

MAR 16 2026

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# SENATE 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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# S.C.R. NO. 185

1 BE IT RESOLVED by the Senate of the Thirty-third  
2 Legislature of the State of Hawaii, Regular Session of 2026, the  
3 House of Representatives concurring, that the Department of  
4 Taxation is requested to conduct a comprehensive analysis of  
5 corporate income reporting practices, including the treatment of  
6 foreign 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



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

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OFFERED BY: Karl Rhoads

