
A BILL FOR AN ACT

RELATING TO TAXATION.

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

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

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

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

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

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

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

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



1 provided that the residence is not utilized as a
 2 primary residence by the owner or a long-term tenant;
 3 (5) Section 163(h)(4)(A)(ii)(II) (treatment of home
 4 mortgage interest deduction for married individuals
 5 filing separately); provided that the residence is not
 6 utilized as a primary residence by the owner or a
 7 long-term tenant; and

8 [+4+] (6) Section 163(i)(1) as it applies to debt
 9 instruments issued after January 1, 2010 (defining
 10 AHYDO)."

11 SECTION 3. The department of budget and finance, in
 12 consultation with the department of taxation, shall submit a
 13 report on the administration of this Act to the legislature no
 14 later than twenty days prior to the convening of the regular
 15 sessions of 2027, 2028, 2029, 2030, and 2031. The reports shall
 16 include the following:

- 17 (1) The number of second home mortgage interest deductions
- 18 claimed on federal tax returns by Hawaii taxpayers;
- 19 (2) The number of state residents and non-residents
- 20 claiming second home mortgage interest deductions;



- 1 (3) The number of homeowners claiming the second home
2 mortgage interest deduction;
- 3 (4) The number of second homes that are not used as
4 primary residences;
- 5 (5) The geographic distribution of the second homes; and
6 (6) Any other information the department of taxation deems
7 pertinent.

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 Statutory material to be repealed is bracketed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

10 SECTION 5. This Act shall take effect on July 1, 2050;
11 provided that it shall apply to taxable years beginning after
12 December 31, 2025.



S.B. NO. 2451
S.D. 1

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 not used as a primary residence under Hawaii income tax law. Requires reports to the Legislature. Effective 7/1/2050. (SD1)

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