

May 6th, 1927.

OPINION No. 1430.

EMPLOYEES' RETIREMENT SYSTEM: CONTRIBUTIONS: TAX EXEMPTION:

The contributions or premiums paid by employees to the Retirement System are not deductible in their income tax returns, but the amounts received by them from the System, whether by return of contributions or by receipt of benefits under the Act, are exempt.

Employees' Retirement System,
Territory of Hawaii,
Honolulu.

Gentlemen:

By letter of May 5th you have asked the opinion of this Department whether contributions of Territorial employees to the Retirement System are exempt from income tax. I beg to advise you that they are not so exempt until they are a part of the funds of the Retirement System.

In other words, the employee has to return and pay a tax upon the amount so contributed, the exemption only attaching after such contributions are received by the Retirement System.

This is clear from the wording of Section 12, Act 55, S. L. 1925, and is also illustrated by the analogy of insurance payments under the Federal tax law. There the premiums are not exempted, but the fund finally received is. So under our Retirement System the premiums or contributions of the employees cannot be de-

ducted from their income tax returns, but the amounts finally received are exempt.

Very truly yours,

MARGUERITE K. ASHFORD,
First Deputy Attorney General.

APPROVED:

WILLIAM B. LYMER,
Attorney General.