
A BILL FOR AN ACT

RELATING TO TAXATION OF REAL ESTATE INVESTMENT TRUSTS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to disallow
2 dividends paid deductions for real estate investment trusts and
3 subject the dividends to the same tax treatment as dividends
4 paid by other corporations.

5 SECTION 2. Section 235-2.3, Hawaii Revised Statutes, is
6 amended by amending subsection (b) to read as follows:

7 "(b) The following Internal Revenue Code subchapters,
8 parts of subchapters, sections, subsections, and parts of
9 subsections shall not be operative for the purposes of this
10 chapter, unless otherwise provided:

11 (1) Subchapter A (sections 1 to 59A) (with respect to
12 determination of tax liability), except section
13 1(h) (2) (relating to net capital gain reduced by the
14 amount taken into account as investment income),
15 except sections 2(a), 2(b), and 2(c) (with respect to
16 the definition of "surviving spouse" and "head of
17 household"), except section 41 (with respect to the



1 credit for increasing research activities), except
2 section 42 (with respect to low-income housing
3 credit), except sections 47 and 48, as amended, as of
4 December 31, 1984 (with respect to certain depreciable
5 tangible personal property), and except section
6 48(d)(3), as amended, as of February 17, 2009 (with
7 respect to the treatment of United States Department
8 of Treasury grants made under section 1603 of the
9 American Recovery and Reinvestment Tax Act of 2009).
10 For treatment, see sections 235-110.91, 235-110.7, and
11 235-110.8;

12 (2) Section 78 (with respect to dividends received from
13 certain foreign corporations by domestic corporations
14 choosing foreign tax credit);

15 (3) Section 86 (with respect to social security and tier 1
16 railroad retirement benefits);

17 (4) Section 91 (with respect to certain foreign branch
18 losses transferred to specified 10-percent owned
19 foreign corporations);

20 (5) Section 103 (with respect to interest on state and
21 local bonds). For treatment, see section 235-7(b);



1 (6) Section 114 (with respect to extraterritorial income).

2 For treatment, any transaction as specified in the
3 transitional rule for 2005 and 2006 as specified in
4 the American Jobs Creation Act of 2004 section 101(d)
5 and any transaction that has occurred pursuant to a
6 binding contract as specified in the American Jobs
7 Creation Act of 2004 section 101(f) are inoperative;

8 (7) Section 120 (with respect to amounts received under
9 qualified group legal services plans). For treatment,
10 see section 235-7(a)(9) to (11);

11 (8) Section 122 (with respect to certain reduced uniformed
12 services retirement pay). For treatment, see section
13 235-7(a)(3);

14 (9) Section 135 (with respect to income from United States
15 savings bonds used to pay higher education tuition and
16 fees). For treatment, see section 235-7(a)(1);

17 (10) Section 139C (with respect to COBRA premium
18 assistance);

19 (11) Subchapter B (sections 141 to 150) (with respect to
20 tax exemption requirements for state and local bonds);



- 1 (12) Section 151 (with respect to allowance of deductions
2 for personal exemptions). For treatment, see section
3 235-54;
- 4 (13) Section 179B (with respect to expensing of capital
5 costs incurred in complying with Environmental
6 Protection Agency sulphur regulations);
- 7 (14) Section 181 (with respect to special rules for certain
8 film and television productions);
- 9 (15) Section 196 (with respect to deduction for certain
10 unused investment credits);
- 11 (16) Section 199 (with respect to the U.S. production
12 activities deduction);
- 13 (17) Section 199A (with respect to qualified business
14 income);
- 15 (18) Section 222 (with respect to qualified tuition and
16 related expenses);
- 17 (19) Sections 241 to 247 (with respect to special
18 deductions for corporations). For treatment, see
19 section 235-7(c);



- 1 (20) Section 250 (with respect to foreign-derived
2 intangible income and global intangible low-taxed
3 income);
- 4 (21) Section 267A (with respect to certain related party
5 amounts paid or accrued in hybrid transactions or with
6 hybrid entities);
- 7 (22) Section 280C (with respect to certain expenses for
8 which credits are allowable). For treatment, see
9 section 235-110.91;
- 10 (23) Section 291 (with respect to special rules relating to
11 corporate preference items);
- 12 (24) Section 367 (with respect to foreign corporations);
- 13 (25) Section 501(c)(12), (15), (16) (with respect to exempt
14 organizations); except that section 501(c)(12) shall
15 be operative for companies that provide potable water
16 to residential communities that lack any access to
17 public utility water services;
- 18 (26) Section 515 (with respect to taxes of foreign
19 countries and possessions of the United States);



- 1 (27) Subchapter G (sections 531 to 565) (with respect to
2 corporations used to avoid income tax on
3 shareholders);
- 4 (28) Subchapter H (sections 581 to 597) (with respect to
5 banking institutions), except section 584 (with
6 respect to common trust funds). For treatment, see
7 chapter 241;
- 8 (29) Section 642(a) and (b) (with respect to special rules
9 for credits and deductions applicable to trusts). For
10 treatment, see sections 235-54(b) and 235-55;
- 11 (30) Section 646 (with respect to tax treatment of electing
12 Alaska Native settlement trusts);
- 13 (31) Section 668 (with respect to interest charge on
14 accumulation distributions from foreign trusts);
- 15 (32) Subchapter L (sections 801 to 848) (with respect to
16 insurance companies). For treatment, see sections
17 431:7-202 and 431:7-204;
- 18 (33) Section 853 (with respect to foreign tax credit
19 allowed to shareholders). For treatment, see section
20 235-55;



- 1 (34) Section 853A (with respect to credits from tax credit
2 bonds allowed to shareholders);
- 3 (35) Section 857(b)(2)(B) (with respect to the dividends
4 paid deduction for real estate investment trusts);
- 5 ~~[(35)]~~ (36) Subchapter N (sections 861 to 999) (with respect
6 to tax based on income from sources within or without
7 the United States), except sections 985 to 989 (with
8 respect to foreign currency transactions). For
9 treatment, see sections 235-4, 235-5, and 235-7(b),
10 and 235-55;
- 11 ~~[(36)]~~ (37) Section 1042(g) (with respect to sales of stock
12 in agricultural refiners and processors to eligible
13 farm cooperatives);
- 14 ~~[(37)]~~ (38) Section 1055 (with respect to redeemable ground
15 rents);
- 16 ~~[(38)]~~ (39) Section 1057 (with respect to election to treat
17 transfer to foreign trust, etc., as taxable exchange);
- 18 ~~[(39)]~~ (40) Sections 1291 to 1298 (with respect to treatment
19 of passive foreign investment companies);
- 20 ~~[(40)]~~ (41) Subchapter Q (sections 1311 to 1351) (with
21 respect to readjustment of tax between years and



1 special limitations), except for section 1341 (with
2 respect to computation of tax where taxpayer restores
3 substantial amount held under claim of right);

4 ~~[(41)]~~ (42) Subchapter R (sections 1352 to 1359) (with
5 respect to election to determine corporate tax on
6 certain international shipping activities using per
7 ton rate);

8 ~~[(42)]~~ (43) Subchapter U (sections 1391 to 1397F) (with
9 respect to designation and treatment of empowerment
10 zones, enterprise communities, and rural development
11 investment areas). For treatment, see chapter 209E;

12 ~~[(43)]~~ (44) Subchapter W (sections 1400 to 1400C) (with
13 respect to District of Columbia enterprise zone);

14 ~~[(44)]~~ (45) Section 1400O (with respect to education tax
15 benefits);

16 ~~[(45)]~~ (46) Section 1400P (with respect to housing tax
17 benefits);

18 ~~[(46)]~~ (47) Section 1400R (with respect to employment
19 relief);

20 ~~[(47)]~~ (48) Section 1400T (with respect to special rules for
21 mortgage revenue bonds);



1 ~~[(48)]~~ (49) Section 1400U-1 (with respect to allocation of
2 recovery zone bonds);

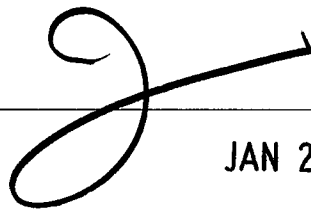
3 ~~[(49)]~~ (50) Section 1400U-2 (with respect to recovery zone
4 economic development bonds); and

5 ~~[(50)]~~ (51) Section 1400U-3 (with respect to recovery zone
6 facility bonds)."

7 SECTION 3. Statutory material to be repealed is bracketed
8 and stricken. New statutory material is underscored.

9 SECTION 4. This Act, upon its approval, shall apply to
10 taxable years beginning after December 31, 2025.

11
INTRODUCED BY:


JAN 21 2025



H.B. NO. 947

Report Title:

Taxation; Real Estate Investment Trusts; Dividends Paid
Deduction

Description:

Disallows the dividends paid deduction for real estate
investment trusts. Applies to taxable years beginning after
12/31/2025.

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not legislation or evidence of legislative intent.*

