



**DEPARTMENT OF BUSINESS,
ECONOMIC DEVELOPMENT & TOURISM**
KA 'OIHANA HO'OMOHALA PĀ'OIHANA, 'IMI WAIWAI
A HO'OMĀKA'IKA'I

JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR

JAMES KUNANE TOKIOKA
DIRECTOR

DANE K. WICKER
DEPUTY DIRECTOR

No. 1 Capitol District Building, 250 South Hotel Street, 5th Floor, Honolulu, Hawaii 96813
Mailing Address: P.O. Box 2359, Honolulu, Hawaii 96804
Web site: dbedt.hawaii.gov

Telephone: (808) 586-2355
Fax: (808) 586-2377

Statement of
JENNIFER CHUN
ACTING ADMINISTRATOR
Research and Economic Analysis Division,
Department of Business, Economic Development, and Tourism
before the
Senate Committee on Ways and Means

Monday, March 2, 2026
10:31 AM
State Capitol, Conference Room 211

In consideration of
SB2362 SD1
RELATING TO TAXATION.

Chair Dela Cruz, Vice Chair Moriwaki, and members of the Committee.

The Department of Business, Economic Development and Tourism (DBEDT) offers comments on SB2362 SD1, which requires DBEDT to conduct a study evaluating the potential impacts of disallowing the dividends paid deduction for real estate investment trusts (REIT) and submit a report of its findings and recommendations.

DBEDT does not have access to state tax information associated with REITs and would need to collaborate with the Department of Taxation for aggregated tax data associated with REITs. In 2016, DBEDT published a report examining REITs and the scope of REIT investments from both the supply-side (financial advisors) and the demand-side (residents).¹ This report was based on three separate surveys: (1) Hawai'i residents, (2) financial advisors, and (3) REIT industry experts. In order to update this data, DBEDT would recommend hiring a research firm to conduct these surveys. We estimate the cost of this research project to be approximately \$250,000. Additionally, the research company would need time to conduct the survey, analyze the results, and draft the report. Therefore, we request the submission date be changed to the end of 2027. Thank you for the opportunity to testify.

¹ DBEDT (2016). Real Estate Investment Trusts in Hawai'i.
https://files.hawaii.gov/dbedt/economic/data_reports/REIT_Final_9.19.16.pdf

To: Senate Committee on Ways and Means
Re: **SB2362 SD1 – Relating to Taxation**
Hawaii State Capitol & Via Videoconference
February 25, 2026; 10:31 AM

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Committee Members,

On behalf of Hawai'i Children's Action Network (HCAN) Speaks!, I am submitting **COMMENTS on SB2362 SD1**, which requires the Department of Business, Economic Development, and Tourism (DBEDT) to study the impacts of disallowing the dividends paid deduction for real estate investment trusts (REITs) and requires a report to the Legislature.

This issue is fundamentally about fairness and economic balance. Local residents and small businesses pay taxes on income earned in Hawai'i, yet large institutional investors structured as REITs have a unique loophole that allows them to avoid paying taxes on income derived from Hawai'i properties. This creates an uneven playing field and shifts the tax burden onto local families.

In **2015**, many of you and your colleagues passed SB118, which became **Act 239**, which required, and appropriates funds for, **DBEDT, with the assistance of DOTAX, to study the impact of real estate investment trusts in Hawai'i.**¹

DBEDT completed their report in 2016,² and since then, **Alexander & Baldwin**, the state's largest owner of grocery-anchored shopping centers, has converted to REIT status.³ In other words, Alexander & Baldwin has been able to avoid paying corporate income tax to the state of Hawai'i since then.

Almost all of the REITs holding Hawai'i property are large mainland-based corporations that derive substantial income from Hawai'i, while shareholders are primarily located outside the state:

- **Brookfield Property** – owner of major retail assets including Ala Moana Center, Prince Kuhio Plaza in Hilo, and Whalers Village in Kā'anapali Beach Resort on Maui⁴
- **American Assets Trust** – owner of Waikele Center, Waikiki Beach Walk, and The Shops at Kalākaua⁵
- **Host Hotels & Resorts** – the world's largest publicly traded lodging REIT and owner of luxury hotels including the Fairmont Kea Lani on Maui and the Ritz-Carlton at Turtle Bay⁶
- **Park Hotels & Resorts** – owner of Hilton Hawaiian Village⁷
- **Sunstone Hotel Investors** – owner of Wailea Beach Marriott Resort on Maui.⁸

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https://www.capitol.hawaii.gov/session/archives/measure_indiv_Archives.aspx?billtype=SB&billnumber=118&year=2015

² https://files.hawaii.gov/dbedt/economic/data_reports/REIT_Final_9.19.16.pdf

³ <https://investors.alexanderbaldwin.com/corporate-profile>

⁴ <https://www.khon2.com/local-news/owner-of-ala-moana-center-reaches-deal-to-be-sold/>

⁵ <https://www.americanassetstrust.com/portfolio/properties>

⁶ <https://www.hosthotels.com/Our-Portfolio/Portfolio-Overview>

⁷ <https://www.crocodilebay.com/hiltons-600-unit-hawaii-timeshare-conversion-project-moves-ahead/>

⁸ <https://www.sunstonehotels.com/our-portfolio/wailea-beach-resort-marriott/>

Despite generating huge amounts of revenue from Hawai'i real estate, current tax law allows at least 90% of REITs' income to escape state taxation.⁹ According to estimates from the Hawai'i Department of Taxation, closing this loophole could increase state revenues by tens of millions of dollars each year, which was estimated to be **\$26.8 million in additional revenue in tax year 2026 alone**. This represents funding that could support essential public priorities such as affordable housing, education, and infrastructure.

This tax loophole also has implications for housing affordability. Institutional investors, including REITs, increasingly own residential and mixed-use housing in Hawai'i's already constrained housing market.¹⁰ When large mainland-based investors extract profits from Hawai'i real estate without paying their fair share of state taxes, it accelerates wealth extraction from the local economy while reducing resources available to address the state's housing shortage.

You and your colleagues have previously recognized this issue. **In 2019, the Legislature passed SB301 CD1, which disallowed the dividends paid deduction for REITs.**¹¹ If it had not been vetoed, it would have ensured that income derived from Hawai'i real estate owned by REITs was appropriately taxed at the state level and prevented revenue loss through REITs.

Closing this tax loophole will help restore equity in Hawai'i's tax system and ensure that all entities benefiting from Hawai'i's valuable real estate market contribute fairly to the public good.

Mahalo for the opportunity to provide these comments. **We do not need another study. Please restore this bill to its original version.**

Thank you,

Nicole Woo
Director of Research and Economic Policy

⁹ <https://www.nuveen.com/en-us/insights/real-estate/tax-benefits-and-implications-for-reit-investors>

¹⁰ <https://douglasemmettApartments.com/honolulu-apartments/the-residences-at-bishop-place/>

¹¹

https://www.capitol.hawaii.gov/session/archives/measure_indiv_Archives.aspx?billtype=SB&billnumber=301&year=2019

TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: Income Tax; Real Estate Investment Trusts; Dividends Paid Deduction

BILL NUMBER: SB 2362 SD1

INTRODUCED BY: EDT

EXECUTIVE SUMMARY: Requires the Department of Business, Economic Development, and Tourism to study the impacts of disallowing the dividends paid deduction for real estate investment trusts. Requires a report to the Legislature.

SYNOPSIS: The measure requires a study to be conducted by the DBEDT to evaluate the impacts of disallowing the dividends paid deduction for real estate investment trusts. Findings and any proposed legislation shall be submitted no later than 20 days prior to the 2027 regular session.

Appropriates an unspecified \$ amount for fiscal 2026-2027 to conduct such study.

EFFECTIVE DATE: July 1, 2050 .

STAFF COMMENTS: Currently under federal and state income tax law, a real estate investment trust (REIT) is allowed a dividend paid deduction, unlike most other corporations, resulting in that dividend being taxed once, to the recipient, rather than to the paying corporation and the recipient. The proposed measure would make that section of the Internal Revenue Code inoperative for Hawaii income tax purposes for tax years beginning after 12/31/25, meaning that REITs would be subject to double taxation like other corporations.

All state income tax systems in the United States, including ours, have a set of rules that are used to determine which state has the primary right to tax income. For example, most tax systems say that rent from real property is sourced to the location of the property, so if a couple in Florida rents out a property they own on Maui they can expect to pay our GET and our net income tax on that rent. These sourcing rules, which do vary by state but are relatively consistent across state lines, are there to ensure consistent and fair treatment between states.

Real estate investment trusts (REITs) are source shifters. For income tax purposes, they take in rent income, which is sourced to the location of the property being rented. They don't pay income tax on that income as long as they distribute the money to their shareholders as dividends. The dividend income of their shareholders, on the other hand, is generally sourced to the residence of the shareholders. So, the income that the property states expected to tax is instead taxed in the states in which the shareholders live. And, to the extent that REIT shares are held by tax-exempt entities such as labor unions and retirement funds, passive income such as dividends may not be taxed at all. Source shifting is an issue specific to state taxation.

Apparently, the evil sought to be addressed by the bill is that (1) REITs are very visible in Hawaii, but do not get taxed because of the deduction allowed for dividends paid, while (2) many REIT owners who receive the dividend income are either (a) outside of Hawaii and don't get taxed because they are outside of Hawaii, or (b) are exempt organizations that normally are not taxed on their dividend income at all. Normally we like to have our income tax law conform to the Internal Revenue Code to make it easier for people and companies to comply with it, but our legislature has departed from conformity when there's a good reason to do so (such as if it is costing us too much money). The issue is whether such a good reason exists here.

REITs do pay general excise and property taxes on rents received and property owned – as do the rest of us who are fortunate enough to have rental income or property to our name.

In the past, an issue was raised around REITs that own hotels or other operating assets. Under federal rules, REITs cannot receive operating income, but can receive passive income from real estate (such as rent). To operate the hotels, REITs normally form a taxable REIT subsidiary (TRS), which is taxed as an ordinary corporation, to do that; the TRS then pays rent to the REIT. That rent is of course taxable under Hawaii's GET law, and the hotel REITs have suggested that if this bill passes the hotel REITs will unwind their ownership structure and eliminate the extra level of GET on those rents. In our mind this threat is not credible. The hotel REITs established their holdings before 2018 and presumably found that it was financially beneficial to do so despite the extra level of GET. Since then, the Tax Cuts and Jobs Act drastically reduced the federal corporate income tax rate, from 35% to 21%, and thereby lessened the burden that had been placed on the TRS's. If it was beneficial to adopt a REIT/TRS structure to run a hotel before the Tax Cuts and Jobs Act and the Act slashed the federal corporate rate, it is hard to imagine that unwinding the structure would be financially beneficial.

This bill is somewhat similar to SB 301 (2019), which was passed by the Legislature but was vetoed by the Governor amid concerns that enactment of the measure would chill investments in Hawaii and dry up the availability of already-scarce capital to Hawaii projects.

The Foundation is attempting to present both sides of the argument and is not taking a position for or against this bill's passage.

Digested: 2/24/2026



HAWAII REGIONAL COUNCIL OF CARPENTERS

February 26, 2026

TO: The Honorable Donovan M. Dela Cruz, Chair
The Honorable Sharon Y. Moriwaki, Vice Chair
Members of the Senate Committee on Ways and Means

RE: **TESTIMONY IN STRONG SUPPORT OF SB 2362 SD1**

Aloha Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committee:

The Hawai'i Regional Council of Carpenters, representing over 6,000 skilled union carpenters and tradespeople across the islands, thanks you for the opportunity to submit testimony in strong support of SB 2362 SD1.

This measure takes a careful and responsible approach to an important tax policy issue by directing the Department of Business, Economic Development, and Tourism to study the impacts of eliminating the dividends paid deduction for real estate investment trusts operating in Hawai'i. Rather than making immediate tax changes, the bill ensures policymakers receive objective economic analysis before considering future action.

As noted in the bill, a significant portion of income generated by REIT activity tied to Hawai'i properties is not currently taxed at the state level, while the Legislature appropriately recognizes that changes to investment structures must be evaluated carefully to avoid unintended economic consequences.

From a workforce and economic perspective, real estate investment decisions directly affect construction employment, housing production, and long-term economic stability. Reliable data is essential to ensure future tax policy balances fair revenue generation with continued investment that supports local jobs and economic activity.

HRCC respectfully recommends that the study also evaluate fiscal impacts on local investments held by Hawai'i-based pension funds and retirement systems. Local pension and retirement funds rely on diversified real estate investments to provide stable long-term returns for working families and retirees. Any changes to REIT taxation policy may affect investment performance, capital allocation, and retirement security for local beneficiaries. Including these impacts will provide the Legislature with a more complete understanding of both revenue effects and broader economic consequences.

STATE HEADQUARTERS & BUSINESS OFFICES

OAHU: 1311 Houghtailing Street, Honolulu Hawaii 96817-2712 • Ph. (808) 847-5761 Fax (808) 440-9188
HILO OFFICE: 525 Kilauea Avenue, Room 205, Hilo, Hawaii 96720-3050 • Ph. (808) 935-8575 Fax (808) 935-8576
KONA OFFICE: 75-126 Lunapule Road, Kailua-Kona, Hawaii 96740-2106 • Ph. (808) 329-7355 Fax (808) 326-9376
MAUI OFFICE: 330 Hookahi Street, Wailuku, Maui 96793-1449 • Ph. (808) 242-6891 Fax (808) 242-5961
KAUAI OFFICE: Kuhio Medical Ctr Bldg., 3-3295 Kuhio Hwy, Suite 201, Lihue, Kauai 96766-1040 • Ph. (808) 245-8511 Fax (808) 245-8911

SB2362 SD1 reflects good governance. It does not impose new taxes today but instead promotes transparency, evidence-based policymaking, and informed legislative decision-making through a comprehensive study.

For these reasons, the Hawai'i Regional Council of Carpenters respectfully urges the Committee to pass SB2362 SD1.

Mahalo for the opportunity to testify.



HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

Dear Chair Delacruz, Vice Chair Moriwaki, and Members of the Committees,

Thank you for the opportunity to testify on behalf of Hawai'i Appleseed providing **comments** on **SB 2362**, which would commission a study on the impacts of taxing the income generated by Real Estate Investment Trusts (REITs) in Hawai'i. Although we do not contest the idea of conducting a study, we still recommend that the Committee revert SB 2362 to its prior draft language.

Background

Real Estate Investment Trusts (REITs) are entities that own, operate, or finance income-producing real estate. REITs are required to distribute at least 90% of their profits to shareholders, who then pay taxes on the income in their state of residence. In Hawai'i, REITs own over \$17 billion in the form of hotels, shopping centers, and other lucrative real estate.

Currently, Hawai'i exempts REIT income from our state corporate taxes, allowing billions of dollars in profits generated from Hawai'i real estate to flow untaxed to out-of-state investors. For example, in 2014 alone, REITs in Hawai'i reported more than \$900 million in income, yet Hawai'i collected no taxes on this amount. This results in a system where REITs profit immensely from Hawai'i's lucrative real estate market and infrastructure without contributing their fair share in taxes.

REITs in Hawai'i were extensively studied in a 2016 DBEDT report, which provided figures on their impact to the local economy. As a result, we believe that while a study on REITs may yield valuable insights, we have sufficient information to assert that taxing REITs will not hurt local residents.

Taxing REITs: A Step Toward Fairness and Equity

Implementing a tax on REIT income would help level the playing field for Hawai'i's taxpayers and generate significant revenue for the state. Key benefits of this policy include:

1. **Closing a Tax Loophole:** Hawai'i is one of the few states that exempts REIT income from taxation. By eliminating this exemption, the state would ensure that REITs pay the taxes they should owe, just like other businesses operating in Hawai'i.
2. **Generating Critical Revenue:** Taxing REIT income could generate tens of millions of dollars annually, providing funding for essential public services such as affordable

housing, education, and healthcare. These investments are vital to addressing Hawai‘i’s cost-of-living crisis and supporting working families.

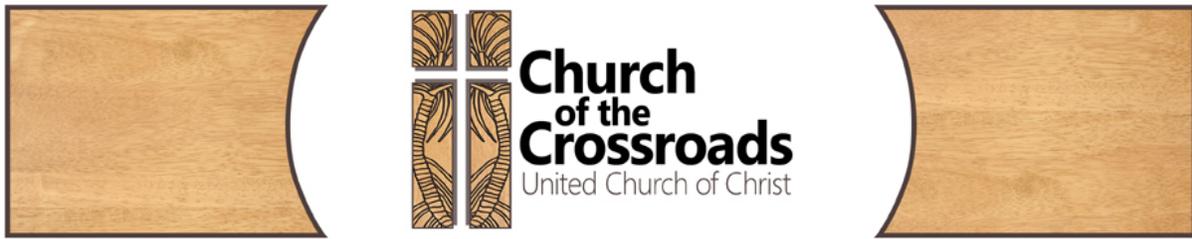
3. **Supporting Local Businesses:** Due to this loophole, REITs enjoy significant tax advantages over local businesses. Taxing REIT income would promote tax equity, guaranteeing that all entities benefiting from Hawai‘i’s economy contribute fairly to the state.

Conclusion

Taxing REIT income is a common-sense reform that would close a loophole in our tax code, promote fairness, and generate significant revenue in a time where the Hawai‘i is facing historic funding shortfalls at the federal and state levels.

We urge the committee to amend this measure by creating a tax on REITs, and take an important step toward creating a more equitable and sustainable tax system for Hawai‘i.

Mahalo for your time and consideration.



TESTIMONY IN SUPPORT OF SB2362, AGAINST THE SD1 “STUDY”
Senate Committee on Ways and Means
March 2, 2026 at 10:31 am.

The Church of the Crossroads was founded in 1923 as Hawaii’s first intentionally multiethnic church,. We are a Just Peace Church that actively works toward social, economic, and ecological justice in the care of God’s whole creation.

Chair Dela Cruz, Vice Chair Moriwaki, Members:

Real Estate Investment Trusts (REITs), except in New Hampshire, don’t pay corporate income taxes. They aren’t taxed by the Federal government, and not by other states on corporate income. The trusts pay out their profits as dividends to individual REIT investors, and the Feds and states collect their share via income taxes on the REIT investors.

We should follow New Hampshire and tax REIT profits. So much of our prized real estate is tied up in REITs. Yet most REIT investors live outside Hawaii, paying taxes to other states. Taxing REITs, the Hawaii Tax Department estimates, could bring in \$175 million over the next five years, money badly needed for affordable housing.

The National Association of Real Estate Investment Trusts (NARIT) knows REITs control major Hawaii property in big shopping centers, major hotels, commercial real estate, and property development. And NARIT knows REITs send their profits to outside shareholders. So NARIT fights hard to keep mainland REIT investors happy — at Hawaii residents’ expense.

Since REITs benefit from Hawaii land, infrastructure, workforce, and our tourist economy, they should pay for these benefits. They owe us 6.4% of their profits.

Taxing REITS almost became law in 2019. Those favoring delay argued we needed to “study” how much we could get from taxing REITS. Now we know, thanks to Tax Department figures: \$175 million, an average of \$35 million a year over five years. We don’t need “study.” We need to *tax REITs here*, not send money away.

At the previous hearing on SB2362, 50 individuals testified for the bill, with only 2 against. It’s time. Mahalo for your attention to the Church’s support for SB2362.

Aloha,
Galen Fox for
Church of the Crossroads

SB-2362-SD-1

Submitted on: 2/23/2026 8:40:14 PM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Roger Epstein	Individual	Support	Written Testimony Only

Comments:

I strongly support income taxation of REIT profits from Hawaii properties. REITS have never paid income taxes, and only a very small percentage of their shareholders are Hawaii residents; so they don't pay much Hawaii income taxes either. Thus, Hawaii provides the location and all the outside services (police, utilities, roads, etc.)required to operate a hotel here, but other states collect the income tax needed to pay for those services. Every other type of entity owning Hawaii real property pays income taxes, as well as real property taxes, GET, employment taxes, etc, whether they are resident in Hawaii or not.

And remember that REITs do not build, they merely own realty; so they don't bring fresh capital here; they merely pay thei capital to the prior owner. Moreover, under current law, they don't even pay Hawaii capital gains tax when they resell.

There's no reason why REITs should dispose of their Hawaii properties (as their association suggests), merely because Hawaii income taxes are imposed on them, like every other owner. Hawaii has outstanding real estate property that many investors would like to own. (And REITs now have an advantage over other potential buyers for property for sale here, precisely because they don't have to reduce their expected profits by Hawaii income taxes. (REITs argue that their required legal structuring requires them to create internal rental income for which there is a GET. But this is nominal compared to the lost income taxes.)

i have been a tax attorney with the IRS and in local Hawaii practice for almost 60 years. In 2019 I testified in favor of a similar bill that was passed by the legislature, but vetoed by Governor Ige. I submit that Ige did not understand that REits are mere owners and not builders, so don't bring additional capital here. They are the same as any investor, except they escape Hawaii income tax. We should be neutral to whether REITs own a property or someone else

It is true that SB 2362 would divert Hawaii law from Federal taxation. However, Federal taxation catches everyone in the US and has a relatively simple and common process for capturing US income tax on foreign shareholders (who in this case are similar to out of state taxpayers). Hawaii could adopt the same process as the Feds and stay completely consistent with federal law, as well as eliminate REIT complaints about being double taxed only in Hawaii (and New Hampshire.) Too many years have gone by with REITs and their shareholders getting a free pass on Hawaii income taxes. Hawaii needs this money, especially with federal cutbacks, and there's no reason to not collect what we're well entitled to, now; even if we can't go back to prior years.

Thank you for considering my opinion.

with aloha, Roger Epstein, Esq.

SB-2362-SD-1

Submitted on: 2/24/2026 9:37:40 AM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
James E Raymond	Individual	Comments	Written Testimony Only

Comments:

Thank you -- I am a member of Indivisible Windward.

We need to CLOSE the loophole not just study it.

SB-2362-SD-1

Submitted on: 2/24/2026 10:38:04 AM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Gail Morrison	Individual	Support	Written Testimony Only

Comments:

Closing the state REIT tax loophole would ensure that large property owners contribute fairly to Hawai'i's economy. Examples of REIT-owned properties include Ala Moana Center, International Marketplace, Hilton Hawaiian Village, and Pearlridge Center.

REITs would still keep their major federal tax benefits and low local property tax rates while helping fund the public services and housing their properties depend on.

I strongly support this bill.

Gail Morrison. Honolulu, 96815

SB-2362-SD-1

Submitted on: 2/24/2026 1:42:24 PM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Ellen Godbey Carson	Individual	Support	Written Testimony Only

Comments:

I support taxing REITs. They are major corporate commercial developments that funnel valuable income to off-island locations that do not serve our local residents. Let's revert this bill to its original form of actually taxing REITs, rather than just studying the issue again, as we already know that millions of dollars are siphoned from our economy by not having them bear their fair share of income tax.

SB-2362-SD-1

Submitted on: 2/24/2026 1:53:47 PM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Jesse Hutchison	Individual	Comments	Written Testimony Only

Comments:

Please revert the bill language to its prior draft - it's time for us to move into action on taxing REITs. Our precarious budget situation demands it. Fairness demands it.

SB-2362-SD-1

Submitted on: 2/24/2026 2:31:25 PM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
John Bickel	Individual	Comments	Written Testimony Only

Comments:

Given the obvious unfair privilege REITs currently have in our tax code, we should not study making them pay their fair share, we should make them pay.

SB-2362-SD-1

Submitted on: 2/24/2026 4:13:38 PM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
William Caron	Individual	Comments	Written Testimony Only

Comments:

Aloha Chair, Vice Chair, and members of the committee,

I am writing to urge you to **revert SB2362 to its prior draft language**. In the previous hearing, the bill was amended into a study. But the state already studied Real Estate Investment Trusts (REITs) a decade ago. No more studies. No more delays.

Hawai‘i's working families are struggling now, and the state is facing massive budget shortfalls, in part due to tax breaks for the wealthy and powerful. We cannot allow those same interests to push working families further toward the breaking point—nor can we allow austerity to become the default response to a revenue problem created by corporate loopholes.

The only way to avoid that outcome is to take the courageous step of insisting that ultra-wealthy corporations like REITs pay their fair share. That is why this committee must restore the bill's original language: to tax REITs like any other corporation doing business in Hawai‘i.

This bill's original language closes a costly and unfair loophole that allows REITs to profit from Hawai‘i's real estate market while paying nothing in state corporate income taxes. This bill is a straightforward matter of tax fairness, fiscal responsibility, and basic justice for local families and small businesses.

What REITs Are and How They Operate

REITs are massive corporate entities that own or finance income-producing real estate—shopping centers, hotels, apartment complexes, and commercial developments. They generate enormous profits from properties located in Hawai‘i, extracting wealth from our communities and our economy. By law, they must distribute most of those profits to shareholders, who are overwhelmingly located outside Hawai‘i and pay income taxes where they live—not here.

What Happens Today Is Unjust

Hawai‘i currently exempts REIT income from state corporate taxation. This means that in a recent year, REITs reported over \$900 million in income earned in Hawai‘i, and the state collected zero dollars in corporate income tax on it. Zero. While working families pay their share, while local small businesses pay their share, while teachers and nurses and firefighters pay their share—these multibillion-dollar corporate landlords pay nothing.

This is not a tax break; it is a corporate giveaway. And it forces local taxpayers to shoulder more of the burden for the roads, schools, hospitals, and services that these REITs and their shareholders rely on every time they do business here.

Why Taxing REIT Income Is Fair

The original language in SB2362 simply closes this loophole and treats REITs like every other business that profits from Hawai'i's economy. It asks the largest corporate landlords in our state to contribute what they owe. The revenue generated—tens of millions of dollars annually—can be directed toward housing assistance, public education, infrastructure maintenance, and the services our communities desperately need.

This is not about driving investment away. Responsible investors who value Hawai'i's economy will continue to operate here, just as they do in states that already tax REIT income. It is about ensuring that when you profit from our community, you contribute to our community.

Supporting Local Taxpayers, Strengthening Our Future

When large, out-of-state corporate interests pay their fair share, it eases the pressure on local families and small businesses who currently bear the weight of our tax system. It shifts the burden from those who can least afford it to those who can most afford it. It is progressive, prudent, and long overdue.

The original language of SB2362 is not complicated. It is not radical. It is simple fairness: if you make money in Hawai'i, you should pay taxes in Hawai'i. I urge you to revert this bill to its original language and pass it to finally close the REIT loophole.

Mahalo for the opportunity to testify.

SB-2362-SD-1

Submitted on: 2/24/2026 11:15:29 PM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Robert Justice, M.D.	Individual	Comments	Written Testimony Only

Comments:

I am testifying personally as a taxpayer and as a member of Indivisible Hawaii Statewide Network. This bill would study the impact of REIT's tax loophole. Although I support this bill as a first step, I think it does not go far enough and that there is no need to study the impact of closing the loophole.

A real estate investment trust (REIT) is a company that owns income-producing properties like hotels, malls, and office buildings. People can buy shares in a REIT, similar to a mutual fund, and earn part of its profits. In Hawai'i, REITs own about \$17 billion in real estate and earn roughly \$1 billion a year. Because they're exempt from paying corporate income tax on 90 percent of their profits, Hawai'i loses about \$60 million in tax revenue every year.

Most REIT shareholders don't live in Hawai'i, so their dividend income isn't taxed here. That means profit made from Hawai'i properties flows out of the state untaxed, even though local businesses and residents must pay income tax. Examples of REIT-owned properties include Ala Moana Center, International Marketplace, Hilton Hawaiian Village, and Pearlridge Center.

Closing the state REIT tax loophole now instead of studying its impact would ensure these large property owners contribute fairly to Hawai'i's economy. REITs would still keep their major federal tax benefits and low local property tax rates while helping fund the public services and housing their properties depend on.

SB-2362-SD-1

Submitted on: 2/25/2026 5:56:44 AM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Kehaulani Coleman	Individual	Support	Written Testimony Only

Comments:

Thank you

SB-2362-SD-1

Submitted on: 2/25/2026 8:24:41 AM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Nanea Lo	Individual	Support	Written Testimony Only

Comments:

Chair Donovan Dela Cruz, Vice Chair, and Members of the Hawai‘i State Senate Committee on Ways and Means,

My name is Nanea Lo, and I submit testimony in strong support of SB 2362 and respectfully request that the Committee revert the bill language to its prior draft to ensure meaningful tax reform.

SB 2362 represents an important step toward closing the REIT loophole and ensuring greater tax fairness in Hawai‘i. Unfortunately, the measure was amended in its previous hearing to propose yet another study rather than implementing the needed reform.

Hawai‘i has already conducted a study on taxing Real Estate Investment Trusts (REITs). We do not need further analysis—we need action.

At a time when our State faces a precarious budget situation and increasing demands for housing, infrastructure, climate resilience, and essential public services, we cannot afford to delay reform that promotes fairness and strengthens public revenues. Continuing to allow certain large real estate investment structures to avoid contributing equitably shifts the burden onto working families and small businesses.

Closing the REIT loophole is a matter of fiscal responsibility and equity. It ensures that corporations benefiting from Hawai‘i’s real estate market and economy pay their fair share—just as local businesses and residents do.

I respectfully urge this Committee to restore SB 2362 to its prior draft and move the bill forward with substantive reform rather than another study.

me ke aloha ‘āina,

Nanea Lo, 96826

Carbon Cashback Hawai‘i Member

Hawai‘i Workers Center Board Member

Honolulu Tenants Union Member

Hawai'i Tax Fairness Coalition

Clean Elections Hawai'i Member

To: Chair Donovan M. Dela Cruz, Vice Chair Sharon Y. Moriwaki, and members of the Senate Committee on Ways and Means

From: Beth Giesting

Re: Senate Bill 2362, SD1 Relating to Taxation

I urge you to pass Senate Bill 2362, Senate Draft 1, which would require the Department of Business, Economic Development and Tourism to study of the effects of taxing the dividends paid deduction for real estate investment trusts (REITs). I support equitable taxation of REIT profits in Hawai'i and will look forward to the considerations and conclusions of such a study.

Thank you for the opportunity to support SB2362, SD1.

SB-2362-SD-1

Submitted on: 2/25/2026 2:25:07 PM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Mala Wingerd	Individual	Support	Written Testimony Only

Comments:

I strongly support SB2362 SD1!

PLEASE just close the tax 'loophole'! Another study is just another delay and is not needed. Do your job and support what is best for your constituents and the State of HI. Stop the tax evasion and corporate welfare.

Thank you for your consideration.

SB-2362-SD-1

Submitted on: 2/25/2026 7:26:03 PM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Jennifer Lum	Individual	Comments	Written Testimony Only

Comments:

Please close the loophole. We are past the time for studying. Now is the time to take care of the people of Hawai'i over the profits of entities holding shares of REITs. The money we spend should stay in Hawai'i to be used to improve the lives of all the people living in Hawai'i.

Mahalo,

Jen Lum, 'Ewa Beach.

SB-2362-SD-1

Submitted on: 2/26/2026 7:33:06 AM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Anne Leake	Individual	Support	Written Testimony Only

Comments:

Dear Committee Chair, Co-chair and Members,

I support SB2362 because it fairly taxes income from real estate investment trusts, providing tax revenue that is sorely needed in Hawaii. The individual members of REITs often live outside Hawaii and pay taxes in their home states. We need to tap this revenue stream to pay for all the things that need fixing in our state - cuts to SNAP and Medicaid, public schools, protection from climate change. I am originally from Massachusetts and I've lived in Hawaii for 33 years. My home state's nickname was "Taxachusetts". The experience there shows that raising taxes on the wealthiest of its residents did not drive them away, but in fact there are now more millionaires living there than ever before. Please give favorable consideration to SB2362 for the sake of the greater good in Hawaii. Mahalo for this opportunity to testify.

SB-2362-SD-1

Submitted on: 2/26/2026 9:45:13 AM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Belinda Pate	Individual	Comments	Written Testimony Only

Comments:

Aloha, thank you for considering my comment. Ensuring that Hawaii has a fair flow of income from investments outside of Hawaii needs no more study on impact. Our common sense and our desire to keep local economies flowing should be our guide. Closing the state REIT tax loophole would ensure that large property owners contribute fairly to Hawai'i's economy. REITs would still keep their major federal tax benefits and low local property tax rates while helping fund the public services and housing their properties depend on.

SB-2362-SD-1

Submitted on: 2/26/2026 11:16:22 AM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Regina Gregory	Individual	Support	Written Testimony Only

Comments:

please change back to action, not study

COMMITTEE ON WAYS AND MEANS
Senator Donovan M. Dela Cruz, Chair
Senator Sharon Y. Moriwaki, Vice Chair

HEARING:

Monday, March 2, 2026 at 10:31 am
Conference Room 211 & Videoconference

TESTIMONY IN SUPPORT OF SB 2362, SD1, RELATING TO TAXATION.

Aloha Chair Dela Cruz, Vice Chair Moriwaki, Senator Hashimoto for my district, Senator DeCoite for Upcountry Maui, and Members of the Committee,

My name is Christine Andrews. I am a long-time resident of Wailuku, Maui and an attorney licensed in Hawai'i for over 25 years. I write to you today in **strong support of SB 2362, SD1**, Relating to Taxation, with the request that it be amended back to its original form, which disallowed the dividends paid deduction for real estate investment trusts (REITs). **We do not need to study the matter, the evidence is clear and the time is now to close the REIT tax loophole.** Put Hawai'i residents and your constituents before corporate donors!

A real estate investment trust (REIT) is a company that owns income-producing properties like hotels, malls, and office buildings. People can buy shares in a REIT, similar to a mutual fund, and earn part of its profits. In Hawai'i, REITs own about \$17 billion in real estate and earn roughly \$1 billion a year. Examples of REIT-owned properties include Ala Moana Center, International Marketplace, Hilton Hawaiian Village, and Pearlridge Center. REITs make millions of dollars off real estate but pay no corporate income tax to our state. It is way past time to close that loophole and for those who make money off of Hawai'i, especially mainland and foreign investors, to pay tax to Hawai'i. REITs are exempt from paying corporate income tax on 90 percent of their profits, **costing Hawai'i about \$60 million in lost tax revenue every year.**

Most REIT shareholders don't live in Hawai'i, so their dividend income isn't taxed here. That means profit made from Hawai'i properties flows out of the state untaxed, even though local businesses and residents must pay income tax. **Closing the state REIT tax loophole would ensure these large property owners contribute fairly to Hawai'i's economy. REITs would still keep their major federal tax benefits and low local property tax rates while helping fund the public services and housing their properties depend on.** As his constituent, I call upon Senator Hashimoto to stand up for Maui and help ensure REITs contribute tax dollars to contribute to Maui's recovery and housing crisis.

Study is not needed. I respectfully request that you reinstate the former language of SB 2362, SD1 to close the REIT tax loophole immediately and vote in support of SB 2362, SD1.

Mahalo,

Christine Andrews, JD
Wailuku, Maui

SUPPORT FOR SB 2362 WITH AMENDMENT

Senate Committee on Ways and Means
SB 2362 SD 1 Hearing on March 2, 2026 at 10:31 am
Conference Room 211 and videoconference

My name is John Kawamoto, and I support SB 2362 SD 1 with an amendment.

Real estate investment trusts are for-profit corporations that own vast amounts of property across the islands, including hotels, office buildings, shopping centers and other commercial real estate. Yet despite doing business here and profiting heavily from Hawai'i's land and economy, REITs do not pay Hawai'i's corporate income tax. A loophole allows them to avoid this tax, which nearly every other for-profit corporation operating in the state must pay.

REITs are not paying their fair share, resulting in an unfair shift in the tax burden. Local businesses, working families and individual taxpayers are left to make up the difference, even as state revenues are strained and demands for essential services increase.

REITs and their supporters once argued that taxing REITs under Hawai'i's corporate income tax would amount to "double taxation." It was their mantra. It had an emotional ring to it. However, that claim has since been shown to be false, and they have abandoned it.

Now REITs and their supporters claim that applying Hawai'i's corporate income tax to REITs would reduce REIT investment in Hawaii. It's another emotional appeal. However, experience shows otherwise. New Hampshire is the only state that currently taxes REITs at the corporate level, yet REIT investment there remains strong. According to NAREIT's own data, REIT investment in New Hampshire is higher than in its neighboring rural states of Vermont and Maine. Taxing REITs does not drive them away; it simply ensures that they contribute to the communities in which they operate and from which they profit.

NAREIT made other claims in its testimony at an earlier hearing, and these claims should be closely examined.

The REIT loophole comes at a real cost. It has been estimated that Hawai'i would lose roughly \$50 million every year because REITs are exempt from the corporate income tax. That money could help support health care, affordable housing, food security and other essentials, especially as federal funding declines and economists warn of a possible recession.

The impact of the REIT loophole is clear. When Alexander & Baldwin converted to a REIT several years ago, its profits jumped sharply because the company stopped paying Hawai'i's corporate income tax. The elimination of their tax enabled their profits to increase. Other REITs enjoy similar windfalls, while the public loses revenue that is needed to meet rising demands.

No one enjoys paying taxes. But residents and businesses across Hawai'i understand that contributing to the common good is part of living and operating here. REITs benefit enormously from Hawai'i's land, infrastructure, workforce, tourism and legal system, all of which are supported by the corporate income tax. Asking REITs to pay the same corporate income tax as other businesses is fair.

This bill was amended by the previous committee to replace its substance with a study. The bill should be further amended to return it to its original SB 2362 form.

With that amendment, I urge the committee to pass the bill.

SB-2362-SD-1

Submitted on: 2/26/2026 10:19:21 PM

Testimony for WAM on 3/2/2026 10:31:00 AM

Submitted By	Organization	Testifier Position	Testify
Eileen Cain	Individual	Support	Written Testimony Only

Comments:

Aloha, Senators,

This tax loophole needs to be CLOSED, not "studied." It is grossly unfair to residents and the State of Hawai'i that certain large money-making corporations can use the islands' real estate and other natural resources but not pay taxes because of a tax loophole. These corporate entities must be required to pay taxes, and that income will benefit the people of these islands. Please don't allow corporations to exploit our resources and then avoid paying taxes.

Mahalo!

Eileen Cain, Honolulu



Park Hotels & Resorts Inc.
Scott Winer, SVP Tax
1775 Tysons Boulevard
7th Floor
Tysons, VA 22102
+1 571 302 5757 Main

WRITTEN TESTIMONY OF

Scott D. Winer
Senior Vice President, Tax
Park Hotels & Resorts Inc.

Re: S.B. 2362 S.D. 1

Before the Committee on
Ways and Means

Senator Donovan Dela Cruz, Chair
Senator Sharon Moriwaki, Vice Chair

March 2, 2026

On behalf of Park Hotels & Resorts Inc. ("Park"), thank you for this opportunity to provide our testimony in relation to SB 2362 SD1.

SB 2362 SD 1 requires the Department of Business, Economic Development, and Tourism ("DBEDT") study the impacts of disallowing the REIT dividends paid deduction ("DPD"). Park does not oppose a formal study, so long as a credible study based upon reliable facts and information, expert opinion, and quantifiable evidence is performed.

Park, as a member of Nareit, concurs with the testimony submitted by Nareit Hawaii on behalf of its REIT Members active in Hawai'i.

Park's Viewpoint

We believe **the DPD should not be eliminated**, and to ensure the full impact the elimination of the DPD would have on the State's economy and revenues is determined, the study should:

1. Be performed by third party experts in tax and macroeconomics, and include input from REITS;
2. Analyze all REIT investments in Hawai'i;
3. Compare not only the potential loss of the double general excise taxes ("GET") paid by lodging REITs as a result of the mandatory operating structure to any potential increase in corporate income tax revenues collected by the State; but also, the tax impacts on all forms of taxation and other REIT businesses;
4. Examine the overall capital expenditures made in Hawai'i by REITs both during and after the COVID pandemic, as compared to the capital expenditures made by non-REIT owners, and any impact on the economics associated with the capital expenditures including construction jobs created and revenue collections for the State;
5. Analyze the potential behavioral response of REITs, due to the elimination of the DPD, on Hawaii's economy, including tax planning and the impact on all potential future investment by REITs in Hawai'i;
6. Include an analysis of the economics of the investments made in Hawai'i by long-term REIT owners to non-REIT owners that acquire and sell properties as a business model.

An incomplete analysis may lead to erroneous conclusions impacting policy decisions, which could cause severe damage to Hawaii's economy and economic growth.

Respectfully submitted,

Scott Winer

Scott Winer
Senior Vice President, Tax