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# SENATE CONCURRENT 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 Senate of the Thirty-second  
26 Legislature of the State of Hawaii, Regular Session of 2024, the  
27 House of Representatives concurring, that the Department of  
28 Taxation is requested to conduct a study on the advantages and  
29 disadvantages of disallowing the dividends paid deduction for  
30 real estate investment trusts; and  
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1 BE IT FURTHER RESOLVED the study is requested to estimate  
2 the change in revenue collected by the State after disallowing  
3 the dividends paid deduction, including the impact to the amount  
4 of general excise taxes collected from the operation of hotels  
5 owned by real estate investment trusts, other corporate income  
6 tax deductions that real estate investment trusts could take,  
7 and any differences in the levels of maintenance and capital  
8 improvements to properties between real estate investment trusts  
9 and non-real estate investment trust owners; and

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11 BE IT FURTHER RESOLVED that the study consider other  
12 states' treatment of the dividends paid deduction for real  
13 estate investment trusts, and any impacts or effects resulting  
14 therefrom; and

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16 BE IT FURTHER RESOLVED that the study consider possible  
17 exceptions to disallowing the dividends paid deduction for real  
18 estate investment trusts, and any impacts or effects resulting  
19 therefrom; and

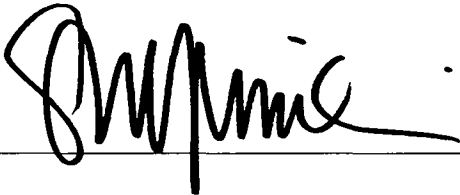
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21 BE IT FURTHER RESOLVED that a certified copy of this  
22 Concurrent Resolution be transmitted to the Director of  
23 Taxation.

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OFFERED BY:  \_\_\_\_\_

