



EXECUTIVE CHAMBERS  
HONOLULU

LINDA LINGLE  
GOVERNOR

July 16, 2009

The Honorable Colleen Hanabusa, President  
and Members of the Senate  
Twenty-Fifth State Legislature  
State Capitol, Room 409  
Honolulu, Hawaii 96813

Dear Madam President and Members of the Senate:

Re: House Bill No. 1550 HD2 SD1 CD1

On July 15, 2009, House Bill No. 1550, entitled "A Bill for an Act Relating to Taxation" became law without my signature, pursuant to Section 16 of Article III of the State Constitution.

The purpose of this bill is to amend Hawaii's income tax law to impose a State income tax on rollovers or transfers made by State and county employees from qualifying deferred compensation plans and qualifying annuity plans to eligible retirement plans.

However, although it was the intent of the legislative conference committee to tax both rollovers and transfers, as stated in the committee report, the actual language of House Bill No. 1550 only imposes a State tax liability on moneys that are rolled over from a qualifying account to the Employees' Retirement System plan. This inadvertent mistake may result in unequal treatment of those State and county employees who choose to purchase Employees' Retirement System hybrid plan credits in a lump sum via a rollover of funds, as defined in the Internal Revenue Code, sections 403 and 457, versus those employees who elect to transfer funds in accordance with the definitions contained in these sections of the Internal Revenue Code.

I encourage the Department of Taxation and the Employees' Retirement System to implement this measure fairly by ensuring equal tax treatment of all public employees using deferred-compensation and annuity plans for their hybrid plan upgrade. In addition, I also encourage the Legislature to fix this technical error in the bill language during the 2010 legislative session.

The Honorable Colleen Hanabusa, President  
and Members of the Senate  
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For the foregoing reasons, I allowed House Bill No. 1550 to become law as Act 181,  
effective July 15, 2009, without my signature.

Sincerely,

A handwritten signature in black ink, appearing to read "Linda Lingle". The signature is fluid and cursive, with a large loop at the end of the last name.

LINDA LINGLE