

H.B. NO. 1007

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## A BILL FOR AN ACT

RELATING TO ADDING THE ROTH OPTION FOR THE DEFERRED COMPENSATION PLAN.

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

1           SECTION 1. The purpose of this Act is to allow  
2 participants to deposit money in the deferred compensation plan  
3 on an after-tax basis in addition to on a pre-tax basis; thereby  
4 affording them the opportunity for tax diversification.

5           SECTION 2. Section 88E-12, Hawaii Revised Statutes, is  
6 amended to read as follows:

7           " ~~[+] §88E-12 [.]~~ **Deferred amounts as compensation.** Any  
8 compensation deferred pursuant to a plan established under this  
9 chapter shall be deemed regular compensation for the purpose of  
10 computing contributions or benefits under existing retirement,  
11 pension, or social security systems applicable to participating  
12 employees ~~[but shall not be included in the computation of~~  
13 ~~federal income taxes withheld on behalf of any participating~~  
14 ~~employee.]~~; provided that, at the participating employee's  
15 option, all or part of such deferred compensation may be  
16 included or excluded in the computation of federal income taxes

# H.B. NO. 1007

Page 2

1 withheld on behalf of such participating employee, allowing for  
2 both a traditional section 457(b) contribution and a Roth 457(b)  
3 contribution."

4 SECTION 3. Statutory material to be repealed is bracketed  
5 and stricken. New statutory material is underscored.

6 SECTION 4. This Act shall take effect upon its approval.

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INTRODUCED BY: \_\_\_\_\_



9

BY REQUEST

JAN 22 2019

H.B. NO. 1007

**Report Title:**

State of Hawaii Deferred Compensation Plan; Roth Option

**Description:**

Amends section 88E-12, Hawaii Revised Statutes, to allow participants to make both pre-tax contributions and post-tax contributions to the State Deferred Compensation Plan.

## JUSTIFICATION SHEET

DEPARTMENT: HUMAN RESOURCES DEVELOPMENT, ON BEHALF OF THE BOARD OF TRUSTEES OF THE STATE DEFERRED COMPENSATION PLAN

TITLE: A BILL FOR AN ACT RELATING TO ADDING THE ROTH OPTION FOR THE DEFERRED COMPENSATION PLAN.

PURPOSE: To allow participants to make both pre-tax contributions and post-tax contributions to the State Deferred Compensation Plan.

MEANS: Amend section 88E-12, Hawaii Revised Statutes.

JUSTIFICATION: On January 1, 2011, the Federal Small Business Jobs Act of 2010 became effective, which expanded the availability of Roth contribution provisions to government section 457(b) deferred compensation plans. While Federal law permitted a Roth contribution, State law prohibited a Roth contribution. Therefore, the addition of Roth contributions would allow Plan participants to treat their elective deferrals as Roth contributions and allow for greater after-tax savings and allow for diversification with respect to future tax rates.

Impact on the public: None expected.

Impact on the department and other agencies: None expected.

GENERAL FUND: \$0

OTHER FUNDS: None requested.

PPBS PROGRAM DESIGNATION: None.

OTHER AFFECTED  
AGENCIES:

All state and county agencies participating  
in the Deferred Compensation Plan.

EFFECTIVE DATE:

Upon approval.