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September 14, 2009

DEPARTMENT OF TAXATION ANNOUNCEMENT NO. 2009-27

RE: Act 178, Session Laws of Hawaii 2009, Relating to Taxation.

This Announcement supplements Taxation Announcement No. 2009-23, dated August 3, 2009.

For QHTB Investments Made On or After May 1, 2009

1. 80% Limitation. See Taxation Announcement No. 2009-23.

2. No multiples. See Taxation Announcement No. 2009-23.

3. Carryover of credit after tax year 2010. The carryover prohibition only applies to tax years 2009 and 2010. For the portion of any credit allowed after tax year 2010 as a result of an investment made on or after May 1, 2009, any unused credit may be carried over to a subsequent tax year in the same manner as credits generated from an investment made prior to May 1, 2009.

EXAMPLE: If an investor invests $100 in a QHTB on December 1, 2009, generating a $35 credit ($100 times 35%) for 2009 and investor's tax liability for tax year 2009 is $20, the investor can only claim $16 of the credit (80% of $20). The remainder of the credit (credit carryover) of $19 ($35-$16) is lost forever.

For the 2010 tax year, investor's credit would be $25 ($100 times 25%). If the investor's tax liability for tax year 2010 is $20, the investor again can only claim $16 of the credit (80% of $20). The remainder of the credit (credit carryover) of $9 ($25-$16) is lost forever.

For the 2011 tax year, the 80% limitation no longer applies and the investor can claim a credit of $20 ($100 times 20%). If the investor's tax liability for 2011 is only $15, the investor can claim the full $15 of credit against his or her tax liability, and carryover the remaining $5 of credit.

4. Ordering of credit. Credits subject to the 80% limitation and prohibition against carryover shall be claimed before all other credits, including credits generated from investments made before May 1, 2009. For the portion of any credit allowed in tax years after 2010 as a

result of an investment made on or after May 1, 2009, the order of taking the credit shall be the same as credits generated from investment prior to May 1, 2009.

For more information on this Act, please contact the Rules Office at 808-587-1577.

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