

Honolulu, Hawaii

FEB 18 2021

RE: S.B. No. 927  
S.D. 1

Honorable Ronald D. Kouchi  
President of the Senate  
Thirty-First State Legislature  
Regular Session of 2021  
State of Hawaii

Sir:

Your Committee on Energy, Economic Development, and Tourism,  
to which was referred S.B. No. 927 entitled:

"A BILL FOR AN ACT RELATING TO TAXATION,"

begs leave to report as follows:

The purpose and intent of this measure is to provide an income tax exclusion of up to \$50,000 per year in income earned and proceeds derived from stock options or stock by an employee from a qualified high technology business or an investor who qualified for a high technology business' investment tax credit, pursuant to section 235-110.9, Hawaii Revised Statutes, provided that:

- (1) The employee or investor is a resident of the State; and
- (2) Amounts in excess of \$50,000 in the taxable year shall be taxed at the applicable income tax rate.

Your Committee received comments on this measure from the Department of Taxation, Department of the Attorney General, Tax Foundation of Hawaii, Hawaii Technology Development Corporation, and TechMana LLC.

Your Committee finds that this measure limits the amount of the exclusion for income earned and proceeds derived from stock options or stock from one hundred percent of such income earned to



\$50,000. In addition, your Committee finds that the measure limits the availability of the income tax exclusion to certain employees and investors based on whether they are a resident of the State. Your Committee received testimony from the Department of the Attorney General, which noted that a restriction based on residency does not appear to achieve an overall substantial equality of treatment between residents and nonresidents as required by the United States Constitution.

Accordingly, your Committee has amended this measure by removing the requirement that the taxpayer must be a resident of the State in order to be eligible for the tax exclusion.

As affirmed by the record of votes of the members of your Committee on Energy, Economic Development, and Tourism that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 927, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 927, S.D. 1, and be referred to your Committee on Ways and Means.

Respectfully submitted on  
behalf of the members of the  
Committee on Energy, Economic  
Development, and Tourism,



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GLENN WAKAI, Chair



