

STATE OF HAWAII - DEPARTMENT OF TAXATION
INSTRUCTIONS FOR FORM N-352
RENEWABLE FUELS PRODUCTION
TAX CREDIT

GENERAL INSTRUCTIONS

PURPOSE OF FORM

Use Form N-352 to figure and claim the renewable fuels production tax credit under section 235-110.31, Hawaii Revised Statutes (HRS).

WHO MAY CLAIM THIS CREDIT

For taxable years beginning AFTER December 31, 2016, and BEFORE December 31, 2021, each taxpayer producing renewable fuels that obtains a credit certificate issued by the Department of Business, Economic Development, and Tourism (DBEDT) may claim a nonrefundable renewable fuels production tax credit.

FLOW-THROUGH ENTITIES

In the case of a partnership, S corporation, estate, or trust, the tax credit allowable shall be determined at the entity level. Distribution and share of the credit shall be determined pursuant to section 704(b) (with respect to partner's distributive share) of the Internal Revenue Code.

CREDIT REQUIREMENTS

The tax credit is the lesser of 20 cents per 76,000 British thermal units of renewable fuels using the lower heating value sold for distribution in Hawaii or \$3,000,000 per taxable year. The taxpayer's production of renewable fuels cannot be less than 2.5 billion British thermal units of renewable fuels per year.

No other tax credit may be claimed under this chapter for the costs related to renewable fuels production that are used to properly claim a tax credit under this section for the taxable year.

To claim this credit, you must attach to your Hawaii income tax return:

- (1) Form N-352 (Complete Part II and attach.)
- (2) A completed Schedule CR (For tax returns for which Schedule CR is required.)
- (3) A completed Schedule K-1 (Required only if you are a member of a flow-through entity claiming a credit for the entity's renewable fuels production.)
- (4) The credit certificate issued to you by DBEDT.

If the credit exceeds the taxpayer's net income tax liability, the excess of credit over liability may be used as a credit against the taxpayer's income tax liability in subsequent years until exhausted.

DEADLINE FOR CLAIMING THE CREDIT

The deadline to claim the credit, including amended claims, is 12 months after the close of your taxable year. You cannot claim or amend the credit after the deadline.

DEFINITIONS FOR PURPOSES OF THE CREDIT

"Credit period" means a maximum period of five consecutive years, beginning from the first taxable year in which a taxpayer begins renewable fuels production at a level of at least 2.5 billion British thermal units of renewable fuels per year.

"Renewable feedstocks" means:

- (1) Biomass crops and other renewable organic material, including but not limited to logs, wood chips, wood pellets, and wood bark;
- (2) Agricultural residues;
- (3) Oil crops, including but not limited to algae, canola, jatropha, palm, soybean, and sunflower;
- (4) Sugar and starch crops, including but not limited to sugar cane and cassava;
- (5) Other agricultural crops;

- (6) Grease and waste cooking oil;
- (7) Food wastes;
- (8) Municipal solid wastes and industrial wastes;
- (9) Water; and
- (10) Animal residues and wastes, that can be used to generate energy.

"Renewable fuels" means fuels produced from renewable feedstocks; provided that:

- (1) The fuels shall be sold as a fuel; and
- (2) The fuels meet the relevant ASTM International specifications for the particular fuel or other industry specifications for liquid or gaseous fuels, including but not limited to:
 - (A) Methanol, ethanol, or other alcohols;
 - (B) Hydrogen;
 - (C) Biodiesel or renewable diesel;
 - (D) Biogas;
 - (E) Other biofuels;
 - (F) Renewable jet fuel or renewable gasoline; or
 - (G) Logs, wood chips, wood pellets, or wood bark.

CERTIFICATION OF CREDITS

Not later than 30 days following the end of the calendar year, the taxpayer must complete and file an independent third-party certified statement with DBEDT. The certified statement is to be obtained at the taxpayer's own expense. DBEDT will issue a credit certificate to the taxpayer verifying the amount of renewable fuels produced and sold, the credit amount certified for each taxable year, and the cumulative amount of the tax credit during the credit period. The taxpayer shall file the credit certificate with the taxpayer's tax return with the Department of Taxation. The Director of Taxation may audit and adjust the certification to conform to the facts.

If in any taxable year the annual amount of certified credits reaches \$3,000,000 in the aggregate, DBEDT will immediately discontinue issuing certificates for that taxable year and notify the Department of Taxation.

To request a credit certificate to claim the Renewable Fuels Production Tax Credit, contact DBEDT at:

DBEDT
Hawaii State Energy Office
P.O. Box 2359
Honolulu, Hawaii 96804

Telephone: (808) 587-3807

Email: dbedt.energyoffice@hawaii.gov

SPECIFIC INSTRUCTIONS

Part II, Computation of Tax Credit

Line 2 - If you are claiming your share of the renewable fuels production tax credit from a partnership, S corporation, estate or trust, then enter the amount here. If you received a Schedule K-1 (Form N-20), enter the amount from line 28. If you received a Schedule K-1 (Form N-35), enter the amount from line 16m. If you received a Schedule K-1 (Form N-40), enter the amount from line 9c (Renewable Fuels Production Tax Credit). If you received a federal Form 1099-PATR, enter the appropriate amount. Also, enter the name and federal employer identification number of any flow-through entity that has passed the tax credit through to you.

Line 3. Total New Credit claimed - This line is the total amount the credit being claimed in the current tax year. Enter this amount on Schedule CR, line 24, in **Column (a)**.

- Form N-20 filers, enter the amount on line 3 on Form N-20, Schedule K; skip lines 4 through 10 and continue to Part III.
- Form N-35 filers, enter the amount on line 3 on Form N-35, Schedule K; skip lines 4 through 10; and continue to Part III.
- Form N-40 filers, enter the distributive share amount on Form N-40, Schedule K-1, for each beneficiary, otherwise, continue to line 4.
- All others continue to line 4.

Line 4 - This line is the carryover of unused renewable fuels production tax credit from the prior year.

Line 5 - Add lines 3 and 4. This is your tentative current year renewable fuels production tax credit.

Line 6 - Enter your adjusted tax liability.

- Form N-11 filers, enter the amount from Form N-11, line 34.
- N-15 filers, enter the amount from Form N-15, line 51.

- Form N-30 filers, enter the amount from Form N-30, line 13.
- Form N-40 filers, enter the amount from Form N-40, Schedule G, line 3
- Form N-70NP filers, enter the amount from Form N-70N, line 18.

Line 7 - Certain other tax credits must be used to offset a taxpayer's tax liability before the renewable fuels production tax credit may be used. If you are claiming other nonrefundable tax credits, complete the **Credit Worksheet** below and enter the result on line 7. If you are not claiming any of the nonrefundable tax credits listed on the worksheet, enter zero on line 7.

Line 9. Total Credit Applied - Compare the amounts on lines 5 and 8. Enter the smaller of line 5 or 8, rounded to the nearest dollar, here and in **Column (b)** on Schedule CR, line 24. This is your maximum credit allowed for this taxable year.

Line 10. Unused Credit to Carryover - This represents your carryover of renewable fuels production tax credit which exceed your net income tax liability and may be used as a credit against your net income tax liability in subsequent years until exhausted. If this amount is more than zero, also enter it on Schedule CR, line 24, in **Column (c)**.

RENEWABLE FUELS PRODUCTION TAX CREDIT WORKSHEET	
Tax Credit	Amount
a. Income Taxes Paid to Another State or Foreign Country	_____
b. Enterprise Zone Tax Credit	_____
c. Carryover of the Energy Conservation Tax Credit.....	_____
d. Credit for Employment of Vocational Rehabilitation Referrals	_____
e. Carryover of the Individual Development Account Contribution Tax Credit	_____
f. Credit for School Repair and Maintenance	_____
g. Carryover of the Renewable Energy Technologies Income Tax Credit (For Systems Installed and Placed In Service Before July 1, 2009).....	_____
h. Renewable Energy Technologies Income Tax Credit (Nonrefundable) ..	_____
i. Cesspool Upgrade, Conversion, or Connection Income Tax Credit	_____

RENEWABLE FUELS PRODUCTION TAX CREDIT WORKSHEET (CONTINUED)	
Tax Credit	Amount
j. Earned Income Tax Credit.....	_____
k. Healthcare Preceptor Tax Credit	_____
l. Historic Preservation Income Tax Credit	_____
l. Historic Preservation Income Tax Credit	_____
m. Low Income Housing Tax Credit	_____
n. Carryover of the High Technology Business Investment Tax Credit	_____
o. Carryover of the Technology Infrastructure Renovation Tax Credit	_____
p. Carryover of the Residential Construction and Remodeling Tax Credit.....	_____
q. Carryover of the Hotel Construction and Remodeling Tax Credit.....	_____
r. Capital Infrastructure Tax Credit	_____
s. Add lines a through q. Enter the amount here and on Part II, line 6.....	_____