



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

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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).<sup>1</sup> 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.

<sup>1</sup> DBEDT (2016). Real Estate Investment Trusts in Hawai'i.  
[https://files.hawaii.gov/dbedt/economic/data\\_reports/REIT\\_Final\\_9.19.16.pdf](https://files.hawaii.gov/dbedt/economic/data_reports/REIT_Final_9.19.16.pdf)



**Senator Donovan M. Dela Cruz, Chair**  
**Senator Sharon Y. Moriwaki, Vice Chair**  
Committee on Ways and Means

Monday, March 2, 2026  
10:02AM Conference Room 211

RE: SB2962 SD1 - Real Estate Investment Trust Taxation - Comments

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

On behalf of the Chamber of Sustainable Commerce (CSC), we are providing comments on SB2962 SD1. The Chamber of Sustainable Commerce represents over 580 small businesses, sole proprietors and entrepreneurs across Hawai'i committed to a triple bottom line: people, planet and prosperity.

Our members operate in one of the most challenging cost environments in the western hemisphere. They face rising commercial rents, escalating insurance premiums, and some of the highest energy costs in the nation – pressures increasingly shaped by institutional real estate ownership, including Real Estate Investment Trusts (REITs).

As noted in other testimony, significant portions of Hawai'i's commercial and hotel real estate are owned by large, continent-based REITs and investment entities. For example, Brookfield Properties controls major retail and commercial assets across the state. Host Hotels & Resorts is one of the largest hotel REITs in the country and owns multiple resort properties in Hawai'i. Even locally rooted firms such as Alexander & Baldwin have operated as REITs under federal tax structures that allow substantial income to flow to shareholders. 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.

These entities benefit from Hawai'i's infrastructure, public safety systems, regulatory framework, courts, and natural and cultural assets that make this market profitable. Yet under existing structures, the tax treatment of REITs can result in disproportionate contributions relative to the scale of their holdings and revenue generation. By fairly capturing revenue generated from Hawai'i's land and housing markets, this bill strengthens the state's ability to reinvest in workforce housing, infrastructure, environmental stewardship, and long-term economic resilience.

A healthy economy requires both private investment and fair public contribution.  
**We do not need another study; we respectfully urge the Legislature to restore the bill to its original version.**

Thank you for your time and consideration.

[www.ChamberofSustainableCommerce.org](http://www.ChamberofSustainableCommerce.org)

## Hawaii Legislative Council Members

Joell Edwards  
Wainiha Country Market  
Hanalei

Russell Ruderman  
Island Naturals  
Hilo/Kona

Dr. Andrew Johnson  
Niko Niko Family Dentistry  
Honolulu

Robert H. Pahia  
Hawaii Taro Farm  
Wailuku

Maile Meyer  
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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.**<sup>1</sup>

DBEDT completed their report in 2016,<sup>2</sup> and since then, **Alexander & Baldwin**, the state's largest owner of grocery-anchored shopping centers, has converted to REIT status.<sup>3</sup> 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 Maui<sup>4</sup>
- **American Assets Trust** – owner of Waikele Center, Waikiki Beach Walk, and The Shops at Kalākaua<sup>5</sup>
- **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 Bay<sup>6</sup>
- **Park Hotels & Resorts** – owner of Hilton Hawaiian Village<sup>7</sup>
- **Sunstone Hotel Investors** – owner of Wailea Beach Marriott Resort on Maui.<sup>8</sup>

1

[https://www.capitol.hawaii.gov/session/archives/measure\\_indiv\\_Archives.aspx?billtype=SB&billnumber=118&year=2015](https://www.capitol.hawaii.gov/session/archives/measure_indiv_Archives.aspx?billtype=SB&billnumber=118&year=2015)

<sup>2</sup> [https://files.hawaii.gov/dbedt/economic/data\\_reports/REIT\\_Final\\_9.19.16.pdf](https://files.hawaii.gov/dbedt/economic/data_reports/REIT_Final_9.19.16.pdf)

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

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

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

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

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

<sup>8</sup> <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.<sup>9</sup> 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.<sup>10</sup> 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.**<sup>11</sup> 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

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

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

<sup>11</sup>

[https://www.capitol.hawaii.gov/session/archives/measure\\_indiv\\_Archives.aspx?billtype=SB&billnumber=301&year=2019](https://www.capitol.hawaii.gov/session/archives/measure_indiv_Archives.aspx?billtype=SB&billnumber=301&year=2019)

# TAX FOUNDATION OF HAWAII

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735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

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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

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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.

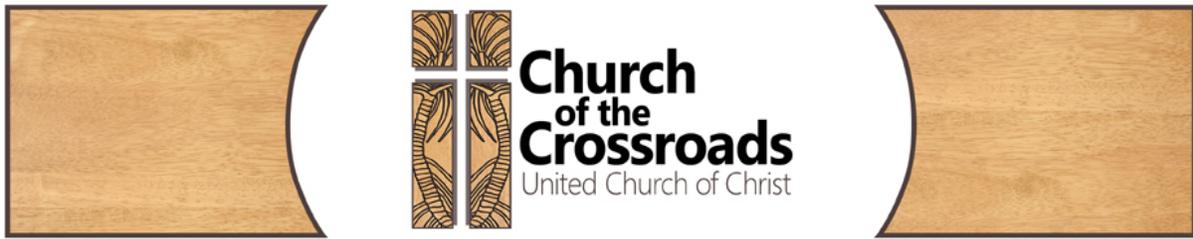
3. **Supporting Local Businesses:** Due to this loophole, REITs enjoy significant tax advantages over local businesses. Taxing REIT income would promote tax equity, guaranteeing that all entities benefiting from Hawai‘i’s economy contribute fairly to the state.

## **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



# Protect Democracy Move Forward

[www.indivisiblehawaii.org](http://www.indivisiblehawaii.org)  
[info@indivisiblehawaii.org](mailto:info@indivisiblehawaii.org)

To: Hawai'i State Senate Committee on Ways and Means  
Re: Testimony with Comments Only on SB2362 SD1

Dear Chair Dela Cruz, Vice Chair Moriwaki, and the Members of Committees,

Members of Indivisible Hawai'i thank you for this opportunity to testify with a request for an amendment on SB2362 SD1 which would require DBEDT to study the impacts of disallowing the dividends paid deduction for real estate investment trusts. **Please restore the original language of SB2362 to close the REITs tax loophole.** This would bring in \$60 million in new revenue per year.<sup>1</sup>

With the rising costs and federal budget cuts, Hawai'i desperately need additional revenue to pay for common good such as:

- Healthcare coverage for 441,000 children and adults
- Building affordable housing units, rental assistance, and homelessness programs
- Free and reduced-price school meals for 78,000 students and SNAP administration for over 163,000 residents
- Education and childcare for 165,000 students

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.<sup>2</sup>

The main argument from those who oppose taxing REITs is the negative impact on the economy. Studies show that the states with the most progressive tax system are ranked significantly better places to live, work and raise a family.<sup>3</sup> Taxing REITs would help the Hawai'i state tax system be more progressive.

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<sup>1</sup> <https://www.hitaxfairness.org/real-estate-investment-trust-reform>

<sup>2</sup> <https://www.hitaxfairness.org/real-estate-investment-trust-reform>

<sup>3</sup>

<https://www.staterevenuealliance.org/revenews/states-with-the-most-progressive-tax-codes-are-ranked-significantly-better-places-to-live-work-and-raise-a-family>

In addition, 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.

Please restore the original language of SB2362 to close REITs tax loophole. Thank you for your consideration.

Sincerely,  
Younghee Overly  
Indivisible Hawai'i Working Families Team

*The mission of the 14-chapter Indivisible Hawai'i Statewide Network (IHSN) is to protect Hawai'i and democracy by defending civil rights, communities and values, most importantly, Hawai'i's Constitutionally protected spirit of Aloha. In October 2025, IHSN with other partners turned out over 22,000 residents on all major islands to say No Dictators! and to stand up for democracy. This call-to-action was part of Indivisible national's mobilization of more than 7 million across the country as the voice of the people, committed to election integrity and to evolving as a place of equity, opportunity and peace.*

**SB-2362-SD-1**

Submitted on: 2/28/2026 5:33:53 PM

Testimony for WAM on 3/2/2026 10:02:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Hawaii LECET	Testifying for Hawaii Laborers & Employers Cooperation and Education Trust	Comments	Written Testimony Only

Comments:

For every complex problem, there is a solution that is simple, neat, and wrong.

Hawaii LECET supports SB2362 SD1 and recommends that the study contemplated will evaluate fiscal impacts on local investments held by Hawaii pension funds and retirement systems, and any unintended consequences.

This study should thoroughly analyze the pros and cons of the dividends paid deduction, and can be finished in time for the 2028 legislative session.



**TESTIMONY OF  
GLADYS QUINTO MARRONE  
EXECUTIVE DIRECTOR  
NAREIT HAWAII**

**S.B. 2362 S.D.1, RELATING TO TAXATION**

**COMMITTEE ON WAYS AND MEANS**

**SENATOR DONOVAN DELA CRUZ, CHAIR  
SENATOR SHARON MORIWAKI, VICE-CHAIR**

**MARCH 2, 2026  
10:31AM, ROOM 211  
Hawaii State Capitol**

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

Thank you for the opportunity to submit this testimony on behalf of Nareit Hawaii and our REIT members active in Hawaii. Nareit Hawaii is the local office of Nareit, a worldwide representative voice for real estate investment trusts—REITs—and publicly traded real estate companies with an interest in U.S. real estate and capital markets.

REITs are often publicly traded companies that own, operate, or finance income-producing real estate, allowing everyday Americans, including residents of Hawaii, to own shares in real estate and have access to dividend-based income. REITs are long-term property holders, not speculators. REITs are vital to Hawaii's economy as they generate millions in general excise taxes, have access to capital, which then creates thousands of jobs, significant local wages, and they build essential infrastructure. 56% of Hawaii's households are invested in REITs through their pension and mutual funds and rely on dividends for daily living expenses.

S.B. 2363 S.D.1 requires the Department of Business, Economic Development, and Tourism (DBEDT) to study the impacts of disallowing the dividends paid deduction (DPD) for REITs. While we are not opposed to a study, a complete analysis is necessary to make sound policy decisions.

Nareit Hawaii appreciates the intent behind S.B. 2362 S.D.1 and offers the following comments:

To ensure the full impact of eliminating the dividends paid deduction (DPD) is analyzed, the study, conducted by the Department of Business, Economic Development, and Tourism, should:

- 1) Be conducted by tax revenue experts and economists;
- 2) Analyze REIT investments in Hawaii across ten asset classes: residential, including affordable residential, student, and senior housing); office; retail; industrial; telecommunications; self-storage; lodging/resorts; mixed use; specialty; and health care facilities;
- 3) Compare the loss of general excise taxes (GET) collected from hotels owned by REITs to any potential increase in corporate income tax revenues collected by the State;
- 4) Show any potential tax revenue gains of REIT owners netted against any losses they incurred during the coronavirus disease 2019 (COVID-19) pandemic;
- 5) Examine the overall capital expenditures made in Hawaii by REITs during the COVID-19 pandemic, as compared to the capital expenditures made by non-REIT owners, and any impact on the GET collected and construction jobs generated for the State;
- 6) Identify expected REIT projects and their potential impact on general excise taxes and corporate income taxes to be collected by the State, as well as any loss of revenues, construction, and other jobs, if REITs withdraw from those projects;
- 7) Analyze the potential behavioral response of REITs, due to the elimination of the DPD, on Hawaii's economy, including the impact on future investment by REITs in Hawaii, and REITs redirecting their investment to other states;
- 8) Analyze the impact on annual output, jobs, and wages in Hawaii relative to what would otherwise have occurred;
- 9) Include a comparison of the investments made in Hawaii by long-term REIT owners versus non-REIT owners that acquire and sell properties as a business model.

We would be concerned if a study did not include the elements above. An incomplete analysis may lead to erroneous conclusions impacting policy decisions, which could cause severe damage to Hawaii's economy and economic growth.

Also, due to the complexity of the study, we recommend at least two years for it to be completed before the 2028 Legislative Session.

Correction to committee report SSCR2630

Finally, we would like to note that the [committee report](#) on S.B. 2362 S.D.1 relied on testimony that included misleading statements. The testimony implied that Illinois, Oklahoma, Arkansas, Connecticut, and Virginia have “successfully enacted measures to ensure income generated within their borders is taxed equitably” by eliminating the DPD for all REITs. This is an apple-to-orange comparison as action by those states addressed eliminating the DPD for so-called "captive REITs" (REITs that are more than 50% owned by non-REIT corporations), not for widely held public REITs. This is irrelevant as Hawaii addressed captive REITs in [TIR 98-6](#) in 1998.

Thank you for the opportunity to submit our testimony.



**Hawai'i State Senate**  
**Committee on Ways and Means**  
SB2362, SD1 – Relating to Taxation

**RE: Support of SB2362**

March 2, 2026

Hawaiian Council writes in **support of SB2362** to disallow the dividends paid deduction for real estate investment trusts (REITs) for Hawai'i income tax purposes. When income generated from Hawai'i properties flows primarily to out-of-state shareholders, our communities are left without the full benefit of the economic activity occurring in the pae 'āina.

Hawai'i is facing an unprecedented affordability crisis. Local families—especially Native Hawaiian families—continue to be priced out of housing and displaced from their communities. At the same time, millions of dollars leave our state each year untaxed due to the dividends paid deduction available to REITs. As noted by the Department of Taxation, an estimated \$26.8 million in state income tax revenue may be foregone in tax year 2026 alone. This dynamic exacerbates wealth extraction from Hawai'i and undermines long-term local stability. These are resources that could otherwise be invested in addressing our most urgent community needs, including affordable housing, infrastructure, and economic resilience.

As a Community Development Financial Institution (CDFI), Hawaiian Council works to keep capital circulating locally by leveraging public resources to attract private investment that supports affordable housing development, homeownership opportunities, and small business growth for underserved communities. However, our efforts depend on sufficient and sustainable State revenue to invest in programs that expand opportunity. The original draft of this bill, disallowing the dividends paid deduction for REITs at the state level, would help ensure that corporations benefiting from Hawai'i's real estate market contribute equitably to the public services and systems that make that market possible. The projected increase in state revenue could be directed toward critical housing initiatives, disaster recovery, and programs that help local families remain in Hawai'i.

For these reasons, Hawaiian Council respectfully urges the committee to **PASS SB2362 and amend it to its original form.**

Mālama pono,

**Madelyn McKeague**

Director of Advocacy, Hawaiian Council

**HAWAIIANS ADVANCING HAWAI'I**

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*Cade Watanabe, Financial Secretary-Treasurer*

*Gemma G. Weinstein, President*

*Eric W. Gill, Senior Vice-President*

March 1, 2026

Senate Committee on Ways and Means  
Sen. Donovan Dela Cruz, Chair  
Sen. Sharon Moriwaki, Vice Chair

### **Testimony with Comments on SB2362 SD1**

Chair Dela Cruz, Vice Chair Moriwaki, and Members of the Committees,

UNITE HERE Local 5 represents 10,000 working people in the hotel, food service and health care industries across Hawaii. We were in support of the original SB2362, which would tax REITs like other businesses. This measure has been introduced many times over the years, and each time it has failed. This is the year to pass it.

We do not support the SD1 version of this bill, which merely calls for yet another study about the impacts of taxing REITs. This issue has already been studied years ago. While that data may be old, newer information is likely to reveal that the loss to Hawai'i from not taxing REITs has only grown year over year. We can already surmise this. Now it is time to act.

**We ask that you revert SB2362 back to its original version and remove the amendments made by SD1.**

There is no justification for giving REITs a tax advantage over other hotels and commercial real estate investors. For the State to consider giving out tax breaks, we should ensure that those tax breaks are directly tied to some benefit that the State would not otherwise get – and even then, the costs and benefits should be weighed very carefully. What do REITs provide that other real estate owners do not?

The original SB 2362 would correct an existing loophole in our State income tax law that currently allows corporations operating profitably as REITs to take the net income they earn here out of state, tax free. The fact of the matter is that our State can no longer afford to provide this kind of a tax break to real estate speculators and investors. While we recognize the need for balancing out the interests of private enterprise and business, this bill is about first and foremost protecting the State's financial interests.

Our reality is such that the people of Hawaii are being pushed off our islands, pushed into overcrowded living situations, or pushed onto the streets while paying a disproportionately high percentage of their income in taxes. More and more of our local jobs go to mainland companies while locals struggle to earn a living wage. But Hawaii can be a place for us to continue to work, play and raise our families. Hawaii can support a robust tourism industry with good jobs. Hawaii can be economically sustainable, but we must be willing to hold large banks, developers and REITs accountable to our needs.

Thank you for your consideration.

**SB-2362-SD-1**

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

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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
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  
7<sup>th</sup> 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



**TESTIMONY OF  
GLADYS QUINTO MARRONE  
EXECUTIVE DIRECTOR  
NAREIT HAWAII**

**S.B. 2362 S.D.1, RELATING TO TAXATION**

**COMMITTEE ON WAYS AND MEANS**

**SENATOR DONOVAN DELA CRUZ, CHAIR  
SENATOR SHARON MORIWAKI, VICE-CHAIR**

**MARCH 2, 2026  
10:31AM, ROOM 211  
Hawaii State Capitol**

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

Thank you for the opportunity to submit this testimony on behalf of Nareit Hawaii and our REIT members active in Hawaii. Nareit Hawaii is the local office of Nareit, a worldwide representative voice for real estate investment trusts—REITs—and publicly traded real estate companies with an interest in U.S. real estate and capital markets.

REITs are often publicly traded companies that own, operate, or finance income-producing real estate, allowing everyday Americans, including residents of Hawaii, to own shares in real estate and have access to dividend-based income. REITs are long-term property holders, not speculators. REITs are vital to Hawaii's economy as they generate millions in general excise taxes, have access to capital, which then creates thousands of jobs, significant local wages, and they build essential infrastructure. 56% of Hawaii's households are invested in REITs through their pension and mutual funds and rely on dividends for daily living expenses.

S.B. 2363 S.D.1 requires the Department of Business, Economic Development, and Tourism (DBEDT) to study the impacts of disallowing the dividends paid deduction (DPD) for REITs. While we are not opposed to a study, a complete analysis is necessary to make sound policy decisions.

Nareit Hawaii appreciates the intent behind S.B. 2362 S.D.1 and offers the following comments:

To ensure the full impact of eliminating the dividends paid deduction (DPD) is analyzed, the study, conducted by the Department of Business, Economic Development, and Tourism, should:

- 1) Be conducted by tax revenue experts and economists;
- 2) Analyze REIT investments in Hawaii across ten asset classes: residential, including affordable residential, student, and senior housing); office; retail; industrial; telecommunications; self-storage; lodging/resorts; mixed use; specialty; and health care facilities;
- 3) Compare the loss of general excise taxes (GET) collected from hotels owned by REITs to any potential increase in corporate income tax revenues collected by the State;
- 4) Show any potential tax revenue gains of REIT owners netted against any losses they incurred during the coronavirus disease 2019 (COVID-19) pandemic;
- 5) Examine the overall capital expenditures made in Hawaii by REITs during the COVID-19 pandemic, as compared to the capital expenditures made by non-REIT owners, and any impact on the GET collected and construction jobs generated for the State;
- 6) Identify expected REIT projects and their potential impact on general excise taxes and corporate income taxes to be collected by the State, as well as any loss of revenues, construction, and other jobs, if REITs withdraw from those projects;
- 7) Analyze the potential behavioral response of REITs, due to the elimination of the DPD, on Hawaii's economy, including the impact on future investment by REITs in Hawaii, and REITs redirecting their investment to other states;
- 8) Analyze the impact on annual output, jobs, and wages in Hawaii relative to what would otherwise have occurred;
- 9) Include a comparison of the investments made in Hawaii by long-term REIT owners versus non-REIT owners that acquire and sell properties as a business model.

We would be concerned if a study did not include the elements above. An incomplete analysis may lead to erroneous conclusions impacting policy decisions, which could cause severe damage to Hawaii's economy and economic growth.

Also, due to the complexity of the study, we recommend at least two years for it to be completed before the 2028 Legislative Session.

Correction to committee report SSCR2630

Finally, we would like to note that the [committee report](#) on S.B. 2362 S.D.1 relied on testimony that included misleading statements. The testimony implied that Illinois, Oklahoma, Arkansas, Connecticut, and Virginia have “successfully enacted measures to ensure income generated within their borders is taxed equitably” by eliminating the DPD for all REITs. This is an apple-to-orange comparison as action by those states addressed eliminating the DPD for so-called "captive REITs" (REITs that are more than 50% owned by non-REIT corporations), not for widely held public REITs. This is irrelevant as Hawaii addressed captive REITs in [TIR 98-6](#) in 1998.

Thank you for the opportunity to submit our testimony.

**SB-2362-SD-1**

Submitted on: 2/27/2026 10:22:15 AM

Testimony for WAM on 3/2/2026 10:02:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Richard Tillotson	Individual	Support	Written Testimony Only

Comments:

Plrase support this bill

**SB-2362-SD-1**

Submitted on: 2/27/2026 10:47:29 AM

Testimony for WAM on 3/2/2026 10:02:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Elizabeth Nelson	Individual	Support	Written Testimony Only

Comments:

Aloha,

My name is Elizabeth Nelson and I fully support this measure in it's original form. REITS need to pay their fair share of the tax here.

Thank you so much.

Elizabeth Nelson

Kaneohe

**SB-2362-SD-1**

Submitted on: 2/27/2026 12:52:36 PM

Testimony for WAM on 3/2/2026 10:02:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Cory Harden	Individual	Comments	Written Testimony Only

Comments:

Aloha legislators,

Don't just study the loophole--please close it, and bring revenue into Hawai'i.

mahalo,

Cory Harden

**SB-2362-SD-1**

Submitted on: 2/27/2026 1:13:18 PM

Testimony for WAM on 3/2/2026 10:02:00 AM

Submitted By	Organization	Testifier Position	Testify
Cheryl Militello	Individual	Comments	Written Testimony Only

Comments:

**Page 1 of 2**

Dear Chair, Vice Chair, and Members of the Committee, thank you for the chance to testify in strong support of taxing the income that Real Estate Investment Trusts (REITs) earn in Hawai‘i. I’m asking you to close this loophole so REITs that profit from our local real estate also help pay for the services our communities rely on.

Why this matters

REITs make a lot of money from Hawai‘i’s properties, but most shareholders live outside the state and much of that income leaves Hawai‘i untaxed. That means local families and small businesses shoulder more of the tax burden while large investors benefit without paying their fair share for our roads, schools, and services.

What REITs are

REITs are companies that own or finance income-producing real estate like shopping centers, hotels, and apartments. They must send most of their profits to shareholders, who usually pay income tax where they live—not here in Hawai‘i.

What happens today

Hawai‘i currently exempts REIT income from state corporate taxes, so profits made here can be distributed to out-of-state investors without Hawai‘i collecting corporate income tax. In one

recent year, REITs reported over \$900 million in Hawai'i income and the state collected no corporate income tax on it.

Why taxing REIT income is fair

- Closing the loophole: Treat REITs like other businesses so everyone who profits here contributes to our state.
- Raising needed revenue: This change could bring in tens of millions of dollars each year to support housing, education, and infrastructure.
- Supporting local taxpayers: When large investors pay their share, it eases pressure on local families and small businesses.



**SB-2362-SD-1**

Submitted on: 2/27/2026 2:22:20 PM

Testimony for WAM on 3/2/2026 10:02:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Jessica Kuzmier	Individual	Comments	Written Testimony Only

Comments:

Aloha, I am offering comments as testimony about SB2362 SD1. I would that the legislature pass a policy that closes the tax loophole rather than pass a policy to study the impact. Closing the REIT tax loophole will help create fairness so that large property owners contribute to Hawai'i's economy. Mahalo for your consideration.

**SB-2362-SD-1**

Submitted on: 2/28/2026 10:55:44 AM

Testimony for WAM on 3/2/2026 10:02:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Hitomi Demura-Devore	Individual	Support	Written Testimony Only

Comments:

Dear Chair, Senator Dela Cruz, Vice Chair Senator Moriowaki, and Committee Members:

I'm testifying in support of SB2362.

This bill will raise much-needed revenue to address the needs of the residents of Hawai'i, instead of letting the money flow out of the state. The bill will treat REITs the same way as other Hawai'i corporations and businesses; **all** should pay corporate taxes on their Hawai'i earnings. I would like to see this bill help create more affordable housing, improve social services and health care systems, and keep the next generations of residents here to enjoy their lives.

Thank you for your time and consideration.

Sincerely,

Hitomi Demura-Devore

**SB-2362-SD-1**

Submitted on: 2/28/2026 5:36:43 PM

Testimony for WAM on 3/2/2026 10:02:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
lynne matusow	Individual	Support	Written Testimony Only

Comments:

I support SD1 because it requires a study, which should include a comprehensive analysis, especially on how REITs would react if the DPD was eliminated. I am one of the many taxpayers who use this dividend income for everyday expenses. REITs are one of the safest investments, with a dividend component as well as a growth component. You are doing a disservice to many seniors and others who need this income to live on, and not have to divert away some for taxes.

Lynne Matusow

**SB-2362-SD-1**

Submitted on: 3/1/2026 9:23:58 AM

Testimony for WAM on 3/2/2026 10:02:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Katherine MacPherson	Individual	Support	Written Testimony Only

Comments:

It is time to support taxing Real Estate Investment Trusts. Taxes on profits from these properties, should be assessed fairly and monies appropriated to help the people of Hawaii. Investors from away need to give back to the State taxes to help support our communities . It's only fair.

**SB-2362-SD-1**

Submitted on: 3/1/2026 9:43:48 AM

Testimony for WAM on 3/2/2026 10:02:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Janet Teare	Individual	Support	Written Testimony Only

Comments:

Please close the tax loophole for REITs.

I'm a member of East Hawaii indivisible

Thank you

**SB-2362-SD-1**

Submitted on: 3/1/2026 2:24:25 PM

Testimony for WAM on 3/2/2026 10:02:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Paul Bernstein	Individual	Support	Written Testimony Only

Comments:

**Aloha Chair Dela Cruz and members of the WAM committee:**

**I'm writing in support of SB2362 SD1. I urge you to restore this bill to its original form as in this time of financial concern, we need ways to collect more revenue rather than expend general funds on yet another study.**

**Please pass this bill out of your committee to help buttress the State's financial position.**

**Mahalo for the opportunity to testify.**

**Mahalo nui,**

**Paul Bernstein**

**Honolulu**