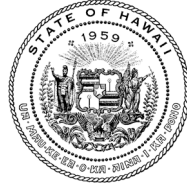


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**TESTIMONY OF
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

TESTIMONY ON THE FOLLOWING MEASURE:

H.C.R. No. 189 / H.R. 179, 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.

BEFORE THE:

House Committee on Economic Development & Technology

DATE: Friday, March 27, 2026
TIME: 9:30 a.m.
LOCATION: State Capitol, Conference Room 423

Chair Ilagan, Vice-Chair Hussey, and Members of the Committee:

The Department of Taxation (DOTAX) offers the following comments on H.C.R. 189 / H.R. 179, for your consideration.

H.C.R. 189 / H.R. 179, requests DOTAX to conduct a comprehensive analysis of corporate income reporting practices, including the treatment of foreign subsidiary income. To the extent practicable and consistent with taxpayer confidentiality protections, it is requested that DOTAX include in its analysis:

- 1) An estimate of corporate income tax revenue attributable to corporations with foreign subsidiary structures;
- 2) An evaluation of potential revenue impacts under alternative corporate income reporting models, including separate entity reporting, water's-edge combined reporting, and worldwide combined reporting;
- 3) An assessment of how alternative definitions of the corporate tax base would

- interact with Hawai'i's current apportionment methodology;
- 4) Administrative feasibility considerations, compliance costs, and enforcement implications associated with alternative reporting structures;
 - 5) A comparison of approaches taken by other states and publicly available information regarding fiscal or economic outcomes; and
 - 6) Identification of any data limitations, modeling assumptions, or implementation challenges.

DOTAX is also to submit a report of its findings and analysis to the legislature no later than 20 days prior to the convening of the regular session of 2027.

DOTAX notes that it does not have the data necessary to provide the revenue estimates requested. Additionally, DOTAX does not have the staffing or resources to conduct a study of potential revenue impacts of alternative corporate income reporting models. DOTAX notes that the Legislature may request that the Tax Review Commission consider undertaking a study of alternative corporate income reporting models.

DOTAX could, however, conduct an analysis of the administrative feasibility and compliance costs with alternative reporting structures, perform a comparison of approaches by other states, and identify data limitations and implementation challenges.

Thank you for the opportunity to provide comments on this resolution.