

JAN 17 2020

A BILL FOR AN ACT

RELATING TO THE INTERSTATE COMPACT AGREEMENT TO PHASE OUT
CORPORATE GIVEAWAYS.

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

1 SECTION 1. The legislature finds that corporate giveaways
2 are among the least effective uses of taxpayer dollars to create
3 and maintain jobs. Local and state leaders are in a "prisoners'
4 dilemma" where it is best for all to create a level playing
5 field for all employers without any corporate giveaways, but
6 each level of government has an incentive to subsidize a
7 company, generating a race to the bottom. Governments should
8 attract and retain companies based on general conditions,
9 including modern infrastructure, an educated workforce, a clean
10 environment, and a favorable tax and regulatory climate, not
11 based on a specific grant for a particular company.

12 The legislature further finds that corporate giveaways fuel
13 business inequality as only the largest businesses receive the
14 vast majority of these funds. A reasonable first step in
15 phasing out corporate giveaways is an anti-poaching agreement
16 among state governments prohibiting state company-specific tax



1 incentives and state company-specific grants as an inducement
 2 for entities to relocate existing facilities. Additionally,
 3 creating a national board of gubernatorial appointees charged
 4 with finding consensus around improvements to this agreement
 5 over time in a phase approach will assist state and local
 6 governments in escaping from the prisoners' dilemma and
 7 implementing a level playing field for all employers.

8 Therefore, the purpose of this Act is to enact and enter
 9 into the Interstate Compact Agreement to Phase Out Corporate
 10 Giveaways.

11 SECTION 2. The Hawaii Revised Statutes is amended by
 12 adding a new chapter to be appropriately designated and to read
 13 as follows:

14 "CHAPTER

15 INTERSTATE COMPACT AGREEMENT TO PHASE OUT CORPORATE GIVEAWAYS

16 § -1 Short title; purpose. This law shall be known and
 17 cited as the Interstate Compact Agreement to Phase Out Corporate
 18 Giveaways. The purpose of the compact is to phase out corporate
 19 giveaways in cooperation with compacting states.

20 § -2 Definitions. As used in this compact:



1 "Company-specific grant" is any disbursement of funds via
2 property, cash, or deferred tax liability by the state or local
3 government to a particular company.

4 "Company-specific tax incentive" is any change in the
5 general tax rate or valuation offered or presented to a specific
6 company that is not available to other similarly-situated
7 companies.

8 "Corporate giveaway" means any company-specific or
9 industry-specific disbursement of funds whether property, cash,
10 or deferred or reduced tax liability by a state or local
11 government to a particular company or industry.

12 "Located in any other member state" means any corporate
13 headquarters, office space, manufacturing facility, or other
14 real estate development that is physically located in another
15 member state, whether or not the company has other property in
16 the member state.

17 "Member state" means any state or the District of Columbia
18 that has enacted a statute agreeing to this compact.

19 § -3 Anti-poaching prohibition. Each member state is
20 prohibited from offering or providing any company-specific tax
21 incentive or company-specific grant to any entity for a



1 corporate headquarters, manufacturing facility, office space, or
2 other real estate development located in any other member state
3 as an inducement for the corporate headquarters, manufacturing
4 facility, office space, or other real estate development to
5 relocate to the offering member state.

6 § -4 Exclusions. Workforce development grants that
7 train employees are not subject to this agreement. Company-
8 specific tax incentives or company-specific grants from local
9 governments are not subject to this agreement. State company-
10 specific tax incentives or state company-specific grants to
11 entities for corporate headquarters, office space, manufacturing
12 facilities, or real estate developments located within its own
13 state are not subject to this agreement.

14 § -5 Entry into compact; withdrawal. (a) This compact
15 shall become effective at such time as it is adopted by two or
16 more states.

17 (b) Any member state may withdraw from this agreement with
18 six months' notice and shall do so in writing to the chief
19 executive officer of every other member state to the agreement.

20 § -6 Enforcement. (a) The chief law enforcement
21 officer of each member state shall enforce this compact.



1 (b) A taxpaying resident of any member state has standing
2 in the courts of any member state to require the chief law
3 enforcement officer of that member state to enforce this
4 compact.

5 § -7 National board of the agreement to phase out
6 corporate giveaways. (a) This agreement establishes a national
7 board of the agreement to phase out corporate giveaways.

8 (b) The chief executive officer of each member state shall
9 appoint one member to the board. The board shall accept
10 appointees from non-member states that wish to appoint a member
11 of the board.

12 (c) The purpose of the board is to publish suggested
13 revisions and improvements to this agreement in December of
14 every year to continue to phase out those forms of corporate
15 giveaways that the board finds reasonable to include as
16 suggested revisions to the agreement for member states to
17 consider implementing.

18 (d) The board shall convene at least annually, elect
19 officers from its membership, establish rules and procedures for
20 its governance, and publish a report in December of every year
21 that includes suggested revisions and improvements to this



1 agreement. The board shall collect testimony from all
2 interested parties, including organizations and associations
3 representing state legislators, taxpayers, and subject matter
4 experts on how the agreement can be improved and strengthened.

5 § -8 Liberal construction. This compact shall be
6 liberally construed to effectuate its purpose. If any phrase,
7 clause, sentence, or provision of this compact, or the
8 applicability of any phrase, clause, sentence, or provision of
9 this compact to any government, agency, person, or circumstance
10 is declared in a final judgment by a court of competent
11 jurisdiction to be contrary to the constitution of the United
12 States or is otherwise held invalid, the validity of the
13 remainder of this compact and the applicability of the remainder
14 of this compact to any government, agency, person, or
15 circumstance shall not be affected. If this compact is held to
16 be contrary to the constitution of any member state, the compact
17 shall remain in full force and effect as to the remaining member
18 states and in full force and effect as to the affected member
19 state as to all severable matters."



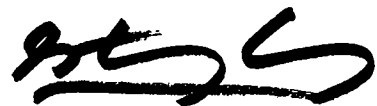

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1 SECTION 3. This Act shall take effect upon its approval.

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INTRODUCED BY:



S.B. NO. 2751

Report Title:

Interstate Compact Agreement to Phase Out Corporate Giveaways;
Tax Incentives; Grants

Description:

Enacts and enters into the Interstate Compact Agreement to Phase
Out Corporate Giveaways.

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