

STAND. COM. REP. NO.

669

Honolulu, Hawaii

FEB 20 2019

RE: S.B. No. 301
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirtieth State Legislature
Regular Session of 2019
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 301 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION OF REAL ESTATE INVESTMENT TRUSTS,"

begs leave to report as follows:

The purpose and intent of this measure is to disallow the deduction for dividends paid by real estate investment trusts.

Your Committee received testimony in support of this measure from Americans for Democratic Action; Church of the Crossroads; Faith Action for Community Equity; Hawaii Advocates For Consumer Rights; Hawaii Alliance for Progressive Action; Hawaii Appleseed Center for Law and Economic Justice; Hawaii Foodservice Alliance LLC; Housing Now Coalition; IMUAlliance; Kairos Energy Capital; League of Women Voters of Hawaii; Sierra Club of Hawaii; UNITE HERE, Local 5; We Are One, Inc.; and numerous individuals.

Your Committee received testimony in opposition to this measure from Alexander & Baldwin; American Assets Trust; BlackSand Capital; Brookfield Properties; Douglas Emmett, Inc.; Hawaii Association of REALTORS; Host Hotels & Resorts, Inc.; Kobayashi Group; Land Use Research Foundation of Hawaii; The MacNaughton Group; NAIOP Hawaii; Nareit; Park Hotels & Resorts Inc.; Public Storage; Taubman Centers; and numerous individuals.



Your Committee received comments on this measure from the Department of Taxation, Tax Foundation of Hawaii, and one individual.

Your Committee finds that section 857(b)(2)(B) of the Internal Revenue Code allows real estate investment trusts to deduct from their taxable income the amount of dividends paid to their shareholders. As a result, this income is only taxed in the state where a shareholder resides, rather than the state where the income-generating property is located. Your Committee further finds that this measure disallows the dividends paid deduction and subjects dividends paid by real estate investment trusts to the same tax treatment as dividends paid by other corporations.

Your Committee has amended this measure by:

- (1) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (2) Making technical nonsubstantive amendments for the purposes of consistency, clarity, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 301, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 301, S.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,

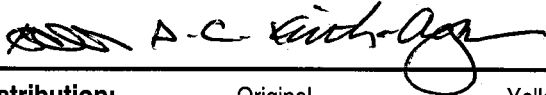


DONOVAN M. DELA CRUZ, Chair



The Senate
Thirtieth Legislature
State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:		
SB 301	WAM	2/6/19		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is:				
<input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
HARIMOTO, Breene	X			
INOUYE, Lorraine R.	X			
KAHELE, Kaiali'i	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MORIWAKI, Sharon Y.	X			
RIVIERE, Gil	X			
SHIMABUKURO, Maile S.L.	X			
TANIGUCHI, Brian T.	X			
FEVELLA, Kurt	X			
TOTAL	13			0
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
				
Distribution:				
Original	Yellow	Pink	Goldenrod	
File with Committee Report	Clerk's Office	Drafting Agency	Committee File Copy	

*Only one measure per Record of Votes