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February 10, 2026

Via E-mail

Representative Greggor Ilagan, Chair
Representative Ikaika Hussey, Vice Chair
House Committee on Economic Development & Technology
Hawaii House of Representatives

RE: Opposition to H.B. 1458

Dear Chair Ilagan, Vice Chair Hussey, and Committee Members,

On behalf of the Council On State Taxation (COST), we are providing comments in opposition to H.B. 1458 which would impose a corporate income tax on advertising revenue earned by major social media platforms doing business in Hawaii. Singling out a specific class of taxpayers raises constitutional concerns under both the Due Process and Commerce Clauses. Such legislation is likely to lead to protracted litigation.

About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 500 major corporations engaged in interstate and international business. COST's objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities. Many COST members conduct business and retail operations in Hawaii and would be negatively impacted by this proposed change.

Targeting Specific Industries Violates Sound Tax Policy

Many states have been focused on new ways to impose taxes on social media and advertising revenue. COST adopted a policy position against this targeted approach because it is poor tax policy.¹ While Hawaii is taking a different approach from other states to fund social media efforts by taxing social media income, it still violates several core tenets of sound tax policy—transparency, economic neutrality, effective tax administration, and fairness. By imposing a new tax type on existing taxable income in Hawaii, H.B. 1458 creates an administrative burden on business to carve out this income and report it separately.

Additionally, because the proposed income tax is only imposed on major social media platforms and no other businesses it discriminates against social media platforms doing

¹ Find COST's Tax Policy here: <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/digital-services-taxes---final.pdf>

business in Hawaii. As such the bill raises serious threats of constitutional challenges under both the Commerce and Due Process Clauses of the U. S. Constitution.

No New Tax Revenue is Created

All income proposed to be taxed under H.B. 1458 is currently being taxed. Under the current corporate income tax scheme advertising revenue is characterized as net income derived from business activity in the state. As such, advertising revenue is subject to tax. This bill effectively carves out existing revenue that is currently reported and taxed. The bill merely moves the revenue reporting and tax remittance around from the current process to this new process. Thus, increasing the administrative burden on both the Department of Revenue and taxpayers.

Conclusion

H.B. 1458 violates sound tax policy and does not achieve the desired goals described in the bill. We respectfully request that you do not vote it out of committee.

Respectfully,

The image shows two handwritten signatures in blue ink. The signature on the left is 'Marilyn Wethekam' and the signature on the right is 'Dylan Waits'. Both signatures are written in a cursive, flowing style.

Marilyn Wethekam and Dylan Waits

cc: COST Board of Directors
Patrick J. Reynolds, COST President & Executive Director