Honolulu, Hawaii

May 1

, 2009

RE:

H.B. No. 1550

H.D. 2 S.D. 1 C.D. 1

Honorable Calvin K.Y. Say Speaker, House of Representatives Twenty-Fifth State Legislature Regular Session of 2009 State of Hawaii

Honorable Colleen Hanabusa President of the Senate Twenty-Fifth State Legislature Regular Session of 2009 State of Hawaii

Sir and Madam:

Your Committee on Conference on the disagreeing vote of the House of Representatives to the amendments proposed by the Senate in H.B. No. 1550, H.D. 2, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

having met, and after full and free discussion, has agreed to recommend and does recommend to the respective Houses the final passage of this bill in an amended form.

The purpose of this bill is to begin to address general fund revenue shortfalls by amending Hawaii's tax law to impose the state income tax on rollovers made by state and county employees from qualifying deferred-compensation plans and qualifying annuity plans to eligible retirement plans or individual retirement accounts.

Employees who roll over or transfer contributions from their deferred-compensation plans to purchase Employees' Retirement System membership service credits or to upgrade their noncontributory plan service to hybrid plan service in the future are not assessed an income tax on these funds. Since, under current law, pension distributions from the hybrid plan are not subject to income tax,

HB1550 CD1 HCCR HMS 2009-4071



these rollover or transferred funds completely escape Hawaii income tax.

Inasmuch as funds from deferred compensation plans would normally be taxed when an employee withdraws these funds, since these funds were withheld from an employee's pre-tax wages, taxing the rolled over or transferred funds at the time they are rolled over or transferred would appear to be equitable and fair.

Your Committee on Conference has amended this bill by:

- (1) Further clarifying language to ensure that the state income tax is imposed on distributions from qualified annuity plans and qualified deferred compensation plans by employees who effectively make the distributions to obtain retirement credits under the state employee retirement system;
- (2) Changing its effective date to July 1, 2009; and
- (3) Making technical, nonsubstantive changes for clarity, consistency, and style.

As affirmed by the record of votes of the managers of your Committee on Conference that is attached to this report, your Committee on Conference is in accord with the intent and purpose of H.B. No. 1550, H.D. 2, S.D. 1, as amended herein, and recommends that it pass Final Reading in the form attached hereto as H.B. No. 1550, H.D. 2, S.D. 1, C.D. 1.

Respectfully submitted on behalf of the managers:

ON THE PART OF THE SENATE

ON THE PART OF THE HOUSE

DONNA MERCADO KIM, Chair

KARL RHOADS, Co-Chair

MARCUS R. OSHIRO, Co-Chair

HB1550 CD1 HCCR HMS 2009-4071



Hawaii State Legislature

Record of Votes of a Conference Committee

CCR114

Bill / Concurrent Resolution No.: HB 1550, HD 2, SD 1				Date/Time: April 30,2009 3:38 p.m					
The recommendation of the House and Senate managers is to pass with amendments (CD).									
☐ The Committee is reconsidering its previous decision.									
The recommendation of the Senate Manager(s) is to AGREE to the House amendments made to the Senate Measure				The recommendation of the House Manager(s) is to AGREE to the Senate amendments made to the House Measure.					
Senate Managers	A	WR	N	Е	House Managers	A	WR	N	Е
KIM, Donna Mercado, Chr.	X				RHOADS, Karl, Co-Chr.	X			
HOOSER, Gary L.	X				OSHIRO, Marcus R., Co-Chr.	X			
KIDANI, Michelle	X				CHONG, Pono	X			
TSUTSUI, Shan S.				X	CHOY, Isaac W.	X			
HEMMINGS, Fred				X	PINE, Kymberly Marcos		X		
TOTAL	3	0	0	ک	TOTAL	4	1	0	0
A = Aye $WR = Aye$ with Reservations $N = Nay$ $E = Excused$									
					House Recommendation is:				
Adopted Not Adopted				Adopted Not Adopted					
Senate Lead Chair's or Designee's Signature:					House Lead Chair's or Designee's Signature:				
Distribution: Original File with Conference Committee Report House					Yellow Pink Goldenrod ouse Clerk's Office Senate Clerk's Office Drafting Agency				