
HOUSE CONCURRENT RESOLUTION

REQUESTING THE DEPARTMENT OF TAXATION TO CONDUCT A COMPREHENSIVE ANALYSIS OF CORPORATE INCOME REPORTING STRUCTURES, INCLUDING THE TREATMENT OF FOREIGN SUBSIDIARY INCOME, TO INFORM LONG-TERM FISCAL PLANNING.

1 WHEREAS, the State relies on corporate income tax revenue
2 to support essential public services, including public
3 education, healthcare, infrastructure, environmental protection,
4 and public safety; and
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6 WHEREAS, most state corporate income tax systems, including
7 Hawaii's, begin with federal taxable income and apply state-
8 level adjustments and apportionment formulas to determine state
9 tax liability; and
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11 WHEREAS, states vary in their approach to corporate income
12 reporting, including separate entity reporting, water's-edge
13 combined reporting, and worldwide combined reporting, each of
14 which may have differing implications for revenue stability,
15 administrative complexity, and economic competitiveness; and
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17 WHEREAS, corporations operating across multiple
18 jurisdictions may structure income through affiliated entities,
19 including foreign subsidiaries, consistent with federal and
20 state law, and the treatment of such income may affect the size,
21 composition, and predictability of the state corporate tax base;
22 and
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24 WHEREAS, careful, data-driven analysis of corporate income
25 reporting practices can assist the State in evaluating long-term
26 fiscal sustainability and revenue forecasting accuracy without
27 predetermining statutory changes; now, therefore,
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1 BE IT RESOLVED by the House of Representatives of the
2 Thirty-third Legislature of the State of Hawaii, Regular Session
3 of 2026, the Senate concurring, that the Department of Taxation
4 is requested to conduct a comprehensive analysis of corporate
5 income reporting practices, including the treatment of foreign
6 subsidiary income; and

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8 BE IT FURTHER RESOLVED that the Department of Taxation is
9 requested to include in its analysis, to the extent practicable
10 and consistent with taxpayer confidentiality protections:

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- 12 (1) An estimate of corporate income tax revenue
13 attributable to corporations with foreign subsidiary
14 structures;
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 - 16 (2) An evaluation of potential revenue impacts under
17 alternative corporate income reporting models,
18 including separate entity reporting, water's-edge
19 combined reporting, and worldwide combined reporting;
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 - 21 (3) An assessment of how alternative definitions of the
22 corporate tax base would interact with Hawaii's
23 current apportionment methodology;
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 - 25 (4) Administrative feasibility considerations, compliance
26 costs, and enforcement implications associated with
27 alternative reporting structures;
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 - 29 (5) A comparison of approaches taken by other states and
30 any publicly available information regarding fiscal or
31 economic outcomes; and
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 - 33 (6) Identification of any data limitations, modeling
34 assumptions, or implementation challenges; and
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36 BE IT FURTHER RESOLVED that the Department of Taxation is
37 requested to submit a report of its findings and analysis to the
38 Legislature no later than twenty days prior to the convening of
39 the Regular Session of 2027; and

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41 BE IT FURTHER RESOLVED that certified copies of this
42 Concurrent Resolution be transmitted to the Governor, Director



H.C.R. NO. 189

1 of Taxation, Director of Budget and Finance, and Chairperson of
2 the Council on Revenues.

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OFFERED BY:



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