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# 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 make inoperative  
2 the mortgage interest deduction for second homes under Hawaii  
3 income tax law and transfer funds equivalent to the amount  
4 derived from the suspension of the deduction into the general  
5 fund.

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

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

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

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

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

17           [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 of

13       1986, as amended, and, following this calculation, by

14       September 1, shall report the amount to the director of finance.

15       SECTION 4. The department of budget and finance, in

16       consultation with the department of taxation, shall submit a

17       report on the administration of this Act to the legislature no

18       later than twenty days prior to the convening of the 2023, 2024,

19       2025, and 2026 regular sessions.

20       SECTION 5. Statutory material to be repealed is bracketed

21       and stricken. New statutory material is underscored.

1 SECTION 6. This Act, upon its approval, shall apply to  
2 taxable years beginning after December 31, 2021.



**Report Title:**

Income Tax; Mortgage Interest Deduction

**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 general fund. (SD1)

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

