

---

---

# HOUSE 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

5  
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

10  
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

16  
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

23  
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,

28  
29 BE IT RESOLVED by the House of Representatives of the  
30 Thirty-third Legislature of the State of Hawaii, Regular Session  
31 of 2026, that the Department of Taxation is requested to conduct



1 a comprehensive analysis of corporate income reporting  
2 practices, including the treatment of foreign subsidiary income;  
3 and  
4

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

- 9 (1) An estimate of corporate income tax revenue  
10 attributable to corporations with foreign subsidiary  
11 structures;  
12
- 13 (2) An evaluation of potential revenue impacts under  
14 alternative corporate income reporting models,  
15 including separate entity reporting, water's-edge  
16 combined reporting, and worldwide combined reporting;  
17
- 18 (3) An assessment of how alternative definitions of the  
19 corporate tax base would interact with Hawaii's  
20 current apportionment methodology;  
21
- 22 (4) Administrative feasibility considerations, compliance  
23 costs, and enforcement implications associated with  
24 alternative reporting structures;  
25
- 26 (5) A comparison of approaches taken by other states and  
27 any publicly available information regarding fiscal or  
28 economic outcomes; and  
29
- 30 (6) Identification of any data limitations, modeling  
31 assumptions, or implementation challenges; and  
32

33 BE IT FURTHER RESOLVED that the Department of Taxation is  
34 requested to submit a report of its findings and analysis to the  
35 Legislature no later than twenty days prior to the convening of  
36 the Regular Session of 2027; and  
37

38 BE IT FURTHER RESOLVED that certified copies of this  
39 Resolution be transmitted to the Governor, Director of Taxation,  
40 Director of Budget and Finance, and Chairperson of the Council  
41 on Revenues.  
42



H.R. NO. 179

1  
2

OFFERED BY:

*Amy Peruso*

MAR 16 2026

