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## A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The purpose of this Act is to:

2 (1) Eliminate the home mortgage interest deduction for

3 second homes under Hawai'i income tax law; and

4 (2) Require that the revenue gained from eliminating the

5 home mortgage interest deduction for second homes be

6 deposited into the rental housing revolving fund.

7 SECTION 2. Section 235-2.4, Hawaii Revised Statutes, is

8 amended by amending subsection (j) to read as follows:

9 "(j) Section 163 (with respect to interest) of the

10 Internal Revenue Code shall be operative for the purposes of

11 this chapter, except that the following provisions shall not be

12 operative for purposes of this chapter:

13 (1) Section 163(d)(4)(B) (defining net investment income

14 to exclude dividends);

15 (2) Section 163(e)(5)(F) (suspension of applicable high-

16 yield discount obligation (AHYDO) rules);



1 (3) Section 163(h)(3)(F) (limiting mortgage interest);

2 [and]

3 (4) Section 163(h)(4)(A)(i)(II) (definition of qualified  
4 residence for home mortgage interest deduction);

5 (5) Section 163(h)(4)(A)(ii)(II) (treatment of home  
6 mortgage interest deduction for married individuals  
7 filing separately); and

8 [~~4~~] (6) Section 163(i)(1) as it applies to debt  
9 instruments issued after January 1, 2010, (defining  
10 AHYDO) [~~-~~];

11 provided that revenue gained from the exceptions pursuant to  
12 paragraphs (4) and (5) shall be deposited into the rental  
13 housing revolving fund established pursuant to section  
14 201H-202."

15 SECTION 3. The department of budget and finance, in  
16 consultation with the department of taxation, shall submit a  
17 report on the administration of this Act to the legislature no  
18 later than twenty days prior to the convening of the 2022, 2023,  
19 2024, 2025, and 2026 regular sessions.

20 SECTION 4. Statutory material to be repealed is bracketed  
21 and stricken. New statutory material is underscored.




# H.B. NO. 1388

1 SECTION 5. This Act, upon its approval, shall apply to  
2 taxable years beginning after December 31, 2020.

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INTRODUCED BY:

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JAN 27 2021



# H.B. NO. 1388

**Report Title:**

Home Mortgage Interest Deduction; Income Tax; Rental Housing Revolving Fund; Transfer

**Description:**

Eliminates the home mortgage interest deduction for second homes under Hawaii income tax law. Requires the amount of state revenue gained by eliminating the deduction to be deposited into the rental housing revolving fund.

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

