

STAND. COM. REP. NO. 1088

Honolulu, Hawaii

MAR 24 2021

RE: H.B. No. 286
H.D. 1
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Commerce and Consumer Protection, to which was referred H.B. No. 286, H.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO REAL ESTATE INVESTMENT TRUSTS, "

begs leave to report as follows:

The purpose and intent of this measure is to authorize 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.

Your Committee received testimony in support of this measure from the Department of Taxation, Hawaii State Teachers Association, Young Progressives Demanding Action, Hawai'i Health & Harm Reduction Center, Our Revolution Hawaii, Imua Alliance, Democratic Party of Hawai'i Education Caucus, Hawaii Children's Action Network Speaks!, Americans for Democratic Action Hawaii, Trinity United Methodist Church, Faith Action for Community Equity, and thirty-five individuals. Your Committee received testimony in opposition to this measure from Securities Industry Association of Hawaii. Your Committee received comments on this measure from Tax Foundation of Hawaii; Nareit Hawaii; Alexander & Baldwin; League of Women Voters; NAIOP Hawaii; Douglas Emmett, Inc.; Park Hotels & Resorts, Inc.; and one individual.



Your Committee finds that real estate investment trusts (REITs) play a significant role in Hawaii's economy. In fact, due to Hawaii's low property tax rate, REITs own more real estate in Hawaii than in any other state in the country on a per capita basis. However, the extent of the assets and revenues generated by REITs have not been transparently reported to and accurately recorded by the State, and it is therefore necessary to assess how much REITs are currently affecting our local economy. In a time when Hawaii will face budget shortfalls for a number of years to come due to the coronavirus disease 2019 pandemic, the State should objectively evaluate how much revenue may be lost as a result of keeping the dividends paid deduction in place for REITs and obtain accurate information around progressive tax options. This measure increases transparency and accountability and adds another compliance tool for the Department of Taxation to gather statistical information from tax returns to help guide policy makers in the future. Accordingly, your Committee requests that your Committee on Ways and Means consider adding an additional section to this measure that would require the Department of Taxation to make annual reports, including any proposed legislation, to the Legislature concerning REITs to ensure that the information collected is readily available and up to date for the purposes of making future tax policy determinations.

Your Committee has amended this measure by:

- (1) Clarifying that, beginning January 1, 2022, the Department of Taxation shall require REITs subject to chapter 235, Hawaii Revised Statutes, to notify the Department of its operation in the State no later than fifteen days from the first day of operation in the State, provided that for REITs operating in the State as of July 1, 2021, the Department shall be notified no later than January 15, 2022;
- (2) Clarifying that the Department of Taxation shall assess a penalty of \$50 per day for any REIT that fails to comply with the provisions of this measure;
- (3) Inserting an effective date of January 1, 2022; and
- (4) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.



As affirmed by the record of votes of the members of your Committee on Commerce and Consumer Protection that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 286, H.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 286, H.D. 1, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Commerce and
Consumer Protection,



ROSALYN H. BAKER, Chair



The Senate
Thirty-First Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:*	Committee Referral:	Date:		
HB 286 HD1	CPN, WAM	03.16.2021		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312	<input checked="" type="checkbox"/> Pass, with amendments 2311	<input type="checkbox"/> Hold 2310		
		<input type="checkbox"/> Recommit 2313		
Members	Aye	Aye (WR)	Nay	Excused
BAKER, Rosalyn H. (C)	/			
CHANG, Stanley (VC)	/			
MISALUCHA, Bennette E.	/			
NISHIHARA, Clarence K.	/			
RIVIERE, Gil	/			
SAN BUENAVENTURA, Joy A.	/			
FEVELLA, Kurt	/			
TOTAL	7	-	-	-
Recommendation:				
<input checked="" type="checkbox"/> Adopted		<input type="checkbox"/> Not Adopted		
Chair's or Designee's Signature:				
<i>Clarence K. Nishihara</i>				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes