
A BILL FOR AN ACT

RELATING TO CORPORATIONS.

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

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

6 Government has an interest in ensuring that shareholders
7 are informed of corporate affairs. Corporate reporting
8 obligations provide information to the electorate and
9 shareholders about who is speaking - information that "is vital
10 to the efficient functioning of the marketplace of ideas, and
11 thus to advancing the democratic objectives underlying the First
12 Amendment." *Yamada v. Snipes*, 786 F.3d 1182 (9th cir 2015),
13 citing *McCutcheon v. Federal Election Comm'n*, 134 S. Ct. 1434,
14 1459-60 (2014). This transparency enables shareholders to make
15 informed decisions. Providing these reports directly to
16 shareholders ensures that shareholders will be informed of



1 corporate affairs. Shareholders may also share information with
2 the electorate at large.

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

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

18 In order to make the reporting requirement of this Act less
19 burdensome on a corporation, a corporation may use other reports
20 that contain the pertinent information that is related to
21 independent expenditures, contributions to noncandidate



1 committees, and contributions to candidate committees rather
2 than requiring the corporation to prepare a separate report with
3 the same information. For example, corporations may provide
4 their shareholders with copies of the reports filed with the
5 campaign spending commission. Sections 11-302 and 11-321,
6 Hawaii Revised Statutes, require corporations that make
7 contributions or expenditures of over \$1,000 in an election
8 period to register as a noncandidate committee. Consequently,
9 the information this Act seeks to make available to the
10 shareholders may already be available elsewhere and may be used
11 to partially satisfy reporting requirements under this Act.

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

15 "§414- Report to shareholders. (a) All domestic and
16 foreign corporations authorized to transact business in this
17 State that make more than \$1,000 of independent expenditures and
18 contributions in a year shall disclose to their shareholders in
19 an annual report the corporation's independent expenditures and
20 contributions to any candidate committee or noncandidate
21 committee. The annual report shall conform to the requirements



1 of subsection (b) and the resulting report shall be delivered to
2 shareholders at the same time that the corporation's annual
3 report is filed pursuant to section 414-472.

4 (b) The foreign or domestic corporation may elect to
5 report aggregate amounts. The report shall include separate
6 aggregate totals for independent expenditures, contributions to
7 noncandidate committees, and contributions to candidate
8 committees. For each separate aggregate total, the reports
9 shall include an identification of the specific monetary or
10 nonmonetary benefit that accrued to the domestic or foreign
11 corporation as a direct result of independent expenditures,
12 contributions to noncandidate committees, and contributions to
13 candidate committees; provided that if the specific monetary or
14 nonmonetary benefit to the corporation is zero or
15 unidentifiable, the domestic or foreign corporation shall
16 specify that the monetary or nonmonetary benefit to the domestic
17 or foreign corporation is zero or unidentifiable; provided that
18 the corporation may fulfill the requirements of this subsection
19 by delivering to the shareholders other reports that disclose
20 the required information in more detail.

21 (c) For the purposes of this section:



1 "Contribution" shall have the same meaning as in section
2 11-302.

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

5 SECTION 3. New statutory material is underscored.

6 SECTION 4. This Act shall take effect on July 1, 2030.



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 HD2)

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