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# A BILL FOR AN ACT

RELATING TO UNIVERSITY OF HAWAII TUITION TAX CREDIT.

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

1           SECTION 1. The legislature finds that the tuition at the  
2 University of Hawaii system is rising at a rate that makes  
3 higher education unaffordable for many of Hawaii's residents.  
4 The tuition is currently set at \$3,504 at the Manoa campus for  
5 the 2005-2006 academic year, which gradually rises annually by  
6 \$816 to \$8,400 by the academic year 2011-2012. The University  
7 of Hawaii at Hilo and at West Oahu, and the community colleges,  
8 are also raising tuition but by a lesser amount.

9           Although the University of Hawaii has endeavored to  
10 ameliorate the tuition rise by gradually increasing the tuition  
11 over a six-year period, the amount is still high for students  
12 and their parents who have to work harder to afford the tuition  
13 and expenses. The legislature further finds students will be  
14 discouraged from pursuing higher education, which would curtail  
15 the State's efforts to cultivate an educated workforce. The  
16 long-term consequences to the State are dire. A comparatively  
17 uneducated workforce ultimately translates into an economy in



1 which menial jobs predominate, an increase in social welfare  
2 programs, and drastically reduced state revenue.

3 On the federal level, the U.S. Congress has enacted the  
4 lifetime learning tax credit against federal income taxes in  
5 recognition of the problem of affordability of a college  
6 education.

7 The purpose of this Act is to enact an income tax credit  
8 for eligible residents for tuition and related expenses paid to  
9 the University of Hawaii.

10 SECTION 2. Chapter 235, Hawaii Revised Statutes, is  
11 amended by adding a new section to be appropriately designated  
12 and to read as follows:

13 "§235- Lifetime learning tax credit. (a) Section 25A  
14 (with respect to lifetime learning credit) of the Internal  
15 Revenue Code shall be operative for the purposes of this  
16 chapter, except as provided in subsection (c); provided that  
17 section 25A(g) (6), relating to credit for married individuals  
18 filing separate returns, and section 25A(h), relating to  
19 inflation adjustments, of the Internal Revenue Code shall not be  
20 applicable; and provided further that the tax credit provided  
21 under this section shall be available for taxable years  
22 beginning after December 31, 2005 through December 31, 2012.



1        (b) Each taxpayer subject to the tax imposed by this  
2 chapter, who has filed a net income tax return for a taxable  
3 year may claim a lifetime learning tax credit against the  
4 taxpayer's net income tax liability. The amount of the credit  
5 shall be deductible from the taxpayer's net income tax  
6 liability, if any, imposed by this chapter for the taxable year  
7 in which the credit is properly claimed on a timely basis.

8        (c) The lifetime learning tax credit shall be twenty per  
9 cent of the tuition and related expenses paid by the taxpayer  
10 during the taxable year (for education furnished during any  
11 academic period in such taxable year) at the University of  
12 Hawaii at Manoa, University of Hawaii-West Oahu, University of  
13 Hawaii at Hilo, and any of the community colleges of the  
14 University of Hawaii, not to exceed \$5,000.

15        (d) The credit allowed under this section shall be claimed  
16 against net income tax liability for the taxable year. For the  
17 purpose of deducting this tax credit, net income tax liability  
18 means net income tax liability reduced by all other credits  
19 allowed the taxpayer under this chapter.

20        A tax credit under this section which exceeds the  
21 taxpayer's income tax liability may be used as a credit against  
22 the taxpayer's income tax liability in subsequent years until



1 exhausted. All claims for a tax credit under this section must  
 2 be filed on or before the end of the twelfth month following the  
 3 close of the taxable year for which the credit may be claimed.  
 4 Failure to properly and timely claim the credit shall constitute  
 5 a waiver of the right to claim the credit.

6 Section 469 (with respect to passive activity losses and  
 7 credits limited) of the Internal Revenue Code shall be applied  
 8 in claiming the credit under this section.

9 (e) The director of taxation may adopt any rules under  
 10 chapter 91 and forms necessary to carry out this section."

11 SECTION 3. New statutory material is underscored.

12 SECTION 4. This Act, upon its approval, shall apply to  
 13 taxable years beginning after December 31, 2005.

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# SB. NO 2977

**Report Title:**

UH; Tuition Tax Credit; Lifetime Learning

**Description:**

Provides a tax credit for eligible taxpayers for twenty per cent of tuition and related expenses at any UH campus, not to exceed \$5,000 per year.

