

JAN 18 2023

A BILL FOR AN ACT

RELATING TO CORPORATIONS.

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

1 SECTION 1. The legislature finds that Hawai'i's corporate
2 reporting requirements serve important interests: providing
3 shareholders with information, deterring actual corruption and
4 avoiding any appearance thereof, and gathering the data
5 necessary to enforce more substantive electioneering
6 restrictions.

7 The legislature further finds that the State has an
8 interest in ensuring that shareholders are informed of corporate
9 affairs. Corporate reporting obligations provide information to
10 shareholders about who is speaking - "information that is vital
11 to the efficient functioning of the marketplace of ideas, and
12 thus to advancing the democratic objectives underlying the First
13 Amendment." *Yamada v. Snipes*, 786 F.3d 1182 (9th Cir. 2015)
14 (*citing*, among other cases, *McCutcheon v. Federal Election*
15 *Comm'n*, 572 U.S. 185, 134 S. Ct. 1434, 1459-60 (2014)). This
16 transparency enables shareholders to make informed decisions.
17 Providing these reports directly to shareholders ensures that



1 shareholders will be informed of corporate affairs.
2 Shareholders may also share information with the electorate at
3 large.

4 Hawai'i's corporate reporting requirements deter actual
5 corruption and avoid the appearance of corruption by exposing
6 the source of contributions and expenditures. Providing reports
7 to shareholders is an important step in deterring actual
8 corruption by corporations attempting to circumvent reporting
9 and disclosure requirements. Shareholders may use this
10 information to file derivative suits.

11 Corporate reporting requirements provide a means of
12 detecting violations of valid contribution limitations and
13 preventing circumvention of Hawai'i's campaign spending
14 limitations, including rules that bar contributions by foreign
15 corporations. Providing reports to shareholders provides
16 additional scrutiny of compliance with reporting and disclosure
17 requirements. Shareholders have a unique interest in analyzing
18 and scrutinizing corporate expenditures.

19 The purpose of this Act is to require domestic and foreign
20 corporations to provide their shareholders with reports of
21 independent expenditures and political contributions.



1 SECTION 2. Chapter 414, Hawaii Revised Statutes, is
2 amended by adding a new section to part XVII to be appropriately
3 designated and to read as follows:

4 "§414- Report to shareholders. (a) All domestic and
5 foreign corporations authorized to transact business in the
6 State that make more than \$10,000 of independent expenditures
7 and contributions in a year shall disclose to their shareholders
8 in an annual report the corporation's independent expenditures
9 and contributions to any candidate committee or noncandidate
10 committee. The annual report shall conform to the requirements
11 of subsection (b), and the resulting report shall be delivered
12 to shareholders at the same time that the corporation's annual
13 report is filed pursuant to section 414-472.

14 (b) The foreign or domestic corporation may elect to
15 report aggregate amounts. The report shall include separate
16 aggregate totals for independent expenditures, contributions to
17 noncandidate committees, and contributions to candidate
18 committees. For each separate aggregate total, the report shall
19 include an identification of the specific monetary or
20 nonmonetary benefit that accrued to the domestic or foreign
21 corporation as a direct result of independent expenditures,



1 contributions to noncandidate committees, and contributions to
2 candidate committees; provided that the domestic or foreign
3 corporation shall disclose each specific monetary or nonmonetary
4 benefit to the domestic or foreign corporation that is zero or
5 unidentifiable. The corporation may fulfill the requirements of
6 this subsection by delivering other reports that disclose the
7 required information in more detail to shareholders, including
8 reports filed with the campaign spending commission.

9 (c) For the purposes of this section:

10 "Contribution" shall have the same meaning as in section
11 11-302.

12 "Independent expenditure" shall have the same meaning as in
13 section 11-302."

14 SECTION 3. New statutory material is underscored.

15 SECTION 4. This Act shall take effect upon its approval.

16 INTRODUCED BY: Karl Rhoad

S.B. NO. 18

Report Title:

Corporation Reports; Independent Campaign Expenditures and Political Contributions

Description:

Requires domestic and foreign corporations to provide their shareholders with reports of independent expenditures and political contributions.

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

