

TESTIMONY BY GEORGINA K. KAWAMURA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
STATE OF HAWAII  
TO THE HOUSE COMMITTEE ON HIGHER EDUCATION  
ON  
HOUSE BILL NO. 2458

January 31, 2008

RELATING TO COLLEGE SAVINGS PROGRAMS.

House Bill No. 2458 proposes a state income tax deduction to individual taxpayers for contributions to accounts in the State of Hawaii's 529 College Savings Program, called "HI529."

The Department of Budget and Finance supports the intent of this bill, which is consistent with the Administration's House Bill No. 3078 that provides individuals an incentive in the form of a State tax deduction for contributions to HI529. We appreciate the overall goal of helping individuals and families set aside funds for future higher education costs.

However, House Bill No. 2458 proposes a maximum tax deduction of \$10,000 for taxpayers filing individually, \$20,000 for married couples filing separate returns, provided that each spouse may claim a deduction up to \$10,000; and \$20,000 for married couples filing jointly, heads of household and surviving spouses. We have consulted with the State Tax Department and the language in House Bill No. 3078 is preferred, in regards to married couples filing separate return, as follows: "Up to \$10,000 for married couples filing separate returns; provided that each spouse may claim a deduction up to \$10,000."

Thank you for this opportunity to provide testimony on this measure.

TO: Representative Jerry Chang  
Chairman, Higher Education Committee  
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Re: HB 2458  
College Savings Program: Annual Income Tax Deduction  
Hearing on January 31, 3:00 P.M.  
Vote Yes.

Chairman Chang and members of the Higher Education Committee:

My name is James Deutch, I am a long time resident of the State of Hawaii, and I am a grandparent. I believe I speak for all of the grandparents and great-grandparents of our state when I tell you that this catch-up bill is long overdue.

Higher education for our children is a necessity, a very expensive necessity. Many, if not most of us kapunas, are on fixed incomes, but despite that reality, we want to contribute to the education of grandchildren. I believe that the modest tax deduction for educational contributions offered in this bill will go far to assist and encourage grandparents, and other family members, to set aside more funds for our keikis.

I have another concern that I wish to share with you. Many children need special types of costly education even before they reach college. For example, one (1) out of 150 children is born with autism, a condition that runs from very disabling to mildly disabling. This was all theory to me until I had a grandchild diagnosed with this condition. The educational therapy needed for training children with this disease or other learning difficulties can be very expensive for families. I would like to see our 529 College Savings Program be available for children of all ages. I suggest that if this provision is adopted, you can put a face to it by calling it "Natalie's Bill."

We grandparents want to contribute to our grandchildren's education in a big way, but we need some help through this legislation to do it.

Thank you.

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