THE SENATE
THIRTY-THIRD LEGISLATURE, 2026
STATE OF HAWAII

S.B. NO. 2451

JAN 22 2026

A BILL FOR AN ACT

RELATING TO TAXATION.

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

SECTION 1. The purpose of this Act is to eliminate the home mortgage interest deduction for second homes under Hawaii income tax law.

SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is amended by amending subsection (j) to read as follows:

"(j) Section 163 (with respect to interest) of the Internal Revenue Code shall be operative for the purposes of this chapter, except that the following provisions shall not be operative for the purposes of this chapter:

(1) Section 163(d)(4)(B) (defining net investment income to exclude dividends);

(2) Section 163(e)(5)(F) (suspension of applicable high-yield discount obligation (AHYDO) rules);

(3) Section 163(h)(3)(F) (limiting mortgage interest); [~~and~~]

(4) Section 163(h)(4)(A)(i)(II) (definition of qualified residence for home mortgage interest deduction);

(5) Section 163(h)(4)(A)(ii)(II) (treatment of home mortgage interest deduction for married individuals filing separately); and

[~~(4)~~] (6) Section 163(i)(1) as it applies to debt instruments issued after January 1, 2010 (defining AHYDO)."

SECTION 3. The department of budget and finance, in consultation with the department of taxation, shall submit a report on the administration of this Act to the legislature no later than twenty days prior to the convening of the regular sessions of 2027, 2028, 2029, 2030, and 2031.

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2025.

INTRODUCED BY: Karl Rhoads

S.B. NO. 2451

Report Title:
Department of Budget and Finance; Department of Taxation; Home Mortgage Interest Deduction; Income Tax; Reports

Description:
Eliminates the home mortgage interest deduction for second homes under Hawaii income tax law. Requires reports to the Legislature.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.