(FORM N-40) (REV. 2018)

STATE OF HAWAII — DEPARTMENT OF TAXATION

Beneficiary's Share of Income, Deductions, Credits, etc.



for Calendar Year 2018, or fiscal year

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		beginning	, 2018 and ending	, 20		
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Beneficiary's Identifying number ➤ Estate's or trust's EIN> Beneficiary's name, mailing address and Postal/ZIP Code Fiduciary's name, mailing address, and Postal/ZIP Code	Name	e of trust or decedent's estate		Amended K-1	
Column C	Rene	ficiary's identifying number	Fetate's or trust's F	-IN	□ Final K-1
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b Net long-term capital gain	2	Ordinary Dividends		Form N-15, line 9	
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SCHEDULE K-1 FORM N-40

For Form N-11 filers, if your federal Schedule K-1 (Form 1041) and Hawaii Schedule K-1 (Form N-40) amounts are different, the necessary adjustments are to be made on the Hawaii Additions Worksheet and/or the Hawaii Subtractions Worksheet in the Form N-11 Instructions.

All referenced worksheets are located in the Form N-15 Instructions.

Instructions for Beneficiary Filing Form N-11 or Form N-15

Important Notes

For Form N-11 filers, if your federal Schedule K-1 (Form 1041) and Hawaii Schedule K-1 (Form N-40) amounts are different, the necessary adjustments are to be made on the Hawaii Additions Worksheet and/or the Hawaii Subtractions Worksheet in the Form N-11 Instructions.

All worksheets referenced below are located in the Form N-15 Instructions.

General Instructions

Name, Mailing Address, and Identifying Number. — Your name, mailing address, and identifying number, the estate or trust name, mailing address, and identifying number should have been entered on the Schedule K-1 you received.

Errors. — If you believe the estate or trust has made an error on your Schedule K-1, notify the fiduciary of the estate or trust and ask for a corrected Schedule K-1. Do not change any items on your copy. Be sure that the estate or trust sends a copy of the corrected Schedule K-1 to the Hawaii Department of Taxation.

Specific Instructions

If you are a nonresident beneficiary, see instructions for lines 10 through 13 below.

Line 1. Interest. — Report the amount from line 1 (Schedule K-1) on your Interest Worksheet.

Line 2. Dividends. — Report the amount from line 2 (Schedule K-1) on Form N-15, line 9.

Lines 3a and 3b. Capital Gains. — Report the amount from line 3a (Schedule K-1) on your Capital Gain/Loss Worksheet, line 2. Report the amount from line 3b (Schedule K-1) on your Capital Gain/Loss Worksheet, line 10. If there is an attachment to this Schedule K-1 that reports a disposition of a rental, rental real estate, or passive business activity, see the instructions for federal Form 8582 for information on the treatment of disposition of interests in a passive activity.

Lines 5a through 5d. — Internal Revenue Code (IRC) section 469 provides rules that limit deductions and credits derived from passive activities to the income derived from passive activities and the tax imposed on any net income from such activities. A trade or business activity in which you, as

beneficiary of an estate or trust, do not materially participate is a passive activity.

Caution: The limitations on passive activity losses under IRC section 469 apply to estates and trusts. Federal rules for treating a beneficiary's income and directly allocable deductions from an estate or trust, and other rules for applying the passive loss limitations to beneficiaries have not been finalized. These rules will be provided in future federal regulations.

Line 7a. Total cost of qualifying property for the Capital Goods Excise Tax Credit. — Calculate your credit on Form N-312.

Line 7b. Low-Income Housing Tax Credit. — Calculate your credit on Form N-586.

Line 7c. Tax Credit for Research Activities. — Calculate your credit on Form N-346.

Lines 8a through 8d. Deductions in the final year of trust or decedent's estate. — If the fiduciary checked the "Final K-1" box at the top, you may be allowed to deduct excess deductions from the final year of the trust or decedent's estate and certain unused carryovers (subject to limitations) on your individual income tax return.

Line 9a. — For purposes of computing any underpayment and penalty on Form N-210, Underpayment of Estimated Tax by Individuals and Fiduciaries, you should treat the amount entered on line 9a as an estimated tax payment made on January 20, 2019. Attach a copy of this Schedule K-1 to the Hawaii income tax return you file to substantiate your credit.

Line 9c. — If you are claiming other credits that are not listed in lines 7a through 7c, report them on line 9c.

Lines 10 through 13

Nonresident Beneficiary. — Lines 10 through 13 reflect the total interest, dividends, other intangible income, and capital gains or (losses) from the sale of intangibles not subject to tax in Hawaii.

Section 235-4.5(a), Hawaii Revised Statutes (HRS), excludes from gross income any intangible income, such as dividends and interest, earned by a trust sited in the State to the extent that, during the taxable year of the trust, the beneficial interest in the trust is held by a nonresident beneficiary or nonresident beneficiaries. This exclusion does not apply to income received from real property held in a land trust formed under Chapter 558, HRS.