DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LT. GOVERNOR

ISAAC W. CHOY
DIRECTOR OF TAXATION

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809
PHONE NO: (808) 587-1540
FAX NO: (808) 587-1560

To: The Honorable Sylvia Luke, Chair;
The Honorable Ty J.K. Cullen, Vice Chair;
and Members of the House Committee on Finance

From: Isaac W. Choy, Director
Department of Taxation

Date: February 25, 2021
Time: 12:00 P.M.
Place: Via Video Conference, State Capitol

Re: H.B. 286, H.D. 1, Relating to Real Estate Investment Trusts

The Department of Taxation (Department) supports H.B. 286, H.D. 1, and offers the following analysis for your consideration. H.D. 1 has a defective effective date of July 1, 2050.

H.B. 286, H.D. 1, authorizes the Department to require real estate investment trusts (REITs) to notify the Department of their operations in the state and to designate and properly complete their tax returns, including attaching the federal tax return to their state tax return. The bill imposes a $50.00 per day fine for noncompliance.

The Department notes that although REITs are already required to designate themselves as REITs on their tax returns, to complete their tax returns as specified, and to include their federal returns with their state returns. The imposition of a fine adds another compliance tool the Department can use to ensure compliance. The requirement that REITs notify the Department of their operation in the state is likewise helpful in that it will put the Department on notice to expect a tax return from another a REIT. The statistical information gained from these returns will help guide policy makers in the future.

Thank you for the opportunity to provide comments.

ILWU HAWAII
INTERNATIONAL LONGSHORE & WAREHOUSE UNION
LOCAL OFFICE • 451 ATKINSON DRIVE • HONOLULU, HAWAII 96814 • PHONE 949-4161
HAWAII DIVISION: 100 West Lanikaula Street, Hilo, Hawaii 96720 • OAHU DIVISION: 451 Atkinson Drive, Honolulu, Hawaii 96814
MAUI COUNTY DIVISION: 896 Lower Main Street, Wailuku, Hawaii 96793 • KAUAI DIVISION: 4154 Hardy Street, Lihue, Hawaii 96766
HAWAII LONGSHORE DIVISION: 451 Atkinson Drive, Honolulu, Hawaii 96814
LOCAL 142

The Thirty-First Legislature
Regular Session of 2021

THE HOUSE
Committee on Finance
Rep. Sylvia Luke, Chair
Rep. Ty J.K. Cullen, Vice Chair
State Capitol, Videoconference
Thursday, February 25, 2021; 12:00 p.m.

STATEMENT OF THE ILWU LOCAL 142 ON H.B. 286, H.D.1
RELATING TO REAL ESTATE INVESTMENT TRUSTS

The ILWU Local 142 **supports** H.B. 286, H.D.1, which requires real estate investment trusts to notify the department of taxation of its presence within the State and to report the assets and revenues generated annually and imposes a daily monetary fine for noncompliance.

Businesses operating in Hawaii should pay their fair share of taxes – this includes real estate investment trusts (REITs). H.B. 286, H.D.1 will help the state determine the assets and revenue generated by REITs which will help ensure they are paying their fair share of taxes like other businesses operating in Hawaii do.

We recommend passage of H.B. 286, H.D.1. Thank you for the opportunity to testify.

HB-286-HD-1
Submitted on: 2/23/2021 1:48:47 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
laurel brier	Kauai Women's Caucus	Support	No

Comments:

Tax fairness and a more just society

HSTA
HAWAII STATE TEACHERS ASSOCIATION
Teaching Today for Hawaii's Tomorrow

1200 Ala Kapuna Street ♦ Honolulu, Hawaii 96819
Tel: (808) 833-2711 ♦ Fax: (808) 839-7106 ♦ Web: www.hsta.org

Corey Rosenlee
President

Osa Tui, Jr.
Vice President

Logan Okita
Secretary-Treasurer

Wilbert Holck
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON FINANCE

RE: HB 286, HD1 - RELATING TO TAXATION OF REAL ESTATE INVESTMENT TRUSTS

THURSDAY, FEBRUARY 25, 2021

COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Luke and Members of the Committee:

The Hawaii State Teachers Association **supports HB 286, HD1**, relating to taxation of real estate investment trusts, **with suggested amendments**. This bill requires real estate investment trusts to notify the department of taxation of its presence within the State and to report the assets and revenues generated annually. Imposes a daily monetary fine for noncompliance.

Although this is a start, to figure out what types of revenue the state could be collecting taxes on, if the law did not exempt REITS from tax collection, this bill doesn't go far enough, and needs to be amended to include the language needed from SB 2697 in 2020 REITS bill, which would change this bill to disallow dividends paid deduction for real estate investment trusts. The legislature already knows that real estate investment trusts in Hawaii own real estate assets of approximately $17,000,000,000, generating an annual income of $1,000,000,000, which, if taxed at the current corporate rate assessed to all other corporations, would generate Hawaii tax revenues of $65,000,000 per year. A 2016 analysis conducted by the department of business, economic development, and tourism concluded that the State had foregone about $36,000,000 in income tax revenues in 2014, and that the amount of real estate investment trust investments has risen substantially since then. So yes, as this bill stipulates, REITS should report their presence in the state as well as report their assets and revenues generated annually, but we also implore you to go further, to help the current deficit in the state budget, as the legislature sought to do last year.

Hawaii has some of the most highly coveted real estate in the nation not only due to its gorgeous scenery, appeal as a tourist destination, and status

as an urban hub in the middle of the pacific but also because it has <u>the lowest property tax rate in the nation</u>. These factors have led to an explosion in real estate development throughout the islands, including real estate owned by real estate investment trusts or REITs. In fact, REITs own approximately $17 billion worth of real estate in Hawai'i—more than any other state on a per capita basis. Meanwhile, Hawaii real estate values continue to skyrocket, making it harder and harder for Hawaii residents to afford living at home. Without a disincentive to investors and speculators, Hawaii will continue to experience an exponential increase in real estate property values and those barely making it in Hawaii will be even closer to homelessness.

Unlike corporate investors, investors in real estate investment trusts are exempt from paying corporate income tax on dividends. Thus, dividends from REITS are taxed only once at the shareholder level, and these taxes are paid in the form of income tax to the investor's home state. The implication of this is that while the state plays host to REITs, it receives virtually no taxes from REITs. Because Hawaii ranks 40th in the nation for the number of REIT shareholders as a percentage of the population, income taxes paid on dividends by shareholders are, for the most part, going out of state.

Decoupling Hawaii's income tax treatment of REITs from federal income tax treatment would generate $65 million in annual revenue which would take money made off of real estate investments in Hawaii and inject it back into the people of Hawaii. **In fact, this funding could be used to end Hawaii's teacher shortage crisis by providing a dedicated revenue stream to fund salary adjustments for veteran teachers and pay differentials for teachers in special education, Hawaiian language immersion, and hard-to-staff positions salary adjustments.**

The Hawaii State Teachers Association implores you to add language to this bill that would disallow dividends paid deduction for real estate investment trusts as this would provide a dedicated revenue stream to help end the teacher shortage crisis and make up for other losses in state revenue, and to provide a disincentive to the real estate investment and speculation driving up property values in our state we ask you to **support this bill, w/amendments.**

Hawaii
Children's Action Network Speaks!
Building a unified voice for Hawaii's children

Hawaiʻi Children's Action Network Speaks! is a nonpartisan 501c4 nonprofit committed to advocating for children and their families. Our core issues are safety, health, and education.

To: House Committee on Finance

Re: **HB 286, HD1 - Relating to real estate investment trusts**
Hawaiʻi State Capitol, Room 308
February 25, 2021, 12:00 PM

Dear Chair Luke, Vice Chair Cullen, and committee members,

On behalf of Hawaiʻi Children's Action Network Speaks!, I am writing in SUPPORT with AMENDMENTS of HB 286, HD1 - Relating to real estate investment trusts. This bill would authorize the department of taxation to require real estate investment trusts (REITs) to notify the department of its presence within the State and to report the assets and revenues generated annually.

As the state legislature is facing large budget shortfalls, it's important to keep in mind that government spending cuts would further harm our already injured economy, as well as hobble social services that have become more and more essential to Hawaiʻi's keiki and their families during this pandemic crisis.

That's why we support range of progressive tax options to close the deficit without slashing critical government spending. One of these policies is requiring REITs to pay tax on their income, as other corporations in Hawaiʻi are required to do. As so many of our working families struggle, it makes sense to ask REITs to pay their fair share.

REITs have a special tax loophole that exempts them from paying corporate income tax on the dividends paid to its shareholders, which comprise at least 90 percent of the income REITs generate. Hawaiʻi REITs' income should be taxed so they help support the communities in which they operate.

Every other individual and corporation doing business in Hawaiʻi is subject to state income tax. And even if the Hawaiʻi REITs tax loophole were closed, REITs would still receive the valuable federal tax break they currently have, and they would continue to benefit from Hawaiʻi's extraordinarily low property tax rate.

While Hawaiʻi has more land value tied up in REITs than any other state, relatively few Hawaiʻi residents own shares in REITs—we rank 40th in the nation for the number of REIT shareholders as a percentage of the population. As a result, not only is income produced on Hawaiʻi property leaving the state, but the income that is getting funneled out of the state is not getting taxed here either.

This bill provides a good start, but Hawaiʻi should go further and actually tax REITs' income, so **we respectfully request that HB 286, HD1 be amended to eliminate the REITs tax loophole, as HB 283 does**. Mahalo for the opportunity to provide this testimony. Please pass HB 286, HD1, with our suggested amendments.

Thank you,
Nicole Woo, Director, Research and Economic Policy

850 Richards Street, Suite 201 • Honolulu, HI 96813 • 808-531-5502
speaks.hawaii-can.org • speaks@hawaii-can.org

Nareit Hawaii
Real estate working for you®

WRITTEN TESTIMONY OF
GLADYS QUINTO MARRONE
EXECUTIVE DIRECTOR
NAREIT HAWAII
OFFERING COMMENTS ON H.B. 286 H.D. 1
BEFORE THE HAWAII HOUSE COMMITTEE ON FINANCE

THE HONORABLE SYLVIA LUKE, CHAIR
THE HONORABLE TY J.K. CULLEN, VICE-CHAIR

HEARING ON H.B. 286 H.D. 1
FEBRUARY 25, 2021
12:00 P.M.
VIA VIDEOCONFERENCE – ROOM 308

1003 Bishop Street, Suite 2700
Honolulu, HI 96813
808-237-2474

nareithawaii.com

Dear Chair Luke, Vice-Chair Cullen, and Members of the Committee on Finance:

On behalf of Nareit Hawaii, thank you for the opportunity to submit testimony on H.B. 286 H.D. 1, which would authorize the department of taxation to require REITs to notify the department of its presence within the State and to report the assets and revenues generated annually.

Nareit Hawaii offers the following **comments**:

1) While we do not oppose H.B. 286 H.D. 1, this bill is unnecessary as current statute already authorizes the department of taxation to require REITs to submit their federal tax returns. Both the 2019 and 2020 instructions for the Hawaii corporate income tax form (N-30) already provide: "If this return is for a real estate investment trust (REIT), check the appropriate box and attach federal Form 1120-REIT to this return.";
2) Should this Committee move forward with additional requirements to filing business-related income tax returns, we recommend the language also be applied to all business entities doing business in Hawaii;
3) We respectfully request that subsection (3) be deleted in its entirety due to its overly broad application; and
4) We offer one amendment:
    (1) Notify the department, in the manner prescribed by the department, of its operation as a real estate investment trust in the State with the first required filing with the department after the REIT begins operations in the State. ~~no later than ninety days from the first day of operation in the State provided that for real estate investment trusts operating in the State as of July 1, 2021, the department shall be notified no later than October 31, 2021;~~.

Nareit Hawaii and its REIT members are active, and have substantial long-term investments, in Hawaii, provide thousands of jobs and every day services, and are a significant part of Hawaii's economy. Nareit is the worldwide representative voice for REITs and publicly traded real estate companies with an interest in U.S. real estate and capital markets.

Thank you for the opportunity to submit our **comments** on H.B. 286 H.D. 1.

1003 Bishop Street, Suite 2700
Honolulu, HI 96813
808-237-2474

nareithawaii.com

HB-286-HD-1
Submitted on: 2/23/2021 7:03:55 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Amy Wake	Trinity United Methodist Church	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support this bill. Please pass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. Mahalo for this opportunity to provide testimony in support of HB286.

Park Hotels & Resorts Inc.
Scott Winer, SVP Tax
1775 Tysons Boulevard
7th Floor
Tysons, VA 22102
+1 571 302 5757 Main

WRITTEN TESTIMONY OF

Scott D. Winer
Senior Vice President, Tax
Park Hotels & Resorts Inc.

COMMENTS TO HB 286, HD1

BEFORE THE COMMITTEE ON FINANCE

THE HONORABLE SYLVIA LUKE, CHAIR

THE HONORABLE TY J.K. CULLEN, VICE CHAIR

HEARING ON HB 286, HD1

February 25, 2021

On behalf of Park Hotels & Resorts Inc. ("Park"), thank you for this opportunity to provide our testimony and comments regarding HB 286, HD1.

HB 286, HD1

HB 286, HD1 would require real estate investment trusts ("REITs") operating in the state of Hawaii to notify the State of the REIT's existence, annually provide a copy of the REIT's federal return with the REIT's state tax return, and other unspecified information required by the Hawaii Department of Taxation, for taxable years beginning after Dec. 31, 2020.

The preamble to the legislation states the legislature finds that REITs play a significant role in Hawaii's economy. Further, it states that the State would benefit from the accurate collection of data about REITs economic activities and that the assets and revenues generated by REITs may have not been reported to and recorded accurately by the State. Finally, the legislature notes that there are no state tax forms specifically for REITs, nor are there any clear methods for REITs to annually report their statuses and deductions to the State.

While we agree that REITs play a significant role in Hawaii's economy, Park disagrees with the legislature's findings regarding designation of REIT status, or the accurate reporting of tax (economic) data to the State for the following reasons:

- All REITs are required by law to annually file Form N-30, State of Hawaii – Department of Taxation Corporation Income Tax Return,
- Form N-30 has a box designating the filing as "For a real estate investment trust (REIT)",
- The instructions to the Form N-30 requires a copy of the REIT's federal tax return to be attached (in fact Park attached a copy of its federal Form 1120-REIT to its 2019 Form N-30),
- Form N-30 requires amounts to be reported from "comparable lines on federal return",
- Form N-30 is signed under the penalties set forth in section 236-36, HRS, as true, correct, and complete, and
- To the extent the State deems it appropriate to require additional information reporting related to businesses operating in the State, those requirements should apply to all businesses regardless of form.

Park Hotels & Resorts Inc.

Park is a publicly traded lodging REIT (NYSE:PK) that owns 60 premium branded hotels and resorts located in the United States and its territories. Included within Park's portfolio of hotels are (i) the iconic Hilton Hawaiian Village Waikiki Beach Resort ("Hilton Hawaiian Village") located along Oahu's prestigious Waikiki Beach, which is the State's largest hotel, and (ii) the Hilton Waikoloa Village located on the Kohala Coast of the Big Island of Hawai'i. Park, like most REITs, has a long-term investment focus and is committed to creating sustainable jobs and value at its properties. Current employee headcount at Park's hotels is more than 2,600.

Digest

The proposed legislation will not meaningfully increase the accuracy of or enhance the collection of data about REIT economic activities in general or within the state of Hawaii. The Hawaii Department of Taxation already obtains the data about REIT economic activities the legislature is seeking and the current tax reporting to the State by REITs is accurate as it is required to be true, correct, and complete.

Park has been a solid corporate citizen and partner to the state of Hawaii – paying significant tax, supporting significant employment and jobs in Hawai'i, and benefitting the community at-large. Park's REIT structure and hotel ownership benefits the State of Hawai'i and Kama'aina tremendously in a variety of economic and charitable and community ways. As a public company, Park ensures it is compliant and transparent in fulfilling its tax reporting requirements. We believe that HB 286's goals are already achieved and therefore this legislation is unnecessary.

We thank you again for this opportunity to provide testimony regarding HB 286, HD1 and sincerely hope you consider our submitted comments to this proposed legislation.

Respectfully submitted,

Scott Winer
Senior Vice President, Tax

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304 Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME, Collect information from real estate investment trusts.

BILL NUMBER: HB 286, HD1

INTRODUCED BY: House Committee on Economic Development

EXECUTIVE SUMMARY: Requires real estate investment trusts to notify the department of taxation of its presence within the State and to report the assets and revenues generated annually. Imposes a daily monetary fine for noncompliance.

SYNOPSIS: Amends section 235-71, HRS, to provide that for taxable years beginning after 12/31/2020, a REIT shall:

(1) Notify the department, in the manner prescribed by the department, of its operation as a real estate investment trust in the State no later than ninety days from the first day of operation in the State; provided that for real estate investment trusts operating in the State as of July 1, 2021, the department shall be notified no later than October 31, 2021;

(2) Properly designate on its tax return that it is a real estate investment trust as required by the department;

(3) Complete its tax return in the specific manner required by the department, including following line-by-line instructions; and

(4) Submit a copy of the federal return covering the same period with each Hawaii return.

Provides that failure to comply with these requirements shall be assessed to the real estate investment trust at $50.00 per day.

EFFECTIVE DATE: 7/1/2050.

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. The proposed measure would make that section of the IRC inoperative for Hawaii income tax purposes for tax years beginning after 12/31/20, 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 figure out which state has the primary right to tax income. For example, most tax systems say that rent from real property is sourced at 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 assure 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.

In 2019, the Legislature passed but the Governor vetoed SB 301 (2019), which would have taken away the dividends paid deduction for REITs, making them taxable for state purposes like any other corporation.

Presently, the Department of Taxation does not have a separate form for REITs. REITs file a corporate income tax form, the N-30, for state purposes but report their dividend paid deduction on the return as a miscellaneous deduction. As a result, data on Hawaii REITs is not captured in the Department's computer system and is, therefore, largely based on guesswork. The current bill appears to be an attempt to capture more robust data on those REITs.

Digested 2/13/2021

Securities Industry Association of Hawaii

February 24, 2021

Representative Sylvia Luke, Chair
Representative Ty J.K. Cullen, Vice Chair
House Committee on Finance
Hawaii State Capitol
415 Beretania St.
Honolulu, HI 9813

RE: SIAH letter in opposition to HB 286 on proposed changes to Real Estate Investment Trusts ("REITs")

Dear Chair Luke, Vice Chair Cullen and members of the House Committee on Finance:

The Securities Industry Association of Hawaii (SIAH) was formed over 20 years ago to foster communication among Hawaii Securities firms, regulators, and the legislature. Our members represent the combined concerns of our hundreds of employees who serve thousands of Hawaii clients.

From our reading of the bill, it appears that there is a new proposed tax on the REIT's income even though current law, federal and state, allows that if the REIT distributes 90% of the income, there is no corporate tax. We are only aware of one state that taxes this income.

1. **Given the current economic conditions, we feel that assessing a new tax on properties that are already struggling here in Hawaii is not warranted.** Further, the people and organizations that own shares in these products are certainly already expecting a decline in income due to the crisis. Do we really want to take more from them?

2. **It is also a real possibility that REIT product originators will avoid Hawaii property as the income will be less due this tax.** And, those properties already in a REIT portfolio may be swapped out for those in other states.

3. **The vast majority of REIT shareholders are not rich.** They own shares as this is the most efficient way to invest in income producing real estate. As financial advisors, we would most likely have to recommend a REIT without Hawaii properties as more suitable for our clients.

We urge the committee to reject this bill. If it is really needed, we suggest that you follow the lead of the federal government and other states in the ensuing years.

The SIAH appreciates the opportunity to provide input on this bill. Please do not hesitate to contact me at 808-625-2596 with any questions.

Sincerely,

Tony Goodrum
President.

Young Progressives Demanding Action
P.O. Box 11105
Honolulu, HI 96828

February 24, 2021

TO: HOUSE COMMITTEE ON FINANCE
RE: Testimony in support of HB286 HD1, requesting substantive amendments

Dear Representatives,

Young Progressives Demanding Action (YPDA) supports HB286, HD1, but requests substantive amendments to not only require Real Estate Investment Trusts (REITs) to report their assets and revenues annually, but also to implement an actual state tax on REITs beginning 1/1/2022. We believe REITs should pay the same corporate tax rate on profits as other businesses in Hawaiʻi, over which REITs currently enjoy a tremendous unfair advantage.

With a proposal to tax REITs passing with unanimous support within the 2019 Hawaiʻi State Legislature, overwhelming support among the public, and a desperate need for state tax revenue to prevent dangerous austerity measures that would cripple our economy for years to come, there is no good reason to wait on a tax now. If the governor threatens to veto such a bill as he did in 2019, the legislature should make it crystal clear that it will reconvene to overturn such a veto.

REITs own an estimated $17 billion worth of Hawaiʻi real estate and earn about $1 billion in profits every year. Hawaiʻi REITs should be taxed, as is every other individual and corporation doing business in Hawaiʻi.

While Hawaiʻi has more land value tied up in REITs than any other state in the nation, relatively few Hawaiʻi residents own shares in REITs—we rank 40th in the nation for the number of REIT shareholders as a percentage of the population. As a result, not only is income produced on Hawaiʻi property leaving the state, but the income that is funneled out of the state is not getting taxed here either.

Good tax policy is a cornerstone of a just economic system. Good tax policy strengthens opportunity by letting working families keep more of what they earn, while asking the wealthy and corporations to pay their fair share.

Why? Because when workers keep more earnings, they support our economy through spending. And when the wealthy and corporations pay their fair share for the use of the public goods and infrastructure that helped them succeed, they ensure that the next generation can succeed as well.

NOW IS A CRITICAL TIME FOR TAX FAIRNESS

The pandemic-recession caused by COVID-19 has dramatically impacted working families that earn low wages far more than it has impacted the wealthy and even the middle class.

That’s extremely bad for our economy because low-wage workers spend most of their earnings here in Hawaiʻi, powering the consumer spending we need to generate tax revenue through the General Excise Tax (GET). At the same time, high unemployment will reduce revenue from income taxes, and public health concerns have reduced revenue from the Transient Accommodations Tax (TAT). Without revenue from these taxes, our state government is facing a $2.3 billion deficit (through fiscal year 2023).

A deficit in the budget means social service contracts and programs could be cut, state workers could be furloughed and lose pay, or even be laid off, unless new revenue is raised to replace the lost revenue. And we must find new revenue, because cuts, furloughs and lay-offs will only serve to further reduce GET and income tax revenue, and further reduce consumer spending in our already-wounded economy. In fact, every dollar of reduced government spending results in as much as $1.50 in lost economic activity.

Fortunately, new revenue streams do exist. Loopholes can be closed. Federal trickle-down tax cuts for the wealthy and corporations can be negated at the state level. In fact, there are enough options available through tax restructuring alone to cover almost half of our entire projected deficit (while the rest could be covered through borrowing, or creating new taxes on products like legal cannabis).

Taken as a whole, these tax revenue generators would cover a significant portion of deficit, helping us to avoid costly cuts and furloughs that will only prolong and deepen the recession. And because none of these proposals are tailored toward low- or moderate-income earners, they actually increase economic power and opportunity for success. That’s what tax fairness is all about!

Mahalo for the opportunity to testify,

Will Caron
Board President & Secretary, 2020–2021
action@ypdahawaii.org

Douglas Emmett

February 23, 2021

Representative Sylvia Luke, Chair
Representative Ty Cullen, Vice Chair
Committee on Finance

RE: HB 286 HD1 - Relating to Real Estate Investment Trusts – Comments
Thursday, February 25, 2021; 12:00 PM; Via Videoconference

Aloha Chair Luke, Vice Chair Cullen and Members of the Committee:

Douglas Emmett appreciates this opportunity to offer comments on HB 286 HD1, which authorizes the department of taxation to require real estate investment trusts to notify the department of its presence within the State and to report the assets and revenues generated annually.

Douglas Emmett currently provides the information requested in HB 286 HD1 through income and tax returns filed annually with the State Department of Taxation. Schedule P of Form N-30 lists our assets and revenues. We also file GET taxes on a monthly (form G-45) and annual (form G-49) basis.

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

Respectfully,

Kevin Crummy
Chief Investment Officer

Michele Aronson
Senior Vice President

NAIOP
COMMERCIAL REAL ESTATE
DEVELOPMENT ASSOCIATION
HAWAII CHAPTER

February 25, 2021

The Honorable Representative Sylvia Luke, Chair
The Honorable Representative Ty Cullen, Vice Chair
House Committee on Finance

RE: **HB 286 HD1 - Relating to Real Estate Investment Trusts**
Hearing date: Thursday, February 25, 2021 at 12:00PM

Aloha Chair Luke and Members of the Committee,

Mahalo for the opportunity to submit testimony on behalf of NAIOP Hawaii to provide **COMMENTS** on HB 286, HD1. NAIOP Hawaii is the local 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. NAIOP Hawaii strongly supports the development of housing for Hawaii residents at all levels of income, especially affordable housing projects.

HB 286, HD1 requires real estate investment trusts to notify the Department of Taxation of its presence within the State and to report the assets and revenues generated annually. Further, the measure imposes a daily monetary fine for noncompliance.

As a practical matter, HB 286, HD1 is unnecessary. Currently, the instructions for the Hawaii Form N-30 already require a REIT that has an income tax filing obligation in Hawaii to include a copy of its Form 1120-REIT, which is the US federal income tax return filed by REITs. As such, this measure creates a requirement to provide documents that already need to be disclosed.

Mahalo for your consideration,

Catherine Camp, President
NAIOP Hawaii

HOUSE BILL 286, HD 1, RELATING TO REAL ESTATE INVESTMENT TRUSTS

FEBRUARY 25, 2021 · HOUSE FINANCE COMMITTEE · CHAIR REP. SYLVIA LUKE

POSITION: Support.

RATIONALE: The Democratic Party of Hawai'i Education Caucus supports HB 286, HD 1, relating to real estate investment trusts, which authorizes the Department of Taxation to require real estate investment trusts to notify the department of its presence within the state and to report the assets and revenues generated annually.

We hope that this measure will be a step toward the closure of our Hawai'i's REITs tax loophole. Under state taxation law, REITs are currently afforded an exemption from paying corporate income taxes on dividends paid to shareholders. REIT shareholders, however, pay federal and state income taxes on their earnings from the REIT in which they have invested.

Unfortunately, since most shareholders of Hawaiʻi REITs don't live in the Aloha State, they pay income taxes in other locations (if such income is subject to taxation in the states in which they reside, which it often is not). Thus, income generated from Hawaiʻi properties is being taxed elsewhere, if at all, sending sorely needed revenue for public education, basic infrastructure, climate change mitigation and adaptation, human and social services, affordable housing, public health, and pandemic response outside of our shores during a time of economic crisis.

Over 30 REITs operate in our state, perhaps the most prominent of which is Alexander and Baldwin. REIT properties in the islands include Ala Moana Center, International Marketplace, and the Hilton and Hyatt Hotels. Notably, CoreCivic, formerly the corruption-plagued private prison firm Corrections Corporation of America, is also a REIT, making closure of the REITs loophole not just a matter of economic justice, but also a hallmark of our state's commitment to criminal justice reform.

Collectively, Hawai'i REITs own over $17 billion worth of real estate and produce $1.3 billion in dividend income that is exempt from the corporate income tax, which amounts to $40-$60 million per year in lost tax revenue–a number that will only increase over time, as real estate values continue to soar.

Kris Coffield · Chairperson, Democratic Party of Hawai'i Education Caucus · (808) 679-7454 · kriscoffield@gmail.com

HB-286-HD-1
Submitted on: 2/24/2021 9:29:42 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Calvin Pham	Church of the Crossroads	Support	No

Comments:

Church of the Crossroads supports this bill with an amendment that the department SHALL not MAY require a real estate investment trust to the subsequent data reporting. It is important for greater transparency and accurate data to see the positive and negative impacts of real estate investment trusts and whether Hawai‘i residents benefit or if our community is being exploited for the financial gains of non-residents. Accurate data collection with an enforcement mechanism is a step to fair and well-informed decision-making by our elected officials.

HB-286-HD-1
Submitted on: 2/24/2021 9:41:21 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Calvin Pham	Faith Action HousingNOW!	Support	No

Comments:

Faith Action HousingNOW! supports this bill with an amendment that the department SHALL not MAY require certain financial reporting actions by real estate investment trusts. The Department of Taxation has commented that the fine is an enforcement mechanism, which is good and reasonable for holding these businesses accountable for reporting. Accurate data reporting will help our community understand the positive and negative impacts of REITs in our state and whether the current relationship with our community is the best and mutually beneficial relationship. Without this information, the arguments about the benefits and drawbacks of REITs and where money flows is a frivolous debate that does not serve the people of Hawai'i.

ALEXANDER & BALDWIN
PARTNERS FOR HAWAI'I

HB 286 HD1
RELATING TO REAL ESTATE INVESTMENT TRUSTS

PAUL T. OSHIRO
DIRECTOR – GOVERNMENT AFFAIRS
ALEXANDER & BALDWIN, INC.

FEBRUARY 25, 2021

Chair Luke and Members of the House Committee on Finance:

I am Paul Oshiro, offering comments on behalf of Alexander & Baldwin (A&B) on HB 286 HD1, “A BILL FOR AN ACT RELATING TO REAL ESTATE INVESTMENT TRUSTS.”

While A&B has always been a Hawaii-based company, in 2012, A&B made a strategic decision to be 100% Hawaii-based and to migrate its mainland investments back to Hawaii. Since then, A&B has sold all of its mainland properties and has reinvested the proceeds in Hawaii—acquiring properties including the Kailua Town commercial center, Manoa Marketplace, Waianae Mall, Laulani Village (Ewa Beach), Puunene Shopping Center (Maui), and Hokulei Village (Kauai). In 2017, to better support our Hawaii-focused strategy and increase our ability to invest in Hawaii in an increasingly competitive environment, A&B made the decision to convert to a real estate investment trust (REIT). A REIT structure enables A&B to attract new investors to its stock, giving us capital to invest in our Hawaii-focused strategy, and puts us in a better position to compete with large, out-of-state investors, with greater sources of capital, for the acquisition of Hawaii properties, thus keeping them in locally-owned hands, with a management team that lives here and is committed to Hawaii. Furthermore, REITs are structured to be long-term holders of real estate, thus complementary to A&B's goal of being Partners for Hawaii, with a long-term commitment to our communities.

In addition to selling all of our mainland properties and reinvesting the proceeds in Hawaii, A&B also brought all of its previously contracted out property management services and activities in house, which enables direct contact between A&B employee property managers and our tenants. This has been extremely helpful for both A&B and our tenants, especially during the COVID pandemic, as individualized discussions and initiatives to sustain and assist tenant businesses were identified and pursued. A&B will continue to closely work with our tenants to support their business operations as best we can both during the COVID pandemic, and beyond.

Real estate investment trusts were established by Congress in 1960 to enable all types of investors to invest in real estate. REITs generally own, operate, and finance income-producing commercial real estate such as shopping malls, hotels, self-storage facilities, theme parks, and apartment, office, and industrial buildings. Other REITs provide financing for income-producing real estate by purchasing or originating mortgages and mortgage-backed securities, which provides liquidity for the real estate market.

In Hawaii, REIT investments help communities grow through the development of workforce rental housing, medical facilities, and shopping centers that enhance our quality of life. REITs own high-quality office, retail, and industrial space, which provide a favorable environment for numerous locally owned businesses to operate and grow. These REIT owned facilities also provide numerous employment opportunities and jobs for Hawaii's residents.

The purpose of this bill is to authorize the Department of Taxation to require REITs operating in Hawaii to notify the State of the REIT's presence and to annually provide information required by the Department of Taxation, including a copy of the REIT's federal return, with the REIT's state tax return. It is our understanding that the Department of Taxation presently has the general authority to prescribe forms and/or to require pertinent tax related information to be provided to the department. We respectfully defer to the legislature and the department on whether the specific codification in statute of this authority will enhance the department's ability to levy, assess, collect, receive, or enforce the payment of taxes.

Thank you for the opportunity to testify.

HB 286, HD 1, RELATING TO REAL ESTATE INVESTMENT TRUSTS

FEBRUARY 16, 2021 · HOUSE FINANCE COMMITTEE · CHAIR REP. SYLVIA LUKE

POSITION: Support.

RATIONALE: Imua Alliance supports HB 286, HD 1, relating to real estate investment trusts, which authorizes the Department of Taxation to require real estate investment trusts to notify the department of their presence within the state and report assets and revenues generated annually.

We hope that this measure will be a step toward the closure of our Hawai'i's REITs tax loophole. Under state taxation law, REITs are currently afforded an exemption from paying corporate income taxes on dividends paid to shareholders. REIT shareholders, however, pay federal and state income taxes on their earnings from the REIT in which they have invested.

Unfortunately, since most shareholders of Hawai'i REITs don't live in the Aloha State, they pay income taxes in other locations (if such income is subject to taxation in the states in which they reside, which it often is not). Thus, income generated from Hawai'i properties is being taxed elsewhere, if at all, sending sorely needed revenue for public education, basic infrastructure, climate change mitigation and adaptation, human and social services, affordable housing, public health, and pandemic response outside of our shores during a time of economic crisis.

Over 30 REITs operate in our state, perhaps the most prominent of which is Alexander and Baldwin. REIT properties in the islands include Ala Moana Center, International Marketplace, and the Hilton and Hyatt Hotels. Notably, CoreCivic, formerly the corruption-plagued private prison

Kris Coffield, Executive Director · (808) 679-7454 · kris@imuaalliance.org

firm Corrections Corporation of America, is also a REIT, making closure of the REITs loophole not just a matter of economic justice, but also a hallmark of our state's commitment to criminal justice reform.

Collectively, Hawai'i REITs own over $17 billion worth of real estate and produce $1.3 billion in dividend income that is exempt from the corporate income tax, which amounts to $40-$60 million per year in lost tax revenue–a number that will only increase over time, as real estate values continue to soar.

Kris Coffield · Executive Director, Imua Alliance · (808) 679-7454 · kris@imuaalliance.org

HB-286-HD-1
Submitted on: 2/24/2021 11:28:20 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Mulinix	Our Revolution Hawaii	Support	No

Comments:

On behalf of Our Revolution Hawaii's 7,000 members and supporters statewide, I am testifying in support of HB286HD1.

Mahalo for your kind attention,

Dave Mulinix

Statewide Community Organizer

Our Revolution Hawaii

FAITH ACTION FOR COMMUNITY EQUITY

House of Representatives
Committee on Finance
February 25, 2021 at 12 pm
Via Video Conference Room 308

SUPPORTING HB 286

Faith Action for Community Equity supports HB 286, which requires real estate investment trusts to notify the Department of Taxation of its presence within the State and to report the assets and revenues generated annually. It will also impose a daily monetary fine for non-compliance.

Real Estate Investment Trusts (REITs) play a significant role in Hawai'i's economy, yet the assets and revenues generated by REITs have not been reported to and recorded accurately by the State. Transparency on assets, revenues, deductions, tax status (among other factors) will be necessary to more accurately assess how much REITs affect our economy. REITs already report this same information to the IRS.

Hawai'i will likely face major budget shortfalls for the foreseeable future as the nation deals with the COVID-19 pandemic, high unemployment rates and an economic recession. Faith Action believes deep government spending cuts would have a catastrophic effect on our already hurting economy and people. We need to ensure now, more than ever, that those in need continue receiving essential social services.

For the last several years, taxation on REITs has been an ongoing issue as both sides argue their opponents rely on faulty figures. Lawmakers have the chance to set the record straight on REITs by requiring they submit information on their assets and revenues on an annual basis.

Once this bill is codified, the State can objectively evaluate how much revenue we lose by keeping the dividends paid deduction in place for REITs. During a time when we should be looking for every opportunity to close the deficit, accurate information around progressive tax options will be critical.

Transparency is necessary for accountability. We believe REITs should provide the State any and all information it provides to the IRS.

For the foregoing reasons, Faith Action supports HB 286.

HAWAI'I HEALTH
& HARM REDUCTION CENTER
The New Chapter for Life Foundation and The CHOW Project

TESTIMONY IN SUPPORT OF HB 286, HD 1

TO: Chair Luke, Vice-Chair Cullen, & Finance Committee Members

FROM: Nikos Leverenz
Grants, Development & Policy Manager

DATE: February 25, 2021 (12:00 PM)

Hawaiʻi Health & Harm Reduction Center (HHHRC) **supports** HB 286, HD 1, which authorizes the Department of Taxation to require real estate investment trusts (REITs) to notify the department of its presence within the State and to report the assets and revenues generated annually. However, **this bill should be modified to implement a tax on REITs**.

It is estimated that REIT investments in Hawaiʻi amount to $17 billion, generating an annual income of $1 billion. Subjecting REITs to corporate tax rates could generate an estimated $65 million per year in additional state revenues.

Forthcoming budget cuts will most deeply impact those of little or no economic means as well as those who require assistance to maintain their health and well-being. Governor Ige's budget notably includes a 64% reduction in AIDS services. This will force us and our allied organizations on the neighbor islands to dramatically reduce lifesaving and life-affirming care services to some of our state's most medically frail and otherwise vulnerable residents.

Hawaiʻi policymakers should look carefully at available avenues to increase tax revenues. While revenue increases will not entirely cover foreseeable budgetary shortfalls, they will help mitigate the ground-level impact of budget cuts on our state's most vulnerable and underserved populations.

Hawaiʻi should reasonably look to obtain more revenue from those who are able to provide more revenue, particularly during a prolonged economic downturn that has already seen a significant loss of employment, increased housing instability and food insecurity, and an increased exodus of residents unable to make ends meet.

HHHRC's mission is to reduce harm, promote health, create wellness, and fight stigma in Hawaiʻi and the Pacific. We work with many individuals who are impacted by poverty, housing instability, and other social determinants of health. Many have behavioral health problems, including those relating to substance use and underlying mental health conditions. Many of our clients and participants have been deeply impacted by trauma, including histories of physical, sexual, and psychological abuse.

Thank you for the opportunity to testify on this measure.

HB-286-HD-1
Submitted on: 2/23/2021 1:08:13 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Maki Morinoue	Individual	Support	No

Comments:

This is absolutly necessary! I am tired of seeing big developers and large development owners scraping up our land and most of them don't live here nor do they contribute to our community.

Make it happen!

Maki

HB-286-HD-1
Submitted on: 2/23/2021 1:33:19 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Nanea Lo	Individual	Support	No

Comments:

Hello,

My name is Nanea Lo and I'm writing in support of HB286 because of the following reasons:

- Real Estate Investment Trusts (REITs) own $17 billion in Hawai‘i real estate and earn $1 billion in profits every year. Hawai‘i REITs should be taxed like every other individual and corporation doing business in Hawai‘i.
- Hawai‘i has more land value tied up in REITs than any other state, but we rank 40th in the nation for the number of REIT shareholders. Not only is income produced on Hawai‘i property leaving the state, but that means the income is not getting taxed here either.
- There’s no reason to wait: HB286 is a good first step, but we should amend the bill to actually implement a tax on REITs now.

Please support HB286 HD1.

me ke aloha ‘Ä• ina,

Nanea Lo

HB-286-HD-1
Submitted on: 2/23/2021 1:52:39 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Shannon Rudolph	Individual	Support	No

Comments:

Support (HD1)

HB-286-HD-1
Submitted on: 2/23/2021 3:38:11 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Calvin Foo Pham	Individual	Support	No

Comments:

I support giving the Department of Taxation another tool to ensure compliance in reporting. Our Department of Taxation needs to have accurate data, and this will help that department serve us, the taxpayers, better. Accurate data will help everyone understand the positive and negative impacts of REITs operations within our state and whether the dividends paid deductions are a benefit to our community or allow off-island, out-of-state investors to benefit off of Hawaiʻi while the residents of this state suffer from our high cost of living. Better data makes for better decision-making. Letʻs progress this bill forward.

HB-286-HD-1
Submitted on: 2/23/2021 5:44:17 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Banner Fanene	Individual	Support	No

Comments:

Please Pass. Reits is Racket! Mahalo.

HB-286-HD-1
Submitted on: 2/23/2021 5:46:30 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Lillian Tavares	Individual	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support this bill. Please pass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. Mahalo for this opportunity to provide testimony in support of HB286.

HB-286-HD-1
Submitted on: 2/23/2021 6:16:15 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Christy MacPherson	Individual	Support	No

Comments:

I strongly support this bill. HB286 will finally lay a solid foundation to start holding REITs accountable by gathering *accurate* state data necessary to determine how much revenue Hawai`i is missing out on to help fill our huge budget puka.

HB-286-HD-1
Submitted on: 2/23/2021 7:12:02 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Carla Allison	Individual	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and the First Unitarian Church of Honolulu. I strongly support HB286 and ask you to pass this bill requiring REITs to report their annual assets and revenue to the Department of Taxation. Having the data will make all the difference in determining the way forward for our legistlature and governor to support REITs taxation legislation. Mahalo for this opportunity to provide testimony in support of HB286. Please give it your support. Thank you.

HB-286-HD-1
Submitted on: 2/23/2021 7:58:30 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Genevieve Balderston	Individual	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support this bill. Please pass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. Mahalo for this opportunity to provide testimony in support of HB286.

HB-286-HD-1
Submitted on: 2/23/2021 8:26:01 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
David Davis	Individual	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support this bill. Please pass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. Mahalo for this opportunity to provide testimony in support of HB286.

HB-286-HD-1
Submitted on: 2/23/2021 9:56:20 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Keith Webster	Individual	Support	No

Comments:

Aloha,

I support HB286 to ensure the State is receiving full, accurate information to make decisions which affect all the people of Hawaii and equitable taxation to support our common needs.

thank you,

Keith Webster

HB-286-HD-1
Submitted on: 2/23/2021 10:59:25 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
John Kawamoto	Individual	Support	No

Comments:

My name is John Kawamoto, and I support HB 286 HD 1, but with an amendment mandating that the Department of Taxation require REITs to report their presence in the state and to report assets and income.

REITs are a substantial part of Hawaii's economy. They report their assets and revenues to the IRS, but they don't report this information to the Hawaii Department of Taxation or any other State agency.

Bills have been introduced in the Legislature to apply Hawaii's corporate tax to REITs, but estimates of the tax revenue that would be generated differ greatly. With the amendment, this bill will aid in understanding the revenue the State would receive by applying its corporate tax to REITs.

The Covid-19 pandemic has had a devastating impact on Hawaii's economy and the State budget. Applying Hawaii's corporate tax to REITs may raise tens of millions of dollars, which would help reduce the deficits in the State budget.

Transparency is necessary for accountability. REITs should provide the State the same information it provides to the IRS.

HB-286-HD-1
Submitted on: 2/23/2021 11:13:20 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Deanna Espinas	Individual	Support	No

Comments:

I strongly support this bill. I am a member of Faith Action for Community Equity. REITs should be required to report their annual assets and revenue to the Dept. of Taxation. Thank you!

February 24, 2021

TO: HOUSE COMMITTEE ON CONSUMER PROTECTION & COMMERCE

RE: Testimony in support of HB286, HD1

Dear Representatives,

REITs own an estimated $18 billion worth of real estate in Hawaii and earning approximately $1 billion in profit annually. Hawaii's REITs should be taxed, just like every other individual, entity, and corporation doing business in Hawaii.

Hawaii ranks 40th in the nation for the number of REIT shareholders as a percentage of the population. It means Hawaii has more land value tied up in REIT, but few Hawaii residents own shares in REITs. As a result, the income drawn out of state is not getting taxed here and the incomes produced on Hawaii properties leaving the state.

The COVID-19 pandemic has caused the recession and dramatically impacted the working families that earn low wages far more than the wealthy and middle class. High unemployment will reduce the income taxes. Also, low-wage workers spend most of their earnings here in Hawaii that power the consumer spending to generate tax revenue through GET. Hawaii faces a projected $1.4 billion budget shortfall for the coming fiscal years. The debates of cutting government services and higher taxes within the legislators and communities have been going on recently. Unless a new tax revenue is bringing in to replace the deficit, Hawaii cannot substantially support state workers, social service contracts, and programs.

Now is a good time for tax fairness. A just and good tax policy asks the wealthy and corporations to pay their fair share and strengthens the opportunity by letting working families keep more of what they earn. Workers keep more earning benefit not only workers but also business and the economy. Because those workers are the vast consumers and our economic engine, robust earning will reduce their financial hardship, lift workers out of poverty, and improve other life outcomes. The increased consumer spending triggered by higher-earning can positively boost demand for goods and services and keep money circulating in the virtuous cycle that benefits workers, businesses, tax collection, and the economy.

Tax on REITs would cover a significant portion of the deficit, helping us avoid cuts on the social supports program that directly assists working families. Also, it will minimize the pandemic impact and shorten the recession. Please consider this opportunity for tax fairness that helps low-income earners increase their economic power and chance for prosperity.

Mahalo

Raymond Chan

A Resident of Hawaii

HB-286-HD-1
Submitted on: 2/24/2021 7:14:06 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Ellen Godbey Carson	Individual	Support	No

Comments:

Please pass HB 286. Real Estate Investment Trusts (REITs) are not paying their fair tax share in Hawaii, because most of the REITs owners are oversesas, not Hawaii Residents. We have lost a major part of our tax base to REITs as they consume great portions of our commercial malls and enterprises.

I urge you to tax the revenues generated here now, and at least gather the informaiton on their revenues so that Hawaii can plan for more responsible tax policies for our future.

Thank you for your consideration

Ellen Godbey Carson

HB-286-HD-1
Submitted on: 2/24/2021 8:20:02 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Allison Jacobs	Individual	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support this bill. Please pass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation.

In light of the need for Hawaii to have other revenue besides tourism, it makes sense that REITS assets be used to benefit the state.

Mahalo for this opportunity to provide testimony in support of HB286.

HB-286-HD-1
Submitted on: 2/24/2021 8:36:45 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Hilary Parkinson	Individual	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support this bill. Please pass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. Mahalo for this opportunity to provide testimony in support of HB286.

HB-286-HD-1
Submitted on: 2/24/2021 9:10:22 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Matthew Geyer	Individual	Support	No

Comments:

Please continue to hear and support this bill as it contiues to address the problem of companies not based in Hawaii exploiting a loop hole to avoid paying their fair share of taxes.

If we don't address this problem now, more and more companies will exploit this loophole and move their corporate headquarters out of state, reducing our tax base even more and putting more burden on the residents of Hawaii.

Please also consider amending this bill to include taxation of these "Real Esate Investment Trusts"

Aloha,

Matthew Geyer

HB-286-HD-1
Submitted on: 2/24/2021 9:10:23 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Elizabeth Nelson	Individual	Support	No

Comments:

I strongly support this bill. This has been an issue for several years now and it seems the only responsible thing is for REITs to give their asset information to the Taxation Department, just like the rest of us.

Thank you for your consideration.

Elizabeth Nelson

Kaneohe

HB-286-HD-1
Submitted on: 2/24/2021 9:36:41 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Linda Rich	Individual	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support this bill. Please pass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. For too long, Hawaii has allowed REITS to benefit owners and their other states of residence while failing to assess tax revenues much needed in Hawaii. This bill is a step in the right direction.

Mahalo for this opportunity to provide testimony in support of HB286.

Linda Rich

HB-286-HD-1
Submitted on: 2/24/2021 9:54:29 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Stacie M Burke	Individual	Support	No

Comments:

I support HB 286 HD1.

Mahalo for your time

Stacie Burke

Aiea, Hawaii

HB-286-HD-1
Submitted on: 2/24/2021 10:15:48 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Richard Tillotson	Individual	Support	No

Comments:

Aloha,

I support HB286. And I support an amendment that woiuld mandate for the tax department to collect information on REITS. This basic information is necessary if the legislature is to be able to pass meaningful, fair laws which determine our state revenues.

Mahalo,

Richard Tillotson

HB-286-HD-1
Submitted on: 2/24/2021 11:23:22 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Galen Fox	Individual	Support	No

Comments:

Aloha Chair Luke, Vice Chair Cullen, Committee Members,

Hawaii is in bad shape and needs revenue. HB286 is an important step toward making REITs pay the corporate taxes they owe us. REITs take our precious resources, shipping their profits to residents elsewhere. REITs compete unfairly against local businesses that pay corporate taxes. They present highly questionable estimates about how little Hawaii's gains will be from taxing REITs, when we know their $1 billion profits pre-Covid will be much higher in 2022.

We need facts to counter bad figures. Pass HB286 and give the Tax Department the information it --all of us -- should have.

Aloha, Galen

HB-286-HD-1

Submitted on: 2/24/2021 11:33:37 AM

Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Becky Gardner	Individual	Support	No

Comments:

I strongly support this bill - which is *only* a reporting requirement imposed on REITs. These REITS benefit greatly from significantly high portfolio management fees which they charge to its investors - and they are very used to reporting and analyzing their investments. It is what they are paid very handsome fees to do. I therefore see no reason to oppose this bill other than to shield the public from just how much revenue we are missing out on. Why would we not want this information?

I also want to share my personal experience working with REITs. I was a paralegal for a prominant Wall Street law firm (Cahill Gordon & Reindel) in 1997-1999 and learned a great deal about portfolio investments as I was doing 1st year associate work for a fraction of the cost as a "paralegal" - (significant savings in legal fees for the investment firms).

I have come to understand that the investors have VERY little sense of what specific properties are included in their portfolio - which can sometimes change frequently over an investment period. The properties in the portfolio could include those not only from Hawaii, but from a wide range of jurisdictions. All these details are not really monitored by the end-user investor. I therefore don't see taxing REITs as scaring off investors. Rather, there are so many reasons to invest in the VERY stable real estate market in Hawaii and as an investor, I'd be happy to see Hawaii in a REIT, regardless of whether it is taxed. Moreover, the revenue it generates can help improve land conservation, real estate stabilization, social services, education, etc. - all improving quality of life and value of property.

There is tremendous potential here to capture untapped tax revenue without inviting end-investor rebuke.

HB-286-HD-1
Submitted on: 2/24/2021 11:40:10 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Fern Anuenue Holland	Individual	Support	No

Comments:

Mahalo Representatives. Myself and my ohana are in strong support of this measure and all fair tax measures such as these. Mahalo for your consideration. Please pass HB 286.

HB-286-HD-1
Submitted on: 2/24/2021 11:41:06 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Jon T Davidann	Individual	Support	No

Comments:

Please pass HB286. It lays the ground work for taxing REITS. Corporations who do business here need to pay taxres here, its an issue of fairness.

HB-286-HD-1
Submitted on: 2/24/2021 11:41:38 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Alani Bagcal	Individual	Support	No

Comments:

My name is Alani Bagcal and I am writing today in strong support for HB 286. It is vital to enact tax fairness in Hawai'i.

Thank you for the opportunity to testify in support of this bill.

Alani Bagcal

96815

HB-286-HD-1
Submitted on: 2/24/2021 11:58:43 AM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Raelyn Reyno Yeomans	Individual	Support	No

Comments:

Strong support.

LATE *Testimony submitted late may not be considered by the Committee for decision making purposes.

HB-286-HD-1
Submitted on: 2/24/2021 8:22:34 PM
Testimony for FIN on 2/25/2021 12:00:00 PM

Submitted By	Organization	Testifier Position	Present at Hearing
Dana Keawe	Individual	Support	No

Comments:

I support hb286 hd1

I support this measure. I believe we should go further and tax the REITs, but if we must first use sunshine as disinfectant, lets do so.

A lot of the discussion can and should be centered around what REITs were created to do. They are a tax advantaged platform for managing real estate portfolios. They are not designed to contribute to our economy, they are designed to collect rent checks. A rent seeking activity is not a productive activity. Allowing the tax advantaged status of REITS creates a market distortion. A market distortion large enough to convince a historical conglomerate, Alexander and Baldwin, to drop all productive capacity and agricultural operations to conform to the structure of a REIT. Is our Hawaii economy truly more resilient with its sugarcane fields closed down so A&B can better collect rent checks from tourist kiosks and supermarkets?

The flight of capital from diversified industries to property value inflation is the face of REIT induced distortion in Hawaii. It makes gentrification the best way to deploy capital in our state. We should take this distortion behind the shed and axe it immediately. But given that this bill asks only for the most minimal oversight, this is not the path being immediately taken. Yet it is a step on that path to the axe and the shed and will lead there eventually. That is why I support this measure and the one-day even playing field for all business in Hawaii that will come from it.

Erik Horn

HB-286-HD-1
Submitted on: 2/25/2021 8:31:40 AM
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Submitted By	Organization	Testifier Position	Present at Hearing
Jason Shuster	Faith Action	Support	No

Comments:

Aloha, I am a member of Faith Action for Community Equity and I strongly support this bill. Please pass HB286 which would require REITs to report their annual assets and revenue to the Department of Taxation. Mahalo for this opportunity to provide testimony in support of HB286.