

JAN 27 2021

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 (j) to read as follows:

7 "(j) Section 163 (with respect to interest) of the
8 Internal Revenue Code shall be operative for the purposes of
9 this chapter, except that the following provisions shall not be
10 operative for purposes of this chapter:

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

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

15 (3) Section 163(h)(3)(F) (limiting mortgage interest);

16 [and]



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

9 SECTION 3. The department of taxation shall annually

10 calculate the amount of state revenue gained in the previous

11 taxable year by making non-operative section 163(h) (4) (A) (i) (II)

12 and section 163(h) (4) (A) (ii) (II) of the Internal Revenue Code

13 and, following this calculation, by September 1, shall transmit

14 an equivalent amount of income taxes to the director of finance

15 for deposit into the rental housing revolving fund established

16 by section 201H-202, Hawaii Revised Statutes.

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 2022, 2023,

21 2024, and 2025 regular sessions.



S.B. NO. 723

Report Title:

Income Tax; Mortgage Interest Deduction; Rental Housing
Revolving Fund

Description:

Eliminates the mortgage interest deduction for second homes under Hawaii income tax law. Requires the department of taxation to calculate the savings and transfer an equivalent amount of income taxes to the director of finance for deposit into the rental housing revolving fund.

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