

JAN 19 2007

A BILL FOR AN ACT

RELATING TO TAXATION.

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

1 SECTION 1. The legislature finds that Hawaii's college
2 savings program, established pursuant to section 529 of the
3 Internal Revenue Code of 1986, as amended, or successor
4 legislation, offers individuals the opportunity to save money
5 for post-secondary educational expenses. The legislature
6 further finds that like the college savings programs of other
7 jurisdictions, Hawaii's college savings program allows
8 participants to benefit from various tax advantages, including
9 tax-free withdrawals.

10 Currently, twenty-eight states and the District of Columbia
11 offer account owners a state income tax deduction or tax credit
12 for contributions made to qualified 529 plans within the those
13 jurisdictions. However, Hawaii is not one of the states that
14 offers either an income tax deduction or an income tax credit
15 for contributions made to the Hawaii college savings program.
16 The legislature determines that in light of the increased cost
17 of a post-secondary education, additional efforts must be made



1 to assist and encourage individuals to save for and to pursue
2 higher education.

3 The purpose of this Act is to provide individuals who make
4 contributions to Hawaii's college savings program with a tax
5 deduction to encourage savings and investment for post-secondary
6 educational purposes.

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

10 "§235- College savings program; tax deduction. (a)
11 There shall be allowed as a deduction from gross income the
12 amount paid during the taxable year by an individual taxpayer as
13 contributions to a college savings account under chapter 256;
14 provided that the tax deduction shall not exceed \$5,000 for
15 taxpayers filing individually and \$10,000 for taxpayers filing
16 jointly.

17 (b) The director of taxation shall prepare any forms that
18 may be necessary to claim a tax deduction under this section,
19 may require proof of the claim for the tax deduction, and may
20 adopt rules pursuant to chapter 91.



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

4 SECTION 3. New statutory material is underscored.

5 SECTION 4. This Act, upon its approval, shall apply to
 6 taxable years beginning after December 31, 2006.

7

INTRODUCED BY: Alma Mercedes
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Arvid J. J.



Report Title:

College Savings Program; Income Tax; Deduction

Description:

Establishes an income tax deduction for contributions to the college savings program, established pursuant to section 529 of the Internal Revenue Code of 1986, as amended, or successor legislation, to encourage savings and investment for post-secondary educational purposes.

