

Honolulu, Hawaii
, 2026

APR 09

RE: S.B. No. 2881
S.D. 1
H.D. 1

Honorable Nadine K. Nakamura
Speaker, House of Representatives
Thirty-Third State Legislature
Regular Session of 2026
State of Hawaii

Madame:

Your Committee on Finance, to which was referred S.B. No. 2881, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO STATE INCOME TAX,"

begs leave to report as follows:

The purpose of this measure is to allow a taxpayer to elect to have taxable income that may be reported as distributions on Internal Revenue Service Form 1099-R to be subject to withholding for taxable years beginning after December 31, 2026.

Your Committee received comments on this measure from the Department of Taxation and Tax Foundation of Hawaii.

Your Committee finds that taxable income from retirement-related account distributions, such as pensions, annuities, and individual retirement account distributions, are reported on federal Internal Revenue Service Form 1099-R. The Internal Revenue Code establishes different withholding requirements based on the frequency of the distribution, although in some cases taxpayers may opt out of withholding. This measure seeks to explicitly give state taxpayers a choice to withhold state taxable income owed on certain retirement-related account distributions.



Your Committee has amended this measure by changing the effective date to July 1, 3000, to encourage further discussion.

As affirmed by the record of votes of the members of your Committee on Finance that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 2881, S.D. 1, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 2881, S.D. 1, H.D. 1, and be placed on the calendar for Third Reading.

Respectfully submitted on
behalf of the members of the
Committee on Finance,



CHRIS TODD, Chair



