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

14 The purpose of this Act is to change the manner in which
15 corporate tax is determined in the State to a more fair and
16 effective form of 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 such
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.



1 SECTION 4. This Act shall take effect on January 1, 2022.

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INTRODUCED BY:

Amy Ramos

JAN 22 2021



H.B. NO. 441

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 1/1/2022.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

