

JAN 17 2019

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The purpose of this Act is to:

2 (1) Eliminate the home mortgage interest deduction for

3 second homes under Hawai'i income tax law; and

4 (2) Require the department of taxation to calculate the

5 amount of state revenue gained by eliminating the

6 deduction and transfer an equivalent amount of income

7 tax revenue to the rental housing revolving fund.

8 SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is

9 amended by amending subsection (j) to read as follows:

10 "(j) Section 163 (with respect to interest) of the

11 Internal Revenue Code shall be operative for the purposes of

12 this chapter, except that the following provisions shall not be

13 operative for purposes of this chapter:

14 (1) Section 163(d)(4)(B) (defining net investment income
15 to exclude dividends);

16 (2) Section 163(e)(5)(F) (suspension of applicable high-
17 yield discount obligation (AHYDO) rules);



- 1 (3) Section 163(h)(3)(F) (limiting mortgage interest);
2 [and]
3 (4) Section 163(h)(4)(A)(i)(II) (definition of qualified
4 residence for home mortgage interest deduction);
5 (5) Section 163(h)(4)(A)(ii)(II) (treatment of home
6 mortgage interest deduction for married individuals
7 filing separately); and
8 [+4+] (6) Section 163(i)(1) as it applies to debt
9 instruments issued after January 1, 2010, (defining
10 AHYDO)."

11 SECTION 3. The department of taxation shall annually
12 calculate the amount of state revenue gained in the previous
13 taxable year by making sections 163(h)(4)(A)(i)(II) and
14 163(h)(4)(A)(ii)(II) of the Internal Revenue Code non-operative
15 and, following this calculation, by September 1, shall transmit
16 an equivalent amount of income tax revenue to the director of
17 finance for deposit into the rental housing revolving fund
18 established pursuant to section 201H-202, Hawaii Revised
19 Statutes.

20 SECTION 4. The department of budget and finance, in
21 consultation with the department of taxation, shall submit a



1 report on the administration of this Act to the legislature no
2 later than twenty days prior to the convening of the 2020, 2021,
3 2022, 2023, and 2024 regular sessions.

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 Statutory material to be repealed is bracketed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

6 SECTION 6. This Act, upon its approval, shall apply to
7 taxable years beginning after December 31, 2018.

8

INTRODUCED BY:

Kal Rhoad
~~DC~~ Keith Eg
MSR
BTG



S.B. NO. 100

Report Title:

Home Mortgage Interest Deduction; Income Tax; Rental Housing Revolving Fund; Transfer

Description:

Eliminates the home mortgage interest deduction for second homes under Hawaii income tax law. Requires the department of taxation to calculate the amount of state revenue gained by eliminating the deduction and transfer an equivalent amount of income tax revenue into the rental housing revolving fund.

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

