

STAND. COM. REP. NO.

2611

Honolulu, Hawaii

FEB 20 2026

RE: S.B. No. 2738
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Sir:

Your Committees on Commerce and Consumer Protection and
Judiciary, to which was referred S.B. No. 2738 entitled:

"A BILL FOR AN ACT RELATING TO TAX HAVEN ABUSE,"

beg leave to report as follows:

The purpose and intent of this measure is to:

- (1) Require corporations to include in their income the income of all foreign subsidiaries to the State;
- (2) Apply 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;
- (3) Require corporations to report all profits, losses, revenues, and inter-company transactions made and all taxes paid in other states; and
- (4) Establish a Corporate Tax Law Task Force within the Department of Taxation to annually review the State's corporate tax laws and recommend updates to close tax loopholes.

Your Committees received testimony in support of this measure from Imua Alliance and two individuals.



Your Committees received testimony in opposition to this measure from the Council on State Taxation.

Your Committees received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committees find that tax-haven abuse is a large-scale drain on revenues, costing the State an estimated \$38,000,000 each year. This shortfall forces the State to either reduce services or increase taxes for residents. This measure would protect the State's fiscal capacity at a time of increasing funding pressures.

Your Committees acknowledge the concerns raised in testimony by the Department of Taxation that they do not have sufficient resources, including staff and funding, to properly accomplish the tasks required of the Corporate Tax Law Task Force proposed by this measure in its current form.

Accordingly, your Committees have amended this measure by:

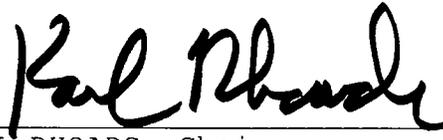
- (1) Inserting language that clarifies that notwithstanding any law to the contrary, all income from a corporation's foreign subsidiaries shall be apportioned as business income pursuant to section 235-29, Hawaii Revised Statutes;
- (2) Inserting language that extends penalties established under chapter 231, Hawaii Revised Statutes, for violations;
- (3) Deleting language that would have established a Corporate Tax Law Task Force within the Department of Taxation;
- (4) Inserting language to delay implementation to taxable years beginning after December 31, 2027;
- (5) Amending section 1 to reflect its amended purpose;
- (6) Inserting an effective date of July 1, 2050, to encourage further discussion; and



- (7) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the records of votes of the members of your Committees on Commerce and Consumer Protection and Judiciary that are attached to this report, your Committees are in accord with the intent and purpose of S.B. No. 2738, as amended herein, and recommend that it pass Second Reading in the form attached hereto as S.B. No. 2738, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on
behalf of the members of the
Committees on Commerce and
Consumer Protection and
Judiciary,



KARL RHOADS, Chair

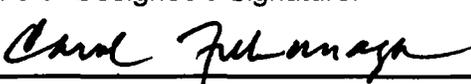


JARRETT KEOHOKALOLE, Chair



The Senate
Thirty-Third Legislature
State of Hawai'i

Record of Votes
Committee on Commerce and Consumer Protection
CPN

Bill / Resolution No.:* SB 2738	Committee Referral: CPN/JDC, WAM	Date: 2/17/2026		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KEOHOKALOOLE, Jarrett (C)	✓			
FUKUNAGA, Carol (VC)	✓			
LAMOSAO, Rachele		✓		
MCKELVEY, Angus L.K.				✓
AWA, Brenton	✓			
TOTAL	3	1	0	1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink File with Committee Report Committee Drafting Agency				

*Only one measure per Record of Votes

