
HOUSE 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 House of Representatives of the
26 Thirty-second Legislature of the State of Hawaii, Regular
27 Session of 2024, the Senate 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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H.C.R. NO. 30

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' policies on the dividends paid deduction for real estate
13 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 on all
18 real estate investment trusts, including but not limited to real
19 estate investment trusts with a majority of their assets in
20 Hawaii and revenue from hotels owned by real estate investment
21 trusts; and

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

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28 OFFERED BY:

ZAC

MAR - 4 2024

