

STAND. COM. REP. NO. 2864

Honolulu, Hawaii

MAR 05 2026

RE: S.B. No. 2362  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-Third State Legislature  
Regular Session of 2026  
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 2362, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to promote income tax equity.

More specifically, this measure:

- (1) Requires the Department of Business, Economic Development, and Tourism to conduct a study on the impacts of eliminating the dividends paid deduction for real estate investment trusts; and
- (2) Appropriates moneys to the Department of Business, Economic Development, and Tourism.

Your Committee received written comments in support of this measure from the Church of the Crossroads; Hawaii Regional Council of Carpenters; Hawaiian Council; Operating Engineers Local 3; Public Storage; and nineteen individuals.

Your Committee received written comments on this measure from the Department of Business, Economic Development, and Tourism; Chamber of Sustainable Commerce; Hawaii Appleseed Center for Law



and Economic Justice; Hawaii Children's Action Network Speaks!; Indivisible Hawaii; Hawaii Laborers and Employers Cooperation and Education Trust; Host Hotels and Resorts; Land Use Research Foundation of Hawaii; NAIOP Hawaii; Nareit Hawaii; Park Hotels and Resorts; Tax Foundation of Hawaii; UNITE HERE Local 5; and ten individuals.

Your Committee finds that the majority of income received from real estate investment trusts by corporate entities doing business in the State is not taxed at the state level. These trusts enjoy a preference that exempts them from paying taxes on dividends paid on revenues generated in the State. Your Committee also finds that a study commissioned by the Department of Business, Economic Development, and Tourism in 2016 revealed that the majority of the real estate investment trust income taxes were paid to other states by out-of-state shareholders receiving dividends, meaning that Hawaii did not benefit from the bulk of the income generated by real estate investment trusts operating within its borders.

Your Committee believes that the study required by this measure is necessary to determine the potential impacts that eliminating the deduction may have on investments and revenue-generating business activities.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2362, S.D. 1, and recommends that it pass Third Reading.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

  
DONOVAN M. DELA CRUZ, Chair



The Senate  
Thirty-Third Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 2062, SDI	EDT/CPN, WAM	3/2/2026		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input checked="" type="checkbox"/> Pass, unamended 2312 <input type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
MORIWAKI, Sharon Y. (VC)	X			
DECOITE, Lynn	X			
ELEFANTE, Brandon J.C.	X			
HASHIMOTO, Troy N.	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
KIM, Donna Mercado	X			
LEE, Chris	X			
RICHARDS, III, Herbert M. "Tim"	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
<b>TOTAL</b>	13	0	0	0
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink		
File with Committee Report	Committee	Drafting Agency		

\*Only one measure per Record of Votes