
A BILL FOR AN ACT

RELATING TO THE MORTGAGE INTEREST DEDUCTION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to eliminate the
2 mortgage interest deduction for second homes under Hawaii income
3 tax law and transfer an equivalent amount into the rental
4 housing revolving fund.

5 SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is
6 amended by amending subsection (h) to read as follows:

7 "(h) Section 163 (with respect to interest) of the
8 Internal Revenue Code shall be operative for the purposes of
9 this chapter, except that provisions in section 163(d)(4)(B)
10 (defining net investment income to exclude dividends), section
11 163(e)(5)(F) (suspension of applicable high-yield discount
12 obligation (AHYDO) rules), section 163(h)(4)(A)(i)(II)
13 (definition of qualified residence for home mortgage interest
14 deduction), section 163(h)(4)(A)(ii)(II) (treatment of home
15 mortgage interest deduction for married individuals filing
16 separately), and section 163(i)(1) as it applies to debt



1 instruments issued after January 1, 2010, (defining AHYDO) shall
2 not be operative for the purposes of this chapter."

3 SECTION 3. Section 235-119, Hawaii Revised Statutes, is
4 amended to read as follows:

5 "§235-119 Taxes, state realizations. All income taxes
6 shall be for the use of the State and shall be paid into the
7 state treasury at such times as the director of finance shall
8 direct[-]; provided that an amount equal to the tax revenues
9 attributable to the inoperativeness of section
10 163(h)(4)(A)(i)(II)(definition of qualified residence for home
11 mortgage interest deduction) and section
12 163(h)(4)(A)(ii)(II)(treatment of home mortgage interest
13 deduction for married individuals filing separately), of the
14 Internal Revenue Code of 1986, as amended, pursuant to section
15 235-2.4(h), shall be deposited into the rental housing revolving
16 fund established pursuant to section 201H-202."

17 SECTION 4. The department of budget and finance, in
18 consultation with the department of taxation, shall submit a
19 report on the administration of this Act to the legislature no
20 later than twenty days prior to the convening of the regular
21 sessions of 2018, 2019, 2020, 2021, and 2022.



1 SECTION 5. Statutory material to be repealed is bracketed
2 and stricken. New statutory material is underscored.

3 SECTION 6. This Act shall take effect on July 1, 2030, and
4 shall apply to taxable years beginning after December 31, 2016.



Report Title:

Income Tax; Mortgage Interest Deduction

Description:

Eliminates the mortgage interest deduction for second homes under the Hawaii Income Tax Law. Specifies that the revenue gain attributable to this measure be deposited into the Rental Housing Revolving Fund. Requires the Department of Budget and Finance, in consultation with the Department of Taxation, to submit reports on the administration of this measure to the Legislature prior to the 2018, 2019, 2020, 2021, and 2022 Regular Sessions. (HB486 HD2)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

