
HOUSE RESOLUTION

REQUESTING THE DEPARTMENT OF TAXATION TO CONDUCT A STUDY ON
DISALLOWING THE DIVIDENDS PAID DEDUCTION FOR REAL ESTATE
INVESTMENT TRUSTS.

1 WHEREAS, real estate investment trusts were established by
2 the federal government to give investors, especially small
3 investors, access to income-producing real estate; and
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5 WHEREAS, the Internal Revenue Code allows a dividends paid
6 deduction to the real estate investment trust, thereby allowing
7 the real estate investment trust to not pay tax on income
8 distributed to its shareholders, who would then pay tax on that
9 income; and
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11 WHEREAS, existing state law conforms to these provisions
12 but creates an anomaly because a real estate investment trust
13 that does business in Hawaii and pays dividends to shareholders
14 outside the State results in no Hawaii income tax collected,
15 because shareholders pay tax on dividends to the state in which
16 they reside, not where the income was generated; and
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18 WHEREAS, while some real estate investment trusts that do
19 business in Hawaii have shareholders who reside in the State, a
20 substantial majority do not; and
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22 WHEREAS, real estate investment trusts own more real estate
23 in Hawaii per capita than in any other state; now, therefore,
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25 BE IT RESOLVED by the House of Representatives of the
26 Thirty-second Legislature of the State of Hawaii, Regular
27 Session of 2024, that the Department of Taxation is requested to
28 conduct a study on the advantages and disadvantages of
29 disallowing the dividends paid deduction for real estate
30 investment trusts; and
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32 BE IT FURTHER RESOLVED the study is requested to estimate
33 the change in revenue collected by the State after disallowing
34 the dividends paid deduction, including the impact to the amount
35 of general excise taxes collected from the operation of hotels



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1 owned by real estate investment trusts, other corporate income
2 tax deductions that real estate investment trusts could take,
3 and any differences in the levels of maintenance and capital
4 improvements to properties between real estate investment trusts
5 and non-real estate investment trust owners; and

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7 BE IT FURTHER RESOLVED that the study consider other
8 states' policies on the dividends paid deduction for real estate
9 investment trusts, and any impacts or effects resulting
10 therefrom; and

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12 BE IT FURTHER RESOLVED that the study consider possible
13 exceptions to disallowing the dividends paid deduction on all
14 real estate investment trusts, including but not limited to real
15 estate investment trusts with a majority of their assets in
16 Hawaii and revenue from hotels owned by real estate investment
17 trusts; and

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19 BE IT FURTHER RESOLVED that a certified copy of this
20 Resolution be transmitted to the Director of Taxation.

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23 OFFERED BY: _____

ZML

MAR - 4 2024

