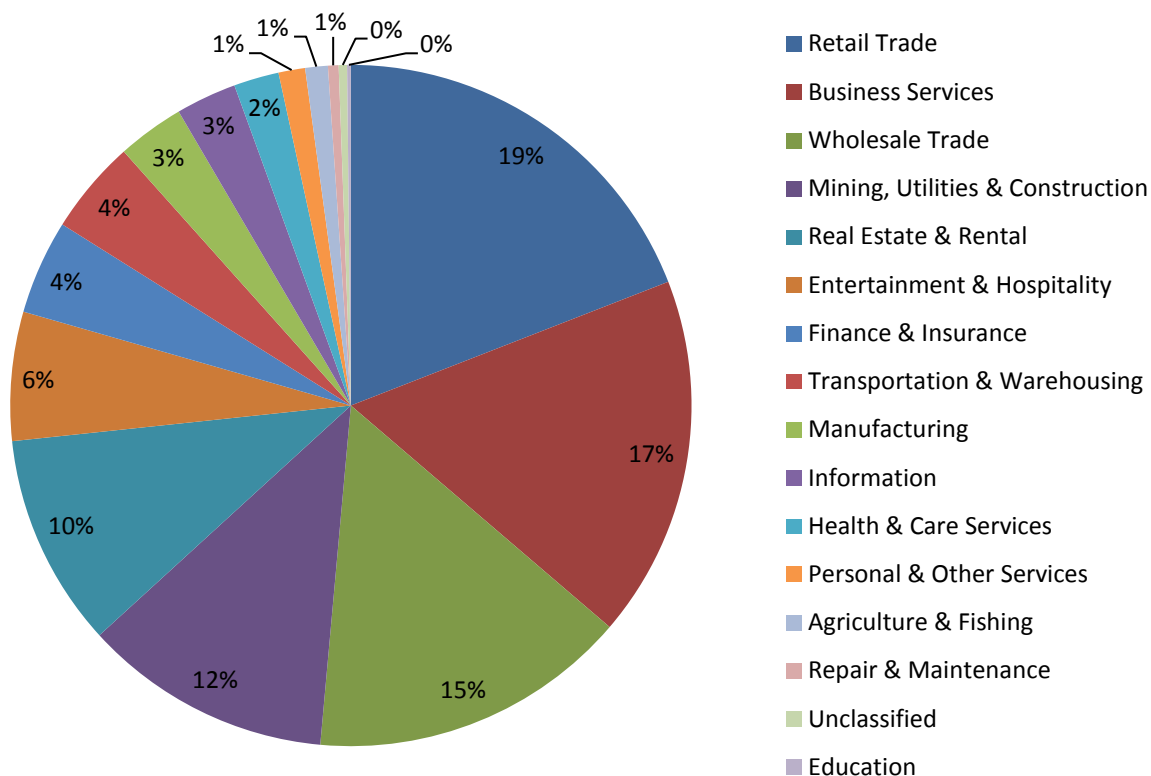
As seen in Table 1-10, businesses that filed in the First District accounted for 92.8% of business receipts, 94.0% of wages paid. This is due in part to a concentration of the state's largest businesses in the First District. Another reason is that some businesses combined their activities from different districts and filed on a consolidated basis in the First District.

### **BUSINESS RECEIPTS**

Hawaii business receipts amounted to \$79.6 billion in 2015. Table 1-1 and 1-6 indicates that only 4,400 business entities, or 2.3% of all business entities, had Hawaii business receipts of at least \$1 million. However, these business entities accounted for 90.9% of business receipts, 59.9% of net profits, 89.6% of wages paid.

Figure 1-1 shows that the retail trade, business services and wholesale trade industries were the main contributors of Hawaii business receipts in 2015. The retail trade industry generated \$15.2 billion in business receipts, business services \$13.7 billion, wholesale trade \$12.1 billion, together representing 51.4% of total receipts. Using average business receipts as an approximate measure of business size, the wholesale trade industry with \$3.6 million in average receipts was the largest in business size. The education industry with \$78,000 in average receipts was the smallest in business size (Table 1-4).

**Figure 1-1 Hawaii Business Receipts by Major Industry Groups - 2015**



## NET INCOME

Hawaii net income totaled a positive \$2.7 billion in 2015. A total of 105,379 businesses had net profits amounting to \$4.6 billion, while 55,606 businesses had net losses totaling \$1.9 billion. The remaining 27,334 business entities had zero net balances (Table 1-4).

The negative net income only occurred in agriculture and fishing industry. The agriculture and fishing industry had aggregated total net income loss of \$3.3 million in

2015 (Table 1-4). As presented in Table 1-10, Maui Island had the highest ratio of profit to loss. The amount of net profits was 3.5 times as much as the net losses. Oahu Island had the smallest ratio of profit to loss at 2.3 while Hawaii and Kauai Islands had similar ratio at 2.6 and 2.7.

Figure 1-2 shows that the retail trade industry was the most profitable sector in 2015, with combined net income of \$472.9 million. The business services (\$454.1 million), financial and Insurance (\$316.2 million) and real estate and rental industry (\$249.3 million) also did well.

**Figure 1-2 Hawaii Business Net Income by Major Industry Groups - 2015**

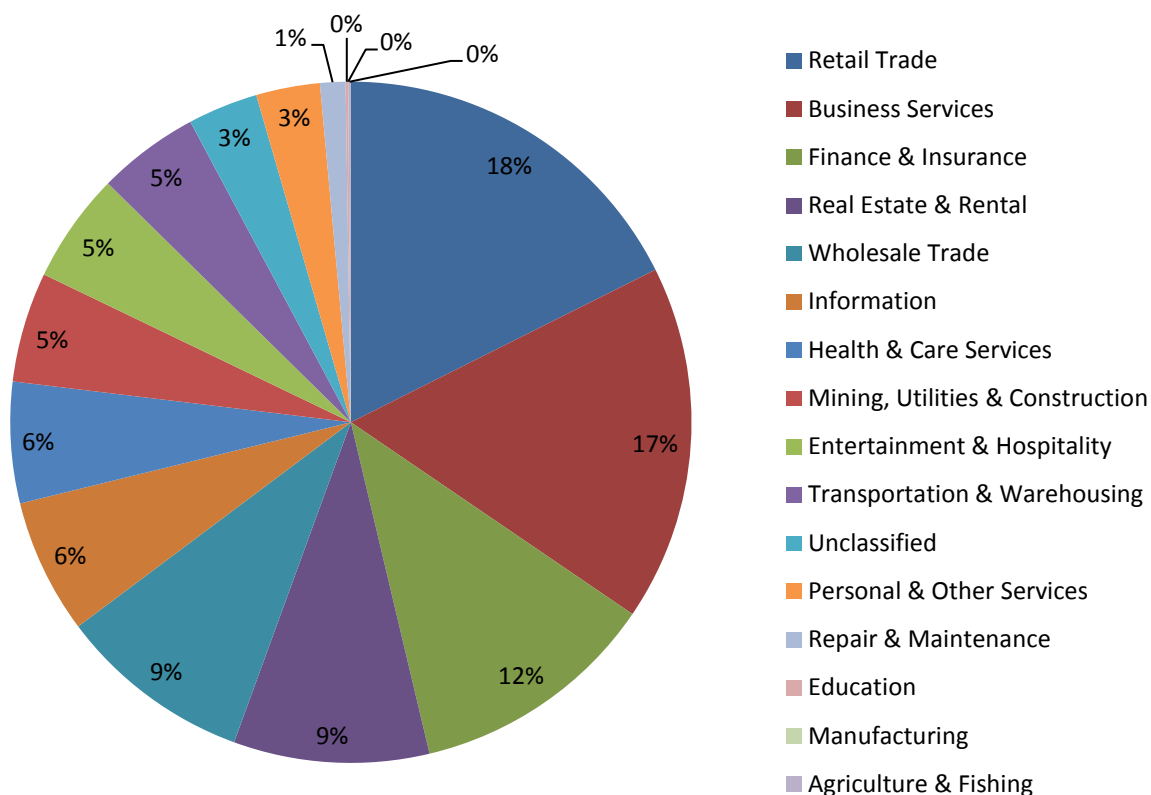


Table 1-7 shows that 82.9% of business entities with positive net income had net profits of less than \$25,000. On average, their net income was \$6,630. Those entities with at least \$1 million of net profits had the largest average net income of \$7.4 million, and they comprised less than 1% of all entities with positive net income.

## WAGES and W-2 FORMS

Hawaii businesses reported \$10.4 billion in wages paid. The three industries that paid out the most in wages were business services (\$2.6 billion), retail trade (\$1.4 billion) and entertainment and hospitality (\$1.2 billion) (Table 1-4).

Due to technical difficulty mentioned in Data Source and Methodology, the count of W-2 forms could not be obtained for proprietorship. Therefore, overview of W-2 forms is not presented here. See section 2 and 3 for W-2 form statistics of C corporations and financial corporations. It should be noted that since businesses issue a W-2 form to every employee, regardless of length of service or turnover rate, the W-2 count only approximates the actual job or position count.

**Section 1**

**Overview of Business Returns**

**Statistical Tables**

Dollar amounts and percentages are rounded and may not add up to totals.



Table 1-1

**Distribution of Businesses, Business Receipts and Net Profits or Loss - 2015**  
**(Dollar Amounts in \$1,000)**

		C Corporations (N-30)	Financial Corporation's (F-1)	Proprietors	
	All Entities			Non-Rental (Sch. C&F)	Rental (Sch. E)
<b>Number of Businesses</b>	188,319	15,624	201	101,119	71,375
Percent of Total	100.0%	8.3%	0.1%	53.7%	37.9%
<b>Number of Businesses by Taxation District</b>					
OAHU	122,602	13,199	185	60,947	48,271
MAUI	25,898	<i>d</i>	<i>d</i>	15,016	9,904
HAWAII	28,616	1,113	<i>d</i>	18,503	<i>d</i>
KAUAI	11,203	<i>d</i>	<i>d</i>	6,653	<i>d</i>
<b>Business Receipts</b>	\$79,646,910	\$71,381,649	\$2,410,816	\$4,148,736	\$1,705,708
Percent of Total	100.0%	89.6%	3.0%	5.2%	2.1%
<b>Business with \$1 million or more in Business Receipts</b>	4,400	3,958	66	337	39
Percent of Total	100.0%	95.6%	3.3%	1.0%	0.1%
Amount	\$72,414,143	\$69,207,943	\$2,373,517	\$750,720	\$81,963
<b>Business with Net Profit</b>	105,379	5,441	128	69,496	30,314
Percent of Total	100.0%	5.2%	0.1%	65.9%	28.8%
<b>Ratio of Profitable Business to All Business</b>	56.0%	34.8%	63.7%	68.7%	42.5%
<b>Amount of Net Profit</b>	\$4,610,070	\$2,549,403	\$390,851	\$1,287,804	\$382,012
Percent of Total	100.0%	55.3%	8.5%	27.9%	8.3%
<b>Amount of Net Loss</b>	\$1,931,159	\$1,477,888	\$54,856	\$190,863	\$207,552
Percent of Total	100.0%	76.5%	2.8%	9.9%	10.7%

Notes: "*d*" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

**Table 1-2**  
**Distribution of Businesses by Type of Return**  
**among Major Industry Groups - 2015**

	All Entities	C Corporations (N-30)	Financial Corporations (F-1)	Proprietors (Sch. C,E,F)
<b>All Industries</b>	188,319	15,624	201	172,494
Agriculture & Fishing	6,701	225	0	6,476
Mining, Utilities & Construction	6,708	1,032	0	5,676
Manufacturing	2,046	238	0	1,808
Wholesale Trade	3,517	<i>d</i>	<i>d</i>	1,951
Retail Trade	9,650	1,171	0	8,479
Transportation & Warehousing	3,575	343	0	3,232
Information	1,306	408	0	898
Finance & Insurance	5,314	1,061	172	4,081
Real Estate & Rental	63,187	<i>d</i>	<i>d</i>	60,329
Business Services	20,401	2,946	19	17,436
Education	1,936	127	0	1,809
Health & Care Services	7,058	753	0	6,305
Entertainment & Hospitality	7,648	990	0	6,658
Repair & Maintenance	3,228	232	0	2,996
Personal & Other Services	11,993	<i>d</i>	<i>d</i>	10,309
Unclassified	34,051	0	0	34,051
<b>Percent Distribution</b>				
<b>All Industries</b>	100.0%	8.3%	0.1%	91.6%
Agriculture & Fishing	100.0%	3.4%	0.0%	96.6%
Mining, Utilities & Construction	100.0%	15.4%	0.0%	84.6%
Manufacturing	100.0%	11.6%	0.0%	88.4%
Wholesale Trade	100.0%	<i>d</i>	<i>d</i>	55.5%
Retail Trade	100.0%	12.1%	0.0%	87.9%
Transportation & Warehousing	100.0%	9.6%	0.0%	90.4%
Information	100.0%	31.2%	0.0%	68.8%
Finance & Insurance	100.0%	20.0%	3.2%	76.8%
Real Estate & Rental	100.0%	<i>d</i>	<i>d</i>	95.5%
Business Services	100.0%	14.4%	0.1%	85.5%
Education	100.0%	6.6%	0.0%	93.4%
Health & Care Services	100.0%	10.7%	0.0%	89.3%
Entertainment & Hospitality	100.0%	12.9%	0.0%	87.1%
Repair & Maintenance	100.0%	7.2%	0.0%	92.8%
Personal & Other Services	100.0%	<i>d</i>	<i>d</i>	86.0%
Unclassified	100.0%	0.0%	0.0%	100.0%

Notes: "*d*" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

**Table 1-3**

**Distribution of Businesses by Industry and District - 2015**

Industry Group	All	Taxation District			
		Oahu	Maui	Hawaii	Kauai
<b>All Industries</b>	188,319	122,602	25,898	28,616	11,203
Percent of Total	100.0%	65.1%	13.8%	15.2%	5.9%
Agriculture & Fishing	6,701	1,437	1,097	3,498	669
Mining, Utilities & Construction	6,708	3,884	1,055	1,265	504
Manufacturing	2,046	1,155	327	414	150
Wholesale Trade	3,517	2,666	313	395	143
Retail Trade	9,650	6,639	1,112	1,365	534
Transportation & Warehousing	3,575	2,866	301	307	101
Information	1,306	993	141	133	39
Finance & Insurance	5,314	4,320	374	430	190
Real Estate & Rental	63,187	43,238	8,688	7,654	3,607
Business Services	20,401	13,470	2,739	2,897	1,295
Education	1,936	1,366	213	265	92
Health & Care Services	7,058	4,939	785	996	338
Entertainment & Hospitality	7,648	4,575	1,279	1,268	526
Repair & Maintenance	3,228	1,718	532	680	298
Personal & Other Services	11,993	7,750	1,793	1,658	792
Unclassified	34,051	21,586	5,149	5,391	1,925
<b>Percent Distribution by Industry</b>	100.0%	100.0%	100.0%	100.0%	100.0%
Agriculture & Fishing	3.6%	1.2%	4.2%	12.2%	6.0%
Mining, Utilities & Construction	3.6%	3.2%	4.1%	4.4%	4.5%
Manufacturing	1.1%	0.9%	1.3%	1.4%	1.3%
Wholesale Trade	1.9%	2.2%	1.2%	1.4%	1.3%
Retail Trade	5.1%	5.4%	4.3%	4.8%	4.8%
Transportation & Warehousing	1.9%	2.3%	1.2%	1.1%	0.9%
Information	0.7%	0.8%	0.5%	0.5%	0.3%
Finance & Insurance	2.8%	3.5%	1.4%	1.5%	1.7%
Real Estate & Rental	33.6%	35.3%	33.5%	26.7%	32.2%
Business Services	10.8%	11.0%	10.6%	10.1%	11.6%
Education	1.0%	1.1%	0.8%	0.9%	0.8%
Health & Care Services	3.7%	4.0%	3.0%	3.5%	3.0%
Entertainment & Hospitality	4.1%	3.7%	4.9%	4.4%	4.7%
Repair & Maintenance	1.7%	1.4%	2.1%	2.4%	2.7%
Personal & Other Services	6.4%	6.3%	6.9%	5.8%	7.1%
Unclassified	18.1%	17.6%	19.9%	18.8%	17.2%

**Table 1-4**

**Distribution of Businesses, Business Receipts, Net Income, and Wages Paid  
by Major Industry - 2015  
(Dollar Amounts in \$1,000)**

Industry	No. of Entities	Business Receipts		Net Profit		Net Loss		Wages Paid	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
All Industries	188,319	161,554	\$79,646,910	105,379	\$4,610,070	55,606	\$1,931,159	11,519	\$10,430,773
Agriculture & Fishing	6,701	5,824	\$853,096	3,014	\$52,891	3,458	\$56,159	493	\$147,264
Mining, Utilities & Construction	6,708	6,417	\$9,385,903	4,829	\$282,704	1,537	\$142,328	1,107	\$777,203
Manufacturing	2,046	1,906	\$2,531,688	1,160	\$65,985	747	\$65,825	244	\$159,230
Wholesale Trade	3,517	3,321	\$12,078,486	1,984	\$338,299	1,189	\$91,282	889	\$763,130
Retail Trade	9,650	8,881	\$15,199,655	4,934	\$579,374	4,227	\$106,504	1,213	\$1,356,762
Transportation & Warehousing	3,575	3,487	\$3,557,862	2,800	\$183,939	669	\$54,453	297	\$745,530
Information	1,306	1,142	\$2,292,521	655	\$248,090	548	\$76,294	190	\$682,375
Finance & Insurance	5,314	2,940	\$3,566,593	2,028	\$483,195	1,077	\$167,040	519	\$636,769
Real Estate & Rental	63,187	61,358	\$8,054,073	34,888	\$764,145	22,292	\$514,875	707	\$513,433
Business Services	20,401	18,823	\$13,686,725	14,059	\$814,284	5,336	\$360,221	2,190	\$2,600,694
Education	1,936	1,805	\$140,995	1,365	\$13,318	493	\$10,047	103	\$43,108
Health & Care Services	7,058	6,740	\$1,707,665	4,710	\$181,404	1,521	\$27,075	1,031	\$519,221
Entertainment & Hospitality	7,648	7,101	\$4,868,341	4,347	\$294,985	2,842	\$154,655	1,050	\$1,245,750
Repair & Maintenance	3,228	3,128	\$400,727	2,342	\$40,447	759	\$8,148	268	\$53,558
Personal & Other Services	11,993	10,945	\$1,006,866	8,224	\$133,887	3,127	\$52,527	1,085	\$180,383
Unclassified	34,051	17,736	\$315,713	14,040	\$133,125	5,784	\$43,727	133	\$6,364

**Table 1-5**

**Distribution of Businesses, Business Receipts, Net Income, and Wages Paid  
by Major Industry and Selected Detailed Industry Categories - 2015  
(Dollar Amounts in \$1,000)**

Industry	No. of Entities	Business Receipts		Net Profit		Net Loss		Wages Paid	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>All Industries</b>	188,319	161,554	\$79,646,910	105,379	\$4,610,070	55,606	\$1,931,159	11,519	\$10,430,773
<b>Agriculture &amp; Fishing</b>	6,701	5,824	\$853,096	3,014	\$52,891	3,458	\$56,159	493	\$147,264
Crops & Ornamentals	3,711	3,226	\$660,141	1,654	\$19,509	1,935	\$30,744	367	\$125,037
Livestock	731	596	\$61,546	198	\$11,277	511	\$6,113	65	\$5,978
Aquaculture	43	38	\$30,562	18	\$3,339	22	\$3,208	<i>d</i>	\$5,577
Other Animal Specialties	296	228	\$13,117	86	\$1,315	198	\$2,427	13	\$2,736
Forestry and Logging	113	82	\$22,684	47	\$1,864	61	\$4,821	<i>d</i>	\$1,638
Fishing, Hunting and Trapping	1,210	1,094	\$35,127	553	\$8,448	603	\$8,110	23	\$824
Agricultural Services	593	556	\$29,772	454	\$7,119	128	\$736	13	\$5,473
<b>Mining, Utilities &amp; Construction</b>	6,708	6,417	\$9,385,903	4,829	\$282,704	1,537	\$142,328	1,107	\$777,203
Mining	96	86	\$2,422,643	51	\$814	38	\$4,481	<i>d</i>	\$46,338
Utilities	149	117	\$571,054	70	\$15,572	67	\$50,733	17	\$57,019
Construction of Buildings	2,061	1,968	\$3,188,463	1,595	\$96,599	376	\$25,963	276	\$314,569
Heavy and Civil Engineering Construction	129	122	\$996,967	73	\$26,049	41	\$12,385	55	\$129,872
Foundation, Structure & Building Exterior Contractors	530	514	\$190,130	389	\$16,704	120	\$4,990	93	\$17,222
Electrical Work	509	495	\$300,462	337	\$19,147	137	\$13,090	114	\$32,670
Plumbing, Heating & AC Contractors	357	353	\$180,504	248	\$13,639	83	\$4,327	87	\$19,713
Other Building Equipment Contractors	48	48	\$66,916	35	\$1,931	11	\$2,109	<i>d</i>	\$8,873
Building Finishing Contractors	1,348	1,306	\$260,714	1,027	\$29,087	274	\$4,389	143	\$26,416
Other Specialty Trade Contractors	1,473	1,401	\$1,176,206	999	\$63,051	389	\$19,820	305	\$121,456

Notes: Detail may not add to totals because some detailed categories are not shown. A business with several lines of business is classified under the primary business line only.

See North American Industry Classification System for a more detailed explanation of business category.

"d" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

**Table 1-5 (Continued)**

**Distribution of Businesses, Business Receipts, Net Income, and Wages Paid  
by Major Industry and Selected Detailed Industry Categories - 2015  
(Dollar Amounts in \$1,000)**

Industry	No. of Entities	Business Receipts		Net Profit		Net Loss		Wages Paid	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Manufacturing</b>	2,046	1,906	\$2,531,688	1,160	\$65,985	747	\$65,825	244	\$159,230
Food & Beverages	383	354	\$567,025	178	\$16,577	180	\$9,896	96	\$69,365
Apparel & Textiles	369	350	\$39,085	253	\$3,193	96	\$1,201	24	\$6,155
Leather and Allied Product	21	20	\$7,348	<i>d</i>	\$98	13	\$140	<i>d</i>	\$373
Wood Product	169	159	\$11,835	107	\$1,553	53	\$307	<i>d</i>	\$738
Paper Manufacturing	<i>d</i>	<i>d</i>	\$32	<i>d</i>	\$12	0	\$0	<i>d</i>	\$3
Commercial Printing	104	99	\$21,961	59	\$826	35	\$1,233	14	\$2,944
Petroleum and Coal Products	<i>d</i>	<i>d</i>	\$1,537,223	<i>d</i>	\$20,894	<i>d</i>	\$2	<i>d</i>	\$36,968
Chemicals	48	40	\$12,137	18	\$462	25	\$155	<i>d</i>	\$5,329
Plastics and Rubber	15	14	\$31,559	<i>d</i>	\$1,021	<i>d</i>	\$55	<i>d</i>	\$1,680
Concrete	11	11	\$81,929	<i>d</i>	\$7,252	<i>d</i>	\$262	<i>d</i>	\$5,142
Metals & Metal Products	76	72	\$69,983	44	\$3,454	29	\$47,107	13	\$12,450
Machinery Manufacturing	32	28	\$2,119	21	\$178	11	\$267	<i>d</i>	\$38
Electronic & Electrical Products	43	39	\$10,047	26	\$775	14	\$32	<i>d</i>	\$2,581
Ship Building & Repair	<i>d</i>	<i>d</i>	\$977	0	\$0	0	\$0	<i>d</i>	\$83
Furniture	78	73	\$27,386	54	\$2,178	18	\$211	<i>d</i>	\$2,873

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Table 1-5 (Continued)

**Distribution of Businesses, Business Receipts, Net Income, and Wages Paid  
by Major Industry and Selected Detailed Industry Categories - 2015  
(Dollar Amounts in \$1,000)**

Industry	No. of Entities	Business Receipts		Net Profit		Net Loss		Wages Paid	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Wholesale Trade</b>	3,517	3,321	\$12,078,486	1,984	\$338,299	1,189	\$91,282	889	\$763,130
Motor Vehicle and Parts	88	87	\$1,974,216	45	\$22,401	30	\$6,338	20	\$30,460
Furniture and Home Furnishing	44	44	\$77,426	24	\$606	15	\$853	11	\$3,701
Construction Materials	95	91	\$244,167	67	\$2,888	17	\$577	32	\$23,755
Photographic Equipment	d	d	\$536	0	\$0	0	\$0	0	\$0
Office Equipment	d	d	\$12,249	0	\$0	d	\$3,332	d	\$1,900
Computer Equipment and Software	30	27	\$337,155	17	\$51,537	d	\$331	14	\$54,934
Other Commercial Equipment	d	d	\$1,247	d	\$23	d	\$0	0	\$0
Medical Equipment	90	87	\$201,377	44	\$6,024	34	\$2,431	38	\$12,911
Metal & Mineral (except Petroleum)	d	d	\$27,737	d	\$129	d	\$2,116	d	\$3,357
Home Electronics & Appliances	180	173	\$677,777	77	\$15,836	74	\$5,284	81	\$70,851
Hardware	57	55	\$203,330	33	\$7,418	15	\$218	22	\$18,645
Machinery, Equipment & Supplies	132	127	\$583,746	78	\$40,039	37	\$2,257	46	\$83,622
Sporting Goods	106	99	\$52,224	50	\$2,764	46	\$1,037	19	\$4,265
Toy and Hobby Goods	56	52	\$5,474	31	\$289	22	\$120	d	\$180
Recyclable Material	19	18	\$70,532	d	\$573	d	\$8,399	d	\$7,508
Jewelry	554	529	\$247,824	313	\$14,610	214	\$4,659	86	\$24,867
Paper Product	41	41	\$172,069	22	\$1,359	d	\$999	18	\$8,164
Drugs & Cosmetics	78	75	\$1,637,600	43	\$30,760	26	\$9,547	45	\$58,708
Apparel, Piece Goods, and Notions	282	262	\$303,770	150	\$19,543	109	\$4,330	53	\$35,301
Food & Farm Products	337	309	\$1,416,223	208	\$44,568	100	\$17,229	100	\$118,720
Chemical and Allied Products	43	43	\$178,194	23	\$13,669	12	\$1,969	21	\$40,710
Petroleum Products	25	22	\$1,594,689	13	\$2,046	d	\$4,336	d	\$5,096
Alcoholic Beverages	21	18	\$197,814	d	\$3,082	d	\$1,493	d	\$14,349
Book, Periodical, and Newspaper	58	55	\$10,672	37	\$453	20	\$303	d	\$1,272
Flower & Florist Supplies	120	115	\$18,089	80	\$695	35	\$436	d	\$1,778
Tobacco Product	d	d	\$81,173	d	\$15,872	d	\$15	d	\$1,306

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Table 1-5 (Continued)

**Distribution of Businesses, Business Receipts, Net Income, and Wages Paid  
by Major Industry and Selected Detailed Industry Categories - 2015  
(Dollar Amounts in \$1,000)**

Industry	No. of Entities	Business Receipts		Net Profit		Net Loss		Wages Paid	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Retail Trade</b>	9,650	8,881	\$15,199,655	4,934	\$579,374	4,227	\$106,504	1,213	\$1,356,762
Motor Vehicle & Boat Dealers	124	119	\$1,643,947	71	\$52,149	49	\$1,749	31	\$132,342
Automotive Parts Dealers	97	94	\$151,418	60	\$10,561	29	\$1,507	28	\$20,203
Furniture and Home Furnishings	77	76	\$91,878	45	\$5,272	25	\$461	26	\$9,338
Electronics and Appliance	71	67	\$62,278	37	\$838	27	\$6,031	26	\$7,345
Building Material	121	113	\$810,095	74	\$28,910	37	\$1,966	44	\$78,383
Garden Equipment and Supplies	25	24	\$54,473	16	\$3,858	<i>d</i>	\$266	<i>d</i>	\$3,511
Grocery Stores	363	346	\$1,790,540	232	\$21,367	105	\$6,075	131	\$168,168
Bakeries	210	200	\$37,916	123	\$4,114	79	\$1,018	41	\$5,701
Other Specialty Food Stores	48	45	\$181,152	13	\$14,296	26	\$2,694	33	\$36,359
Liquor Stores	43	42	\$26,903	19	\$1,033	19	\$349	23	\$1,434
Drug Stores	19	16	\$1,583,908	<i>d</i>	\$89,863	<i>d</i>	\$354	<i>d</i>	\$125,183
Cosmetics Stores	229	210	\$110,675	91	\$10,398	128	\$2,114	18	\$12,687
Eyeglasses & Medical Goods	362	321	\$74,474	164	\$4,726	178	\$1,694	22	\$10,500
Gasoline Stations	59	57	\$415,739	26	\$10,643	23	\$1,523	52	\$13,087
Apparel & Shoes	706	668	\$1,007,370	353	\$81,758	313	\$16,664	167	\$94,159
Leather Goods	24	23	\$108,053	16	\$11,520	<i>d</i>	\$800	<i>d</i>	\$7,831
Sporting Goods Stores	125	119	\$140,679	61	\$1,621	58	\$4,229	29	\$14,210
Hobby, Toy, and Game Stores	52	50	\$54,788	32	\$865	20	\$1,095	12	\$3,972
Sewing & Piece Goods	235	227	\$11,267	182	\$1,649	49	\$277	<i>d</i>	\$1,029
Musical Instrument Stores	28	26	\$4,852	20	\$491	<i>d</i>	\$85	<i>d</i>	\$519
Book Stores and News Dealers	39	37	\$36,776	25	\$1,029	<i>d</i>	\$51	<i>d</i>	\$4,161
General Stores	129	125	\$33,896	84	\$2,250	40	\$1,025	19	\$2,693
Department & Super Stores	54	51	\$5,602,953	15	\$160,645	31	\$24,988	39	\$488,123
Florists	147	138	\$39,138	86	\$2,559	50	\$1,057	27	\$3,500
Stationery Stores	37	35	\$188,029	17	\$281	<i>d</i>	\$2,290	14	\$21,214
Gift & Souvenir Shops	418	396	\$67,862	249	\$4,585	147	\$2,535	60	\$7,433
Used Merchandise	78	75	\$21,062	58	\$851	17	\$150	<i>d</i>	\$4,124
Pet Stores	36	35	\$12,408	21	\$912	12	\$313	<i>d</i>	\$1,720
Art Dealers	118	104	\$14,141	61	\$1,008	51	\$524	12	\$1,375
Nonstore Retailers	471	411	\$128,401	212	\$3,517	234	\$1,522	17	\$7,650
Vending Machines	72	65	\$12,613	34	\$976	35	\$318	<i>d</i>	\$667
Direct Selling	4,150	3,722	\$158,065	1,950	\$17,095	2,039	\$9,164	65	\$9,695

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**Table 1-5 (Continued)**

**Distribution of Businesses, Business Receipts, Net Income, and Wages Paid  
by Major Industry and Selected Detailed Industry Categories - 2015  
(Dollar Amounts in \$1,000)**

Industry	No. of Entities	Business Receipts		Net Profit		Net Loss		Wages Paid	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Transportation &amp; Warehousing</b>	3,575	3,487	\$3,557,862	2,800	\$183,939	669	\$54,453	297	\$745,530
Air Transportation	81	75	\$1,814,041	46	\$110,102	28	\$22,247	32	\$438,666
Water Transportation	50	43	\$627,257	32	\$8,323	14	\$2,068	<i>d</i>	\$83,080
Truck Transportation	222	210	\$244,964	133	\$20,957	64	\$6,705	70	\$83,005
Bus Transportation	359	348	\$66,668	265	\$6,222	80	\$2,191	40	\$16,802
Taxi & Limousine Service	2,274	2,254	\$89,521	1,943	\$19,937	313	\$2,679	40	\$9,286
Tour Transportation	173	154	\$81,112	94	\$1,917	60	\$1,813	32	\$9,872
Aviation Services	158	151	\$130,804	103	\$3,831	50	\$1,920	21	\$27,218
Marine Cargo & Salvage	<i>d</i>	<i>d</i>	\$49,940	<i>d</i>	\$2,613	<i>d</i>	\$244	<i>d</i>	\$3,587
Freight Forwarding	<i>d</i>	<i>d</i>	\$73,485	<i>d</i>	\$1,555	<i>d</i>	\$11,543	11	\$39,634
Couriers & Delivery Services	164	160	\$242,814	129	\$4,699	32	\$1,550	<i>d</i>	\$15,554
Warehousing and Storage	22	22	\$10,881	18	\$1,203	<i>d</i>	\$28	<i>d</i>	\$2,957
<b>Information</b>	1,306	1,142	\$2,292,521	655	\$248,090	548	\$76,294	190	\$682,375
Publishing	348	305	\$198,786	153	\$13,071	174	\$7,994	59	\$195,749
Motion Picture and Video	312	289	\$477,747	185	\$137,119	105	\$1,994	20	\$113,612
Sound Recording	73	65	\$2,780	41	\$902	29	\$7,358	<i>d</i>	\$229
Broadcasting	70	68	\$176,960	41	\$2,344	23	\$5,148	18	\$28,295
Telecommunications	123	104	\$956,598	49	\$68,007	57	\$34,038	20	\$239,832
Data Processing Services	132	106	\$147,340	69	\$2,929	53	\$2,278	23	\$66,372

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**Table 1-5 (Continued)**

**Distribution of Businesses, Business Receipts, Net Income, and Wages Paid  
by Major Industry and Selected Detailed Industry Categories - 2015  
(Dollar Amounts in \$1,000)**

Industry	No. of Entities	Business Receipts		Net Profit		Net Loss		Wages Paid	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Finance &amp; Insurance</b>	5,314	2,940	\$3,566,593	2,028	\$483,195	1,077	\$167,040	519	\$636,769
Banking & Finance	378	337	\$1,365,958	228	\$356,347	127	\$49,389	140	\$289,118
Investment Brokers	100	79	\$429,563	60	\$10,328	31	\$555	20	\$34,698
Investors & Investor Groups	2,035	93	\$361,929	40	\$9,762	68	\$30,018	23	\$65,533
Insurance Services	1,751	1,634	\$578,642	1,229	\$60,709	423	\$36,306	178	\$108,449
<b>Real Estate &amp; Rental</b>	63,187	61,358	\$8,054,073	34,888	\$764,145	22,292	\$514,875	707	\$513,433
Real Estate Operators	53,635	53,417	\$3,826,079	28,518	\$449,325	19,757	\$320,696	204	\$69,368
Real Estate Brokers	3,295	2,717	\$251,283	2,208	\$104,781	969	\$6,303	100	\$11,159
Real Estate Managers	854	758	\$504,350	581	\$30,662	195	\$5,730	87	\$61,258
Real Estate Appraisers	103	99	\$17,544	78	\$3,513	17	\$86	22	\$3,666
Motor Vehicle Rental	89	79	\$1,040,276	50	\$24,167	35	\$5,153	19	\$78,772
Other Consumer Goods Rental	169	152	\$161,250	91	\$3,049	67	\$17,175	24	\$13,815
Equipment Rental	208	191	\$143,312	117	\$5,008	79	\$14,637	23	\$9,452

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Table 1-5 (Continued)

**Distribution of Businesses, Business Receipts, Net Income, and Wages Paid  
by Major Industry and Selected Detailed Industry Categories - 2015  
(Dollar Amounts in \$1,000)**

Industry	No. of Entities	Business Receipts		Net Profit		Net Loss		Wages Paid	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Business Services</b>	20,401	18,823	\$13,686,725	14,059	\$814,284	5,336	\$360,221	2,190	\$2,600,694
Legal Services	1,009	920	\$270,299	663	\$38,789	266	\$4,161	238	\$91,187
Accounting Services	1,448	1,401	\$114,025	1,126	\$21,740	262	\$1,419	146	\$32,287
Architects	307	283	\$170,092	224	\$8,945	67	\$1,672	50	\$34,109
Landscape Architects	131	128	\$24,939	88	\$1,576	34	\$384	15	\$7,293
Engineering & Drafting	615	559	\$662,651	428	\$20,814	145	\$13,333	148	\$197,849
Building Inspection	45	42	\$1,551	34	\$712	<i>d</i>	\$72	<i>d</i>	\$175
Surveying and Mapping	57	54	\$10,000	37	\$1,609	15	\$760	14	\$2,639
Testing Laboratories	17	16	\$12,128	<i>d</i>	\$133	<i>d</i>	\$214	<i>d</i>	\$2,795
Interior, Graphic & Other Design	792	724	\$45,288	515	\$9,014	239	\$1,417	24	\$3,779
Computer Systems Design	1,118	988	\$419,338	691	\$27,904	354	\$20,388	166	\$117,930
Management & Consulting	1,820	1,567	\$375,799	1,168	\$49,252	566	\$7,249	128	\$87,264
Research and Development	186	148	\$94,768	106	\$48,458	66	\$21,489	32	\$69,473
Advertising & Public Relations	420	370	\$38,451	258	\$7,355	137	\$1,987	37	\$6,582
Marketing Research & Polling	60	55	\$10,551	30	\$2,671	26	\$508	<i>d</i>	\$2,728
Photographers	987	890	\$30,232	528	\$8,472	415	\$3,366	27	\$2,422
Translation Services	229	216	\$4,133	181	\$2,551	43	\$166	<i>d</i>	\$145
Veterinary Services	57	56	\$52,365	43	\$4,448	<i>d</i>	\$252	20	\$15,779
Holding Companies	710	605	\$7,829,177	330	\$351,151	251	\$231,449	364	\$1,339,126
Administrative Services	746	710	\$495,035	601	\$20,408	114	\$1,157	29	\$61,381
Employment Services	107	95	\$222,003	60	\$3,070	30	\$867	63	\$68,918
Secretarial Services	99	95	\$2,216	73	\$722	23	\$157	<i>d</i>	\$416
Phone Answering & Telemarketing	<i>d</i>	<i>d</i>	\$288	<i>d</i>	\$185	<i>d</i>	\$22	<i>d</i>	\$38
Mailing & Photocopy	36	36	\$5,077	28	\$1,053	<i>d</i>	\$24	<i>d</i>	\$883
Collection Agencies	23	19	\$5,859	<i>d</i>	\$172	<i>d</i>	\$353	<i>d</i>	\$2,310
Travel & Tour Agencies	427	395	\$1,239,292	261	\$47,606	147	\$8,009	78	\$149,910
Investigation and Security	311	300	\$155,925	225	\$6,082	79	\$2,055	25	\$102,567
Pest Control	42	42	\$25,727	30	\$1,716	<i>d</i>	\$411	21	\$5,296
Janitorial & Maintenance	1,981	1,957	\$94,599	1,629	\$19,100	314	\$2,874	74	\$13,391
Landscaping Services	1,401	1,356	\$72,200	1,116	\$16,694	256	\$1,783	63	\$9,953
Carpet Cleaning	85	80	\$3,443	60	\$1,183	22	\$98	<i>d</i>	\$110
Waste Management	75	70	\$88,222	49	\$6,257	19	\$541	24	\$6,825

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Table 1-5 (Continued)

**Distribution of Businesses, Business Receipts, Net Income, and Wages Paid  
by Major Industry and Selected Detailed Industry Categories - 2015  
(Dollar Amounts in \$1,000)**

Industry	No. of Entities	Business Receipts		Net Profit		Net Loss		Wages Paid	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Educational Services</b>	1,936	1,805	\$140,995	1,365	\$13,318	493	\$10,047	103	\$43,108
<b>Health &amp; Care Services</b>	7,058	6,740	\$1,707,665	4,710	\$181,404	1,521	\$27,075	1,031	\$519,221
Physicians	1,121	1,061	\$873,256	705	\$82,793	302	\$6,909	487	\$320,954
Dentists	412	399	\$234,746	231	\$20,706	128	\$3,843	267	\$68,017
Chiropractors	129	126	\$12,974	93	\$3,126	30	\$196	24	\$1,999
Optometrists	72	68	\$20,398	48	\$3,092	18	\$216	33	\$3,080
Psychologists	334	311	\$20,542	251	\$10,648	72	\$361	18	\$887
Physical Therapists	237	219	\$24,373	160	\$4,386	66	\$493	22	\$3,429
Outpatient Care	80	75	\$107,923	52	\$1,486	25	\$1,920	d	\$29,147
Medical & Diagnostic Labs	60	53	\$27,722	42	\$1,550	14	\$509	13	\$7,464
Home Health Care	1,284	1,252	\$110,184	803	\$13,160	232	\$2,173	32	\$26,918
Hospitals	30	26	\$11,804	22	\$1,805	d	\$1,013	d	\$1,958
Nursing & Care Homes	896	877	\$68,186	516	\$8,601	146	\$1,509	30	\$13,578
Child and Youth Services	593	558	\$17,531	419	\$6,338	126	\$870	11	\$1,620
Child Day Care Services	657	635	\$15,229	529	\$5,304	91	\$499	12	\$923
<b>Entertainment &amp; Hospitality</b>	7,648	7,101	\$4,868,341	4,347	\$294,985	2,842	\$154,655	1,050	\$1,245,750
Performing Arts & Spectator Sports	4,333	3,994	\$105,135	2,609	\$26,882	1,530	\$8,325	40	\$7,280
Museums & Historical Sites	36	33	\$472	28	\$194	d	\$47	0	\$0
Amusement Parks	21	19	\$4,290	12	\$566	d	\$149	d	\$788
Other Recreational Activities	764	709	\$334,667	425	\$14,228	277	\$23,565	114	\$74,555
Transient Accommodations	525	482	\$3,057,213	283	\$188,017	193	\$79,471	59	\$864,067
Special Food Services	791	740	\$238,807	447	\$9,859	312	\$3,173	74	\$51,441
Drinking Places	206	204	\$58,610	47	\$1,449	144	\$11,533	118	\$8,221
Restaurants	488	453	\$639,962	226	\$22,753	203	\$22,825	328	\$154,388
Fast Food	394	380	\$213,826	222	\$11,459	138	\$3,733	256	\$36,208

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**Table 1-5 (Continued)**

**Distribution of Businesses, Business Receipts, Net Income, and Wages Paid  
by Major Industry and Selected Detailed Industry Categories - 2015  
(Dollar Amounts in \$1,000)**

Industry	No. of Entities	Business Receipts		Net Profit		Net Loss		Wages Paid	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Repair &amp; Maintenance</b>	3,228	3,128	\$400,727	2,342	\$40,447	759	\$8,148	268	\$53,558
Auto Repair and Maintenance	921	884	\$180,334	603	\$12,658	272	\$3,536	160	\$23,921
Computer & Electronic Repair	208	200	\$26,827	135	\$2,433	59	\$540	15	\$5,616
Industrial Repair	238	228	\$72,291	159	\$4,745	67	\$713	40	\$10,916
Home Appliance Repair	327	318	\$14,990	244	\$3,732	74	\$542	11	\$692
Furniture Repair	58	57	\$3,904	41	\$734	14	\$118	d	\$507
<b>Personal &amp; Other Services</b>	11,993	10,945	\$1,006,866	8,224	\$133,887	3,127	\$52,527	1,085	\$180,383
Hair, Nail & Skin Care	2,515	2,479	\$140,979	2,143	\$34,228	348	\$5,502	150	\$20,340
Death Care Services	66	63	\$36,501	44	\$5,418	19	\$984	13	\$11,527
Self-service laundry	26	24	\$13,156	16	\$803	d	\$909	d	\$340
Dry cleaning and Laundry	33	31	\$67,271	27	\$9,608	d	\$557	d	\$19,950
Animal Care Services	172	161	\$5,454	119	\$1,377	45	\$289	d	\$510
Photofinishing	74	72	\$3,545	38	\$381	35	\$339	d	\$842
Parking Lots and Garages	17	15	\$8,860	d	\$317	d	\$62	d	\$4,359
Organized Groups & Clubs	808	681	\$48,673	510	\$8,485	235	\$1,393	52	\$8,586
Property Owners Associations	1,146	602	\$303,323	186	\$8,439	661	\$23,633	606	\$73,713
<b>Unclassified</b>	34,051	17,736	\$315,713	14,040	\$133,125	5,784	\$43,727	133	\$6,364

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**Table 1-6**

**Distribution of Businesses, Business Receipts, Net Income, and Wages Paid  
by Size of Hawaii Business Receipts - 2015  
(Dollar Amounts in \$1,000)**

Hawaii Business Receipts Class	No. of Entities	Business Receipts	Net Profit		Net Loss		Wages Paid	
			Number	Amount	Number	Amount	Number	Amount
Total	188,319	\$79,646,910	105,379	\$4,610,070	55,606	\$1,931,159	11,519	\$10,430,773
No Business Receipts	26,777	(\$19)	1,140	\$169,814	9,084	\$200,873	691	\$231,303
Under \$1,000	13,108	\$6,319	6,568	\$5,673	5,928	\$39,975	140	\$6,712
\$1,000 < \$10,000	46,487	\$217,540	27,788	\$85,175	16,490	\$136,270	374	\$21,609
\$10,000 < \$50,000	68,476	\$1,594,978	46,064	\$484,494	17,380	\$190,981	786	\$75,609
\$50,000 < \$100,000	13,941	\$969,600	10,735	\$311,109	2,312	\$52,325	682	\$26,401
\$100,000 < \$500,000	12,590	\$2,673,603	9,215	\$611,463	2,459	\$197,624	3,487	\$414,646
\$500,000 < \$1 million	2,540	\$1,770,745	1,423	\$180,517	729	\$113,844	1,717	\$309,348
\$1 million < \$5 million	2,932	\$6,370,192	1,565	\$328,762	875	\$213,629	2,369	\$1,153,283
\$5 million < 10 million	606	\$4,291,759	370	\$173,504	145	\$114,330	522	\$693,130
\$10 million and over	862	\$61,752,192	511	\$2,259,559	204	\$671,308	751	\$7,498,731

**Table 1-7**

**Distribution of Businesses, Net Income, Business Receipts, and Wages Paid  
by Size of Net Profit - 2015  
(Dollar Amounts in \$1,000)**

Size of Net Profit	No. of Entities	Net Income	Business Receipts		Wages Paid	
			Number	Amount	Number	Amount
Total	188,319	\$2,678,911	161,554	\$79,646,910	11,519	\$10,430,773
No Net Profit	82,940	(\$1,931,159)	57,315	\$28,898,245	5,885	\$3,460,963
Under \$25,000	87,392	\$579,388	86,500	\$4,155,026	2,108	\$598,208
\$25,000 < \$100,000	14,042	\$659,805	13,887	\$4,430,366	1,783	\$443,546
\$100,000 < \$500,000	3,276	\$627,976	3,202	\$6,909,878	1,227	\$754,323
\$500,000 < \$1 million	327	\$226,643	319	\$3,493,265	237	\$385,450
\$1 million and over	342	\$2,516,257	331	\$31,760,130	279	\$4,788,282

**Table 1-8**  
**Distribution of Businesses by Major Industry and**  
**by Size of Hawaii Business Receipts - 2015**

Industry Group	All	Size of Hawaii Business Receipts						
		No Business Receipts	Under \$10,000	\$10,000 < \$100,000	\$100,000 < \$500,000	\$500,000 < \$1 million	\$1 million < \$5 million	\$5 million and over
<b>All Industries</b>	188,319	26,777	59,595	82,417	12,590	2,540	2,932	1,468
Agriculture & Fishing	6,701	888	3,150	2,233	322	46	51	11
Mining, Utilities & Construction	6,708	291	1,613	2,917	1,091	264	374	158
Manufacturing	2,046	140	823	745	186	49	62	41
Wholesale Trade	3,517	196	917	977	511	217	387	312
Retail Trade	9,650	769	4,702	2,304	1,064	259	361	191
Transportation & Warehousing	3,575	88	1,026	2,079	184	62	74	62
Information	1,306	164	508	400	103	31	60	40
Finance & Insurance	5,314	2,374	1,026	996	531	135	154	98
Real Estate & Rental	63,187	1,829	14,119	43,221	3,430	274	212	102
Business Services	20,401	1,578	7,926	7,810	1,891	371	523	302
Education	1,936	132	1,161	548	62	d	15	d
Health & Care Services	7,058	318	1,778	3,478	920	324	206	34
Entertainment & Hospitality	7,648	547	3,387	2,381	749	253	255	76
Repair & Maintenance	3,228	100	1,193	1,408	390	77	d	d
Personal & Other Services	11,993	1,048	4,580	5,363	695	147	132	28
Unclassified	34,051	16,315	11,686	5,557	461	d	d	d
<b>Percent by Industry</b>	100.0%	14.2%	31.6%	43.8%	6.7%	1.3%	1.6%	0.8%
Agriculture & Fishing	100.0%	13.3%	47.0%	33.3%	4.8%	0.7%	0.8%	0.2%
Mining, Utilities & Construction	100.0%	4.3%	24.0%	43.5%	16.3%	3.9%	5.6%	2.4%
Manufacturing	100.0%	6.8%	40.2%	36.4%	9.1%	2.4%	3.0%	2.0%
Wholesale Trade	100.0%	5.6%	26.1%	27.8%	14.5%	6.2%	11.0%	8.9%
Retail Trade	100.0%	8.0%	48.7%	23.9%	11.0%	2.7%	3.7%	2.0%
Transportation & Warehousing	100.0%	2.5%	28.7%	58.2%	5.1%	1.7%	2.1%	1.7%
Information	100.0%	12.6%	38.9%	30.6%	7.9%	2.4%	4.6%	3.1%
Finance & Insurance	100.0%	44.7%	19.3%	18.7%	10.0%	2.5%	2.9%	1.8%
Real Estate & Rental	100.0%	2.9%	22.3%	68.4%	5.4%	0.4%	0.3%	0.2%
Business Services	100.0%	7.7%	38.9%	38.3%	9.3%	1.8%	2.6%	1.5%
Education	100.0%	6.8%	60.0%	28.3%	3.2%	d	0.8%	d
Health & Care Services	100.0%	4.5%	25.2%	49.3%	13.0%	4.6%	2.9%	0.5%
Entertainment & Hospitality	100.0%	7.2%	44.3%	31.1%	9.8%	3.3%	3.3%	1.0%
Repair & Maintenance	100.0%	3.1%	37.0%	43.6%	12.1%	2.4%	d	d
Personal & Other Services	100.0%	8.7%	38.2%	44.7%	5.8%	1.2%	1.1%	0.2%
Unclassified	100.0%	47.9%	34.3%	16.3%	1.4%	d	d	d

Note: "d" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.



**Table 1-9**  
**Distribution of Businesses by Major Industry and**  
**by Size of Net Profit - 2015**

Industry Group	All	Size of Net Profit					
		No Net Profit	Under \$25,000	\$25,000 < \$100,000	\$100,000 < \$500,000	\$500,000 < \$1 million	\$1 million and over
<b>All Industries</b>	188,319	82,940	87,392	14,042	3,276	327	342
Agriculture & Fishing	6,701	3,687	2,666	297	43	<i>d</i>	<i>d</i>
Mining, Utilities & Construction	6,708	1,879	3,276	1,221	277	27	28
Manufacturing	2,046	886	976	133	32	<i>d</i>	<i>d</i>
Wholesale Trade	3,517	1,533	1,324	370	184	43	63
Retail Trade	9,650	4,716	4,070	627	166	30	41
Transportation & Warehousing	3,575	775	2,518	219	44	<i>d</i>	<i>d</i>
Information	1,306	651	512	103	<i>d</i>	<i>d</i>	<i>d</i>
Finance & Insurance	5,314	3,286	1,229	507	231	30	31
Real Estate & Rental	63,187	28,299	29,869	4,071	848	57	43
Business Services	20,401	6,342	10,797	2,490	644	62	66
Education	1,936	571	1,251	105	<i>d</i>	<i>d</i>	0
Health & Care Services	7,058	2,348	3,364	919	399	<i>d</i>	<i>d</i>
Entertainment & Hospitality	7,648	3,301	3,657	531	125	12	22
Repair & Maintenance	3,228	886	1,916	384	42	0	0
Personal & Other Services	11,993	3,769	7,084	1,034	92	<i>d</i>	<i>d</i>
Unclassified	34,051	20,011	12,883	1,031	122	<i>d</i>	<i>d</i>
<b>Percent by Industry</b>	100.0%	44.0%	46.4%	7.5%	1.7%	0.2%	0.2%
Agriculture & Fishing	100.0%	55.0%	39.8%	4.4%	0.6%	<i>d</i>	<i>d</i>
Mining, Utilities & Construction	100.0%	28.0%	48.8%	18.2%	4.1%	0.4%	0.4%
Manufacturing	100.0%	43.3%	47.7%	6.5%	1.6%	<i>d</i>	<i>d</i>
Wholesale Trade	100.0%	43.6%	37.6%	10.5%	5.2%	1.2%	1.8%
Retail Trade	100.0%	48.9%	42.2%	6.5%	1.7%	0.3%	0.4%
Transportation & Warehousing	100.0%	21.7%	70.4%	6.1%	1.2%	<i>d</i>	<i>d</i>
Information	100.0%	49.8%	39.2%	7.9%	<i>d</i>	<i>d</i>	<i>d</i>
Finance & Insurance	100.0%	61.8%	23.1%	9.5%	4.3%	0.6%	0.6%
Real Estate & Rental	100.0%	44.8%	47.3%	6.4%	1.3%	0.1%	0.1%
Business Services	100.0%	31.1%	52.9%	12.2%	3.2%	0.3%	0.3%
Education	100.0%	29.5%	64.6%	5.4%	<i>d</i>	<i>d</i>	0.0%
Health & Care Services	100.0%	33.3%	47.7%	13.0%	5.7%	<i>d</i>	<i>d</i>
Entertainment & Hospitality	100.0%	43.2%	47.8%	6.9%	1.6%	0.2%	0.3%
Repair & Maintenance	100.0%	27.4%	59.4%	11.9%	1.3%	0.0%	0.0%
Personal & Other Services	100.0%	31.4%	59.1%	8.6%	0.8%	<i>d</i>	<i>d</i>
Unclassified	100.0%	58.8%	37.8%	3.0%	0.4%	<i>d</i>	<i>d</i>

Note: "*d*" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

**Table 1-10**  
**Distribution of Businesses, Business Receipts, Net Income, and Wages Paid**  
**By Taxation District - 2015**  
**(Dollar Amounts in \$1,000)**

Taxation District	No. of Entities	Business Receipts	Net Profit		Net Loss		Wages Paid	
			Number	Amount	Number	Amount	Number	Amount
<b>All Districts</b>	188,319	\$79,646,910	105,379	\$4,610,070	55,606	\$1,931,159	11,519	\$10,430,773
OAHU	122,602	\$73,926,202	68,323	\$3,921,975	35,281	\$1,694,234	8,798	\$9,809,722
MAUI	25,898	\$2,241,641	14,541	\$286,857	7,869	\$83,056	967	\$247,947
HAWAII	28,616	\$2,597,944	16,309	\$287,801	8,938	\$112,210	1,315	\$273,713
KAUAI	11,203	\$881,122	6,206	\$113,437	3,518	\$41,659	439	\$99,391
<b>Percent by District</b>	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
OAHU	65.1%	92.8%	64.8%	85.1%	63.4%	87.7%	76.4%	94.0%
MAUI	13.8%	2.8%	13.8%	6.2%	14.2%	4.3%	8.4%	2.4%
HAWAII	15.2%	3.3%	15.5%	6.2%	16.1%	5.8%	11.4%	2.6%
KAUAI	5.9%	1.1%	5.9%	2.5%	6.3%	2.2%	3.8%	1.0%

## **SECTION 2**

### **C CORPORATIONS**

This section discusses C corporations that are taxable under Chapter 235 of the Hawaii Revised Statutes (HRS). Form N-30 must be filed by C corporations if they have gross income from property owned, trade or business carried on, or any other source in Hawaii, or are incorporated under the laws of Hawaii. C corporations are subject to the following rates on Form N-30: 4.4% on taxable income up to \$25,000, 5.4% on the excess over \$25,000 but not over \$100,000, and 6.4% on the excess over \$100,000. Net capital gains are taxed at 4%.

C Corporations numbered 15,624 in tax year 2015 (Table 2-1). Business receipts for all C corporations totaled \$71.4 billion (Table 2-3). About 25.3% of C corporations reported at least \$1.0 million in business receipts (Table 2-2). Since this is the first business income report after tax year 2002 report, no comparison can be made to previous year.

In tax year 2015, net income for C corporations totaled \$1.1 billion (Table 2-4). As presented in Table 2-5, C corporations reported \$2.5 billion in net profits, \$1.5 billion in net losses and \$157.0 million in Hawaii tax liability. A total of 5,441 business entities showed profits, contrasted with 6,892 entities with losses. On average, net profits per entity were more than double the net losses per entity. Retail industry generated the most net income totaled \$432.3 million. Wholesale industry had the second largest net income totaled \$229.4 million. Real estate and rental industry had the largest negative net income of \$78.1 million.

Corporations who had business outside of Hawaii have to file schedule O and P to allocate their gross receipts and income to Hawaii. Such apportioned C corporations numbered 4,558 while Hawaii only businesses totaled 11,066. The non-apportioned corporations generated business receipts of \$19.5 billion while the apportioned companies had gross receipts of \$51.9 billion (Table 2-3). However, the Hawaii only businesses recorded negative net income of \$82.6 million whereas the apportioned corporations had net income of \$1.2 billion (Table 2-4). This indicates that multi-national and national corporations are more profitable than local Hawaii businesses.

Table 2-7 shows wages paid and number of W-2 forms by industry for C corporations in 2015. 8,405 corporations paid \$9.8 billion of wages. The business services industry (20.9% of such returns) paid the largest wages totaled \$2.4

billion or 24.5% of total wages paid by C corporations in 2015. The retail industry filed the largest number of W-2 forms at 40,934 followed by entertainment and hospitality at 26,398. This is in line with Hawaii's major form of business, the tourism.

**Section 2**  
**C Corporations**  
**Statistical Tables**

Dollar amounts and percentages are rounded and may not add up to totals.

**Table 2-1**

**Distribution of C Corporation Returns by Taxation District and by Industry - 2015**

Industry Group	Taxation District				
	All	Oahu	Maui	Hawaii	Kauai
<b>All Industries</b>	15,624	13,199	972	1,113	340
Agriculture & Fishing	225	103	<i>d</i>	84	<i>d</i>
Mining, Utilities & Construction	1,032	791	86	114	41
Manufacturing	238	180	<i>d</i>	28	<i>d</i>
Wholesale	1,565	1,485	26	40	14
Retail	1,171	927	90	115	39
Transportation & Warehousing	343	268	<i>d</i>	35	<i>d</i>
Information	408	389	<i>d</i>	<i>d</i>	<i>d</i>
Finance & Insurance	1,061	1,025	<i>d</i>	17	<i>d</i>
Real Estate & Rental & Leasing	2,850	2,360	222	193	75
Business Services	2,946	2,741	66	102	37
Education	127	118	<i>d</i>	<i>d</i>	<i>d</i>
Health Care & Social Assistance	753	620	39	80	14
Entertainment & Hospitality	990	764	106	97	23
Repair & Maintenance	232	186	<i>d</i>	24	<i>d</i>
Personal & Other Services	1,683	1,242	216	175	50

Note: "*d*" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

**Table 2-2**

**Distribution of C Corporation Returns by Taxation District  
and Size of Hawaii Business Receipts - 2015**

Size of Hawaii Business Receipts	Taxation District				
	All	Oahu	Maui	Hawaii	Kauai
<b>Total</b>	15,624	13,199	972	1,113	340
Under \$1,000	2,898	2,489	175	193	41
\$1,000 - < \$10,000	947	797	60	71	19
\$10,000 - < \$50,000	1,731	1,477	83	132	39
\$50,000 - < \$100,000	1,075	899	72	70	34
\$100,000 - < \$500,000	3,364	2,818	229	244	73
\$500,000 - < \$1 million	1,651	1,323	126	156	46
\$1 million - < \$5 million	2,539	2,111	174	192	62
\$5 million - < \$10 million	584	508	<i>d</i>	27	<i>d</i>
\$10 million and over	835	777	<i>d</i>	28	<i>d</i>

Note: "*d*" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

**Table 2-3**

**Number of Businesses and Hawaii Gross Receipts  
by Major Industry - 2015  
(Dollar Amounts in \$1000)**

Industry Groups	All		Non-Appportioned		Appportioned	
	No. of Entities	Business Receipts	No. of Entities	Business Receipts	No. of Entities	Business Receipts
<b>All Industries</b>	15,624	\$71,381,649	11,066	\$19,518,732	4,558	\$51,862,918
Agriculture & Fishing	225	\$700,891	210	\$197,323	15	\$503,568
Mining, Utilities & Construction	1,032	\$8,826,708	822	\$2,407,084	210	\$6,419,625
Manufacturing	238	\$2,461,270	223	\$699,382	15	\$1,761,888
Wholesale	1,565	\$11,885,784	525	\$1,876,458	1,040	\$10,009,326
Retail	1,171	\$14,721,059	925	\$3,761,387	246	\$10,959,671
Transportation & Warehousing	343	\$3,464,698	263	\$838,317	80	\$2,626,380
Information	408	\$2,271,950	127	\$94,593	281	\$2,177,357
Finance & Insurance	1,061	\$2,100,706	587	\$710,253	474	\$1,390,453
Real Estate & Rental & Leasing	2,850	\$6,049,847	2,514	\$1,988,396	336	\$4,061,450
Business Services	2,946	\$11,950,258	1,376	\$3,853,402	1,570	\$8,096,856
Education	127	\$115,367	78	\$44,198	49	\$71,169
Health Care & Social Assistance	753	\$1,297,609	697	\$802,202	56	\$495,407
Entertainment & Hospitality	990	\$4,566,957	890	\$1,450,692	100	\$3,116,265
Repair & Maintenance	232	\$250,006	200	\$175,291	32	\$74,715
Personal & Other Services	1,683	\$718,540	1,629	\$619,754	54	\$98,787



**Table 2-4**  
**Number of Businesses and Net Income**  
**by Size of Net Profit and Corporate Return Type - 2015**  
**(Dollar Amounts in \$1000)**

Size of Net Profit	ALL		Non-AppORTioned		AppORTioned	
	No. of Entities	Net Income	No. of Entities	Net Income	No. of Entities	Net Income
<b>Total</b>	15,624	\$1,071,514	11,066	(\$82,569)	4,558	\$1,154,084
No Net Profit	10,183	(\$1,477,888)	7,847	(\$789,262)	2,336	(\$688,627)
Under \$25,000	2,822	\$20,596	1,608	\$13,944	1,214	\$6,652
\$25,000 - < \$100,000	1,219	\$64,167	851	\$45,120	368	\$19,048
\$100,000 - < \$500,000	863	\$190,666	528	\$113,602	335	\$77,064
\$500,000 - < \$1 million	227	\$159,948	123	\$85,680	104	\$74,267
\$1 million and over	310	\$2,114,025	109	\$448,346	201	\$1,665,679

Table 2-5

**Number of Businesses, Hawaii Business Receipts, Net Profit, Net Loss,  
and Tax Liability for C Corporations by Industry and Size of Business Receipts - 2015**  
(Dollar Amounts in \$1000)

	No of Entities	Business Receipts	Net Profit		Net Loss		Tax Liability	
			Number	Amount	Number	Amount	Number	Amount
<b>Total</b>	15,624	\$71,381,649	5,441	\$2,549,403	6,892	\$1,477,888	5,373	\$156,964
<b>Industry Groups</b>								
Agriculture & Fishing	225	\$700,891	62	\$17,266	112	\$24,651	62	\$1,061
Mining, Utilities & Construction	1,032	\$8,826,708	401	\$166,020	422	\$130,280	399	\$9,980
Manufacturing	238	\$2,461,270	92	\$52,143	93	\$60,538	92	\$3,110
Wholesale	1,565	\$11,885,784	765	\$316,289	531	\$86,868	757	\$19,143
Retail	1,171	\$14,721,059	420	\$518,548	520	\$86,286	418	\$32,761
Transportation & Warehousing	343	\$3,464,698	130	\$155,633	138	\$50,226	130	\$9,845
Information	408	\$2,271,950	132	\$240,690	206	\$74,372	129	\$15,205
Finance & Insurance	1,061	\$2,100,706	388	\$58,761	438	\$117,800	369	\$3,489
Real Estate & Rental & Leasing	2,850	\$6,049,847	848	\$231,362	1,301	\$309,510	840	\$13,533
Business Services	2,946	\$11,950,258	1,233	\$502,343	1,189	\$329,221	1,216	\$31,177
Education	127	\$115,367	51	\$2,520	63	\$7,895	51	\$144
Health Care & Social Assistance	753	\$1,297,609	216	\$13,529	348	\$18,456	216	\$770
Entertainment & Hospitality	990	\$4,566,957	286	\$239,158	508	\$136,345	286	\$14,788
Repair & Maintenance	232	\$250,006	84	\$3,326	88	\$4,024	84	\$173
Personal & Other Services	1,683	\$718,540	333	\$31,813	935	\$41,416	324	\$1,784
<b>Size of Hawaii Business Receipts</b>								
Under \$1,000	2,898	\$145	499	\$49,193	1,756	\$151,811	460	\$2,383
\$1,000 < \$10,000	947	\$4,596	263	\$9,244	473	\$38,555	247	\$499
\$10,000 < \$50,000	1,731	\$46,897	478	\$12,333	839	\$35,781	475	\$597
\$50,000 < \$100,000	1,075	\$79,042	364	\$11,118	458	\$19,801	364	\$589
\$100,000 < \$500,000	3,364	\$869,673	1,141	\$40,860	1,531	\$169,047	1,136	\$2,104
\$500,000 < \$1 million	1,651	\$1,173,352	639	\$48,491	644	\$98,702	636	\$2,655
\$1 million < \$5 million	2,539	\$5,699,414	1,213	\$223,990	849	\$193,610	1,211	\$13,158
\$5 million < \$10 million	584	\$4,135,663	354	\$149,663	142	\$113,841	354	\$8,941
\$10 million and over	835	\$59,372,866	490	\$2,004,512	200	\$656,740	490	\$126,040

**Table 2-6**

**Additional Sources of Income for Non-AppORTioned C Corporations by Industry - 2015**  
(Dollar Amount in \$1000)

Industry Group	Interest		Gross Rents		Capital Gain Net Income		Gain/Loss from Sale of Business Property *		Dividends *	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Total</b>	4,943	\$357,003	1,778	\$283,451	843	\$1,042,545	719	\$37,540	770	\$30,167
Agriculture & Fishing	73	\$154	29	\$4,632	17	\$1,177	11	\$268	23	\$169
Mining, Utilities & Construction	371	\$6,460	80	\$12,294	69	\$11,800	103	\$1,484	90	\$2,985
Manufacturing	83	\$335	23	\$4,173	d	\$783	37	\$261	23	\$112
Wholesale	187	\$668	55	\$5,639	37	\$2,102	48	(\$230)	47	\$660
Retail	285	\$1,179	87	\$20,131	55	\$5,988	81	(\$3,172)	79	\$1,295
Transportation & Warehousing	79	\$463	25	\$2,305	11	\$1,144	40	\$3,934	13	\$192
Information	32	\$372	d	\$388	d	\$19,429	d	\$20,127	d	\$3,879
Finance & Insurance	323	\$92,482	63	\$12,611	230	\$734,112	33	\$1,083	69	\$8,155
Real Estate & Rental & Leasing	1,133	\$30,322	564	\$118,383	240	\$223,307	98	\$22,800	175	\$7,722
Business Services	538	\$220,029	99	\$49,122	80	\$31,855	93	(\$105)	118	\$3,832
Education	22	\$72	d	\$278	d	\$3	d	(\$2)	d	\$2
Health Care & Social Assistance	260	\$196	41	\$1,875	21	\$555	57	(\$238)	52	\$98
Entertainment & Hospitality	187	\$1,031	72	\$16,969	26	\$2,581	62	(\$3,076)	22	\$582
Repair & Maintenance	63	\$108	23	\$1,912	d	\$323	d	\$382	13	\$36
Personal & Other Services	1,307	\$3,131	609	\$32,739	32	\$7,386	38	(\$5,977)	38	\$450

\* Data on these categories are not available on 18.7% of returns due to lack of federal return information.

Note: "d" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

**Table 2-7**  
**Wages Paid and Number of W-2 Forms**  
**by Industry - 2015**  
**(Dollar Amount in \$1000)**

	Wages Paid		W-2
	Number	Amount	Count
<b>Total</b>	8,405	\$9,790,924	173,692
Agriculture & Fishing	117	\$143,920	1,866
Mining, Utilities & Construction	744	\$748,748	16,799
Manufacturing	183	\$156,409	5,905
Wholesale	836	\$760,702	11,960
Retail	880	\$1,337,631	40,934
Transportation & Warehousing	252	\$742,800	16,236
Information	179	\$681,612	1,456
Finance & Insurance	306	\$349,109	1,862
Real Estate & Rental & Leasing	640	\$507,167	4,468
Business Services	1,759	\$2,398,353	23,890
Education	72	\$42,259	1,309
Health Care & Social Assistance	657	\$487,660	8,449
Entertainment & Hospitality	730	\$1,219,496	26,398
Repair & Maintenance	170	\$44,967	1,878
Personal & Other Services	880	\$170,092	10,282

**Table 2-8**

**Selected Expenses of Non-Appportioned C Corporations <sup>1</sup>  
by Major Industry - 2015  
(Dollar Amount in \$1000)**

	No. of Entities	Returns and Allowances		Cost of Goods Sold		Officers' Compensation <sup>2</sup>		Repairs <sup>2</sup>	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Total</b>	10,889	448	\$36,530	4,061	\$9,420,889	3,700	\$734,217	4,715	\$305,675
Agriculture & Fishing	210	10	\$392	95	\$73,550	62	\$8,204	108	\$2,858
Mining, Utilities & Construction	817	14	\$168	694	\$1,628,034	451	\$88,118	403	\$9,429
Manufacturing	223	31	\$4,673	192	\$498,048	114	\$23,681	119	\$3,706
Wholesale	522	67	\$5,335	439	\$1,409,627	279	\$48,554	252	\$7,040
Retail	923	68	\$3,820	819	\$2,562,015	502	\$68,582	553	\$24,518
Transportation & Warehousing	262	12	\$1,317	97	\$424,544	122	\$23,289	125	\$10,257
Information	122	<i>d</i>	\$426	45	\$40,551	32	\$3,236	32	\$228
Finance & Insurance	477	<i>d</i>	\$13	17	\$4,245	79	\$19,094	72	\$6,095
Real Estate & Rental & Leasing	2,485	21	\$8,802	107	\$244,490	305	\$35,483	806	\$36,030
Business Services	1,364	41	\$5,400	408	\$1,847,090	620	\$184,948	513	\$119,019
Education	76	<i>d</i>	\$190	22	\$1,571	19	\$1,802	24	\$450
Health Care & Social Assistance	696	108	\$1,589	95	\$69,891	507	\$167,523	394	\$4,639
Entertainment & Hospitality	889	39	\$4,240	674	\$452,538	382	\$38,468	511	\$15,751
Repair & Maintenance	199	12	\$144	167	\$80,290	114	\$13,249	102	\$1,206
Personal & Other Services	1,624	<i>d</i>	\$23	190	\$84,405	112	\$9,986	701	\$64,450

<sup>1</sup> Excludes returns using separate accounting and returns using apportioned formulas.

<sup>2</sup> Data in these categories excludes approximately 18.7% of returns due to lack of matching federal information.

Note: "*d*" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

**Table 2-8 (Continued)**  
**Selected Expenses of Non-Appportioned C Corporations <sup>1</sup>**  
**by Major Industry - 2015**  
**(Dollar Amount in \$1000)**

	<b>Bad Debts <sup>2</sup></b>		<b>Taxes paid <sup>2</sup></b>		<b>Interest Expense <sup>2</sup></b>		<b>Contributions <sup>2</sup></b>		<b>Depreciation <sup>2</sup></b>	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Total</b>	484	\$21,965	7,131	\$847,929	3,530	\$214,277	1,084	\$21,999	5,170	\$573,500
Agriculture & Fishing	<i>d</i>	\$307	143	\$7,795	66	\$2,034	22	\$97	126	\$6,097
Mining, Utilities & Construction	81	\$2,387	633	\$53,243	440	\$7,318	146	\$1,701	534	\$27,287
Manufacturing	30	\$864	161	\$14,227	115	\$3,826	41	\$334	143	\$9,214
Wholesale	60	\$1,234	411	\$35,153	250	\$6,911	88	\$322	324	\$17,365
Retail	67	\$666	746	\$141,362	415	\$8,705	139	\$1,269	625	\$42,186
Transportation & Warehousing	16	\$686	191	\$27,746	117	\$6,333	38	\$301	156	\$29,732
Information	<i>d</i>	\$1,803	76	\$3,519	35	\$975	<i>d</i>	\$50	52	\$1,638
Finance & Insurance	14	\$275	178	\$8,402	84	\$24,770	38	\$105	118	\$7,146
Real Estate & Rental & Leasing	43	\$2,341	1,302	\$65,621	490	\$35,835	140	\$5,007	902	\$47,859
Business Services	60	\$5,036	999	\$345,139	508	\$98,794	184	\$11,548	726	\$301,994
Education	<i>d</i>	\$0	53	\$3,815	21	\$141	<i>d</i>	\$1	41	\$475
Health Care & Social Assistance	<i>d</i>	\$214	580	\$49,762	311	\$3,145	84	\$286	500	\$12,133
Entertainment & Hospitality	20	\$550	638	\$62,785	298	\$7,683	84	\$603	540	\$53,101
Repair & Maintenance	<i>d</i>	\$10	167	\$9,809	79	\$568	33	\$52	127	\$2,268
Personal & Other Services	64	\$5,591	853	\$19,553	301	\$7,239	31	\$324	256	\$15,005

<sup>1</sup> Excludes returns using separate accounting and returns using apportioned formulas.

<sup>2</sup> Data in these categories excludes approximately 18.7% of returns due to lack of matching federal information.

Note: "d" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

**Table 2-8 (Continued)**  
**Selected Expenses of Non-AppORTioned C Corporations <sup>1</sup>**  
**by Major Industry - 2015**  
**(Dollar Amount in \$1000)**

	Pensions <sup>2</sup>		Employee Benefits <sup>2</sup>		Rental Expense <sup>2</sup>		Advertising <sup>2</sup>	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Total</b>	1,298	\$160,829	3,435	\$308,401	4,351	\$515,755	3,209	\$102,723
Agriculture & Fishing	d	\$1,289	71	\$3,873	90	\$4,841	55	\$572
Mining, Utilities & Construction	150	\$11,429	399	\$23,719	464	\$33,473	335	\$3,621
Manufacturing	46	\$3,094	102	\$11,237	142	\$16,806	115	\$6,450
Wholesale	96	\$5,228	246	\$17,768	332	\$39,921	223	\$4,206
Retail	111	\$13,467	468	\$56,343	647	\$135,587	494	\$31,548
Transportation & Warehousing	32	\$2,747	116	\$17,320	134	\$21,684	121	\$4,552
Information	16	\$272	34	\$1,408	46	\$3,101	39	\$809
Finance & Insurance	36	\$1,980	67	\$4,675	72	\$5,376	51	\$1,071
Real Estate & Rental & Leasing	66	\$5,273	265	\$12,118	317	\$28,126	299	\$4,849
Business Services	307	\$88,055	550	\$106,372	642	\$86,247	464	\$10,919
Education	d	\$74	27	\$1,458	38	\$4,033	30	\$1,474
Health Care & Social Assistance	324	\$24,562	448	\$20,545	485	\$33,307	302	\$3,337
Entertainment & Hospitality	41	\$2,111	370	\$18,557	536	\$75,416	410	\$19,590
Repair & Maintenance	25	\$638	104	\$4,535	139	\$11,562	91	\$793
Personal & Other Services	30	\$612	168	\$8,472	267	\$16,275	180	\$8,932

<sup>1</sup> Excludes returns using separate accounting and returns using apportioned formulas.

<sup>2</sup> Data in these categories excludes approximately 18.7% of returns due to lack of matching federal information.

Note: "d" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

## **SECTION 3**

### **FINANCIAL CORPORATIONS**

Banks and other financial institutions taxable under Chapter 241 of the Hawaii Revised Statutes must file Form F-1. In lieu of an income tax, these corporations pay a franchise tax, based on their prior year Hawaii adjusted income.

For tax year 2015, 201 financial corporations filed Form F-1, reporting business receipts of \$2.4 billion and net income of \$336.0 million. Profits of \$390.9 million were realized by 128 entities, while 55 corporations incurred losses totaling \$54.9 million. A franchise tax liability of \$29.6 million resulted from the profitable organizations. Corporations with \$5 million or more business receipts accounted for 95.2% of the total business receipts and 75.2% of the net income, even though they only consist 15.9% of all entities (Table 3-1). Of the 201 financial corporations, 185 filed their returns in Oahu district.

Table 3-2 shows total deduction, wages paid and W-2 count for financial corporations by size of business receipts. Overall, 111 corporations paid \$444.3 million in wages. Corporations with \$5 million or more business receipts paid 74.2% of total wages.



**Section 3**

**Financial Corporations**

**Statistical Tables**

Dollar amounts and percentages are rounded and may not add up to totals.

**Table 3-1**

**Number of Businesses, Hawaii Business Receipts, Net Profit, Net Loss,  
and Tax Liability for Financial Corporations by Size of Business Receipts - 2015  
(Dollar Amounts in \$1,000)**

Size of Hawaii Business Receipts	No. of Entities	Business Receipts	Net Profit		Net Loss		Tax Liability	
			Number	Amount	Number	Amount	Number	Amount
<b>Total</b>	201	\$2,410,816	128	\$390,851	55	\$54,856	128	\$29,613
Under \$50,000	42	\$425	<i>d</i>	\$109,691	22	\$10,564	<i>d</i>	\$8,005
\$50,000 < \$100,000	<i>d</i>	\$577	<i>d</i>	\$24	<i>d</i>	\$15	<i>d</i>	\$2
\$100,000 < \$500,000	53	\$14,690	38	\$2,531	12	\$1,151	38	\$200
\$500,000 < \$1 million	<i>d</i>	\$21,608	21	\$2,169	<i>d</i>	\$9,452	21	\$172
\$1 million < \$5 million	34	\$77,582	24	\$9,064	<i>d</i>	\$19,135	24	\$716
\$5 million and over	32	\$2,295,935	25	\$267,372	<i>d</i>	\$14,539	25	\$20,519

Note: "*d*" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

**Table 3-2**

**Total Deduction, Wages Paid, and W-2 Count for Financial Corporations  
by Size of Business Receipts - 2015  
(Dollar Amounts in \$1,000)**

Size of Hawaii Business Receipts	Total Deduction		Wages Paid		W-2 Count
	Number	Amount	Number	Amount	
<b>Total</b>	192	\$2,450,614	111	\$444,265	776
Under \$50,000	38	\$264,018	<i>d</i>	\$89,253	239
\$50,000 < \$100,000	<i>d</i>	\$569	<i>d</i>	\$168	<i>d</i>
\$100,000 < \$500,000	51	\$12,941	28	\$2,477	<i>d</i>
\$500,000 < \$1 million	<i>d</i>	\$28,872	18	\$3,823	97
\$1 million < \$5 million	33	\$87,290	17	\$18,864	121
\$5 million and over	32	\$2,056,924	26	\$329,679	229

Note: "*d*" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

## **SECTION 4**

### **PROPRIETORSHIPS**

Sole proprietors are required to file Schedule C and/or Schedule F with their federal individual income tax returns. Schedule F is used to record farm activities, while Schedule C is used for all other businesses. Since single-member limited liability companies (LLCs) are classified as if they were a sole proprietorship, they have to file Schedules C, E and/or F with their individual income tax returns. Their schedules are included in the proprietorship count. Proprietors operating several businesses will often file multiple schedules. For this report, each schedule is treated as a separate entity.

Although not technically recognized as proprietors, some individuals receive rental income from real estate holdings. Federal Schedule E, Part 1, is used to report any revenue or loss derived from such activities. For the purpose of this study, any real estate rental recorded on Schedule E is considered a proprietorship entry, and included herein.

Sole proprietorships accounted for 91.6% of all Hawaii business entities reported here (excluding S corporations and partnerships) in 2015. Of the 172,494 registered proprietorships, 101,119 included Schedules C and F with their federal returns, while 71,375 attached Schedule E. Business receipts from proprietors totaled \$5.9 billion, which comprised 2.2% of all business revenues (excluding S corporations and partnerships) in the state (Table 1-1). Approximately 58.4% of proprietors had revenues under \$25,000, and 14.1%, or 24,282, recorded zero receipts (Table 4-2).

Table 4-1 reveals the dominance of the real estate and rental industry among proprietorships, with 35.0% of all such returns engaged in these activities. This pattern held in all districts, ranging from 27.1% on the island of Hawaii to 37.4% on Oahu. Business services represented the next highest category of filings at 10.1%, followed by personal and other services with 6.0%.

Not surprisingly, real estate and rental proprietors contributed 34.2%, or \$2.0 billion, of total business receipts. The business services accounted for approximately 11.1% of revenues. The construction & utilities and wholesale groups ranked highest in terms of revenues per entity at \$98,519 and \$98,769 separately. The construction & utilities was responsible for 9.6% of total business receipts while wholesale accounted for 3.3% (Table 4-3).

Statewide net income for sole proprietors reached \$1.3 billion, with 57.9% of all entities reporting profits of \$1.7 billion, and 28.2% recording losses of \$398.4 million. The largest source of net income was the real estate and rental industry, adding \$328.2 million, or 25.8% of aggregated net income, followed by the business services sector at \$251.7 million, or 19.8% (Table 4-3).

The difference between business receipts and net income consists of expenses and deductions. Among the proprietorship population, over \$4.6 billion in expenses was claimed, 20.9% of which was \$966.2 million in cost of goods sold. The retail industry accounted for \$256.8 million of this figure, with the cost of goods sold representing 58.0% of its total expenses of \$442.4 million. As a sector, the real estate and rental industry recorded the greatest amount of overall expenses, \$1.7 billion, or 36.3% of the aggregated total deduction. Mortgage interest made up 17.2%, or the largest portion, of these expenses.

In Table 4-5, individual tax returns are examined to compare the contribution of proprietorship revenue to other income sources. On average, 12.1% of individual taxpayers' adjusted gross income (AGI) can be attributed to proprietorship activities. Only for the AGI class between \$5,000 and \$25,000 does proprietorship income represent a major (44.4%) source of funds.

Table 4-6 extends the comparison to industry sectors. As a percentage of AGI, proprietorship contributions range from 1.2% in the agriculture and fishing group to 33.3% in construction and utilities. In general, proprietorship income is not a primary contributor of AGI.

From Table 4-8, it appears that for 48.0% of all sole proprietors, business earnings represented less than 1% of total adjusted gross income (AGI). Only 21.7% reported proprietorship income of at least 50% of AGI. By industry, business revenues comprised at least half of AGI for 43.7% of transportation and warehousing providers and 42.0% of construction and utility operators, compared to only 15.4% of education proprietors.

Table 4-7 shows selected data for rental income reported on schedule E. Total of 71,375 returns reported \$1.6 billion in gross rents received. Returns with business receipts between \$10,000 and \$250,000 accounted for 83.6% of total gross rents.

Individual taxpayers also report their total pass-through income from partnerships and S corporations on schedule E of their federal returns. Total of 22,466 returns reported \$863.0 million net income from partnerships and/or S corporations. Tax returns with \$200,000 and over Hawaii AGI accounted for 73.4% of such net income, or \$633.4 million (Table 4-9).

**Section 4**

**Proprietorships**

**Statistical Tables**

Dollar amounts and percentages are rounded and may not add up to totals.

**Table 4-1**  
**Number of Proprietorships by Taxation District**  
**and by Major Industry - 2015**

Industry	All	Taxation District			
		Oahu	Maui	Hawaii	Kauai
<b>Total</b>	172,494	109,218	24,920	27,495	10,861
Agriculture & Fishing	6,476	1,334	1,069	3,414	659
Mining, Utilities & Construction	5,676	3,093	969	1,151	463
Manufacturing	1,808	975	301	386	146
Wholesale	1,951	1,180	287	355	129
Retail	8,479	5,712	1,022	1,250	495
Transportation & Warehousing	3,232	2,598	271	272	91
Information	898	604	132	127	35
Finance & Insurance	4,081	3,138	357	405	181
Real Estate & Rental & Leasing	60,329	40,871	8,465	7,461	3,532
Business Services	17,436	10,710	2,673	2,795	1,258
Education	1,809	1,248	210	262	89
Health Care & Social Assistance	6,305	4,319	746	916	324
Entertainment & Hospitality	6,658	3,811	1,173	1,171	503
Repair & Maintenance	2,996	1,532	519	656	289
Personal & Other Services	10,309	6,507	1,577	1,483	742
Unclassified	34,051	21,586	5,149	5,391	1,925

**Table 4-2**  
**Number of Proprietorships by Taxation District**  
**and by Size of Business Receipts - 2015**

Size of Business Receipts	All	Taxation District			
		Oahu	Maui	Hawaii	Kauai
<b>Total</b>	172,494	109,218	24,920	27,495	10,861
No Business Receipts	24,282	15,670	3,442	3,642	1,528
\$1 < \$1,000	12,686	7,993	1,583	2,259	851
\$1,000 < \$5,000	26,031	15,538	3,850	4,900	1,743
\$5,000 < \$10,000	19,501	11,450	3,112	3,629	1,310
\$10,000 < \$25,000	42,480	27,579	6,057	6,243	2,601
\$25,000 < \$50,000	24,250	16,188	3,392	3,285	1,385
\$50,000 < \$100,000	12,858	8,259	1,943	1,881	775
\$100,000 < \$250,000	7,077	4,456	1,064	1,093	464
\$250,000 < \$500,000	2,096	1,282	310	357	147
\$500,000 < \$1 million	857	558	102	154	43
\$1 million and over	376	245	65	52	14



**Table 4-3**

**Business Receipts, Other Income, Net Profit, and Net Loss  
by Size of Business Receipts and by Industry - 2015  
(Dollar Amounts in \$1,000)**

Size of Business Receipts and Industry	No. of Entities	Business Receipts	Other Income		Net Profit		Net Loss	
			Number	Amount	Number	Amount	Number	Amount
<b>Total</b>	172,494	\$5,854,444	2,906	\$45,357	99,810	\$1,669,816	48,659	\$398,415
<b>Size of Business Receipts</b>								
No Business Receipts	24,282	(\$19)	1,016	\$25,410	724	\$14,184	7,536	\$55,827
\$1 < \$1,000	12,686	\$6,172	127	\$456	6,478	\$2,479	5,709	\$24,870
\$1,000 < \$5,000	26,031	\$69,016	272	\$1,544	15,181	\$26,088	9,779	\$54,480
\$5,000 < \$10,000	19,501	\$143,900	190	\$1,249	12,341	\$49,839	6,235	\$42,830
\$10,000 < \$25,000	42,480	\$699,985	283	\$1,986	27,916	\$209,997	11,738	\$96,073
\$25,000 < \$50,000	24,250	\$847,701	273	\$3,606	17,665	\$262,110	4,795	\$57,305
\$50,000 < \$100,000	12,858	\$889,981	232	\$4,634	10,366	\$299,967	1,852	\$32,510
\$100,000 < \$250,000	7,077	\$1,065,059	234	\$2,640	6,150	\$361,937	735	\$20,452
\$250,000 < \$500,000	2,096	\$724,181	131	\$1,199	1,886	\$206,134	181	\$6,974
\$500,000 < \$1 million	857	\$575,785	88	\$1,057	763	\$129,856	75	\$5,690
\$1 million and over	376	\$832,683	60	\$1,575	340	\$107,224	24	\$1,403
<b>Industry</b>								
Agriculture & Fishing	6,476	\$152,205	84	\$351	2,952	\$35,625	3,346	\$31,508
Mining, Utilities & Construction	5,676	\$559,195	137	\$1,548	4,428	\$116,684	1,115	\$12,048
Manufacturing	1,808	\$70,418	62	\$479	1,068	\$13,842	654	\$5,287
Wholesale	1,951	\$192,698	72	\$1,624	1,219	\$22,009	658	\$4,414
Retail	8,479	\$478,596	414	\$4,381	4,514	\$60,826	3,707	\$20,218
Transportation & Warehousing	3,232	\$93,164	74	\$748	2,670	\$28,306	531	\$4,227
Information	898	\$20,571	19	\$107	523	\$7,399	342	\$1,922
Finance & Insurance	4,081	\$142,217	102	\$4,155	1,525	\$70,825	594	\$3,151
Real Estate & Rental & Leasing	60,329	\$2,002,504	212	\$6,445	34,038	\$532,743	20,986	\$204,527
Business Services	17,436	\$651,047	511	\$7,701	12,816	\$274,763	4,142	\$23,071
Education	1,809	\$25,628	43	\$750	1,314	\$10,798	430	\$2,152
Health Care & Social Assistance	6,305	\$410,056	240	\$5,028	4,494	\$167,875	1,173	\$8,619
Entertainment & Hospitality	6,658	\$301,385	251	\$3,780	4,061	\$55,826	2,334	\$18,310
Repair & Maintenance	2,996	\$150,720	69	\$209	2,258	\$37,121	671	\$4,124
Personal & Other Services	10,309	\$288,325	278	\$2,894	7,890	\$102,049	2,192	\$11,111
Unclassified	34,051	\$315,713	338	\$5,157	14,040	\$133,125	5,784	\$43,727

Table 4-4

**Selected Business Deductions by Size of Business Receipts and by Industry - 2015**  
**(Dollar Amounts in \$1,000)**

Size of Business Receipts and Industry	Total Deductions <sup>1</sup>		Returns and Allowances		Cost of Goods Sold		Salaries and Wages		Business Use of Home		Mortgage Interest	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Total</b>	146,823	\$4,628,324	1,811	\$11,971	16,360	\$966,218	3,003	\$195,584	14,065	\$51,867	30,043	\$300,134
<b>Size of Business Receipts</b>												
No Business Receipts	8,318	\$67,035	29	\$189	335	\$3,102	75	\$1,089	376	\$1,502	494	\$2,971
Under \$1,000	9,523	\$29,019	117	\$254	1,093	\$1,093	55	\$74	322	\$425	173	\$559
\$1,000 < \$5,000	22,341	\$98,953	183	\$122	2,254	\$4,379	112	\$177	1,283	\$1,748	1,380	\$5,302
\$5,000 < \$10,000	18,144	\$138,139	145	\$172	1,409	\$4,994	61	\$205	1,300	\$2,445	3,016	\$13,644
\$10,000 < \$25,000	41,304	\$588,047	290	\$798	2,583	\$15,979	158	\$927	2,903	\$7,596	12,701	\$87,089
\$25,000 < \$50,000	24,028	\$646,503	290	\$966	2,529	\$29,337	211	\$1,711	3,092	\$12,257	7,202	\$79,698
\$50,000 < \$100,000	12,791	\$627,083	310	\$1,354	2,282	\$57,496	291	\$4,336	2,530	\$12,455	3,212	\$53,155
\$100,000 < \$250,000	7,049	\$726,214	257	\$2,198	2,174	\$138,671	749	\$24,762	1,597	\$8,861	1,396	\$34,770
\$250,000 < \$500,000	2,094	\$526,220	114	\$2,399	983	\$157,806	666	\$44,746	461	\$3,144	306	\$10,838
\$500,000 < \$1 million	855	\$452,676	54	\$975	475	\$164,253	409	\$49,868	145	\$1,021	116	\$6,933
\$1 million and over	376	\$728,437	22	\$2,544	243	\$389,109	216	\$67,688	56	\$413	47	\$5,175
<b>Industry</b>												
Agriculture & Fishing	6,150	\$148,439	17	\$94	188	\$3,968	376	\$3,344	118	\$384	283	\$2,074
Mining, Utilities & Construction	5,407	\$456,107	53	\$485	2,142	\$236,233	363	\$28,455	1,054	\$3,960	75	\$499
Manufacturing	1,732	\$62,342	78	\$457	867	\$26,719	61	\$2,821	339	\$1,155	34	\$90
Wholesale	1,864	\$176,727	84	\$2,672	958	\$115,648	53	\$2,428	327	\$1,141	27	\$115
Retail	8,071	\$442,369	341	\$776	4,188	\$256,760	333	\$19,131	875	\$2,543	51	\$339
Transportation & Warehousing	3,123	\$69,833	27	\$75	113	\$5,169	45	\$2,731	151	\$473	21	\$66
Information	809	\$15,200	19	\$73	107	\$2,811	11	\$763	164	\$561	d	\$16
Finance & Insurance	2,020	\$78,698	31	\$650	41	\$12,237	111	\$8,347	286	\$961	29	\$163
Real Estate & Rental & Leasing	58,406	\$1,680,733	91	\$1,477	191	\$13,565	67	\$6,267	1,231	\$4,478	28,376	\$288,709
Business Services	16,372	\$407,056	226	\$903	1,664	\$79,008	422	\$37,390	3,589	\$11,556	136	\$772
Education	1,547	\$17,733	36	\$39	82	\$1,247	31	\$849	265	\$818	d	\$26
Health Care & Social Assistance	6,001	\$255,828	174	\$1,016	459	\$15,771	374	\$31,560	1,309	\$8,847	248	\$2,099
Entertainment & Hospitality	6,205	\$267,649	157	\$960	1,469	\$85,745	320	\$26,254	982	\$3,414	119	\$1,207
Repair & Maintenance	2,829	\$117,932	51	\$208	897	\$43,983	98	\$8,591	470	\$1,738	45	\$415
Personal & Other Services	9,701	\$200,281	128	\$900	1,473	\$27,159	205	\$10,291	1,210	\$4,238	74	\$459
Unclassified	16,586	\$231,397	298	\$1,187	1,521	\$40,194	133	\$6,364	1,695	\$5,600	513	\$3,085

<sup>1</sup> Includes cost of goods sold.

Note: "d" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

**Table 4-5**

**Proprietorship Net Income Compared to Other Income Sources on Proprietors'  
Personal Tax Returns by Size of Hawaii Adjusted Gross Income - 2015  
(Dollar Amounts in \$1,000)**

Size of Adjusted Gross Income (AGI)	Return Count	Adjusted Gross Income <sup>1</sup>	Proprietorship Net Income		Proprietors' Wages Earned <sup>1</sup>		Other Income Sources <sup>1</sup>	
			Amount	% of AGI	Amount	% of AGI	Amount	% of AGI
<b>Total</b>	139,768	\$10,514,214	\$1,271,401	12.1%	\$6,936,655	66.0%	(\$189,951)	n.m.
Under \$5,000	15,688	(\$270,398)	(\$44,159)	n.m.	\$40,710	n.m.	(\$227,743)	n.m.
\$5,000 < \$10,000	9,113	\$68,767	\$38,720	56.3%	\$21,818	31.7%	(\$1,066)	n.m.
\$10,000 < \$25,000	22,563	\$380,656	\$160,907	42.3%	\$160,729	42.2%	\$814	0.2%
\$25,000 < \$50,000	26,243	\$967,890	\$184,494	19.1%	\$632,308	65.3%	\$4,129	0.4%
\$50,000 < \$75,000	18,757	\$1,157,514	\$147,839	12.8%	\$850,729	73.5%	\$2,267	0.2%
\$75,000 < \$100,000	14,045	\$1,220,985	\$113,911	9.3%	\$946,851	77.5%	\$4,423	0.4%
\$100,000 < \$150,000	16,722	\$2,036,143	\$178,503	8.8%	\$1,572,477	77.2%	\$5,210	0.3%
\$150,000 < \$200,000	7,579	\$1,300,824	\$124,808	9.6%	\$954,454	73.4%	\$2,779	0.2%
\$200,000 and over	9,058	\$3,651,833	\$366,377	10.0%	\$1,756,577	48.1%	\$19,236	0.5%

<sup>1</sup> This table evaluates relationships of income item by taxpayer return. Therefore, AGI, wages earned, and "other income" are counted only once.  
n.m. = not meaningful.

**Table 4-6**

**Proprietorship Net Income Compared to Other Income Sources on Proprietors'  
Personal Tax Returns by Industry - 2015  
(Dollar Amounts in \$1,000)**

Industry	Entity Count	Adjusted Gross Income <sup>1</sup>	Proprietorship Net Income		Proprietors' Wages Earned <sup>1</sup>		Other Income Sources <sup>1</sup>	
			Amount	% of AGI	Amount	% of AGI	Amount	% of AGI
<b>Total</b>	172,494	\$13,546,245	\$1,271,401	9.4%	\$8,604,466	63.5%	(\$328,564)	n.m.
Agriculture & Fishing	6,476	\$356,713	\$4,117	1.2%	\$233,617	65.5%	(\$15,726)	n.m.
Mining, Utilities & Construction	5,676	\$314,391	\$104,636	33.3%	\$182,607	58.1%	(\$32,165)	n.m.
Manufacturing	1,808	\$98,612	\$8,555	8.7%	\$68,822	69.8%	(\$3,434)	n.m.
Wholesale	1,951	\$124,989	\$17,595	14.1%	\$80,132	64.1%	(\$2,086)	n.m.
Retail	8,479	\$508,753	\$40,608	8.0%	\$406,284	79.9%	(\$33,005)	n.m.
Transportation & Warehousing	3,232	\$106,179	\$24,079	22.7%	\$71,202	67.1%	(\$4,316)	n.m.
Information	898	\$55,713	\$5,477	9.8%	\$42,106	75.6%	(\$1,771)	n.m.
Finance & Insurance	4,081	\$393,468	\$67,674	17.2%	\$180,216	45.8%	(\$4,859)	n.m.
Real Estate & Rental & Leasing	60,329	\$5,660,216	\$328,216	5.8%	\$3,525,017	62.3%	(\$134,218)	n.m.
Business Services	17,436	\$1,386,262	\$251,692	18.2%	\$879,624	63.5%	(\$10,003)	n.m.
Education	1,809	\$125,633	\$8,646	6.9%	\$97,855	77.9%	(\$1,279)	n.m.
Health Care & Social Assistance	6,305	\$542,029	\$159,256	29.4%	\$323,881	59.8%	(\$2,711)	n.m.
Entertainment & Hospitality	6,658	\$400,438	\$37,516	9.4%	\$269,542	67.3%	(\$8,871)	n.m.
Repair & Maintenance	2,996	\$142,564	\$32,997	23.1%	\$94,305	66.1%	(\$686)	n.m.
Personal & Other Services	10,309	\$490,688	\$90,938	18.5%	\$333,559	68.0%	(\$9,493)	n.m.
Unclassified	34,051	\$2,839,599	\$89,398	3.1%	\$1,815,697	63.9%	(\$63,940)	n.m.

<sup>1</sup> Each proprietorship entity was evaluated separately. For returns with more than one proprietorship entity, AGI, wages earned, and other income sources are included for proprietorship entity and thus counted more than once.  
n.m. = not meaningful.

**Table 4-7**

**Selected Data for Rentals Reported on Schedule E  
by Gross Receipts, Aggregated by Return - 2015  
(Dollar Amounts in \$1,000)**

Size of Gross Receipts	Returns with Rentals	Gross Rents		Gross Royalties		Depreciation		Mortgage Interest		Total Expenses	
		Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
<b>Total</b>	71,375	52,067	\$1,636,282	3,330	\$31,751	45,762	\$398,175	28,644	\$289,450	54,163	\$1,531,247
No Business Receipts	16,797	0	\$0	0	\$0	895	\$3,882	413	\$2,255	1,325	\$12,069
\$1 < \$1,000	2,097	487	\$300	1,590	\$302	390	\$1,223	139	\$362	1,047	\$2,427
\$1,000 < \$5,000	3,822	3,400	\$10,482	437	\$887	2,282	\$8,302	1,279	\$4,710	3,456	\$24,319
\$5,000 < \$10,000	6,672	6,536	\$50,453	214	\$871	5,042	\$18,446	2,939	\$13,361	6,528	\$65,741
\$10,000 < \$25,000	23,158	23,012	\$382,881	425	\$1,976	19,671	\$107,724	12,520	\$86,148	23,026	\$384,610
\$25,000 < \$50,000	11,647	11,562	\$398,597	325	\$2,762	10,688	\$101,855	6,967	\$78,315	11,615	\$365,383
\$50,000 < \$100,000	4,872	4,822	\$325,880	207	\$3,685	4,619	\$76,372	2,938	\$50,984	4,860	\$283,454
\$100,000 < \$250,000	1,856	1,822	\$260,439	96	\$4,431	1,752	\$49,411	1,164	\$32,479	1,853	\$208,832
\$250,000 < \$500,000	323	307	\$100,861	24	\$4,026	304	\$15,523	203	\$9,970	322	\$78,661
\$500,000 < \$1 million	92	87	\$56,420	d	\$1,745	86	\$6,813	62	\$6,082	92	\$43,944
\$1 million and over	39	32	\$49,967	d	\$11,065	33	\$8,623	20	\$4,783	39	\$61,808

Note: "d" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

**Table 4-8**  
**Proprietorship Net Income As a Percent of**  
**Adjusted Gross Income by Major Industry - 2015**

Industry	Total	Under 1%	1<10%	10<25%	25<50%	50<100%	100%
<b>All Industries</b>	172,494	82,738	24,031	15,790	12,551	15,816	21,568
Agriculture & Fishing	6,476	3,420	599	425	400	539	1,093
Mining, Utilities & Construction	5,676	1,511	593	548	641	915	1,468
Manufacturing	1,808	823	220	158	148	148	311
Wholesale	1,951	855	218	179	148	199	352
Retail	8,479	4,859	961	499	454	596	1,110
Transportation & Warehousing	3,232	733	392	324	371	396	1,016
Information	898	452	124	73	60	70	119
Finance & Insurance	4,081	2,742	302	187	213	311	326
Real Estate & Rental & Leasing	60,329	29,062	9,612	6,397	4,633	6,231	4,394
Business Services	17,436	6,132	3,015	2,033	1,548	1,888	2,820
Education	1,809	762	443	199	127	111	167
Health Care & Social Assistance	6,305	2,149	778	689	612	813	1,264
Entertainment & Hospitality	6,658	3,054	933	575	488	566	1,042
Repair & Maintenance	2,996	891	418	305	283	355	744
Personal & Other Services	10,309	3,056	1,445	1,086	998	1,184	2,540
Unclassified	34,051	22,237	3,978	2,113	1,427	1,494	2,802
<b>Percent</b>	100.0%	48.0%	13.9%	9.2%	7.3%	9.2%	12.5%
Agriculture & Fishing	100.0%	52.8%	9.2%	6.6%	6.2%	8.3%	16.9%
Mining, Utilities & Construction	100.0%	26.6%	10.4%	9.7%	11.3%	16.1%	25.9%
Manufacturing	100.0%	45.5%	12.2%	8.7%	8.2%	8.2%	17.2%
Wholesale	100.0%	43.8%	11.2%	9.2%	7.6%	10.2%	18.0%
Retail	100.0%	57.3%	11.3%	5.9%	5.4%	7.0%	13.1%
Transportation & Warehousing	100.0%	22.7%	12.1%	10.0%	11.5%	12.3%	31.4%
Information	100.0%	50.3%	13.8%	8.1%	6.7%	7.8%	13.3%
Finance & Insurance	100.0%	67.2%	7.4%	4.6%	5.2%	7.6%	8.0%
Real Estate & Rental & Leasing	100.0%	48.2%	15.9%	10.6%	7.7%	10.3%	7.3%
Business Services	100.0%	35.2%	17.3%	11.7%	8.9%	10.8%	16.2%
Education	100.0%	42.1%	24.5%	11.0%	7.0%	6.1%	9.2%
Health Care & Social Assistance	100.0%	34.1%	12.3%	10.9%	9.7%	12.9%	20.0%
Entertainment & Hospitality	100.0%	45.9%	14.0%	8.6%	7.3%	8.5%	15.7%
Repair & Maintenance	100.0%	29.7%	14.0%	10.2%	9.4%	11.8%	24.8%
Personal & Other Services	100.0%	29.6%	14.0%	10.5%	9.7%	11.5%	24.6%
Unclassified	100.0%	65.3%	11.7%	6.2%	4.2%	4.4%	8.2%

**Table 4-9**  
**Net Profit or Loss from Partnerships and S Corporations on**  
**Schedule E by Size of Hawaii Adjusted Gross Income - 2015**  
**(Dollar Amounts in \$1,000)**

	Number of Returns	Net Profit		Net Loss	
		Number	Amount	Number	Amount
<b>Total</b>	22,466	14,830	\$952,880	7,232	\$89,850
Under \$5,000	1,795	617	\$10,546	1,138	\$27,106
\$5,000 < \$10,000	667	393	\$2,033	265	\$1,833
\$10,000 < \$25,000	2,172	1,315	\$11,832	807	\$5,755
\$25,000 < \$50,000	3,321	2,105	\$31,645	1,136	\$9,255
\$50,000 < \$75,000	2,779	1,852	\$38,611	883	\$6,730
\$75,000 < \$100,000	2,323	1,588	\$43,107	699	\$6,208
\$100,000 < \$150,000	3,333	2,327	\$87,760	939	\$8,041
\$150,000 < \$200,000	1,937	1,408	\$73,883	505	\$4,870
\$200,000 and over	4,139	3,225	\$653,463	860	\$20,053

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# **Tax Credits**

**Claimed by Hawaii Taxpayers**

**Tax Year 2015**

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**Department of Taxation**

**State of Hawaii**



## STATE OF HAWAII

David Y. Ige, Governor

## DEPARTMENT OF TAXATION

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# **Tax Credits**

## **Claimed by Hawaii Taxpayers**

### **Tax Year 2015**

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**Department of Taxation  
State of Hawaii**

**December 2017**

**Prepared by Tax Research and Planning Office**

**Web Site: [tax.hawaii.gov](http://tax.hawaii.gov)**

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## INTRODUCTION

This study examines tax credits that may be applied against Hawaii's net income taxes, against the tax on insurance premiums, or against the tax on public utilities. Tax credits are subtracted directly from the tax liability, so they reduce the amount of taxes dollar-for-dollar. This makes them more valuable to taxpayers than ordinary deductions, which merely reduce the amount of income against which tax is applied. Tax credits may be refundable or nonrefundable. If a tax credit is nonrefundable, it can provide a tax benefit only to the extent that the taxpayer has a tax liability.<sup>1</sup> In contrast, the taxpayer is ensured of receiving the full amount of a refundable tax credit in the year it is claimed, because if the tax credit exceeds the tax liability, the taxpayer receives a check from the government for the difference.

The study reports the value of tax credits that were applied against (and deducted from) tax liability, or that were refunded to taxpayers in tax year 2015. The study does not include the value of tax credits that were claimed in tax year 2015 if the tax credits were denied or carried over to a future year.

The tax returns examined for this study were those filed for tax year 2015 and processed by March 31, 2017. The tax year is the same as the calendar year for most taxpayers, but for taxpayers that have a fiscal year that differs from the calendar year, tax year 2015 is the fiscal year ending in calendar year 2015.

Hawaii's first tax credit was established in 1957 to avoid double taxation of income. Since then, numerous tax credits have been enacted. Most of them are designed to promote social welfare or to encourage certain industries or economic activities. The total number of tax credits reached a peak in tax year 2008, when 21 tax credits were active. In tax year 2015, there were 18 active tax credits.<sup>2</sup> There were also six expired tax credits for which excess credits from prior years could be carried over into tax year 2015.<sup>3</sup>

The Department of Taxation (Department) has prepared studies on tax credits for tax years 1965, 1970, 1977 through 2005, and 2011 through 2015 (the present study).

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<sup>1</sup> For most nonrefundable tax credits, the unused credits can be carried forward to future years, so the full value of the tax credit usually is realized eventually.

<sup>2</sup> The study does not include the tax credit from a regulated investment company or the credit for taxes withheld on the sale of Hawaii real property. These are not properly tax credits, but are instead deductions from income tax that account for Hawaii income taxes already paid, similar to the deduction for taxes that were withheld on wages.

<sup>3</sup> The count of expired tax credits does not include the renewable energy technologies tax credit for systems installed prior to July 1, 2009.

Work on the studies was discontinued in 2009 due to cutbacks in personnel caused by the Great Recession. The study on tax credits for tax year 2011 was the first one produced since December 2007, when the study for tax year 2005 was published.

The studies on tax credits produced for tax years before 1986 included only tax credits claimed by individuals. The studies for tax years 1986 and later include the lifeline telephone service credit. The studies for tax years after 1986 were expanded to include tax credits claimed by businesses, by fiduciaries (trusts and estates), and by exempt organizations. The present study examines the following active and expired tax credits:

### *Active Tax Credits*

#### *Tax Credits to Promote Social Welfare*

- Refundable Food Excise Tax Credit (Food/Excise)
- Tax Credit for Low-Income Household Renters
- Tax Credit for Child and Dependent Care Expenses
- Tax Credit for Child Passenger Restraint Systems
- Tax Credit for Employment of Vocational Rehabilitation Referrals
- Low-Income Housing Tax Credit
- Tax Credit for School Repair and Maintenance
- Lifeline Telephone Service Tax Credit

#### *Tax Credits to Encourage Certain Industries or Economic Activities*

- Fuel Tax Credit for Commercial Fishers
- Motion Picture, Digital Media and Film Production Income Tax Credit
- Renewable Energy Technologies Tax Credit
- Enterprise Zone Tax Credit
- Ethanol Facility Tax Credit
- Important Agricultural Lands Tax Credit
- Tax Credit for Research Activities
- Capital Infrastructure Tax Credit

#### *Tax Credits to Avoid Double Taxation or Pyramiding of Taxes*

- Capital Goods Excise Tax Credit
- Income Tax Paid to Another State or to a Foreign Country

### *Expired Tax Credits*

#### *Tax Credits to Promote Social Welfare*

- Individual Development Account Contribution Tax Credit

#### *Tax Credits to Encourage Certain Industries or Economic Activities*

- High Technology Business Investment Tax Credit
- Energy Conservation Tax Credit
- Hotel Construction and Remodeling Tax Credit

- Technology Infrastructure Renovation Tax Credit
- Residential Construction and Remodeling Tax Credit

## **DATA SOURCE AND METHODOLOGY**

The primary data source for the study is the Department's computerized Integrated Tax Information Management System (ITIMS). Data from individual income tax returns (Forms N-11, N-13 and N-15), corporate income tax returns (Form N-30), fiduciary income tax returns (Form N-40), and exempt organization income tax returns (Form N-70NP) were extracted from ITIMS. The data include all tax returns filed for tax year 2015 and processed by March 31, 2017. Many tax credits require the taxpayer complete a separate form to compute the tax credit and to provide evidence to support the amount claimed, but data from separate tax credit forms were not available in electronic form and so were not used for the study. Some tax credits are reported directly on the tax return, but most of them are reported on Schedule CR, "Schedule of Tax Credits." The tax credits reported on Schedule CR are summed and only the total is reported on the income tax return. Data on the tax credits were taken from the tax returns and from Schedules CR. The data on tax credits are before any adjustments made by subsequent audits, but after automatic adjustments that the Department made when processing the tax returns.

In addition to data from ITIMS, data were also taken from image copies of paper returns of Form F-1 that were filed by banks and other financial corporations, including building and loan associations, financial services and loan companies, and small investment companies. Data on the lifeline telephone tax credit were obtained from the Public Utilities Commission. Data on tax credits claimed by insurance companies were provided by the Insurance Division of the Department of Commerce and Consumer Affairs, which administers the tax on insurance premiums. The tax forms used for the study and their instructions are available on the Department's website at *tax.hawaii.gov*, or through the Department's "Forms by Fax/Mail Service" at 808-587-4242 or toll-free at 1-800-222-3229. The forms and instructions may also be obtained at any district tax office.

The data for the study come from 753,488 tax returns that were filed for tax year 2015. Table 1 shows the total number of each type of tax return examined for the study.

**Table 1**

**Number of Tax Returns by Type of Taxpayer  
for Tax Year 2015**

<b>Type of Taxpayer</b>	<b>Tax Form</b>	<b>Number of Returns</b>
Individual	Form N-11	608,023
Individual	Form N-13	16,742
Individual	Form N-15	92,301
Nonfinancial Corporation	Form N-30	18,053
Financial Corporation	Form F-1	235
Insurance Underwriter*	Form 314	1,015
Fiduciary	Form N-40	16,463
Exempt Organization	Form N-70NP	656
<b>TOTAL</b>		<b>753,488</b>

\* Data supplied by the Insurance Division of the  
Department of Commerce and Consumer Affairs.

Table 2 shows the breakdowns by income class and by taxation district for the individual income tax returns included in the study (Forms N-11, N-13 and N-15).<sup>4</sup> The State has four taxation districts: District 1 is the City and County of Honolulu (Oahu), District 2 consists of Maui and Kalawao Counties (Maui), District 3 is Hawaii County and District 4 is Kauai County. The table also shows the number of individual income tax returns in each of six income classes. For residents (who file Form N-11 or Form N-13), the income class is determined by the Hawaii Adjusted Gross Income (Hawaii AGI). For part-year residents and nonresidents (who file Form N-15), the income class is determined by total AGI, which is the taxpayer's global adjusted gross income as it would be defined if the taxpayer had been a Hawaii resident for the full tax year.

<sup>4</sup> District breakdowns for tax returns from businesses often are not meaningful, because the location is determined by the taxpayer's mailing address. Many businesses with operations throughout the State are headquartered on Oahu and use an Oahu mailing address. Also, nonresident businesses with out-of-State addresses are attributed to Oahu. Therefore, county breakdowns for business tax returns are not shown.



**Table 2****Total Number of Individual Income Tax Returns for Tax Year 2015 by  
Income Class and by Tax District**

<b>By Income Class*</b>				
<b>Hawaii AGI*</b>	<b>Forms N – 11</b>	<b>Forms N -13</b>	<b>Forms N - 15</b>	<b>All Individual Returns</b>
less than \$10,000	136,010	9,737	15,601	161,348
\$10,000 < \$30,000	152,054	3,729	17,102	172,885
\$30,000 < \$60,000	147,498	2,626	15,555	165,678
\$60,000 < \$100,000	87,438	631	12,308	100,378
\$100,000 < \$200,000	66,791	19	13,839	80,649
\$200,000 or more	18,232	0	17,896	36,128
<b>Total</b>	<b>608,023</b>	<b>16,742</b>	<b>92,301</b>	<b>717,066</b>

<b>By Tax District**</b>				
<b>Tax District</b>	<b>Forms N – 11</b>	<b>Forms N -13</b>	<b>Forms N - 15</b>	<b>All Individual Returns</b>
Oahu (District 1)	427,533	12,045	87,098	526,676
Maui (District 2)	71,878	1,341	2,127	75,346
Hawaii (District 3)	77,148	2,754	2,216	82,118
Kauai (District 4)	31,464	602	860	32,926
<b>Total</b>	<b>608,023</b>	<b>16,742</b>	<b>92,301</b>	<b>717,066</b>

\* For Form N-15, the income is the taxpayer's global adjusted gross income as defined for Hawaii income tax purposes.

\*\* Forms N-15 for non-residents that have an out-of-state address are allocated to Oahu.

**OVERVIEW AND SUMMARY OF RESULTS**

In 2015, 412,765 taxpayers claimed \$303.9 million in tax credits. The tables in Appendix A show details on the tax credits claimed for tax year 2015. Appendix Table A-1 shows the amount of each tax credit claimed by each type of taxpayer (individuals, nonfinancial corporations, financial corporations, insurance underwriters, fiduciaries and exempt organizations). The results from Table A-1 are summarized in Figure 1, which shows the distribution of tax credits claimed by type of taxpayer, and in Table 3, which shows the distribution of the tax credits claimed by type of tax credit.

Figure 1 shows the breakdown by type of taxpayer for tax credits claimed in tax year 2015. The largest dollar value of tax credits was claimed against individual income tax liabilities. Such claims amounted to \$163.2 million, or 53.7% of the total claims for tax credits. Claims against income tax liabilities of nonfinancial corporations were the second largest category, amounting to \$101.4 million, or 33.4% of the total claims for tax credits.

**Figure 1**  
**Distribution of Tax Credit Amounts by**  
**Taxpayer Type in Tax Year 2015**

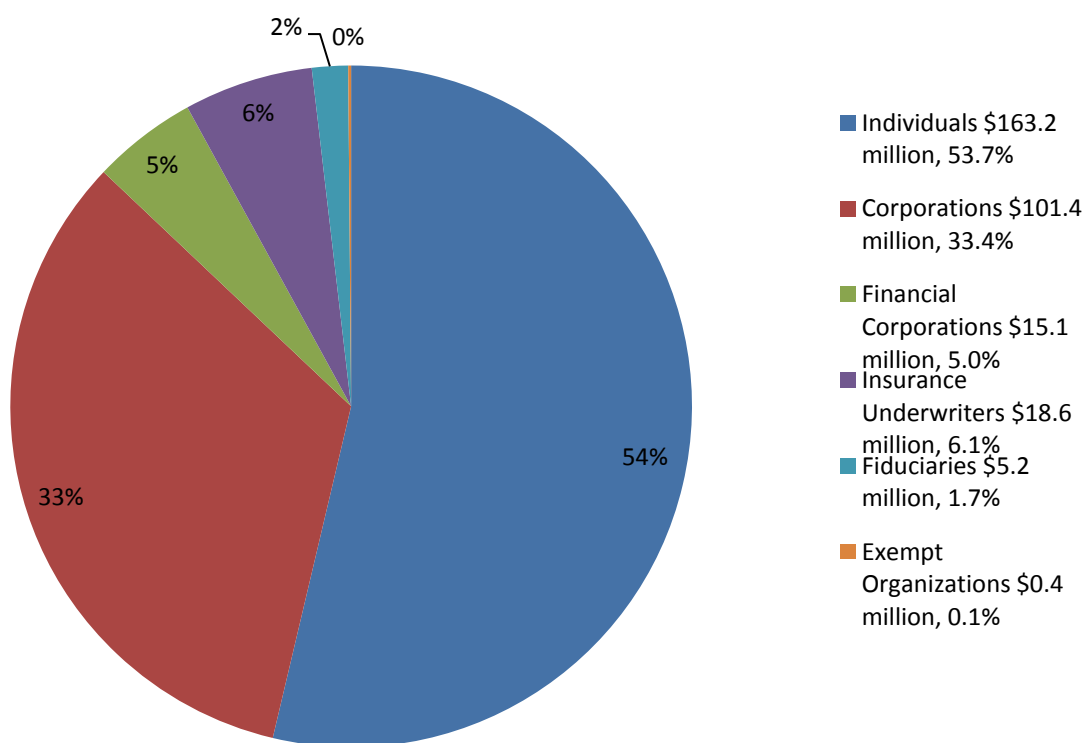
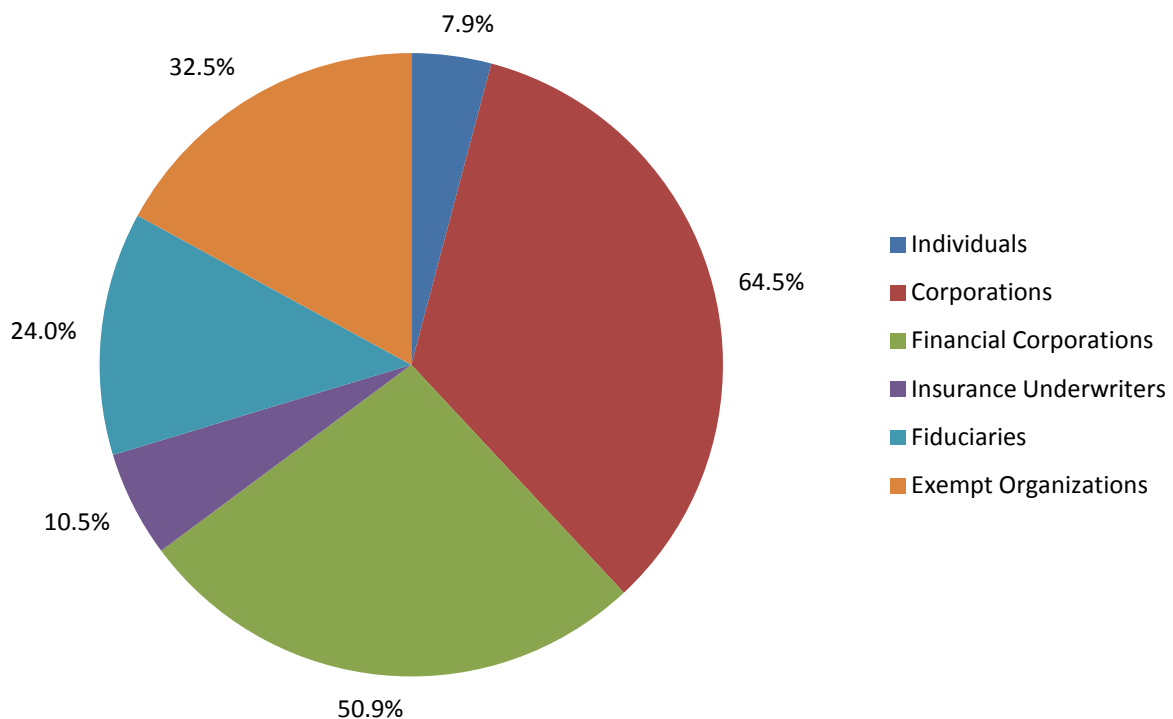


Figure 2 shows amount of tax credits as proportion to total tax liability by taxpayer type in tax year 2015.<sup>5</sup> Nonfinancial corporations had the largest percentage of tax credits against their tax liability with 64.5% of their tax liability written off by tax credit claims. The second largest percentage reduction of tax liability was financial corporations with

<sup>5</sup> The total tax liability for insurance underwriters also include surplus lines tax, foreign risk retention group tax and workers compensation special compensation fund levy.

50.9% of their tax liability reduced by tax credit claims. Individual taxpayers had the smallest percentage tax reduction due to tax credits (7.9%) though they claimed the largest amount of tax credits. This is because individual taxpayers had the largest tax liability before tax credits (\$2.1 billion) whereas nonfinancial corporations only had \$0.2 billion tax liability before tax credits in tax year 2015.

**Figure 2**  
**Amount of Tax Credits as Proportion to Total Tax Liability by Taxpayer Type in Tax Year 2015**



As shown in Table 3, the largest tax credit by dollar value was the renewable energy technologies tax credit which, along with a small amount of carryovers of the energy conservation tax credit, amounted to \$98.6 million, or 32.4% of the total tax credits claimed in tax year 2015. The second largest tax credit was income taxes paid to another state or to a foreign country, which amounted to \$45.0 million, or 14.8% of the total.

**Table 3**  
**Distribution of Tax Credits in Tax Year 2015**

	Amount (in \$1,000)	% of Total
<b>Total, All Tax Credits</b>	\$303,921	100.0
<b>Active Tax Credits</b>		
<b><i>Tax Credits to Promote Social Welfare</i></b>		
Refundable Food Excise Tax Credit (Food/Excise)	\$26,854	8.8
Tax Credit for Low-Income Household Renters	\$3,321	1.1
Tax Credit for Child and Dependent Care Expenses	\$9,530	3.1
Tax Credit for Child Passenger Restraint Systems	\$74	0.0
Tax Credit for Employment of Vocational Rehabilitation Referrals	\$10	0.0
Low-Income Housing Tax Credit	\$19,501	6.4
Tax Credit for School Repair and Maintenance	<i>d</i>	<i>d</i>
Lifeline Telephone Service Tax Credit	\$54	0.0
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>		
Fuel Tax Credit for Commercial Fishers	\$294	0.1
Motion Picture, Digital Media and Film Production Income Tax Credit	\$39,920	13.1
Renewable Energy Technologies Tax Credit	\$98,566	32.4
Enterprise Zone Tax Credit	\$890	0.3
Ethanol Facility Tax Credit	-	-
Important Agricultural Lands Tax Credit	\$388	0.1
Tax Credit for Research Activities	\$2,909	1.0
Capital Infrastructure Investment Tax Credit	\$1,113	0.4
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>		
Capital Goods Excise Tax Credit	\$30,201	9.9
Income Tax Paid to Another State or to a Foreign Country	\$45,001	14.8
<b>Expired Tax Credits</b>		
<b><i>Tax Credits to Promote Social Welfare</i></b>		
Individual Development Account Contribution Tax Credit	-	-
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>		
High Technology Business Investment Tax Credit	\$24,154	7.9
Energy Conservation Tax Credit*	*	*
Hotel Construction and Remodeling Tax Credit	\$248	0.1
Technology Infrastructure Renovation Tax Credit	<i>d</i>	<i>d</i>
Residential Construction and Remodeling Tax Credit	\$826	0.3

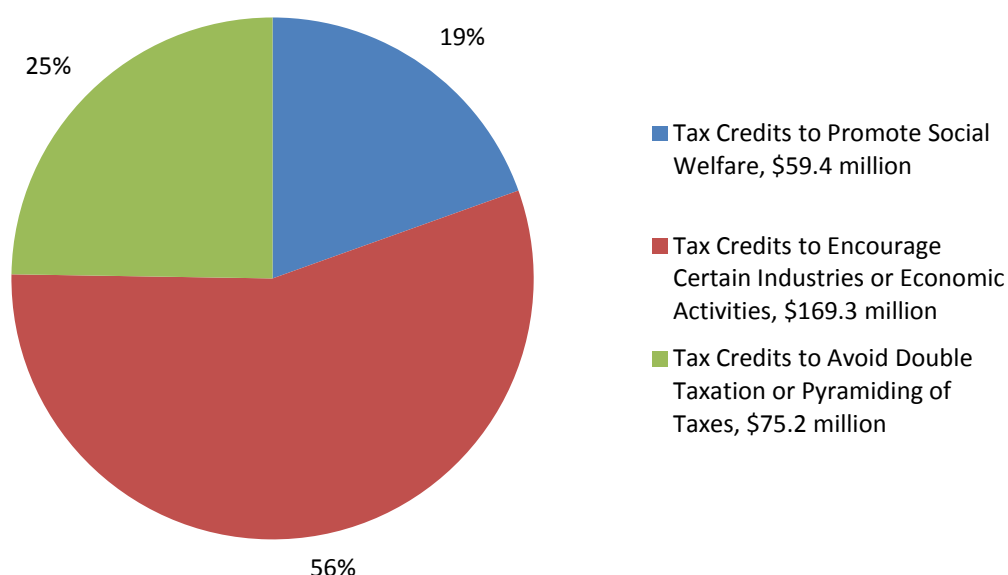
\* Data for the tax credit are included with the renewable energy technologies tax credit.

Notes: "*d*" denotes that the data were suppressed to avoid potential disclosure of confidential taxpayer information.

Figure 3 shows amount of tax credits by purpose of the tax credit in tax year 2015. The largest amount claimed was for encouraging certain industries or economic activities

which amounted to \$169.3 million or 56% of total credits claimed followed by tax credits to avoid double taxation of pyramiding of taxes (\$75.2 million, or 25%) and tax credits to promote social welfare (\$59.4 million, or 19%).

**Figure 3**  
**Amount of Tax Credits by Purpose of the Tax Credit in Tax Year 2015**



Appendix Table A-2 shows details on the number of tax returns with claims for each type of tax credit for tax year 2015. The tax credits most frequently claimed were the refundable food excise tax credit (claimed on 323,283 individual income tax returns, or 45.1% of these returns), the tax credit for low-income household renters (claimed on 32,315 individual income tax returns, or 4.5% of these returns) and the tax credit for child and dependent care expenses (claimed on 26,372 individual income tax returns, or 3.7% of these returns).

Appendix Table A-3 shows the dollar amounts of the claims for each tax credit made by individuals, broken down by tax district for tax year 2015. Of the \$163.2 million in tax credits claimed by individuals for the tax year, \$112.0 million (68.6%) was claimed by individuals in Oahu,<sup>6</sup> \$21.2 million (13.0%) was claimed by individuals in Maui, \$22.2 million (13.6%) was claimed by individuals in Hawaii, and \$7.9 million (4.8%) was

<sup>6</sup> The total for Oahu includes tax credits claimed on Form N-15 by nonresidents who had an out-of-state address.

claimed by individuals in Kauai. Appendix Table A-4 shows the number of individual income tax returns with claims for each tax credit by tax district.

Appendix Tables A-5 and A-6 show the dollar amounts and number of claims made by individuals for each tax credit for tax year 2015, broken down by income class as determined by Hawaii AGI.<sup>7</sup> Individual returns with Hawaii AGI less than \$10,000 claimed a total of \$17.1 million in tax credits for the tax year, which was more than double their aggregate tax liability before tax credits of \$7.0 million. The largest tax credits claimed by the income group were the refundable food/excise tax credit (\$10.0 million) and the renewable energy technologies tax credit (\$4.9 million). Taxpayers with Hawaii AGI of \$200,000 or more accounted for the largest dollar value of tax credits (\$76.0 million) and also for the largest aggregate tax liability before tax credits. The largest tax credits claimed by this group were the tax credit for taxes paid to another state or to a foreign country (\$35.1 million), the renewable energy technologies tax credit (\$24.2 million), and the high technology business investment tax credit (\$9.6 million).

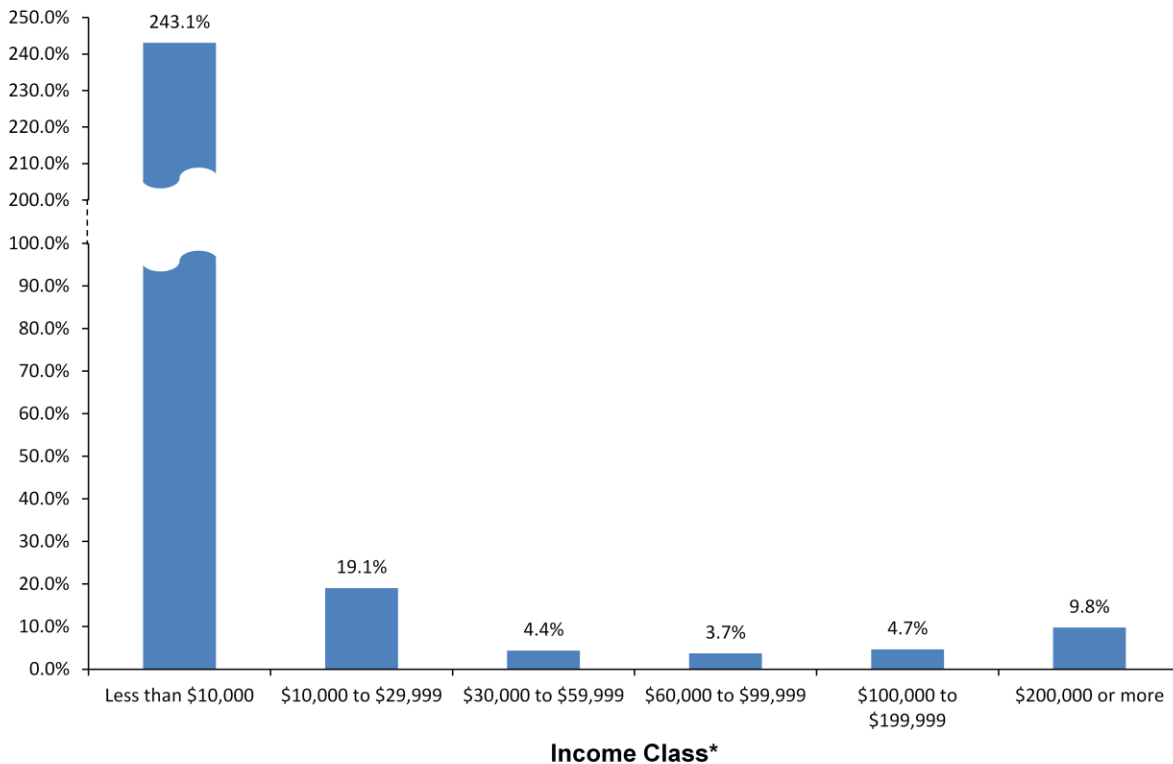
Figure 4 shows amount of tax credit claimed relative to the total tax liability by income class in tax year 2015. As mentioned above, amount of tax credits claimed by Individual returns with Hawaii AGI less than \$10,000 was more than double their aggregate tax liability before tax credits (243.1% of their tax liability). Taxpayers with Hawaii AGI of \$10,000 to \$29,999 claimed largest percentage (19.1%) of tax credit against their tax liability among income groups with amount of tax credits less than their tax liability.

Appendix B provides a history of Hawaii's tax credits. The chart in Appendix Table B-1 shows the tax credits in existence in each year since 1965. Appendix Table B-2 provides an outline showing the historic development of the tax credits and the year in which each tax credit was enacted.

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<sup>7</sup> The Hawaii AGI of part-year residents and nonresidents who filed Form N-15 is measured as their total AGI, which includes income not subject to Hawaii income tax, but which is the global income of the taxpayer measured in the same way that global income of residents is measured.

**Figure 4 Amount of Tax Credit Claimed by Individuals Relative to their Tax Liability by Income Class in Tax Year 2015**



\* Income class is measured using Hawaii AGI for Forms N-11 and N-13 and total AGI for Form N-15.

## DESCRIPTIONS AND ANALYSES OF THE TAX CREDITS

This section describes the tax credits available for tax year 2015, including expired tax credits for which unused credits could be carried forward and applied against tax liability in tax year 2015. It also gives the amount of each tax credit that was claimed in tax years 2014 and 2015.

### Active Tax Credits

#### *Tax Credits to Promote Social Welfare*

### Refundable Food/Excise Tax Credit (HRS §235-55.85)

The refundable food/excise tax credit was introduced for tax year 2008 by Act 211, Session Laws Hawaii (SLH) 2007, to replace the low-income refundable tax credit. To claim the tax credit, the taxpayer must be a Hawaii resident with federal adjusted gross income (adjusted gross income as defined by the Internal Revenue Code) of less than \$50,000 who is not claimed or eligible to be claimed as a dependent by another taxpayer. The tax credit is computed by multiplying an allowable tax credit amount by the number of qualified exemptions. The qualified exemptions are personal exemptions permitted under Hawaii law, excluding the additional exemptions for being age 65 or older or for having a disability. A person for whom the tax credit is claimed must have physically resided in Hawaii for more than nine months of the taxable year and cannot have been confined in jail, prison or a youth correctional facility for the entire year. Married persons filing separate tax returns can claim only the tax credit to which they would have been entitled had they filed a joint return. The allowable amount of the tax credit per qualified exemption is based on the taxpayer's income, but parents or guardians of minor children who cannot be claimed as dependents because they receive more than half their support from public agencies (such as the State Department of Human Services) are eligible for the maximum amount of the tax credit (\$85) regardless of their income. The allowable amounts for tax year 2015 are shown below:

<u>Federal Adjusted Gross Income</u>	<u>Tax Credit per Qualified Exemption</u>
Under \$5,000	\$85
\$5,000 but under \$10,000	\$75
\$10,000 but under \$15,000	\$65
\$15,000 but under \$20,000	\$55
\$20,000 but under \$30,000	\$45
\$30,000 but under \$40,000	\$35
\$40,000 but under \$50,000	\$25
\$50,000 and over	\$0

The refundable food/excise tax credit was the most commonly claimed tax credit in tax year 2015. The tax credit appeared on 323,283 individual income tax returns, or almost half of the total number of such returns filed for the tax year (717,066 returns). Claims for the tax credit totaled \$26.9 million for tax year 2015, down slightly from the \$27.7 million claimed for tax year 2014.



### Tax Credit for Low-Income Household Renters (HRS §235-55.7)

Taxpayers who rented residential real property during the taxable year may qualify for the refundable tax credit for low-income household renters. To claim the tax credit, the taxpayer must be a Hawaii resident with Hawaii AGI of less than \$30,000 who is not claimed or eligible to be claimed as a dependent by another taxpayer. Also, the taxpayer must have paid more than \$1,000 in annual rent for real property in Hawaii that was the taxpayer's residence (or the residence of the taxpayer's immediate family) and that was not wholly or partially exempt from the real property tax. Married persons filing separate tax returns must combine their Hawaii AGI to determine their eligibility for the tax credit. If a rental unit is shared with another person, the individual's portion of the rent is used to determine eligibility.

The tax credit is computed by multiplying \$50 by the number of personal exemptions permitted under Hawaii law, including the additional exemption for being age 65 or older. A person for whom the tax credit is claimed must have physically resided in Hawaii for more than nine months of the taxable year.

The \$30,000 income limitation has not been changed since 1989, when it was raised from \$20,000. The amount of the tax credit per exemption was raised from \$20 to \$50 in 1981, but has remained unchanged since then, despite substantial rises in the cost of housing.

The renter's tax credit was claimed on 32,315 individual income tax returns for tax year 2015. It was the second most commonly claimed tax credit. The amount claimed for tax year 2015 totaled \$3.3 million, down slightly from \$3.6 million claimed for tax year 2014.

### Tax Credit for Child and Dependent Care Expenses (HRS §235-55.6)

A resident taxpayer who is gainfully employed and who pays for the care of a child under 13 years of age or for a spouse or dependent incapable of self care qualifies for the child and dependent care tax credit. The tax credit can be taken for care expenses up to \$2,400 for one qualified individual and up to \$4,800 for two or more qualified individuals. Allowable expenses may not exceed the taxpayer's earned income. For joint tax returns, the amount may not exceed the income of the spouse with the lower earned income.

The tax credit is refundable and the amount ranges from 15% to 25% of qualified care expenses, with the rate declining as Hawaii AGI increases. The tax credit schedule for tax year 2015 is shown below.

<u>Hawaii Adjusted Gross Income</u>	<u>Percent of Allowable Expenses</u>
Up to \$22,000	25
\$22,001 - \$24,000	24
\$24,001 - \$26,000	23
\$26,001 - \$28,000	22
\$28,001 - \$30,000	21
\$30,001 - \$32,000	20
\$32,001 - \$34,000	19
\$34,001 - \$36,000	18
\$36,001 - \$38,000	17
\$38,001 - \$40,000	16
\$40,001 and over	15

For tax year 2015, the dependent care tax credit was the third most commonly claimed tax credit and was reported on 26,372 individual income tax returns. The amounts claimed for tax year 2015 totaled \$9.5 million, same as the amounts claimed in tax year 2014.

#### Tax Credit for Child Passenger Restraint Systems (HRS §235-15)

An individual taxpayer who buys a new child passenger restraint system that complies with the federal motor vehicle safety standards in effect at the time of purchase may claim a tax credit of \$25 for the tax year, regardless of the cost of the restraint system or the number of restraint systems bought during the year. The tax credit, which is refundable, was enacted in 1982 to encourage people to buy child restraint systems, but the systems became mandatory in the following year. For tax year 2015, the tax credit was claimed on 2,987 individual income tax returns and the total amount claimed was \$74,000, up slightly from \$72,000 claimed for tax year 2014.

#### Tax Credit for Employment of Vocational Rehabilitation Referrals (HRS §235-55.91)

A taxpayer who employs an individual who is certified by the Vocational Rehabilitation and Services for the Blind Division of the Department of Human Services, in consultation with the Hawaii State Employment Service of the Department of Labor and Industrial Relations, as having a physical or mental disability that results in a substantial handicap to employment, or who has been referred upon completion of certain rehabilitation plans, may qualify for a tax credit. The tax credit is equal to 20% of the qualifying first-year wages for the taxable year, up to \$6,000, and is nonrefundable. The tax credit was claimed on 6 tax returns for tax year 2015 and the total amount claimed was \$10,000, up from \$7,000 claimed for tax year 2014.

#### Low-Income Housing Tax Credit (HRS §235-110.8 and §241-4.7, §431:7-208)

Owners of residential buildings who provide low-income housing may claim the low-income housing tax credit. The tax credit is equal to a percentage of the "applicable percentage" of qualified basis, where the applicable percentage is calculated as provided under section 42 of the Internal Revenue Code. The percentage is 30% for buildings placed in service prior to July 1, 2005, and 50% for buildings placed in service after June 30, 2005. Act 158, SLH 2011 allows the taxpayer to elect to receive a low-income housing loan in lieu of the tax credit after July 1, 2011. The tax credit was claimed on 30 tax returns for tax year 2015 and the total amount claimed was \$19.5 million, up from claims of \$18.2 million for tax year 2014.

#### Tax Credit for School Repair and Maintenance (HRS §235-110.2)

Act 309, SLH 2001, allows licensed contractors to claim a 10% nonrefundable tax credit, up to \$4,000, on the fair-market value of repair and maintenance services provided at no cost to public schools. Data on the tax credit for tax year 2015 were suppressed to prevent potential disclosure of confidential taxpayer information.

#### Lifeline Telephone Service Tax Credit (HRS §239-6.5)

Lifeline telephone service is available to elderly and disabled residential telephone subscribers who have an annual income less than \$10,000. The Public Utilities Commission determines and certifies the lifeline service costs. The telephone public utility may claim a nonrefundable tax credit equal to the sum of foregone revenues and the administrative costs of providing the telephone service to the eligible individuals.

The tax credit was claimed on behalf of 2,085 subscribers as of the end of calendar year 2015 and the amount claimed by the public utility for tax year 2015 was \$54,000, down from \$58,000 claimed for tax year 2014.

## *Tax Credits to Encourage Certain Industries or Economic Activities*

### Fuel Tax Credit for Commercial Fishers (HRS §235-110.6)

The principal operator of a commercial fishing vessel may claim a refundable tax credit for certain fuel taxes paid during the taxable year. The amount of the tax credit is equal to the fuel taxes imposed under section 243-4(a), HRS. The tax credit was claimed on 166 tax returns for tax year 2015 and the total amount claimed was \$295,000, up slightly from \$293,000 claimed for tax year 2014.

### Motion Picture, Digital Media, and Film Production Income Tax Credit (HRS §235-17)

For taxable years beginning after December 31, 2012, taxpayers could claim a refundable tax credit equal to 20% of qualified production costs incurred in the City and County of Honolulu before January 1, 2019 and 25% for qualified production costs incurred in the Kauai, Maui, or Hawaii County before January 1, 2019. The total tax credits allowed for a single qualified production was capped at \$15 million. The tax credit was claimed on 34 tax returns for tax year 2015 and the total amount claimed was \$39.9 million, up from \$34.4 million claimed for tax year 2014. The tax credit was the third biggest in terms of the amount claimed in tax year 2015.

### Renewable Energy Technologies Tax Credit (HRS §235-12.5 and §241-4.6)

Taxpayers who installed a renewable energy technology system (solar thermal energy system, wind powered energy system, or photovoltaic energy system) and placed it in service after June 30, 2003, may claim the renewable energy technologies tax credit. The tax credit applies to the actual cost of the system, including the cost of accessories and installation, but not to the cost of consumer incentive premiums that are unrelated to the operation of the system.

For systems installed and placed in service after July 1, 2006, the tax credit was 35% of the cost for solar thermal systems and photovoltaic systems, and 20% of the cost for wind powered systems. For single-family residential properties, the amount of the tax credit was capped at \$2,250 for solar thermal systems, \$5,000 for photovoltaic systems, and \$1,500 for wind powered systems. For commercial properties, the tax credit was capped at \$500,000 for wind powered systems and for photovoltaic systems, and at \$250,000 for solar thermal systems. For multifamily residential properties, the tax credit per residential unit was capped at \$350 for solar thermal systems and photovoltaic systems, and at \$200 for wind powered systems. Act 154, SLH 2009 made the tax credit refundable for certain low income taxpayers and gave other taxpayers the option to claim the tax credit as refundable by accepting a 30% reduction in the amount of the

tax credit. The Act was effective for systems installed and placed in service on or after July 1, 2009.

According to the new Administrative Rules that came into effect during tax year 2013, to gain tax credit for a system classified under "other solar energy system" such as a photovoltaic system, each system was required to have a total output capacity of at least 5 kilowatts for single-family residential properties, or 0.360 kilowatts per unit per system for multi-family residential properties, or 1,000 kilowatts for commercial properties unless an exception applies, such as only one credit being claimed or only one system does not meet the requirement.

Table 4 shows the number of returns and the amount of the tax credit claimed for the renewable energy tax credit, and also for carryovers of the energy conservation tax credit that expired June 30, 2003. The first part of the table shows carryovers of tax credits for the renewable energy systems that were installed and placed in service prior to July 1, 2009, along with carryovers of the energy conservation tax credit and carryovers of the renewable energy tax credit for which the date of installation could not be determined. Carryovers of these tax credits were reported on 664 tax returns for tax year 2015 and the amounts claimed totaled \$1.6 million, down from \$1.9 million claimed for tax year 2014.

The second and third parts of Table 4 show the renewable energy tax credit for systems that were installed on or after July 1, 2009, by type of system, by type of taxpayer, and by whether the claim was for a refundable or nonrefundable tax credit. Because unused tax credits can be carried over, and extensions of existing systems made in later years are also eligible for the tax credit, the number of returns claiming the credit in a year may be larger than the number of new systems installed that year. The tax credit for systems installed and placed in service on or after July 1, 2009 was claimed on 13,954 returns for tax year 2015 and the amounts claimed totaled \$96.9 million, down from \$110.2 million claimed for tax year 2014.

Claims for all systems, including carryovers of the energy conservation tax credit, totaled \$98.6 million for tax year 2015, down from the \$112.1 million claimed for these tax credits in tax year 2014.

**Table 4**

## Claims for the Renewable Energy Technologies Income Tax Credit and the Energy Conservation Tax Credit in Tax Year 2015

### Carryover of the tax credit for systems installed and placed in service before July 1, 2009 1/

Number of returns			Credit amount (in \$1,000) 3/		
All	Individuals	Corporations and others 2/	All	Individuals	Corporations and others 2/
664	639	25	\$1,638	\$1,263	\$375

### Refundable tax credits for systems installed and placed in service on or after July 1, 2009

	Number of returns			Credit amount (in \$1,000) 3/		
	All	Individuals	Corporations and others 2/	All	Individuals	Corporations and others 2/
Solar only	2,464	2,447	17	\$26,796	\$16,410	\$10,387
Wind only	2	2	-	\$5	\$5	-
Breakdown unknown	119	94	25	\$22,266	\$2,011	\$20,255
Total	2,585	2,543	43	\$49,067	\$18,425	\$30,642

### Nonrefundable tax credits for systems installed and placed in service on or after July 1, 2009

	Number of returns			Credit amount (in \$1,000) 3/			
	All	Individuals	Corporations and others 2/	All	Individuals	Corporations and others 2/	
	Solar only	10,850	10,787	63	\$44,312	\$41,140	\$3,172
	Wind only	15	15	-	\$163	\$163	-
	Breakdown unknown	504	461	43	\$3,386	\$1,887	\$1,499
	Total	11,369	11,263	106	\$47,861	\$43,190	\$4,671

1/ Includes carryovers of the energy conservation tax credit given by section 235-12, HRS, and carryovers of the renewable energy technologies tax credit for which the date of installation could not be determined.

2/ Includes nonfinancial corporations, fiduciaries, nonprofit organizations and financial corporations

3/ Details may not add to totals due to rounding.

### Enterprise Zone Tax Credit (HRS §209E-10, §209E-11)

A qualified business located in a designated enterprise zone may claim a tax credit equal to a percentage of its net income tax liability and of the unemployment insurance premiums it paid for employees located in the enterprise zone. In the first year, the tax credit is 80% of the qualified amounts. The percentage decreases by 10 points each year, until it reaches 20% in the seventh year, after which the business is no longer eligible for the tax credit. The tax credit is nonrefundable and any unused tax credit may not be carried forward. The tax credit was claimed on 78 tax returns for tax year 2015 and the amounts claimed totaled \$890,000, down slightly from \$1.0 million claimed for tax year 2014.

### Ethanol Facility Tax Credit (HRS §235-110.3)

The ethanol facility tax credit is meant to encourage construction of large-capacity ethanol production facilities. The amount of the tax credit is equal to 30% of the ethanol production facility's nameplate capacity if that capacity is greater than 500,000 but less than 15 million gallons. The nameplate capacity is the annual production capacity of a facility, measured in gallons, based on an operating year of 350 days. The tax credit is refundable and is limited to 100% of the investments made by the taxpayer in the ethanol production facility. The facility must also meet certain production requirements, and must be in production on or before January 1, 2017. Taxpayers who claim the tax credit are prohibited from claiming or receiving any other tax credit for the same taxable year. The total amount of ethanol facility tax credits is capped at \$12 million per year. The tax credit was effective for taxable years beginning after December 31, 2003. No claims for the tax credit were made for tax year 2015 and 2014.

### Important Agricultural Land Tax Credit (HRS §235-110.93)

The important agricultural land tax credit is awarded for qualified agricultural costs incurred after July 1, 2008. In the first year, the tax credit per taxpayer is the lesser of 25% of the qualified agricultural costs or \$625,000. In the second year, the tax credit is the lesser of 15% of the qualified costs or \$250,000, and in the third year the tax credit is the lesser of 10% of the qualified costs or \$125,000. More than 50% of the land used by the agricultural business must be deemed "important agricultural land." Tax credits must be certified by the Department of Agriculture and the aggregate amount of credits claimed cannot exceed \$7.5 million in any tax year. The number of returns claimed this credit was suppressed to prevent potential disclosure of confidential taxpayer information for tax year 2015 and the total amount claimed was \$388,000. The tax credit was not available for tax year 2014, because the Department of Agriculture had not certified any claims for the tax credit.

#### Tax Credit for Research Activities (HRS §235-110.91)

The tax credit for research activities was reinstated by Act 270, SLH 2013. The tax credit is refundable and is equal to 20% of increases in qualified research expenses incurred in Hawaii. Eligible research expenses are the same as those in sections 41 of the Internal Revenue Code (IRC), as that section was enacted on December 31, 2011, and in section 280C(c), IRC, provided that the expenses must be incurred in Hawaii. To qualify for the tax credit, the taxpayer must also claim a federal tax credit for the same expenditures. The tax credit is available for tax years beginning after December 31, 2012, but expires after December 31, 2019.

The tax credit was claimed on 57 tax returns for tax year 2015 and the amounts claimed totaled \$2.9 million, same as the amounts claimed for tax year 2014.

#### Capital Infrastructure Tax Credit (HRS §235-17.5, §241-4.4)

Act 200, SLH 2014, established the capital infrastructure tax credit for tenants who were relocated due to the Kapalama container terminal modernization project. The tax credit is equal to 50% of the capital infrastructure costs incurred by the qualified infrastructure tenant during the taxable year, up to a maximum of \$1,250,000. The tax credit is available for taxable years beginning after December 31, 2013, but not for taxable years beginning after December 31, 2019. The tax credit was claimed on 71 tax returns for tax year 2015 and the amounts claimed totaled \$1.1 million, up slightly from \$989,000 claimed for tax year 2014.

#### *Tax Credits to Avoid Double Taxation or Pyramiding of Hawaii Taxes*

#### Capital Goods Excise Tax Credit (HRS §235-110.7, §241-4.5)

Businesses may claim the capital goods excise tax credit for the purchase of eligible depreciable tangible personal property used in a trade or business in Hawaii. The tax credit is refundable and is equal to 4% of the qualifying cost of the eligible property, which excludes costs deducted under Internal Revenue Code Section 179. The tax credit serves to reduce pyramiding of the General Excise Tax (GET) by rebating the GET on business-to-business purchases that consist of eligible capital equipment. The cost of such capital equipment ultimately must be recaptured in the price of goods or services it is used to help produce, so without the rebate, the price of the produced goods or services would include the tax on the capital equipment.

The tax credit was claimed on 4,158 tax returns for tax year 2015 and the amounts claimed totaled \$30.2 million, up from \$28.3 million claimed for tax year 2014.



### Income Tax Paid to Another State or Foreign Country (HRS §235-55)

A Hawaii resident individual or other person may claim a credit for income taxes paid to another state or to a foreign country if the income was earned in the other state or country and is not exempt from Hawaii or federal income tax, and if certain other requirements are met. The tax credit was claimed on 8,106 tax returns for tax year 2015 and the amounts claimed totaled \$45.0 million, up from \$38.4 million claimed for tax year 2014.

### **Expired Tax Credits**

#### *Tax Credits to Promote Social Welfare*

### Individual Development Account Contribution Tax Credit (HRS §235-5.6)

The individual development account (IDA) program was intended to encourage people with low income to save towards specific long-term goals, including obtaining a postsecondary education, buying a first home, and starting a small business. Program participants enrolled with a fiduciary organization, which provided matching funds for their deposits. A nonrefundable tax credit was allowed for persons donating money to the fiduciary organization for use as matching funds. The tax credit was equal to 50% of the amount donated. Donations qualifying for the tax credit could not be claimed as a deduction for charitable contributions. The tax credit was effective for taxable years 2000 to 2004 with an aggregate limit of \$1 million. No claims for the tax credit were made for tax year 2015.

#### *Tax Credits to Encourage Certain Industries or Economic Activities*

### High Technology Business Investment Tax Credit (HRS §235-110.9, §241-4.8, §431:7-209)

Taxpayers were allowed to claim the high technology business investment tax credit for tax years beginning after December 31, 1998. As originally enacted, the tax credit was nonrefundable and equal to 10% of investments made on or after July 1, 1999 in a qualified high technology business, up to a maximum credit amount of \$500,000. Act 221, SLH 2001, expanded the tax credit to 100% of the qualified investment, up to a maximum of \$2 million per investment. The tax credit was claimed over five years as follows:

	<u>Tax Credit Percentage</u>	<u>Tax Credit Limitation</u>
Year of investment	35%	\$700,000
Year 2	25%	\$500,000
Year 3	20%	\$400,000
Year 4	10%	\$200,000
Year 5	10%	\$200,000

Taxpayers who had previously claimed the 10% investment tax credit for tax years 1999 or 2000 were able to claim the tax credit for tax years 2001 and later as applicable under the amended law. For investments made after May 1, 2009, and for taxable years beginning on or after January 1, 2009 and ending before January 1, 2011, no claim for the tax credit could exceed 80% of the taxpayer's tax liability.

The tax credit expired for taxable years beginning after December 31, 2010, but claims for the tax credit can be made for four years after the year of the investment and carryovers of the tax credit can continue indefinitely. The tax credit was claimed on 519 tax returns for tax year 2015 and the amounts claimed totaled \$24.2 million, down from \$38.4 million claimed for tax year 2014. The tax credit was the fourth biggest in terms of the amount claimed in tax year 2015.

#### Energy Conservation Tax Credit (HRS §235-12)

Taxpayers who installed an energy conservation device prior to July 1, 2003, could claim the energy conservation tax credit, which was nonrefundable. The tax credit applied only to the actual cost of the systems, including accessories and installation, but not the cost of repairs to existing systems.

The tax credit was equal to 35% of the cost of solar systems, 20% of the cost of wind energy systems and heat pumps, and 50% of the cost of ice storage systems. The eligible cost was reduced by any consumer incentive premiums offered with the system. For single-family residential buildings, the tax credit was limited to \$1,750 for solar systems and \$400 for heat pumps. For multiunit residential buildings, the tax credit was limited to \$350 per unit for solar systems and \$200 per unit for heat pumps. There were no limits for hotels, for commercial buildings, for industrial facilities, for wind energy systems, or for ice storage systems. The tax credit expired on June 30, 2003, but unused tax credits may be carried over to subsequent years until exhausted. Data on carryovers of the tax credit are included with those for the renewable energy technologies tax credit.

#### Hotel Construction and Remodeling Tax Credit (HRS §235-110.4, repealed)

The hotel construction and remodeling tax credit was repealed by Act 9, SLH 2007, but unused credits from claims made prior to the expiration date may be carried forward and applied against tax. Although the tax credit was not repealed until 2007, it was not available for costs incurred in taxable years beginning after December 31, 2005. The tax credit was claimed on 5 tax returns for tax year 2015 and the amount claimed totaled \$248,000, down more than 90% from \$3.3 million claimed for tax year 2014.

#### Technology Infrastructure Renovation Tax Credit (HRS §235-110.51)

The technology infrastructure renovation tax credit was nonrefundable and was equal to 4% of costs incurred after December 31, 2000 for planning, designing, installing, constructing, or purchasing equipment to provide a commercial building with technology infrastructure. The tax credit is not available for taxable years beginning after December 31, 2010, but amounts claimed for the tax credit prior to its expiration can be carried forward and applied against tax liability in later years until exhausted. For costs incurred after May 1, 2009, and for taxable years beginning on or after January 1, 2009 and ending before January 1, 2011, no claim for the tax credit could exceed 80% of the taxpayer's tax liability. Data on the tax credit for tax year 2015 were suppressed to prevent potential disclosure of confidential taxpayer information.

#### Residential Construction and Remodeling Tax Credit (HRS §235-110.45)

Act 10, SLH 2001, Third Special Session, provided a nonrefundable tax credit equal to 4% of home construction or renovation costs incurred after December 31, 2000, up to a maximum of \$250,000. The tax credit expired on June 30, 2003, but any unused tax credit may be carried over to subsequent years until exhausted. Carryovers of the tax credit were claimed on 35 tax returns for tax year 2015 and the amounts claimed totaled \$826,000, up from \$195,000 claimed for tax year 2014.

# **APPENDIX A**

## **STATISTICAL TABLES**

**Table A-1**  
**DOLLAR AMOUNTS OF TAX CREDITS CLAIMED**  
**BY TYPE OF CREDIT AND TYPE OF TAXPAYER - 2015 (in \$ 1,000)**

Type of Credit	TAXPAYER TYPE						
	ALL	Individuals	Corporations	Financial Corporations	Insurance Underwriters	Fiduciaries	Exempt Organizations
<b>Active Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Refundable Food Excise Tax Credit (Food/Excise)	\$26,854	\$26,854	-	-	-	-	-
Tax Credit for Low-Income Household Renters	\$3,321	\$3,321	-	-	-	-	-
Tax Credit for Child and Dependent Care Expenses	\$9,530	\$9,530	-	-	-	-	-
Tax Credit for Child Passenger Restraint Systems	\$74	\$74	-	-	-	-	-
Tax Credit for Employment of Vocational Rehabilitation Referrals	\$10	d	d	-	-	-	-
Low-Income Housing Tax Credit	\$19,501	\$273	\$793	\$9,444	\$8,992	-	-
Tax Credit for School Repair and Maintenance	d	d	-	-	-	-	-
Lifeline Telephone Service Tax Credit	\$54	na	na	na	na	na	na
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
Fuel Tax Credit for Commercial Fishers	\$295	\$209	\$86	-	-	-	-
Motion Picture, Digital Media and Film Production Income Tax Credit	\$39,920	\$1,082	\$38,838	-	-	-	-
Renewable Energy Technologies Tax Credit	\$98,566	\$62,879	\$31,715	\$3,550	-	\$239	\$184
Enterprise Zone Tax Credit	\$890	\$715	\$175	-	-	-	-
Ethanol Facility Tax Credit	-	-	-	-	-	-	-
Important Agricultural Lands Tax Credit	\$388	d	d	-	-	d	-
Tax Credit for Research Activities	\$2,909	\$263	\$2,646	-	-	-	-
Capital Infrastructure Tax Credit	\$1,113	\$980	\$130	-	-	\$3	-
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>							
Capital Goods Excise Tax Credit	\$30,201	\$5,653	\$21,782	\$2,089	-	\$446	\$232
Income Tax Paid to Another State or to a Foreign Country	\$45,001	\$40,552	-	-	-	\$4,449	-
<b>Expired Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Individual Development Account Contribution Tax Credit	-	-	-	-	-	-	-
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
High Technology Business Investment Tax Credit	\$24,154	\$10,699	\$3,767	-	\$9,629	\$60	-
Energy Conservation Tax Credit	*	*	*	-	-	*	-
Hotel Construction and Remodeling Tax Credit	\$248	d	d	-	-	-	-
Technology Infrastructure Renovation Tax Credit	d	d	-	-	-	-	-
Residential Construction and Remodeling Tax Credit	\$826	\$39	\$787	-	-	-	-
<b>GRAND TOTAL</b>	<b>\$303,921</b>	<b>\$163,154</b>	<b>\$101,398</b>	<b>\$15,083</b>	<b>\$18,620</b>	<b>\$5,195</b>	<b>\$416</b>

\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit.

Notes: "d" denotes that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable."  
Details may not add to totals due to rounding.

**Table A-2**  
**NUMBER OF RETURNS CLAIMING TAX CREDITS**  
**BY TYPE OF CREDIT AND TYPE OF TAXPAYER - 2015**

Type of Credit	TAXPAYER TYPE						
	ALL	Individuals	Corporations	Financial Corporations	Insurance Underwriters	Fiduciaries	Exempt Organizations
<b>Active Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Refundable Food Excise Tax Credit (Food/Excise)	323,283	323,283	-	-	-	-	-
Tax Credit for Low-Income Household Renters	32,315	32,315	-	-	-	-	-
Tax Credit for Child and Dependent Care Expenses	26,372	26,372	-	-	-	-	-
Tax Credit for Child Passenger Restraint Systems	2,987	2,987	-	-	-	-	-
Tax Credit for Employment of Vocational Rehabilitation Referrals	6	d	d	-	-	-	-
Low-Income Housing Tax Credit	30	7	d	d	16	-	-
Tax Credit for School Repair and Maintenance	d	d	-	-	-	-	-
Lifeline Telephone Service Tax Credit	na	na	na	na	na	na	na
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
Fuel Tax Credit for Commercial Fishers	166	151	15	-	-	-	-
Motion Picture, Digital Media and Film Production Income Tax Credit	34	16	18	-	-	-	-
Renewable Energy Technologies Tax Credit	14,536	14,364	110	6	-	51	5
Enterprise Zone Tax Credit	78	72	6	-	-	-	-
Ethanol Facility Tax Credit	-	-	-	-	-	-	-
Important Agricultural Lands Tax Credit	d	d	d	-	-	d	-
Tax Credit for Research Activities	57	33	24	-	-	-	-
Capital Infrastructure Tax Credit	71	64	d	-	-	d	-
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>							
Capital Goods Excise Tax Credit	4,158	3,001	1,015	16	-	119	7
Income Tax Paid to Another State or to a Foreign Country	8,106	7,916	-	-	-	190	-
<b>Expired Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Individual Development Account Contribution Tax Credit	-	-	-	-	-	-	-
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
High Technology Business Investment Tax Credit	519	474	28	-	7	10	-
Energy Conservation Tax Credit	*	*	*	-	-	*	-
Hotel Construction and Remodeling Tax Credit	5	d	d	-	-	-	-
Technology Infrastructure Renovation Tax Credit	d	d	-	-	-	-	-
Residential Construction and Remodeling Tax Credit	35	32	3	-	-	-	-

\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit.

Notes: "d" denotes that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable."

Table A-3

**DOLLAR AMOUNTS OF TAX CREDITS CLAIMED BY INDIVIDUALS  
BY TYPE OF CREDIT AND TAX DISTRICT - 2015 (in \$1,000)**

BY TYPE OF CREDIT AND TAX DISTRICT 2015 (in \$1,000)					
Type of Credit	STATE TOTAL	TAX DISTRICT			
		OAHU (DISTRICT 1)	MAUI (DISTRICT 2)	HAWAII (DISTRICT 3)	KAUAI (DISTRICT 4)
<b>Active Tax Credits</b>					
<b>Tax Credits to Promote Social Welfare</b>					
Refundable Food Excise Tax Credit (Food/Excise)	\$26,854	\$17,677	\$3,245	\$4,490	\$1,442
Tax Credit for Low-Income Household Renters	\$3,321	\$2,462	\$313	\$428	\$118
Tax Credit for Child and Dependent Care Expenses	\$9,530	\$7,058	\$1,009	\$1,029	\$435
Tax Credit for Child Passenger Restraint Systems	\$74	\$54	\$8	\$9	\$4
Tax Credit for Employment of Vocational Rehabilitation Referrals	\$9	d	d	d	-
Low-Income Housing Tax Credit	\$273	\$61	\$0	\$0	\$212
Tax Credit for School Repair and Maintenance	d	d	-	-	-
Lifeline Telephone Service Tax Credit	na	na	na	na	na
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>					
Fuel Tax Credit for Commercial Fishers	\$209	\$149	\$4	\$50	\$5
Motion Picture, Digital Media and Film Production Income Tax Credit	\$1,082	\$1,022	\$60	-	-
Renewable Energy Technologies Tax Credit	\$62,879	\$45,069	\$9,223	\$6,407	\$2,181
Enterprise Zone Tax Credit	\$715	\$483	\$159	\$63	\$10
Ethanol Facility Tax Credit	-	-	-	-	-
Important Agricultural Lands Tax Credit	d	-	-	d	-
Tax Credit for Research Activities	\$263	\$70	\$160	d	d
Capital Infrastructure Investment Tax Credit	\$980	\$971	\$6	\$3	-
<b>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</b>					
Capital Goods Excise Tax Credit	\$5,653	\$4,373	\$539	\$536	\$205
Income Tax Paid to Another State or to a Foreign Country	\$40,552	\$22,944	\$5,719	\$8,929	\$2,961
<b>Expired Tax Credits</b>					
<b>Tax Credits to Promote Social Welfare</b>					
Individual Development Account Contribution Tax Credit	-	-	-	-	-
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>					
High Technology Business Investment Tax Credit	\$10,699	\$9,521	\$708	\$179	\$290
Energy Conservation Tax Credit	*	*	*	*	*
Hotel Construction and Remodeling Tax Credit	\$2	d	-	-	d
Technology Infrastructure Renovation Tax Credit	d	d	d	-	-
Residential Construction and Remodeling Tax Credit	\$39	\$34	\$0	\$5	\$1
GRAND TOTAL	\$163,154	\$111,954	\$21,159	\$22,174	\$7,867

\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit.

Notes: "*d*" denotes the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "*na*" denotes "not applicable."

Details may not add to totals due to rounding.

Table A-4

**NUMBER OF INDIVIDUAL INCOME TAX RETURNS WITH CLAIMS FOR TAX CREDITS  
BY TYPE OF CREDIT AND TAX DISTRICT - 2015**

Type of Credit	STATE TOTAL	TAX DISTRICT			
		OAHU (DISTRICT 1)	MAUI (DISTRICT 2)	HAWAII (DISTRICT 3)	KAUAI (DISTRICT 4)
<b>Active Tax Credits</b>					
<b>Tax Credits to Promote Social Welfare</b>					
Refundable Food Excise Tax Credit (Food/Excise)	323,283	218,154	39,976	47,538	17,615
Tax Credit for Low-Income Household Renters	32,315	24,207	3,096	3,814	1,198
Tax Credit for Child and Dependent Care Expenses	26,372	19,441	2,833	2,832	1,266
Tax Credit for Child Passenger Restraint Systems	2,987	2,151	306	375	155
Tax Credit for Employment of Vocational Rehabilitation Referrals	5	d	d	d	-
Low-Income Housing Tax Credit	7	d	-	-	d
Tax Credit for School Repair and Maintenance	d	d	-	d	-
Lifeline Telephone Service Tax Credit	na	na	na	na	na
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>					
Fuel Tax Credit for Commercial Fishers	151	59	10	68	14
Motion Picture, Digital Media and Film Production Income Tax Credit	16	d	d	-	-
Renewable Energy Technologies Tax Credit	14,364	9,429	2,316	2,060	559
Enterprise Zone Tax Credit	72	40	d	19	d
Ethanol Facility Tax Credit	-	-	-	-	-
Important Agricultural Lands Tax Credit	d	-	-	d	-
Tax Credit for Research Activities	33	21	d	d	d
Capital Infrastructure Investment Tax Credit	64	58	d	d	-
<b>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</b>					
Capital Goods Excise Tax Credit	3,001	1,998	375	416	212
Income Tax Paid to Another State or to a Foreign Country	7,916	5,121	1,108	1,205	482
<b>Expired Tax Credits</b>					
<b>Tax Credits to Promote Social Welfare</b>					
Individual Development Account Contribution Tax Credit	-	-	-	-	-
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>					
High Technology Business Investment Tax Credit	474	392	43	24	15
Energy Conservation Tax Credit	*	*	*	*	*
Hotel Construction and Remodeling Tax Credit	d	d	-	-	d
Technology Infrastructure Renovation Tax Credit	d	d	d	-	-
Residential Construction and Remodeling Tax Credit	32	23	d	d	d

\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit.

Notes: "d" denotes the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable."



Table A-5

**DOLLAR AMOUNTS OF TAX CREDITS CLAIMED BY INDIVIDUALS  
BY TYPE OF CREDIT AND INCOME CLASS\* - 2015 (in \$1,000)**

Type of Credit	INCOME CLASS						
	ALL	Less than \$10,000	\$10,000 to \$29,999	\$30,000 to \$59,999	\$60,000 to \$99,999	\$100,000 to \$199,999	\$200,000 or more
<b>Active Tax Credits</b>							
<b>Tax Credits to Promote Social Welfare</b>							
Refundable Food Excise Tax Credit (Food/Excise)	\$26,854	\$10,038	\$11,414	\$5,370	\$21	\$9	\$3
Tax Credit for Low-Income Household Renters	\$3,321	\$1,175	\$2,146	-	-	-	-
Tax Credit for Child and Dependent Care Expenses	\$9,530	\$223	\$1,662	\$1,968	\$2,112	\$2,951	\$614
Tax Credit for Child Passenger Restraint Systems	\$74	<i>d</i>	\$11	\$18	\$16	\$19	\$4
Tax Credit for Employment of Vocational Rehabilitation Referrals	\$9	-	-	-	-	\$9	\$1
Low-Income Housing Tax Credit	\$273	-	-	-	\$3	-	\$270
Tax Credit for School Repair and Maintenance	<i>d</i>	-	-	-	<i>d</i>	-	-
Lifeline Telephone Service Tax Credit	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>	<i>na</i>
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>							
Fuel Tax Credit for Commercial Fishers	\$209	\$18	\$25	\$24	\$60	\$60	\$22
Motion Picture, Digital Media and Film Production Income Tax Credit	\$1,082	\$307	<i>d</i>	<i>d</i>	\$80	<i>d</i>	\$479
Renewable Energy Technologies Tax Credit	\$62,879	\$4,898	\$3,040	\$4,735	\$9,273	\$16,772	\$24,161
Enterprise Zone Tax Credit	\$715	-	<i>d</i>	<i>d</i>	\$14	\$28	\$671
Ethanol Facility Tax Credit	-	-	-	-	-	-	-
Important Agricultural Lands Tax Credit	<i>d</i>	-	-	-	<i>d</i>	-	-
Tax Credit for Research Activities	\$263	\$94	<i>d</i>	<i>d</i>	\$1	\$42	\$123
Capital Infrastructure Investment Tax Credit	\$980	-	-	\$8	\$4	\$104	\$864
<b>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</b>							
Capital Goods Excise Tax Credit	\$5,653	\$312	\$173	\$257	\$334	\$585	\$3,991
Income Tax Paid to Another State or to a Foreign Country	\$40,552	\$22	\$201	\$640	\$1,249	\$3,326	\$35,114
<b>Expired Tax Credits</b>							
<b>Tax Credits to Promote Social Welfare</b>							
Individual Development Account Contribution Tax Credit	-	-	-	-	-	-	-
<b>Tax Credits to Encourage Certain Industries or Economic Activities</b>							
High Technology Business Investment Tax Credit	\$10,699	-	\$11	\$69	\$217	\$756	\$9,646
Energy Conservation Tax Credit	**	**	**	**	**	**	**
Hotel Construction and Remodeling Tax Credit	<i>d</i>	-	-	-	<i>d</i>	-	-
Technology Infrastructure Renovation Tax Credit	<i>d</i>	-	-	<i>d</i>	<i>d</i>	<i>d</i>	-
Residential Construction and Remodeling Tax Credit	\$39	<i>d</i>	<i>d</i>	\$3	\$11	\$23	-
<b>GRAND TOTAL</b>	\$163,162	\$17,093	\$18,691	\$13,282	\$13,416	\$24,717	\$75,964
<b>AGGREGATE TAX LIABILITY BEFORE TAX CREDITS***</b>	\$2,074,301	\$7,032	\$98,015	\$302,349	\$360,423	\$529,164	\$777,318

\* Income class is measured using Hawaii AGI for Forms N-11 and N-13 and total AGI for Form N-15.

\*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit.

\*\*\* Tax liabilities reported on individual income tax returns filed for tax year 2015.

Notes: "*d*" denoted that data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "*na*" denotes "not applicable."

Details may not add to totals due to rounding.

Table A-6

**NUMBER OF INDIVIDUAL INCOME TAX RETURNS WITH CLAIMS FOR TAX CREDITS  
BY TYPE OF CREDIT AND INCOME CLASS\* - 2015**

Type of Credit	INCOME CLASS						
	ALL	Less than \$10,000	\$10,000 to \$29,999	\$30,000 to \$59,999	\$60,000 to \$99,999	\$100,000 to \$199,999	\$200,000 or more
<b>Active Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Refundable Food Excise Tax Credit (Food/Excise)	323,283	99,931	128,641	94,419	206	68	18
Tax Credit for Low-Income Household Renters	32,315	11,995	20,320	-	-	-	-
Tax Credit for Child and Dependent Care Expenses	26,372	526	3,471	5,901	6,433	8,393	1,648
Tax Credit for Child Passenger Restraint Systems	2,987	212	462	729	660	776	148
Tax Credit for Employment of Vocational Rehabilitation Referrals	5	-	-	-	-	d	d
Low-Income Housing Tax Credit	7	-	-	-	d	-	d
Tax Credit for School Repair and Maintenance	d	-	-	-	d	d	-
Lifeline Telephone Service Tax Credit	na	na	na	na	na	na	na
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
Fuel Tax Credit for Commercial Fishers	151	31	22	34	30	23	11
Motion Picture, Digital Media and Film Production Income Tax Credit	16	d	d	d	d	d	7
Renewable Energy Technologies Tax Credit	14,364	853	1,473	2,764	3,458	3,979	1,837
Enterprise Zone Tax Credit	72	-	d	d	12	d	51
Ethanol Facility Tax Credit	-	-	-	-	-	-	-
Important Agricultural Lands Tax Credit	d	-	-	-	d	-	-
Tax Credit for Research Activities	33	d	d	d	3	7	19
Capital Infrastructure Investment Tax Credit	64	-	-	5	3	19	37
<b><i>Tax Credits to Avoid Double Taxation or Pyramiding of Taxes</i></b>							
Capital Goods Excise Tax Credit	3,001	320	288	351	350	569	1,123
Income Tax Paid to Another State or to a Foreign Country	7,916	515	1,030	1,291	1,369	1,773	1,938
<b>Expired Tax Credits</b>							
<b><i>Tax Credits to Promote Social Welfare</i></b>							
Individual Development Account Contribution Tax Credit	-	-	-	-	-	-	-
<b><i>Tax Credits to Encourage Certain Industries or Economic Activities</i></b>							
High Technology Business Investment Tax Credit	474	-	19	47	65	126	217
Energy Conservation Tax Credit	**	**	**	**	**	**	**
Hotel Construction and Remodeling Tax Credit	d	-	-	d	d	d	-
Technology Infrastructure Renovation Tax Credit	d	-	-	d	d	d	-
Residential Construction and Remodeling Tax Credit	32	d	13	d	d	7	-

\*Income class is measured using Hawaii AGI for Forms N-11 and N-13 and total AGI for Form N-15.

\*\* Data for the energy conservation tax credit are included with those for the renewable energy tax credit.

Notes: "d" denotes that the data in the cell were suppressed to prevent potential disclosure of confidential taxpayer information. "na" denotes "not applicable."

## **APPENDIX B**

### **TAX CREDIT HISTORY**

Table B-1

## NUMBER AND TYPE OF CREDITS AVAILABLE BY TAX YEARS (1965-2015)

Type of Credit	Tax Year																								
	65	66	67	68	69	70	71	72	73	74	75	76	77	78	79	80	81	82	83	84	85	86	87	88	89
Capital Infrastructure																									
Important Agric. Land																									
Credit for Flood Victims																									
Ethanol Investment / Facility																									
Residential Remodeling																									
Drought Mitigation																									
School Repair																									
Tech. Infrastructure																									
High Technology Bus. Inv.																									
Research Activity																									
Individual Development																									
Low-income, Food/Excise																									
Motion Picture																									
Hotel Remodeling																									
Nurse Facilities																									
Job Rehabilitation																									
Food / Excise																									
Medical Services																									x
Capital Goods Excise																								x	x
Low-Income Housing																								x	x
Food																							x	x	x
Lifeline Telephone																						x	x	x	x
Enterprise Zone																						x	x	x	x
Car Pass. Restraint System																		x	x	x	x	x	x	x	x
General Income																	x	x	x	x	x	x	x	x	x
Commercial Fishers																x	x	x	x	x	x	x	x	x	x
Dependent Care													x	x	x	x	x	x	x	x	x	x	x	x	x
Energy Conservation											x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Renewable Energy Tech.																									
Excise										x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Dangerous Item							x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x			
Rent						x	x	x	x				x	x	x	x	x	x	x	x	x	x	x	x	x
Drug / Medical						x	x	x	x																
Education	x	x	x	x	x	x	x	x	x																
Ko Olina																									
Consumer-Type	x	x	x	x	x	x	x	x	x																
Out of State Taxes Paid	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x

Table B-1 (Cont.)

## NUMBER AND TYPE OF CREDITS AVAILABLE BY TAX YEARS (1965-2015)

Type of Credit	Tax Year																									
	90	91	92	93	94	95	96	97	98	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15
Capital Infrastructure																									x	x
Important Agric. Land																			x	x	x	x	x	x	x	x
Credit for Flood Victims																	x									
Ethanol Investment / Facility													x	x	x	x	x	x	x	x	x	x	x	x	x	x
Residential Remodeling												x	x	x												
Drought Mitigation												x	x	x	x	x										
School Repair												x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Tech. Infrastructure												x	x	x	x	x	x	x	x	x	x					
High Technology Bus. Inv.											x	x	x	x	x	x	x	x	x	x	x					
Research Activity											x	x	x	x	x	x	x	x	x	x	x				x	x
Individual Development											x	x	x	x	x											
Low-income, Food/Excise										x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Motion Picture								x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Hotel Remodeling								x	x	x	x	x	x	x	x											
Nurse Facilities				x	x	x	x	x																		
Job Rehabilitation		x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Food / Excise	x	x	x	x	x																					
Medical Services	x	x	x	x	x																					
Capital Goods Excise	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x		x	x	x	x	x	x	x
Low-Income Housing	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Food						x	x	x	x																	
Lifeline Telephone	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Enterprise Zone	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Car Pass. Restraint System	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
General Income	x	x	x	x	x	x						x	x					x	x	x						
Commercial Fishers	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Dependent Care	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Energy Conservation	x	x	x	x	x	x	x	x	x	x	x	x	x													
Renewable Energy Tech.														x	x	x	x	x	x	x	x	x	x	x	x	x
Excise	x	x	x	x	x																					
Dangerous Item																										
Rent	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x
Drug / Medical																										
Education																										
Ko Olina																x	x	x	x	x						
Consumer-Type																										
Out of State Taxes Paid	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x	x

**Table B-2****Outline of Tax Credit History by Year of Enactment**

<b>Year</b>	<b>Act</b>	<b>Type of Tax Credit</b>	<b>Description of the Tax Credit or Its Modification</b>
1965	155	Consumer-type	Range established at \$18 to \$0.45 per qualified exemption based on modified adjusted gross income (MAGI).
	155	Education credit	Set at \$50 to \$2 for higher education, \$20 to \$2 for K12, based on modified adjusted gross income (MAGI).
1967	229	Credit against individual income tax	Formerly named the consumer-type credit; limited to residents with MAGI under \$7,000; credit range changed to \$20 to \$1 per qualified exemption.
	229	Education credit	Limited to residents with adjusted gross income (AGI) under \$7,000.
1969	60	Credit against individual income tax	Expanded upper income limit to MAGI under \$10,000, raised maximum credit per qualified exemption to \$21.
1970	180	Drug and medical expense credit	Credit range established at 4% to 1% of expenses, based on MAGI under \$14,000.
	180	Rent credit	Credit range of 2% to 1% of rent paid, inversely graduated to AGI under \$15,000.
1971	59	Drug and medical expense credit	Person aged 65 or older allowed two exemptions beginning with 1972 tax year.
1974	221	Excise credit	Replaced four previous credits: credit against individual income tax, education, drug and medical expense, and rent credits; set at \$30 to \$6 per qualified exemption based on AGI under \$15,000.
1976	189	Energy device credit	Set at 10% of cost of solar device installed after 12/31/74 but before 12/31/81.
	208	Excise credit	Raised maximum credit to \$40 per qualified exemption; raised AGI ceiling to under \$20,000; person aged 65 or over allowed two exemptions.
1977	15	Rent credit	Set at \$20 per qualified exemption; AGI must be less than \$20,000 and annual rent must be greater than \$1,000; age 65 or over allowed two exemptions.
	196	Child and dependent care credit	Set at 5% of care expenses; maximum credit \$100 for one and \$200 for two or more qualified dependents.
1978	19	Hot water insulation credit	Up to \$30 for cost of materials; expired 12/31/84.
1980	228	Excise Credit	Increased credit per qualified exemption; new range \$48 to \$8.

**Table B-2 (Cont.)**

**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
1981	230	Rent credit	Raised to \$50 per qualified exemption.
	231	General income credit	Set at \$100 per qualified exemption.
	233	Energy device credit	Expanded to include home heat pumps and wind energy devices; extended expiration date to 12/30/85.
	234	Child and dependent care credit	Raised to 10% of expenses; maximum credit raised to \$200 for one and \$400 for two or more qualified decedents.
1982	25	Child and dependent care credit	Changed to graduated credit ranging from 15% to 10% of expenses, based on AGI; maximum credit raised to \$360 for one and \$720 for two or more qualified dependents.
	134	Child passenger restraint credit	Set at \$25 per return for purchase of qualified care seat.
	265	General income credit	Reduced to \$25 per qualified exemption.
1983	67	Energy device credit	Eligibility extended to heat pumps for commercial use.
	97	General income credit	Reduced to \$1 per qualified exemption.
1984	55	General income credit	\$1 per qualified exemption.
1985	81	General income credit	\$1 per qualified exemption.
	232	Energy device credit	Extended expiration date to 12/30/92; increases to 15% if federal energy credit not extended beyond 12/31/85.
1986	49	General income credit	\$1 per qualified exemption.
	66	Energy device credit	Raised to 15% if federal energy credit not retroactively extended or reenacted.
	70	Energy device credit	Expanded to include ice storage systems with credit set at 10% of cost.
1987	41	General income credit	\$1 per qualified exemption.
	239	Food credit	Set at \$45 per qualified exemption; to expire 12/31/90.
	239	Capital goods excise credit	Set at 3% of cost of qualified tangible business property for tax year 1988 and 4% of cost for 1989 and thereafter.
1988	11	Excise credit	Credit range changed to \$55 to \$10 per qualified exemption; AGI ceiling raised to \$30,000.
	185	General income credit	\$1 per qualified exemption.
	216	Low-income housing credit	30% credit on the qualified basis of each low-income building located in Hawaii as provided in IRC section 43(b).

**Table B-2 (Cont.)**

**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
1989	307	Energy device credit	Raised to 20% of cost if placed in service after 12/31/89.
	321	Medical services excise credit	Set at 4% of qualified medical expenses; maximum credit \$200 for most residents, \$400 if 65 or older, and \$600 if both joint taxpayers 65 years or older.
	321	Rent credit	AGI ceiling raised to \$30,000.
	321	Child and dependent care credit	Credit made refundable if it exceeds tax liability; AGI ceiling for maximum 15% rate raised from \$10,000 to \$22,000.
	322	Child and dependent care credit	Raised rate to 25% to 15% of qualified expenses effective after 12/31/89.
	323	General income credit	\$125 per qualified exemption.
1990	98	Renter's credit	Allowed residents with no taxable income to claim the credit.
	186	General income credit	Reduced to \$60 per qualified exemption.
	187	Food/excise credit	Repealed excise credit and created a permanent food/excise credit; food credit increased from \$45 to \$55 per qualified exemption; no change in excise credit rates.
	319	Energy device credit	Extended expiration date to 12/31/98; credit ceilings set according to device and type of dwelling: solar device--lesser of 35% of cost or \$1,750 if placed in single-family dwelling or \$350 if placed in multi-family dwelling, no cap for hotel, commercial, or industrial installation; heat pump--lesser of 20% of cost or \$400 if installed in single-family unit or \$200 if placed in multi-family unit; no cap for hotel, commercial, or industrial installations; wind energy device--rate increased from 15% to 20% of cost; ice storage systems--rate increased to 50% of cost if installed and placed in service after 12/31/90.
1991	137	Job credit	20% of wage up to \$1,200 per vocational rehabilitation employee.
	179	General income credit	\$1 per qualified exemption.
	217	Medical services excise credit	Extended the medical service excise credit to 12/31/96.
1992	128	General income credit	\$1 per qualified exemption.
1993	184	General income credit	\$1 per qualified exemption.
	315	Medical services excise credit	6% of nursing facility expenses.
1994	85	General income credit	\$1 per qualified exemption.



**Table B-2 (Cont.)**

**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
1995	23	Medical services excise credit	Repealed the 4% portion of the tax credit and retains 6% of the nursing facility tax portion.
	93	General income credit	\$1 per qualified exemption.
	134	Medical services excise credit	Repealed the medical service tax credit and the nursing facilities tax credit.
	134	Food/excise credit	Reduced the food portion of the food/excise tax credit from \$55 to \$27 per qualified exemption, and repeals the excise portion of the food/excise tax credit.
1996	286	Enterprise zone credit	Exempted general excise taxes on the gross proceeds from manufacture of tangible personal property, the wholesale of tangible personal property, or the engaging in a service business by qualified businesses in the enterprise zone.
1997	107	Motion picture credit	Provided an income tax credit of up to 4% of costs incurred, and of up to 6% of transient accommodations costs incurred in the production of motion picture or television films in the state.
	108	Hotel remodeling credit	Provided an income tax credit equal to 4% of the renovation costs for each qualified hotel facility located in Hawaii, with tax credit cap of 10% of the transient accommodations tax paid by the taxpayer in the preceding tax year.
1998	156	Motion picture credit	Increases credit from 6% to 7.25% of transient accommodations costs incurred.
	157	Food tax credit	Repealed food tax credit beginning tax year 1999.
	157	Low-income credit	Established refundable graduated low-income credit beginning tax year 1999.
	163	Energy device credit	Extended sunset date for energy device credits to July 1, 2003.
1999	24	Low-income housing credit	Expanded to include insurance companies.
	160	IDA credit	IDA tax credit up to 50% of contribution to an individual development account (IDA).
	178	High technology credit	10% of the investment made by the taxpayer in each qualified high technology business, up to a maximum allowed credit of \$500,000, effective tax years 1999 to 2005.
	178	Research activity credit	Adopts federal income tax credit for increasing research activities, effective tax years 2000 to 2005.
	306	Qualified improvement credit	Qualified improvement tax credit for capitalized costs of construction and equipment of a permanent nature with respect to resort and hotel properties. Unspecified percent of credit may be applied against GET, income, PSC or TAT.
2000	148	Low-income housing credit	Allows partnerships to claim low-income housing credit.

**Table B-2 (Cont.)**

**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2000	184	Individual development account	5% of amount contributed to an IDA up to \$1 million, between January 01, 2000 and December 31, 2004.
	174	Research activity credit	Retains credit for increasing research activities, even if federal credit is repealed.
	289	Ethanol investment credit	16 step investment tax credits for ethanol production facility based on gallons produced, capped at lesser of 30% of investment of specified dollar amount per step. Effective after December 31, 2001.
	297	Research activity credit	Makes the credit refundable.
	297	High technology credit	Eases requirements to qualify for credit.
2001	36	General income credit	\$1 per qualified exemption.
	221	Research activities credit	Removes requirement for increasing research.
	221	High technology business investment credit	Increases maximum credit to \$2 million and credit percentage to 100%.
	221	Technology infrastructure renovation income tax credit	Provides a nonrefundable technology infrastructure renovation income tax credit equal to 4% of the "renovation costs" for each commercial building located in Hawaii. The credit is available for tax years 2001 through 2005.
	293	Drought mitigation credit	4% of cost of construction or repair of qualified water storage facility for farmers and ranchers.
	309	School repair and maintenance credit	10% of fair-market value of repair and maintenance of public schools by licensed contractors.
2001 (3rd SS)	10	Hotel construction and remodeling credit	Increases credit to 10% of costs and makes it nonrefundable until June 30, 2003.
	10	Residential construction and remodeling credit	4% of cost of new residential construction or remodeling.
2002	63	General income credit	\$1 per qualified exemption.

**Table B-2 (Cont.)**

**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2002	174	Residential construction and remodeling credit	Extends the credit to costs incurred before July 1, 2003.
2003	207	Renewable energy technologies credit (Energy device credit)	Energy technology installed and placed in service after 6/30/03. Credit ceilings set according to device and type of dwelling: solar-device-lesser of 35% of cost or \$1,750 if placed in single family dwelling, \$350 for multi-family dwelling, \$250,000 for commercial properties; wind powered system-lesser of 20% of cost or \$1,500 if installed in single family unit, \$200 if placed in multi-family unit, or \$250,000 if placed in a commercial property; photovoltaic energy systems-lesser of 35% of cost or \$1,750 if installed in single family unit, \$350 if installed in multi-family unit, \$250,000 if installed in a commercial property.
	100	Ko Olina resort and marina attractions and educational facilities tax credit	Established a nonrefundable, carry-forward tax credit for qualified costs incurred for the development of attractions and educational facilities at the Ko Olina resorts and marina, or for the development of a training and educational facility at the Makaha Resort. It took effect on May 29, 2003 and is available for tax year 2005.
2004	97	Renewable energy technologies credit (Energy device credit)	Clarified that the tax credit is nonrefundable and that unused credit may be claimed in subsequent years until exhausted. Allowed financial institutions to claim the credit for taxable years beginning after 12/30/02, provided that the system was installed after 6/30/03.
	140	Ethanol Facility tax credit	Clarified that the tax credit is equal to 30% of the ethanol production facility's nameplate capacity if greater than 500,000 but less than 15 million gallons. Tax credit is limited to 100% of the total of all investments made by the taxpayer during the 8 year tax credit period. Requires that the facility be operating at a level of production of at least 75%. Facility must be in production before 1/1/12. Effective 7/01/04 and applied to taxable years beginning after 12/21/03.
	215	Technology infrastructure renovation tax credit, high technology tax credit and tax credit for research activities	Extends the technology infrastructure renovation tax credit, the high technology business investment tax credit, and the tax credit for research activities for another five years.
2005	196	Low-income housing tax credit	Provides incentives for developers to build affordable housing projects by increasing the low-income housing tax credit from 30 to 50 percent of the applicable percentage of the qualified basis of each building located in Hawaii. Effective 7/01/05.

**Table B-2 (Cont.)**

**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2006	88	Motion Picture and Film Production Income Tax Credit	Increases the Motion Picture and Film Production income tax credit to 15% or 20% of qualified production costs, depending on locale of production. Effective for production occurring after June 30, 2006.
	110	Tax Credit for Flood Victims	Establishes the one-time Tax Credit for Flood Victims, for non-reimbursable costs stemming from the Manoa flooding of October 30, 2004 and the statewide flooding during the first quarter of 2006.
	240	Renewable energy	Increases the limits on the Renewable Energy Technologies credit for single-family residential systems to \$2,250 (for solar thermal systems) or \$5000 (for photovoltaic systems). Increases the limits for commercial systems to \$500,000 per system. Higher limits effective for systems installed after June 30, 2006.
2007	128	Ethanol Facility tax credit	Extended the date for which a qualified ethanol production facility must be in production for purposes of qualifying for the Ethanol Production Facility tax credit by five years, to 1/1/2017.
	151	Renewable Energy	Requires that all renewable energy technology systems be in the State in order to qualify for the Renewable Energy Technologies tax credit. Applies to taxable years beginning after 12/31/2006.
	210	General income credit	The credit is refundable and declines as federal AGI increases. The maximum credit is \$160 (for married filing jointly with federal AGI under \$5,000).
	211	Food/Excise tax credit	Changes the name of the Low-Income Refundable tax credit to the Refundable Food/Excise tax credit. Amends the credit payout schedule and the adjusted gross incomes. The highest payout is \$85 for federal AGI under \$5,000 per exemption. Effective for taxable years beginning after 12/31/2007.
2008	58	General income credit	Provides a refundable credit of \$1 per exemption (not including extra exemptions for age or disability).
	204	Renewable energy	Requires single family residences with building permits issued after 1/1/2010 to include a solar hot water heating system and disallows the Renewable energy credit for the required systems. For solar, wind or photovoltaic systems placed in service after 12/21/2008, residential home developers are ineligible to claim the credit.
	143	Enterprise Zone tax credit	Extends Enterprise Zone benefits to certain qualifying agricultural businesses, including processing of agricultural products. Effective 7/1/2008.
	233	Important Agricultural Lands tax credit	Provides a refundable tax credit for certain costs benefiting property designated as "Important Agricultural Land," effective 7/1/2008.
2009	84	General income credit	Provides a refundable credit of \$1 per exemption, excluding multiple exemptions for age or disability.

**Table B-2 (Cont.)**

**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2009	154	Renewable Energy	Combines solar and photovoltaic systems into the single category "solar." The caps per system are unchanged, however, as solar systems used to heat water are still subject to the lower cap of \$2,250 per system. An election is granted to make the credit refundable for systems placed in service on or after 7/1/2009.
	155	Renewable Energy	Amends the requirement that a building permit not be issued for new single family dwellings that to not include a solar water heating system on or after 1/1/2010.
	174	Enterprise Zone tax credit	Amends the definitions of eligible business. Allows agricultural producers, manufacturers and wholesalers to renew eligibility in the program for an additional three years. Effective 7/1/2009.
	178	High technology credit and the technology infrastructure renovation tax credit	For investment made, or renovations costs incurred, on or after May 1, 2009, provides that beginning after January 1, 2009, and ending before January 1, 2011, no claim for qualified high technology business investment tax credits or technology infrastructure renovation tax credits under income tax, taxation of banks and other financial corporations, and insurance shall exceed 80 percent of a taxpayer's tax liability, and no credit carryover is allowed.
2010	21	All tax credits	Requires refundable credits to be claimed first, followed by nonrefundable credits after 1/1/2010.
2011	158	Low income housing tax credit	Grants low-income housing tax credit loans in lieu of low-income housing tax credits and provides a tax credit for certain awards under the American Recovery and Reinvestment Act of 2009. Applies to qualified buildings placed in service after 12/31/2011.
2013	89	Motion Picture and Film Production Income Tax Credit	Extends the Motion Picture and Film Production income tax credit to January 1, 2019, increases the credit ceiling amount from \$8 million to \$15 million per qualified production, and increases the credit amount from 15% to 20% of qualified production costs in a county with a population of over 700 thousand and increases the credit amount from 20% to 25% in a county with a populations of 700 thousand or less. Effective for production occurring after June 30, 2013.
	270	Tax credit for research activities	Reenacts the State tax credit for research activities. The State credit is equal to 20% of qualified research expenses incurred in Hawaii. The new credit is effective for tax years beginning after December 31, 2012. The Act sunsets December 31, 2019.
2014	101	Important Agricultural Lands tax credit	Clarifies that the tax credit amount is 25% of qualified agricultural costs or \$625,000 in the first year, the lesser of 15% of qualified costs or \$250,000 in the second year, and the lesser of 10% of qualified costs or \$125,000 in the third year.
	200	Capital Infrastructure Tax Credit	Establishes a capital infrastructure tax credit for tenants who are relocated due to the Kapalama container terminal modernization project. The tax credit is the lesser of 50% of the capital infrastructure costs paid or incurred by the qualified infrastructure tenant during the taxable year or \$1,250,000. The tax credit is available for taxable years beginning after December 31, 2013, but not for taxable years beginning after December 31, 2019.

**Table B-2 (Cont.)**

**Outline of Tax Credit History by Year of Enactment**

Year	Act	Type of Tax Credit	Description of the Tax Credit or Its Modification
2015	120	Cesspool Upgrade, Conversion or Connection Tax Credit	Creates a temporary, nonrefundable income tax credit for the costs incurred in converting a qualified cesspool to a septic system or to an aerobic treatment unit system, or for the cost of connecting a cesspool to a sewer system. The Department of Health must certify all credit claims, and the credit amount is 100% of qualified costs up to a maximum of \$10,000 per taxpayer. The amount of tax credits certified in any given tax year cannot exceed \$5 million. The Tax credit is available for taxable years ending after December 31, 2015, but not for taxable years ending after December 31, 2020.
	223	Refundable Food/Excise Tax Credit	Amends the Refundable Food/Excise Tax Credit in several ways. First, removes the requirement that the individual claiming the credit must have resided in the State for nine months during the taxable year and replaces it with a requirement that the individual must have been physically present in the state for nine months during the taxable year. Second, adjusts the maximum adjusted gross income an unmarried individual taxpayer may have in order to be eligible to claim the credit. Third, adjusts the amount of credit per qualified exemption available to eligible taxpayers. Applies to taxable year beginning after December 31, 2015, but is repealed December 31, 2017 and the law as it read prior to this Act's amendments will be reenacted.

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# **Hawaii General Excise & Use Tax Exemptions**

**Tax Year 2017**

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**DEPARTMENT OF TAXATION  
STATE OF HAWAII**

## STATE OF HAWAII

David Y. Ige, Governor

## DEPARTMENT OF TAXATION

Maria E. Zielinski, Director

Damien A. Elefante, Deputy Director

## TAX RESEARCH & PLANNING OFFICE

Seth Colby, Tax Research & Planning Officer



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# **Hawaii General Excise & Use Tax Exemptions**

**Tax Year 2017**

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**DEPARTMENT OF TAXATION**

**STATE OF HAWAII**

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## Introduction

This report presents exemptions claimed against the General Excise & Use Tax (GET). It is the first report of its kind to include data from the Tax Modernization System (TSM) project. Previous to 2017, the Department of Taxation ("the Department") did not have the capability to conduct a systematic analysis of GET exemptions claimed by taxpayers. Two important things occurred that allowed the Department to collect and process the data required for this report. First, progress on TSM project allowed the Department to collect, process, and organize more taxpayer information related to the GET, including information provided on the Schedule GE where exemption information is provided. Second, the Department adopted a reformatted version of the Schedule GE beginning January 2017 that facilitated the collection of information on exemptions and deductions. The TSM project is not yet complete, yet it is already producing information that allows the Department to create reports like this one that provide useful information regarding economic activity within the state of Hawaii.

Act 94, Session Laws of Hawaii 2015, requires the Department to publish and report on GET exemptions that (1) are tax expenditures at the wholesale rate: (2) are tax expenditures at the retail rate: and (3) may be foregone opportunities to export taxes. This report takes the following approach in meeting the requirements provided by Act 94. First, it identifies the exemptions that are claimed by taxpayers, breaking those exemptions down by tax rate and economic activity. It then provides cost estimates of the tax expenditures that are associated with the exemptions claimed. An explanation on the difference between tax exemptions and tax expenditures are provided later on in the report.

This report provides data for the first half of calendar year 2017. Department reports usually provide data for an entire tax year, but data limitations do not permit the release of a full year of data at this time. This is because the conditions necessary to produce this report only came about in January of 2017 (see above). As such, this report includes data for GET exemptions claimed during the filing period between January 1, 2017 and June, 30 2017. The data query used for this report was executed on August 15<sup>th</sup>, 2017. As such, the data released in the report should be interpreted with caution for the following reasons. First, the exemptions in the first half of the calendar year may not match those claimed in the second half of 2017. Second, not all Schedule GE forms during the filling period in the first half of 2017 had been processed by August 14<sup>th</sup>, 2017. The 2018 GET exemption report will include data from the entire 2017 calendar year.

Taxpayer reliance on hand-written forms provides additional challenges to the production of this report. Not all exemptions claimed by taxpayers during the report period can be examined in detail because some taxpayers submitted previous versions of Schedule GE (prior to the 2017 version) which cannot easily be classified by the automated system. Additionally, handwritten forms are prone to reporting errors which compromise the validity of the figures presented in this report. For this reason, only data submitted electronically are included in the body of the report. A table of all exemptions (electronic and paper filers) is included in the annex of the report. A discussion of how the Department adjusted for these errors is available in the in the Data Source section.

Finally, unlike other reports prepared by the Department, this report is not merely a presentation of data but relies on the determination and categorization of tax exemptions. These decisions are based on a set of debatable assumptions about what constitutes an ideal tax system and what constitutes a tax expenditure.

## Data Source

Data for this report are collected from the Department's GenTax system, Department's new system that is being rolled out as part of the TSM project. The data are from the Schedule GE which is required to be filed along with a taxpayer's periodic GET return (G-45). The period for which a taxpayer must submit a form varies. For instance, some taxpayers are required to submit a return every month while others are only required to submit one form per quarter. The Schedule GE reports the amounts and types of GET exemptions claimed.

The Department extracted 50,726 Schedule GE forms for this study. The items in this report are listed before any subsequent audit but after tax returns were checked for accuracy, identifying large differences between exemption amounts claimed on the forms G-45 and Schedule GE.

This report provides information on two different data sets. The first data set includes all Schedule GE forms submitted with a form G-45 for the filing period between January 1, 2017 and June 30, 2017 for a total of 50,726. These forms include those that were submitted electronically (e-filers) and hard copy (hand written forms delivered manually). The information produced in this report from the first data set can be found in tables A-3 and A-4 of the Annex. The second data set includes information submitted on Schedule GE forms with a form G-45 using the same filing period but it only includes returns filed electronically (e-filers) for a total of 30,741 returns. The body of this report only uses the data provided by the electronic filers (the second data set). This is because this data were less prone to reporting errors and the information is easier to manipulate. The results on GET expenditures utilize the second data set. Thus, the expenditure data do not utilize all information supplied on the Schedule GE but rather only the information that is supplied via electronic format. The reader should take this under consideration as they interpret the results of this report.

To preserve taxpayer confidentiality, the report does not provide the exact number of observations for a given category if there are ten observations or less.

## **GET Exemptions**

Hawaii taxpayers filing electronically claimed 36,643 exemptions for an amount of \$12 billion (see Table 1). The largest exemptions in terms of dollar amount for this data set were Foreign Trade Zone Sales, Non-profit Organizations, Subcontract Deduction, Out of State Sales and Drugs and Prosthetic Devices. The most commonly claimed exemptions were Out of State Sales, Taxes Passed On, Subcontract Deduction, Sales to Federal Government and Credit Unions, and Wholesale Transactions. A list of all exemptions claimed by paper and electronically is available in Table A-3 of the annex.

Table A-4 of the annex shows some of the differences between the data set for all filers and the data set with only electronic filers. The data set using only electronic filers has 37% fewer GET exemptions claimed but is only 10% less in terms of total dollar amount. Since data set of electronic filers does not include hand-written forms, this implies that hand-written forms comprised 37% of all filers and claimed \$1.4 billion worth of exemptions or 10% of total exemptions.

**Table 1****GET Exemptions Claimed by E-Fliers Only****From Schedule GE filed between Jan 1-June 30, 2017. Report ran on August 15,2017**

	Amount (\$ thousands)	# of claims	Of total amount (%)	Total # of claims (%)
Foreign Trade Zone Sales (§212-8)	2,920,857	313	24.2%	0.9%
Non-profit Organizations (§237-23)	2,550,313	1,161	21.2%	3.2%
Subcontract Deduction (§237-13(3)(B))	1,213,152	5,693	10.1%	15.5%
Out of State Sales (§237-29.5(1))	992,161	6,728	8.2%	18.4%
Drugs and Prosthetic Devices (§237-24.3(6))	722,245	736	6.0%	2.0%
Wholesale Transactions (Sales of tangible property imported for further resale at 1/2%) (§237-29.55)	621,293	1,895	5.2%	5.2%
Taxes Passed On (§§237-24(8), 237-24(9), 237-24(10), 237-24(12))	475,912	6,647	4.0%	18.1%
Affordable Housing (§§46-15.1, 201H-36 237-29, 238-3(j))	462,718	726	3.8%	2.0%
Sales to Federal Government and Credit Unions (§237-25(a))	273,532	2,491	2.3%	6.8%
Maintenance Fees (§§237-24.3(2), 237-24(16))	194,926	1,198	1.6%	3.3%
Enterprise Zones (§209E-11)	183,528	292	1.5%	0.8%
Federal Preempted Amount (§§237-22, 238-3(a))	167,968	278	1.4%	0.8%
Discounts and Returned Merchandise (§237-3(b))	165,345	1,263	1.4%	3.4%
Intercompany Charges (§237-23.5(a))	153,578	574	1.3%	1.6%
Service Related to Ship & Aircraft (§237-24.3(3))	102,265	118	0.8%	0.3%
Air Pollution Control Facilities (§§237-27.5, 238-3(k))	100,679	160	0.8%	0.4%
Food Stamps and WIC (§237-24.3(5))	83,599	1,251	0.7%	3.4%
Employee Benefit Plans (§237-24.3(4)).	76,625	143	0.6%	0.4%
Shipbuilding and Ship Repairs (§237-28.1).	75,764	193	0.6%	0.5%
Out of State Services to Foreign Customers (§238-2.3(1)(C))	71,544	799	0.6%	2.2%
Exported Services (§237-29.53)	62,030	566	0.5%	1.5%
Scientific Contracts (§§237-26, 238-3(j)).	60,006	311	0.5%	0.8%
Reimbursement of Payroll Costs (§237-24.7(9))	45,258	68	0.4%	0.2%
Subleases of Real Property (§237-16.5)	40,243	973	0.3%	2.7%
Hotel Operator/Suboperator (§237-24.7(1))	37,631	147	0.3%	0.4%
Federal Cost-Plus Contractors (§237-13(3)(C))	31,863	57	0.3%	0.2%
Aircraft Service and Maintenance Facility (§§237-24.9, 238-1)	24,191	76	0.2%	0.2%
Real Estate Sales (§237-3(b))	22,442	245	0.2%	0.7%
Aircraft Leasing (§§237-24.3(11), 238-1)	17,615	19	0.1%	0.1%
Bad Debts (§237-3(b))	15,352	672	0.1%	1.8%
Professional Employer Organizations (§237-24.75(3))	13,134	65	0.1%	0.2%
Certain Contracts Entered into Before 6/30/2006 (§237-8.6(c))	10,208	35	0.1%	0.1%
Hawaii Convention Center Operator (§237-24.75(2))	8,756	21	0.1%	0.1%
Wholesale Amusements (§237-4(a)(13))	7,901	90	0.1%	0.2%
Sales Tax Paid Offset (§§237-22(b), 238-3(i))	6,008	72	0.0%	0.2%
Contracting Activity in an Enterprise Zone (§209E-11)	5,885	40	0.0%	0.1%
Certain Convention, Conference and Trade Show (§237-16.8)	5,286	13	0.0%	0.0%
Merchants' Association Dues (§237-24.3(8))	3,991	21	0.0%	0.1%
Common Paymaster Exemption (§237-23.5(b))	3,940	32	0.0%	0.1%
S/H of Agricultural Commodities (§237-24.3(1))	3,935	32	0.0%	0.1%
TRICARE (§237-24(17))	3,537	103	0.0%	0.3%
Potable Water (§237-23(a)(7))	2,097	10 or less	0.0%	N/A

Producers (Certain property used) (§238-4)	1,678	24	0.0%	0.1%
Orchard Operator (§237-24.7(4))	1,435	18	0.0%	0.0%
Mass Transit (§237-24.7(2))	1,347	10 or less	0.0%	N/A
Labor Organizations (§237-24.3(9))	1,042	21	0.0%	0.1%
Petroleum Refining (§237-27)	947	27	0.0%	0.1%
Small Business Innovation Research Grants (§237-24.7(10))	886	13	0.0%	0.0%
Insurance Proceeds Because of Natural Disaster (§237-24.7(6))	620	10 or less	0.0%	N/A
Diplomats and Consular Officials (§§237-24.3(10), 238-1)	358	81	0.0%	0.2%
Disability Provisions (§237-24(13))	284	122	0.0%	0.3%
Patient-Centered Community Care (§237-24(18))	54	20	0.0%	0.1%
Stock Exchange Transactions (§237-24.5)	45	10 or less	0.0%	N/A
<b>Total</b>	<b>12,048,009</b>	<b>36,643</b>	<b>100%</b>	<b>100%</b>

## Tax Expenditures

The prior section of the report focused on total GET exemptions. A tax expenditure is not the same as a tax exemption. For purposes of this report, tax expenditures are revenues losses attributable to provisions in the State tax laws which allow a special exclusion, exemption, or deduction from the gross receipts tax. These exemptions (or tax breaks) that are deviations from a uniform tax on consumption of residents. Tax expenditures are the implied revenue cost of the deviation from a uniform application of the excise and use tax. These exceptions may be viewed as alternatives to other policy instruments, such as spending or regulatory programs.

This report presents GET exemptions that are tax expenditures at the wholesale rate (0.5%) and the retail rate (4.0%), and also presents tax exemptions that are not tax expenditures but may represent opportunities to export the tax burden. The methodology used in this paper for estimating tax expenditures came from the methodology put forth by Rousslang (2013).<sup>1</sup>

It is important to understand that the decision to label exemptions as tax expenditures at the wholesale or retail rate or not as tax expenditures at all is based on economic parameters and assumptions and is subject to debate. Thus, if the Department's assumptions change, then the distribution of exemptions among the categories may change.

In presenting data on tax exemptions, it is crucial that a clear distinction be made between tax expenditures and revenue estimates. The data presented in this report should not be relied on as an estimate of the amount of revenue that may be realized by repealing an exemption. The reason is that the data presented in this report provide only the amounts of each exemption claimed. Substitution and behavioral factors must be accounted for to properly estimate the revenue effect of repealing an exemption

Substitution means that if a certain exemption is repealed, a portion of the taxpayers that had been claiming the repealed exemption may be entitled to claim a different exemption for the same activity. As an example, take the enterprise zone exemption. It is possible that taxpayers engaged in business in enterprise zones are exporting the goods and services they sell. Thus, if the enterprise zone exemption were repealed, the taxpayer may instead claim the exported goods and services exemption. This would limit the revenue impact to some amount smaller than the amount claimed under the enterprise zone exemption.

Behavioral factors are the responses of taxpayers affected by the repeal of an exemption. If an exemption is repealed, some taxpayers may cease engaging in formerly exempted activity. In this case the repeal would not yield the full amount of the tax expenditure, because the gross income previously exempted would no longer be generated.

Additionally, tax expenditures are valued at the tax rate they should be taxed at to achieve the assumed ideal tax system. These assumptions may not agree with the actual tax rates that would apply if an exemption were repealed. For example, each exemption categorized as tax expenditure at the

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<sup>1</sup> Rousslang, Donald (2013). "Tax Expenditures in Paradise." *State Tax Notes*. May 13, 2013, pages 549-558.



wholesale rate may not qualify for the 0.5% rate under the wholesale rules of section 237-4, Hawaii Revised Statutes

The report finds that GET expenditures amounted to \$166.2 million in the first half of calendar year 2017 for only e-filers. Another \$69 million was forgone in exemptions that were meant to reduce tax pyramiding but may represent an opportunity to export the tax burden.

## Tax Expenditures at the wholesale rate (0.5%)

The tax expenditures reported in this section are those that exempt activity that would be taxed at the wholesale rate of GET. These are mostly business-to-business transactions. Labeling exemptions of business-to-business sales as tax expenditures at the 0.5% rate is based on the assumption that all business-to-business sales should be taxed equally.

The results of the analysis suggest that the cost of the tax expenditures that would be subject to the wholesale rate amount to \$13.1 million in the first half of the 2017 for electronic filers (see table 4).

**Table 4: Tax Expenditures at Wholesale Rate (0.5%) (\$ thousands)**

	Exemption Amount	Expenditure Amount*
Air Pollution Control Facilities (§§237-27.5, 238-3(k))	\$100,679	\$503
Aircraft Leasing (§§237-24.3(11), 238-1)	\$17,615	\$88
Aircraft Service and Maintenance Facility (§§237-24.9, 238-1)	\$24,191	\$121
Certain Convention, Conference and Trade Show (§237-16.8)	\$5,286	\$26
Common Paymaster Exemption (§237-23.5(b))	\$3,940	\$20
Contracting Activity in an Enterprise Zone (§209E-11)	\$5,885	\$29
Federal Cost-Plus Contractors (§237-13(3)(C))	\$31,863	\$159
Hawaii Convention Center Operator (§237-24.75(2))	\$8,756	\$44
Hotel Operator/Suboperator (§237-24.7(1))	\$37,631	\$188
Intercompany Charges (§237-23.5(a))	\$153,578	\$762
Maintenance Fees (§§237-24.3(2), 237-24(16))	\$194,926	\$975
Merchants' Association Dues (§237-24.3(8))	\$3,991	\$20
Orchard Operator (§237-24.7(4))	\$1,435	\$7
Patient-Centered Community Care (§237-24(18))	\$54	\$0
Petroleum Refining (§237-27)	\$947	\$5
Producers (Certain property used) (§238-4)	\$1,678	\$8
Service Related to Ship & Aircraft (§237-24.3(3))	\$102,265	\$511
Shipbuilding and Ship Repairs (§237-28.1)	\$75,764	\$379
Shipping and Handling of Agricultural Commodities (§237-24.3(1))	\$3,935	\$20
Subcontract Deduction (§237-13(3)(B))	\$1,213,152	\$6,065
TRICARE (§237-24(17))	\$3,537	\$18
Wholesale Amusements (§237-4(a)(13))	\$7,901	\$40
Wholesale (§237-29.55)	\$621,293	\$3,106
sub-total	\$2,620,302	\$13,095

\* Tax expenditure estimates are not revenue estimates

## Tax Expenditures at the retail rate (4.0%)

The tax expenditures reported in this section are those that exempt activity that would ideally be taxed at the retail rate of GET. Unlike tax expenditures at the wholesale rate, these are not business-to-business transactions but transactions between businesses and final consumers or the equivalent thereof.

The amount of the GET expenditures subject to the 4.0% retail rate was \$153 million in the first half of 2017 for electronic filers (see Table 5). The largest GET expenditures in dollar amounts are the exemptions for Non-profit Organizations, Drugs and Prosthetic Devices, and Affordable Housing.

**Table 5: Tax expenditures at Retail Rate (4.0%) (\$ thousands)**

	Exemption Amount	Expenditure Amount*
Affordable Housing (§§46-15.1, 201H-36 237-29, 238-3(j))	\$462,718	\$18,324
Disability Provisions (§237-24(13))	\$284	\$5
Drugs and Prosthetic Devices (§237-24.3(6))	\$722,245	\$28,779
Enterprise Zones (§209E-11)	\$183,528	\$1,657
Insurance Proceeds Received due Natural Disaster (§237-24.7(6))	\$620	\$25
Labor Organizations (§237-24.3(9))	\$1,042	\$42
Mass Transit (§237-24.7(2))	\$1,347	\$54
Non-profit Organizations (§237-23)	\$2,550,313	\$101,310
Potable Water (§237-23(a)(7))	\$2,097	\$84
Professional Employer Organizations (§237-24.75(3))	\$13,134	\$479
Scientific Contracts (§§237-26, 238-3(j)).	\$60,006	\$2,345
sub-total	\$3,997,334	\$153,104

\* Tax expenditure estimates are not revenue estimates

## Opportunities to Export Tax

The following exemptions do not qualify as tax expenditures but are GET exemptions that may represent a lost opportunity to export tax. These consist of exemptions of exports and of sales to the federal government. Exemption on exports is not a tax expenditure because it is provided to prevent pyramiding of tax rather than to encourage a certain industry.

The value of the Expenditures in the first half of 2017 for electronic filers is \$69 million (see Table 6).

<b>Table 6: Exemptions That May be Foregone Opportunities to Export taxes to Non-Residents</b>		
<b>(\$ thousands)</b>		
	<b>Exemption Amount</b>	<b>Expenditure Amount*</b>
Diplomats and Consular Officials (§§237-24.3(10), 238-1)	\$358	\$14
Exported Services (§237-29.53)	\$62,030	\$2,290
Foreign Trade Zone Sales (§212-8)	\$2,920,857	\$27,346
Out of State Sales (§237-29.5(1))	\$992,161	\$27,033
Out of State Services or Contracting to Foreign Customers (§238-2.3(1)(C))	\$71,544	\$2,287
Sales to Federal Government and Credit Unions (§237-25(a))	\$273,532	\$9,934
Sub-total	\$4,320,482	\$68,905

\* Tax expenditure estimates are not revenue estimates

## Other Exemptions not Tax Expenditures

The following exemptions would not be subjected to a sales, excise, or other form of consumption. This is because the GET is worded so broadly that, without explicit exemptions, it would apply to many sales that are not properly part of a broad-based tax on consumption. For example, the GET contains exemptions for wages of works, sales of stocks and bonds, bad debts, and sales of land in fee simple. These items are not traditionally included in the base of a sales or excise tax. In the case of food stamps, the federal government does not permit taxation of purchases made with food stamps.

<b>Table 7: Exemptions not Tax Expenditures or Opportunities for Tax Exporting (\$ thousands)</b>		
	<b>Exemption Amount</b>	<b>Expenditure Amount*</b>
Bad Debts (§237-3(b))	\$15,352	\$0
Certain Contracts Entered into Before 6/30/2006 (§237-8.6(c))	\$10,208	\$0
Discounts and Returned Merchandise (§237-3(b))	\$165,345	\$0
Employee Benefit Plans (§237-24.3(4)).	\$76,625	\$0
Federal Preempted Amount (§§237-22, 238-3(a))	\$167,968	\$0
Food Stamps and WIC (§237-24.3(5))	\$83,599	\$0
Real Estate Sales (§237-3(b))	\$22,442	\$0
Reimbursement of Payroll Costs (§237-24.7(9))	\$45,258	\$0
Sales Tax Paid Offset (§§237-22(b), 238-3(i))	\$6,008	\$0
Small Business Innovation Research Grants (§237-24.7(10))	\$886	\$0
Stock Exchange Transactions (§237-24.5)	\$45	\$0
Subleases of Real Property (§237-16.5)	\$40,243	\$0
Taxes Passed On (§§237-24(8), 237-24(9), 237-24(10), 237-24(12))	\$475,912	\$0
Sub-total	\$1,109,891	\$0

\* Tax expenditure estimates are not revenue estimates

## Annex

### A- 1: Exemptions Claimed by GET Rate (E-filers) (\$ thousands)

Retail (4.0%)	Exempted Amount
Affordable Housing (§§46-15.1, 201H-36 237-29)	457,453
Air Pollution Control Facilities (§§237-27.5, 238)	69,010
Aircraft Leasing (§§237-24.3(11), 238-1)	17,615
Aircraft Service and Maintenance Facility (§§237-24.9, 238-1)	23,883
Bad Debts (§237-3(b))	14,736
Certain Contracts Entered into Before 6/30/2006 (§237-8.6(c))	10,208
Certain Convention, Conference and Trade Show (§237-16.8)	5,286
Common Paymaster Exemption (§237-23.5(b))	3,457
Contracting Activity in an Enterprise Zone (§209E-11)	4,224
Diplomats and Consular Officials (§§237-24.3(10), 238-1)	350
Disability Provisions (§237-24(13))	104
Discounts and Returned Merchandise (§237-3(b))	87,781
Drugs and Prosthetic Devices (§237-24.3(6))	719,079
Employee Benefit Plans (§237-24.3(4)).	76,625
Enterprise Zones (§209E-11)	21,135
Exported Services (§237-29.53)	56,555
Federal Cost-Plus Contractors (§237-13(3)(C))	29,525
Federal Preempted Amount (§§237-22, 238-3(a))	140,363
Food Stamps and WIC (§237-24.3(5))	83,560
Foreign Trade Zone Sales (§212-8)	364,089
Hawaii Convention Center Operator (§237-24.75(2))	8,756
Hotel Operator/Suboperator (§237-24.7(1))	24,454
Insurance Proceeds Received Because of a Natural Disaster (§237-24.7(6))	620
Intercompany Charges (§237-23.5(a))	147,698
Labor Organizations (§237-24.3(9))	1,042
Maintenance Fees (§§237-24.3(2), 237-24(16))	193,825
Mass Transit (§237-24.7(2))	1,347
Merchants' Association Dues (§237-24.3(8))	3,991
Non-profit Organizations (§237-23)	2,530,242
Orchard Operator (§237-24.7(4))	1,435
Out of State Sales (§237-29.5(1))	630,646
Out of State Services or Contracting to Foreign Customers (§238-2.3(1)(C))	55,139
Patient-Centered Community Care (§237-24(18))	54
Petroleum Refining (§237-27)	930
Potable Water (§237-23(a)(7))	2,097
Producers (Certain property used) (§238-4)	56
Professional Employer Organizations (§237-24.75(3))	11,798
Real Estate Sales (§237-3(b))	22,440
Reimbursement of Payroll Costs (§237-24.7(9))	45,258

Sales Tax Paid Offset (§§237-22(b), 238-3(i))	3,692
Sales to Federal Government and Credit Unions (§237-25(a))	244,766
Scientific Contracts (§§237-26, 238-3(j)).	58,433
Service Related to Ship & Aircraft (§237-24.3(3))	83,504
Shipbuilding and Ship Repairs (§237-28.1).	67,695
Shipping and Handling of Agricultural Commodities (§237-24.3(1))	28
Small Business Innovation Research Grants (§237-24.7(10))	886
Stock Exchange Transactions (§237-24.5)	45
Subcontract Deduction (§237-13(3)(B))	1,212,581
Subleases of Real Property (§237-16.5)	39,895
Taxes Passed On (§§237-24(8), 237-24(9), 237-24(10), 237-24(12))	337,888
TRICARE (§237-24(17))	3,509
Wholesale Amusements (§237-4(a)(13))	6,879
Wholesale Transactions (Sales of tangible property imported for further resale at 1/2%) (§237-29.55)	202,224
sub-total	<b>8,128,890</b>
<b>Wholesale (0.5%)</b>	
Affordable Housing (§§46-15.1, 201H-36 237-29, 238-3(j))	5,264
Air Pollution Control Facilities (§§237-27.5, 238-3(k))	31,669
Aircraft Service and Maintenance Facility (§§237-24.9, 238-1)	308
Bad Debts (§237-3(b))	616
Common Paymaster Exemption (§237-23.5(b))	483
Contracting Activity in an Enterprise Zone (§209E-11)	1,660
Diplomats and Consular Officials (§§237-24.3(10), 238-1)	8
Disability Provisions (§237-24(13))	180
Discounts and Returned Merchandise (§237-3(b))	77,564
Drugs and Prosthetic Devices (§237-24.3(6))	3,166
Enterprise Zones (§209E-11)	162,393
Exported Services (§237-29.53)	5,475
Federal Cost-Plus Contractors (§237-13(3)(C))	2,338
Federal Preempted Amount (§§237-22, 238-3(a))	27,606
Food Stamps and WIC (§237-24.3(5))	40
Foreign Trade Zone Sales (§212-8)	2,556,454
Hotel Operator/Suboperator (§237-24.7(1))	13,178
Intercompany Charges (§237-23.5(a))	4,227
Maintenance Fees (§§237-24.3(2), 237-24(16))	1,100
Non-profit Organizations (§237-23)	20,071
Out of State Sales (§237-29.5(1))	361,505
Out of State Services or Contracting to Foreign Customers (§238-2.3(1)(C))	16,208
Petroleum Refining (§237-27)	17
Producers (Certain property used) (§238-4)	1,623
Professional Employer Organizations (§237-24.75(3))	1,336
Real Estate Sales (§237-3(b))	2

Sales Tax Paid Offset (§§237-22(b), 238-3(i))	2,316
Sales to Federal Government and Credit Unions (§237-25(a))	28,767
Scientific Contracts (§§237-26, 238-3(j)).	1,573
Service Related to Ship & Aircraft (§237-24.3(3))	18,761
Shipbuilding and Ship Repairs (§237-28.1).	8,069
Shipping and Handling of Agricultural Commodities (§237-24.3(1))	3,907
Subcontract Deduction (§237-13(3)(B))	377
Subleases of Real Property (§237-16.5)	348
Taxes Passed On (§§237-24(8), 237-24(9), 237- 24(10), 237-24(12))	138,024
TRICARE (§237-24(17))	28
Wholesale Amusements (§237-4(a)(13))	1,022
Wholesale Transactions (Sales of tangible property imported for further resale at 1/2%) (§237-29.55)	419,069
<b>sub-total</b>	<b>3,916,754</b>
<b>Insurance</b>	
Foreign Trade Zone Sales (§212-8)	314
Intercompany Charges (§237-23.5(a))	1,653
Out of State Sales (§237-29.5(1))	10
Out of State Services or Contracting to Foreign Customers (§238-2.3(1)(C))	196
Subcontract Deduction (§237-13(3)(B))	194
<b>subtotal</b>	<b>2,367</b>
 <b>Grand Total</b>	 <b>12,048,009</b>

<b>A- 2: Exemptions by Business Activity</b>	<b>Exemption Amount (\$ thousands)</b>
<b><u>Wholesale Rate (0.5%)</u></b>	
Wholesaling	3,579,448
Manufacturing	115,159
Producing	33,671
Wholesale Services	56,504
Landed Value of Imports For Resale	131,603
Business Activities of Disabled Persons	368
<b><u>Retail Rate (4.0%)</u></b>	
Retailing	2,058,076
Services Including Professional	2,103,780
Contracting	1,562,118
Theater, Amusement and Broadcasting	10,823
Commissions	42,939
Transient Accommodations Rentals	80,213
Other Rentals	371,602
Interest and All Others	1,816,280
Landed Value of Imports For Consumption	83,058
<b><u>Insurance (0.15%)</u></b>	
Insurance Commissions	2,367
<b>Total</b>	<b>12,048,009</b>



### A-3: GET Exemptions Claimed (All Filers)

From Schedule GE filed between Jan 1-June 30, 2017. Report ran on August 15,2017

	Amount (\$ thousands)	# of claims	Of total amount (%)	Total # of claims (%)
Foreign Trade Zone Sales (§212-8)	2,932,100	374	21.9%	0.6%
Non-profit Organizations (§237-23)	2,593,488	1,343	19.3%	2.3%
Subcontract Deduction (§237-13(3)(B))	1,424,111	6,415	10.6%	10.8%
Out of State Sales (§237-29.5(1))	1,169,563	8,732	8.7%	14.6%
Drugs and Prosthetic Devices (§237-24.3(6))	755,413	885	5.6%	1.5%
Wholesale Transactions (§237-29.55)	744,138	2,390	5.6%	4.0%
Taxes Passed On (§§237-24(8), 237-24(9), 237-24(10), 237-24(12))	582,689	19,819	4.3%	33.2%
Affordable Housing (§§46-15.1, 201H-36 237-29, 238-3(j))	503,883	939	3.8%	1.6%
Maintenance Fees (§§237-24.3(2), 237-24(16))	381,208	2,158	2.8%	3.6%
Sales to Federal Government and Credit Unions (§237-25(a))	320,318	3,153	2.4%	5.3%
Enterprise Zones (§209E-11)	197,063	332	1.5%	0.6%
Discounts and Returned Merchandise (§237-3(b))	190,972	1,521	1.4%	2.6%
Federal Preempted Amount (§§237-22, 238-3(a))	172,469	343	1.3%	0.6%
Service Related to Ship & Aircraft (§237-24.3(3))	170,923	139	1.3%	0.2%
Intercompany Charges (§237-23.5(a))	161,687	678	1.2%	1.1%
Food Stamps and WIC (§237-24.3(5))	118,632	1,691	0.9%	2.8%
Employee Benefit Plans (§237-24.3(4)).	107,817	151	0.8%	0.3%
Air Pollution Control Facilities (§§237-27.5, 238-3(k))	103,373	190	0.8%	0.3%
Out of State Services/ Contracting to Foreign Cust. (§238-2.3(1)(C))	89,217	944	0.7%	1.6%
Exported Services (§237-29.53)	85,191	689	0.6%	1.2%
Shipbuilding and Ship Repairs (§237-28.1).	76,846	208	0.6%	0.3%
Subleases of Real Property (§237-16.5)	68,028	1,747	0.5%	2.9%
Scientific Contracts (§§237-26, 238-3(j)).	61,983	338	0.5%	0.6%
Mislabeled/unspecified	49,516	465	0.4%	0.8%
Reimbursement of Payroll Costs (§237-24.7(9))	46,490	111	0.3%	0.2%
Hotel Operator/Suboperator (§237-24.7(1))	9,018	163	0.3%	0.3%
Certain Contracts Entered into Before 6/30/2006 (§237-8.6(c))	7,345	68	0.3%	0.1%
Real Estate Sales (§237-3(b))	1,931	341	0.2%	0.6%
Federal Cost-Plus Contractors (§237-13(3)(C))	1,894	64	0.2%	0.1%
Aircraft Service and Maintenance Facility (§§237-24.9, 238-1)	4,334	82	0.2%	0.1%
Bad Debts (§237-3(b))	2,258	774	0.2%	1.3%
Professional Employer Organizations (§237-24.75(3))	9,708	88	0.1%	0.1%
Aircraft Leasing (§§237-24.3(11), 238-1)	7,615	19	0.1%	0.0%
Labor Organizations (§237-24.3(9))	10,356	33	0.1%	0.1%
Hawaii Convention Center Operator (§237-24.75(2))	8,757	22	0.1%	0.0%
Wholesale Amusements (§237-4(a)(13))	8,169	119	0.1%	0.2%
Contracting Activity in an Enterprise Zone (§209E-11)	7,757	74	0.1%	0.1%
Sales Tax Paid Offset (§§237-22(b), 238-3(i))	6,034	78	0.0%	0.1%
Certain Convention, Conference and Trade Show (§237-16.8)	5,687	15	0.0%	0.0%
Merchants' Association Dues (§237-24.3(8))	4,181	25	0.0%	0.0%
Common Paymaster Exemption (§237-23.5(b))	4,165	39	0.0%	0.1%
Shipping/Handling of Agricultural Commodities (§237-24.3(1))	3,939	38	0.0%	0.1%
TRICARE (§237-24(17))	3,733	139	0.0%	0.2%
Producers (Certain property used) (§238-4)	2,365	10 or less	0.0%	N/A

Potable Water (§237-23(a)(7))	2,103	31	0.0%	0.1%
Orchard Operator (§237-24.7(4))	1,793	10 or less	0.0%	N/A
Mass Transit (§237-24.7(2))	1,348	10 or less	0.0%	N/A
Insurance Proceeds Received BC of a Natural Disaster (§237-24.7(6))	1,097	30	0.0%	0.1%
Petroleum Refining (§237-27)	960	14	0.0%	0.0%
Small Business Innovation Research Grants (§237-24.7(10))	898	294	0.0%	0.5%
Disability Provisions (§237-24(13))	700	111	0.0%	0.2%
Diplomats and Consular Officials (§§237-24.3(10), 238-1)	483	10 or less	0.0%	N/A
Sugar Cane Payments to Independent Producers (§237-24(14))	445	22	0.0%	0.0%
Patient-Centered Community Care (§237-24(18))	58	11	0.0%	0.0%
Stock Exchange Transactions (§237-24.5)	51	10 or less	0.0%	N/A
<b>Total</b>	<b>\$ 13,406,299</b>	<b>59,647</b>	<b>100%</b>	<b>100.0%</b>

#### A-4: Difference of Exemptions for All Filers and Electronic Filers

	All Filers	Electronic Filers	Paper Filers	
			Difference	%
Amount Claimed (\$ thousands)	13,406,299	12,048,009	1,358,290	10%
Number of Claims	58,509.00	36,669	21,840	37%

**DEPARTMENT OF TAXATION'S  
ANNUAL REPORT AS REQUIRED BY Section 231-9.9, Hawaii Revised Statutes**

For the period between 7/1/2016 - 6/30/2017

Section 231-9.9, Hawaii Revised Statutes (HRS), relates to remittance of taxes by means of Electronic Funds Transfer (EFT). The Department is required to submit an annual report on the number of taxpayers who were assessed the two percent penalty for failing to timely file by an approved EFT method, the amount of each assessment, and the total amount collected.

The mandatory remittance of taxes by means of EFT applies to (1) taxpayers with tax liabilities exceeding \$100,000, and (2) taxpayers with withholding taxes of over \$40,000.

Section 231-9.9(c), HRS, imposes a two percent penalty on the amount of taxes owed if a taxpayer mandated to remit taxes using an approved EFT method fails to do so on or before the date the taxes are due, unless failure is due to reasonable cause and not to neglect.

The amount of the EFT penalties imposed for fiscal year 2017 for taxpayers who remit more than \$100,000 a year in general excise, transient accommodations, rental and tour vehicle, and more than \$40,000 a year in withholding taxes:

EFT Penalties and Interest Assessed  
For the 2016-2017 Fiscal Year  
For the period of 07/01/2016 – 06/30/2017

	Total Penalty Assessed	Total Penalty Collected	Number Assessed
Corporate/Partnership	244,829.64	208,706.95	9
General Excise	4,942,843.39	712,272.29	5,462
Transient Accommodations	193,478.10	25,152.13	115
Withholding	147,115.23	92,115.16	889
Rental and Tour Vehicle	50,158.19	11,866.62	12
County Surcharge	368,857.59	61,494.46	3,700
Cigarette and Tobacco	8,732.85	2,562.52	13
Franchise	66,393.98	47,866.76	12
Liquor	70,816.35	117.93	33
Public Service Company	78,835.09	34,887.65	12
<b>Total</b>	<b>6,172,060.30</b>	<b>1,197,042.47</b>	<b>10,257</b>

The Department's Integrated Tax Information Management System (ITIMS) allows for automated assessment of the penalties associated with EFT, allowing the Compliance Division to focus their resources on collecting the assessed EFT penalties and interest.

**DEPARTMENT OF TAXATION**  
**Annual Report REQUIRED BY ACT 100, SESSION LAWS OF HAWAII 1999**  
**For the period of January 1, 2018 through December 31, 2018**

The following is a list of the Department of Taxation's goals and objectives for the coming year as required by Act 100, Session Laws of Hawaii, 1999:

**GOAL 1:                    Increase voluntary compliance**

**Objective 1:                Increase oversight utilizing various branches/areas of our Compliance Division**

**Action Plan 1:**

Increased collaboration and information sharing among our Criminal Enforcement Section (CI), Special Enforcement Section (SES), and ad hoc fraud and discovery teams to identify taxpayer issues and potential non-compliance areas and business sectors utilizing Tax System Modernization (TSM) analytics wherever possible.

**Action Plan 2:**

We will actively engage in community outreach programs including public service announcements. We will help taxpayers understand and meet their Hawaii tax obligations by providing timely and relevant information, and keeping them apprised of new developments. We will provide public outreach through workshops, seminars, enhanced website features, and on-site assistance to both taxpayers and tax preparers.

**Action Plan 3:**

We will utilize in-house tools (including Tax System Modernization software analytics) as well as IRS-provided data to identify non-filers and returns identified through filters and manual review with questionable and/or inconsistent filing information. We will develop cases for enforcement and prosecution for those who have not filed or who have filed fraudulently.

**Action Plan 4:**

Actively engage Office Audit and Field Audit staff to work with Rules Office where needed to ensure they are working and closing audits that are consistent with the Administrative Rules of the Department of Taxation.

**Objective 2:                Develop procedures to ensure a more efficient and timely audit process**

**Action Plan 1:**

We will develop procedures to identify returns to be earmarked for audit, determine scope and reasonable and prudent timeframes for completion.

**Action Plan 2:**

Develop metrics relating to audit response time, number of cases handled, tax collectability and finalizing an audit where practicable to ensure fairness and consistency.

**GOAL 2:                Reduce tax fraud****Objective 1:                Identify and prevent payment of fraudulent refunds****Action Plan 1:**

Utilizing filters, internal tools (including Tax System Modernization analytics) and IRS-provided data as well as manual review, we will identify fraudulent tax refund returns and non-filers, enforce and prosecute.

**Action Plan 2:**

Utilizing filters, internal tools (including Tax System Modernization analytics) and IRS-provided data as well as manual review, we will identify potentially fraudulent tax returns. Request additional information to substantiate deduction claims and other questionable data. Enforce and prosecute where applicable.

**GOAL 3:                Improve customer service to all stakeholders****Objective 1:                Provide service to taxpayers whose issues/concerns cannot be resolved through normal channels****Action Plan 1:**

The Office of the Taxpayer Advocate, initiated in late 2015, continues to expand its work with the public to assist them with issues or questions they have been unable to get resolved. In addition to sending out communication to the public regarding these services and having a dedicated webpage, the Taxpayer Advocate will continue to outreach to local tax groups and taxpayer organizations. Given the strong demand in this area, this program is being recommended for expansion of an additional position to better serve its taxpayers. The Taxpayer Advocate has also served, and will continue to serve, a critical role in assisting taxpayers who are unable to resolve a question or issue relating to Hawaii Tax Online (HTO) of the Tax System Modernization.

**Objective 2:                Provide specialized service to the tax practitioner community****Action Plan 1:**

The Tax Practitioner Priority Specialist position, which was filled in early 2016, will continue to work closely with the tax practitioner community. This position, which serves in a capacity similar to the IRS counterpart, is currently handling approximately 1,000 calls monthly and has been highly regarded by the tax practitioner community.

**Action Plan 2:**

Increase dialogue and meeting with the tax practitioner community as well as professional organizations to better understand their needs and concerns. The Tax Practitioner Priority Specialist, who will continue to outreach to local tax groups and tax practitioner groups, has already been asked to speak and meet with many community groups. This position will also continue to be instrumental in assisting tax practitioners with registration and utilization of Hawaii Tax Online (HTO) as part of the Tax Modernization System.

**Action Plan 3:**

The Administrative Appeals Office, initiated in 2016, will continue to work with taxpayers and tax return preparers to have a quicker way to resolve tax disputes involving audit assessments. Serving as a separate and independent body within the Department of Taxation, it is responsible for administering the Administrative Appeals and Dispute Resolution (AADR) program which offers a way to settle audit disputes without litigation. Thus far the program has been well received as an alternate means of settling audit disputes. We will continue to review the success and volume of AADR cases over the next year.

**GOAL 4:                    Improve technology and efficiencies through the successful implementation of the Tax System Modernization (TSM) project**

**Objective 1:                We will complete Rollout 4 of the Tax System Modernization (TSM) project during this period**

**Action Plan 1:**

With the successful implementation of Rollout 1 of TSM on December 28, 2015, Rollout 2 on August 15, 2016, and Rollout 3 on August 14, 2017, we will complete Rollout 4 in November 2018. Rollout 4 will include individual income taxes, fiduciary, partnership, estate and transfer taxes and cashiering.

**Action Plan 2:**

During 2018 we will continue to refine and reconfigure (as needed) Rollouts 2 and 3 tax types. Through weekly TSM status and stakeholder meetings, Compliance user meetings, Taxpayer Services user meetings, and input from the Taxpayer Advocate and Tax Practitioner Specialist, we will further perfect the Rollouts 2 and 3 tax type features and processes.

**Action Plan 3:**

Post August 2017, we have initiated Rollout 4 implementation which includes individual income tax, fiduciary, partnership, estate and transfer and the cashiering function. Rollout 4 is scheduled to be completed in November 2018.

**Objective 2:                We will re-engineer business processes**

**Action Plan 1:**

As we work through each of the TSM rollouts, we will reduce manual business processes and reduce the use of paper thereby improving efficiency and productivity.

**Action Plan 2:**

We have created five Business Process Reengineering (BPR) Work Groups consisting of approximately ten employees for each Work Group. The Work Groups will address (1) Outside Communications, (2) Intranet, (3) E-filing, (4) Fun (i.e., morale building), and (5) Policies and Procedures. Each of the five Work Groups will be presenting their recommendations/issues to the five Work Groups and senior management. We will then be proceeding with execution of agreed-upon recommendations by priority in 2018.

**Action Plan 3:**

Through the implementation of Rollouts 1, 2 and 3 of TSM, we have provided for electronic registration, filing, and tax payments for these taxes. We will continue to implement these initiatives for Rollout 4 tax types.

**Action Plan 4:**

Through enhanced functionality of TSM, we will be able to capture more data for revenue impact determination relative to tax credits and exemptions, demographics and other useful research and planning purposes as Rollouts are completed and once sufficiently relevant data is available.

**GOAL 5:                      Actively address tax receivable balances**

**Objective 1:                      Collaborate with Attorney General's office to improve collections**

**Action Plan 1:**

We will continue to utilize the Attorney General's (AG's) office in accordance with the MOA between the AG and the Department of Taxation to increase collections.

**Objective 2:                      Utilize third party to improve collections**

**Action Plan 1:**

We will continue to utilize an outside collection agency which was selected in 2016 to focus on larger taxpayer accounts primarily on the mainland. Based upon their success rate we will explore the feasibility of expanding the number of accounts referred to them relating to mainland taxpayers that we have found difficult to locate.

**GOAL 6:                      Foster and empower staff**

**Objective 1:                      We will develop each employee to his/her full potential.**

**Action Plan 1:**

Department employees are our greatest assets. We will strive to develop each employee to his/her full potential. Employees will be encouraged to develop individual development plans to meet the responsibilities of their current position and to help them identify areas of growth that will help them qualify for target positions.

**Action Plan 2:**

We will reinforce the Department's values of respect, teamwork, communication, cooperation, trust, support, integrity, honesty, fairness, and responsibility. We will promote a culture and environment where our workforce continuously seeks to improve and realize their potential.

**Action Plan 3:**

We will provide training opportunities for our employees to enhance and expand their skills. We will design basic training and annual training for all specialty positions.

**Action Plan 4:**

We will improve communication with our employees through greater collaboration in meetings and strategic planning sessions.

**Action Plan 5:**

Rewrite position descriptions for positions already impacted by TSM resulting in greater complexity and increased technical requirements. This will improve retention of staff that we are currently at risk of losing to the higher paid private sector.