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# A BILL FOR AN ACT

RELATING TO THE MORTGAGE INTEREST DEDUCTION.

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

1           SECTION 1. The purpose of this Act is to eliminate the  
2 mortgage interest deduction for second homes under Hawaii income  
3 tax law and transfer an equivalent amount into the rental  
4 housing revolving fund.

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

7           "(h) Section 163 (with respect to interest) of the  
8 Internal Revenue Code shall be operative for the purposes of  
9 this chapter, except that provisions in section 163(d)(4)(B)  
10 (defining net investment income to exclude dividends), section  
11 163(e)(5)(F) (suspension of applicable high-yield discount  
12 obligation (AHYDO) rules), section 163(h)(4)(A)(i)(II)  
13 (definition of qualified residence for home mortgage interest  
14 deduction), section 163(h)(4)(A)(ii)(II) (treatment of home  
15 mortgage interest deduction for married individuals filing  
16 separately), and section 163(i)(1) as it applies to debt



1 instruments issued after January 1, 2010, (defining AHYDO) shall  
2 not be operative for the purposes of this chapter."

3 SECTION 3. Revenue gain attributable to this Act shall be  
4 deposited into the rental housing revolving fund established by  
5 section 201H-202, Hawaii Revised Statutes.

6 SECTION 4. The department of budget and finance, in  
7 consultation with the department of taxation, shall submit a  
8 report on the administration of this Act to the legislature no  
9 later than twenty days prior to the convening of the 2018, 2019,  
10 2020, 2021, and 2022 regular sessions.

11 SECTION 5. New statutory material is underscored.

12 SECTION 6. This Act shall take effect upon a date to be  
13 determined, and shall apply to taxable years beginning after  
14 December 31, 2016.



**Report Title:**

Income Tax; Mortgage Interest Deduction

**Description:**

Eliminates the mortgage interest deduction for second homes under the Hawaii Income Tax Law. Specifies that the revenue gain attributable to this measure be deposited into the Rental Housing Revolving Fund. Requires the Department of Budget and Finance, in consultation with the Department of Taxation, to submit a report on the administration of this measure to the Legislature prior to the 2018, 2019, 2020, 2021, and 2022 Regular Sessions. (HB486 HD1)

*The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.*

