

FORM N-318 (Rev. 2008)	<h1 style="margin:0;">HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT</h1> <p style="margin:0;">Or fiscal year beginning _____, 2008, and ending _____, 20__</p>	TAX YEAR 2008
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ATTACH FORM N-318 AND REQUIRED SUPPORTING DOCUMENTS TO THE APPLICABLE FORM: FORM N-11, N-15, N-20, N-30, N-35, N-40, N-70NP, OR F-1; OR FORM 314, THE ANNUAL STATEMENT OF PREMIUMS.

Name(s) as shown on the applicable form: Department of Taxation's Form N-11, N-15, N-20, N-30, N-35, N-40, N-70NP, or F-1; or Department of Commerce and Consumer Affairs' Form 314	SSN or FEIN
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Part I REQUIRED ATTACHMENTS

A separate and complete Form N-318A, Certified Statement of Investment in a Qualified High Technology Business (QHTB) and Claim of the High Technology Business Investment Tax Credit (Credit), and Schedule K-1 (if applicable) must be attached to Form N-318 for each QHTB for which you are claiming the credit. Enter the number of Form N-318As and Schedule K-1s attached:

_____ Number of Form N-318As
 _____ Number of Schedule K-1s.

Part II HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT

Note: If you are claiming the Ethanol Facility Tax Credit, no other credit can be claimed for the taxable year. Skip lines 1 through 7 and begin on line 8.
Note: If you are reporting your share of the credit from a flow-through entity (e.g., partnership, S corporation, etc.) that is shown on a Schedule K-1, skip lines 1 through 6 and include on line 7 your share of the credit.
Note: Lines 1 through 5 are to be used ONLY by those investors that made direct investments in a QHTB.
Note: If you invested in more than three QHTBs, attach a schedule reporting information requested in lines 1 through 5 of Part II, Form N-318.
Note: If you made investments in the same QHTB in different years, report each year's investment in a separate column. If more than three columns are needed, attach a schedule reporting information requested in lines 1 through 5 of Part II, Form N-318.

	Column A	Column B	Column C
1 Enter the name and the FEIN of the QHTB and dates of the investment			
2 Enter the investment amount.....			
3 Enter applicable rate from instructions. See Rate Table on Page 4			
4 Multiply the amount on line 2 by the applicable rate on line 3 and enter the result here.			
5 Enter maximum credit allowed: Lesser of (a) the amount on line 4 or (b) the amount listed in the Rate Table on Page 4. (Partnerships, see Instructions for the amount to enter on this line)			
6 Add the amounts on line 5, Columns A thru C (including any additional schedules), and enter the total here			6
7 Enter your share of the credit as reported on Schedule K-1(s). See Instructions.....			7
8 Enter amount of unused high technology business investment tax credit carried over from prior years.....			8
9 Add lines 6 through 8. This is your tentative credit for tax year 2008.			9
Income and Franchise Tax Liability Limitations (Form N-20, Form N-35, and Form 314 filers do not complete lines 10 through 14)			
10 a Individuals – Enter your tax liability amount, before tax payments and credits, from Form N-11 or N-15 b Corporations – Enter your tax liability, before tax payments and credits, from Form N-30 c Other filers – Enter your tax liability, before tax payments and credits, from the applicable form.			10
11 If you are claiming other credits, complete the <i>Credit Worksheet</i> on Page 4 and enter the total here.....			11
12 Income tax liability, as adjusted (line 10 minus line 11). If the result is zero or less than zero, enter zero on line 12.....			12
13 Total credit allowed — Enter the smaller of line 9 or line 12. This is your high technology business investment tax credit allowable for tax year 2008. Enter this amount also, rounded to the nearest dollar for individual taxpayers, on the appropriate line for the credit on Schedule CR (for Form N-11, N-15, N-30, and N-70NP filers), or on Form N-40, Schedule E (for the estate's or trust's share), whichever is applicable			13
14 Carryover of unused credit (line 9 minus line 13). Enter the difference here (but not less than zero). The amount of the unused credit may be carried over and applied as a credit against the income or franchise tax liability in subsequent years until exhausted.....			14

Part III RECAPTURE OF HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT			
	Column A	Column B	Column C
1 Enter the name and FEIN of the QHTB for which the credit is being recaptured. See section 235-110.9(c), HRS, and General Instructions on Page 3			
2 Enter the amount of the credit claimed in tax year 2006 attributable to the QHTB listed on line 1, Part III			
3 Enter the amount of the credit claimed in tax year 2007 attributable to the QHTB listed on line 1, Part III			
4 Add lines 2 and 3 and enter the result here			
5 Recapture rate10	.10	.10
6 Multiply the credit on line 4 by the recapture rate on Line 5.			
7 Add the amounts on line 6, Columns A thru C (including any additional schedules), and enter the total here			
8 Enter your share of the recapture of the credits as reported on Schedule K-1(s). See Instructions.....			
9 Add lines 7 and 8. This amount represents the recapture of the credit which is to be added to your tax liability for tax year 2008.....			

Enter or include the amount on line 9 of Part III on the appropriate form as indicated below:

- Form F-1, line 66;
- Form N-11, line 26;
- Form N-15, line 44;
- Form N-20, Schedule K, line 27, and Schedule K-1, line 29;
- Form N-30, Schedule J, line 19;
- Form N-35, Schedule K, line 17, and Schedule K-1, line 22;
- Form N-40, line 23; or
- Form N-70NP, line 13.

GENERAL INSTRUCTIONS

Note: If you are claiming the Ethanol Facility Tax Credit, no other credit can be claimed for the taxable year.

Form N-318 is used to claim the nonrefundable High Technology Business Investment Tax Credit (credit). Authoritative sources of information with respect to the credit are:

- Sections 235-110.9, 235-1, 235-7.3, Hawaii Revised Statutes (HRS);
- Tax Information Release No. 2003-1, RE: Application of Section 235-110.9, Hawaii Revised Statutes (HRS), relating to the High Technology Business Investment Credit;
- Announcement No. 2003-1, RE: New and Revised High Technology Business Investment Tax Credit Forms;
- Tax Information Release No. 2007-4, RE: Department of Taxation Policies Relating to High Technology Investment Tax Credit Allocations; and
- Tax Information Release No. 2007-5, RE: Department of Taxation's Position on Qualified High Technology Business Status for Disregarded Entities.

Section 235-110.9, HRS, provides that the credit is available for investments, as defined in section 235-1, HRS, made in taxable years beginning after December 31, 2000 as follows:

- (1) In the year the investment was made, 35% of the investment, up to a maximum credit of \$700,000 per each qualified high technology business (QHTB);
- (2) In the first year following the year in which the investment was made, 25% of the investment, up to a maximum credit of \$500,000 per each QHTB;
- (3) In the second year following the investment, 20% of the investment, up to a maximum credit of \$400,000 per each QHTB;
- (4) In the third year following the investment, 10% of the investment, up to a maximum credit of \$200,000 per each QHTB; and
- (5) In the fourth year following the investment, 10% of the investment, up to a maximum credit of \$200,000 per each QHTB.

Note: Under Act 178, Session Laws of Hawaii (SLH) 1999, and Act 297, SLH 2000, the allowable credit was limited to 10% of the investments made in (a) tax year 1999 (provided that the investments were made after June 30, 1999) and (b) tax year 2000, provided that the credit shall be claimed in the year of the investment and did not exceed \$500,000 per each QHTB. The investments made in tax years 1999 and 2000 are eligible for the credit at the above listed applicable rates, subject to limitations. See specific instructions on Page 4 of Form N-318.

The tax credit may be claimed for income tax, franchise tax (financial institutions), and insurance premium tax purposes for tax years 2001-2010.

For income and franchise tax purposes, the credit is claimed against the tax liability for the taxable year. Tax liability means tax liability reduced by all other credits, **except** for the technology infrastructure renovation tax credit, allowed the taxpayer under chapter 235, HRS, and chapter 241, HRS (if applicable).

To claim the credit for insurance tax purposes, please contact the Department Commerce and Consumer Affairs, Insurance Division.

A taxpayer shall not claim the credit for an investment in a QHTB for the year that it ceases to be a QHTB (i.e., the business fails, terminates, or is dissolved).

If at the close of any taxable year in the five-year period:

- (1) The business no longer qualifies as a QHTB;
- (2) The business or an interest in the business has been sold by the taxpayer investing in the QHTB; or
- (3) The taxpayer has withdrawn the taxpayer's investment wholly or partially from the QHTB;

the credit claimed shall be recaptured. The recapture shall be equal to 10% of the amount of the credit claimed in the preceding two taxable years. The amount of the recaptured credit determined shall be added to the taxpayer's tax liability for the taxable year in which the recapture occurs.

For the purposes of this credit, "QHTB" is defined as a business employing or owning capital or property, or maintaining an office in Hawaii provided that:

- (1) More than 50% of its total business activities are qualified research;

and more than 75% of the qualified research is conducted in Hawaii; or

- (2) More than 75% of its gross income is derived from qualified research; provided that this income is received from:
 - A. Products sold from, manufactured in, or produced in Hawaii; or
 - B. Services performed in Hawaii.

For the purposes of this credit, "Qualified Research" is defined in section 235-7.3, HRS, as:

- (1) Research and development work qualifying under section 41(d) of the Internal Revenue Code;
- (2) The development and design of computer software for ultimate commercial sale, lease, license or to be otherwise marketed, for economic consideration. With respect to the software's development and design, the business shall have substantial control and retain substantial rights to the resulting intellectual property. See also section 235-1, HRS;
- (3) Biotechnology — fundamental knowledge regarding the function of biological systems from the macro level to the molecular and sub-atomic levels that has application to development including the development of novel products, services, technologies, and subtechnologies from insights gained from research advances that add to the body of fundamental knowledge. See also section 235-1, HRS;
- (4) Performing arts products;
- (5) Sensor and optic technologies;
- (6) Ocean sciences;
- (7) Astronomy; or
- (8) Nonfossil fuel energy-related technology.

For the purpose of this credit, "Investment" is defined in section 235-1, HRS, as a nonrefundable investment at risk, as the term is used in section 465 (with respect to deductions limited to amount at risk) of the Internal Revenue Code, in a QHTB, of cash that is transferred to the QHTB, the transfer of which is in connection with a transaction in exchange for stock, interests in partnerships, joint ventures, or other entities, licenses (exclusive or nonexclusive), rights to use technology, marketing rights, warrants, options, or any items similar to those included in this definition, including but not limited to options or rights to acquire any of the items included in this definition. The nonrefundable investment is entirely at risk of loss where repayment depends upon the success of the QHTB. If the money invested is to be repaid to the taxpayer, no repayment except for dividends or interest shall be made for at least one year from the date the investment is made. The annual amount of any dividend and interest payment to the taxpayer shall not exceed twelve per cent of the amount of the investment.

Attachments

The taxpayer must attach to Form N-318: a separate Form N-318A for each investment in a QHTB and all Schedule K-1s which reported the taxpayer's share of the credit.

For example, a partner of a partnership must attach a Form N-318A and a copy of the partner's Schedule K-1 from the partnership for the partner's investment in the QHTB made via the partnership.

Note: Failure to provide the required attachments or incomplete attachments will constitute a failure to properly claim the credit and all or a portion of the credit may be disallowed.

Deadline for Claiming the Credit

Claims for the credit, including any amended claims, **must** be filed on or before the end of the twelfth month after the close of the taxpayer's taxable year. Failure to properly claim the credit shall constitute a waiver of the right to claim the credit.

For example, a taxpayer, who files an income tax return for calendar year 2008, must claim the credit by December 31, 2009. The taxpayer uses Form N-318 to claim the credit. The taxpayer attaches to the taxpayer's tax return Forms N-318, N-318A, and Schedule K-1s (if applicable), and all required supporting documents.

Internet Address

Additional information regarding Hawaii tax laws and tax forms can be found on the Department of Taxation's website at:

www.hawaii.gov/tax

SPECIFIC INSTRUCTIONS

PART II. HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT

Partnerships, S Corporations, and Franchise Tax filers.—Complete lines 1 through 9 to compute the amount of credit to pass-through to the members, partners or shareholders. *Do not complete lines 10 through 14.*

Estates and Trusts.—Complete lines 1 through 9 to compute the credit to be allocated between the estate or trust and the beneficiaries in the proportion of the income allocable to each party. Continue to line 10 if the estate or trust has an allocable portion of the credit.

Insurers.—Complete lines 1 through 9 to compute the credit to carry to Form 314. *Do not complete lines 10 through 14.*

Line 1.—In each column, enter the name of the QHTB, the QHTB's Federal Employer Identification Number (FEIN), and the date(s) of investment for which the tax credit is being claimed. If you invested in more than three QHTBs, attach a schedule to Form N-318. If you made investments in the same QHTB in different years, report each year's investment in a separate column (if more than three years, attach a schedule to Form N-318).

Line 2.—Enter the amount of the investment for each QHTB (see General Instructions for the definition of "Investment").

Line 3.—Enter the rate applicable to the tax year in which the investment was made. For applicable rates, refer to the *Rate Table* as follows:

Rate Table

	Applicable rate for investments made in tax year 2004	Applicable rate for investments made in tax year 2005	Applicable rate for investments made in tax year 2006	Applicable rate for investments made in tax year 2007	Applicable rate for investments made in tax year 2008
Year of investment	*Tax Year 2004: *35% Up to max of \$700,000 per QHTB	*Tax Year 2005: *35% Up to max of \$700,000 per QHTB	*Tax Year 2006: *35% Up to max of \$700,000 per QHTB	Tax Year 2007: 35% Up to max of \$700,000 per QHTB	Tax Year 2008: 35% Up to max of \$700,000 per QHTB
First year following year of investment	*Tax Year 2005: *25% Up to max of \$500,000 per QHTB	*Tax Year 2006: *25% Up to max of \$500,000 per QHTB	Tax Year 2007: 25% Up to max of \$500,000 per QHTB	Tax Year 2008: 25% Up to max of \$500,000 per QHTB	Tax Year 2009: 25% Up to max of \$500,000 per QHTB
Second year following year of investment	*Tax Year 2006: *20% Up to max of \$400,000 per QHTB	Tax Year 2007: 20% Up to max of \$400,000 per QHTB	Tax Year 2008: 20% Up to max of \$400,000 per QHTB	Tax Year 2009: 20% Up to max of \$400,000 per QHTB	Tax Year 2010: 20% Up to max of \$400,000 per QHTB
Third year following year of investment	Tax Year 2007: 10% Up to max of \$200,000 per QHTB	Tax Year 2008: 10% Up to max of \$200,000 per QHTB	Tax Year 2009: 10% Up to max of \$200,000 per QHTB	Tax Year 2010: 10% Up to max of \$200,000 per QHTB	Tax Year 2011: 10% Up to max of \$200,000 per QHTB
Fourth year following year of investment	Tax Year 2008: 10% Up to max of \$200,000 per QHTB	Tax Year 2009: 10% Up to max of \$200,000 per QHTB	Tax Year 2010: 10% Up to max of \$200,000 per QHTB	Tax Year 2011: 10% Up to max of \$200,000 per QHTB	Tax Year 2012: 10% Up to max of \$200,000 per QHTB

*Regarding the claims to the credit for the indicated years, the twelve-month period to claim the credit has expired. If the taxpayer has not claimed the credit for the indicated years (including claims on amended returns), the failure to claim the credit constitutes waiver of the taxpayer's right to claim the credit.

Line 5.—Partnerships.—First, multiply the number of partners in the partnership by \$2,000,000. Next, multiply the first result by the percentage entered on line 3. Compare the second result with the amount on line 4 and enter the lesser amount on line 5.

Line 7.—Enter the total amount of credit reported on all Schedule K-1s issued to the taxpayer.

Line 11.—The law requires that ALL other credits, except for the technology infrastructure renovation tax credit, offset a taxpayer's tax liability BEFORE allowing a credit for investment in a QHTB. Complete the *Credit Worksheet* below and enter the result on line 11.

PART III. RECAPTURE OF HIGH TECHNOLOGY BUSINESS INVESTMENT TAX CREDIT

Line 8.—Enter the total amount of recapture of the credit reported on all Schedule K-1s issued to the taxpayer.

CREDIT WORKSHEET

Tax Credit	Amount
a. Ethanol Facility Tax Credit	_____
b. Income Taxes Paid to another state or foreign country.....	_____
c. Enterprise Zone Tax Credit	_____
d. Carryover of the Energy Conservation Tax Credit.....	_____
e. Credit for Employment of Vocational Rehabilitation Referrals.....	_____
f. Carryover of the Individual Development Account Contribution Tax Credit	_____
g. Credit for School Repair and Maintenance.....	_____
h. Ko Olina Resort and Marina Attractions and Educational Facilities Tax Credit.....	_____
i. Renewable Energy Technologies Income Tax Credit.....	_____
j. Credit for Low-Income Household Renters.....	_____
k. Credit for Child and Dependent Care Expenses.....	_____
l. Credit from a regulated investment company	_____
m. Fuel Tax Credit for Commercial Fishers.....	_____
n. Credit for Child Passenger Restraint Systems	_____
o. Capital Goods Excise Tax Credit.....	_____
p. Motion Picture, Digital Media, and Film Production Income Tax Credit.....	_____
q. Refundable Food/Excise Tax Credit.....	_____
r. Tax Credit for Research Activities	_____
s. Low-Income Housing Tax Credit.....	_____
t. Add lines a through s. Enter the amount here and on Part II, line 11	_____