

Honolulu, Hawaii

FEB 10 2025

RE: S.B. No. 123
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2025
State of Hawaii

Sir:

Your Committee on Housing, to which was referred S.B. No. 123
entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to:

- (1) Eliminate the home mortgage interest deduction for
second homes under Hawaii income tax law; and
- (2) Require reports to the Legislature.

Your Committee received testimony in opposition to this
measure from the Hawai'i Association of REALTORS.

Your Committee received comments on this measure from the
Department of Taxation, Department of Budget and Finance, Tax
Foundation of Hawaii, and Maui Chamber of Commerce.

Your Committee finds that the mortgage interest deduction
allows homeowners who itemize deductions on their taxes to deduct
mortgage interest attributable to a primary residence, second home
debt, and interest paid on home equity debt. However, in light of
the State's ongoing housing shortage, your Committee finds that tax
incentives should be directed toward helping residents with
purchasing their first primary residence, rather than encouraging



the wealthiest of residents to own second homes. Eliminating the mortgage interest deduction for second homes will help the State expand access to additional housing. Accordingly, this measure offers the potential for additional revenue generation and the collection of critical data to measure its effectiveness.

Your Committee notes the concerns raised in the Department of Taxation's testimony regarding the type of information to be collected and reported to the Legislature. According to its testimony, no reporting specifics are established in the measure and the Department would be unable to provide information such as any revenue gained as a result of eliminating the deduction for mortgage interest for second homes. Your Committee finds this issue merits further consideration and requests that subsequent committees consider specifying the content of the reports as this measure moves through the legislative process.

Your Committee has amended this measure by 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 Housing that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 123, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 123, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committee on Housing,


STANLEY CHANG, Chair



Record of Votes Committee on Housing HOU

*Only one measure per Record of Votes