
A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The purpose of this Act is to repeal the income
2 tax exemption for income derived from stock options or stocks
3 from a qualified high technology business.

4 The legislature finds that the State can no longer afford
5 the cost of this tax exemption.

6 SECTION 2. Section 235-9.5, Hawaii Revised Statutes, is
7 repealed.

8 ~~["§235-9.5 Stock options from qualified high technology~~
9 ~~businesses excluded from taxation. (a) Notwithstanding any law~~
10 ~~to the contrary, all income earned and proceeds derived from~~
11 ~~stock options or stock, including stock issued through the~~
12 ~~exercise of stock options or warrants, from a qualified high~~
13 ~~technology business or from a holding company of a qualified~~
14 ~~high technology business by an employee, officer, or director of~~
15 ~~the qualified high technology business, or investor who~~
16 ~~qualifies for the credit under section 235-110.9, that would~~
17 ~~otherwise be taxed as ordinary income or as capital gains to~~



1 ~~these persons shall be excluded from taxation under this~~
2 ~~chapter.~~

3 ~~Similar provisions shall apply to options to acquire equity~~
4 ~~interests and to equity interests themselves with regard to~~
5 ~~entities other than corporations.~~

6 ~~(b) For the purposes of this section:~~

7 ~~"Holding company of a qualified high technology business"~~
8 ~~means any business entity that possesses:~~

9 ~~(1) At least eighty per cent of the total voting power of~~
10 ~~the stock or other interest; and~~

11 ~~(2) At least eighty per cent of the total value of the~~
12 ~~stock or other interest;~~

13 ~~in the qualified high technology business.~~

14 ~~"Income earned and proceeds derived from stock options or~~
15 ~~stock" includes income from:~~

16 ~~(1) Dividends from stock or stock received through the~~
17 ~~exercise of stock options or warrants;~~

18 ~~(2) The receipt or the exercise of stock options or~~
19 ~~warrants; or~~

20 ~~(3) The sale of stock options or stock, including stock~~
21 ~~issued through the exercise of stock options or~~
22 ~~warrants.~~



H.B. NO. 805

1 ~~"Qualified high technology business" means the same as~~
2 ~~defined in section 235-7.3."]~~

3 SECTION 3. Statutory material to be repealed is bracketed
4 and stricken.

5 SECTION 4. This Act shall take effect upon its approval
6 and apply to taxable years beginning after December 31, 2010.

7

INTRODUCED BY:

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JAN 21 2011



Report Title:

Income Tax Exemption; High Technology Stock Options; Repeal

Description:

Repeals the income tax exemption for income derived from stock options or stock from a qualified high technology business.

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