

STAND. COM. REP. NO. 1506

Honolulu, Hawaii

MAR 30 2021

RE: S.R. No. 174  
S.D. 2

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

Sir:

Your Committee on Ways and Means, to which was referred S.R. No. 174, S.D. 1, entitled:

"SENATE RESOLUTION URGING THE DEPARTMENT OF HUMAN RESOURCES DEVELOPMENT AND DEPARTMENT OF EDUCATION TO ESTABLISH AND OFFER A QUALIFIED ROTH CONTRIBUTION PROGRAM TO THEIR RETIREMENT PLAN PARTICIPANTS,"

begs leave to report as follows:

The purpose and intent of this measure is to urge the Department of Human Resources Development and the Department of Education to establish and offer a qualified Roth contribution program to their retirement plan participants.

Your Committee received written comments in support of this measure from one individual.

Your Committee received written comments on this measure from the Department of Human Resources Development.

Your Committee finds that all retirement plans currently offered to state employees are traditional retirement plans that deduct contributions from the employee's pre-tax income, and therefore reduce the employee's taxable income and federal and state tax burden for that current year. However, all future distributions, including capital gains in the account, are treated as taxable income at the time of withdrawal.



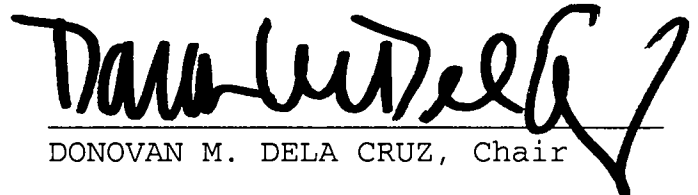
Your Committee also finds that section 402A of the Internal Revenue Code allows certain employer retirement plans to have a qualified Roth contribution program, under which plan participants may designate some or all of their retirement contributions as designated Roth contributions and have them placed into their designated Roth accounts. Unlike traditional pre-tax retirement contributions, an employee's designated Roth contribution is included in the employee's gross income in the year the contribution is made, while qualified distributions from the designated Roth account, including capital gains in the account, are not treated as taxable income at the time of withdrawal.

Your Committee further finds that the option of a designated Roth account will benefit many plan participants, especially employees whose retirement distributions will not occur until decades later, as the exclusion from taxable income of distributions from and capital gains accumulated in a designated Roth account may result in greater tax savings than the amount of tax that would be saved by making pre-tax contributions into a traditional retirement plan.

Your Committee has amended this measure by changing the program implementation date from July 1, 2022, to July 1, 2023.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee concurs with the intent and purpose of S.R. No. 174, S.D. 1, as amended herein, and recommends its adoption in the form attached hereto as S.R. No. 174, S.D. 2.

Respectfully submitted on  
behalf of the members of the  
Committee on Ways and Means,

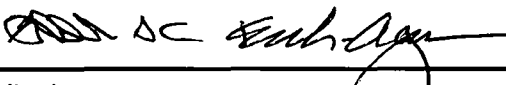


DONOVAN M. DELA CRUZ, Chair



The Senate  
Thirty-First Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Ways and Means**  
**WAM**

Bill / Resolution No.:*	Committee Referral:	Date:		
<i>SR 174, SD 1</i>	<i>LCA, WAM</i>	<i>3/30/21</i>		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MORIWAKI, Sharon Y.	X			
SHIMABUKURO, Maile S.L.	X			
TANIGUCHI, Brian T.	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
<b>TOTAL</b>	<i>11</i>			
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
<b>Distribution:</b> Original    Yellow    Pink    Goldenrod File with Committee Report    Clerk's Office    Drafting Agency    Committee File Copy				

\*Only one measure per Record of Votes