

STAND. COM. REP. NO.

234

Honolulu, Hawaii

February 8, 2019

RE: H.B. No. 475

H.D. 1

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Economic Development & Business, to which was referred H.B. No. 475 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION OF REAL ESTATE INVESTMENT TRUSTS,"

begs leave to report as follows:

The purpose of this measure is to disallow the dividends paid deduction for real estate investment trusts.

The American Electric, Black Development Corporation, Aloha Shoyu Co. Ltd., F & W Land LLC, Coldwell Banker Pacific Properties, Professional Image, Inc., C E & S Corporation, National Seating & Mobility, O'ahu County Committee on Legislative Priorities of the Democratic Party of Hawai'i, League of Women Voters of Hawaii, International Longshore and Warehouse Union Local 142, Americans for Democratic Action, IMUAlliance, The Church of the Crossroads, MoveOn.org Honolulu, Hawaii Foodservice Alliance LLC, Faith Action for Community Equity, and numerous individuals testified in support of this measure. The Land Use Research Foundation of Hawaii, Hawaii Real Estate for American Assets Trust, Public Storage, Park Hotels & Resorts Inc., Ala Moana Center, Douglas Emmett, Inc., Alexander & Baldwin, and National Association of Real Estate Investment Trusts testified in opposition to this measure. The Department of Taxation, Tax

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Foundation of Hawaii, and a concerned individual provided comments on this measure.

Your Committee finds that businesses suffer an inordinate amount of taxation in Hawaii, and that source shifting the tax base to entities such as real estate investment trusts will help to create a more level business playing field. Additionally, funding economic development and the many grant programs will help to stimulate the business environment even further.

Your Committee has amended this measure by:

- (1) Providing that ten per cent of the revenue generated will be used by the Department of Business, Economic Development, and Tourism to fund economic development; and
- (2) Making it applicable to taxable years beginning after December 31, 2112.

As affirmed by the record of votes of the members of your Committee on Economic Development & Business that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 475, as amended herein, and recommends that it pass Second Reading in the form attached hereto as H.B. No. 475, H.D. 1, and be referred to your Committee on Consumer Protection & Commerce.

Respectfully submitted on
behalf of the members of the
Committee on Economic
Development & Business,



ANGUS L.K. MCKELVEY, Chair



