NAIOP
COMMERCIAL REAL ESTATE DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

February 9, 2021

Representative Sean Quinlan, Chair
Representative Daniel Holt, Vice Chair
Committee on Economic Development

RE: **HB 286- Relating to Real Estate Investment Trusts**
Hearing date: Wednesday, February 10, 2021 at 9:30AM

Aloha Chair Quinlan, and members of the committees,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii to provide **COMMENTS** on HB 286. 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 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 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

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 Sean Quinlan, Chair;
The Honorable Daniel Holt, Vice Chair;
and Members of the House Committee on Economic Development

From: Isaac W. Choy, Director
Department of Taxation

Date: February 10, 2021
Time: 9:30 A.M.
Place: Via Video Conference, State Capitol

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

The Department of Taxation (Department) offers the following comments regarding H.B. 286, for your consideration.

H.B. 286 requires 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 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. However, 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 a REIT.

Thank you for the opportunity to provide comments.

HB-286
Submitted on: 2/8/2021 4:51:42 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Rev. Samuel L Domingo	Individual	Support	No

Comments:

REITS have been an investment vehicle for many who are non residents of Hawaii, and yet have profited without paying their fair share of taxes. The industry has investments over $18 billion dollars and could have provided significant income for the state. I have been part of the effort to tax REITs these past four years through Faith Action for Community Equity. This bill provides the first step in monitoring REITs and should provided the impetus to finally see the great potential for income generation in this time of Covid.
I urge passage of this bill.

HB-286
Submitted on: 2/8/2021 5:00:32 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Deanna Espinas	Individual	Support	No

Comments:

Please take serious legislative action for more transparency from REITS and support HB286.

Douglas Emmett

February 10, 2021

Representative Sean Quinlan, Chair
Representative Daniel Holt, Vice Chair
Committee on Economic Development

RE: HB 286 - Relating to Real Estate Investment Trusts – Comments
Wednesday, February 10, 2021; 9:30 AM; Via Videoconference

Aloha Chair Quinlan, Vice Chair Holt and Members of the Committee:

Douglas Emmett appreciates this opportunity to offer comments on HB 286, which 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, and imposes a daily monetary fine for noncompliance.

Douglas Emmett currently provides the information requested in HB 286 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

House Committee on Real Estate Investment Trusts
February 10, 2021 at 9:30 a.m.
Conference Room 312

SUPPORTING HB 286

Faith Action for Community Equity supports HB 286, which 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. It will also impose a daily monetary fine for non-compliance.

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.

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, Faith Action supports HB 286.

HB-286
Submitted on: 2/8/2021 10:39:29 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

Thank you for supporting this bill Representatives!

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; SB 786

INTRODUCED BY: HB by TAM, GANADEN, ICHIYAMA, KAPELA, MCKELVEY, MIZUNO, TAKAYAMA, WILBERGER, Matayoshi; SB by MORIWAKI, CHANG, KEOHOKALOLE, MISALUCHA, RIVIERE, Kanuha, Keith-Agaran, Kidani, Kim, San Buenaventura, Shimabukuro

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: Upon approval.

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 2/8/2021

HB-286
Submitted on: 2/8/2021 11:10:31 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Thomas Brandt	Individual	Support	No

Comments:

Support.

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.

IN OPPOSITION TO HB 286

BEFORE THE COMMITTEE ON ECONOMIC DEVELOPMENT

THE HONORABLE SEAN QUINLAN, CHAIR

THE HONORABLE. DANIEL HOLT, VICE CHAIR

HEARING ON HB 286

February 10, 2021

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

HB 286

HB 286 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 instructions to the Form N-30 requires a copy of the REIT's federal tax return to be attached (in fact Park attached a copy of its federal Form 1120-REIT to its 2019 Form N-30), and 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 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 and sincerely hope you consider our submitted comments to this proposed legislation.

Respectfully submitted,

Scott Winer
Senior Vice President, Tax

HB-286
Submitted on: 2/9/2021 7:39:08 AM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

Real Estate Investment Trusts (REITs) are not paying their fair tax share in Hawaii, because most of the REITs owners are oversesas, not Hawaii Residents. We have lost a major part of our tax base to REITs as they consume great portions of our commercial malls and enterprises.

I urge you to tax the revenues generated here now, and at least gather the informaiton on their revenues so that Hawaii can plan for more responsible tax policies for our future.

Thank you for your consideration

Ellen Godbey Carson

HB-286
Submitted on: 2/9/2021 7:59:14 AM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

In a time when the need for housing is criticlal for Hawaii residents earning below the median income, at a time when our young people are moving to find lower-priced homes on the mainland in such numbers that we lose population every year, at a time when state revenue is down and needs are up, it's time to demand that large corporations avoiding the Hawaii corporate income tax by filing as REITS pay their fair share. We should tax REITS as we do all other corporations enjoying the benefits of operating here. To do so, it would help to have accurate data on the size of the REIT tax avoidance revenue loss. HB 286 will give us the data we need. It will help close the REIT tax loophole. Please pass HB 286. Mahalo.

Securities Industry Association of Hawaii

February 9, 2021

Representative Sean Quinlin, Chair
Representative Daniel Holt, Vice Chair
House Committee on Economic Development
Hawaii State Capitol
415 Beretania St.
Honolulu, HI 9813

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

Dear Chair Quinlin, Vice Chair Holt and members of the House Committee on Economic Development:

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 is 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 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 property as the income will 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 it 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.

INTERNATIONAL LONGSHORE & WAREHOUSE UNION
LOCAL OFFICE • 451 ATKINSON DRIVE • HONOLULU, HAWAII 96814 • PHONE 949-4161

HAWAII DIVISION: 100 West Lanikaula Street, Hilo, Hawaii 96720 • OAHU DIVISION: 451 Atkinson Drive, Honolulu, Hawaii 96814
MAUI COUNTY DIVISION: 896 Lower Main Street, Wailuku, Hawaii 96793 • KAUAI DIVISION: 4154 Hardy Street, Lihue, Hawaii 96766
HAWAII LONGSHORE DIVISION: 451 Atkinson Drive, Honolulu, Hawaii 96814

LOCAL 142

The Thirty-First Legislature
Regular Session of 2021

THE HOUSE
Committee on Economic Development
Rep. Sean Quinlan, Chair
Rep. Daniel Holt, Vice Chair
State Capitol, Videoconference
Wednesday, February 10, 2021; 9:30 a.m.

STATEMENT OF THE ILWU LOCAL 142 ON H.B. 286
RELATING TO REAL ESTATE INVESTMENT TRUSTS

The ILWU Local 142 **supports** H.B. 286, which 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 and imposes a daily monetary fine for noncompliance.

Businesses operating in Hawaii should pay their fair share of taxes – this includes real estate investment trusts (REITs). H.B. 286 will help the state determine the assets and revenue generated by REITs which will help ensure they are taxed similar to other businesses operating in Hawaii.

We recommend passage of H.B. 286. T

Thank you for the opportunity to testify.

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

Corey Rosenlee
President

Osa Tui, Jr.
Vice President

Logan Okita
Secretary-Treasurer

Wilbert Holck
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON
ECONOMIC DEVELOPMENT

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

WEDNESDAY, FEBRUARY 10, 2021

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Quinlan and Members of the Committees:

The Hawaii State Teachers Association **supports HB 286**, 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 HB 286, w/amendments.**

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

Corey Rosenlee
President

Osa Tui, Jr.
Vice President

Logan Okita
Secretary-Treasurer

Wilbert Holck
Executive Director

Nareit Hawaii Real estate working for you®

DRAFT 2-10-2021

WRITTEN TESTIMONY OF
GLADYS QUINTO MARRONE
EXECUTIVE DIRECTOR
NAREIT HAWAII
OFFERING COMMENTS ON HB 286
BEFORE THE HAWAII HOUSE
COMMITTEE ON ECONOMIC DEVELOPMENT

THE HONORABLE SEAN QUINLAN, CHAIR
THE HONORABLE DANIEL HOLT, VICE-CHAIR

HEARING ON HB 286
FEBRUARY 10, 2021
9:30 A.M.
VIA VIDEOCONFERENCE – ROOM 312

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

nareithawaii.com

Nareit Hawaii Real estate working for you®

Dear Chair Quinlan, Vice-Chair Holt, and Members of the House Committee on Economic Development:

On behalf of Nareit Hawaii, thank you for the opportunity to submit testimony on H.B. 286, which would require REITs 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.

Nareit Hawaii offers the following **comments**:

1) While we do not oppose H.B. 286, 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 in and have substantial long-term investments in Hawaii, provide thousands of jobs and every day services, and is 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.

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

nareithawaii.com

HB 286, RELATING TO REAL ESTATE INVESTMENT TRUSTS

FEBRUARY 10, 2021 · HOUSE ECONOMIC DEVELOPMENT COMMITTEE · CHAIR REP. SEAN QUINLAN

POSITION: Support.

RATIONALE: Imua Alliance supports HB 286, relating to taxation of real estate investment trusts, which 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, and imposes a daily monetary fine for noncompliance.

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.

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

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

HOUSE BILL 286, RELATING TO REAL ESTATE INVESTMENT TRUSTS

FEBRUARY 10, 2021 · HOUSE ECONOMIC DEVELOPMENT COMMITTEE · CHAIR SEN. SEAN QUINLAN

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports HB 286, relating to real estate investment trusts, which 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, and imposes a daily monetary fine for noncompliance.

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

ALEXANDER & BALDWIN
PARTNERS FOR HAWAI'I

HB 286
RELATING TO REAL ESTATE INVESTMENT TRUSTS

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

FEBRUARY 10, 2021

Chair Quinlan and Members of the House Committee on Economic Development:

I am Paul Oshiro, offering comments on behalf of Alexander & Baldwin (A&B) on HB 286, "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, shopping centers, and commercial buildings 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 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.

LATE

HB-286
Submitted on: 2/9/2021 11:05:43 AM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Winifred Ching	Faith Action	Support	No

Comments:

Hawaii is suffering economic loses in many places. Where can we find more revenue to help our state? There are millions of dollars we can find if we see how much money Real Estate Investment Trusts (REIT) make. This is a start. But does not go far enough.

There are so many corporations, hotels, shopping centers and other commercial properties in Hawaii that are held in a Real Estate Investment Trust (REIT). This puts these entities in a special tax bracket. They pay lower corporate taxes on their profits. Because their profits are distributed to their investors. In turn the investors pay their taxes in the state they live in. If we looked carefully at where these investors live, we might find that about 90% of them live outside of Hawaii. We are guessing that the REITs in Hawaii own about $17 billion worth of Hawaiian Real Estate and make about $1 billion in profit. That means Hawaii loses an estimated $60 million in potential tax revenue! We need to revise the REIT law itself!

Let us keep that kind of revenue in Hawaii! Money made in Hawaii should be kept here! This is Winifred Ching, Hawaii tax payer. I happily pay my taxes because I know my tax stays in Hawaii. I support this bill.

LATE

HB-286
Submitted on: 2/9/2021 11:55:42 AM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

Dear Members of the Committee on Economic Development,

I am a retired United Church of Christ clergyperson who has lived in Hawai`i for over 40 years. I am writing in support of HB 286 relating to the taxation of REIT's.

I have a primary argument to make in support of the bill. Profits generated from Real Estate Investment Trusts on property held in Hawai`i should be taxed by the State of Hawai`i and the taxes generated should be directed to the State of Hawai`i.

The passage of this bill is even more timely now when the State of Hawai`i is seeking new forms of revenue in order to make up the deficit in income as a result of the coronavirus epidemic.

Please vote affirmatively for HB 286. The bottom line is that fairness dictates that profits from investment property in Hawai`i should be taxed by the State of Hawai`i to benefit the people of Hawai`i.

Yours truly,

The Rev. D. Neal MacPherson

LATE

HB-286
Submitted on: 2/9/2021 12:10:33 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

As the nation deals with the COVID -19 pandemic, Hawaii is reverberating from major losses of revenue. Deep government spending cuts would have a catastrophic effect on our already hurting economy and our people. We need to ensure that those in need continue to receive essential services.

For the last several years, taxation on REITS as been an ongoing issue as both sides argue that their opponents rely on faulty figures. This bill gives lawmakers the opportunity to set the record straight on REITS by requiring that they submit information on assets and revenues on an annual basis.

Transparency is a good thing. I support this bill. Thank you.

Elizabeth Nelson

Kaneohe

LATE

HB-286
Submitted on: 2/9/2021 12:18:01 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

I support the fair taxation of all corporate entities. REITs have been given special status of exemption from taxation of profits and I beleive that this is unwise policy. Please change this inequity of our taxation policy on REITs.

LATE

HB-286
Submitted on: 2/9/2021 12:19:46 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Michael Golojuch Jr	LGBT Caucus of the Democratic Party of Hawaii	Support	No

Comments:

Aloha Representatives,

The LGBT Caucus of the Democratic Party of Hawai'i supports HB 286.

Mahalo,

Michael Golojuch, Jr.
Chair
LGBT Caucus of the Democratic Party of Hawai'i

LATE

HB-286
Submitted on: 2/9/2021 12:24:06 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

I support REITs reporting their assets and revenues, but I am disappointed that this bill does not do what it really should do. That is tax them at the same rates as other corporations.

LATE

HB-286
Submitted on: 2/9/2021 1:12:03 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Nanea Lo	Individual	Support	No

Comments:

Hello,

My name is Nanea Lo and I'm a lifelong resident and Kanaka Maoli of Hawai‘i. I fully support HB286. 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, revenue, deductions, tax status, among other factors will be necessary to more accurately assess how much REITs affect our economy.

Please support this bill.

me ke aloha ‘Ä• ina,

Nanea Lo

LATE

HB-286
Submitted on: 2/9/2021 2:51:32 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
William Bekemeier	Individual	Support	No

Comments:

So much potential tax revenue gets "exported" out of the state because of the REIT's loopholes. These real estate owners benefit from all of the services and facilities provided by the State, but are not held accountable for taxes to support them. They rely instead on the taxes paid by local residents. Even though tourism has increased markedly over the last few decades, taxes income had dropped significantly because of these legal tax dodges. Let's fix the laws!!

LATE

HB-286
Submitted on: 2/9/2021 3:14:20 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

Dear Committee Chair Quinlan, Vice Chair Holt and members of the committee

I urge you to support HB286 as a means to support fair and equitable taxation for all involved in our State's economy. I support the involvement of corporations organized as REITs in our economy but, when one group is expempt from paying State income tax, the burden is effectively increased on everyone else. Corporate income tax is, of course, only paid on profits so the burden is light on REITs and other companies that are suffering in the current economy. As our economy improves the increased revenue to the State will help pay for the long-term investments our State is now having to make as we rebuild our economy and support our people.

HB286 is fiscally sound and it more equitably distributes the burden of supporting our State government among all those who benefit.

thank you,

Keith Webster/ Kaneohe, HI

LATE

HB-286
Submitted on: 2/9/2021 3:18:54 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Kelsey Mills	Individual	Support	No

Comments:

I strongly support this measure.

LATE

HB-286
Submitted on: 2/9/2021 3:29:19 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Barbara J. Service	Individual	Support	No

Comments:

Please pass HB286, so that REIT's will have to report their income and assets to the tax office.

Mahalo for your consideration.

Barbara J. Service MSW (ret.)

Senior Advocate

LATE

HB-286
Submitted on: 2/9/2021 3:38:21 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

Our small and local businesses pay taxes to operate here. Other corporations pay taxes. I pay my income taxes. REITs need to pay their fair share on income taxes. If they actually had an overwhelming majority of shareholders living in Hawai'i, then it'd make sense to continue deferral of the dividends to the shareholders. However, why should the people of Hawaiʻi effectively subsidize REITs shareholders who live in other states? Why should REITs get to take advantage of loopholes while using land and infrastructure resources that our community needs so that residents can actually afford our housing and thrive despite the high cost of living? Our state needed this revenue when this first passed and was vetoed by the Governor. Now, in this pandemic-restricted budget situation, we need this revenue even more. Tax the REITs.

LATE

HB-286
Submitted on: 2/9/2021 3:58:27 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

I am writing in support of HB286. REITs should be taxed as a matter of equity, just as every
other corporation operating here is taxed. Hawai'i is losing millions in tax revenue because a tax loophole excludes REITs from paying its fair share of taxes.

This is a issue of justice, especially now. With so many low wage earners being furloughed or cut entirely due to the pandemic, our state needs our fair share of taxes from these wealthy trusts.

Sincerely,

Rev. Amy C. Wake

Trinity United Methodist Church

Pearl City, Hawaii

LATE

HB-286
Submitted on: 2/9/2021 4:06:13 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

This concept was wise even before our state was facing its current financial crisis. It is even more wise now.

Thank you for the opportunity to submit testimony.

LATE

TO: **HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT**
Rep. Sean Quinlin, Chair
Rep. Daniel Holt, Vice-Chair

FROM: Eldon L. Wegner, Ph.D.
Professor Emeritus in Sociology, UH-Manoa

SUBJECT: **HB 286 Relating to Real Estate Investment Trusts**

HEARING: **Wednesday February 10, 2021, 9:00 am**
Conference Room 312, Hawaii State Capitol

POSITION: Support with suggested amendments. Currently, REITS allow individuals to avoid paying Hawaii state taxes on the profits from business transactions in the state of Hawaii. This bill would end this unfair practice by closing that loophole. However, we suggest an amendment that the additional revenue be channeled into affordable housing and programs to end homelessness.

RATIONALE:

I am offering my testimony as an individual. I am a Professor Emeritus in Sociology, UH-Manoa. I belong to Faith Action and Church of the Crossroads. This bill is a priority for Faith Action Church of the Crossroads in the current legislative session.

Real Estate Investment Trusts (REITs) are corporations that use a loophole to avoid the Hawaii corporate tax. HB 286 would require that real estate investment trusts notify the department of taxation of their presence within the State and to report the assets and revenues generated annually. Imposes a daily monetary fine for noncompliance.

Passage of HB 286 will be useful in understanding the role and impact of existing REITS on the revenue of the State of Hawaii. Transparency will enable the Legislature and State Administration to understand the scope of the program in giving away potential state revenue to wealthy individuals and corporations.

Thanks you for the opportunity for me to submit testimony.

Sincerely,
Eldon L. Wegner, Ph.D.

LATE

HAWAI'I ALLIANCE for PROGRESSIVE ACTION

Hawai'i Alliance for Progressive Action (HAPA) Supports: HB 286

House Committee on Economic Development

Wednesday, February 10th, 2021 9:30 am

Aloha Chair Quinlan, Vice Chair Holt and Members of the Committee,

Hawaiʻi Alliance for Progressive Action (HAPA) supports HB 286, which requires Real Estate Investment Trusts (REIT's) to notify the Department of Taxation of its presence within the State and to report the assets and revenues generated annually. It will also impose a daily monetary fine for non-compliance.

Hawai'i will face major budget shortfalls for the foreseeable future as the nation deals with the impacts of the pandemic, high unemployment rates and an economic recession. HAPA does not support deep government spending cuts to address these shortfalls, which would have a catastrophic effect on our already hurting economy.

However, REITs play a significant role in Hawai'i's economy, yet the assets and revenues generated are not reported to and recorded accurately by the State of Hawaiʻi. Transparency on assets, revenues, deductions, tax status (among other factors) will be necessary to more accurately assess how REITs affect our economy. HB 286 will allow the State to evaluate how much revenue is lost by keeping the dividends paid deduction in place for REITs.

REITs already report this same information to the IRS. We believe REITs should provide the State any and all information it provides to the IRS.

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.

During a time when we should be looking for every opportunity to close the deficit, accurate information around progressive tax options will be critical.

Please support HB 286. Thank you for your consideration.

Respectfully,

Anne Frederick
Executive Director

LATE

HB-286
Submitted on: 2/9/2021 5:16:30 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Marian Heidel	Individual	Support	No

Comments:

I strongly support this bill; we have so many corporations that have their "homes" outside of Hawaii, but because their investors live elsewhere, they pay taxes to the states where they reside, but the work is done and the income made is here in Hawaii. They should be paying taxes HERE . They should be at least listed here and their profits be open and transparent. If the REITS bill ever passes, it will be necessary to have the information that HB 286 will provide.

Marian Heidel, Kailua, HI 96734

LATE

HB-286
Submitted on: 2/9/2021 5:56:29 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
cathy lee	Individual	Support	No

Comments:

There's been an absurd back and forth for the past 8 years on what REITs' actual assets, revenue, taxable income, or even their status looks like. Both sides will unfailingly state that the opponents figures are misleading. With this bill, we can set straight the record once and for all. Even without the debate around repealing the dividends paid deduction, the State can only benefit from more transparency around REITs operations within the State. Whatever REITs submit to the IRS at the federal level should be submitted to the State for clean recordkeeping. This is just a common sense law for any type of business structure operating in the State. Moreover, given the dire economic strain the nation is currently under, Hawaii will want clean and accurate information to better assess how it will deal with its budget. This information will be critical in identifying potential opportunities that might meaningfully help the State over the next few years as we claw our way out of this recession.

LATE

HB-286
Submitted on: 2/9/2021 7:54:32 PM
Testimony for ECD on 2/10/2021 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, which requires real estate investment trusts (REITs) to notify the Department of Taxation of its presence within the State and to report the assets and revenues generated annually.

REITs are a substantial part of Hawaii's economy. They report their assets and revenues to the IRS, but they don't report this information to the Hawaii Department of Taxation or any other State agency.

Bills have been introduced in the Legislature to apply Hawaii's corporate tax to REITs, but estimates of the tax revenue that would be generated differ greatly. This bill will aid in understanding the revenue the State would experience by applying its corporate tax to REITs.

The Covid-19 pandemic has had a devastating impact on Hawaii's economy and the State budget. Applying Hawaii's corporate tax to REITs may raise tens of millions of dollars, which would help reduce the deficits in the State budget.

Transparency is necessary for accountability. REITs should provide the State the same information it provides to the IRS.

LATE

Testimony HB 286
Hearing February 10, 2021

How many REITs in Hawaii take part, or invest in, in the construction of new buildings on formerly undeveloped land?

My understanding is that REITs buy properties in Hawaii which are already developed and improved with condos, hotels, shopping centers, senior care facilities, etc. In other words, the REIT risk is not in development, which is a substantial risk in Hawaii, but in operating an existing operation to generate a profit.

Some people often refer to the "substantial investments" made by REITs in Hawaii. May be true, but I think that most, if not all REIT investments, are made purely to extract an existing income stream from tenants.

It would be interesting to see how many REITs have invested in Hawaii in a project "from the ground up" so to speak. Bought the land, obtained the permits and a zillion approvals, did the construction, obtained tenants - a process that takes years before any actual income from the project is realized. That is a true "investment". Buying property for investment from the ground up has always received some sort of tax break from the State, like tax credits, deferred property taxes, whatever. But the income earned from that investment is taxable.

And so should the income earned by an REIT. Was the owner of a shopping center paying taxes on income earned from the center before the sale to an REIT? The playing field is not level.

I believe that anyone, including a corporation or an REIT, who buys an existing income generating property should of course pay income taxes on the net income generated by that property, same as anyone else. There is no benefit to the state to forgive income taxes on earned income from rentals.

Sincerely,

Frank Jahrling

LATE

HB-286
Submitted on: 2/9/2021 9:06:23 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

This is a good year to take action in holding REITS revenue accountable to the state of Hawaii.

LATE

HB-286
Submitted on: 2/9/2021 9:08:01 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

In addition to transparency, the state of Hawaii needs to estabish tax on real estate investment trusts (REITs). REITs are revenue-generating real estate holdings. If the real estate they own and operate were held by a regular business, they would be subject to taxation; all businesses should pay their fair share of taxes, including REITs. REITs are structured to advantage their investors; the overwhelming majority of REIT investors are not Hawaiʻi residents and therefore the tax advantages do not benefit locals.

Given the hardships families in Hawaii are facing today, it is time for everyone who benefits from Hawaii's resources to pay their fair share.

LATE

HB-286
Submitted on: 2/9/2021 9:18:37 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Dylan Armstrong	Individual	Support	No

Comments:

I am in strong support of taxing REITs and closing taxation loopholes on REITs. The trusts are maximally exploiting our housing market, and outcompeting local demand for real estate. This measure will aid the Department of Taxation in collecting revenue from REITs through disclosure requirements.

Thank you Representatives Tam, Ganaden, et al for introducing this important bill. Please vote in favor.

Best,
Dylan Armstrong

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-286

Submitted on: 2/9/2021 10:28:43 PM

Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

I strongly support this bill. HB286 will finally lay a solid foundation to start holding REITs accountable for the revenue they enjoy as they benefit from Hawai`i's land and resources.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-286
Submitted on: 2/9/2021 11:04:37 PM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Erik Horn	Individual	Support	No

Comments:

I support this measure. I believe we should go further and tax the REITs, but if we must first use sunshine as disinfectant, lets do so.

A lot of the discussion can and should be centered around what REITs were created to do. They are a tax advantaged platform for managing real estate portfolios. They are not designed to contribute to our economy, they are designed to collect rent checks. A rent seeking activity is not a productive activity. Allowing the tax advantaged status of REITS creates a market distortion. A market distortion large enough to convince a historical conglomerate, Alexander and Baldwin, to drop all productive capacity and agricultural operations to conform to the structure of a REIT. Is our Hawaii economy truly more resilient with its sugarcane fields closed down so A&B can better collect rent checks from tourist kiosks and supermarkets?

The flight of capital from diversified industries to property value inflation is the face of REIT induced distortion in Hawaii. It makes gentrification the best way to deploy capital in our state. We should take this distortion behind the shed and axe it immediately. But given that this bill asks only for the most minimal oversight, this is not the path being immediately taken. Yet it is a step on that path to the axe and the shed and will lead there eventually. That is why I support this measure and the one-day even playing field for all business in Hawaii that will come from it.

Erik Horn

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

Charley Ice
98-633 Kilinoe Street, 'Aiea, Puuloa

Friday, February 10, 2021, 9:00 am

House Committee on Economic Development
HOUSE BILL 286 – RELATING TO REAL ESTATE INVESTMENT TRUSTS

Position: Support

Me ke Aloha, Chair Sean Quinlan, Vice-Chair Daniel Holt, and Members of the Committee on Economic Development:

Mahalo for this opportunity to support adequate information reporting by Real Estate Investment Trusts (REITs) to the Department of Taxation.

There are serious disagreements about whether Real Estate Investment Trusts are fully beneficial to Hawaii. Repeated attempts to address conflicting concerns have been stymied by a lack of accurate information regarding the proceeds from these trusts, which figure so prominently in Hawaii real estate, being the owners of major hotels and shopping centers. Where is the income from these lucrative Hawaii investments paid? These properties play a major role in the life and economy of Hawaii, and many voices are concerned that a proper accounting is available to determine appropriate economic accountability.

The purpose of this bill is to require REITs to respond to the Department of Taxation request to provide information regarding the legal entity of the Real Estate Investment Trust, and to report its tax liabilities with the United States Internal Revenue Service. Please approve this measure to provide a foundation for decision-making regarding proper accountability to the Hawaii economy.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-286
Submitted on: 2/10/2021 2:33:14 AM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

Dear chair and members of the committee

Please pass this bill.

It calls for openness and transparency of all corporations that profit from the land and other resources of Hawaii. REITs profit greatly from owning property in Hawaii. They need to report exactly what their assets, revenues, deductions, tax status, etc. are, just as every other non-REIT business in Hawaii does. Citizens need to have this information available.

I and many citizens look forward to knowing this information and depend on you, our leaders, to make this transparency possible.

Thank you.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-286
Submitted on: 2/10/2021 5:54:22 AM
Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
C. Kaui Lucas	Individual	Support	No

Comments:

Dear Legislators-

Not only should REITS pay their fair share of taxes, but the current loophole penalizes small local developers who DO pay thier taxes. I avoid spending money at places I know are REITS, like Ala Moana or Pealridge. The most galling is A&B's reformation as a REIT a couple years ago just to avoid taxes. Auwe.

In a year where desperate measures like furlohs and program cuts are contemplated, this is a no-brainer for increasing state tax revenues.

Please pass HB286.

mahalo,

Kaui Lucas

YOUNG PROGRESSIVES DEMANDING ACTION

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

10 Feb 2021

TO: Members of ECD Committee
RE: Testimony in Support of HB286

Dear Representatives,

YPDA expresses it's support for this measure.

On the homepage of the National Association of Real Estate Investment Trust's (NAREIT) Hawaii homepage, NAREIT touts the "affordable student housing" built at Hale Mahana as the first example of the benefits REITs bring to Hawai'i. This example is perhaps more fitting than the NAREIT intended.

In the first place, it demonstrates a laughable definition of affordable. The cheapest price found on Hale Mahana's floor plans was $1,300 for a *shared* bedroom. For reference a shared one bedroom at market rates would be around $700. Meaning the NAREIT apparently considers units at nearly twice the market rate as "affordable". Add to this that, as covered in the Star Advertiser and elsewhere, the developer proceeded with so little regard for it's neighbours—blocking entrances and closing shared easements without notice—that local businesses in the neighbouring retail block all experienced sharp decreases in revenue and one of Hawai'i's first organic groceries—Kokua Market—nearly went out of business entirely.

REITs play a significant role in Hawai'i's profitable real estate market. Their net contribution to our economy remains a subject of controversy. As the NAREIT itself happily demonstrates through Hale Mahana, their definition of benefits may not square with out own.

One thing we can know for sure is that REIT's contribute to growing income and wealth inequality by shielding capital gains and profits that are already taxed at a lower rate then the middle class, allowing for more wealth accumulation at the top which, as pointed out by

George Mason University Professor Jack Goldstone, is a primary driver of socioeconomic instability.

It is clear that, we must more fully understand the roles of REITs in our because despite the claims of NAREIT, even their best evidence is dubious.

Mahalo for the opportunity to testify,

Micah M Hicks
Economic Justice Chair 2020-2021
action@ypdahawaii.org

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-286
Submitted on: 2/10/2021 8:40:01 AM
Testimony for ECD on 2/10/2021 9:30:00 AM

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

Comments:

This measure is a "no-brainer." For years, the REITs have avoided taxes they should have been paying and other states got the monies we should have receied. Now, we are in our most severe fiscal crisis in history and this law can generate millions of needed dollars. Please act on it.

Noel Kent UH Manoa Professor Emeritus