

JAN 20 2017

A BILL FOR AN ACT

RELATING TO THE MORTGAGE INTEREST DEDUCTION.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. The purpose of this Act is to eliminate the
2 mortgage interest deduction for second homes under Hawaii income
3 tax law and transfer an equivalent amount into the rental
4 housing revolving fund.

5 SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is
6 amended by amending subsection (h) to read as follows:

7 "(h) Section 163 (with respect to interest) of the
8 Internal Revenue Code shall be operative for the purposes of
9 this chapter, except that provisions in section 163(d)(4)(B)
10 (defining net investment income to exclude dividends), section
11 163(e)(5)(F) (suspension of applicable high-yield discount
12 obligation (AHYDO) rules), section 163(h)(4)(A)(i)(II)
13 (definition of qualified residence for home mortgage interest
14 deduction), section 163(h)(4)(A)(ii)(II) (treatment of home
15 mortgage interest deduction for married individuals filing
16 separately), and section 163(i)(1) as it applies to debt



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1 instruments issued after January 1, 2010, (defining AHYDO) shall
2 not be operative for the purposes of this chapter."

3 SECTION 3. The department of taxation shall annually
4 calculate the amount of state revenue gained in the previous
5 taxable year by making non-operative section 163(h)(4)(A)(i)(II)
6 and section 163(h)(4)(A)(ii)(II) of the Internal Revenue Code
7 and, following this calculation, by September 1, shall transmit
8 an equivalent amount of income taxes to the director of finance
9 for deposit into the rental housing revolving fund established
10 by section 201H-202, Hawaii Revised Statutes.

11 SECTION 4. The department of budget and finance, in
12 consultation with the department of taxation, shall submit a
13 report on the administration of this Act to the legislature no
14 later than twenty days prior to the convening of the 2018, 2019,
15 2020, 2021, and 2022 regular sessions.

16 SECTION 5. New statutory material is underscored.



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1 SECTION 6. This Act, upon its approval, shall apply to
2 taxable years beginning after December 31, 2016.

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INTRODUCED BY:

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Report Title:

Income Tax; Mortgage Interest Deduction

Description:

Eliminates the mortgage interest deduction for second homes under Hawaii income tax law. Requires DOTAX to calculate the savings and transfer an equivalent amount of income taxes to the director of finance for deposit into the rental housing revolving fund.

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