

MAR 08 2024

SENATE RESOLUTION

REQUESTING THE DEPARTMENT OF TAXATION TO CONDUCT A STUDY ON
DISALLOWING THE DIVIDENDS PAID DEDUCTION FOR REAL ESTATE
INVESTMENT TRUSTS.

1 WHEREAS, real estate investment trusts were established by
2 the federal government to give investors, especially small
3 investors, access to income-producing real estate; and
4

5 WHEREAS, the Internal Revenue Code allows a dividends paid
6 deduction to the real estate investment trust, thereby allowing
7 the real estate investment trust to not pay tax on income
8 distributed to its shareholders, who would then pay tax on that
9 income; and
10

11 WHEREAS, existing state law conforms to these provisions
12 but creates an anomaly because a real estate investment trust
13 that does business in Hawaii and pays dividends to shareholders
14 outside the State results in no Hawaii income tax collected,
15 because shareholders pay tax on dividends to the state in which
16 they reside, not where the income was generated; and
17

18 WHEREAS, while some real estate investment trusts that do
19 business in Hawaii have shareholders who reside in the State, a
20 substantial majority do not; and
21

22 WHEREAS, real estate investment trusts own more real estate
23 in Hawaii per capita than in any other state; now, therefore,
24

25 BE IT RESOLVED by the Senate of the Thirty-second
26 Legislature of the State of Hawaii, Regular Session of 2024,
27 that the Department of Taxation is requested to conduct a study
28 on the advantages and disadvantages of disallowing the dividends
29 paid deduction for real estate investment trusts; and
30

31 BE IT FURTHER RESOLVED the study is requested to estimate
32 the change in revenue collected by the State after disallowing
33 the dividends paid deduction, including the impact to the amount
34 of general excise taxes collected from the operation of hotels
35 owned by real estate investment trusts, other corporate income



1 tax deductions that real estate investment trusts could take,
2 and any differences in the levels of maintenance and capital
3 improvements to properties between real estate investment trusts
4 and non-real estate investment trust owners; and

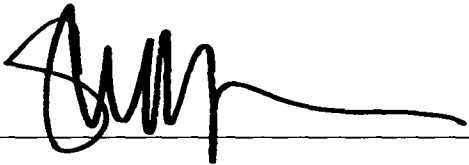
5
6 BE IT FURTHER RESOLVED that the study consider other
7 states' treatment of the dividends paid deduction for real
8 estate investment trusts, and any impacts or effects resulting
9 therefrom; and

10
11 BE IT FURTHER RESOLVED that the study consider possible
12 exceptions to disallowing the dividends paid deduction for real
13 estate investment trusts, and any impacts or effects resulting
14 therefrom; and

15
16 BE IT FURTHER RESOLVED that a certified copy of this
17 Resolution be transmitted to the Director of Taxation.

18
19
20

OFFERED BY:



A handwritten signature in black ink is written over a horizontal line. The signature is stylized and appears to consist of several loops and a long horizontal tail.

