



DEPARTMENT OF TAXATION

STATE OF HAWAII

June 15, 1981

TAX INFORMATION RELEASE

No. 81-3

RE: New Hebrides Land Investment

The Department of Taxation will follow the same principles as the Internal Revenue Service in allowing a deductible loss under Internal Revenue Code section 1212 for taxpayers who sustained losses with respect to New Hebrides land investments.

In the year 1980, an independent government was formed for the group of islands of New Hebrides. A constitution was adopted at that time and according to the Constitution of Vanuatu, only indigenous citizens of the Republic who have acquired land in accordance with a recognized system of land tenure are permitted perpetual ownership of that land. Nonnatives who acquired land before independence must return the land to the ancient custom owners or their descendants.

Taxpayers may claim their losses for purposes of the Hawaii Income Tax Law (1) upon proof that such losses have been allowed by the Internal Revenue Service, or (2) upon proof that the purchase was made for investment purposes rather than personal purposes. The losses will be treated as capital losses and may be claimed commencing with taxable year 1980. Taxpayers who have filed their 1980 tax returns may claim their losses by filing an amended return for tax year 1980.

#