

Honolulu, Hawaii
February 14, 2014

RE: H.B. No. 1726
H.D. 1

Honorable Joseph M. Souki
Speaker, House of Representatives
Twenty-Seventh State Legislature
Regular Session of 2014
State of Hawaii

Sir:

Your Committee on Consumer Protection & Commerce, to which was referred H.B. No. 1726 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose of this measure is to treat real estate investment trusts and income derived from such trusts in the same manner as other corporate taxpayers and income to prevent out-of-state owners of real estate income trusts located in Hawaii from avoiding taxes on dividend income by specifying that the exemption of this income for federal tax purposes shall not apply to state income taxes.

Hawaii Appleseed Center for Law and Economic Justice provided testimony in support of this measure. The National Association of Real Estate Investment Trusts provided testimony in opposition to this measure. The Department of Taxation and Tax Foundation of Hawaii provided comments on this measure.

Your Committee has amended this measure by clarifying the procedure and method, including the addition of technical and conforming amendments, under which this measure subjects real estate investment trusts to State income taxation pursuant to the general adoption of section 857 of the Internal Revenue Code (relating to the taxation of real estate investment trusts).



Your Committee respectfully requests that your Committee on Finance examine the fiscal impacts of this measure.

As affirmed by the record of votes of the members of your Committee on Consumer Protection & Commerce that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1726, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 1726, H.D. 1, and be referred to the Committee on Finance.

Respectfully submitted on
behalf of the members of the
Committee on Consumer
Protection & Commerce,



ANGUS L.K. MCKELVEY, Chair



