

JAN 20 2023

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The purpose of this Act is to eliminate the
2 home mortgage interest deduction for second homes under Hawai'i
3 income tax law.

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

6 "(j) Section 163 (with respect to interest) of the
7 Internal Revenue Code shall be operative for the purposes of
8 this chapter, except that the following provisions shall not be
9 operative for the purposes of this chapter:

10 (1) Section 163(d)(4)(B) (defining net investment income
11 to exclude dividends);

12 (2) Section 163(e)(5)(F) (suspension of applicable high-
13 yield discount obligation (AHYDO) rules);

14 (3) Section 163(h)(3)(F) (limiting mortgage interest);

15 [and]

16 (4) Section 163(h)(4)(A)(i)(II) (definition of qualified
17 residence for home mortgage interest deduction);



1 (5) Section 163(h)(4)(A)(ii)(II) (treatment of home
2 mortgage interest deduction for married individuals
3 filing separately); and

4 [~~4~~] (6) Section 163(i)(1) as it applies to debt
5 instruments issued after January 1, 2010 (defining
6 AHYDO)."

7 SECTION 3. The department of budget and finance, in
8 consultation with the department of taxation, shall submit a
9 report on the administration of this Act to the legislature no
10 later than twenty days prior to the convening of the 2024, 2025,
11 2026, 2027, and 2028 regular sessions.

12 SECTION 4. Statutory material to be repealed is bracketed
13 and stricken. New statutory material is underscored.

14 SECTION 5. This Act, upon its approval, shall apply to
15 taxable years beginning after December 31, 2022.

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INTRODUCED BY: _____

Karl Rhoad



S.B. NO. 924

Report Title:

Home Mortgage Interest Deduction; Income Tax; Rental Housing Revolving Fund

Description:

Eliminates the home mortgage interest deduction for second homes under Hawaii income tax law. Requires the amount of state revenue gained by eliminating the deduction to be deposited into the Rental Housing Revolving Fund.

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