DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR

ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Rosalyn H. Baker, Chair;
The Honorable Stanley Chang, Vice Chair;
and Members of the Senate Committee on Commerce and Consumer Protection

From: Isaac W. Choy, Director
Department of Taxation

Date: March 16, 2021
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

Re: H.B. 286, H.D. 1, Relating to Real Estate Investment Trusts

The Department of Taxation (Department) supports H.B. 286, H.D. 1, and offers the following analysis for your consideration. H.D. 1 has a defective effective date of July 1, 2050.

H.B. 286, H.D. 1, authorizes the Department to require real estate investment trusts (REITs) to notify the Department of their operations in the state and to designate and properly complete their tax returns, including attaching the federal tax return to their state tax return. The bill imposes a $50.00 per day fine for noncompliance.

The Department notes that although REITs are already required to designate themselves as REITs on their tax returns, to complete their tax returns as specified, and to include their federal returns with their state returns. The imposition of a fine adds another compliance tool the Department can use to ensure compliance. The requirement that REITs notify the Department of their operation in the state is likewise helpful in that it will put the Department on notice to expect a tax return from another REIT. The statistical information gained from these returns will help guide policy makers in the future.

Thank you for the opportunity to provide testimony on this measure.

HSTA
HAWAII STATE TEACHERS ASSOCIATION
Teaching Today for Hawaii's Tomorrow

1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819
Tel: (808) 833-2711 ♦ Fax: (808) 839-7106 ♦ Web: www.hsta.org

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Executive Director

TESTIMONY BEFORE THE SENATE COMMITTEE ON
COMMERCE & CONSUMER PROTECTION

RE: HB 286, HD1 - RELATING TO TAXATION OF REAL ESTATE INVESTMENT TRUSTS

TUESDAY, MARCH 16, 2021

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Baker and Members of the Committee:

The Hawaii State Teachers Association **supports HB 286, HD1**, relating to taxation of real estate investment trusts, **<u>with suggested amendments</u>**. This bill requires real estate investment trusts to notify the department of taxation of its presence within the State and to report the assets and revenues generated annually. Imposes a daily monetary fine for noncompliance.

Although this is a start, to figure out what types of revenue the state could be collecting taxes on, if the law did not exempt REITS from tax collection, <u>this bill doesn't go far enough, and needs to be amended to include the language needed from SB 2697 in 2020 REITS bill, which would change this bill to disallow dividends paid deduction for real estate investment trusts</u>. The legislature already knows that real estate investment trusts in Hawaii own real estate assets of approximately $17,000,000,000, generating an annual income of $1,000,000,000, which, if taxed at the current corporate rate assessed to all other corporations, would generate Hawaii tax revenues of $65,000,000 per year. A 2016 analysis conducted by the department of business, economic development, and tourism concluded that the State had foregone about $36,000,000 in income tax revenues in 2014, and that the amount of real estate investment trust investments has risen substantially since then. So yes, as this bill stipulates, REITS should report their presence in the state as well as report their assets and revenues generated annually, but we also implore you to go further, to help the current deficit in the state budget, as the legislature sought to do last year.

Hawaii has some of the most highly coveted real estate in the nation not only due to its gorgeous scenery, appeal as a tourist destination, and status

as an urban hub in the middle of the pacific but also because it has <u>the lowest property tax rate in the nation</u>. These factors have led to an explosion in real estate development throughout the islands, including real estate owned by real estate investment trusts or REITs. In fact, REITs own approximately $17 billion worth of real estate in Hawai'i—more than any other state on a per capita basis. Meanwhile, Hawaii real estate values continue to skyrocket, making it harder and harder for Hawaii residents to afford living at home. Without a disincentive to investors and speculators, Hawaii will continue to experience an exponential increase in real estate property values and those barely making it in Hawaii will be even closer to homelessness.

Unlike corporate investors, investors in real estate investment trusts are exempt from paying corporate income tax on dividends. Thus, dividends from REITS are taxed only once at the shareholder level, and these taxes are paid in the form of income tax to the investor's home state. The implication of this is that while the state plays host to REITs, it receives virtually no taxes from REITs. Because Hawaii ranks 40th in the nation for the number of REIT shareholders as a percentage of the population, income taxes paid on dividends by shareholders are, for the most part, going out of state.

Decoupling Hawaii's income tax treatment of REITs from federal income tax treatment would generate $65 million in annual revenue which would take money made off of real estate investments in Hawaii and inject it back into the people of Hawaii. **In fact, this funding could be used to end Hawaii's teacher shortage crisis by providing a dedicated revenue stream to fund salary adjustments for veteran teachers and pay differentials for teachers in special education, Hawaiian language immersion, and hard-to-staff positions salary adjustments.**

The Hawaii State Teachers Association implores you to add language to this bill that would disallow dividends paid deduction for real estate investment trusts as this would provide a dedicated revenue stream to help end the teacher shortage crisis and make up for other losses in state revenue, and to provide a disincentive to the real estate investment and speculation driving up property values in our state we ask you to **support this bill, w/amendments.**

Young Progressives Demanding Action
P.O. Box 11105
Honolulu, HI 96828

March 13, 2021

TO: SENATE COMMITTEE ON COMMERCE & CONSUMER PROTECTION
RE: Testimony in support of HB286 HD1, requesting substantive amendments

Dear Senators,

Young Progressives Demanding Action (YPDA) **supports** HB286 HD1, but requests substantive amendments to not only require Real Estate Investment Trusts (REITs) to report their assets and revenues annually, but also to implement an actual state tax on REITs beginning 1/1/2022. We believe REITs should pay the same corporate tax rate on profits as other businesses in Hawaiʻi—over which REITs currently enjoy a tremendous, unfair advantage.

With a proposal to tax REITs passing with unanimous support within the 2019 Hawaiʻi State Legislature, overwhelming support among the public, and a serious need for state tax revenue to power the government spending we need to get our economy back up and running at full power, there is no good reason to wait on a tax now.

If the governor threatens to veto the bill, as he did in 2019, the legislature should make it crystal clear that it *will* reconvene to overturn such a veto.

REITs own an estimated $17 billion worth of Hawaiʻi real estate and earn about $1 billion in profits every year. Hawaiʻi REITs should be taxed, as is every other individual and corporation doing business in Hawaiʻi.

While Hawaiʻi has more land value tied up in REITs than any other state in the nation, relatively few Hawaiʻi residents own shares in REITs—we rank 40th in the nation for the number of REIT shareholders as a percentage of the population. As a result, not only is income produced on Hawaiʻi property leaving the state, but the income that is funneled out of the state is not getting taxed here either.

Good tax policy is a cornerstone of a just economic system. Good tax policy strengthens opportunity by letting working families keep more of what they earn, while asking the wealthy and corporations to pay their fair share.

Why? Because when workers keep more earnings, they support our economy through spending. And when the wealthy and corporations pay their fair share for the use of the public goods and infrastructure that helped them succeed, they ensure that the next generation can succeed as well.

The specific nature of the pandemic-recession caused by COVID-19 means that the economic devastation has mostly hit working families that earn low wages. That's extremely bad for our economy because low-wage workers spend most of their earnings here in Hawaiʻi, powering the consumer spending we need to generate tax revenue through the General Excise Tax (GET), our state's primary source of income.

Federal relief money is helpful, but it is a temporary aid, not a permanent solution. We need to pass policies that will reduce income inequality and strengthen the working class base of our society. Taxing REITs is one of several tax fairness proposals that should be implemented, along with increasing the tax on capital gains and the conveyance tax on luxury property, increasing the income tax on the wealthiest 5 percent of residents, increasing the corporate income tax, lowering the estate tax exemption threshold and implementing worldwide combined reporting to close offshore tax haven loopholes.

Taken as a whole, these tax fairness proposals would generate enough revenue for the government to invest in our economy and in our communities and get Hawaiʻi back on its feet faster. And because none of these proposals are tailored toward low- or moderate-income earners, they actually increase economic power through consumer spending and create opportunity for success. That's what tax fairness is all about!

Mahalo for the opportunity to testify,

Will Caron
Board President & Secretary, 2020–2021
action@ypdahawaii.org

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Collect information from real estate investment trusts.

BILL NUMBER: HB 286, HD1

INTRODUCED BY: House Committee on Economic Development

EXECUTIVE SUMMARY: Requires real estate investment trusts to notify the department of taxation of its presence within the State and to report the assets and revenues generated annually. Imposes a daily monetary fine for noncompliance.

SYNOPSIS: Amends section 235-71, HRS, to provide that for taxable years beginning after 12/31/2020, a REIT shall:

(1) Notify the department, in the manner prescribed by the department, of its operation as a real estate investment trust in the State no later than ninety days from the first day of operation in the State; provided that for real estate investment trusts operating in the State as of July 1, 2021, the department shall be notified no later than October 31, 2021;

(2) Properly designate on its tax return that it is a real estate investment trust as required by the department;

(3) Complete its tax return in the specific manner required by the department, including following line-by-line instructions; and

(4) Submit a copy of the federal return covering the same period with each Hawaii return.

Provides that failure to comply with these requirements shall be assessed to the real estate investment trust at $50.00 per day.

EFFECTIVE DATE: 7/1/2050.

STAFF COMMENTS: Currently under federal and state income tax law, a real estate investment trust (REIT) is allowed a dividend paid deduction, unlike most other corporations, resulting in that dividend being taxed once, to the recipient, rather than to the paying corporation. The proposed measure would make that section of the IRC inoperative for Hawaii income tax purposes for tax years beginning after 12/31/20, meaning that REITs would be subject to double taxation like other corporations.

All state income tax systems in the United States, including ours, have a set of rules that are used to figure out which state has the primary right to tax income. For example, most tax systems say that rent from real property is sourced at the location of the property, so if a couple in Florida rents out a property they own on Maui they can expect to pay our GET and our net income tax on that rent. These sourcing rules, which do vary by state but are relatively consistent across state lines, are there to assure consistent and fair treatment between states.

Real estate investment trusts (REITs) are source shifters. For income tax purposes, they take in rent income, which is sourced to the location of the property being rented. They don't pay income tax on that income as long as they distribute the money to their shareholders as dividends. The dividend income of their shareholders, on the other hand, is generally sourced to the residence of the shareholders. So, the income that the property states expected to tax is instead taxed in the states in which the shareholders live. And, to the extent that REIT shares are held by tax-exempt entities such as labor unions and retirement funds, passive income such as dividends may not be taxed at all. Source shifting is an issue specific to state taxation.

In 2019, the Legislature passed but the Governor vetoed SB 301 (2019), which would have taken away the dividends paid deduction for REITs, making them taxable for state purposes like any other corporation.

Presently, the Department of Taxation does not have a separate form for REITs. REITs file a corporate income tax form, the N-30, for state purposes but report their dividend paid deduction on the return as a miscellaneous deduction. As a result, data on Hawaii REITs is not captured in the Department's computer system and is, therefore, largely based on guesswork. The current bill appears to be an attempt to capture more robust data on those REITs.

Digested 2/13/2021

Nareit Hawaii
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WRITTEN TESTIMONY OF
GLADYS QUINTO MARRONE
EXECUTIVE DIRECTOR
NAREIT HAWAII
OFFERING COMMENTS ON H.B. 286 H.D. 1
BEFORE THE HAWAII SENATE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

THE HONORABLE ROSALYN H. BAKER, CHAIR
THE HONORABLE STANLEY CHANG, VICE-CHAIR

HEARING ON H.B. 286 H.D. 1
MARCH 16, 2021
9:30 A.M.
VIA VIDEOCONFERENCE – ROOM 229

1003 Bishop Street, Suite 2700
Honolulu, HI 96813
808-237-2474

nareithawaii.com

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Dear Chair Baker, Vice-Chair Chang, and Members of the Committee on Commerce and Consumer Protection:

On behalf of Nareit Hawaii, thank you for the opportunity to submit testimony on H.B. 286 H.D. 1, which would authorize the department of taxation to require REITs to notify the department of its presence within the State and to report the assets and revenues generated annually.

Nareit Hawaii offers the following **comments**:

1) While we do not oppose H.B. 286 H.D. 1, this bill is unnecessary as current statute already authorizes the department of taxation to require REITs to submit their federal tax returns. Both the 2019 and 2020 instructions for the Hawaii corporate income tax form (N-30) already provide: "If this return is for a real estate investment trust (REIT), check the appropriate box and attach federal Form 1120-REIT to this return.";
2) Should this Committee move forward with additional requirements to filing business-related income tax returns, we recommend the language also be applied to all business entities doing business in Hawaii;
3) We respectfully request that subsection (3) be deleted in its entirety due to its overly broad application; and
4) We offer one amendment:
    (1) Notify the department, in the manner prescribed by the department, of its operation as a real estate investment trust in the State with the first required filing with the department after the REIT begins operations in the State. ~~no later than ninety days from the first day of operation in the State provided that for real estate investment trusts operating in the State as of July 1, 2021, the department shall be notified no later than October 31, 2021;~~.

Nareit Hawaii and its REIT members are active, and have substantial long-term investments, in Hawaii, provide thousands of jobs and everyday services, and are a significant part of Hawaii's economy. Nareit is the worldwide representative voice for REITs and publicly traded real estate companies with an interest in U.S. real estate and capital markets.

Thank you for the opportunity to submit our **comments** on H.B. 286 H.D. 1.

1003 Bishop Street, Suite 2700
Honolulu, HI 96813
808-237-2474

nareithawaii.com

ALEXANDER & BALDWIN

PARTNERS FOR HAWAI'I

HB 286 HD1
RELATING TO REAL ESTATE INVESTMENT TRUSTS

PAUL T. OSHIRO
DIRECTOR – GOVERNMENT AFFAIRS
ALEXANDER & BALDWIN, INC.

MARCH 16, 2021

Chair Baker and Members of the Senate Committee on Commerce & Consumer Protection:

I am Paul Oshiro, offering comments on behalf of Alexander & Baldwin (A&B) on HB 286 HD1, “A BILL FOR AN ACT RELATING TO REAL ESTATE INVESTMENT TRUSTS.”

While A&B has always been a Hawaii-based company, in 2012, A&B made a strategic decision to be 100% Hawaii-based and to migrate its mainland investments back to Hawaii. Since then, A&B has sold all of its mainland properties and has reinvested the proceeds in Hawaii—acquiring properties including the Kailua Town commercial center, Manoa Marketplace, Waianae Mall, Laulani Village (Ewa Beach), Puunene Shopping Center (Maui), and Hokulei Village (Kauai). In 2017, to better support our Hawaii-focused strategy and increase our ability to invest in Hawaii in an increasingly competitive environment, A&B made the decision to convert to a real estate investment trust (REIT). A REIT structure enables A&B to attract new investors to its stock, giving us capital to invest in our Hawaii-focused strategy, and puts us in a better position to compete with large, out-of-state investors, with greater sources of capital, for the acquisition of Hawaii properties, thus keeping them in locally-owned hands, with a management team that lives here and is committed to Hawaii. Furthermore, REITs are structured to be long-term holders of real estate, thus complementary to A&B's goal of being Partners for Hawaii, with a long-term commitment to our communities.

In addition to selling all of our mainland properties and reinvesting the proceeds in Hawaii, A&B also brought all of its previously contracted out property management services and activities in house, which enables direct contact between A&B employee property managers and our tenants. This has been extremely helpful for both A&B and our tenants, especially during the COVID pandemic, as individualized discussions and initiatives to sustain and assist tenant businesses were identified and pursued. A&B will continue to closely work with our tenants to support their business operations as best we can both during the COVID pandemic, and beyond.

Real estate investment trusts were established by Congress in 1960 to enable all types of investors to invest in real estate. REITs generally own, operate, and finance income-producing commercial real estate such as shopping malls, hotels, self-storage facilities, theme parks, and apartment, office, and industrial buildings. Other REITs provide financing for income-producing real estate by purchasing or originating mortgages and mortgage-backed securities, which provides liquidity for the real estate market.

In Hawaii, REIT investments help communities grow through the development of workforce rental housing, medical facilities, and shopping centers that enhance our quality of life. REITs own high-quality office, retail, and industrial space, which provide a favorable environment for numerous locally owned businesses to operate and grow. These REIT owned facilities also provide numerous employment opportunities and jobs for Hawaii's residents.

The purpose of this bill is to authorize the Department of Taxation to require REITs operating in Hawaii to notify the State of the REIT's presence and to annually provide information required by the Department of Taxation, including a copy of the REIT's federal return, with the REIT's state tax return. It is our understanding that the Department of Taxation presently has the general authority to prescribe forms and/or to require pertinent tax related information to be provided to the department. We respectfully defer to the legislature and the department on whether the specific codification in statute of this authority will enhance the department’s ability to levy, assess, collect, receive, or enforce the payment of taxes.

Thank you for the opportunity to testify.

HAWAI'I HEALTH
& HARM REDUCTION CENTER
The New Chapter for Life Foundation and The CHOW Project

TESTIMONY IN SUPPORT OF HB 286, HD 1

TO: Chair Baker, Vice-Chair Chang, & Commerce and Consumer Protection Committee Members

FROM: Nikos Leverenz
Grants, Development & Policy Manager

LATE

DATE: March 16, 2021 (9:30 AM)

Hawaiʻi Health & Harm Reduction Center (HHHRC) **supports** HB 286, HD 1, which authorizes the Department of Taxation to require real estate investment trusts (REITs) to notify the department of its presence within the State and to report the assets and revenues generated annually. However, **this bill should be modified to implement a tax on REITs**.

It is estimated that REIT investments in Hawaiʻi amount to $17 billion, generating an annual income of $1 billion. Subjecting REITs to corporate tax rates could generate an estimated $65 million per year in additional state revenues.

Forthcoming budget cuts will most deeply impact those of little or no economic means as well as those who require assistance to maintain their health and well-being. Governor Ige's budget notably includes a 64% reduction in AIDS services. This will force us and our allied organizations on the neighbor islands to dramatically reduce lifesaving and life-affirming care services to some of our state's most medically frail and otherwise vulnerable residents.

Hawaiʻi policymakers should look carefully at available avenues to increase tax revenues. While revenue increases will not entirely cover foreseeable budgetary shortfalls, they will help mitigate the ground-level impact of budget cuts on our state's most vulnerable and underserved populations.

Hawaiʻi should reasonably look to obtain more revenue from those who are able to provide more revenue, particularly during a prolonged economic downturn that has already seen a significant loss of employment, increased housing instability and food insecurity, and an increased exodus of residents unable to make ends meet.

HHHRC Executive Director Heather Lusk recently co-authored an opinion-editorial in the *Honolulu-Star Advertiser* noting that Hawaiʻi already has the second highest rate of homelessness in the nation and the highest rate of unemployment. Lusk, who is also the board president of Partners in Care Oʻahu, underscored the need to soften the blow of budget cuts by looking for new revenue by "taxing the wealthy who have not faced the grim financial consequences of the pandemic."

The op-ed's conclusion puts the choice before you very well: **"By making our tax system fairer, the state will increase revenue and save services that have been a lifeline to so many families during this pandemic."**

HHHRC's mission is to reduce harm, promote health, create wellness, and fight stigma in Hawaiʻi and the Pacific. We work with many individuals who are impacted by poverty, housing instability, and other social determinants of health. Many have behavioral health problems, including those relating to substance use and underlying mental health conditions. Many of our clients and participants have been deeply impacted by trauma, including histories of physical, sexual, and psychological abuse.

Thank you for the opportunity to testify on this measure.

HB-286-HD-1
Submitted on: 3/13/2021 8:28:27 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
David Mulinix	Testifying for Our Revolution Hawaii	Support	No

Comments:

Aloha Committee,

On behalf of Our Revolution Hawaii's 7,000 members and supporters statewide, we are in STRONG SUPPORT of HB286.

Mahalo,

Dave Mulinix

Hawaii Statewide Community Organizer

Our Revolution Hawaii

HB 286, HD 1, RELATING TO REAL ESTATE INVESTMENT TRUSTS

MARCH 16, 2021 · SENATE COMMERCE AND CONSUMER PROTECTION COMMITTEE · CHAIR SEN. ROSALYN H. BAKER

POSITION: Support.

RATIONALE: Imua Alliance supports HB 286, HD 1, relating to real estate investment trusts, which authorizes the Department of Taxation to require real estate investment trusts to notify the department of their presence within the state and report assets and revenues generated annually.

We hope that this measure will be a step toward the closure of our Hawai'i's REITs tax loophole. Under state taxation law, REITs are currently afforded an exemption from paying corporate income taxes on dividends paid to shareholders. REIT shareholders, however, pay federal and state income taxes on their earnings from the REIT in which they have invested.

Unfortunately, since most shareholders of Hawai'i REITs don't live in the Aloha State, they pay income taxes in other locations (if such income is subject to taxation in the states in which they reside, which it often is not). Thus, income generated from Hawai'i properties is being taxed elsewhere, if at all, sending sorely needed revenue for public education, basic infrastructure, climate change mitigation and adaptation, human and social services, affordable housing, public health, and pandemic response outside of our shores during a time of economic crisis.

Over 30 REITs operate in our state, perhaps the most prominent of which is Alexander and Baldwin. REIT properties in the islands include Ala Moana Center, International Marketplace, and

Kris Coffield, Executive Director · (808) 679-7454 · kris@imuaalliance.org

the Hilton and Hyatt Hotels. Notably, CoreCivic, formerly the corruption-plagued private prison firm Corrections Corporation of America, is also a REIT, making closure of the REITs loophole not just a matter of economic justice, but also a hallmark of our state's commitment to criminal justice reform.

Collectively, Hawai'i REITs own over $17 billion worth of real estate and produce $1.3 billion in dividend income that is exempt from the corporate income tax, which amounts to $40-$60 million per year in lost tax revenue–a number that will only increase over time, as real estate values continue to soar.

Kris Coffield · Executive Director, Imua Alliance · (808) 679-7454 · kris@imuaalliance.org

LEAGUE OF WOMEN VOTERS®

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www.lwv-hawaii.com | 808.531.7448 | voters@lwv-hawaii.com

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION
TUESDAY, 3/16/21, 9:30 AM, Room No.229

HB286 HD1, RELATING TO REAL ESTATE INVESTMENT TRUSTS
Beppie Shapiro, Legislative Committee, League of Women Voters of Hawaii

Chair Baker, Vice-Chair Chang, and Committee Members:

The League of Women Voters of Hawaii supports and offers a comment on this bill, which requires Real Estate Investment Trusts (REITs) to report to the Department of Taxation their operation in the state and their annual assets and revenues.

The League of Women Voters is a grassroots, nonpartisan, activist organization which supports an equitable tax system that is progressive overall and that relies primarily on a broad-based income tax.

Hawaiʻi has more land value tied up in REITs than any other state, including the International Marketplace, Pearlridge and Ala Moana Shopping Centers, Hilton Hawaiian Village and others.

REIT shareholders pay income tax on their REIT dividends, but Hawaii does not get those taxes unless those shareholders pay their income taxes here. Relatively few Hawaiʻi residents own shares in REITs — the percent of REIT shareholders among our population ranks 40th in the USA. REIT Income that is leaving the state is not getting taxed here.

Even if Hawaiʻi's REIT tax loophole is closed, REITs will still benefit from the more valuable federal tax break they have, plus they would still benefit from Hawaiʻi's extraordinarily low property tax rates.

The current situation is unfair to our taxpayers. Every other individual and corporation doing business in Hawaiʻi pays state income taxes. If REITs' shareholders pay their fair share of taxes, that can reduce the tax burden on the rest of us or provide additional revenue for government services our residents need.

Therefore in addition to requiring annual reports from REITs in Hawai`i, we suggest that it is already appropriate to make those REITs' shareholders subject to income tax in Hawai`i.

Thank you for the opportunity to submit testimony.

HOUSE BILL 286, HD 1, RELATING TO REAL ESTATE INVESTMENT TRUSTS

MARCH 12, 2021 · SENATE COMMERCE AND CONSUMER PROTECTION COMMITTEE · CHAIR SEN. ROSALYN H. BAKER

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports HB 286, HD 1, relating to real estate investment trusts, which authorizes the Department of Taxation to require real estate investment trusts to notify the department of its presence within the state and to report the assets and revenues generated annually.

We hope that this measure will be a step toward the closure of our Hawai'i's REITs tax loophole. Under state taxation law, REITs are currently afforded an exemption from paying corporate income taxes on dividends paid to shareholders. REIT shareholders, however, pay federal and state income taxes on their earnings from the REIT in which they have invested.

Unfortunately, since most shareholders of Hawai'i REITs don't live in the Aloha State, they pay income taxes in other locations (if such income is subject to taxation in the states in which they reside, which it often is not). Thus, income generated from Hawai'i properties is being taxed elsewhere, if at all, sending sorely needed revenue for public education, basic infrastructure, climate change mitigation and adaptation, human and social services, affordable housing, public health, and pandemic response outside of our shores during a time of economic crisis.

Over 30 REITs operate in our state, perhaps the most prominent of which is Alexander and Baldwin. REIT properties in the islands include Ala Moana Center, International Marketplace, and the Hilton and Hyatt Hotels. Notably, CoreCivic, formerly the corruption-plagued private prison firm Corrections Corporation of America, is also a REIT, making closure of the REITs loophole not just a matter of economic justice, but also a hallmark of our state's commitment to criminal justice reform.

Collectively, Hawai'i REITs own over $17 billion worth of real estate and produce $1.3 billion in dividend income that is exempt from the corporate income tax, which amounts to $40-$60 million per year in lost tax revenue–a number that will only increase over time, as real estate values continue to soar.

Kris Coffield · Chairperson, Democratic Party of Hawai'i Education Caucus · (808) 679-7454 · kriscoffield@gmail.com

Hawaiʻi Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: Senate Committee on Commerce and Consumer Protection

Re: **HB 286, HD1 - Relating to real estate investment trusts**
Hawaiʻi State Capitol, Room 229
March 16, 2021, 9:30 AM

Dear Chair Baker, Vice Chair Chang, and committee members,

On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing in SUPPORT with AMENDMENTS of HB 286, HD1 - Relating to real estate investment trusts. This bill would authorize the department of taxation to require real estate investment trusts (REITs) to notify the department of its presence within the State and to report the assets and revenues generated annually.

As the state legislature is facing large budget shortfalls, it's important to keep in mind that government spending cuts would further harm our already injured economy, as well as hobble social services that have become more and more essential to Hawaiʻi's keiki and their families during this pandemic crisis.

That's why we support range of progressive tax options to close the deficit without slashing critical government spending. One of these policies is requiring REITs to pay tax on their income, as other corporations in Hawaiʻi are required to do. As so many of our working families struggle, it makes sense to ask REITs to pay their fair share.

REITs have a special tax loophole that exempts them from paying corporate income tax on the dividends paid to its shareholders, which comprise at least 90 percent of the income REITs generate. Hawaiʻi REITs' income should be taxed so they help support the communities in which they operate.

Every other individual and corporation doing business in Hawaiʻi is subject to state income tax. And even if the Hawaiʻi REITs tax loophole were closed, REITs would still receive the valuable federal tax break they currently have, and they would continue to benefit from Hawaiʻi's extraordinarily low property tax rate.

While Hawaiʻi has more land value tied up in REITs than any other state, relatively few Hawaiʻi residents own shares in REITs—we rank 40th in the nation for the number of REIT shareholders as a percentage of the population. As a result, not only is income produced on Hawaiʻi property leaving the state, but the income that is getting funneled out of the state is not getting taxed here either.

This bill provides a good start, but Hawaiʻi should go further and actually tax REITs' income, so **we respectfully request that HB 286, HD1 be amended to eliminate the REITs tax loophole, as HB 283 does**. Mahalo for the opportunity to provide this testimony. Please pass HB 286, HD1, with our suggested amendments.

Thank you,
Nicole Woo
Director, Research and Economic Policy

850 Richards Street, Suite 201 • Honolulu, HI 96813 • 808-531-5502
speaks.hawaii-can.org • speaks@hawaii-can.org

Securities Industry Association of Hawaii

March 15, 2021

Senator Rosalyn H. Baker, Chair
Senator Stanley Chang, Vice Chair
Senate Committee on Commerce and Consumer Affairs
Hawaii State Capitol
415 Beretania St.
Honolulu, HI 9813

RE: SIAH letter in opposition to HB 286 , HD1 on proposed changes to Real Estate Investment Trusts ("REITs")

Dear Chair Baker, Vice Chair Chang, and members of the Senate Committee on Commerce and Consumer Protection:

The Securities Industry Association of Hawaii (SIAH) was formed over 20 years ago to foster communication among Hawaii Securities firms, regulators, and the legislature. Our members represent the combined concerns of our hundreds of employees who serve thousands of Hawaii clients.

From our reading of the bill, it appears that there may be a new proposed tax on the REIT's income even though current law, federal and state, allows that if the REIT distributes 90% of the income, there is no corporate tax. We are only aware of one state that taxes this income.

1. **Given the current economic conditions, we feel that the potential of assessing a new tax on properties that are already struggling here in Hawaii is not warranted.** Further, the people and organizations that own shares in these products are certainly already expecting a decline in income due to the crisis. Do we really want to take more from them?

2. **It is also a real possibility that REIT product originators will avoid Hawaii properties as the income may be less due this tax.** And, those properties already in a REIT portfolio may be swapped out for those in other states.

3. **The vast majority of REIT shareholders are not rich.** They own shares as this is the most efficient way to invest in income producing real estate. As financial advisors, we would most likely have to recommend a REIT without Hawaii properties as more suitable for our clients.

We urge the committee to reject this bill. If a new tax is really needed, we suggest that you follow the lead of the federal government and other states in the ensuing years.

The SIAH appreciates the opportunity to provide input on this bill. Please do not hesitate to contact me at 808-625-2596 with any questions.

Sincerely,

Tony Goodrum
President.

NAIOP
COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

March 15, 2021

The Honorable Senator Rosalyn Baker, Chair
The Honorable Senator Stanley Chang, Vice Chair
Senate Committee on Commerce and Consumer Protection

RE: **HB 286 HD1 - Relating to Real Estate Investment Trusts**
Hearing date: Tuesday, March 16, 2021 at 12:00PM

Aloha Chair Baker and Members of the Committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii to provide **COMMENTS** on HB 286, HD1. NAIOP Hawaii is the local chapter of the nation's leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals. NAIOP Hawaii strongly supports the development of housing for Hawaii residents at all levels of income, especially affordable housing projects.

HB 286, HD1 requires real estate investment trusts to notify the Department of Taxation of its presence within the State and to report the assets and revenues generated annually. Further, the measure imposes a daily monetary fine for noncompliance.

As a practical matter, HB 286, HD1 is unnecessary. Currently, the instructions for the Hawaii Form N-30 already require a REIT that has an income tax filing obligation in Hawaii to include a copy of its Form 1120-REIT, which is the US federal income tax return filed by REITs. As such, this measure creates a requirement to provide documents that already need to be disclosed.

Mahalo for your consideration,

Catherine Camp, President
NAIOP Hawaii

PARK
HOTELS & RESORTS

Park Hotels & Resorts Inc.
Scott Winer, SVP Tax
1775 Tysons Boulevard
7th Floor
Tysons, VA 22102
+1 571 302 5757 Main

WRITTEN TESTIMONY OF

Scott D. Winer
Senior Vice President, Tax
Park Hotels & Resorts Inc.

COMMENTS TO HB 286, HD1

BEFORE THE COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

SENATOR ROSALYN H. BAKER, CHAIR

SENATOR STANLEY CHANG, VICE CHAIR

HEARING ON HB 286, HD1

March 16, 2021

On behalf of Park Hotels & Resorts Inc. ("Park"), thank you for this opportunity to provide our testimony and comments regarding HB 286, HD1.

HB 286, HD1

HB 286, HD1 would require real estate investment trusts ("REITs") operating in the state of Hawaii to notify the State of the REIT's existence, annually provide a copy of the REIT's federal return with the REIT's state tax return, and other unspecified information required by the Hawaii Department of Taxation, for taxable years beginning after Dec. 31, 2020.

The preamble to the legislation states the legislature finds that REITs play a significant role in Hawaii's economy. Further, it states that the State would benefit from the accurate collection of data about REITs economic activities and that the assets and revenues generated by REITs may have not been reported to and recorded accurately by the State. Finally, the legislature notes that there are no state tax forms specifically for REITs, nor are there any clear methods for REITs to annually report their statuses and deductions to the State.

While we agree that REITs play a significant role in Hawaii's economy, Park disagrees with the legislature's findings regarding designation of REIT status, or the accurate reporting of tax (economic) data to the State for the following reasons:

- All REITs are required by law to annually file Form N-30, State of Hawaii – Department of Taxation Corporation Income Tax Return,
- Form N-30 has a box designating the filing as "For a real estate investment trust (REIT)",
- The Form N-30 requires a copy of the REIT's federal tax return to be attached (as required, Park attached a copy of its federal Form 1120-REIT to its 2019 Form N-30),
- Form N-30 requires amounts to be reported from "comparable lines on federal return",
- Form N-30 is signed under the penalties set forth in section 236-36, HRS, as true, correct, and complete, and
- To the extent the State deems it appropriate to require additional information reporting related to businesses operating in the State, those requirements should apply to all businesses regardless of form.

Park Hotels & Resorts Inc.

Park is a publicly traded lodging REIT (NYSE:PK) that owns 60 premium branded hotels and resorts located in the United States and its territories. Included within Park's portfolio of hotels are (i) the iconic Hilton Hawaiian Village Waikiki Beach Resort ("Hilton Hawaiian Village") located along Oahu's prestigious Waikiki Beach, which is the State's largest hotel, and (ii) the Hilton Waikoloa Village located on the Kohala Coast of the Big Island of Hawai'i. Park, like most REITs, has a long-term investment focus and is committed to creating sustainable jobs and value at its properties. Current employee headcount at Park's two Hawai'i hotels is more than 2,600.

Digest

The proposed legislation will not meaningfully increase the accuracy of or enhance the collection of data about REIT economic activities in general or within the state of Hawaii. The Hawaii Department of Taxation already obtains the data about REIT economic activities the legislature is seeking and the current tax reporting to the State by REITs is accurate as it is required to be true, correct, and complete.

Park has been a solid corporate citizen and partner to the state of Hawaii – paying significant tax, supporting significant employment and jobs in Hawai'i, and benefitting the community at-large. Park's REIT structure and hotel ownership benefits the State of Hawai'i and Kama'aina tremendously in a variety of economic and charitable and community ways. As a public company, Park ensures it is compliant and transparent in fulfilling its tax reporting requirements. We believe that HB 286's goals are already achieved and therefore this legislation is unnecessary.

We thank you again for this opportunity to provide testimony regarding HB 286, HD1 and sincerely hope you consider our submitted comments to this proposed legislation.

Respectfully submitted,

Scott Winer
Senior Vice President, Tax

Douglas Emmett

March 15, 2021

Senator Rosalyn Baker, Chair
Senator Stanley Chang, Vice Chair
Committee on Commerce and Consumer Protection

RE: HB 286 HD1 - Relating to Real Estate Investment Trusts – Comments
March 16, 2021; 9:30 AM; Via Videoconference

Aloha Chair Baker, Vice Chair Chang and Members of the Committee:

Douglas Emmett appreciates this opportunity to offer comments on HB 286 HD1, which authorizes the department of taxation to require real estate investment trusts to notify the department of its presence within the State and to report the assets and revenues generated annually.

Douglas Emmett currently provides the information requested in HB 286 HD1 through income and tax returns filed annually with the State Department of Taxation. Schedule P of Form N-30 lists our assets and revenues. We also file GET taxes on a monthly (form G-45) and annual (form G-49) basis.

Thank you for the opportunity to provide comments on this measure.

Respectfully,

Kevin Crummy
Chief Investment Officer

Michele Aronson
Senior Vice President

AMERICANS FOR DEMOCRATIC ACTION
HAWAI'I

MAILING ADDRESS
P.O. Box 23404
Honolulu
Hawaii 96823

LATE

March 16, 2021

TO: Chair Baker and members of CPN Committee

RE: HB 286 HD1 Relating to Real Estate Investment Trusts

Support for hearing on March 16

Americans for Democratic Action is an organization founded in the 1950s by leading supporters of the New Deal and led by Patsy Mink in the 1970s. We are devoted to the promotion of progressive public policies.

We support HB 286 HD1 as it would require real estate investment trusts to notify the department of its presence within the State and to report the assets and revenues generated annually. We would really like to tax them more, but this is a start.

Thank you for your favorable consideration.

Sincerely,
John Bickel, President

HB-286-HD-1
Submitted on: 3/13/2021 10:57:15 AM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Amy Wake	Testifying for Trinity United Methodist Church	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support this bill. Please pass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. Mahalo for this opportunity to provide testimony in support of HB286.

Commerce and Consumer Protection Committee on Real Estate Investment Trusts
March 16, 2021 at 9:30 a.m.
Conference Room 229

SUPPORTING HB 286 HD1 (with amendments)

Faith Action for Community Equity is in STRONG SUPPORT of HB 286 HD1, with revisions. We move to 1.) revert the language back to *"shall"* from *"may"* in the following sentences of Section 2:

- Notwithstanding the foregoing, for taxable years beginning after December 31, 2020, the department ~~may~~ **shall** require a real estate investment trust subject to this chapter to:
- Any real estate investment trust that fails to comply with these requirements ~~may~~ **shall** be assessed a penalty of $50 per day."

Real Estate Investment Trusts (REITs) play a significant role in Hawai'i's economy, yet the assets and revenues generated by REITs have not been reported to and recorded accurately by the State. Transparency on assets, revenues, deductions, tax status (among other factors) will be necessary to more accurately assess how much REITs affect our economy. REITs already report this same information to the IRS.

Hawai'i will likely face major budget shortfalls for the foreseeable future as the nation deals with the COVID-19 pandemic, high unemployment rates and an economic recession. Faith Action believes deep government spending cuts would have a catastrophic effect on our already hurting economy and people. We need to ensure now, more than ever, that those in need continue receiving essential social services.

For the last several years, taxation on REITs has been an ongoing issue as both sides argue their opponents rely on faulty figures. Lawmakers have the chance to set the record straight on REITs by requiring they submit information on their assets and revenues on an annual basis.

Once this bill is codified, the State can objectively evaluate how much revenue we lose by keeping the dividends paid deduction in place for REITs. During a time when we should be looking for every opportunity to close the deficit, accurate information around progressive tax options will be critical.

Even the Department of Taxation noted that while REITs are already required to designate themselves as REITs on their tax returns, to complete their tax returns as specified, and to include their federal returns with their state returns, ***adding a fine adds another compliance tool which suggests that perhaps the information offered to DOT currently isn't exhaustive.*** The Department also noted that the statistical information gained from these required tax returns and notifications would help guide policymakers in the future, as we previously mentioned above.

Transparency is necessary for accountability. We believe REITs should provide the State any and all information it provides to the IRS.

For the foregoing reasons, Housing Now! supports HB 286 HD1, with the following amendments:

1.) Revert the language back to ***"shall"*** from ***"may"*** in paragraph 2 of Section 2:
Notwithstanding the foregoing, for taxable years beginning after December 31, 2020, the department ~~may~~ **shall** require a real estate investment trust subject to this chapter to:
2.) Revert the language back to ***"shall"*** from ***"may"*** in paragraph 3 of Section 2:
Any real estate investment trust that fails to comply with these requirements ~~may~~ **shall** be assessed a penalty of $50 per day."

LATE

HB-286-HD-1
Submitted on: 3/15/2021 5:29:20 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Weir	Individual	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support HB286 HD1. Requiring REITs to fully report their annual assets and revenue to the Department of Taxation is an important step towards making REITs pay the corporate taxes they owe us. We need accurate information to evaluate how much revenue we are losing. It is important that the Hawaii Department of Taxation receives the same infomation as the IRS. Hawaii should receive tax revenue from REITs, not states where investors in REITs reside.

Mahalo for this opportunity to provide testimony in support of HB286 HD1.

HB-286-HD-1
Submitted on: 3/12/2021 6:08:25 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Deanna Espinas	Testifying for Faith Action for Community Equity	Support	No

Comments:

I am a member of Faith Action for Community Equity and I strongly support this bill. Please pass HB 286 which would require REITs to report their annual assets and revenues to the Dept. of Taxation. Thank you for this opportunity to submit my testimony in support of HB 286.

HB-286-HD-1
Submitted on: 3/14/2021 4:09:36 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
William Bekemeier	Testifying for Faith Action for Community Equity	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support this bill. It is not fair that the residents of Hawaii should have to pay taxes, while investors from out of state or out of the country do not because of the REIT loophole. Please pass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. Mahalo for this opportunity to provide testimoney in support of HB286.

HB-286-HD-1
Submitted on: 3/15/2021 8:23:35 AM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jason Shuster	Testifying for Faith Action	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support this bill. Please pass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. Mahalo for this opportunity to provide testimony in support of HB286.

HB-286-HD-1
Submitted on: 3/12/2021 2:50:33 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Christy MacPherson	Individual	Support	No

Comments:

I strongly support this bill. HB286, HD1 will finally lay a solid foundation to start holding REITs accountable by gathering accurate state data necessary to determine how much revenue Hawai`i is missing out on to help fill our huge budget puka.

HB-286-HD-1
Submitted on: 3/12/2021 5:30:13 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Ellen Godbey Carson	Individual	Support	No

Comments:

Please pass HB286, but with an amendment that makes REIT reporting mandatory, not based on whether the Dept of Taxation requets it. We have lost a large part of our tax base in Hawaii to REITS, whose investors are almost all overseas and do not pay income taxes here in Hawaii. They should not be exempt from our corporate tax structures when they are operating some of the most successful businesses in Hawaii and send their profits overseas, rather than paying their fair share of taxes here. Mandatory reporting will allow us to see the total amount of income which is avoiding taxation here, so we can make more responsible tax laws in the future.

HB-286-HD-1
Submitted on: 3/12/2021 4:43:02 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Cassandra Chee	Individual	Support	No

Comments:

Aloha, Please bass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. Mahalo for this opportunity to provide testimony in support of HB286.

HB-286-HD-1
Submitted on: 3/12/2021 4:00:07 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Elizabeth Nelson	Individual	Support	No

Comments:

This is a very important bill and I fully support. It will be economically helpful to our State to fully understand the revenues that REITs generate so they can fairly pay the income tax like the residents of Hawaii.

Thank you,

Elizabeth Nelson

Kaneohe

HB-286-HD-1
Submitted on: 3/12/2021 5:54:43 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jessica Kawamura	Individual	Support	No

Comments:

As a citizen, voter, and member of Faith Action for Community Equity, I strongly support HB286. REITs should report their annual assets and revenue to the Department of Taxation.

HB-286-HD-1
Submitted on: 3/12/2021 5:57:56 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Mary Carolyn Kuahulu	Individual	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support this bill. Please pass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. Mahalo for this opportunity to provide testimony in support of HB286.

Aloha,

M Carolyn Kuahulu

HB-286-HD-1
Submitted on: 3/12/2021 7:54:51 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Keith Webster	Individual	Support	No

Comments:

HB286 will provide accurate information needed for a facts based discussion on the merits and risks of ending the REITs State income tax exclusion. Requesting your support for a well informed legislative approach. Please support HB286.

Keith Webster

HB-286-HD-1
Submitted on: 3/13/2021 11:11:11 AM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Fern Anuenue Holland	Individual	Support	No

Comments:

Aloha Senators. My ohana and I are in strong support of HB286. Mahalo! Fern Ä€ Holland

HB-286-HD-1
Submitted on: 3/12/2021 8:50:40 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Diane S. Martinson	Individual	Support	No

Comments:

Aloha, in conjunction with Faith Action for Community Equity, I support HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. Thank you for your thoughtful deliberation on this matter.

HB-286-HD-1
Submitted on: 3/13/2021 8:20:46 AM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Carla Allison	Individual	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and the First Unitarian Church of Honolulu. I strongly support HB286 and ask you to pass this bill requiring REITs to report their annual assets and revenue to the Department of Taxation. Having the data will make all the difference in determining the way forward for our legistlature and governor to support REITs taxation legislation. Mahalo for this opportunity to provide testimony in support of HB286. Please give it your support. Thank you.

HB-286-HD-1
Submitted on: 3/13/2021 3:56:09 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Tony Radmilovich	Individual	Support	No

Comments:

It is an overdue tax bill. Pass it!

HB-286-HD-1
Submitted on: 3/13/2021 4:49:53 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Carolyn Eaton	Individual	Support	No

Comments:

Aloha, my name is Carolyn Eaton, I am an Oahu voter and as a member of Faith Action for Community Equity I strongly support HB 286. Please enact this legislation, which takes initial steps towards understanding the presence of REITS in our State. Thank you for your work.

HB-286-HD-1
Submitted on: 3/13/2021 5:52:04 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
noel kent	Individual	Support	No

Comments:

Please support BH286. Our state desperately needs th monies from REIT profits that leave the state every year. This bill will give us a sense of what is being lost and can eventually be recouped. Mahalo Noel Kent Professor Emertus UH Manoa

HB-286-HD-1
Submitted on: 3/13/2021 11:40:03 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Banner Fanene	Individual	Support	No

Comments:

Please Pass.

REITs own approximately $17 billion in Hawaiʻi real estate and earn about $1 billion in profits every year. Hawaiʻi REITs should be taxed, as is every other individual and corporation doing business in Hawaiʻi. If REITs paid regular corporate taxes on their profits, that would generate up to $60 million in potential tax revenue every year.

While Hawaiʻi has more land value tied up in REITs than any other state in the nation, relatively few Hawaiʻi residents own shares in REITs—we rank 40th in the nation for the number of REIT shareholders as a percentage of the population. As a result, not only is income produced on Hawaiʻi property leaving the state, but the income that is funneled out of the state is not getting taxed here either.

Mahalo

HB-286-HD-1
Submitted on: 3/13/2021 7:31:49 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Joan Jensen	Individual	Support	No

Comments:

Aloha,

I am writing to support HB286 and the taxing of Real Estate Investment Trusts or REITs. I was surprised to find out that REITs are not taxed as other individuals or corporations in Hawai'i. Because REITs hold a great deal of Hawaii's land value, approximately $17 billion in Hawai'i ‘Ä€ina, this sector must also contribute to the wellbeing of Hawai'i. By paying regular corporate taxes yearly, REITs can carry out their Kuleana or responsibilities to the state and the ‘Ä• ina to which they hold title. This could generate millions of tax revenue that can carry out important initiatives in the state.

I was not surprised that few Hawai'i residents own REITs. Even more so, people and corporations are reaping benefits off of Hawai'i ‘Ä• ina without contributing to the well-being of Hawai'i. I personally believe that no non-resident should own land in our islands and yet we rank 40th in the nation for the number of REIT shareholders as a percentage of the population. Because of this, REIT income does not stay in the state and REITs do not contribute taxes to the state. This seems like an easy decision to demand all businesses contribute their fare share of taxes.

HB-286-HD-1
Submitted on: 3/13/2021 9:09:08 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Calvin Foo Pham	Individual	Support	No

Comments:

I support this bill because good data makes for informed decisions by our lawmarkers and executors. The debate over whether the elimination of the dividends paid deduction would be worthwhile is inhibited by the fact that we do not have accurate reporting of the REITs' assets and incomes in our state. Reporting this information allows all parties to agree on a set of facts that are curently not available for making accurate projections.

HB-286-HD-1
Submitted on: 3/14/2021 1:16:56 AM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kristen Young	Individual	Support	No

Comments:

I support HB286! REITs own approximately $17 billion in Hawaiʻi real estate and earn about $1 billion in profits every year. Hawaiʻi REITs should be taxed, as is every other individual and corporation doing business in Hawaiʻi. If REITs paid regular corporate taxes on their profits, that would generate up to $60 million in potential tax revenue every year.

While Hawaiʻi has more land value tied up in REITs than any other state in the nation, relatively few Hawaiʻi residents own shares in REITs—we rank 40th in the nation for the number of REIT shareholders as a percentage of the population. As a result, not only is income produced on Hawaiʻi property leaving the state, but the income that is funneled out of the state is not getting taxed here either.

Thank you for the opportunity to offer testimony.

HB-286-HD-1
Submitted on: 3/14/2021 11:03:53 AM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Lawrence S Franco	Individual	Support	No

Comments:

Dear Senator Baker,

I see that this bill is one of fairness. We have such a difficult time to raise revenues to meet our people's needs and it does not seem pono that REITs are given a free ride on taxation. With the mayority of the investors in these REITs from the mainland and foriegn countries, we are not receiving any income from them. Let us work together to find a fair way to right this present wrong.

Your friend,

Stan Franco

HB-286-HD-1
Submitted on: 3/14/2021 1:01:02 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
John Kawamoto	Individual	Support	No

Comments:

My name is John Kawamoto, and I support HB 286 HD 1, with an amendment. The bill authorizes the Department of Taxation to require real estate investment trusts (REITs) to notify the Department of Taxation of its presence within the State and to report assets and revenues generated annually. The bill should be amended to require REITs to report this information.

REITs play a significant role in Hawai'i's economy. They use Hawaii's business infrastructure, which is supported with the corporate income tax. All other for-profit corporations pay the corporate income tax, but due to a loophole, REITs avoid it. Proposals have been made to subject REITs to Hawaii's corporate income tax, but REITs claim that the revenue would be so small that it wouldn't be worth the effort. Others claim that REITs earn an estimated $1 billion in profits on which a corporate income tax would be based, and would result in $60 million in tax revenue.

This bill would resolve the issue of how much tax revenue would be realized if Hawaii's corporate income tax were applied to REITs. However, an amendment is needed because the bill authorizes -- but does not mandate -- the Department of Taxation to require REITs to report income, profits, and other financial information, as they do to the IRS. The bill should be amended to mandate the Department of Taxation to require REITs to report that information. That amendment would enable the State to objectively determine the corporate tax revenue from REITs.

With that amendment, I support HB 286 HD 1.

HB-286-HD-1
Submitted on: 3/14/2021 6:31:01 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Galen Fox	Individual	Support	No

Comments:

In support of HB 286 HD 1, with an amendment. *Please amend the bill to require REITs to report this information by changing the "may" in paragraph 2, section 2, back to the original bill's "shall". Do the same with the "may" in paragraph 3, section 2, changing it to "shall".*

Revenues generated by REITs have not been reported to or recorded accurately by the State.
For the last several years, the taxation of REITs on their net income have been an ongoing problem. Each side presents different estimates. Each side asserts that the other side's figures are wrong. Lawmakers should set the record straight. This bill, amended as changed above, would require REITs to submit information on their assets and revenues or face a fine.

Please pass HB 286 HD1 with the proposed amendment. Mahalo.

HB-286-HD-1
Submitted on: 3/14/2021 8:00:53 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Marilyn Mick	Individual	Support	No

Comments:

Aloha Committe members. I am in support of this bill.

REITs own approximately $17 billion in Hawaiʻi real estate and earn about $1 billion in profits every year. Hawaiʻi REITs should be taxed, as is every other individual and corporation doing business in Hawaiʻi. If REITs paid regular corporate taxes on their profits, that would generate up to $60 million in potential tax revenue every year. While Hawaiʻi has more land value tied up in REITs than any other state in the nation, relatively few Hawaiʻi residents own shares in REITs—we rank 40th in the nation for the number of REIT shareholders as a percentage of the population. As a result, not only is income produced on Hawaiʻi property leaving the state, but the income that is funneled out of the state is not getting taxed here either.

Mahalo, Marilyn Mick, Honolulu

HB-286-HD-1
Submitted on: 3/14/2021 8:38:56 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kathy Jaycox	Individual	Support	No

Comments:

Aloha and thank you for the opportunity to submit testimony in support of HB 286, HD1.

Even though I have a limited amount of money invested in a REIT, I support the idea that REITs which profit from investing in this state should, in turn, be subject to state taxation. These REITs are benefitting from local infrastructure, police and fire services -- yet not carrying their fair share of the tax burden. You have the opportunity to make this situation more equitable for the people of Hawaii. We are counting on you to take this action.

Mahalo.

HB-286-HD-1

Submitted on: 3/15/2021 8:43:32 AM

Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Shay Chan Hodges	Individual	Support	No

Comments:

I support HB 286 HD1 as well as taxing REITS.

- REITs own approximately $17 billion in Hawaiʻi real estate and earn about $1 billion in profits every year. Hawaiʻi REITs should be taxed, as is every other individual and corporation doing business in Hawaiʻi. If REITs paid regular corporate taxes on their profits, that would generate up to $60 million in potential tax revenue every year.

- While Hawaiʻi has more land value tied up in REITs than any other state in the nation, relatively few Hawaiʻi residents own shares in REITs—we rank 40th in the nation for the number of REIT shareholders as a percentage of the population. As a result, not only is income produced on Hawaiʻi property leaving the state, but the income that is funneled out of the state is not getting taxed here either.

Mahalo, Shay Chan Hodges, Haiku, Maui

LATE

HB-286-HD-1
Submitted on: 3/15/2021 9:44:21 AM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Zack Stoddard	Individual	Support	No

Comments:

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LATE

HB-286-HD-1
Submitted on: 3/15/2021 9:51:30 AM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Matthew Geyer	Individual	Support	No

Comments:

We cannot keep allowing companies to evade taxes through these loopholes while we were also recently considering furloughing teachers and other essential state workers.

HB-286-HD-1
Submitted on: 3/15/2021 10:22:26 AM
Testimony for CPN on 3/16/2021 9:30:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Neal MacPherson	Individual	Support	No

Comments:

In support of HB 286 HD 1, with an amendment. Please amend the bill to require REITs to report this information by changing the “may” in paragraph 2, section 2, back to the original bill’s “shall”. Do the same with the “may” in paragraph 3, section 2, changing it to “shall”.

Revenues generated by REITs have not been reported to or recorded accurately by the State.

For the last several years, the taxation of REITs on their net income have been an ongoing problem. Each side presents different estimates. Each side asserts that the other side’s figures are wrong. Lawmakers should set the record straight. This bill, amended as changed above, would require REITs to submit information on their assets and revenues or face a fine.

Please pass HB 286 HD1 with the proposed amendment.

Respectfully submitted,

Rev. Neal MacPherson

Marshall W. Hung - **Former Developer for Honolulu**
215 N. King Street, Suite 1000, Honolulu, HI 96817
W: 808.526.2027 F: 808.526-2066

March 15, 2021

To: Senator Rosalyn H. Baker, Chair
Committee on Commerce and Consumer Protection

LATE

Re: HB 286, HD 1 in March, 2021

Dear Senator Baker,

Much money is needed for the Climate Change protections in Hawaii. The tax on REITs should be only active upon the prior year of hotel occupancy for the State being at 60% or higher. Any tax bill needs these two conditions:

1) The additional revenue from the REITS is solely for climate change protections needed.
2) Hotel occupancy of the State must be at 60% or more for the prior year.

If a tax bill on REITS cannot be accomplished in 2021, surely House Bill 286 that requires the REITS to file tax returns that discloses their net incomes that are being exempted should be a reasonable State Government requirement.

Respectfully yours,

Marshall Hung

HB-286-HD-1
Submitted on: 3/15/2021 2:15:59 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

LATE

Submitted By	Organization	Testifier Position	Present at Hearing
Shannon Rudolph	Individual	Support	No

Comments:

Support

LATE

HB-286-HD-1
Submitted on: 3/15/2021 4:26:00 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Evelyn Aczon Hao	Individual	Support	No

Comments:

I am a member of Faith Action for Community Equity.

I strongly support HB286 HD1. The state of Hawaii needs to know clearly what annual assets and revenues each REIT has gained each year. Currently, it is even not clear exactly how many REITs are doing business in Hawaii; and it is not clear exactly how much income taxes are being lost because of the loophole currently in the law regarding REITs.

This bill defines reports needed from REITs. With accurate reports, we can obtain accurate data. With robust data, our legislators can make more informed decisions that will benefit the people of Hawaii.

Please pass this bill.

Mahalo

Evelyn Hao

LATE

HB-286-HD-1
Submitted on: 3/15/2021 9:08:40 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Raelyn Reyno Yeomans	Individual	Support	No

Comments:

Strong support

LATE

HB-286-HD-1
Submitted on: 3/15/2021 9:09:11 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
John A. H. Tomoso	Individual	Support	No

Comments:

03-15-21

RE: HB286 HD1

I am in strong support of this Bill, to require REITS to officially report their presence in Hawai'i, essentially requiring them to submit their assets and revenues, annually, to the Department of Taxation. This, I believe is the first step to the receiving of accurate data on all REITS in Hawai'i, especially by the State Legislature.

Mahalo,

John A H Tomoso+, MSW

51 Ku'ula St.

Kahului, HI 96732-2906

john.a.h.tomoso@gmail.com, 808-280-1749

cc: Stand Up Maui Affordable Housing Committee Members

LATE

HB-286-HD-1
Submitted on: 3/15/2021 11:52:31 PM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Jennifer Azuma Chrupalyk	Individual	Support	No

Comments:

The state can benefit from knowing these figures. Just two months ago, it was on the news how much we rely on tourism to generate real estate sales, and that our economy was going to die because of a lack of tourism and how that affected real estate sales. That is untrue.

According to real estate listings, a lot of properties sold to out-of-staters during the pandemic and many properties sold. At the beginning of the pandemic, there were a lot of properties for sale. Now, cannot find too many. Pay attention to the trends, and remember that realtors are selling properties in direct violation of US Code: all properties with a LCA, RP or any other patent cannot be sold without written notification of the current heirs of those properties.

Furthermore, let it be known that DHHL Mercantile lands - DHHL prefers to conduct business with non-Hawaiians because they pay more than Hawaiians.

Can somebody please explain how non-Hawaiians are able to lease Hawaiian-Only lands?

LATE

HB-286-HD-1
Submitted on: 3/16/2021 8:34:21 AM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Linda Morgan	Individual	Support	No

Comments:

HB286 would provide additional income to our state and create fairer taxation of rich corporations, providing better equity in taxation. It is abhorrent for rich corporations to not pay their fair share! Please support HB286.

LATE

HB-286-HD-1
Submitted on: 3/16/2021 8:37:37 AM
Testimony for CPN on 3/16/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Randolph Moore	Individual	Support	No

Comments:

Legislators cannot make informed decisions about REITs unless they have complete and accurate information about them. This bill will facilitate the production of data needed for good decision-making. My suggestion is that the penalty for failure to report the required information on a timely basis be increased from $50 per day as proposed in this bill to something more meaningful.