
A BILL FOR AN ACT

RELATING TO TAX HAVEN ABUSE.

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

1 PART I

2 SECTION 1. The legislature finds that the State's tax
3 revenue showed robust growth, starting in the last quarter of
4 fiscal year 2020, as Hawaii's economy recovered from the effects
5 of the COVID-19 pandemic. Although tax collections totaled
6 \$10,440,000,000 in fiscal year 2023, a relatively marginal
7 decrease from \$10,460,000 in fiscal year 2022, the legislature
8 finds that additional sources of state revenue should be
9 considered.

10 The legislature further finds that corporations use
11 complicated schemes to shift domestic earnings to subsidiaries
12 incorporated in offshore tax havens, countries with minimal or
13 no taxes, in order to reduce their state and federal income tax
14 liability by billions of dollars in certain cases. A January
15 2019 report by the Institute on Taxation and Economic Policy and
16 the United States Public Interest Research Group estimated that
17 the State is losing \$38,000,000 annually by not updating tax



1 laws to mandate worldwide combined reporting of corporate
2 income. Worldwide combined reporting is considered the gold
3 standard for closing tax loopholes, and the report found it
4 would raise nearly three times more revenue than other options
5 to address revenue currently lost to tax avoidance.

6 The purpose of this part is to ensure transparency in the
7 manner in which corporations conduct business in the State by:

8 (1) Changing the manner in which corporate tax is
9 determined in the State to a more fair and effective
10 form of calculating corporate tax liability through:

11 (A) Requiring corporations to include in their income
12 the income of all foreign subsidiaries to the
13 State, as is already required by the Internal
14 Revenue Service; and

15 (B) Applying the State's apportionment formula to
16 determine the share of reported profits subject
17 to the appropriate tax, to be deposited into the
18 state general fund; and

19 (2) Requiring corporations to report all profits, losses,
20 revenues, and inter-company transactions made and all
21 taxes paid in other states.



1 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding two new sections to be appropriately
3 designated and to read as follows:

4 **"§235-A Corporation income reporting; foreign**
5 **subsidiaries.** (a) Every corporation subject to the tax imposed
6 under this chapter shall report all income from foreign
7 subsidiaries by filing a copy of federal Internal Revenue form
8 5471 with the department of taxation at the same time as such
9 forms must be filed with the Internal Revenue Service.

10 (b) All income from a corporation's foreign subsidiaries
11 shall be apportioned as business income pursuant to section 235-
12 29.

13 (c) The revenues generated from the tax imposed on the
14 business income apportioned pursuant to subsection (b) shall be
15 deposited into the general fund for the purposes of funding
16 critical public services.

17 **§235-B Corporation income; state-by-state reporting .** (a)
18 Every corporation subject to the tax imposed under this chapter
19 shall submit to the department of taxation a report on all
20 profits, losses, revenues, and inter-company transactions made
21 and all taxes paid in other states at the same time as the forms



1 required pursuant to section 235-A must be filed with the
2 Internal Revenue Service."

3 PART II

4 SECTION 3. Chapter 231, Hawaii Revised Statutes, is
5 amended by adding a new section to be appropriately designated
6 and to read as follows:

7 "§231- Corporate tax law task force. (a) There is
8 established within the department of taxation for administrative
9 purposes a corporate tax law task force to annually review the
10 State's corporate tax laws and recommend updates to close
11 corporate tax loopholes.

12 (b) The task force shall include the following:

13 (1) The director of taxation or the director's designee,
14 who shall serve as chairperson of the working group;
15 and

16 (2) The chairperson of the council on revenues or the
17 chairperson's designee.

18 (c) In addition to the members designated by subsection
19 (b), the task force may invite any other appropriate person to
20 join the working group.



1 SECTION 5. New statutory material is underscored.

2 SECTION 6. This Act shall take effect upon its approval;
3 provided that section 2 shall take effect on January 1, 2026.

4

INTRODUCED BY:

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JAN 17 2025



H.B. NO. 759

Report Title:

Taxation; Corporations; Combined Reporting; State-by-state Reporting; Department of Taxation; Corporate Tax Law Task Force

Description:

Part I: Effective 1/1/2026, requires corporations to include in their income the income of all foreign subsidiaries to the State; applies the State's apportionment formula to determine the share of reported profits subject to the appropriate tax, which shall be deposited into the state general fund; and requires corporations to report all profits, losses, revenues, and inter-company transactions made and all taxes paid in other states. Part II: Establishes within DOTAX a Corporate Tax Law Task Force to annually review the State's corporate tax laws and recommend updates to close tax loopholes.

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

