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| FORM N-319 (REV. 2008) | <h1 style="margin:0;">TAX CREDIT FOR RESEARCH ACTIVITIES</h1> <p style="font-size: small;">(Note: If you are claiming the Ethanol Facility Tax Credit, no other credit can be claimed for the same taxable year.) Or fiscal year beginning _____, 2008, and ending _____, 20____</p> | TAX YEAR 2008 |
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ATTACH TO FORM N-11, N-15, N-20, N-30, N-35, N-40, OR, N-70NP
WHICHEVER IS APPLICABLE.

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| Name(s) as shown on Form N-11, N-15, N-20, N-30, N-35, N-40, or, N-70NP | SSN or FEIN |
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NOTE: If you received a Schedule K-1 from a flow-through entity, skip lines 1 - 5 and start on line 6.

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| 1 Recompute the amount of your total current year tax credit from federal Form 6765 (see instructions)..... | 1 | |
| 2 Enter the amount of your total qualified research expenses conducted within Hawaii | 2 | |
| 3 Enter the amount of your total qualified research expenses from federal Form 6765 (see instructions)..... | 3 | |
| 4 Fraction of qualified research expenses attributable to Hawaii to total. Divide line 2 by line 3. | 4 | |
| 5 Tentative tax credit for research activities. Multiply line 1 by line 4..... | 5 | |
| 6 Flow through of Hawaii tax credit for research activities received from other entities, if any. <i>Check the applicable box below. Enter the name and Federal Employer I.D. No. of Entity:</i> | | |
| <input type="checkbox"/> a S corporation shareholder — enter total from Schedule K-1 (Form N-35), line 12i <input type="checkbox"/> b Partner — enter amount from Schedule K-1 (Form N-20), line 19 <input type="checkbox"/> c Beneficiary — enter amount from Schedule K-1 (Form N-40), line 7d <input type="checkbox"/> d Patron — enter the amount from federal Form 1099-PATR..... | 6 | |
| 7 Total credit allowed — Add lines 5 and 6. Enter the result here, rounded to the nearest dollar for individual taxpayers, and on the appropriate line for the credit on Schedule CR (for Form N-11, N-15, N-30, and N-70NP filers); Form N-20, Schedule K; Form N-35, Schedule K; or Form N-40, Schedule F; whichever is applicable..... | 7 | |

GENERAL INSTRUCTIONS

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

Note: Effective July 1, 2004, the tax credit for research activities can only be claimed by qualified high technology businesses (Act 215, Session Laws of Hawaii 2004). "Qualified high technology business" is defined in section 235-110.9, Hawaii Revised Statutes.

Hawaii law conforms to Section 41 (with respect to the credit for increasing research activities) and section 280C(c) (with respect to certain expenses for which the credit for increasing research activities are allowable) of the Internal Revenue Code except that:

- (1) References to the base amount shall not apply and credit for all qualified research expenses may be taken without regard to the amount of expenses for previous years.
- (2) "Qualified Research" and "Basic Research" shall not include research conducted outside of Hawaii.
- (3) The Hawaii credit is **refundable** and available for tax years 2000-2010 even if the federal credit is repealed during this period.

Note: Act 124, Session Laws of Hawaii 2006, made operative for Hawaii income tax purposes amendments to Section 41 which allows a taxpayer to claim a research credit for amounts paid or incurred for research by an "energy research consortium".

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 your taxable year. Failure to properly claim the credit shall constitute a waiver of the right to claim the credit.

SPECIFIC INSTRUCTIONS

Enter your tax year in the space provided.

Line 1.— Recompute the amount of the "Current Year Credit" calculated on federal Form 6765, line 61. If you computed the federal credit under

section A of Form 6765, multiply the sum of "certain amounts paid or incurred to energy consortia" (line 1), "basic research payments to qualified organizations" (line 2), and the "total qualified research expenses" (line 9) by 20%. If you are electing the reduced credit under section 280C, multiply by 13%. Enter the result here.

If you computed the federal credit under section B or Sections C of Form 6765, multiply the sum of "certain amounts paid or incurred to energy consortia" (Section B, line 18 or Section C, line 43), "basic research payments to qualified organizations" (Section B, line 19 or Section C, line 44), and the "total qualified research expenses" (Section B, line 28 or Section C, line 53) by 20%. If you are electing the reduced credit under section 280C, multiply the result by 65%. Enter the result here.

Line 2.—Enter the total amount of the qualified research expenses for research conducted in Hawaii.

Line 3.—Enter the amount of the total qualified research expenses as calculated on the federal Form 6765, excluding any "qualified organization base period amount."

Line 4.—Divide line 2 by line 3. Enter the result here rounded to six decimal places. This is the percentage of the qualified research expenses for research conducted in Hawaii.

Line 5.—Multiply line 1 by line 4. Enter the result here. This is your tentative credit for research activities conducted in Hawaii.

Line 6.—Enter the name and federal employer identification number of any flow-through entity who has passed the tax credit for research activities through to the taxpayer. If additional space is needed, include the information on an attached schedule.

Line 7.—Add lines 5 and 6. This your total tax credit for research activities allowed for this taxable year. Enter the amount here, rounded to the nearest dollar for individual taxpayers, and on the appropriate line for the credit on Schedule CR (for Form N-11, N-15, N-30, and N-70NP filers); Form N-20, Schedule K; Form N-35, Schedule K; or Form N-40, Schedule F; whichever is applicable.