
A BILL FOR AN ACT

RELATING TO TAX HAVEN ABUSE.

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

1 SECTION 1. The legislature finds that corporations use
2 complicated schemes to shift domestic earnings to subsidiaries
3 incorporated in offshore tax havens or countries with minimal or
4 no taxes, to reduce their state and federal income tax liability
5 by billions of dollars in certain cases. A January 2019 report
6 by the Institute on Taxation and Economic Policy and the United
7 States Public Interest Research Group estimated that the State
8 is losing \$38,000,000 annually by not updating tax laws to
9 mandate worldwide combined reporting of corporate income.
10 Worldwide combined reporting is considered the gold standard for
11 closing tax loopholes, and the report found it would raise
12 nearly three times more revenue than other options to address
13 revenue currently lost to tax avoidance.

14 The purpose of this Act is to change how corporate tax is
15 determined in the State to a more fair and effective form of
16 calculating corporate tax liability by:



1 (1) Requiring corporations to include the income of all
2 foreign subsidiaries to the State, as already required
3 by the Internal Revenue Service; and

4 (2) Applying the State's apportionment formula to
5 determine the share of reported profits subject to the
6 appropriate tax.

7 SECTION 2. Chapter 235, Hawaii Revised Statutes, is
8 amended by adding a new section to be appropriately designated
9 and to read as follows:

10 "§235- Corporation income reporting for all foreign
11 subsidiaries. (a) Every corporation subject to the tax imposed
12 under this chapter shall report all income from foreign
13 subsidiaries by filing a copy of federal Internal Revenue form
14 5471 with the department of taxation at the same time as the
15 forms must be filed with the Internal Revenue Service.

16 (b) All income from a corporation's subsidiaries shall be
17 apportioned as business income pursuant to section 235-29."

18 SECTION 3. New statutory material is underscored.

19 SECTION 4. This Act shall take effect on January 1, 2026.

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INTRODUCED BY:

Linda Schinger

JAN 14 2025



H.B. NO. 116

Report Title:

Taxation; Corporations; Combined Reporting

Description:

Requires corporations to include the income of all foreign subsidiaries to the State. Applies the State's apportionment formula to determine the share of reported profits subject to the appropriate tax. Effective 1/1/2026.

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