HOUSE OF REPRESENTATIVES
TWENTY-EIGHTH LEGISLATURE, 2016
STATE OF HAWAII

H.B. NO. 2560 H.D. 1

A BILL FOR AN ACT

RELATING TO CORPORATIONS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

SECTION 1. Hawaii's corporate reporting requirements serve important interests: providing the shareholders with information, deterring actual corruption and avoiding any appearance thereof, and gathering the data necessary to enforce more substantive electioneering restrictions.

The government has as interest in ensuring that shareholders are informed of corporate affairs. Corporate reporting obligations provide information to the shareholders about who is speaking - information that "is vital to the efficient functioning of the marketplace of ideas, and thus to advancing the democratic objectives underlying the First Amendment." *McCutcheon v. Federal Election Comm'n*, 134 S. Ct. 1434, 1459-60 (2014). This transparency enables the shareholders to make informed decisions. Providing these reports directly to the shareholders ensures that shareholders will be informed of corporate affairs. Shareholders may also share information with the electorate at large.

Hawaii's corporate reporting requirements deter actual corruption and avoid the appearance of corruption by exposing the source of contributions and expenditures. Providing reports to shareholders is an important step in deterring actual corruption by corporations attempting to circumvent reporting and disclosure requirements. Shareholder may use this information to file derivative suits.

Corporate reporting requirements provide a means of detecting violations of valid contribution limitations and preventing circumvention of Hawaii's campaign spending limitations, including rules that bar contributions by foreign corporations. Providing reports to shareholders provides additional scrutiny of compliance with reporting and disclosure requirements. Shareholders have a unique interest in analyzing and scrutinizing corporate expenditures.

In order to make the reporting requirement of this Act less burdensome on the corporation, the corporation may use other reports that contain the pertinent information that is related to independent expenditures, contributions to noncandidate committees, and contributions to candidate committees rather than requiring the corporation to prepare a separate report with

the same information. For example, corporations may provide their shareholders with copies of the reports filed with the campaign spending commission. Sections 11-302, and 11-321, Hawaii Revised Statutes, require corporations that make contributions or expenditures of over $1,000 in an election period to register as a noncandidate committee. Consequently, the information this Act seeks to make available to the shareholders may already be available elsewhere and may be used to partially satisfy reporting requirements under this Act.

SECTION 2. Chapter 414, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"**§414- Report to shareholders.** (a) All domestic and foreign corporations authorized to transact business in this State that make more than $1,000 of independent expenditures and contributions in a year shall disclose to their shareholders in an annual report the corporation's independent expenditures and contributions to any candidate committee or noncandidate committee. The annual report shall conform to the requirements of subsection (b) and the resulting report shall be delivered to

shareholders at the same time that the corporation's annual report is filed pursuant to section 414-472.

(b) The foreign or domestic corporation may elect to report aggregate amounts. The report shall include separate aggregate totals for independent expenditures, contributions to noncandidate committees, and contributions to candidate committees. For each separate aggregate total, the reports shall include an identification of the specific monetary or nonmonetary benefit that accrued to the domestic or foreign corporation as a direct result of independent expenditures, contributions to noncandidate committees, and contributions to candidate committees; provided that if the specific monetary or nonmonetary benefit to the corporation is zero or unidentifiable, the domestic or foreign corporation shall specify that the monetary or nonmonetary benefit to the domestic or foreign corporation is zero or unidentifiable. Provided that the corporation may fulfill the requirements of this subsection by delivering to the shareholders other reports that disclose the required information in more detail.

(c) For the purposes of this section:

"Contribution" shall have the same meaning as in section 11-302.

"Independent expenditure" shall have the same meaning as in section 11-302."

SECTION 3. New statutory material is underscored.

SECTION 4. This Act shall take effect upon its approval.

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Report Title:
Corporation Reports; Independent Campaign Expenditures and Political Contributions

Description:
Requires domestic and foreign corporations to provide their shareholders with reports of independent expenditures and political contributions. (HB2560 HD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.