

**JOSH GREEN M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1540

FAX NO: (808) 587-1560

**GARY S. SUGANUMA**  
DIRECTOR

**KRISTEN M.R. SAKAMOTO**  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

S.B. No. 2362, Relating to Taxation

**BEFORE THE:**

Senate Committees on Economic Development and Tourism, and Commerce and Consumer Protection

**DATE:** Wednesday, February 18, 2026

**TIME:** 10:05 a.m.

**LOCATION:** State Capitol, Room 229

Chairs DeCoite and Keohokalole, Vice-Chairs Wakai and Fukunaga, and Members of the Committees:

The Department of Taxation (DOTAX) offers the following comments regarding S.B. 2362 for your consideration.

SB 2362, amends sections 235-2.3(b) and 235-71(d), Hawaii Revised Statutes, to decouple from Internal Revenue Code section 857(b)(2)(B) thereby disallowing the income tax deduction for dividends paid by a Real Estate Investment Trust (REIT).

This measure is effective upon approval and applies to taxable years beginning after December 31, 2025.

DOTAX can adopt the changes in the bill with the current effective date.

Thank you for the opportunity to provide comments on this measure.



## HIPHI Board

May Okihiro, MD, MS  
Chair  
John A. Burns School of Medicine,  
Department of Pediatrics

Jennifer José Lo, MD  
Vice Chair  
Hawai'i Health Partners

Titimaea Ta'ase, JD  
Secretary  
Taase Law Office

Jonathan Ching  
Kaiser Permanente

Tammy Ho  
The Queen's Medical Center

Carissa Holley, MEd  
Hale Makua Health Services

Joyce Lee-Ibarra, MS  
JLI Consulting

Misty Pacheco, DrPH  
University of Hawai'i at Hilo

Dina Shek, JD  
Medical-Legal Partnership  
For Children in Hawai'i

JoAnn Tsark, MPH  
John A. Burns School of Medicine, Native  
Hawaiian Research Office

Danette Wong Tomiyasu, MBA  
Retired, Hawai'i State Department of  
Health

## HIPHI Initiatives

Coalition for a  
Tobacco-Free Hawai'i

Community-Based Research &  
Evaluation

Community Health  
Worker Initiatives

Environmental Health

Hawai'i Climate Change and Health  
Working Group

Hawai'i Drug & Alcohol-Free Coalitions

Hawai'i Immunization Coalition

Hawai'i Oral Health Coalition

Hawai'i Public Health Training Hui

Healthy Eating + Active Living

Kūpuna Collective/Healthy Aging &  
Community Living

Public Health Workforce Development

Date: February 13, 2026

To: Sen. Lynn Decoite, Chair  
Sen. Glenn Wakai, Vice Chair  
Members of the Committee on Economic Development and Tourism

Sen. Jarrett Keohokalole, Chair  
Sen. Carol Fukunaga, Vice Chair  
Members of the Committee on Commerce and Consumer Protection

Re: Support for SB 2362, Relating to Taxation

Hrg: February 18, 2026 at 10:05 AM in Conference Room 229

---

Hawai'i Public Health Institute (HIPHI)<sup>1</sup> **supports SB 2362**, which disallows the dividends paid deduction for real estate investment trusts.

### Shrinking State Budget

Hawai'i's health systems are facing fiscal challenges. According to the Department of Business, Economic Development, and Tourism, H.R. 1, enacted by Congress in July of 2025, may trim federal support for Medicaid by more than \$1.2 billion.<sup>2</sup> Furthermore, state income tax cuts enacted in 2024 under Act 46 are expected to result in more than \$5 billion in lost revenue by 2031.<sup>3</sup>

### Promoting Economic Fairness

This proposal would create an estimated \$60 million in revenue by closing a tax loophole that benefits shareholders of real estate investment trusts (REITs) that operate in Hawai'i. Under federal law, REITs are required to distribute at least 90% of their taxable income to shareholders as dividends. In exchange, they are allowed to deduct those dividends from their taxable income, meaning they pay little or no corporate income tax on the profits they generate.<sup>4</sup>

Because Hawai'i conforms to federal law, this deduction carries over to our state tax system. As a result, large REITs operating in Hawai'i—many of which own hotels, shopping centers, and commercial real estate—often pay little or no state corporate income tax on their Hawai'i earnings. In practice, this means that major

---

<sup>1</sup> Hawai'i Public Health Institute's mission is to advance health and wellness for the people and islands of Hawai'i. We do this through expanding our understanding of what creates health of people and place, fostering partnerships, and cultivating programs to improve policies, systems, and the environments where people live, learn, work, age, and play.

<sup>2</sup> "[National Turmoil Is Adding To Hawai'i's Budget Angst](#)", Honolulu Civil Beat, January 2026.

<sup>3</sup> "[State Rundown 6/6: A Tale of Two Tax Laws](#)", ITEP, June 2024.

<sup>4</sup> [26 U.S. Code § 857 - Taxation of real estate investment trusts and their beneficiaries](#), Legal Information Institute, Cornell University.



corporations generating income from Hawai'i can avoid paying the same level of taxation that local businesses must pay, creating a structural inequity in our tax code.

### **Where the Money Goes**

REITs avoid corporate taxes because they pass their profits directly to shareholders. They are designed to distribute nearly all of their profits as dividends each year, sending billions of dollars to investors, who are often high-income shareholders.

At the federal level, those dividends already receive preferential treatment. Due to the Qualified Business Income Deduction, REIT shareholders face a lower effective tax rate than the top ordinary income rate.<sup>5</sup> In Hawai'i's case, because many REIT shareholders live out of state, much of the income generated by Hawai'i REITs leaves the islands without being locally taxed, even though that income is derived from our land, economic systems, and public infrastructure.

### **Successful Examples in Other States**

This measure ensures REITs are treated like other corporations doing business in Hawai'i by disallowing the dividends paid deduction for state tax purposes. This is not a novel idea. Other states have acted to ensure that income generated within their borders is fairly taxed, rather than flowing untaxed to out-of-state investors, including Illinois, Oklahoma, Arkansas, Virginia, and Connecticut.<sup>6</sup>

### **Protecting Essential Services**

Closing this loophole would ensure large real estate corporations contribute to funding public services, strengthen our state's fiscal projections, and reduce the degree to which wealth that is extracted from Hawai'i leaves the state untaxed.

As Hawai'i faces financial pressures for health care and essential services, we cannot afford to maintain tax structures that allow billions in real estate profits to flow through our state untaxed. Accordingly, we urge you to pass this measure and require those who profit from Hawai'i to invest in its future.

Mahalo,

A handwritten signature in black ink that reads 'Kris Coffield'.

Kris Coffield  
Policy and Advocacy Associate

---

<sup>5</sup> ["REIT All About It: One Big Beautiful Bill — Tax Updates for REITs"](#), Paul Hastings LLP, July 2025.

<sup>6</sup> ["Current Corporate Income Tax Developments \(Part I\)"](#), The Tax Adviser, February 2010.

To: Senate Committees on Economic Development and Tourism and on Commerce and Consumer Protection  
Re: **SB2362 – Relating to Taxation**  
Hawaii State Capitol & Via Videoconference  
February 18, 2026; 10:05 AM

Aloha Chairs DeCoite and Keohokalole, Vice Chairs Wakai and Fukunaga, and Committee Members,

On behalf of Hawai'i Children's Action Network (HCAN) Speaks!, I am writing in **SUPPORT of SB2362**, which disallows the dividends paid deduction for real estate investment trusts (REITs). This bill closes a major tax loophole and ensures that income generated from some of Hawai'i's most iconic real estate is taxed fairly and consistently.

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.

REITs with large Hawai'i holdings include **Alexander & Baldwin**, the state's largest owner of grocery-anchored shopping centers.<sup>1</sup> Most of these REITs are large mainland-based corporations that derive substantial income from Hawai'i properties, 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>2</sup>
- **American Assets Trust** – owner of Waikele Center, Waikiki Beach Walk, and The Shops at Kalākaua<sup>3</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>4</sup>
- **Park Hotels & Resorts** – owner of Hilton Hawaiian Village<sup>5</sup>
- **Sunstone Hotel Investors** – owner of Wailea Beach Marriott Resort on Maui.<sup>6</sup>

Despite generating huge amounts of revenue from Hawai'i real estate, current tax law allows at least 90% of this income to escape state taxation.<sup>7</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 **\$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.

---

<sup>1</sup> <https://investors.alexanderbaldwin.com/corporate-profile>

<sup>2</sup> <https://www.khon2.com/local-news/owner-of-ala-moana-center-reaches-deal-to-be-sold/>

<sup>3</sup> <https://www.americanassetstrust.com/portfolio/properties>

<sup>4</sup> <https://www.hosthotels.com/Our-Portfolio/Portfolio-Overview>

<sup>5</sup> <https://www.crocodilebay.com/hiltons-600-unit-hawaii-timeshare-conversion-project-moves-ahead/>

<sup>6</sup> <https://www.sunstonehotels.com/our-portfolio/wailea-beach-resort-marriott/>

<sup>7</sup> <https://www.nuveen.com/en-us/insights/real-estate/tax-benefits-and-implications-for-reit-investors>

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>8</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>9</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 this testimony. Please pass this bill.

Thank you,

Nicole Woo  
Director of Research and Economic Policy

---

<sup>8</sup> <https://douglasemmettApartments.com/honolulu-apartments/the-residences-at-bishop-place/>

<sup>9</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)



# 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 Economic Development and Tourism, Senate Committee on Commerce and Consumer Protection  
Re: Testimony in STRONG SUPPORT of SB2362

Dear Chair DeCoite, Vice Chair Wakai, Chair Keohokalole, Vice Chair Fukunaga, and the Members of Committees,

Members of Indivisible Hawai'i thank you for this opportunity to testify in strong support of SB2362 which would disallow the dividends paid deduction for real estate investment trusts.

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>1</sup>

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 pass SB2362. 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.*

---

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

February 18, 2026

Senator Lynn Decoite, Chair  
Senator Glenn Wakai, Vice Chair  
Committee on Economic Development & Tourism

Senator Jarrett Keohokalole, Chair  
Senator Carol Fukunaga, Vice Chair  
Committee on Housing

RE: **SB 2362- Relating to Taxation**  
**Hearing date: Wednesday, February 18, 2026 at 10:05AM**

Aloha Chair Decoite, Chair Keohokalole and members of the committees,

Mahalo for allowing NAIOP Hawaii to submit testimony in **OPPOSITION** to SB 2362 – Relating to Taxation. NAIOP Hawaii is the Hawaii chapter of the nation’s leading organization for office, industrial, retail, residential and mixed-use real estate. NAIOP Hawaii has over 200 members in the State including local developers, owners, investors, asset managers, lenders and other professionals.

SB 2362 disallows dividends paid deduction for real estate investment trusts (REIT) expect for REITs that provide affordable housing in the State. NAIOP Hawaii stands in opposition to this measure which would seek to remove the dividends paid deduction. Over the past few years, REIT investment has resulted in several billion dollars of construction activity, creating thousands of local jobs, both construction and permanent, and helping our community maintain a strong economy.

REITs are companies that provide a way for anyone, including Hawaii residents, to own professionally managed, income-producing real estate for the long term—just like the way mutual funds let small investors buy stock in a corporation. Instead of buying, owning, and maintaining a commercial asset themselves, many local residents own shares in REITs, either as individual investors or through mutual funds and employer or union pension plans, but may not even realize this benefit. REITs have continued to contribute to our community by investing in affordable housing, retail, healthcare, office buildings and other commercial projects that will serve our community and local families for decades to come.

NAIOP Hawaii is concerned with potential negative economic impacts SB 2362 would have on development of all product types in Hawaii. Hawaii is already among the most heavily taxed states in the entire country which stifles economic growth, and SB 2362 would make Hawaii one of only a few states to disallow the dividends paid deduction.

Disallowing the dividends pay deduction will create additional barriers to do business in our state and would negatively impact the level of interest in future investment in Hawaii and put jobs and revenues at risk. REITs provide sorely needed investment capital to Hawaii. If this measure is passed, it is very likely that potential REIT and non-REIT investors, fearing unexpected

law changes post-investment, would choose to deploy their capital elsewhere, and Hawaii would be on the outside looking in.

Furthermore, the anticipated incremental increase in revenue from disallowing the dividends paid deduction is minimal in comparison to the potential loss in general excise tax (GET). The potential reduction of millions of dollars of new REIT investment may result in a significant reduction in the amount of construction projects throughout the State. This reduction in projects will lead to a significant loss of hundreds of the jobs and GET revenue for the State which would likely more than offset any increase in corporate tax revenue.

Simply put, the bill will not provide the tax benefit assumed but would further increase the risk and cost of doing business in this state and discourage future investment. Accordingly, we respectfully urge you to defer SB 2362.

Mahalo for your consideration,

Ken Hayashida, President  
NAIOP Hawaii



February 16, 2026

Senator Lynn DeCoite, Chair  
Senator Glenn Wakai, Vice Chair  
Committee on Economic Development and Tourism

Senator Jarrett Keohokalole, Chair  
Senator Carol Fukunaga, Vice Chair  
Committee on Commerce and Consumer Protection

**RE: SB 2362 Relating to Taxation – In Opposition**  
Wednesday, February 18, 2026; 10:05 AM; Conference room 229

Aloha Chairs DeCoite and Keohokalole, Vice Chairs Wakai and Fukunaga and Members of the Committees:

On behalf of Douglas Emmett, Inc. (“Douglas Emmett”), we appreciate this opportunity to present testimony expressing concerns on SB 2362, which disallows the dividends paid deduction for real estate investment trusts (“REITs”).

Douglas Emmett has been investing in Oahu for over 26 years. We currently own over 2,500 workforce rental apartment units in Hawaii. Over the past several years, we built the four residential towers at Moanalua Hillside (approx. 500 units) and recently invested over \$100 million to build approximately 500 more rental apartments in downtown Honolulu by converting one of our office properties into workforce housing. The development employed hundreds of local construction workers and created desperately needed workforce housing.

We are currently in the planning stages for four more residential towers in Moanalua as well as up to 2000 additional rental units near downtown on our Waena property. We have capacity to build more residential units on these properties as well as on our property in Royal Kunia. We are concerned that this bill’s targeted double taxation on REITs will negatively impact REIT investment into Hawaii.

SB 2362 incentivizes REITs like Douglas Emmett to invest in states outside of Hawaii that recognize the intent of Congress for REITs to be a single tax entity. If SB 2362 is enacted, Hawaii will likely lose one of the best sources of capital to build workforce housing and improve our communities. The bill will also have a negative economic impact on the construction trades, building suppliers, architects, and engineers.

Senator DeCoite, Chair  
Senator Keohokalole, Chair  
Senate Committees on Economic Development and Tourism and Commerce and Consumer Protection  
February 16, 2026  
Page 2

As a stakeholder in Hawaii, Douglas Emmett believes SB 2362 will eliminate an important source of capital that generates substantial local economic activity and creates jobs. We believe that discouraging investment is not in the best interest of the residents of Hawaii and respectfully ask that you hold SB 2362.

Respectfully,

A handwritten signature in black ink, appearing to read "Kevin Crummy". The signature is fluid and cursive, with a long horizontal stroke at the end.

Kevin Crummy  
Chief Investment Officer

A handwritten signature in black ink, appearing to read "Michele Aronson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michele Aronson  
Executive Vice President

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

**IN OPPOSITION TO S.B. 2362  
JOINT SENATE COMMITTEES ON  
ECONOMIC DEVELOPMENT & TOURISM  
AND  
COMMERCE & CONSUMER PROTECTION**

**SENATOR LYNN DECOITE, CHAIR  
SENATOR GLENN WAKAI, VICE-CHAIR  
AND  
SENATOR JARRETT KEOHOKALOLE, CHAIR  
SENATOR CAROL FUKUNAGA, VICE-CHAIR**

**FEB. 18, 2026  
10:05AM, Room 229  
Hawaii State Capitol**

Dear Chairs DeCoite and Keohokalole, Vice-Chairs Wakai and Fukunaga, and Members of the Senate Committees on Economic Development and Tourism and Commerce and Consumer Affairs:

Thank you for the opportunity to submit this testimony on behalf of Nareit Hawaii and our REIT members operating 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. Examples of REIT-owned properties in Hawaii include medical office buildings, affordable and workforce housing rentals, university student housing, neighborhood and regional shopping centers, entertainment parks, and hotels. REITs also invest in cell phone towers, senior living communities, and industrial facilities.

We **strongly oppose** S.B. 2362, as this bill would:

- **Hurt Hawaii residents' investment in REITs.**
- **Likely produce less overall revenue than current law, likely offset any increase in corporate tax revenue, and endanger GET as a stable source of tax revenue.**
- **Risk job losses for Hawaii residents.**
- **Force REITs to reassess their investment in Hawaii.**
- **Impose additional obligations on REITs not imposed on non-REIT corporations or partnerships.**

### **S.B. 2362 Would Hurt Hawaii Residents' Investment in REITs**

[Nareit analysis of data](#) from 2024 indicates that 695,000 residents in 56% of Hawaii households (50% nationally) own REIT stock through their pension funds, certain retirement accounts, mutual funds or direct investment. The Employees' Retirement System of the State of Hawaii (ERS) holds an estimated \$183M in REIT stock through its investment portfolio, representing about 4% of total stock holdings.

Eliminating the DPD would result in a lowered overall return and smaller dividends paid out to Hawaii residents on their pension and mutual funds. Residents rely on REIT dividends for daily living, especially in retirement.

### **S.B. 2362 Would Produce Less State Tax Revenue than Current Law**

According to the Hawaii State Department of Taxation (DoTax), increasing taxes on REITs would likely raise only an incremental amount of corporate tax revenue and could **result in a potential loss** when factoring in potential lost general excise tax (GET) revenue.

"The DPD reduces REITs' income to zero so they don't take all deductions that they're entitled to take," according to DoTax's public testimony.<sup>1</sup> "If REITs had taken all of the deductions they're entitled to, it

---

<sup>1</sup> Note comments around 3:40:23 to 3:40:38 /4:01:24 of the Feb. 12, 2019 video of the House Consumer Protection & Commerce hearing on a 2019 bill that also would have eliminated the REIT DPD, [HB 475, HD 1](#), available at [this link](#). These estimates were calculated before the pandemic when REITs, like other Hawaii businesses, incurred significant losses that can be carried forward to offset corporate income tax liabilities.

probably would have been a net loss to them.”

In an April 4, 2019 Hawaii Public Radio [interview](#) regarding similar legislation, former Department of Taxation Director Linda Chu Takayama reiterated the potential loss of GET when speaking merely of the corporate income tax impact of similar legislation (beginning at 10:10 in “Raising Taxes on REITs”): “and even that’s (corporate tax revenue) a little bit fuzzy because that doesn’t represent all of the deductions that these companies could be taking; once you factor that in, the number goes way down.”

Non-REIT corporations and partnerships can and do claim tax credits, and partnerships can pass through credits and losses to investors.

REIT-owned hotels paid more than an estimated additional \$19 million in annual GET in 2024 alone, taxes that non-REIT hotel owners are required to pay.

- REIT-owned Hawai'i hotels are required to **pay three layers of GET** on their operating income that non-REIT-owned hotels do not.
  - REIT-owned hotels pay GET on:
    - 1) The room charges and other operating income received from guests.
    - 2) The management fee paid by the taxable subsidiary to the hotel operator.
    - 3) The lease rent received by the REIT from the taxable subsidiary.
  - A non-REIT-hotel owner only pays GET on the room charges, as well as on the management fee paid to a hotel operator, if one is hired.

**S.B. 2362 would endanger this stable source of GET revenues.** As a tax on gross receipts rather than a tax on net income, the GET is a very stable source of state revenues. Corporate income tax collections are highly cyclical, and they are a small part of Hawaii's total tax revenue (4.4% in FY 2024), which can increase during booms and decrease during recessions.

### **S.B. 2362 Would Risk Job Losses for Hawaii Residents**

Ernst & Young found that REITs in Hawaii supported an estimated 18,000 full-time equivalent (FTE) jobs in 2024. Consumer spending supported by REIT operations, dividend distributions, interest payments, and construction activities was \$1.2B in 2024<sup>2</sup>. During a time of fiscal uncertainty for the State, S.B. 2362 would jeopardize real jobs for Hawaii residents.

S.B. 2362 could result in the loss of millions of dollars of new REIT investment, a shift in property ownership to tax-exempt owners like pensions and endowments (who invest significantly in real estate), and loss of revenue and hundreds or thousands of jobs REITs generate in Hawaii.

### **S.B. 2362 would force REITs to reassess their investments in Hawaii and discourage long-term capital investment**

S.B. 2362 would impose an additional corporate income tax on REITs. Potential REITs and even non-REIT investors would likely choose to deploy their capital elsewhere, risking hundreds of millions of investment dollars to the State, leading to less economic activity, jobs, and GET, all **offsetting any potential increase in corporate income tax revenue.**

Because REITs hold their assets long-term, they continually invest in renovations, maintenance, and

---

<sup>2</sup> <https://www.reit.com/data-research/research/sponsored-research/economic-contribution-reits-united-states#:~:text=The%20total%20economic%20contribution%20of,%24263%20billion%20of%20labor%20income>

expansion, utilizing local companies and labor.

- The popular addition to Ala Moana Center was estimated to have generated more than \$146M in state revenue in 2016. Additional retail sales generated an estimated \$33M in GET revenue as well as 3,000 new jobs.
- Ala Moana Boulevard Tower (AMB) is planned to be a new 515-room tower at Hilton Hawaiian Village (HHV), construction of which would add 2,441 “worker-years” of employment, over \$152M in wages, about 370 full-time equivalent onsite jobs after construction, plus 123 off-site jobs. Cumulative state tax collection from the AMB Tower project is projected to be \$49.1 million during the build-out period, and \$22.5 million annually on a stabilized basis. ([Pacific Business News](#))
- HHV completed renovations to its Tapa Tower in 2023 and, more recently, the first phase of an [\\$83M renovation](#) was completed to its Rainbow Tower, a clear demonstration of commitment to long-term ownership and hundreds of millions in capital investment over multiple years.

Access to capital allows REITs to make these types of investments.

REIT investment continued during COVID-19, as it did during the recession we experienced in the late 2000's. While regular investors shied away from redevelopment, REITs continued to build and improve their properties, boosting Hawaii's economy through construction, retail, and operational jobs.

Based on a 2021 Nareit Hawaii survey of REITs in Hawaii, eight REITs reported that over \$207M was expended in 2020 on maintenance and capital expenditures.

### **S.B. 2362 would impose additional obligations on REITs not imposed on non-REIT corporations or partnerships**

REITs must comply with strict and complex [requirements](#) that, if met, allow REITs to deduct their dividend distributions from their taxable income. S.B. 2362 would eliminate the DPD, but REITs would still need to conform to strict rules, none of which are required of non-REIT corporations. Most importantly, non-REIT corporations can retain all their profits.

### **Alternative to S.B. 2362**

There have been conflicting tax revenue numbers over the years. Nareit Hawaii would recommend that the Committees consider authorizing a study to consider the true impact of eliminating the DPD in Hawaii, including the net loss of GET and loss of investment dollars to the State.

### **Please Hold S.B. 2362**

We appreciate the opportunity to express our **strong opposition** to S.B. 2362 and respectfully request the Committees **HOLD** the bill.

February 18, 2026

**The Honorable Lynn DeCoite, Chair**

Senate Committee on Economic Development and Tourism

**The Honorable Jarrett Keohokalole, Chair**

Senate Committee on Commerce and Consumer Protection  
State Capitol, Conference Room 229 & Videoconference

**RE: Senate Bill 2362, Relating to Taxation**

**HEARING: Wednesday, February 18, 2026, at 10:05 a.m.**

Aloha Chair DeCoite, Chair Keohokalole, and Members of the Joint Committees:

My name is Lyndsey Garcia, Director of Advocacy, testifying on behalf of the Hawai'i Association of REALTORS® ("HAR"), the voice of real estate in Hawaii and its over 10,000 members. HAR **opposes** Senate Bill 2362, which disallows the dividends paid deduction for real estate investment trusts.

In 1960, the United States Congress created REITs to allow all individuals, and not just the wealthy, the opportunity to invest in large-scale diversified portfolios of income producing real estate.

REITs are tied to all aspects of the economy, and have a major economic impact on our state that encompasses a full range of real estate, including:

- Affordable Housing: Moanalua Hillside Apartments and Waena Apartments
- Student Housing: Hale Mahana Student Housing
- Healthcare Facilities: Hilo Medical Center, Kapiolani Medical Center, and Pali Momi Medical Center
- Retail: Prince Kuhio Plaza, Pearlridge Center, and Ka Makana Ali'i

REITs bring in investment to help build thriving communities where residents can live, work, and play. REITs not only provide a boost to our economy through construction of these projects but also create real job opportunities. Under this measure, it proposes to remove the income tax deduction for dividends from a REIT, thereby creating a double taxation of income. HAR has concerns that this will become a disincentive to invest in Hawaii, which would negatively impact the economy.

Additionally, this would also impact those that invest in REITs, such as retirees who use this as part of their retirement income. 56% of Hawaii households own and benefit from REITs<sup>1</sup>, so any additional taxes on REITs in Hawaii would hurt those households.

Mahalo for the opportunity to testify on this measure.

<sup>1</sup> NAREIT. (February 2024). REIT Ownership by State. <https://www.reit.com/research/nareit-research/170-million-americans-own-reit-stocks>

# TAX FOUNDATION OF HAWAII

---

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

---

SUBJECT: Income Tax; Real Estate Investment Trusts; Dividends Paid Deduction

BILL NUMBER: SB 2362; HB 2150

INTRODUCED BY: SB by MORIWAKI, FEVELLA, KIDANI, RHOADS, Fukunaga, San Buenaventura; HB by PERRUSO, AMATO, BELATTI, GRANDINETTI, IWAMOTO, POEPOE, SHIMIZU, TAM

EXECUTIVE SUMMARY: Disallows the dividends paid deduction for real estate investment trusts.

SYNOPSIS: Amends HRS section 235-2.3(b)(35) to provide that section 857(b)(2)(B), with respect to the dividends paid deduction for real estate investment trusts, shall not be operative.

Amends HRS section 235-71(d) to provide that for tax years beginning after December 31, 2025, no deduction for dividends paid shall be allowed for REITs.

EFFECTIVE DATE: Taxable years beginning after December 31, 2025.

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: 2/13/2026



February 13, 2026

Senator Jarrett Keohokalole, Chair  
Senator Lynn DeCoite, Chair  
Committee of Commerce and Consumer Protection  
Committee of Economic Development and Tourism

Re: Testimony **Opposing** SB 2362, Relating to Taxation

Dear Chair Keohokalole, Chair DeCoite, and Committee Members:

On behalf of Extra Space Storage Inc. (“Extra Space”), thank you for this opportunity to provide our testimony on SB 2362. Extra Space submits this testimony in **opposition** to this bill.

Extra Space is a publicly traded real estate investment trust (“REIT”) that is the largest owner and operator of self-storage facilities in the United States. Extra Space owns and/or operates 4,238 self-storage properties in 43 states, which comprise approximately 2.9 million units and approximately 326.9 million square feet of rental storage space. Extra Space owns or operates twenty self-storage facilities in Hawaii.

REITs produce substantial economic benefits to the State of Hawaii in the form of jobs, general excise tax, and real property taxes. In 2025, Extra Space paid the state more than \$2.1 million of general excise tax and almost \$2.6 million of real estate taxes.

The bill seeks to eliminate the dividends paid deduction (“DPD”) for all REITs operating in Hawaii. One of the many requirements a REIT must satisfy in order to maintain its REIT status is to distribute annually all of its taxable income to their shareholders. The shareholders then report and pay state and federal tax on those dividends. This allows for a single level of taxation at the shareholder level. In this respect, REITs are most comparable to other “pass-through” entities such as S corporations, LLCs, or partnerships, which are not separately subject to entity level income tax in Hawaii.

Enactment of this bill will result in negative consequences to the real estate industry in Hawaii. The bill will impose double taxation on REIT shareholders. This is inconsistent to the accepted federal and state tax treatment of REITs. No other state (other than New Hampshire) disallows the dividends paid deduction. This tax will put REITs at a disadvantage in relation to other “pass-through” entities that hold real estate.

This tax will essentially be passed on to Hawaii residents and businesses in the form of higher rental rates as REITs must now look for ways to offset this increased tax liability.



This tax will also discourage future investment by REITs in Hawaii as it will now be more costly to operate in Hawaii as compared to other states.

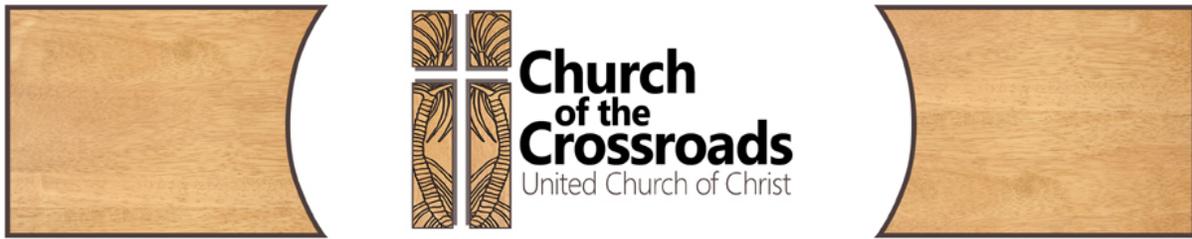
For the foregoing reasons, Extra Space **opposes** SB 2362 and asks the committee to not move forward on this or any similar bill.

Thank you for your consideration of our testimony.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gwyn McNeal".

Gwyn McNeal  
Executive Vice President, Chief Legal Officer



**TESTIMONY IN SUPPORT OF SB2362**

Senate Committees on Economic Development and Tourism  
& Commerce and Consumer Protection  
February 18, 2026 at 10:05 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.*

Chairs DeCoite and Keohokalole, Vice Chairs, 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 from their property trusts. It's mostly not a big deal, because the trusts pay out their profits as dividends to the individual REIT investors, and the Federal government and states collect their share via income taxes on shareholders.

But for Hawaii, untaxed REIT profits are a big deal. So much of our prized real estate is tied up in REITs. And most REIT shareholders live out of state. Of the dividends paid out by REITs operating in Hawaii, the Hawaii Tax Department this year estimated \$27 million that could have been collected as corporate income went untaxed. Hawaii's income tax gained just \$950,000 from Hawaii-resident REIT shareholders.

The National Association of Real Estate Investment Trusts (NARIT) knows that the state battle to tax REITs is real here. It's because REITs control so much Hawaii property in big shopping centers, major hotels, commercial real estate, and property development, and because REITs send their profits to shareholders living elsewhere. This is unfair. The REITs benefit from Hawaii land, infrastructure, workforce, and our tourist economy. REITs should be taxed for these benefits.

If Hawaii taxes REIT corporate profits, the principal losers will be Trust beneficiaries living elsewhere. Their after-tax payouts will drop. Hawaii taxpayers will be the big winners. The corporations in between will merely 1) pay taxes to Hawaii, and 2) reduce slightly net dividend payments.

Corporate profits should be taxed on their tropical paradise holdings.

Mahalo for your attention to the Church's support for SB2362.

Aloha, Galen Fox for  
Church of the Crossroads



## HAWAII LABORERS-EMPLOYERS COOPERATION AND EDUCATION TRUST

650 Iwilei Road, Suite 285 · Honolulu, HI 96817 · Phone: 808-845-3238 · Fax: 808-845-8300

February 18, 2025

To: **State Senate Committee on Economic Development and Tourism**  
**State Senate Committee on Commerce and Consumer Protection**

Re: **Testimony in Strong Opposition to SB2362, Relating to Taxation**

For Joint Hearing on Wednesday, February 18, 2026 at 10:05 am in Conference Room 229

Aloha Honorable **Chairs DeCoite** and **Keohokalole**, **Vice Chairs Wakai** and **Fukunaga**, and Senate Economic Development and Consumer Protection Committee Members,

The **Hawaii Laborers & Employers Cooperation and Education Trust Fund** (Hawaii LECET) is a joint labor plus management partnership established in 1993 between the 5,000 statewide members of the Hawaii Laborers Union and over 250 construction contractor members from both the *General Contractors Association* and the *Building Industry Association*. The Laborers International is the largest construction trade union in North America, and Hawaii LECET is part of a network of 38 labor-management LECET Funds across the country.

### **Hawaii LECET urges you to oppose SB2362 that would eliminate the Dividends Paid Deduction (DPD) for Real Estate Investment Trusts (REITs) operating in Hawaii.**

Taxing REITs at the entity level is, in effect, double taxation, as these entities are already required by federal law to distribute at least 90% of their taxable income to shareholders, who pay income tax on those dividends. This move would have severe, long-term detrimental effects on Hawaii's economy, resulting in lost investment, lost jobs, and ultimately, lower tax revenue for the state.

#### **1. Loss of Investment in Hawaii**

REITs are long-term property holders that have invested billions in Hawaii's infrastructure, including iconic, job-producing assets like **Ala Moana Center**, **International Market Place**, and **Hilton Hawaiian Village**. Imposing a new corporate income tax would make Hawaii an outlier compared to 48 other states, sending a negative message to the investment community.

If this tax is enacted, REITs would reduce or halt investment in new construction and renovation projects. Furthermore, REITs will be forced to sell properties, potentially replacing long-term, taxable investors with tax-exempt organizations like pensions or foundations, which would yield zero income tax revenue for the state.

#### **2. Loss of Jobs for Hawaii Residents**

The investments made by REITs are not just capital—they represent thousands of jobs for local residents, particularly in construction, maintenance, security, and property management.

- REITs support an estimated 16,000 full-time jobs in Hawaii.
- Threatening this investment base risks creating a "chilling effect" that will lead to a decline in investment and construction during an already volatile economic period.

### **3. Lost Overall Tax Revenue (The "Golden Goose" Effect)**

While proponents suggest this tax will raise revenue, it is likely to have the opposite effect. According to data from the **Hawaii Department of Taxation** and industry analysis, taxing REITs could actually easily lead to a net loss of tax revenue.

- **Reduced GET Revenue:** If REITs slow down development and renovation, the state will lose significant, immediate General Excise Tax (GET) revenue.
- **Lower Economic Activity:** The long-term, stable investment REITs bring produces more tax revenue (GET, property taxes, TAT) than a one-time corporate tax penalty.

Instead of penalizing investment, the legislature would do well to foster an environment that encourages capital to remain in Hawaii. Taxing REITs in Hawaii will backfire and result in fewer dollars circulating locally, fewer jobs for our people, and a diminished tax base.

We urge you to vote against SB2362 and protect the long-term economic health of our community.

Mahalo,

**Hawai`i Laborers & Employers  
Cooperation and Education Trust**



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.

In **STRONG OPPOSITION** To SB 2362

Before the Committees on  
Economic Development and  
Tourism

Senator Lynn DeCoite, Chair

Senator Glenn Wakai, Vice  
Chair

and

Commerce and Consumer  
Protection

Senator Jarrett Keohokalole,  
Chair

Senator Carol Fukunaga, Vice  
Chair

Hearing on SB 2362  
February 18, 2026

On behalf of Park Hotels & Resorts Inc. (“Park”), thank you for this opportunity to provide our testimony in **strong opposition** to SB 2362.

As described in more detail below, Park opposes SB 2362 for the following reasons:

- It would threaten future capital investment by REITs in Hawai‘i, and specifically, **it would significantly impact Park’s outlook on whether to proceed with the construction of a new hotel tower at Hilton Hawaiian Village.**
- The revenue to the State under this proposal is far from certain. Section 1 of the bill states that the estimated amount of income tax revenues generated by this proposal “may be as much as \$26,800,000.” This estimate does not consider tax planning that corporations routinely undertake to reduce their tax burden.
- It would threaten the general excise tax (“GET”) revenue associated with the statutorily required lodging REIT structure, resulting in less GET being generated.
- REITs are taxed fairly in Hawai‘i, adhere to all applicable tax laws, generate hundreds of millions of dollars in state and county tax revenue, support thousands of jobs, and provide reliable dividend revenue for families’ savings, retirement, college tuition, and other essential needs.

Imposing a corporate income tax on REITs by repealing the DPD would not produce the perceived additional tax revenues. If the legal deductions and tax planning are accounted for, this proposal would result in less income tax than is projected, less investment by REITs, and a reduction in additional lodging REIT GET payments. Further, the disallowance of the DPD would be inconsistent with federal tax treatment, without a good reason, and the existing rules of virtually all other states with an income-based tax system.

This bill would put Hawai‘i at a competitive disadvantage for REIT investment. For Park, there will be significant consequences that will likely result in Park lowering the level of future capital invested in Hawai‘i (see p5 for Park’s capital investments in Hawaii to date) including not proceeding with the construction of an additional hotel tower as part of the Hilton Hawaiian Village Waikiki Beach Resort complex. It would also require Park, as a publicly traded company, to address our form of ownership and operation in Hawai‘i, which could lead to implementing one or more appropriate tax planning techniques or strategies to maintain shareholder value.

In short, this legislation would have a chilling effect on the positive economic and community impact Park provides through its REIT ownership and capital investment in Hawai‘i.

#### Digest

Park has been and continues to be a solid corporate citizen and partner to the state of Hawai‘i – paying significant tax, supporting numerous jobs (directly and indirectly), and benefiting the community at-large since its inception.

Park is a publicly traded lodging real estate investment trust (“REIT”) (NYSE:PK) with a diverse portfolio of hotels and resorts. Currently Park owns 34 premium-branded hotels and resorts, including (i) the **Hilton Hawaiian Village Waikiki Beach Resort** located along Oahu’s prestigious Waikiki Beach, and (ii) the **Hilton Waikoloa Village** located on the Kohala Coast of the Big Island of Hawai’i. Park strives to be the preeminent lodging REIT, focused on consistently delivering superior, risk adjusted returns for shareholders that invest in the hotel sector. Park, like most REITs, has a long-term investment focus and is committed to creating sustainable value at its properties.

Congress enacted the REIT legislation in 1960 to allow individual investors the ability to own and benefit from professionally managed, institutional quality, income-producing real estate. As with all REITs, Park must meet multiple stringent, complex and costly requirements in order to maintain its status as a REIT, including: organizational requirements, asset holding requirements, passive income generation requirements, and importantly REITs must distribute at least 90% of their taxable income annually. These stringent, complex and costly requirements do not apply to non-REIT real estate owners and require REITs to continuously access the debt and equity capital markets to obtain funds for maintenance, capital improvements, and growth projects. By meeting these stringent, costly and complex requirements REITs are allowed to claim a dividend paid deduction (“DPD”); essentially passing through their taxable income to shareholders.

One of the stringent requirements to be a REIT is the generation of passive income, which separates the federal tax rules for REITs and the tax rules applicable to non-REIT real estate owners. Federal tax law dictates that a REIT must earn most of its income from passive sources like “rents,” and income from operating a hotel is not passive or “rents.” Thus, federal law **requires** that a lodging REIT lease its hotels to a third party or one (or more) fully taxable corporate subsidiary. If leased to a taxable corporate subsidiary (which is the structure used by public lodging REITs), another requirement is that the taxable corporate subsidiary must hire an independent operator, like Hilton, to manage the hotel. The rents paid by the taxable corporate subsidiary to the REIT hotel owner and the management fees paid to the independent operator are both subject to Hawai’i GET.

The Hawai’i GET on the rents paid by the taxable corporate subsidiary to the REIT hotel owner are true **double taxation of the same revenue source**, a direct result of the mandatory REIT structure. Thus, hotels operating within the mandatory REIT structure are subject to triple GET taxation on the same revenue source. The overwhelming majority (approx..85%) of the additional GET is a direct result of federal law requirements governing hotel REIT operations and is not paid by a typical non-REIT hotel owner. For Park, ownership of these two Hawaii resorts resulted in excess of **\$7.6 million in additional GET revenue paid to the State of Hawai’i in 2025 alone**, none of which would be paid by a non-REIT owner of the two resorts.

Park has a planned expansion of the Hilton Hawaiian Village in Waikiki has received all discretionary approvals required for the construction of a new 36-story, 515-room hotel tower at the site. Park is in the process of determining whether and when to proceed with the potential investment and construction of the hotel tower. For Park to proceed with the project, it must meet a hurdle of return on investment, which will be impacted by any DPD repeal. The construction of such a new hotel tower will result in an investment by Park in the State of Hawai’i of in excess of \$500 million dollars, and is projected to: (i) create significant employment in the State; (a) over 2,400 "worker-years" of employment during the hotel’s construction phase, generating over \$150 million in local wages, and (b) approximately 370 new Full-Time Equivalent jobs at the hotel with cumulative annual wages totaling \$28.5 million, and (ii) generate significant tax revenue in the State as follows: (a) projected Honolulu County Real Property Taxes of in excess of \$18 million annually, and (b) estimated revenues in excess of \$22.5 million annually from Gross Excise and Income Taxes (before considering the hotel REIT GET double taxation), and Transient Accommodation Taxes.

## The Legislative Proposal

SB 2362 would disallow dividends paid deductions for real estate investment trusts for taxable years beginning after December 31, 2025, and thus require REITs to pay Hawai'i corporate income tax.

## Park's Viewpoint

We believe **the DPD should not be eliminated**. Not only is SB 2362 bad public policy, but it would also not add significant revenue to the State. The elimination of the DPD would raise only modest amounts of income taxes while risking less GET, both because of less investment by REITs and because of the tax planning that would reduce lodging REIT double GET payments. Further, elimination of the DPD would also be inconsistent with the existing rules of virtually all other states with an income-based tax system.

We believe that our historical, continuing, and potential future investments, and the investments by other REITs, in Hawai'i is beneficial to the state and that eliminating the DPD would have the undesirable consequence of discouraging future investment by Park and other REITs in Hawai'i. The proposed legislation will not increase tax revenue for the state rather it will decrease revenues and it will diminish business investment in the state as the cost of doing business in Hawai'i, which is already ranked as having the highest cost of doing business in the nation by CNBC in 2024 and 2025<sup>1</sup>, will increase.

Further, elimination of the DPD could result in foundations or pension funds replacing REIT ownership of real property. Foundations and pension funds generally are passive owners that pay no federal or state income taxes and do not make the same capital investments as REITs. If hotels in Hawai'i are converted to non-REIT ownership, including ownership by taxable subsidiaries of REITs, the additional GET revenue generated solely as a result of the REIT structure will disappear.

And, as stated above, if SB 2362 were to become law, it is highly unlikely that Park will proceed with its current and other future capital investment projects at either the Hilton Hawaiian Village Waikiki Beach Resort, or the Hilton Waikoloa Village, or generally in the State of Hawai'i.

We believe the GET, which is a tax on gross receipts rather than a tax on net income, is a more reliable and steadier source of revenues than corporate income tax and SB 2362's enactment would threaten this extremely valuable source of revenues to the State.

## Park's Economic Impact in Hawai'i

Park's REIT structure and hotel ownership benefits the State of Hawai'i and kama'aina tremendously in a variety of economic and non-economic ways. Park's economic footprint in the State of Hawai'i, before considering the economic impact of constructing a new hotel tower at the Hilton Hawaiian Village complex, as detailed above, includes:

### **Employment / Jobs:**

- Currently, direct employee headcount at Park's two hotels is approximately 2,700. The payroll and associated benefits for these direct employees was approximately \$219,000,000 in 2025.

### **Hawai'i Tax Revenue generated / paid by Park:**

- General Excise and Use Tax - Operations.
  - The tax revenues generated from our operations, including capital spending, in 2025 totaled \$33,447,729.

- General Excise and Use Tax - Rent / Management Agreement.
  - The tax revenues generated from our intercompany rent in 2025 totaled \$7,682,725. True double taxation as a result of the mandatory lodging REIT structure.
  - The tax revenues generated from our management fee payments in 2025 totaled \$1,312,082.
  
- Property taxes.
  - Property taxes paid in 2025 on Park's two resorts totaled \$25,583,655.

**Capital Investment in Hawai'i by Park:**

Exclusive of the construction of a potential new hotel tower adjacent to, and to be an addition to, the Hilton Hawaiian Village Waikiki Beach Resort, Park has made the following capital investments in Hawai'i

- Capital Improvements.
  - Historically, (beginning in 2017 with its ownership) Park has invested approximately **\$390 million** in its two Hawai'i resorts (the Hilton Hawaiian Village Waikiki Beach Resort and the Hilton Waikoloa Village).
  - Park anticipates investing approximately **\$170 million** on capital improvements at its two Hawai'i resorts in 2026.
  - In addition to the above capital investments Park is currently analyzing other meaningful capital investments at both resorts.

Park's continuing community and charitable efforts in the State of Hawai'i, both during the Covid-19 pandemic when the hotels were closed and after the Covid-19 pandemic, continue and are too numerous to detail. However, our hotels support the homeless and housing shelters to a large degree, as well as a variety of other worthy local causes.

We thank you again for this opportunity to provide testimony against SB 2362 and hope you consider our **strong opposition** to this proposed legislation.

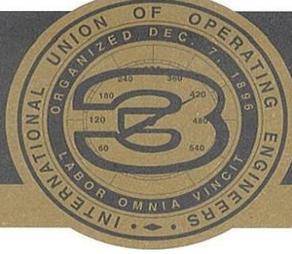
Respectfully submitted,



Scott Winer  
Senior Vice President, Tax

---

<sup>1</sup> <https://www.cnbc.com/2025/07/10/hawaii-top-states-for-business-ranking.html>.



February 15, 2026

Honorable, Lynn DeCoite, Senate Committee on Economic Development and Tourism, Chair  
Honorable, Jarrett Keohokalole, Senate Committee on Commerce and Consumer Protection, Chair  
Honorable Members of the Senate Committee on Economic Development and Tourism and Senate Committee on Commerce and Consumer Protection

**RE: TESTIMONY IN OPPOSITION OF SB2362 RELATING TO TAXATION**

Chair DeCoite and Chair Keohokalole,

My name is Ana Tuiasosopo, and I am a Trustee and District Representative for the International Union of Operating Engineers (IUOE) Local 3, representing heavy equipment operators, mechanics, surveyors, and other skilled tradespeople in Hawai'i's construction industry. I submit our OPPOSITION to SB2362.

Approximately 695,000 residents in 56% of Hawai'i households are invested in REITs as shareholders via retirement pension funds, mutual funds, or investment accounts. The Employees' Retirement System of the State of Hawai'i (ERS) holds an estimated \$183M in REIT stock through its investment portfolio. This represents about 4% of total stock holdings. Operating Engineers Local 3's pension also invest in REITs projects here in Hawaii. Passing of this law could negatively impact REIT investments from our union and other labor organizations.

REITs have invested hundreds of millions of dollars in Hawai'i to help finance, develop, and build projects and infrastructure that private developers cannot take on, even during economic downturns. REIT investments include:

- Affordable rental housing projects like Moanalua Hillside Apartments, Villas at Royal Kunia, Waena Apartments, and the conversion of the Bishop Place office building into workforce housing, now called The Residences at Bishop Place, as well as Hale Mahana and Frear Hall (University of Hawai'i student housing).
- Ka Makana Ali'i, Pearlridge Center's renovation, and Ala Moana Center.
- Redeveloping the then-deteriorating Waikiki Beach Walk and International Market Place.
- Commercial buildings, cell towers, shopping centers, self-storage facilities, hotels, and warehouses for e-commerce.

Lastly, we have heard that if this bill passes, it will force already permitted projects to cancel. For these reasons we ask that this bill be deferred.

Sincerely,

Ana Tuiasosopo  
District Representative, Trustee



**SUNSTONE**

HOTEL INVESTORS

February 13, 2026

Hearing Date: February 18, 2026

Time: 10:05 AM

Place: State Capitol Conference Room 229

Senate Committee on Housing

Senator Stanley Chang, Chair

Senator Troy N. Hashimoto, Vice Chair

Honorable Chair Chang, Vice-Chair Hashimoto, and Committee Members,

Thank you for the opportunity to provide written testimony in opposition of SB 2362, relating to the taxation of Real Estate Investment Trusts in Hawaii. My name is Mabel Leung and I am the Director of Tax at Sunstone Hotel Investors, Inc. ("Sunstone"). Sunstone is a publicly traded lodging real estate investment trust ("REIT") with 14 upper upscale, luxury and resort properties comprised of 6,999 rooms in seven states (including Hawaii) and Washington DC.

Our presence in Hawaii began in 2014 with the purchase of the Marriott Wailea on the beautiful island of Maui. Soon afterwards, we made a significant capital investment of over \$130 million dollars to renovate and reposition the resort. Up to 76% of that amount, or over \$100 million dollars, went directly to local contractors, consultants, vendors and small businesses. As of today, we have invested an additional \$60 million dollars in capital expenditure and have a combined investment value of over \$500 million in your state. As the hotel industry is very capital-intensive, we will continue to make millions of dollars in capital improvements to the property and the majority of this significant and ongoing investment stays with Hawaiian businesses. Our hotel manager, Marriott, currently employs nearly 600 people in well-paying jobs to ensure our guests would have a wonderful time when visiting the Hawaiian Islands. To support and service these endeavors, we typically maintain significant deposits, currently over \$20 million, in various accounts at local banks.

SB 2362 would subject hotel REITs doing business in Hawaii to far more taxation than a regular hotel corporation doing business in the state. Let me bring your attention to Hawaii's General Excise Tax ("GET"). GET reaches many transactions and has few and limited exceptions. For example, our past and future capital investments as discussed above are all subject to GET. GET

also reaches a transaction that is unique only to REITs owning lodging or healthcare facilities. Per the federal Internal Revenue Code, REITs are required to generate a majority of their income through rents and other passive income. For hospitality (or healthcare) REITs, this is accomplished by a unique structure where the REIT leases the hotel property to a wholly owned subsidiary that is a fully taxable corporate entity, which in turn must hire an independent third party to manage the hotel on its behalf. This arrangement is also subject to GET. In Sunstone's case, our investment in Maui has contributed over \$20 million in GET taxes since 2014, which is something that a non-REIT hotel business will not be required to pay.

Sunstone recognizes the importance of supporting our hotel associates and the communities where our hotels are located, so not all our investments in Maui are capital in nature. As we all know, the citizens and residents of Maui have endured significant difficulties and we have made investments to help them overcome these challenges. During the COVID pandemic, Sunstone, through our manager, launched a program to distribute food in bulk to our hotel employees. Fresh vegetables, fruits, legumes and dry goods were sourced from local Maui farmers and distributed to our hotel employees to help ease their burden in managing their day-to-day. We continue to source as much as possible locally in support of Hawaiian businesses. In addition, following the 2023 devastating fires, we housed first responders and displaced hotel associates at our hotel and partnered with World Central Kitchen to prepare and distribute thousands of meals to those in need from our hotel.

Key to Sunstone's business philosophy is the ability to listen. We listen to our investors, our employees and our guests, and we take what they say seriously. Over the years the Legislature has made several attempts to decouple from the federal treatment of dividend paid deductions, the reasons for which to influence social policy in regard to homelessness and basic housing needs. SB 2362 argues that decoupling is based on equity; to level the playing field between "regular" corporations and REITs. We strongly and respectfully disagree with this notion. SB 2362 wishes to decouple from only one specific provision of the federal REIT rules, so Sunstone would still be subject to the federal requirement to distribute 90% of our earnings to our stockholders, which is something that a regular corporation is never required to do. It is our opinion that the intended and unintended consequences of decoupling Hawaii's tax regime from the Internal Revenue Code would lead to less investment, less tax revenues and fewer jobs in Hawaii. For Sunstone in particular, SB 2362 would make it more difficult to justify future investments in Hawaii and would likely cause us to reconsider investments in the planning stages already.

In conclusion, we strongly reiterate our opposition to SB 2362.

Sincerely,

Mabel Leung  
Director - Tax



# HAWAII APPLESEED

CENTER FOR LAW & ECONOMIC JUSTICE

**Dear Chairs, Vice Chairs, and Members of the Committees,**

Thank you for the opportunity to testify on behalf of Hawai‘i Appleseed in strong support of **SB 2362**, which would tax the income generated by Real Estate Investment Trusts (REITs) in Hawai‘i. This measure would close a significant loophole in the state’s tax code, allowing our state to capture needed revenue from REITs—entities that give the large majority of their profit to out-of-state investors.

## **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.

## **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 massive funding shortfalls at the federal and state levels.

We urge the committees to support this measure and take an important step toward creating a more equitable and sustainable tax system for Hawai'i.

Mahalo for your time and consideration.

February 13, 2026

The Honorable Lynn DeCoite, Chair And Committee Members  
Committee on Economic Development & Business  
The Honorable Jarrett Keohokalole, Chair And Committee Members  
Committee on Commerce and Consumer Protection  
Hawaii State Senate  
415 S. Beretania St., #309  
Honolulu, HI 96813

Dear Chairs DeCoite and Keohokalole and Committee Members:

RE: SB2362 Relating to Taxation of Real Estate Investment Trusts

My name is Andrew Alcock, Managing Director, Real Estate Investments, OPTrust, testifying in strong opposition to SB2362 Relating to Taxation of Real Estate Investment Trusts. OPTrust is one of Canada's largest pension funds. With net assets of over \$26 billion CAD, we administer a defined benefit plan with over 114,000 members and retirees.

OPTrust partnered with DeBartolo Development ("DeBartolo") to develop the Ka Makana Ali'i center in Kapolei. DeBartolo's vision and partnership with the Department of Hawaiian Home Lands ("DHHL") were important factors in OPTrust's decision to invest in Hawaii. One of the deciding factors in OPTrust making its investment in Ka Makana Ali'i, was the sound investment policies of both the State of Hawaii and its partnership with private developers like DeBartolo. OPTrust invests across the globe – many of those investments are made through REIT structures, which provide a dividend exemption by law. By way of example, there is only one State in the United State of America (New Hampshire) which does not permit the REIT dividend deduction. The ability to invest in Ka Makana Ali'i through a REIT structure was paramount to OPTrust's decision to invest in Hawaii.

1 Adelaide Street East, Suite 2900  
Toronto ON M5C 3A7

Toll-free: 1-800 906-7738  
In Toronto: 416-681-6161  
Fax: 416-681-6175

[optrust.com](http://optrust.com)





REIT's provide a way to finance projects that local investors or the State of Hawaii would not be able to provide. Disallowing the dividends paid deduction for REIT's will result in the double taxation on REIT income and will place Hawaii at a disadvantage compared to other states when it comes to attracting investor capital. Disallowing the deduction would disincentivize investors from investing in the State of Hawaii, resulting in fewer development projects and impacting housing affordability.

Should this bill pass OPTrust would be forced to direct its investment capital elsewhere. It would also have a very undesirable effect on DHHL and impact any income that they receive to further their efforts to build housing and provide programs for their beneficiaries.

The dividends that are paid out by REITs support people such as union workers, retirees, and teachers, and their income and retirement would be impacted by this change. Current trade wars and tariffs have created significant economic uncertainty – eliminating the REIT dividend deduction it would provide yet another reason for investors to seek opportunities to invest their capital elsewhere.

We urge you to strongly oppose SB 2362 so that projects such as Ka Makana Ali'i can continue to be built and enhance not only Hawaii's economic growth but continue to provide DHHL with the means to provide more for the native Hawaiian community, Hawaii's community at large, and for people these investments support.

Yours truly,

A handwritten signature in black ink, appearing to read "A Alcock", followed by a horizontal line.

Andrew Alcock

**WRITTEN TESTIMONY OF**

**JEFFREY KAUFMAN  
1<sup>st</sup> VP-TAX  
HOST HOTELS & RESORTS, INC.**

**IN OPPOSITION TO SB 2362**

**BEFORE THE HAWAII SENATE**

**COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM**

**Senator Lynn DeCoite, Chair  
Senator Glenn Wakai, Vice Chair**

**COMMITTEE ON COMMERCE AND CONSUMER PROTECTION**

**Senator Jarrett Keohokalole, Chair  
Senator Carol Fukunaga, Vice Chair**

**HEARING ON SB 2362**

**FEBRUARY 18, 2026**

**10:05 A.M.**

Thank you for the opportunity to submit this testimony in opposition to SB 2362 on behalf of Host Hotels & Resorts, Inc. (Host). Host is the largest lodging real estate investment trust (REIT) and one of the largest owners of luxury and upper-upscale hotels. The Company is headquartered in Bethesda, Maryland and is traded on the Nasdaq Stock Market. Host owns 78 hotels throughout the U.S., Canada and Brazil, including five hotels in Hawaii. Host strongly opposes, and asks you to hold, SB 2362.

Host agrees with the discussion points included in the testimony of Nareit in opposition to SB 2362 that, if enacted, the State would lose revenue on a net basis and how it would cause REITs to invest more in other states since these other states do not have such anti-REIT provisions.

In addition, Host would like to emphasize that the federal tax law requirements of a hotel REIT like Host lead to the doubling or tripling of the liability for Hawaii general excise tax (GET) as compared with non-REIT hotel owners.

REITs are subject to federal income tax law requirements that do not apply to other forms of property owners. As relevant here, at least 75% of the annual gross income of a REIT must consist of “rents”. Hotel room charges are not considered to be “rents” for this purpose. As a result, federal income tax law requires hotel REITs to:

- Lease their hotels to a third party or to a taxable subsidiary of the REIT, and
- If leased to a taxable subsidiary of the REIT, the subsidiary must hire an independent third-party operator to operate and manage the hotel.

Again, these requirements do not apply to non-REIT hotel owners.

Hawaii imposes GET not only on the room charges and other hotel operating income earned by the hotel from guests, but also on the rent received by the REIT from the taxable subsidiary and on the management fee paid to the operator by the taxable subsidiary. Again, this additional GET is not imposed on a non-REIT hotel owner. As a result, GET is imposed on at least three levels of income of a hotel owned in a REIT structure: the room charges and other operating income received from guests, the rent received by the REIT from the taxable subsidiary, and the management fee paid by the taxable subsidiary to the hotel operator.

For example, Host leases its five hotels in Hawaii, the Fairmont Kea Lani on Maui, the Hyatt Regency Maui Resort & Spa, the Andaz Maui, the Hyatt Place Waikiki Beach and the Ritz-Carlton O’ahu, Turtle Bay to a taxable subsidiary, and the taxable subsidiary hires independent third-party operators (Fairmont, Hyatt and Marriott) to operate and manage its five hotels. The **additional annual GET liability of approximately \$6-\$8.5 million** paid to Hawaii for each of 2023, 2024, and 2025 attributable to the rents received by the REIT from the taxable subsidiary and the management fees paid by the taxable subsidiary to Fairmont Hyatt and Marriott would not have been paid if the same entity were both the owner and the operator of the hotels. Because the GET is a gross receipts, rather than a net income, tax, it is a much more reliable source of revenue for the State. It also is a much greater source of revenue to the State than the corporate income tax. The enactment of SB 2362 immediately would risk elimination of this extremely valuable source of GET revenue to the State.

Because of these unique requirements applicable to hotel REITs, the State received more than an estimated \$19 million of GET in 2023 alone from hotel REITs that own hotels in Hawaii that non-REIT hotel owners do not incur. Yet the proponents of SB 2362 claim that we operate tax-free in Hawaii.

Why own hotels in a REIT structure if it results in more aggregate tax than a non-REIT hotel owner-operator? The simple answer is that the ownership of hotels on the one hand and operating and managing

the hotels on the other hand require different knowledge, experience, and expertise and separating the hotel ownership from the hotel operations and management creates more value both for the investors in the REIT and the investors in the hotel operator/manager. As an additional benefit, this separation of ownership and operations/management also creates millions of dollars of tax revenues to, and many jobs, in, this State. This creates a win-win situation, all of which could immediately be jeopardized by the enactment of SB 2362. However, if SB 2362 is enacted, lodging REITs like Host would need to evaluate whether to retain the current ownership structure to offset the corporate income taxes that the legislation would impose.

The estimate of \$19 million of incremental GET generated by hotel REITs which could be eliminated if the hotel ownership were changed to a REIT's taxable subsidiary or another non-REIT owner rather than the REIT itself should be compared to the estimated amount that repealing a REIT's dividends paid deduction would raise taking into consideration the significant net operating losses that were generated in 2020 and 2021, due to the pandemic. It makes little sense to jeopardize jobs by scaring off needed investment in Hawaii, especially when the net result (even apart from the macroeconomic losses due to less investment in Hawaii) in terms of both corporate income taxes and GET is a LOSS to Hawaii.

As previously stated, Host Hotels & Resorts, Inc. currently owns five hotels in Hawaii, Hyatt Regency Maui on Kaanapali Beach, Andaz Maui at Wailea Resort, Fairmont Kea Lani, Maui, Hyatt Place Waikiki Beach and Ritz-Carlton O'ahu, Turtle Bay. A key part of our disciplined approach to capital allocation is to make renewal and replacement capital expenditures that maintain the quality and competitiveness of our hotels. Enactment of SB 2362 would create a strong disincentive for us to employ this approach at our hotels in Hawaii and potentially lead us to deploy that capital at hotels in other states that do not have such anti-REIT provisions. It would also force us to revisit our plans to begin work at our hotels in Hawaii scheduled for 2026/2027, as well as to discourage future investments in our hotels, potentially affecting hundreds of local jobs.

Host Hotels & Resorts, Inc.'s commitment to the Hawaiian community runs deep. As the largest hotel real estate owner on Maui for more than 20 years, we have consistently supported organizations that advance environmental preservation, community resilience, and the well-being of local residents. Since 2021, Host has contributed **more than half a million dollars** to partners across the islands, including long-standing support for **Hui O Ka Wai Ola**, which strengthens coastal water-quality monitoring, and the **Pu'u Kukui Watershed Preserve**, which protects critical native ecosystems and biodiversity. Our support has also extended to organizations that uplift local families and strengthen the visitor industry, including contributions to nonprofits providing community services, cultural programming, and on-the-ground support for residents and workers. Continued engagement in 2024 and 2025 reinforces our commitment to these focus areas, ensuring we help sustain Hawaii's natural resources, support its workforce, and promote long-term community vitality. The strength and resilience of Hawaii's communities inspire us, and we remain dedicated to partnering with organizations that protect the islands' unique environment, enrich local communities, and foster a thriving future for generations to come.

Accordingly, Host respectfully asks the Committee to hold SB 2362.



February 17, 2026

Honorable Lynn DeCoite, Chair  
Honorable Glenn Wakai, Vice Chair  
Committee on Economic Development & Tourism  
Honorable Jarrett Keohokalole, Chair  
Honorable Carol Fukunaga, Vice Chair  
Committee on Commerce and Consumer Protection  
State Capitol (conference room 229)  
415 South Beretania Street  
Honolulu, Hawai'i 96813

Re: **Testimony in Opposition to Senate Bill 2362 ("SB2362") relating to Real Estate Investment Trusts**

Dear Chairs DeCoite AND Keohokalole, Vice-Chairs Wakai AND Fukunaga and Committee Members:

On behalf of Simon Property Group ("SPG"), thank you for the opportunity to provide our testimony in **opposition** to SB2362, which is being heard by the Committee on Economic Development & Tourism and the Committee on Commerce and Consumer Protection on February 18, 2026, at 10:05 am. SB2362 would disallow the dividends paid deduction ("DPD") for real estate investment trusts ("REITs").

REITs are responsible for a significant amount of economic activity in Hawai'i. SB2362, increasing Hawai'i's taxation of REITs, proposes a policy change that would put Hawai'i at a competitive disadvantage with virtually every other state and discourage future Hawaiian investments by REITs. Reduced investments by REITs will generate less economic activity and create fewer local jobs, ultimately hurting Hawaiian workers and economic activity, possibly resulting in reduced overall tax revenue.

SPG, through a predecessor entity, invested over \$475 million for the redevelopment of International Market Place ("IMP"). The redevelopment of IMP resulted in the employment of approximately 1,000 construction workers. After re-opening, the center has created approximately 1,600 permanent jobs (including employees of tenants). This redevelopment generated both GET revenues from construction work and individual income tax revenues from both the construction and permanent jobs.

### ***SPG in Hawai'i***

SPG owns two retail properties in Hawai'i: Waialeale Premium Outlets and International Market Place. Our shopping centers pay over \$3.2 million in general excise ("GET") tax and over \$4.8 million in property taxes annually. Additionally, we estimate that our tenants pay more than \$13 million in GET annually.

In August, 2016 we completed the redevelopment of International Market Place in Waikiki, Honolulu for a total cost of over \$475 million. The redevelopment was designed to celebrate the rich history of the site and honor Queen Emma's legacy, while adding vitality and appeal to Waikiki for tourists and kama'āina alike. We are very excited about the center and are proud to be a part of the community.

### ***SPG Worldwide***

SPG is a publicly traded REIT that owns, develops and/or manages approximately 255 premier shopping centers in 37 states, Puerto Rico and 15 countries. We also own a 22.4% equity stake in Klépierre, a publicly traded, Paris-based real estate company which owns, or has an interest in, shopping centers located in 14 countries in Europe. SPG also has interests in retail operations; an e-commerce platform; and a global real estate investment and management company.

Consequently, competition for our redevelopment/construction budget is very competitive.

### ***REIT Tax Treatment***

We are a REIT for federal income tax purposes. REITs were created to allow small investors to participate in real estate development and ownership without the competitive disadvantage of double taxation. To accomplish this, congress allows REITs to deduct dividends paid from their taxable income (the DPD). Companies must adhere to many strict, burdensome regulations to qualify as a REIT. REITs are a highly regulated industry. In exchange for meeting these strict requirements, REITs are allowed a DPD for federal tax purposes. Only one state that has an income-based tax disallows the DPD, and that state basically does not have a sales tax.

### ***REIT Economic Benefits in Hawai'i***

Approximately 80 REITs have invested in commercial real estate in Hawai'i and are responsible for significant economic activity in the construction industry, resort industry, restaurant and retail industry, office and industrial leasing and others. SPG alone invested over \$475 million redeveloping International Market Place. In addition, our properties will continue to require investment to fund significant capital expenditures on a recurring basis to maintain the property to our standards and provide the highest quality shopping destination for our shoppers and tenants.

Such business activity generates substantial economic benefit for Hawai'i, including jobs, and significant tax revenues for the State. The tax revenues include substantial GET on rents from tenants, on the sale of goods and services at retail by our tenants, and on construction activities. For local governments the business activity generates property and conveyance taxes (since the majority of our leases are more than 60 months in duration).

For more information about REITs in Hawai'i please visit [www.nareitHawaii.com](http://www.nareitHawaii.com).

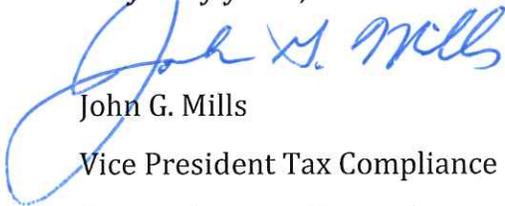
**Summary**

The proposed policy change would discourage REITs from future investment in Hawai'i, stifling the availability of capital and putting Hawai'i at a competitive disadvantage with virtually every other state. Because investments by REITs generate so much economic activity and create so many local jobs in the State, disallowing the DPD could not only hurt workers in Hawai'i, over the long run, it ultimately could result in less tax revenue for the State as it makes Hawai'i unattractive for investment by REITs resulting in less economic activity.

For the foregoing reasons, we respectfully ask the Committees to hold SB2362.

Thank you for your consideration of our testimony.

Very truly yours,



John G. Mills

Vice President Tax Compliance

Simon Property Group, Inc

Legal Department  
2811 Internet Boulevard  
Frisco, TX 75034  
[www.publicstorage.com](http://www.publicstorage.com)  
818.244.8080



February 17, 2026

Hearing Date: February 18, 2026  
Time: 10:05 AM  
Place: Conference Room 229  
The Honorable Lynn DeCoite, Chair  
The Honorable Glenn Wakai, Vice Chair  
Senate Committee on Economic Development & Tourism  
The Honorable Jarrett Keohokalole, Chair  
The Honorable Carol Fukunaga, Vice Chair  
Senate Committee on Commerce & Consumer Protection

Re: Testimony *Opposing* Repeal of the REIT Dividends Paid Deduction—SB 2362

Dear Chair DeCoite, Vice Chair Wakai, Chair Keohokalole, Vice Chair Fukunaga, and Members of the Senate Committees on Economic Development & Tourism and Commerce & Consumer Protection:

My name is Nathaniel Vitan and I am Senior Vice President, Chief Legal Officer, & Corporate Secretary of Public Storage. Public Storage *strongly opposes* SB 2362, which would repeal the dividends paid deduction for real estate investment trusts (“REITs”) operating in Hawaii.

**Public Storage and Hawaii.** Public Storage is a REIT that is the largest owner and operator of self-storage facilities in the United States, with approximately 258 million net rentable square feet of real estate in 40 states. We have over 3,300 facilities and 1.9 million customers in the United States and we own 12 facilities in Hawaii. In 2025, those Hawaii properties generated more than \$48.6 million of gross revenue and we paid the state over \$2.2 million of general excise tax. For the 2024/2025 fiscal year, we will pay real estate taxes in Hawaii of more than \$2.74 million.

**REITs and “Pass Through” Taxation.** REITs were designed by Congress to distribute their taxable income to their shareholders, who then report and pay state and federal tax on those dividends. In Hawaii, Nareit analysis indicates that about 56% of Hawaii households (50% nationally) own REIT stock directly and/or through mutual funds or certain retirement accounts.<sup>1</sup>

---

<sup>1</sup> We are confident that investors in Hawaii directly and indirectly hold significant Public Storage shares, but we cannot specifically identify our shareholders in Hawaii. Our common stock is traded publicly on the New York Stock Exchange under the symbol PSA. Publicly traded companies typically cannot identify their actual beneficial shareholders, as most publicly traded stock is held by depositaries in street name.

Our shareholders in Hawaii are taxable by the state on the full amount of our dividends, not just the very limited portion of those dividends attributable to the 12 properties we have in the state (compared to our over 3,000 properties across the nation). This means that Hawaii directly benefits from the REIT regime because Hawaii shareholders are taxed on all of the income that REITs are required to distribute (not just income earned by the REIT in Hawaii).

Proponents unfairly and inaccurately compare REITs to separately taxable regular corporations, which are not required to distribute their income. The fact that REITs *must* distribute their income makes “pass-through” taxation (*i.e.*, no entity level tax) perfectly appropriate for REITs, and that treatment is even more suitable for REITs than it is with other pass-through entities such as LLCs, partnerships, or S corporations. Hawaii accords those other entities pass-through treatment with no entity level tax, even though they are not required to distribute their income to their owners.

**A New Tax, Causing Double Taxation.** The bill would impose new income taxes on REITs operating in Hawaii (but not other pass-through entities). Those taxes would be an added cost of doing business in the state, and REITs would be expected to pass the cost along to Hawaii residents using the REITs’ properties. The bill also will double tax REIT shareholders (the REIT would bear the new income tax and then the shareholders would be taxed again on the dividend income). Owners of other pass-through entities would only bear one level of tax.

**Less Net Revenue, Chasing REITs Away.** While apparently motivated by an effort to raise added tax revenue, the bill can be expected to have the opposite effect. As the Department of Taxation has noted in the past, however, if Hawaii eliminates the dividends paid deduction, REITs can be expected to offset their tax liabilities through tax planning or with other allowable deductions. Others also have projected that a repeal of the dividends paid deduction would jeopardize substantial general excise tax revenues, potentially resulting in a net loss of tax revenue for Hawaii.

Perhaps most importantly, enacting such an anti-business tax would strongly incentivize REITs to reduce or avoid future investment in, and possibly redirect investments away from, the state. This could be expected to have adverse long term effects on Hawaii's economy and tax collections. An economic study prepared for Nareit by Paul H. Brewbaker, PhD., CBE in December 2015 suggested that by repealing the dividends paid deduction, Hawaii could lose more revenue from foregone economic activity than might be gained in taxes payable by REITs. Another significant consideration for maintaining REIT investment is that the tax laws incentivize REITs to hold investments for the long term. REITs become lasting members of the community; they do not “flip” properties for quick profits.

**Breaking with Federal and Other State Treatment.** Enactment of SB 2362 would make REITs separately taxable in Hawaii, imposing a double tax regime that is completely contrary to the accepted federal and state tax treatment of REITs. No state that imposes income tax upon REITs (other than New Hampshire) denies the dividends paid deduction as proposed

In Opposition to SB 2362 – Relating to Taxation

Senate Committees on Economic Development & Tourism and Commerce & Consumer Protection

Hearing Date and Time: February 18, 2026 (10:05 AM)

Page 3

by SB 2362. Indeed, over the past fifteen years or so, a number of states (*e.g.*, Idaho, Louisiana, New Jersey, North Carolina, and Rhode Island) have examined, and then rejected, legislation that would have disallowed a widely-held REIT's dividends paid deduction in those states.

**Strong Recommendation: Do NOT Move this Bill Forward.** Public Storage and other REITs have made significant contributions to the state of Hawaii and would hope to continue doing so. SB 2362, however, would impose significant new taxes on REITs. Rather than raise revenue, the bill can be expected to cause Hawaii a net loss of tax revenues and economic activity. It would put Hawaii at a competitive disadvantage for ongoing REIT investment compared to every state that imposes income taxes (but for New Hampshire). At best, SB 2362 would create even more budget uncertainty for Hawaii's long-term financial plan when it is already dealing with significant budget uncertainty caused by actions at the federal level.

For the reasons outlined above, Hawaii should decline to enact this bill and allow the dividends paid deduction for widely-held REITs to continue. We respectfully request that you **hold** SB 2362.

Very truly yours,



Nathaniel A. Vitan  
Senior Vice President, Chief Legal Officer,  
& Corporate Secretary of Public Storage  
[nvitan@publicstorage.com](mailto:nvitan@publicstorage.com)

cc: Department of Taxation  
Department of Business, Economic Development & Tourism

February 18, 2026

TO: Chair DeCoite and Members of the Economic Development and Tourism Committee  
Chair Keohokalole and Members of the Commerce and Consumer Protection Committee

RE: SB 2362, Relating to Taxation

Dear Chair DeCoite, Chair Keohokalole, and Committee Members,

Housing Hawai'i's Future is a nonprofit dedicated to creating opportunities for Hawai'i's next generation by ending the workforce housing shortage.

**We oppose Senate Bill 2362** . This bill would disallow the dividends paid deduction for real estate investment trusts.

Eliminating this deduction would have significant consequences for capital investment in Hawai'i's real estate markets, ultimately impacting affordability. REITs are structured under federal tax law to avoid entity-level taxation provided that they distribute at least 90 percent of taxable income to shareholders. The dividends paid deduction is fundamental to that structure.

Hawai'i already faces substantial barriers to housing production and real estate investment, including high land costs. Adding an additional state-level tax burden on REITs would reduce the attractiveness of investing in Hawai'i-based projects.

Policy changes that affect real estate capital flows should be evaluated carefully for their downstream impacts on housing production and affordability. **We appreciate your consideration of our testimony for Senate Bill 2362.**

Thank you,



Lee Wang  
Executive Director  
Housing Hawai'i's Future  
[lee@hawaiisfuture.org](mailto:lee@hawaiisfuture.org)



Perry Arrasmith  
Director of Policy  
Housing Hawai'i's Future  
[perry@hawaiisfuture.org](mailto:perry@hawaiisfuture.org)



Hawai'i State Senate  
Committees on Economic Development and Tourism  
& Commerce and Consumer Protection  
SB2362 – Relating to Taxation

**RE: Strong support of SB2362**

February 18, 2026

Hawaiian Council writes in **strong 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 the State having sufficient and sustainable revenue to invest in programs that expand opportunity. 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**.

Mālama pono,

**Madelyn McKeague**

Director of Advocacy, Hawaiian Council

**HAWAIIANS ADVANCING HAWAI'I**

91-1270 Kinoiki Street, Building 1, Kapolei, HI 96707

[info@hawaiiancouncil.org](mailto:info@hawaiiancouncil.org)

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

Feb. 18, 2026, 10:05 a.m.

Hawaii State Capitol

Conference Room 229 and Videoconference

**To: Senate Committee on Economic Development and Tourism**

**Sen. Lynn Decoite, Chair**

**Sen. Glenn Wakai, Vice Chair**

**Senate Committee on Commerce and Consumer Protection**

**Sen. Jarrett Keohokalole, Chair**

**Sen. Carol Fukunaga, Vice Chair**

**From: Grassroot Institute of Hawaii**

**Ted Kefalas, Director of Strategic Campaigns**

RE: TESTIMONY IN OPPOSITION TO SB2362 — RELATING TO TAXATION

Aloha chairs, vice chairs and other members of the committees,

The Grassroot Institute of Hawaii **opposes** [SB2362](#), which would repeal the dividends paid deduction for income earned by investors in real estate investment trusts.

This measure could deter investment in Hawaii's real estate market, which could negatively impact affordable housing production at a time when Hawaii needs more capital available for housing — not less.

A 2024 update to the Hawaii Housing Planning Study estimated that the state needs 64,490 new housing units built between 2023 and 2027 to keep up with demand.<sup>1</sup> Since affordable housing projects often operate at a low margin, any higher costs associated with development could dissuade investment in Hawaii projects.

A new REIT tax scheme would also hurt the state's business climate in general.

---

<sup>1</sup> "[Hawaii Housing Planning Study 2024](#)," prepared by SMS Research and Marketing Services, Inc., FSR Consulting LLC and Ward Research, Inc. for the Hawai'i Housing Finance and Development Corporation, Table 39A, p. 124.

The Hawaii Business Revitalization Task Force found that Hawaii ranks among the bottom 10 states in business costs, access to capital and technology and innovation.<sup>2</sup> This bill would frustrate any attempts to improve in these rankings.

The bill claims that the measure would bring in \$26 million in revenues to the state, but this claim should be considered suspect because it ignores any potential reduction in revenues due to decreased economic activity.

In 2016, the state Department of Business, Economic Development and Tourism surveyed Hawaii's real estate sector and found that businesses occupying REIT-owned properties generated more than \$200 million in excise taxes from their sales.<sup>3</sup>

To the extent that REITs would look elsewhere to invest, this bill would reduce new construction and the excise and property tax revenues associated with it.

Thank you for the opportunity to testify.

Ted Kefalas  
Director of Strategic Campaigns  
Grassroot Institute of Hawaii

---

<sup>2</sup> "[Business Revitalization Task Force Report](#)," November 2025,

<sup>3</sup> "[Real Estate Investment Trusts in Hawaii: Analysis and Survey Results](#)," Hawaii Department of Business, Economic Development and Tourism, September 2016, p. 4.



*Cade Watanabe, Financial Secretary-Treasurer*

*Gemma G. Weinstein, President*

*Eric W. Gill, Senior Vice-President*

February 17, 2026

Committee on Economic Development and Tourism  
Senator Lynn DeCoite, Chair  
Senator Glenn Wakai, Vice Chair



Committee on Commerce and Consumer Protection  
Senator Jarrett Keohokalole, Chair  
Senator Carol Fukunaga, Vice Chair

### **Testimony in Support of SB2362**

Chairs DeCoite and Keohokalole, Vice Chairs Waikai and Fukunaga, 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 are in support of 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.

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?

SB 2362 corrects 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.



**Board Members**

*President*

Trina Orimoto  
Deputy Director,  
State of Hawai'i Office of  
Wellness and Resilience

*Vice-President*

Harmonee Williams  
Markline LLC

*Treasurer*

Marcus Kawatachi  
Deputy Director,  
Hawai'i Civil Rights Commission

*Secretary*

Derrick Kiyabu  
Farm Manager,  
University of Hawai'i College of  
Tropical Agriculture and Human  
Resources  
Kaua'i Agriculture and  
Extension Station

Miwa Tamanaha

Co-CEO,  
Hawai'i Investment Ready

Phil Garboden

Associate Professor,  
University of Chicago

Roella Foronda

Deputy Director,  
Hawai'i Public Health Institute

**HACBED Staff**

Brent N. Kakesako

*Executive Director*

Merri Keli'ikuli

*Office Manager & Program  
Support*

Mckenzie Au

*Community-Based Economic  
Development Project Associate*

Date: February 17, 2026

To: Senator Lynn DeCoite & Senator Jarrett Keohokalole, Chairs, Senator Glenn Wakai and Senator Carol Fukunaga, Vice-Chairs, and members of the Committees on Economic Development & Tourism and Commerce & Consumer Protection

From: Brent Kakesako, Hawai'i Alliance for Community-Based Economic Development (HACBED)

Re: Strong Support for SB2362

Aloha e Chair DeCoite and Chair Keohokalole; Vice-Chair Wakai, and Vice-Chair Fukunaga; and Committee Members,

The Hawai'i Alliance for Community-Based Economic Development (HACBED) strongly supports SB2362, which disallows the dividends paid deduction for real estate investment trusts (REITs).

HACBED was established in 1992 as a statewide nonprofit intermediary to address social, economic, and environmental justice concerns through community-based economic development. It advances its mission with core competencies in the areas of community and organizational capacity building, community and economic development planning, and asset policy development and advocacy. SB2362 is one opportunity to include REITs within our local economic development sphere. REITs are businesses that own or finance income-producing real estate that includes, shopping centers, hotels, and other commercial developments – and are currently exempt from state corporate taxation. Removing that exemption would require REITs to pay taxes like any other business here in Hawai'i and provide a critical infusion of revenue to the state, which is more critical in this time of heavy federal cuts. Taking a step back, including REITs as a local tax paying entity may also be an opportunity for further engagement and investment into our local economy and could potentially weed out the entities that are not deeply invested in our home thereby opening opportunities for other entities who value this place – Hawai'i.

As such, we support the passage of SB2362 as an opportunity to recapture needed capital to contribute and invest in our communities here.

Mahalo for this opportunity to testify,

Brent N. Kakesako  
Executive Director



**LATE**

Committee: Senate Committee on Economic Development and Tourism  
Senate Committee on Commerce and Consumer Protection  
Hearing Date/Time: Wednesday, February 18, 2026, at 10:05am  
Place: Conference Room 415 & Via Videoconference  
Re: **Testimony of the ACLU of Hawai'i in SUPPORT of SB2362 Relating to Taxation**

Dear Chairs DeCoite and Keohokalole, Vice-Chairs Wakai and Fukunaga, and Members of the Committees:

The ACLU of Hawaii **supports SB2362**, which would end the dividends paid deduction for real estate investment trusts (REITs).

Currently, the vast majority of income generated from REITs is flowing out of the state and escaping Hawaii income taxes. Individuals and corporations that generate income from real estate in Hawaii are required to pay taxes on that income, but strangely REITs are, for some reason, exempt. Removing this exemption would generate an estimated \$60 million in tax revenue for the state. Funds the state desperately needs.

REITs control approximately \$18 billion worth of real estate in Hawaii; the highest amount per capita in the U.S.<sup>1</sup> At the same time, Hawaii ranks toward the bottom of the country for residents who are REIT shareholders. That means income taxes on the estimated \$1 billion in profits REITs generate every year are escaping the state.

Hawaii is currently facing financial challenges on multiple fronts and tapping this revenue source is essential. Taxes imposed on REITs will not be felt by the overwhelming majority of people who do pay income taxes in Hawaii. What's more, even if this bill is signed into law, REITs would still receive generous tax exemptions at the federal level, as well as one of the lowest property taxes in the country.

We still this bill as one of increasing the progressivity of Hawaii's tax structure, while simultaneously increasing much needed revenue for the state and urge you to move SB2362.

Mahalo,

---

<sup>1</sup> Civil Beat. *Surprising Support for New Tax On Hawaii's Powerful Real Estate Interests*. April, 5, 2019. <https://www.civilbeat.org/2019/04/surprising-support-for-new-tax-on-hawaiis-powerful-real-estate-interests/>

**Josh Frost**

Josh Frost

Policy Advocate

ACLU of Hawai'i

[jfrost@acluhawaii.org](mailto:jfrost@acluhawaii.org)

*With more than 4,000 Hawaii-based members, the mission of the American Civil Liberties Union of Hawai'i is to protect the fundamental freedoms enshrined in the United States and Hawai'i State Constitutions through legislative, litigation, and public education work. The ACLU of Hawai'i is a non-partisan and private non-profit organization that provides its services at no cost to the public and does not accept government funds. The ACLU of Hawai'i has been serving our communities in Hawai'i for over 60 years.*

**Written Testimony in Opposition to SB 2362**

Submitted to the Senate Committee on February 17, 2026

Hawai'i State Legislature – Committee on Economic Development and Tourism and Committee on  
Commerce and Consumer Protection

**Re: SB 2362 – Relating to Taxation**

**LATE**

**Dear Chair DeCoite, Chair Keohokalolo, and Members of the Committees:**

Thank you for the opportunity to submit this testimony in opposition to Senate Bill 2362 on behalf of Realty Income Corporation ("Realty Income"), a publicly traded REIT (NYSE: "O").

We understand and appreciate the perspective and sentiment of those who support this bill as a means of advocating for the best of interests of Hawai'i residents. This letter is meant to respectfully offer a viewpoint from a REIT that invests capital across a broad range of geographies across the globe, including in Hawai'i, and to discuss the potential impact to our future investment activity in Hawai'i if Senate Bill 2362 were to be enacted.

I would also like to share a brief personal perspective. I was born in Honolulu, raised in Kaimuki, and substantially all my immediate and extended family still live in the islands. Hawai'i is not only a place where Realty Income invests—it is a place that shaped who I am. That personal connection informs my appreciation for the importance of stable businesses, long-term investment, and policies that support economic continuity for local communities and working families across the state.

Realty Income is a San Diego-based, publicly traded real estate investment trust with a 56-year operating history and a business model built around long-term ownership, financial discipline, and partnership with operating businesses. We are an S&P 500 company and are known as "The Monthly Dividend Company®", founded on the principle of providing durable monthly income to retirees. Today, Realty Income has a market capitalization of approximately \$60 billion and owns more than 15,500 commercial real estate properties across all 50 U.S. states, the U.K., and seven other countries in Europe, making the Company one of the largest and most diversified owners of real estate globally. This scale reflects a long-standing focus on serving as a dependable, permanent source of capital to businesses, the communities in which they operate, and to our shareholders. Approximately 80% of our rental revenue is derived from retail properties which are predominantly leased to tenants providing essential goods and services, including 7-Eleven, Dollar General, Walgreens, Home Depot and Walmart amongst its top tenants.

I was personally delighted when our company made our first investment in Hawai'i in 2021 through a sale-leaseback transaction with Par Pacific Holdings, in which we acquired 22 convenience store and fuel station properties located on Oahu, Maui, Kauai, and the Big Island for \$116 million. Contemporaneous



with the transaction, Par Hawai'i entered into a 15-year lease and continued operating the stores without interruption. Par Pacific used these proceeds to repay debt and to reinvest in their core business, fortifying the financial strength of the company, which supports both employees and consumers of their products and services. These locations continue to employ Hawai'i residents and serve local communities across the islands.

Realty Income invests with the expectation of owning properties for extended periods, often decades. Of our 15,500+ properties, 475 were acquired prior to 2000. This long-duration ownership model supports continuity for tenants, employees, and local economies by providing certainty of operating costs for the tenant over a long-term lease. Many of the properties owned by Realty Income house service-oriented and consumer-facing businesses that function as economic anchors within their communities. By emphasizing stewardship and permanence rather than short-term asset turnover, the Company is able to promote predictability and resilience for the businesses and neighborhoods that rely on these locations for their everyday needs. By providing capital through purchasing the real estate from these businesses, the owners are able to unlock well-priced capital that would otherwise remain tied up in illiquid assets, while continuing to operate their locations without disruption. Across our global real estate portfolio, nearly 2,000 businesses have used this capital to strengthen their balance sheets, pay down debt, reinvest in their operations, and support their workforce and communities.

Senate Bill 2362 proposes to eliminate the dividends paid deduction for real estate investment trusts. Under the federal REIT framework, Realty Income and all other REITs are required to distribute substantially all taxable income annually to shareholders, who then pay tax on those distributions at the shareholder level. This structure is designed to produce a single layer of taxation and aligns REITs with other pass-through entities, such as partnerships, limited liability companies, and S corporations, that are not subject to entity-level income tax in Hawai'i.

Eliminating the dividends paid deduction would introduce entity-level taxation on income that is already required to be distributed and taxed at the shareholder level, resulting in double taxation. This would represent a departure from the long-standing alignment between federal and state REIT tax treatment and differs from the approach taken by nearly all other states.

As a member of Realty Income's Investment Committee, tax policy plays an important role in determining where our long-term capital is deployed. We have a fiduciary duty to our public shareholders to allocate their capital responsibly, and the incremental tax expense we would incur to service state corporate income taxes, if Senate Bill 2362 were to be enacted, would make investing in Hawai'i less desirable compared to other investment opportunities globally that do not have such anti-REIT provisions, and we would be incentivized to invest in those other jurisdictions in order to maximize value to shareholders. Realty Income's long-term investments in communities, and its ability to provide capital at scale to operating businesses—particularly through sale-leaseback transactions that support continuity of operations, local employment, and reinvestment in the workforce—depends on these underwritten return



expectations. Increasing the tax burden could adversely impact our future investment decisions in the state, and therefore inhibit net capital inflows to Hawai'i from global institutional investors.

Realty Income offers these observations to assist the Committee in its evaluation of Senate Bill 2362 and appreciates the opportunity to share its perspective.

Thank you for your time and consideration.

Respectfully submitted,

**Jonathan Pong, CFA, CPA**  
Executive Vice President,  
Chief Financial Officer & Treasurer  
Realty Income Corporation





**Senator Lynn DeCoite, Chair**

**Senator Glenn Wakai, Vice Chair**

Committee on Economic Development and Tourism

**Senator Jarrett Keohokalole, Chair**

**Senator Carol Fukunaga Vice Chair**

Committee on Commerce and Consumer Protection

**LATE**

**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  
Honolulu

Tina Wildberger  
Kihei Ice  
Kihei

L. Malu Shizue Miki  
Abundant Life Natural Foods  
Hilo

Chamber of  
Sustainable Commerce  
808.445.7606  
P.O. Box 22394  
Honolulu, HI 96823

Wednesday, February 18, 2026

10:05AM Conference Room 229

RE: SB2362 Real Estate Investment Trust Taxation Reform - Strong Support

Aloha Chairs DeCoite and Keohokalole, Vice Chairs Wakai and Fukunaga,  
and Members of the Committees,

On behalf of the Chamber of Sustainable Commerce, we write in strong support of SB2362. The Chamber of Sustainable Commerce represents more than 580 small businesses, sole proprietors and entrepreneurs across Hawai'i committed to a triple bottom line: people, planet and prosperity.

This measure addresses a significant tax equity issue in Hawai'i's tax structure. As noted in the bill findings, the majority of income received from real estate investment trusts (REITs) by corporate entities doing business in Hawai'i is not taxed at the state level due to the dividends paid deduction. The Department of Taxation estimates that as much as \$26.8 million in income tax revenue may be foregone in the 2026 taxable year.

Further, a 2016 DBEDT analysis found that Hawai'i received only \$954,842 from in-state residents paying taxes on REIT dividend income, while the majority of those taxes were paid to other states by out-of-state shareholders. In other words, income generated from Hawai'i real estate is largely flowing outward without fully contributing to our State's revenue base.

This creates an uneven playing field. Local small businesses, locally owned real estate companies, and Hawai'i-based enterprises pay income taxes on their earnings. When large REIT structures operating in Hawai'i are able to

deduct dividends paid and eliminate their state tax liability, it shifts the burden onto local businesses and working residents.

SB2362 also reinforces a simple principle: entities generating income from Hawai'i's land, infrastructure, workforce, and public systems should participate proportionately in sustaining them. Public services, roads, water systems, emergency response, and regulatory oversight all underpin real estate value in this State. Ensuring that REIT income is subject to Hawai'i income tax strengthens fiscal sustainability and shared responsibility.

The Chamber of Sustainable Commerce supports policies that promote fair competition, local wealth retention, and shared responsibility. We are committed to advancing an equitable and regenerative economy – one in which those who benefit from Hawai'i's markets and resources meaningfully participate in sustaining them for present and future generations.

For these reasons, we respectfully urge passage of SB2362.



## SUPPORT FOR SB 2362

Senate Committee on Economic Development and Tourism  
Senate Committee on Commerce and Consumer Protection  
SB2362 Hearing on Feb. 18, 2026 at 10:05 am  
Conference Room 229 and videoconference

My name is John Kawamoto, and I support SB 2362.

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 national lobbying group, the National Association of Real Estate Investment Trusts (NAREIT), have long argued that taxing REITs under Hawai'i's corporate income tax would amount to "double taxation," because REIT distributions are already taxed as individual income. That claim is misleading.

REITs are for-profit corporations. Taxing them at the corporate level would treat them exactly the same as other for-profit corporations in Hawai'i. Profits would be taxed once at the corporate level. After dividends are distributed to shareholders, the dividends would be taxed separately as individual income. That is how the system works for virtually every other for-profit corporation.

The fact that REITs distribute most of their profits should not exempt them from corporate income tax. Other companies pay corporate taxes first, and then distribute dividends. REITs should not receive special treatment simply because of how they structure their payouts.

This 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 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 reduction of their tax enabled their profits to increase. Other REITs have enjoyed similar windfalls, while the public loses revenue needed to meet rising demands.

Supporters of REITs claim that taxing them would discourage investment. Experience shows otherwise. New Hampshire currently taxes REITs at the corporate level, yet REIT investment there remains strong, even higher than in neighboring rural states such as Vermont and Maine, which do not tax REITs. 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.

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.

Hawai'i cannot afford to leave tens of millions of dollars on the table each year. Closing the REIT loophole would strengthen state finances, reduce pressure on working families and small businesses, and ensure accountability from some of the most profitable players in our real estate market.

**SB-2362**

Submitted on: 2/12/2026 1:34:19 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Thomas H Joslyn	Individual	Support	Written Testimony Only

Comments:

I support this this bill. Investment trust entities should pay their fair share on taxes on the dividends for investments in Hawaii. Collecting these revenues will certainly help all citizens of this state in generating Tax \$ for so many needed projects in the state. From the provided bill, the estimated \$26,800,000 could be used for **so many** State of Hawaii needed improvements. All out of state and foreign real estate investment corporate entities should pay the state of Hawaii, their fair share of tax dollars. Allowing this to continue is so unfair, bordering on criminal tax evasion, in my opinion. Thank you for allowing me to testify.

**SB-2362**

Submitted on: 2/13/2026 12:27:54 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

Submitted By	Organization	Testifier Position	Testify
William Caron	Individual	Support	Written Testimony Only

Comments:

Aloha Chair, Vice Chair, and members of the committee,

I am testifying in strong support of SB2362, which closes a costly and unfair loophole that allows Real Estate Investment Trusts (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**

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.

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 pass this bill and finally close the REIT loophole.

Mahalo for the opportunity to testify.

**SB-2362**

Submitted on: 2/13/2026 1:57:26 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Megan Deets	Individual	Support	Written Testimony Only

Comments:

Aloha. I am testifying in strong support of SB2362, which would close an unfair loophole allowing REITs to profit from Hawaii's real estate market while paying nothing in state income taxes. This is about tax fairness, fiscal responsibility and basic justice for local people and businesses!

Real estate developers and billionaires profiting from Hawaii should be paying taxes that support Hawaii communities.

Please support this Bill and continue to work to support local people and businesses. Mahalo.

Megan Deets

**SB-2362**

Submitted on: 2/13/2026 2:36:31 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Noelle Lindenmann	Individual	Support	Written Testimony Only

Comments:

Aloha Chair, Vice Chair, and Committee members:

I am submitting testimony today in strong support of SB2362. This bill closes a costly and unfair loophole that allows Real Estate Investment Trusts (REITs) to profit from Hawaii'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.

SB2362 is not complicated. It is not radical. It is simple fairness: if you make money in Hawaii, you should pay taxes in Hawaii. I urge you to pass this bill and finally close the REIT loophole.

Mahalo for this opportunity to provide testimony,

Noelle Lindenmann, Kailua-Kona

**SB-2362**

Submitted on: 2/13/2026 2:41:00 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

Submitted By	Organization	Testifier Position	Testify
John Bickel	Individual	Support	Written Testimony Only

Comments:

**REITs own major, income-generating real estate throughout Hawai‘i, such as shopping centers and hotels, but they are not subjected to the corporate income tax. Instead, they pay dividends to their shareholders, who then pay individual income tax in their home states. The large majority of these shareholders pay no tax to Hawai‘i. The net result is billion-dollar corporations profiting off Hawai‘i’s resources and contributing nothing in return. This must end. SB2362 bill would close this loophole and require REITs to pay corporate income tax like any other profitable business in Hawai‘i.**

**SB-2362**

Submitted on: 2/13/2026 3:19:44 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Jared Watumull	Individual	Support	Written Testimony Only

Comments:

I support this measure as REITs should pay their fair share of taxes in Hawaii.

**SB-2362**

Submitted on: 2/13/2026 5:27:16 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
John A. H. Tomoso	Individual	Support	Written Testimony Only

Comments:

RE: SB2362

Aloha

REITs own major, income-generating real estate throughout Hawai'i, such as shopping centers and hotels, but they are not subjected to the corporat02-13-26e income tax. Instead, they pay dividends to their shareholders, who then pay individual income tax in their home states. The large majority of these shareholders pay no tax to Hawai'i. I believe that the net result is billion-dollar corporations profiting off Hawai'i's resources and contributing nothing in return. This is not pono.

Mahalo

John A H Tomoso+, MSW, ACSW

51 Ku'ula St., Kahului, HI 96732-2906

john.a.h.tomoso@gmail.com

**SB-2362**

Submitted on: 2/14/2026 7:40:35 AM

Testimony for EDT on 2/18/2026 10:05:00 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**

Submitted on: 2/14/2026 8:52:31 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Kanani Kai	Individual	Support	Written Testimony Only

Comments:

I SUPPORT SB2362.

Mahalo,

Kanani Kai

Member Indivisible Hawaii

To: Senator Lynn DeCoite, Chair, Senator Glenn Wakai, Vice Chair and Members of the Senate Committee on Economic Development and Tourism; and

Senator Jarrett Keohokalole, Chair and Senator Carol Fukunaga, Vice Chair and Members of the Senate Committee on Commerce and Consumer Protection

From: Beth Giesting

Re: Senate Bill 2362, Relating to Taxation

I strongly urge you to pass Senate Bill 2362, which would disallow the dividends paid deduction for real estate investment trusts (REITs). For too long investors in REITs have profited from massive holdings in Hawai'i without returning any benefit to the community. It is time to treat REITs like other businesses that pay taxes on Hawai'i-based earnings.

Thank you for the opportunity to support SB2362.

**SB-2362**

Submitted on: 2/14/2026 9:10:28 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
cheryl burghardt	Individual	Support	Written Testimony Only

Comments:

Aloha Chair and Committee Members

I support SB 2362 which disallows the dividends paid deduction for real estate investment trusts.

Cheryl Burghardt

Nuuanu Oahu

**SB-2362**

Submitted on: 2/14/2026 9:34:53 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Tim Huycke	Individual	Support	Written Testimony Only

Comments:

I support SB2362.

**SB-2362**

Submitted on: 2/14/2026 10:02:20 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
John Wassell	Individual	Support	Written Testimony Only

Comments:

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.

JJ Wassell

**SB-2362**

Submitted on: 2/14/2026 12:21:18 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

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

Comments:

Please accept this as testimony in strong opposition to SB2362. This ugly monster has again risen from the ashes in an attempt to steal money I and many other retirees in Hawaii need to pay our bills, be it condo maintenance, rent, insurance, medical, food, etc. The basic necessities of life. Most of us are just getting by. This bill jeopardizes dividends and returns that many thousands of local residents receive and rely on.

I am a retiree. I live off interest, social security, dividends, including REITS, and some stock trading. I rely on these dividends to pay my bills. Do not touch my retirement. I am not wealthy. Anything you do to reduce my income hurts me. Already there is talk about “pausing” tax reductions scheduled to take effect in 2027. Many costs are increasing, a good number of which we cannot control.

The legislature should be treating locals as their friends, not their enemies. It should not be adding taxes and reducing our disposable income. This money grab hurts the real people. Please defer this bill now.

Lynne Matusow

**SB-2362**

Submitted on: 2/14/2026 2:01:06 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Hilary Smith	Individual	Support	Written Testimony Only

Comments:

I strongly support this bill! It is so unfair that REITs can profit off owning real estate in Hawaii while paying nothing in corporate taxes. You might not think that ordinary working people are paying attention to things like this, but we are. As a person who works, I pay my fair share of taxes--why aren't REITs being held accountable in the same way? Please close this crazy loophole now.

**SB-2362**

Submitted on: 2/14/2026 3:46:38 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Mary True	Individual	Support	Written Testimony Only

Comments:

I strongly support closing the tax loopholes on REITs. The middle class is struggling to support our government and it's very important that these loopholes, which the wealthy use to take advantage of the system, be closed.

Thanks for your attention, Mary

**SB-2362**

Submitted on: 2/14/2026 4:15:42 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Regina Gregory	Individual	Support	Written Testimony Only

Comments:

support

**SB-2362**

Submitted on: 2/14/2026 5:07:24 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

Submitted By	Organization	Testifier Position	Testify
Aya Kimura	Individual	Support	Written Testimony Only

Comments:

REITs own major, income-generating real estate throughout Hawai‘i, such as shopping centers and hotels, **but they are not subjected to the corporate income tax.** Instead, they pay dividends to their shareholders, who then pay individual income tax in their home states. The large majority of these shareholders pay no tax to Hawai‘i.

**The net result is billion-dollar corporations profiting off Hawai‘i's resources and contributing nothing in return.**

SB2362 bill would close this loophole and require REITs to pay corporate income tax like any other profitable business in Hawai‘i.

**SB-2362**

Submitted on: 2/14/2026 6:44:32 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
john savino	Individual	Support	Written Testimony Only

Comments:

I support HB 2362

**SB-2362**

Submitted on: 2/14/2026 6:51:23 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Lily Troy MD	Individual	Support	Written Testimony Only

Comments:

I support HB 2362

**SB-2362**

Submitted on: 2/14/2026 7:53:11 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Shay Chan Hodges	Individual	Support	Written Testimony Only

Comments:

I support SB2362, which would close a loophole and require REITs to pay corporate income tax like any other profitable business in Hawai'i.

**SB-2362**

Submitted on: 2/14/2026 8:01:48 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Margaret ANN Renick	Individual	Support	Written Testimony Only

Comments:

I STRONGLY support passage of this bill. Keep taxes in our state!

**SB-2362**

Submitted on: 2/15/2026 9:25:02 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Rose Chismar	Individual	Support	Written Testimony Only

Comments:

Please support this important bill for a more compassion and equitable society in Hawaii.

**SB-2362**

Submitted on: 2/15/2026 9:46:53 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Greg and Pat Farstrup	Individual	Support	Written Testimony Only

Comments:

Kū i ka pono!

**SB-2362**

Submitted on: 2/15/2026 11:20:07 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Martha Nakajima	Individual	Support	Written Testimony Only

Comments:

I support this bill Thank you, Martha Nakajima, member of Indivisible

**SB-2362**

Submitted on: 2/15/2026 12:12:35 PM

Testimony for EDT on 2/18/2026 10:05:00 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. 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 an individual and member of Hawaii Indivisible, I support SB2362.

Thank you, Gail Morrison

**SB-2362**

Submitted on: 2/15/2026 12:21:58 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Ron Brown	Individual	Support	Written Testimony Only

Comments:

At a time when Hawaii needs strong sources of revenue to repair at least in part some of the social safety net decimated by the Trump administration, this sensible bill, closing a tax loop hole often enjoyed by out of state interests is especially appealing. As an individual and as a member of Indivisible, I thank you for this opportunity to urge you to support this important measure.

**SB-2362**

Submitted on: 2/15/2026 3:07:21 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

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

Comments:

Aloha, I am writing in favor of SB2362 because I believe it will help increase tax fairness. Mahalo for your consideration.

**SB-2362**

Submitted on: 2/15/2026 4:33:46 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

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

Comments:

Please support SB2362

**SB-2362**

Submitted on: 2/15/2026 4:51:56 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Rebecca Kesler	Individual	Support	Written Testimony Only

Comments:

Much of our prized real estate is tied up in REITs. And most REIT shareholders live out of state. Of the dividends paid out by REITs operating in Hawaii, the Hawaii Tax Department this year estimated \$27 million that could have been collected as corporate income went untaxed. Hawaii's income tax gained just \$950,000 from Hawaii-resident REIT shareholders.

Hawaii taxpayers will be the big winners. The corporations in between will merely 1) pay taxes to Hawaii, and 2) reduce slightly net dividend payments.

Let's keep the money made on our island land in Hawaii!

**SB-2362**

Submitted on: 2/15/2026 6:29:05 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Beppie Shapiro	Individual	Support	Written Testimony Only

Comments:

I strongly support SB 2362. In a year (very likely more) when Hawaii finds itself very short of funds needed to support our population adequately (school children & teachers, ALICE and lower income people, elders needing care, park users, etc.) SB2362 can bring in needed income; REITs operate in Hawaii without giving back as other businesses do through taxation.

Please pass SB2362.

Mahalo for your attention.

**SB-2362**

Submitted on: 2/16/2026 6:38:39 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
James E Raymond	Individual	Support	Written Testimony Only

Comments:

Thank you -- I am a member of Indivisible Windward.

**SB-2362**

Submitted on: 2/15/2026 7:58:00 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
James Kraus	Individual	Support	Written Testimony Only

Comments:

Real Estate Investment Trusts (REITs) generally do not pay federal or state corporate income taxes. Rather, they typically distribute profits as dividends, so shareholders pay income tax on those distributions.

Here in Hawai'i, this is a big deal because REITs own so much to our most valuable real estate and most REIT shareholders live outside the state. Consequently, most REIT profits generated here in `corporate tax revenue has gone uncollected this year from out-of-state, absentee REIT investors.

These investors benefit from our land, infrastructure, and workforce, yet nearly all of the financial return flows elsewhere. This is unfair to the people of Hawai'i.

**SB-2362**

Submitted on: 2/16/2026 7:27:37 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Kathleen Dickson	Individual	Support	Written Testimony Only

Comments:

I urge you to pass this legislation so that tax dollars that should come to the state DO.

**SB-2362**

Submitted on: 2/16/2026 9:18:20 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Judith Mura	Individual	Support	Written Testimony Only

Comments:

I, Judith Mura. Strongly Support HB2362

**SB-2362**

Submitted on: 2/16/2026 10:14:11 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Anne Leake	Individual	Support	Written Testimony Only

Comments:

Dear Committe Chairs, Co-chairs and memebrs,

I am writing in strong support fro this bill, especailly for the taxing REITs. As you know, taxing REITs passed in the legislature several years ago only to be vetoed by the governor. This tax is an equity issue for me. People who live out of state and invest in real estate in Hawaii as part of a trust can afford to be taxed. They might pay state tax where they live, but Hawaii gets nothing. We are in a time of federal cut backs to programs that address education, food insecurity and housing, all of which are problems in Hawaii. By having a steady revenue stream from taxing REITs, our less advantaged residents of Hawaii stand a better chance of prospering from programs designed to reduce inequity. Please give SB2362 your favorable consideration. Mahalo for this opportunity to speak out.

**SB-2362**

Submitted on: 2/16/2026 10:47:18 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

Submitted By	Organization	Testifier Position	Testify
John Fitzpatrick	Individual	Support	Written Testimony Only

Comments:

Aloha Chair and Members of the Committee,

My name is John "Fitz" Fitzpatrick and I am a teacher at Kūlanihāko‘i. I am writing in **strong support of SB2362**.

As an educator, I am consistently told that there is "no money" for the essentials our students and teachers deserve:

- **Keiki and Schools:** We are still waiting for the completion of Kūlanihāko‘i High School and struggling with large class sizes that hinder individual instruction.
- **Teacher Retention:** We are denied annual step increases, making it harder to stay in the profession and live in the communities we serve.
- **Social Safety Net:** Crucial supports like paid family leave and universal healthcare are sidelined due to "budget constraints."

Meanwhile, REITs own approximately \$18 billion in Hawaii real estate—including major assets like Ala Moana and Pearlridge—yet pay almost nothing in state corporate income tax. By ending the "dividends paid deduction," Hawaii can reclaim over \$26 million a year. This is not a new tax; it is simply ensuring that income generated from Hawaii’s land and resources stays in Hawaii to fund our future.

It is time to stop prioritizing out-of-state corporate shareholders over our keiki and the educators who support them. I urge you to pass SB2362.

Mahalo,

John "Fitz" Fitzpatrick,  
Makawao, Maui

**SB-2362**

Submitted on: 2/16/2026 1:29:20 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

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

Comments:

Please do not give real estate investment trusts tax breaks that our residents don't benefit from.

I'm with East Hawaii Indivisible

**SB-2362**

Submitted on: 2/16/2026 2:01:20 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Doris Segal Matsunaga	Individual	Support	Written Testimony Only

Comments:

As a grandmother living in Waimea on Hawaii Island, I support tax fairness and SB 2362

**SB-2362**

Submitted on: 2/16/2026 3:18:01 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Lee E. Takagi	Individual	Support	Written Testimony Only

Comments:

I am in support of SB2362. I find it amazing that investing big money through a REIT does not also include paying taxes on the profits made. Who ever heard of any business that doesn't pay business taxes or GET or state income tax? Any small or large business must pay taxes on their revenue. Folks (many out-of-state) investing in huge businesses- like Ala Moana Center- without paying any taxes, simply suck the money out of the state. I'd like to advocate for our local businesses and residents. Mahalo.

COMMITTEE ON ECONOMIC DEVELOPMENT AND TOURISM

Senator Lynn DeCoite, Chair

Senator Glenn Wakai, Vice Chair

COMMITTEE ON COMMERCE AND CONSUMER PROTECTION

Senator Jarrett Keohokalole, Chair

Senator Carol Fukunaga, Vice Chair

HEARING:

Wednesday, February 18, 2026 at 10:05 am

Conference Room 229 & Videoconference

State Capitol

415 South Beretania Street

TESTIMONY IN SUPPORT OF SB 2362, RELATING TO TAXATION.

Aloha Chair DeCoite, Chair Keohokalole, Vice Chair Wakai, Vice Chair Fukunaga, Senator McKelvey of Maui, and Members of the Committees,

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**, Relating to Taxation, which disallows the dividends paid deduction for real estate investment trusts (REITs).

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.

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 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 a Maui resident, I call upon Senator McKelvey to stand up for Maui and help ensure REITs contribute tax dollars to contribute to Maui's recovery and housing crisis.

I respectfully request that you **vote in support of SB 2362.**

Mahalo,

Christine Andrews, JD

Wailuku, Maui

**SB-2362**

Submitted on: 2/16/2026 4:45:49 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Judith White	Individual	Support	Written Testimony Only

Comments:

Please support!

Judith White, Kapaa

Member, Kauai Indivisible

**SB-2362**

Submitted on: 2/16/2026 8:39:19 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

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

Comments:

I support this bill. REITS will be treated the same way as other Hawaii corporations, ALL should pay corporate taxes on their Hawaii earnings.

Thank you. Elizabeth Nelson

Kaneohe

**SB-2362**

Submitted on: 2/16/2026 9:33:45 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Malia Kealoha	Individual	Support	Written Testimony Only

Comments:

Please ensure that Hawaiian Land stays in Hawaiian hands by closing this corporate tax loophole!

**SB-2362**

Submitted on: 2/17/2026 8:18:00 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Joie Yonamine	Individual	Support	Written Testimony Only

Comments:

I am writing in strong support of SB2362 both personally and as a member of the Indivisible Hawaii State Network (IHSN). This bill would close the tax loophole that allows REITs exemption from paying taxes on dividends paid on revenues generated in Hawaii. In Hawaii, REITs own \$17 billion in real estate and earn roughly \$1 billion a year, primarily benefiting out-of-state shareholders.

Income generated by Hawaii properties should be taxed fairly, and generate tax revenue for the state to invest back into the community, which enables high-value Hawaii REIT-owned properties (such as Ala Moana, International Marketplace, and Hilton Hawaiian Village) to be profitable.

Closing this loophole will ensure that this billion dollar industry contributes fairly to Hawaii's economy and community. REITs would still keep their major federal tax benefits and low local property tax rates, while helping fund the public services their properties depend on.

Thank you for the opportunity to testify on this bill.

Joie Yonamine, Manoa Valley

**SB-2362**

Submitted on: 2/17/2026 8:32:04 AM

Testimony for EDT on 2/18/2026 10:05:00 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 Chairs DeCoite and Keohokalole, Vice Chairs, 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

**LATE**

**SB-2362**

Submitted on: 2/17/2026 10:32:50 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

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

Comments:

Aloha Chairs DeCoite and Keohokalole and members of the EDT and CPN committees,

I'm testifying in support of SB2362. As the state deals with budget issues and fairness, I urge you to pass SB2362 out of your committees.

Mahalo,

Paul Bernstein

**LATE**

**SB-2362**

Submitted on: 2/17/2026 11:35:25 AM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Marcela Montalto	Individual	Support	Written Testimony Only

Comments:

I strongly support this bill

**LATE**

**SB-2362**

Submitted on: 2/17/2026 3:43:47 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Kealii Pang, Ph.D.	Individual	Support	Written Testimony Only

Comments:

Aloha Chair, Vice Chair, and Members of the Committee,

I am writing in strong support of SB2362 to close a massive tax loophole benefiting billion-dollar Real Estate Investment Trusts (REITs).

It is fundamentally unfair that local families and small businesses pay their share of taxes, while massive corporations owning iconic properties like Ala Moana and the Hilton Hawaiian Village "skate by."

Here is why this bill is necessary:

- **Tax Equity:** REITs take advantage of a loophole to avoid paying state corporate income tax on profits made in Hawai'i.
- **Loss of Revenue:** This loophole costs our state \$26.8 million to \$60 million annually—money that could fund our schools, roads, and infrastructure.
- **Profits Leave the Islands:** Most shareholders do not live in Hawai'i, meaning profits generated by our land leave the state untaxed.

SB2362 does not raise property taxes or federal benefits; it simply ensures that corporations profiting from Hawai'i contribute to Hawai'i. It is time to stop making working people carry the load while billion-dollar trusts get a free pass.

I urge the committee to PASS SB2362.

Mahalo,

Kealii Pang Kaimukī, Hawai'i

**LATE**

**SB-2362**

Submitted on: 2/17/2026 5:16:04 PM

Testimony for EDT on 2/18/2026 10:05:00 AM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Testify</b>
Lindsay Roth	Individual	Support	Written Testimony Only

Comments:

As someone who lives, works, and invests in the future of Hawai‘i, I believe this bill represents a meaningful step toward **fairer taxation and economic resilience** for our islands. SB 2362 will **disallow the dividends-paid deduction for real estate investment trusts (REITs)** — a change that ensures income generated from Hawai‘i’s land and real estate resources contributes appropriately to our state’s shared prosperity.

Too often, tax breaks that benefit large corporate entities erode the revenue base Hawai‘i needs to fund essential community services — from affordable housing and public education to environmental protection and healthcare. By closing this deduction, we give our state a better chance at investing in **priority needs that serve everyday residents**.

This bill aligns with principles of **tax fairness** and strengthens our ability to fund the things that make Hawai‘i a vibrant, healthy place to live, work, and raise families. Supporting SB 2362 is a concrete way to make sure our economic policies reflect the values of equity and intergenerational well-being.

Mahalo for the opportunity to testify and for your thoughtful consideration of this important measure.

February 17, 2026

Lynn DeCoite, Chair and Glenn Wakai, Vice Chair, Senate Committee on Economic Development & Tourism  
Jarrett Keohokalole, Chair and Carol Fukunaga, Vice Chair, Senate Committee on Commerce & Consumer Protection

Re: Testimony Opposing SB 2362 SB 2362 RELATING TO TAXATION  
Disallowing the dividends paid deduction for real estate investment trusts

Hearing Wednesday, February 18, 2026, 10:05 HST  
Conference Room 229 & Videoconference  
State Capitol, 415 South Beretania Street, Honolulu

I am Paul H. Brewbaker, Ph.D., CBE and I oppose this legislation. Just read Section 1. Line 1 on page 1 opens, “The legislature finds that the majority of income received from real estate investment trusts by corporate entities doing business in Hawaii is not taxed at the state level.” That’s because REITs are C-corps designed to pass-through virtually all net income directly in shareholder dividends. REITs democratize commercial real estate ownership, redistributing it out of the hands of wealthy individuals. In America, 49 of 50 states treat REITs same way: individual income recipients are taxable, not the conduits. Line 4 observes that, “They [REITs? Their income recipients?] enjoy a preference that exempts them from paying taxes on dividends paid on revenues generated in Hawaii.” No duh: Hawaii recipients of such dividend incomes don’t pay taxes to any other state, either. Neither do Hawaii REITs with assets located in other states.

Capital within the United States—not just a monetary union, an economic union—is perfectly mobile. Flows of capital into Hawaii create productive capacity through which workers and businesses generate their incomes. The same workers and business owners freely invest their savings in REITs or anything else. Their pension funds and the index funds in their 401ks invest in REITS on their behalf. Nobody from Hawaii gets taxed *by* other states on dividends earned from REIT assets *in* other states. Don’t be jerks.

Line 6 asserts that, “According to the department of taxation, the estimated amount of income tax revenues that will be foregone in the 2026 taxable year may be as much as \$26,800,000.” But Hawaii’s Department of Taxation does not employ computable general equilibrium (CGE) modeling to calculate the amount that would be foregone in the counterfactual, even *larger* amounts of income tax revenue that would be foregone if Hawaii adopts SB 2362. One CGE modeling project of SB 2362-like legislation in which I participated yielded catastrophic economic outcomes for Hawaii.

In line 9, the bill reports that, “in September 2016, [DBEDT READ] commissioned a report to evaluate the recovery of income tax revenues from real estate investment trusts within the State.” I was on the review committee of that study. Everybody agreed: it wasn’t very good. I did several independent studies with a different team around the same time, but I was asked by DBEDT READ to review *their* work, which they did not commission: the legislature did. Ten years later, the legislature is still talking about the bad public policy idea in SB 2362. What is wrong with you? Everybody on the review committee at that time agreed that the report was weak. Its completion was *one year late*. Complexities of acquiring necessary tax data complicated the analytics. DBEDT READ did not have the modeling capability for the tax policy analytics because it was not a tax policy analysis research unit (at that time). READ comprises a capable economic research team, filled with respected colleagues. But the state legislature has never funded good, ongoing tax policy research. I know because I asked, more than once, as chair of the Hawaii Council on Revenues (more than once). The review committee felt that the 2016 READ report was unreliable. Citing it does not demonstrate insight.

Line 17 continues, the “majority of the real estate investment trust income taxes were paid to other states by out-of-state shareholders receiving dividends.” Yeah, *they invested in productive capacity in Hawaii*, of course they earned the investor income. They live in other states, where they paid those states’ taxes.

This bill is just Locals Only bigotry, all butt-hurt because someone *from somewhere else* made investments in Hawaii. Off my wave, haole. Da money wen’ leave da state. Them buggahs, they not from around here, they don’t *belong* here, and we don’t want them here. Tired, already. Donald Trump as president doesn’t make bigotry cool.

On page 2 of this bill, in line 4, “The legislature further finds that real estate investment trust income generated through the use of state resources should be taxed in Hawaii to benefit the State.” What the duck. The benefit to the state (small s) of REIT investments in Hawaii are shopping malls, apartment buildings and other housing developments, and various commercial real estate assets from which Hawaii enjoys the fruits of productive capacity. The benefits are the services—*e.g.* retail or housing services—that Hawaii residents consume, the utility of storage spaces, work in offices where businesses are managed and industrial spaces where manufactures are crafted, health services from medical facilities. These *are* the benefits to the state, small s. REIT assets comprise tens of thousands of lodging units from which 15-20 percent of Hawaii GDP originates through its principal export activities, travel and tourism, and the hundreds of thousands of Hawaii jobs directly and indirectly associated with those exports.

Don’t prove to 48 other U.S. states that Hawaii is bucks-for-lolo. Do not “disallow the dividends paid deduction for real estate investment trusts” (page 2, lines 7-8).<sup>1</sup> Dump SB 2362, now and for good.

---

<sup>1</sup> [https://www.capitol.hawaii.gov/sessions/session2026/Bills/SB2362\\_.pdf](https://www.capitol.hawaii.gov/sessions/session2026/Bills/SB2362_.pdf)