

Part I is used to figure the amount of your child's income to report on your return. **Part II** is used to figure any additional tax that must be added to your tax.

How To Make the Election.—To make the election, complete and attach Form(s) N-814 to your tax return and file your return by the due date (including extensions). A separate Form N-814 must be filed for **each** child whose income you choose to report.

Caution: *The income tax on your child's income may be less if you file a separate tax return for the child instead of making this election. This is because you cannot take certain deductions that your child could take on his or her own return. For details, see Deductions You Cannot Take below.*

Parents Who Qualify To Make the Election.—You qualify to make this election if you file Form N-11 or N-15 and any of the following apply:

- You are filing a joint return for 2018 with the child's other parent.
- You and the child's other parent were married to each other but file separate returns for 2018 and you had the **higher** taxable income.
- You were unmarried, treated as unmarried for income tax purposes, or separated from the child's other parent by a divorce or separate maintenance decree. The child must have lived with you for most of the year (you were the custodial parent). If you were the custodial parent and you remarried, you can make the election on a joint return with your new spouse (your child's step-parent). But if you and your new spouse do not file a joint return, you qualify to make the election only if you had **higher** taxable income than your new spouse.

Note: *If you and the child's other parent were not married but you lived together during the year with the child, you qualify to make the election only if you are the parent with the **higher** taxable income.*

Deductions You Cannot Take.—If you elect to report your child's income on your return, you cannot take certain deductions that your child could take on his or her own return such as:

- Standard deduction of \$500.
- Penalty on early withdrawal of child's savings.
- Itemized deductions such as the child's investment expenses or charitable contributions.

If any of the above applies to your child, first figure the tax on your child's income as if he or she is filing a return. Next, figure the tax as if you are electing to report your child's income on **your** return. Then, compare the two methods to determine which results in the lower tax.

Investment Interest Expense. —Your child's income (excluding Alaska Permanent Fund dividends and capital gain distributions) that you

report on your return is considered to be **your** investment income for purposes of figuring your investment interest expense deduction. If your child received Alaska Permanent Fund dividends or capital gain distributions, see federal Publication 550, Investment Income and Expenses, to figure the amount you can treat as your investment income.

Additional Information.—For more information, see federal Publication 929, Tax Rules for Children and Dependents.

How To Obtain Tax Forms. —Hawaii tax forms, instructions, and schedules may be obtained at any taxation district office or from the Department of Taxation's website at tax.hawaii.gov, or you may contact the customer service representative at: 808-587-4242 or 1-800-222-3229 (Toll-Free).

Line-by-Line Instructions

Note: *Section 235-9.5, HRS, provides that all income earned and proceeds derived from stock options or stock, including stock issued through the exercise of stock options or warrants, from a qualified high technology business or from a holding company of a qualified high technology business by an employee, officer, or director of the qualified high technology business, or investor who qualifies for the high technology business investment tax credit is excluded from income taxes. Also, section 235-7.3, HRS, provides that amounts received by an individual or a qualified high technology business as royalties and other income derived from patents, copyrights, and trade secrets (1) owned by the individual or qualified high technology business, and (2) developed and arising out of a qualified high technology business are excluded from gross income, adjusted gross income, and taxable income.*

Parent's Name and Social Security Number.—If you are filing a joint return, enter both names but enter the social security number of the person whose name is shown first on the return. If you are an alien and were issued an individual taxpayer identification number (ITIN) by the IRS, enter your ITIN. If you applied for an ITIN but the IRS has not yet issued the ITIN, write "Applied For."

Line 1a. Enter **all** taxable interest income your child received in 2018. **Do not** include tax-exempt interest in the total for line 1a, but be sure to include it on line 1b.

If your child received, as a **nominee**, interest that actually belongs to another person, write the amount and "ND" (for nominee distribution) on the dotted line next to line 1a. **Do not** include amounts received as a nominee in the total for line 1a.

If your child had accrued interest that was paid to the seller of a bond, amortizable bond premium (ABP) allowed as a reduction to interest income, or if any original issue discount (OID) is less than the amount shown on your child's federal Form 1099-OID, enter the nontaxable amount on the dotted

line next to line 1a, and write "Accrued interest," "ABP adjustment," or "OID adjustment," whichever applies. **Do not** include any nontaxable amounts in the total for line 1a.

Line 1b. If your child received any tax-exempt interest income, such as interest on certain state and municipal bonds, enter the total tax-exempt interest on line 1b. Tax-exempt interest, including any exempt-interest dividends your child received as a shareholder in a mutual fund or other regulated investment company, should be shown in box 8 of federal Form 1099-INT.

Line 2. Enter the ordinary dividends your child received in 2018. Ordinary dividends should be shown in box 1a of federal Form 1099-DIV. Also, include ordinary dividends your child received through a partnership, an S corporation, or an estate or trust.

Note: *Do not include on line 2 any ordinary dividends that are exempt from Hawaii income taxes pursuant to section 235-9.5, HRS.*

If your child received, as a **nominee**, ordinary dividends that actually belong to another person, write the amount and "ND" (for nominee distribution) on the dotted line next to line 2. **Do not** include amounts received as a nominee in the total for line 2.

Line 3. Enter the capital gain distributions your child received in 2018. Capital gain distributions should be shown in box 2a of federal Form 1099-DIV.

Note: *Do not include on line 3 any capital gain distributions that are exempt from Hawaii income taxes pursuant to section 235-9.5, HRS.*

If your child received, as a **nominee**, capital gain distributions that actually belong to another person, enter the amount and "ND" (for nominee distribution) on the dotted line next to line 3. **Do not** include amounts received as a nominee in the total for line 3.

Line 8. Include this amount on Form N-11, line 10 (if not already included on Form N-11, line 7), or on line 9 of the Capital Gain/Loss Worksheet in the Instructions for Form N-15.

Line 9. If you checked the box on line C, add the amounts from line 9 of **all** Forms N-814 and include the total on Form N-11, line 10 (if not already included on Form N-11, line 7), or on Form N-15, line 19. Be sure to write "Form N-814" and the total of the line 9 amounts in the space next to Form N-15, line 19.

Line 12. If you checked the box on line C, add the amounts from line 12 of **all** Forms N-814 and include the total on Form N-11, line 27, or on Form N-15, line 44.

Make sure to indicate that a tax from Form N-814 is included on Form N-11, line 27, or Form N-15, line 44.