

JAN 22 2021

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# A BILL FOR AN ACT

RELATING TO THE INTERSTATE COMPACT AGREEMENT TO PHASE OUT  
CORPORATE GIVEAWAYS.

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

1           SECTION 1. The legislature finds that corporate giveaways  
2 are among the least effective uses of taxpayer dollars to create  
3 and maintain jobs. Local and state leaders are in a "prisoners'  
4 dilemma" where it is best for all to create a level playing  
5 field for all employers without any corporate giveaways, but  
6 each level of government has an incentive to subsidize a  
7 company, generating a race to the bottom. Governments should  
8 attract and retain companies based on general conditions,  
9 including modern infrastructure, an educated workforce, a clean  
10 environment, and a favorable tax and regulatory climate, not  
11 based on a specific grant for a particular company.

12           The legislature further finds that corporate giveaways fuel  
13 business inequality as only the largest businesses receive the  
14 vast majority of these funds. A reasonable first step in  
15 phasing out corporate giveaways is an anti-poaching agreement  
16 among state governments prohibiting state company-specific tax



1 incentives and state company-specific grants as an inducement  
2 for entities to relocate existing facilities. Additionally,  
3 creating a national board of gubernatorial appointees charged  
4 with finding consensus around improvements to this agreement  
5 over time in a phase approach will assist state and local  
6 governments in escaping from the prisoners' dilemma and  
7 implementing a level playing field for all employers.

8 Therefore, the purpose of this Act is to enact and enter  
9 into the Interstate Compact Agreement to Phase Out Corporate  
10 Giveaways.

11 SECTION 2. The Hawaii Revised Statutes is amended by  
12 adding a new chapter to be appropriately designated and to read  
13 as follows:

14 **"CHAPTER**

15 **INTERSTATE COMPACT AGREEMENT TO PHASE OUT CORPORATE GIVEAWAYS**

16 § -1 **Short title; purpose.** This law shall be known and  
17 cited as the Interstate Compact Agreement to Phase Out Corporate  
18 Giveaways. The purpose of the compact is to phase out corporate  
19 giveaways in cooperation with compacting states.

20 § -2 **Definitions.** As used in this compact:



1 "Company-specific grant" is any disbursement of funds via  
2 property, cash, or deferred tax liability by the state or local  
3 government to a particular company.

4 "Company-specific tax incentive" is any change in the  
5 general tax rate or valuation offered or presented to a specific  
6 company that is not available to other similarly-situated  
7 companies.

8 "Corporate giveaway" means any company-specific or  
9 industry-specific disbursement of funds whether property, cash,  
10 or deferred or reduced tax liability by a state or local  
11 government to a particular company or industry.

12 "Located in any other member state" means any corporate  
13 headquarters, office space, manufacturing facility, or other  
14 real estate development that is physically located in another  
15 member state, whether or not the company has other property in  
16 the member state.

17 "Member state" means any state or the District of Columbia  
18 that has enacted a statute agreeing to this compact.

19 § -3 **Anti-poaching prohibition.** Each member state shall  
20 be prohibited from offering or providing any company-specific  
21 tax incentive or company-specific grant to any entity for a



1 corporate headquarters, manufacturing facility, office space, or  
2 other real estate development located in any other member state  
3 as an inducement for the corporate headquarters, manufacturing  
4 facility, office space, or other real estate development to  
5 relocate to the offering member state.

6       **§ -4 Exclusions.** The following shall not be subject to  
7 this agreement:

- 8       (1) Workforce development grants that train employees;
- 9       (2) Company-specific tax incentives or company-specific  
10       grants from local governments; and
- 11       (3) State company-specific tax incentives or state  
12       company-specific grants to entities for corporate  
13       headquarters, office space, manufacturing facilities,  
14       or real estate developments located within its own  
15       state.

16       **§ -5 Entry into compact; withdrawal.** (a) This compact  
17 shall become effective at such time as it is adopted by two or  
18 more states.

19       (b) Any member state may withdraw from this agreement with  
20 six months' notice and shall do so in writing to the chief  
21 executive officer of every other member state to the agreement.



1           **§ -6 Enforcement.** (a) The chief law enforcement  
2 officer of each member state shall enforce this compact.

3           (b) A taxpaying resident of any member state has standing  
4 in the courts of any member state to require the chief law  
5 enforcement officer of that member state to enforce this  
6 compact.

7           **§ -7 National board of the agreement to phase out**  
8 **corporate giveaways.** (a) This agreement establishes a national  
9 board of the agreement to phase out corporate giveaways.

10          (b) The chief executive officer of each member state shall  
11 appoint one member to the board. The board shall accept  
12 appointees from non-member states that wish to appoint a member  
13 of the board.

14          (c) The purpose of the board is to publish suggested  
15 revisions and improvements to this agreement in December of each  
16 year to continue to phase out those forms of corporate giveaways  
17 that the board finds reasonable to include as suggested  
18 revisions to the agreement for member states to consider  
19 implementing.

20          (d) The board shall convene at least annually, elect  
21 officers from its membership, establish rules and procedures for



1 its governance, and publish a report in December of each year  
2 that includes suggested revisions and improvements to this  
3 agreement. The board shall collect testimony from all  
4 interested parties, including organizations and associations  
5 representing state legislators, taxpayers, and subject matter  
6 experts on how the agreement can be improved and strengthened.

7       **§ -8 Liberal construction.** This compact shall be  
8 liberally construed to effectuate its purpose. If any phrase,  
9 clause, sentence, or provision of this compact, or the  
10 applicability of any phrase, clause, sentence, or provision of  
11 this compact to any government, agency, person, or circumstance  
12 is declared in a final judgment by a court of competent  
13 jurisdiction to be contrary to the constitution of the United  
14 States or is otherwise held invalid, the validity of the  
15 remainder of this compact and the applicability of the remainder  
16 of this compact to any government, agency, person, or  
17 circumstance shall not be affected. If this compact is held to  
18 be contrary to the constitution of any member state, the compact  
19 shall remain in full force and effect as to the remaining member  
20 states and in full force and effect as to the affected member  
21 state as to all severable matters."



1 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY: Mike Hubbard



# S.B. NO. 359

**Report Title:**

Interstate Compact Agreement to Phase Out Corporate Giveaways;  
Tax Incentives; Grants

**Description:**

Enacts and enters the state into the Interstate Compact  
Agreement to Phase Out Corporate Giveaways.

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