

JAN 18 2023

---

---

# 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.

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

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

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

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

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

15           [and]

16           (4) Section 163(h)(4)(A)(i)(II) (definition of qualified  
17 residence for home mortgage interest deduction);



1        (5) Section 163(h)(4)(A)(ii)(II) (treatment of home  
2        mortgage interest deduction for married individuals  
3        filing separately); and

4        [~~4~~] (6) Section 163(i)(1) as it applies to debt  
5        instruments issued after January 1, 2010 (defining  
6        AHYDO)."

7        SECTION 3. The department of taxation shall annually  
8        calculate the amount of state revenue gained in the previous  
9        taxable year by making non-operative section 163(h)(4)(A)(i)(II)  
10       and section 163(h)(4)(A)(ii)(II) of the Internal Revenue Code of  
11       1986, as amended, for the purposes of chapter 235, Hawaii  
12       Revised Statutes, and, following this calculation, by  
13       September 1 of each year, shall report the amount of state  
14       revenue gained 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 2024, 2025,  
19       2026, and 2027 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 Statutory material to be repealed is bracketed  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, 2022.

3

INTRODUCED BY:

A handwritten signature in black ink, appearing to be 'BTS', is written over a horizontal line.



# S.B. NO. 142

**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 report the revenue gained to the Director of Finance by September 1 of each year.

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

