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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 that the study is requested to:

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- 3 (1) Be conducted by tax revenue experts and economists;
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- 5 (2) Analyze real estate investment trust investments in  
6 Hawaii across ten asset classes (tower, industrial,  
7 retail, self-storage, lodging and resort, office,  
8 health care, specialty, residential, and mixed-use  
9 sectors), including affordable residential, student  
10 housing, telecommunications infrastructure, and health  
11 care facilities;
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- 13 (3) Estimate the change in revenue collected by the State  
14 after disallowing the dividends paid deduction,  
15 including the impact to the amount of general excise  
16 taxes collected from the operation of hotels owned by  
17 real estate investment trusts, other corporate income  
18 tax deductions that real estate investment trusts  
19 could take, and any differences in the levels of  
20 maintenance and capital improvements to properties  
21 between real estate investment trusts and non-real  
22 estate investment trust owners;
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- 24 (4) Consider other states' treatment of the dividends paid  
25 deduction for real estate investment trusts, and any  
26 impacts or effects resulting therefrom;
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- 28 (5) Consider possible exceptions to disallowing the  
29 dividends paid deduction for real estate investment  
30 trusts, and any impacts or effects resulting  
31 therefrom;
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- 33 (6) Compare the loss of general excise taxes collected  
34 from hotels owned by real estate investment trusts to  
35 any potential increase in corporate income tax  
36 revenues collected by the State;
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- 38 (7) Show any potential tax revenue gains netted against  
39 the losses incurred during the coronavirus disease  
40 2019 (COVID-19) pandemic;
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- 1           (8)   Examine overall capital expenditures made in Hawaii by  
2           real estate investment trusts during the COVID-19  
3           pandemic as compared to the capital expenditures made  
4           by non-real estate investment trust owners, and the  
5           impact on the general excise taxes collected and  
6           construction jobs generated for the State;  
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- 8           (9)   Identify expected real estate investment trust  
9           projects and their potential impact on general excise  
10          taxes and corporate income taxes to be collected by  
11          the State, as well as any loss of revenues,  
12          construction, and other jobs, if real estate  
13          investment trusts withdraw from those projects; and  
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- 15          (10)  Include a comparison of the investments made in Hawaii  
16          of long-term real estate investment trust owners  
17          versus non-real estate investment trust owners that  
18          acquire and sell properties as a business model; and  
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20           BE IT FURTHER RESOLVED that a certified copy of this  
21 Concurrent Resolution be transmitted to the Director of  
22 Taxation.

