

JAN 24 2007

A BILL FOR AN ACT

RELATING TO THE COLLEGE SAVINGS ACCOUNT PROGRAM.

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

1 SECTION 1. The purpose of this Act is to provide initial
2 state investments at birth and periodic investments throughout a
3 child's lifetime to college savings accounts to encourage
4 savings and investment for post-secondary educational purposes.

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

8 "§235- College savings account program; tax deduction.

9 (a) There shall be allowed as a deduction from gross income the
10 amount paid during the taxable year by an individual taxpayer as
11 contributions to a college savings account under chapter 256;
12 provided that the tax deduction shall not exceed \$ for
13 taxpayers filing individually and \$ for taxpayers
14 filing jointly.

15 (b) The director of taxation shall prepare any forms that
16 may be necessary to claim a tax deduction under this section,



1 may require proof of the claim for the tax deduction, and may
2 adopt rules pursuant to chapter 91.

3 (c) For purposes of this section, the term "college
4 savings account" shall have the same meaning as defined in
5 section 256-1."

6 SECTION 3. Chapter 256, Hawaii Revised Statutes, is
7 amended by adding a new section to be appropriately designated
8 and to read as follows:

9 "§256- Initial deposit voucher. (a) With the issuance
10 of each birth certificate for a child born in the State, the
11 department of health shall issue a voucher in the child's name
12 to open a college account under this chapter.

13 (b) Upon presentation of a voucher issued under subsection
14 (a) and acceptance of an application under section 256-4(a), the
15 State shall transfer from the college savings program trust fund
16 \$1,000 to the account owner's college account."

17 SECTION 4. Section 256-4, Hawaii Revised Statutes, is
18 amended by amending subsection (e) to read as follows:

19 "(e) An account owner may change the designated
20 beneficiary of an account to an individual who is a member of
21 the family of the prior designated beneficiary[-]; provided that
22 an amount equal to state contributions to the account, plus



1 interest accrued thereon, shall be withheld as a penalty and
 2 paid to the college savings program trust fund. An account
 3 owner may transfer all or a portion of an account to another
 4 college account, the designated beneficiary of which is a member
 5 of the same family, as defined in section 529 of the Internal
 6 Revenue Code of 1986, as amended, or successor legislation, as
 7 the beneficiary of the initial account[-]; provided that an
 8 amount equal to state contributions to the account, plus
 9 interest accrued thereon, shall be withheld as a penalty and
 10 paid to the college savings program trust fund. Changes in
 11 designated beneficiaries and transfers under this section shall
 12 not be permitted if they constitute excess contributions."

13 SECTION 5. Section 256-6, Hawaii Revised Statutes, is
 14 amended by amending subsection (b) to read as follows:

15 "(b) The fund shall consist of a trust account and an
 16 operating account. The trust account shall include amounts
 17 received by the college savings program pursuant to tuition
 18 savings agreements, administrative charges, fees, and all other
 19 amounts received by the program from other sources, and interest
 20 and investment income earned by the fund. The director of
 21 finance, from time to time, shall make transfers from the trust
 22 account to [the]:



1 (1) The operating account for the immediate payment of
 2 obligations under tuition savings agreements,
 3 operating expenses, and administrative costs of the
 4 college savings program[-]; and

5 (2) College savings accounts pursuant to section 256- ."

6 SECTION 6. There is appropriated out of the general
 7 revenues of the State of Hawaii the sum of \$, or so
 8 much thereof as may be necessary for fiscal year 2007-2008, and
 9 the same sum, or so much thereof as may be necessary for fiscal
 10 year 2008-2009, to the college savings program trust fund.

11 The sums appropriated shall be expended by the department
 12 of budget and finance for the purposes of this Act.

13 SECTION 7. There is appropriated out of the general
 14 revenues of the State of Hawaii the sum of \$, or so
 15 much thereof as may be necessary for fiscal year 2007-2008, and
 16 the same sum, or so much thereof as may be necessary for fiscal
 17 year 2008-2009, for the issuance of vouchers for the college
 18 savings account program, as provided under this Act.

19 The sums appropriated shall be expended by the department
 20 of health for the purposes of this Act.

21 SECTION 8. Statutory material to be repealed is bracketed
 22 and stricken. New statutory material is underscored.



1 SECTION 9. This Act, upon its approval, shall apply to
 2 taxable years beginning after December 31, 2006; provided that
 3 sections 5 and 6 shall take effect on July 1, 2007.

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Report Title:

Asset Building; College Savings Account Program

Description:

Provides initial state investments at birth for children born in Hawaii to open college savings accounts to encourage savings and investment for post-secondary educational purposes.

