
A BILL FOR AN ACT

RELATING TO CORPORATIONS.

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

1 SECTION 1. Hawai'i'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 The government has as interest in ensuring that
7 shareholders are informed of corporate affairs. Corporate
8 reporting obligations provide information to the shareholders
9 about who is speaking—information that "is vital to the
10 efficient functioning of the marketplace of ideas, and thus to
11 advancing the democratic objectives underlying the First
12 Amendment." *Yamada v. Snipes*, 786 F.3d 1182 (9th Cir. 2015),
13 citing, among other cases, *McCutcheon v. Federal Election*
14 *Comm'n*, 572 U.S. 185, 134 S. Ct. 1434, 1459–60 (2014). This
15 transparency enables the shareholders to make informed
16 decisions. Providing these reports directly to the shareholders
17 ensures that shareholders will be informed of corporate affairs.



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

3 Hawai'i'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 Hawai'i'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 The purpose of this Act is to require domestic and foreign
19 corporations to provide their shareholders with reports of
20 independent expenditures and political contributions. In order
21 to make the reporting requirement of this Act less burdensome on



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

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

18 "§414- Report to shareholders. (a) All domestic and
19 foreign corporations authorized to transact business in this
20 State that make more than \$10,000 of independent expenditures
21 and contributions in a year shall disclose to their shareholders



1 in an annual report the corporation's independent expenditures
2 and contributions to any candidate committee or noncandidate
3 committee. The annual report shall conform to the requirements
4 of subsection (b) and the resulting report shall be delivered to
5 shareholders at the same time that the corporation's annual
6 report is filed pursuant to section 414-472.

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



1 delivering other reports that disclose the required information
2 in more detail to the shareholders.

3 (c) For the purposes of this section:

4 "Contribution" shall have the same meaning as in section
5 11-302.

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

8 SECTION 3. New statutory material is underscored.

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

10

INTRODUCED BY: *Steve Ann*

JAN 23 2019



H.B. NO. 1251

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.

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