

STAND. COM. REP. NO.

2533

Honolulu, Hawaii

FEB 15 2008

RE: S.B. No. 2660

S.D. 2

Honorable Colleen Hanabusa
President of the Senate
Twenty-Fourth State Legislature
Regular Session of 2008
State of Hawaii

Madam:

Your Committee on Economic Development and Taxation, to which was referred S.B. No. 2660, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO COLLEGE SAVINGS PROGRAMS,"

begs leave to report as follows:

The purpose of this measure is to provide a taxable deduction for taxpayers in Hawaii who contribute to section 529 college savings plans and also to require Hawaii financial institutions to make information on the section 529 plans available to interested persons.

Testimony in support of this measure was submitted by the Department of Taxation, the Department of Budget and Finance, the Securities Industry and Financial Markets Association, Upromise Investments, Inc., Morgan Stanley, the Hawaii Credit Union League, and one individual citizen. Comments on this measure were submitted by the Tax Foundation of Hawaii.

Your Committee finds that supporting a measure for tax deductible contributions to a section 529 college savings account is in the best interest of helping to educate Hawaii's students. Clarifying the amounts that taxpayers are eligible to deduct will aid Hawaii's taxpayers in complying with section 529 of the Internal Revenue Code and also help Hawaii's families with planning for the future education of their children.



Accordingly, it is the intent of your Committee to support a tax deduction for taxpayer contributions to a section 529 college savings plan.

Your Committee received a fiscal impact statement from the Department of Taxation that this measure, as introduced, would result in an annual revenue loss to the State of approximately \$1,000,000. Their methodology is as follows:

There were a total of 3,300 section 529 college savings plan accounts in Hawaii calendar year 2007. They estimated an additional 100 accounts to be opened in calendar year 2008, thus a total of 3,400 accounts at the end of 2008. Assuming each account is for an individual, each account has the maximum deductible contribution of \$5,000, and a tax rate of six per cent, the annual loss in revenue to the State is \$1,000,000.

Your Committee has amended this measure by:

- (1) Adding clarifying language that limits the maximum tax deduction to a taxpayer's contribution during the taxable year;
- (2) Changing the effective date to facilitate further discussions on this measure; and
- (3) Making technical, nonsubstantive amendments for the purpose of clarity.

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. 2660, S.D. 1, 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. 2660, S.D. 2.

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.:*	Committee Referral:	Date:		
<i>SB 2660, SD1</i>	<i>EDU, EDT, WAM</i>	<i>2/14/08</i>		
<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)	✓			
BAKER, Rosalyn H.	✓			
ENGLISH, J. Kalani				✓
IGE, David Y.	/			
SLOM, Sam	/			
TOTAL	<i>5</i>			<i>1</i>
Recommendation:				
<input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature:				
<i>Will Espero</i>				
Distribution:				
Original File with Committee Report	Yellow Clerk's Office	Pink Drafting Agency	Goldenrod Committee File Copy	

*Only one measure per Record of Votes