

STATE OF HAWAII - DEPARTMENT OF TAXATION  
**INSTRUCTIONS FOR FORM N-325  
HISTORIC PRESERVATION  
INCOME TAX CREDIT**

## GENERAL INSTRUCTIONS

### PURPOSE OF FORM

Use Form N-325 to figure and claim the historic preservation income tax credit under section 235-110.97, Hawaii Revised Statutes (HRS).

### WHO MAY CLAIM THIS CREDIT

For taxable years beginning AFTER December 31, 2019, and BEFORE December 31, 2024, each qualified taxpayer that obtains a credit certificate issued by the Department of Land and Natural Resources may claim a nonrefundable historic preservation income 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 by rule.

### CREDIT REQUIREMENTS

The tax credit is equal to the 30% of the qualified expenses of the qualified taxpayer, provided that the total amount of tax credits allowed under this section shall not exceed \$1,000,000 for all qualified taxpayers in any taxable year.

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

- (1) Form N-325 (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 that is claiming the historic preservation income tax credit.)

Even if you are not able to use this credit because your adjusted tax liability on line 6 is zero, file the forms listed above with your Hawaii tax return to claim and carryover your unused credit. If the forms are not attached, then no claim for the credit has been made, and you will lose the carryover of your unused credit.

The credit may not be claimed for that portion of the qualified expense for which a deduction is taken under section 179 (with respect to election to expense depreciable assets) of the Internal revenue code.

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 or for a period of ten years, whichever is earlier.

### DEADLINE FOR CLAIMING THE CREDIT

The deadline to claim the credit, including amended claims, is 12 months after the close of the taxable year for which the credit may be claimed. You cannot claim or amend the credit after the deadline.

### RECAPTURE OF THE TAX CREDIT

A recapture is required if (1) the taxpayer fails to provide information required by the Historic Preservation Division or by the Department of Taxation prior to the last day of the twelfth month following the close of the taxable year in which the qualified costs were incurred; or (2) the Department of Land and Natural Resources notifies the Department of Taxation that the taxpayer has failed to comply with the requirements of the credit, which may occur if the projected qualified expenditures do not materialize, or if the rehabilitation of the certified structure does not proceed in a timely manner and in accordance with the rehabilitation plan. If the recapture occurs under (1), the amount of the recapture is equal to the amount of the tax credits claimed on the expenses for

which the required information is not provided plus any credit already claimed for that taxable year. If the recapture occurs under (2), the total amount of the historic preservation tax credit claimed under the rehabilitation plan in all years must be recaptured.

### DEFINITIONS FOR PURPOSES OF THE CREDIT

"Certified historic structure" means any structure that is (1) Individually listed in the Hawaii register of historic places or the national register of historic places; (2) Located in a historic district that is listed in the Hawaii register of historic places or the national register of historic places, and certified by the state historic preservation division as contributing to the significance of the historic district; or (3) A structure that the state historic preservation division has determined to be eligible for inclusion in the Hawaii register of historic places, and that is subsequently listed in the Hawaii register of historic places by the date of certification by the administrator of the state historic preservation division.

"Qualified rehabilitation expenditures" means any costs incurred for the physical rehabilitation, renovation, or construction of a certified historic structure pursuant to a rehabilitation plan; provided that the term shall not include the taxpayer's personal labor.

"Qualified staff" means a staff person meeting the Secretary of the Interior's Historic Professional Qualification Standards for an architectural historian or historic architect.

"Rehabilitation plan" means any construction plans and specifications for the proposed rehabilitation of a historic structure in sufficient detail for evaluation of compliance with the rules adopted by the state historic preservation division.

"Substantial rehabilitation" means that the qualified rehabilitation expenditures on a certified historic structure exceed twenty-five percent of the assessed value of the structure.

### CERTIFICATION OF CREDITS

Following the completion of rehabilitation of a certified historic structure, or if the project is completed in phases, of the identifiable portion of the certified historic structure placed into service in the taxable year, the taxpayer shall notify the state Historic Preservation Division and provide the division with documentation and certification of the qualified rehabilitation expenses. Qualified staff of the division shall review the rehabilitation and verify its compliance with the rehabilitation plan. Upon approval, the division shall issue a certificate to the taxpayer verifying that the rehabilitation has been completed in accordance with the approved rehabilitation plan. The taxpayer must then file the certificate with the taxpayer's income tax return.

To request a certificate to claim the Historic Preservation Income Tax Credit, contact the Historic Preservation Division at:

Department of Land and Natural Resources  
Historic Preservation Division  
601 Kamokila Blvd, Suite 555  
Kapolei, Hawaii 96707

Telephone: (808) 692-8015  
Email: [dlnr@hawaii.gov](mailto:dlnr@hawaii.gov)  
Website: [dlnr.hawaii.gov](http://dlnr.hawaii.gov)

### SPECIFIC INSTRUCTIONS

#### Part II — Computation of Tax Credit

**Line 2** - If you are claiming your share of the historic preservation income 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 26. If you received a Schedule K-1 (Form

N-35), enter the amount from line 16k. If you received a Schedule K-1 (Form N-40), enter the amount from line 9c (Historic Preservation Income 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 credit through to you.

**Line 3. Total New Credit Claimed** - This line is the total amount of the credit being claimed in the current year. Enter this amount on Schedule CR, line 30, in **Column (a)**.

- Form N-20 filers, enter the amount on line 3 on Form N-20, Schedule K, line 26; skip lines 4 through 10; and continue to Parts III and IV.
- Form N-35 filers, enter the amount on line 3 on Form N-35, Schedule K, line 16k; skip lines 4 through 10; and continue to Parts III and IV.
- Form N-40 filers, either
  - (1) Enter the distributive share amount on Form N-40, Schedule K-1, line 9c for each beneficiary and continue to Part III, OR
  - (2) Report the trust or estate's share by continuing to line 4.
- All others, continue to line 4.

**Line 4** - This line is the carryover of unused historic preservation income tax credit from the prior year.

**Line 5** - Add lines 3 and 4. This is your tentative current year historic preservation income tax credit.

**Line 6** - Enter your adjusted tax liability.

- Form N-11 filers, enter the amount from Form N-11, line 34.
- Form 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-70NP, line 18.

**Line 7** - Certain other credits must be used to offset a taxpayer's tax liability before the historic preservation income tax credit may be used. If you are claiming other nonrefundable credits, complete the **Credit**

**Worksheet** below and enter the result on line 7. If you are not claiming any of the nonrefundable 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 30. This is your maximum credit allowed for this taxable year.

**Line 10. Unused Credit to Carryover** - This represents your carryover of historic preservation income tax credit which exceed your tax liability and may be used as a credit against your tax liability in subsequent years until exhausted. If this amount is more than zero, also enter it on Schedule CR, line 30, in **Column (c)**.

**Part III — Recapture of the Tax Credit**

**Line 1** - Enter the amount of credit required to be recaptured, including your share of the recapture of the tax as reported on Schedule K-1(s). If the recapture occurs because the projected expenditures do not materialize, or the rehabilitation of the certified historic structure does not proceed in a timely manner and in accordance with the approved rehabilitation plan, the total amount of historic preservation tax credit claimed in all years for the project must be recaptured. If the recapture occurs because you failed to provide the required information, the amount of the recapture is equal to the amount of the credits claimed on the expenses for which the required information is not provided plus any credit already claimed for the taxable year.

**Line 2** - Enter your carryover of the credit from prior years. If the recapture occurs because expenditures do not materialize or the project does not proceed in a timely manner and in accordance with the approved plan, your carryover credits from a prior year for this project will be lost.

**Line 3** - If line 1 is greater than line 2, line 1 minus line 2 is the recapture of the credit. Add this amount, rounded to the nearest dollar, to your tax liability for the taxable year in which the recapture occurs.

**Line 4** - If line 2 is greater than line 1, line 2 minus line 1 is your adjusted carryover of the credit.

HISTORIC PRESERVATION INCOME TAX CREDIT WORKSHEET	
Tax Credit	Amount
a. Income Taxes Paid to Another State or Foreign Country .....	_____
b. Enterprise Zone Tax Credit ....	_____
c. Pass-Through Entity Tax Credit.....	_____
d. Carryover of the Energy Conservation Tax Credit .....	_____
e. Credit for Employment of Vocational Rehabilitation Referrals .....	_____
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. Carryover of the Cesspool Upgrade, Conversion, or Connection Income Tax Credit .....	_____
j. Carryover of the Earned Income Tax Credit (Nonrefundable)....	_____

HISTORIC PRESERVATION INCOME TAX CREDIT WORKSHEET (Continued)	
Tax Credit	Amount
k. Healthcare Preceptor Tax Credit .....	_____
l. Low Income Housing Tax Credit.....	_____
m. Carryover of the High Technology Business Investment Tax Credit .....	_____
n. Carryover of the Technology Infrastructure Renovation Tax Credit.....	_____
o. Carryover of the Residential Construction and Remodeling Tax Credit.....	_____
p. Carryover of the Hotel Construction and Remodeling Tax Credit.....	_____
q. Carryover of the Capital Infrastructure Tax Credit .....	_____
r. Carryover of the Renewable Fuels Production Tax Credit (For Tax Years Beginning Before January 1, 2022) .....	_____
s. Carryover of the Organic Foods Production Tax Credit..	_____
t. Add lines a through s. Enter the amount here and on Part II, line 7.....	=====