

Honolulu, Hawaii

FEB 16 2007

RE: S.B. No. 1268
S.D. 1

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2007
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 1268 entitled:

"A BILL FOR AN ACT RELATING TO A COLLEGE SAVINGS PROGRAM TAX CREDIT,"

begs leave to report as follows:

The purpose of this measure is to establish a college savings program tax credit.

Testimony in support of this measure was received from the University of Hawai'i System and the Hawaii Association of Independent Schools. The Department of Budget and Finance, the Department of Taxation, and the Tax Foundation of Hawaii submitted comments.

Your Committee finds that increasing options for financing a college education is important to the development of the highly skilled workforce necessary in emerging and innovative industries.

Your Committee received a revenue impact statement from the Department of Taxation (Department) that stated the projected revenue loss is \$6,300,000 for fiscal year 2010.

In its methodology, the Department stated that approximately 50,000 students were enrolled in fall 2005, at the University of Hawai'i, and it was assumed that twenty-five per cent of these students would have a parent or guardian who will contribute to



the College Savings Program. The maximum credit amount was applied to this number to get the projected revenue loss.

Your Committee further finds that Section 529 of the Internal Revenue Code allows states to sponsor programs that allow contributions to qualifying educational tax-free accounts, and that Hawaii has a 529 Program.

Your Committee has heard, however, that Hawaii's 529 Program is not widely used. Your Committee also notes that there has been discussion of a tax credit, as opposed to a tax deduction, to accomplish a similar purpose.

It is the intent of your Committee to continue the discussion on the pros and cons of the various college savings options.

Your Committee has amended this measure accordingly, by:

- (1) Inserting an effective date of July 1, 2035, for the purposes of further discussion; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Economic Development and Taxation that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 1268, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.B. No. 1268, S.D. 1.


Respectfully submitted on
behalf of the members of the
Committee on Economic
Development and Taxation,


CAROL FUKUNAGA, Chair



The Senate
 Twenty-Fourth Legislature
 State of Hawaii

Record of Votes
Committee on Economic Development and Taxation
EDT

Bill / Resolution No.:* SB 1268	Committee Referral: EDU, EDT, WAM	Date: 2/15/07		
<input type="checkbox"/> The committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
FUKUNAGA, Carol (C)	✓			
ESPERO, Will (VC)	✓			
ENGLISH, J. Kalani				✓
IGE, David Y.	✓			
SLOM, Sam	✓			
TOTAL	4			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: <div style="text-align:center; font-family: cursive; font-size: 1.2em;">  </div>				
Distribution: Original Yellow Pink File with Committee Report Clerk's Office Drafting Agency				

*Only one measure per Record of Votes