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To: The Honorable Donovan M. Dela Cruz, Chair
and Members of the Senate Committee on Ways and Means

Date: Friday, March 29, 2019
Time: 10:00 A.M.
Place: Conference Room 211, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: S.C.R. 117 / S.R. 87, Requesting the Director of Taxation to Convene a Task Force to Consider Worldwide Combined Reporting of Corporate Income.

The Department of Taxation (Department) offers the following comments regarding S.C.R. 117 for the Committee's consideration.

S.C.R. 117 requests the Director of Taxation to convene and lead a task force to study the worldwide combined reporting and tax haven list methods of corporate income taxation and determine whether either is an appropriate option for Hawaii's income tax.

The Department notes that worldwide combined reporting was held to be constitutional in *Container Corporation of America v. Franchise Tax Board*, 463 U.S. 159 (1983). Following this case, worldwide combined reporting was increasingly used by states until being abandoned due to the threat of federal legislation constraining the states' authority to tax multinational businesses.

In addition, the Department believes the revenue gain will likely be smaller than the \$38,000,000 estimated by the work cited by S.C.R. 117. Therefore, the realistic revenue gain may not justify the difficulty of imposing worldwide combined reporting.

In any case, the Department believes that the use of worldwide combined reporting should be studied thoroughly before being adopted. The Department is able and willing to convene and lead the task force as currently written, however, it may be more efficient for the Department to perform the study on its own as the revenue estimating portion of the study may require analyzing confidential tax information that may not be disclosed outside of the Department.

Thank you for the opportunity to provide comments.



O'ahu County Democrats
oahudemocrats.org



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Aloha Chair Dela Cruz, Vice Chair Keith-Agaran, and Members of Ways and Means,

RE: SCR 117/SR 87, Relating to Taxation.

The O'ahu County Democrats support Senate Concurrent Resolution 117/Senate Resolution 87.

This bill would urge the Director of Taxation to convene a task force for the purposes of examining global corporate income. The Platform of the O'ahu County Democrats states that "*fair and equitable taxation is essential for good government.*"¹ We Democrats are in clear support, and thank Senator Dela Cruz and his honorable co-sponsors for their foresightedness in introducing this resolution.

Hawai'i has a narrow tax base among residents, but among non-resident owners and investors we host a high number of billionaires, and those who earn millions in income and capital gains annually. The top 1% in income know how to hide wealth by moving it around, guarding it with an army of advisors, accountants and attorneys, at a level far beyond the means of our working people.

Economists like Piketty² have long argued that we ought to pursue tax revenue and income equalization not among obvious lines like wages, which provide relatively little of the wealth among the global elite, and instead look for the too-often concealed and mobile corporate income.

Members, please vote 'aye' on SCR 117/SR 87. Thank you for your consideration.

Respectfully,

DYLAN P. ARMSTRONG, VICE CHAIR

O'AHU COUNTY COMMITTEE, O'AHU COUNTY DEMOCRATS

References

1. Platform of the O'ahu County Democrats. <https://www.oahudemocrats.org/oahuplatform.htm#gov>
2. "Why we need a global wealth tax: Piketty" CNBC (2018). <https://www.cnbc.com/2015/03/10/why-we-need-a-global-wealth-tax-piketty.ht>