

JAN 24 2007

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# A BILL FOR AN ACT

RELATING TO COLLEGE SAVINGS PROGRAM.

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

1           SECTION 1. Section 235-7, Hawaii Revised Statutes, is  
2 amended by amending subsection (a) to read as follows:

3           "(a) There shall be excluded from gross income, adjusted  
4 gross income, and taxable income:

5           (1) Income not subject to taxation by the State under the  
6 Constitution and laws of the United States;

7           (2) Rights, benefits, and other income exempted from  
8 taxation by section 88-91, having to do with the state  
9 retirement system, and the rights, benefits, and other  
10 income, comparable to the rights, benefits, and other  
11 income exempted by section 88-91, under any other  
12 public retirement system;

13           (3) Any compensation received in the form of a pension for  
14 past services;

15           (4) Compensation paid to a patient affected with Hansen's  
16 disease employed by the State or the United States in



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1 any hospital, settlement, or place for the treatment  
2 of Hansen's disease;

3 (5) Except as otherwise expressly provided, payments made  
4 by the United States or this State, under an act of  
5 Congress or a law of this State, which by express  
6 provision or administrative regulation or  
7 interpretation are exempt from both the normal and  
8 surtaxes of the United States, even though not so  
9 exempted by the Internal Revenue Code itself;

10 (6) Any income expressly exempted or excluded from the  
11 measure of the tax imposed by this chapter by any  
12 other law of the State, it being the intent of this  
13 chapter not to repeal or supersede any such express  
14 exemption or exclusion;

15 (7) Income received by each member of the reserve  
16 components of the Army, Navy, Air Force, Marine Corps,  
17 or Coast Guard of the United States of America, and  
18 the Hawaii national guard as compensation for  
19 performance of duty, equivalent to pay received for  
20 forty-eight drills (equivalent of twelve weekends) and  
21 fifteen days of annual duty, at an:



- 1 (A) E-1 pay grade after eight years of service;  
2 provided that this subparagraph shall apply to  
3 taxable years beginning after December 31, 2004;
- 4 (B) E-2 pay grade after eight years of service;  
5 provided that this subparagraph shall apply to  
6 taxable years beginning after December 31, 2005;
- 7 (C) E-3 pay grade after eight years of service;  
8 provided that this subparagraph shall apply to  
9 taxable years beginning after December 31, 2006;
- 10 (D) E-4 pay grade after eight years of service;  
11 provided that this subparagraph shall apply to  
12 taxable years beginning after December 31, 2007;  
13 and
- 14 (E) E-5 pay grade after eight years of service;  
15 provided that this subparagraph shall apply to  
16 taxable years beginning after December 31, 2008;
- 17 (8) Income derived from the operation of ships or aircraft  
18 if the income is exempt under the Internal Revenue  
19 Code pursuant to the provisions of an income tax  
20 treaty or agreement entered into by and between the  
21 United States and a foreign country, provided that the  
22 tax laws of the local governments of that country



1 reciprocally exempt from the application of all of  
2 their net income taxes, the income derived from the  
3 operation of ships or aircraft that are documented or  
4 registered under the laws of the United States;

5 (9) The value of legal services provided by a prepaid  
6 legal service plan to a taxpayer, the taxpayer's  
7 spouse, and the taxpayer's dependents;

8 (10) Amounts paid, directly or indirectly, by a prepaid  
9 legal service plan to a taxpayer as payment or  
10 reimbursement for the provision of legal services to  
11 the taxpayer, the taxpayer's spouse, and the  
12 taxpayer's dependents;

13 (11) Contributions by an employer to a prepaid legal  
14 service plan for compensation (through insurance or  
15 otherwise) to the employer's employees for the costs  
16 of legal services incurred by the employer's  
17 employees, their spouses, and their dependents; [and]

18 (12) Amounts received in the form of a monthly surcharge by  
19 a utility acting on behalf of an affected utility  
20 under section 269-16.3 shall not be gross income,  
21 adjusted gross income, or taxable income for the  
22 acting utility under this chapter. Any amounts



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1 retained by the acting utility for collection or other  
 2 costs shall not be included in this exemption[-]; and  
 3 (13) Contributions to the college savings program under  
 4 chapter 256, established pursuant to section 529 of  
 5 the Internal Revenue Code of 1986, as amended;  
 6 provided that the deduction shall not exceed \$5,000  
 7 per individual return and \$10,000 for a joint return."

8 SECTION 2. Statutory material to be repealed is bracketed  
 9 and stricken. New statutory material is underscored.

10 SECTION 3. This Act shall take effect upon its approval  
 11 and shall apply to taxable years beginning after December 31,  
 12 2006.

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INTRODUCED BY: Mike Hubbard

Erzanne Chun Calhoun

Clara K. Smith

Alan G. B.

David J. G.

Will E. G.

John

Norman S. G.



**Report Title:**

Higher Education; Tuition Savings Program

**Description:**

Allows a tax deduction for contributions to the Hawaii college savings programs.

