
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that the majority of
2 income received from real estate investment trusts by corporate
3 entities doing business in the State is not taxed at the state
4 level. These trusts enjoy a preference that exempts them from
5 paying taxes on dividends paid on revenues generated in the
6 State. According to the department of taxation, the estimated
7 amount of income tax revenues that will be foregone due to this
8 preference in taxable year 2026 may be as much as \$26.8 million.

9 The legislature also finds that, in September 2016, the
10 department of business, economic development, and tourism,
11 through its research and economic analysis division,
12 commissioned a report to evaluate the recovery of income tax
13 revenues from real estate investment trusts within the State.
14 The findings revealed that Hawaii received only \$954,842 from
15 in-state residents paying taxes on dividend income associated
16 with Hawaii real estate investment trusts. In contrast, the
17 majority of the real estate investment trust income taxes were



1 paid to other states by out-of-state shareholders receiving
2 dividends, meaning that Hawaii did not benefit from the bulk of
3 the income generated by real estate investment trusts operating
4 within its borders. The legislature further finds that real
5 estate investment trust income generated through the use of
6 state resources should be taxed in Hawaii to benefit the State.

7 The legislature additionally finds, however, that
8 disallowing the dividends paid deduction may negatively affect
9 the state economy by disincentivizing the investments and
10 revenue generating business activities of real estate investment
11 trusts.

12 Accordingly, the purpose of this Act is to require the
13 department of business, economic development, and tourism to
14 conduct a study on the impacts of eliminating the dividends paid
15 deduction for real estate investment trusts.

16 SECTION 2. The department of business, economic
17 development, and tourism shall conduct a study evaluating the
18 potential impacts of disallowing the dividends paid deduction
19 for real estate investment trusts. The department shall submit
20 a report of its findings and recommendations, including any



1 proposed legislation, to the legislature no later than twenty
2 days prior to the convening of the regular session of 2027.

3 SECTION 3. There is appropriated out of the general
4 revenues of the State of Hawaii the sum of \$ or so
5 much thereof as may be necessary for fiscal year 2026-2027 to
6 conduct the study required pursuant to section 2 of this Act.

7 The sum appropriated shall be expended by the department of
8 business, economic development, and tourism for the purposes of
9 this Act.

10 SECTION 4. This Act shall take effect on July 1, 2050.



S.B. NO. 2362
S.D. 1

Report Title:

DBEDT; Income Tax; Real Estate Investment Trusts; Dividends Paid Deduction; Study; Report

Description:

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. Effective 7/1/2050. (SD1)

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