

## ACT 239

S.B. NO. 118

A Bill for an Act Relating to Real Estate Investment Trusts.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. (a) The department of business, economic development, and tourism, with the assistance of the department of taxation, shall study the impact of real estate investment trusts in Hawaii and the possible effect of repealing the dividends paid deduction for real estate investment trusts. The study shall address the following:

- (1) The total number of real estate investment trusts that operate in Hawaii;
- (2) Of that total in paragraph (1), the number that are Hawaii-based;
- (3) The number of Hawaii taxpayers who are investors in real estate investment trusts that operate in Hawaii;
- (4) The number of Hawaii taxpayers who are investors in Hawaii-based real estate investment trusts that operate in Hawaii;
- (5) A breakdown of Hawaii taxpayers who are investors in Hawaii-based real estate investment trusts that operate in Hawaii, by filing status and income;
- (6) The direct and indirect impacts of real estate investment trusts on the Hawaii economy, especially in real estate development and operation;
- (7) A comprehensive examination of captive real estate investment trusts for companies operating in Hawaii;
- (8) An examination of the argument that real estate investment trusts provide opportunities for small investors to pool funds with others and invest in real estate developments, similar to investments through mutual funds invested in company stocks;
- (9) An examination of the possible transfer pricing if the dividend paid income tax deduction for real estate investment trusts is repealed;
- (10) An examination of the equity and efficiency of the dividends paid income tax deduction for real estate investment trusts;
- (11) The projected tax revenue impact to the State if the dividends paid income tax deduction for real estate investment trusts is repealed;
- (12) The impact on the real estate development market and capacity if the dividends paid income tax deduction for real estate investment trusts is repealed; and
- (13) The impact on the economy of the State if the dividends paid income tax deduction for real estate investment trusts is repealed.

(b) The department of business, economic development, and tourism shall submit its findings and recommendations, including any proposed legislation, to the legislature not later than twenty days prior to the convening of the regular session of 2016.

SECTION 2. There is appropriated out of the general revenues of the State of Hawaii the sum of \$100,000 or so much thereof as may be necessary for fiscal year 2015-2016 for the study on real estate investment trusts required under section 1 of this Act.

The sum appropriated shall be expended by the department of business, economic development, and tourism for the purposes of this Act.

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**SECTION 3.** This Act shall take effect upon approval; provided that section 2 shall take effect on July 1, 2015.

(Became law on July 14, 2015, without the governor's signature, pursuant to Art. III, §16, State Constitution.)