

February 11, 2008

Fax: 586-6899

To: Members of the Committee on Economic Development and Taxation

From: Niki Libarios

Re: SB2660/SD1

I am writing to support SB2660/SD1 which is scheduled for hearing on February 12, 2008.

After my first daughter was born four years ago my wife and I opened up a Hawaii 529 Tuition Edge account as a college savings plan for her. The establishment of this program was well intended and we are happy that we immediately participated in this program. Recently, the HI 529 plan replaced this program and it is a step in the right direction as the underlying investments in this plan has lower fees. However, there is still improvement that can be made to the HI 529 plan.

The HI 529 plan is still less superior to plans offered in other states for 2 primary reasons:

- 1) Hawaii's plan does not offer an in-state tax deduction for contributions
- 2) Hawaii's plan does not offer any program match on contributions

Measures to address these concerns should be implemented because of the following:

- 1) In Hawaii's tough economic environment, every effort should be made to assist families in saving for higher education
- 2) An effective and attractive colleges saving plan in Hawaii can contribute to an increase of college graduates in Hawaii
- 3) The correlation between Hawaii's low socioeconomic and ethnically underrepresented groups in higher education is high and this is an opportunity to help address the higher education financial barriers for Hawaiians, Filipinos, Samoans, and other ethnically underrepresented groups

Hawaii's current plan is good, but it can be made better. I now have a second daughter and I know I can open up a college savings plan for her in another state, but I prefer not to. Please support SB2660/SD1 as it seeks to address the concerns stated above. If you have any questions or would like to discuss the above directly with me, I may be reached at (808)754-1731. Thank you.

 **First Hawaiian Bank**
FACSIMILE COVER LETTER

Date: 2/12/2008

Time: 9:00 am

Deliver To		From	
The Honorable Carol Fukunaga, Chair Economic Development and Taxation Committee		Vernon Wong, President Financial Planning Association - Hawaii Chapter	
Telephone	Fax No. 808-586-6899	Telephone	Fax No. 808-525-8110

Comments:

Please see the attached letter from the Financial Planning Association, RE: S.B. 2660 Relating to Taxation.

We are transmitting 4 page(s), including this cover letter.

The documents accompanying this transmission contain information which is **privileged, confidential, and nondisclosable**. The information is intended only for the use of the individual or entity named above. If you are not the intended recipient, you are hereby notified that any dissemination, distribution, copying, or use of this communication is strictly prohibited. If you have received this communication in error, please notify us immediately by telephone so that we can arrange for the return of the original documents to us.

Sent via Electronic Mail

February 11, 2008

The Honorable Carol Fukunaga, Chair
Economic Development and Taxation Committee
Hawaii State Capitol, Room 216
415 South Beretania Street
Honolulu, HI 96813
E-mail: senfukunaga@Capitol.hawaii.gov

The Honorable Will Espero, Vice-Chair
Economic Development and Taxation Committee
Hawaii State Capitol, Room 207
415 South Beretania Street
Honolulu, HI 96813
E-Mail: senespero@Capitol.hawaii.gov

RE: S.B. 2660 Relating to Taxation

Dear Chairman Fukunaga and Vice-Chair Espero:

The Hawaii Chapter of the Financial Planning Association (FPA®)¹ would like to commend the Hawaii legislature for encouraging Hawaii residents to save for college through S.B. 2660. This bill would allow Hawaii residents who contribute to any qualified college savings plan to deduct the amount of that contribution – up to a maximum of \$10,000 per married couple filing jointly - from their gross income for state tax purposes. We strongly support your efforts to increase college savings for Hawaii residents.

Although we strongly support SB 2660, the bill was amended in the Senate Education Committee and the amendment causes us some concern. **We respectfully request that Section 2 of SB 2660 be deleted** for the reasons discussed below.

By allowing for a deduction for a contribution to any qualified 529 plan, financial planners will be able to give Hawaii residents the best opportunities to invest their money to meet their individual needs. This deduction will encourage competition among 529 plans and investment choices, which will encourage the industry to provide more competitive products. It also gives financial

¹ The Financial Planning Association is a 501(c)6 non-profit professional association representing financial planners and affiliated firms, with over 100 chapters throughout the country. FPA is incorporated in Washington, D.C., with its primary administrative office in Denver. FPA connects those who need, support and deliver financial planning. We believe that everyone is entitled to objective advice from a competent, ethical financial planner to make smart financial decisions. FPA members demonstrate and support a professional commitment to education and a client-centered financial planning process.

planners more choices when offering 529 plans to clients. Planners will be in a unique position to help Hawaii residents select the 529 plan that fits best with their needs and goals.

Many other states have followed a similar pattern and are thus benefiting from this decision. The Pennsylvania legislature, as you may know, recently approved similar legislation offering a state income tax deduction for contributions made to any state's 529 college savings plan.² Maine and Kansas have also passed similar measures that took effect in 2007. The FPA commends this effort and fully supports Section 529 College Savings Plan parity.

The Financial Planning Association represents more than 28,500 individual members who provide professional advice to individuals and their families on a variety of topics including education planning. Today, college planning is an essential part of most personal financial plans. Uniform application of 529 deductions, or reciprocity, is critical in today's world for family's plans to save for their children's college educations. Not all states offer the same investment options, expenses, or other benefits. Because each plan varies considerably on a state-by-state basis, it is important for financial planners and other advisers to be able to recommend a plan that best suits their clients' needs.

FPA urges you to support S.B. 2660 and enable Hawaii residents to have the greatest advantage when choosing to save for college. Section 529 plan parity comes at a crucial time when college expenses are higher than ever before. The College Board³ estimates that the average annual total cost of attending a 4-year public and a 4-year private college or university in 2007-08 has increased 5.9% (to \$13,589) and 5.9% (to \$32,307) from the 2006-07 school year. College planning is the second highest expenditure incurred by most families (following the purchase of their home). Parity makes it easier for families to save for future educational expenses. It also encourages saving at a time when our nation's savings rate is at an all time low and the national economic outlook is bleak.

Notwithstanding our strong support for SB 2660, however, **we respectfully request that Section 2 of the bill be deleted.** Section 2 was added to SB 2660 in the Senate Education Committee and reads:

"§412: - Hawaii college savings program; disclosure. A financial institution shall provide to any person who seeks investment advice or services regarding postsecondary education savings accounts, established pursuant to section 529 of the Internal Revenue Code of 1986, as amended, information on the Hawaii college savings program, established under chapter 256, and its features and benefits."

² Pennsylvania [Act 67 of the laws of 2006], signed by Governor Edward Rendell on July 6, 2006, allows Pennsylvania residents to save for future education expenses up to a contribution amount of \$12,000 per beneficiary, per year. The new law, which begins with the 2006 tax year, supplements the Federal tax benefits that are currently allowed. The bill also eliminates the so-called "back-end" disparity that does not allow state tax exemptions for distributions on out-of-state plans.

³ The College Board, Trends in College Pricing, (2007).

The Hawaii college savings plan ("Hawaii Plan") is not a plan that advisors may sell. While presumably financial institutions could inform clients of the existence of the Hawaii plan it would be unusual and confusing to clients if the financial institution cannot place the client in the plan. We are further concerned regarding our responsibility to our clients. Generally, financial planners must act as fiduciaries, i.e., they must act solely in the best interest of their clients. While the Hawaii plan may be in the best interests of some clients, it may not be a good fit for all. Requiring planners to provide this information to all clients would then give rise to a duty for them to tell many that the Hawaii Plan is not good for them. This mixed message will also play out in a non-fiduciary setting. While it is appropriate for Hawaii to encourage participation in the Hawaii Plan, *requiring* financial professionals to distribute information to clients without regard to the clients specific needs will place those professionals in an untenable position and will merely confuse investors.

FPA and its members are pleased to respond to your questions in connection with these comments or even testify on the importance of issuing Section 529 College Savings Plan parity. Please do not hesitate to contact Dan Barry, Director of Government Relations, at 202.449.6343 or Brian H. Enoka, CFP®, 808.523.9102.

Sincerely,


President

testimony

From: Chamberlain, Kimberly [kchamberlain@sifma.org]
Sent: Tuesday, February 12, 2008 3:59 AM
To: Ariyoshi, Donn; testimony
Cc: Chris Stack; Pacarro, Gwen; Pacarro, Gary; Jobe, Stephen R; Dan Barry; Brian.Enoka@aigretirement.com
Subject: RE: SB 2660 Testimony

Donn -

Thanks for all of your hard work on this issue. Please let us know how the hearing goes and what else we can do to be helpful.

I did want to make you aware (if you are not already) of a group called the Hawaii SIA. Chris Pike of Wedbush Morgan is the leader of the group. I contacted him yesterday to make sure he was aware of all of this 529 activity. His contact information is chris.pike@wedbush.com. His phone number is 808-536-4579. I will forward your information to him as well.

We also have a lobbying firm (Capital Consultants of Hawaii) on retainer in Hawaii. Red Morris and John Radcliffe are our folks. They can be reached at 808-531-4551. Their e-mails are gamorrisin@aol.com and hawaiilobbyist@aol.com. I will give them your contact info as well.

Thanks again for your help.

Kim Chamberlain
Managing Director & Counsel
State Government Affairs
Securities Industry and Financial Markets Association
120 Broadway - 35th Floor
New York, New York 10271
212-313-1311 (phone)
212-313-1301 (fax)

From: Ariyoshi, Donn [mailto:Donn.Ariyoshi@morganstanley.com]
Sent: Monday, February 11, 2008 7:12 PM
To: testimony@capitol.hawaii.gov
Cc: Chris Stack; Pacarro, Gwen; Pacarro, Gary; Jobe, Stephen R; Chamberlain, Kimberly; Dan Barry; Brian.Enoka@aigretirement.com
Subject: SB 2660 Testimony

Aloha. My name is Donn Ariyoshi and I will be testifying in support of SB 2660 to offer a tax deduction in the Hawaii Plan for all contributions made to all 529 College Savings Plans by Hawaii residents. Attached are (1) our Memo to the Legislature, (2) state performance rankings and (3) letters from organizations supporting SB 2660 and our efforts.

<<Memo to Legislature 2008.doc>> <<State Performance Rankings.pdf>> <<Securities Industry Ltr.pdf>>
I will be at eh Senate Conference Room 224 on Tuesday at 9:25 am.

Mahalo,

Donn R. Ariyoshi

2/12/2008

**Financial Advisor, Western Division
Morgan Stanley
The McRoberts/Strada Team
Global Wealth Management Group**

**ASB Tower, Suite 1600
1001 Bishop Street
Honolulu, Hawai'i 96813**

**Phone - (808) 525-6909
Fax - (808) 525-7939
toll free - 800 465-4071**

email: donn.ariyoshi@morganstanley.com

BE ADVISED: It is important that you do not use e-mail to request, authorize or effect the purchase or sale of any security or commodity, to send fund transfer instructions, or to effect any other transactions. Any such request, orders, or instructions that you send will not be accepted and will not be processed by Morgan Stanley.

Morgan Stanley's Code of Conduct is a Culture of Excellence. All incoming correspondence should be business related and respect our code. All e-mail sent to or from this address will be received or otherwise recorded by the Morgan Stanley corporate e-mail system and is subject to archival, monitoring or review by, and/or disclosure to any other party as required by law. Should you wish to correspond with the recipient of your communication on a personal matter, please contact him/her for the appropriate electronic address.

Important Notice to Recipients:

It is important that you do not use e-mail to request, authorize or effect the purchase or sale of any security or commodity, to send fund transfer instructions, or to effect any other transactions. Any such request, orders, or instructions that you send will not be accepted and will not be processed by Morgan Stanley.

2-12-08 RECOMMENDATION TO CLARIFY LANGUAGE OF AMENDMENTS

Morgan Stanley

Report Title:
College Savings Programs

Description:

Provides an annual maximum deduction of \$5,000 per individual or \$10,000 for a married couple filing jointly against their taxable income for contributions made to a section 529 college savings program in calendar year 2008 and beyond. Establishes a cap on the number of years of the tax deduction carry-forward. Requires Hawaii financial institutions to reference college savings account information to interested parties. (SD1)

- Deleted: \$75,000
- Deleted: total
- Deleted: per college savings account
- Deleted: provide

THE SENATE
TWENTY-FOURTH LEGISLATURE,
2008
STATE OF HAWAII

S.B. NO. 2660
S.D. 1

A BILL FOR AN ACT

RELATING TO COLLEGE SAVINGS PROGRAMS.

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

SECTION 1. In 1996, Congress enacted section 529 of the Internal Revenue Code of 1986, as amended, authorizing tax-deferred college savings plans now referred to as "529 Plans". Section 529 authorizes states to establish these programs to assist and encourage families to set aside funds for future higher education expenses.

Most states with an income tax offer some kind of in-state tax deduction or credit for contributions as an

Formatted: Right: 0.25"

incentive for their residents to participate in these college savings programs. To encourage Hawaii families to save for college in the plan of their choice and to increase their participation in these programs, the purpose of this Act is to provide a state income tax deduction for contributions to any qualified program. This income tax deduction shall apply to program contributions made in calendar year 2008 and beyond.

SECTION 2. Chapter 412, Hawaii Revised Statutes, is amended by adding a new section to be appropriately designated and to read as follows:

"§412: - Hawaii college savings program; disclosure.
A financial institution shall inform or make reference to any
person who seeks investment advice or services regarding
postsecondary education savings accounts, established
pursuant to section 529 of the Internal Revenue Code of 1986,
as amended, of the existence of a Hawaii college savings
program, established under chapter 256, consistent with
applicable laws and regulations governing the sale of
interests in such qualified tuition plans by such financial
institutions."

Formatted: Right: -0.13"

Deleted: provide to

Deleted: information on the

Deleted: and its features and benefits

SECTION 3. Section 235-7, Hawaii Revised Statutes, is amended to read as follows:

Formatted: Right: 0.25"

"§235-7 Other provisions as to gross income, adjusted gross income, and taxable income. (a) There shall be excluded from gross income, adjusted gross income, and taxable income:

- (1) Income not subject to taxation by the State under the Constitution and laws of the United States;
- (2) Rights, benefits, and other income exempted from taxation by section 88-91, having to do with the state retirement system, and the rights, benefits, and other income, comparable to the rights, benefits, and other income exempted by section 88-91, under any other public retirement system;
- (3) Any compensation received in the form of a pension for past services;
- (4) Compensation paid to a patient affected with Hansen's disease employed by the State or the United States in any hospital, settlement, or place for the treatment of Hansen's disease;
- (5) Except as otherwise expressly provided, payments made by the United States or this State, under an act of Congress or a law of this State, which by express provision or administrative regulation or interpretation are exempt from both the normal

Formatted: Right: 0.25"

and surtaxes of the United States, even though not so exempted by the Internal Revenue Code itself;

- (6) Any income expressly exempted or excluded from the measure of the tax imposed by this chapter by any other law of the State, it being the intent of this chapter not to repeal or supersede any express exemption or exclusion;
- (7) Income received by each member of the reserve components of the Army, Navy, Air Force, Marine Corps, or Coast Guard of the United States of America, and the Hawaii national guard as compensation for performance of duty, equivalent to pay received for forty-eight drills (equivalent of twelve weekends) and fifteen days of annual duty, at an:
 - (A) E-1 pay grade after eight years of service; provided that this subparagraph shall apply to taxable years beginning after December 31, 2004;
 - (B) E-2 pay grade after eight years of service; provided that this subparagraph shall apply to taxable years beginning after December 31, 2005;

Formatted: Right: 0.25"

- (C) E-3 pay grade after eight years of service; provided that this subparagraph shall apply to taxable years beginning after December 31, 2006;
 - (D) E-4 pay grade after eight years of service; provided that this subparagraph shall apply to taxable years beginning after December 31, 2007; and
 - (E) E-5 pay grade after eight years of service; provided that this subparagraph shall apply to taxable years beginning after December 31, 2008;
- (8) Income derived from the operation of ships or aircraft if the income is exempt under the Internal Revenue Code pursuant to the provisions of an income tax treaty or agreement entered into by and between the United States and a foreign country; provided that the tax laws of the local governments of that country reciprocally exempt from the application of all of their net income taxes, the income derived from the operation of ships or aircraft that are documented or registered under the laws of the United States;

Formatted: Right: 0.25"

- (9) The value of legal services provided by a prepaid legal service plan to a taxpayer, the taxpayer's spouse, and the taxpayer's dependents;
- (10) Amounts paid, directly or indirectly, by a prepaid legal service plan to a taxpayer as payment or reimbursement for the provision of legal services to the taxpayer, the taxpayer's spouse, and the taxpayer's dependents;
- (11) Contributions by an employer to a prepaid legal service plan for compensation (through insurance or otherwise) to the employer's employees for the costs of legal services incurred by the employer's employees, their spouses, and their dependents;
- (12) Amounts received in the form of a monthly surcharge by a utility acting on behalf of an affected utility under section 269-16.3 shall not be gross income, adjusted gross income, or taxable income for the acting utility under this chapter. Any amounts retained by the acting utility for collection or other costs shall not be included in this exemption; and
- (13) One hundred per cent of the gain realized by a fee simple owner from the sale of a leased fee

Formatted: Right: 0.25"

interest in units within a condominium project, cooperative project, or planned unit development to the association of apartment owners or the residential cooperative corporation of the leasehold units.

For purposes of this paragraph:

"Fee simple owner" shall have the same meaning as provided under section 516-1; provided that it shall include legal and equitable owners;

"Legal and equitable owner" [7] and "leased fee interest" shall have the same meanings as provided under section 516-1; and

"Condominium project" and "cooperative project" shall have the same meanings as provided under section 514C-1.

(b) There shall be included in gross income, adjusted gross income, and taxable income: (1) unless excluded by this chapter relating to the uniformed services of the United States, cost-of-living allowances and other payments exempted by section 912 of the Internal Revenue Code, but section 119 of the Internal Revenue Code nevertheless shall apply; (2) unless expressly exempted or excluded as provided by subsection (a)(6), interest on the obligations of a State or a political subdivision thereof.

Formatted: Right: 0.25"

(c) The deductions of or based on dividends paid or received, allowed to a corporation under chapter 1, subchapter B, Part VIII of the Internal Revenue Code, shall not be allowed. In lieu thereof there shall be allowed as a deduction the entire amount of dividends received by any corporation upon the shares of stock of a national banking association, qualifying dividends, as defined in section 243(b) of the Internal Revenue Code, received by members of an affiliated group, or dividends received by a small business investment company operating under the Small Business Investment Act of 1958 (Public Law 85-699) upon shares of stock qualifying under paragraph (3), seventy per cent of the amount received by any corporation as dividends:

- (1) Upon the shares of stock of another corporation, if at the date of payment of the dividend at least ninety-five per cent of the other corporation's capital stock is owned by one or more corporations doing business in this State and if the other corporation is subjected to an income tax in another jurisdiction (but subsection to federal tax does not constitute subsection to income tax in another jurisdiction);

Formatted: Right: 0.25"

- (2) Upon the shares of stock of a bank or insurance company organized and doing business under the laws of the State;
- (3) Upon the shares of stock of another corporation, if at least fifteen per cent of the latter corporation's business, for the taxable year of the latter corporation preceding the payment of the dividend, has been attributed to this State.

However, except for national bank dividends, the deductions under this subsection are not allowed when they would not have been allowed under section 243 of the Internal Revenue Code, as amended by Public Law 85-866, by reason of subsections (b) and (c) of section 246 of the Internal Revenue Code. For the purposes of this subsection fifteen per cent of a corporation's business shall be deemed to have been attributed to this State if fifteen per cent or more of the entire gross income of the corporation as defined in this chapter (which for the purposes of this subsection shall be computed without regard to source in the State and shall include income not taxable by reason of the fact that it is from property not owned in the State or from a trade or business not carried on in the State in whole or in part), under section 235-5 and the other provisions of this chapter, shall have been attributed to

Formatted: Right: 0.25"

the State and subjected to assessment of the taxable income therefrom (including the determination of the resulting net loss, if any).

(d) (1) For taxable years ending before January 1, 1967, the net operating loss deductions allowed as carrybacks and carryovers by the Internal Revenue Code shall not be allowed. In lieu thereof the net operating loss deduction shall consist of the excess of the deductions allowed by this chapter over the gross income, computed with the modifications specified in paragraphs (1) to (4) of section 172(d) of the Internal Revenue Code, and with the further modification stated in paragraph (3) hereof; and shall be allowed as a deduction in computing the taxable income of the taxpayer for the succeeding taxable year;

(2) (A) With respect to net operating loss deductions resulting from net operating losses for taxable years ending after December 31, 1966, the net operating loss deduction provisions of the Internal Revenue Code shall apply; provided that there shall be no net operating loss deduction carried

Formatted: Right: 0.25"

back to any taxable year ending prior to
January 1, 1967;

- (B) In the case of a taxable year beginning in 1966 and ending in 1967, the entire amount of all net operating loss deductions carried back to the taxable year shall be limited to that portion of taxable income for [~~such~~ the taxable year which the number of days in 1967 bears to the total days in the taxable year ending in 1967; and
- (C) The computation of any net operating loss deduction for a taxable year covered by this subsection shall require the further modifications stated in paragraphs (3), (4), and (5) of this subsection;
- (3) In computing the net operating loss deduction allowed by this subsection, there shall be included in gross income the amount of interest which is excluded from gross income by subsection (a), decreased by the amount of interest paid or accrued which is disallowed as a deduction by subsection (e). In determining the amount of the net operating loss deduction under this subsection of any corporation, there shall be

Formatted: Right: 0.25"

disregarded the net operating loss of [~~such~~] the corporation for any taxable year for which the corporation is an electing small business corporation;

- (4) No net operating loss carryback or carryover shall be allowed by this chapter if not allowed under section 172 of the Internal Revenue Code;
- (5) The election to relinquish the entire carryback period with respect to a net operating loss allowed under section 172(b)(3)(C) of the Internal Revenue Code shall be operative for the purposes of this chapter; provided that no taxpayer shall make such an election as to a net operating loss of a business where [~~such~~] the net operating loss occurred in the taxpayer's business prior to the taxpayer entering business in this State; and
- (6) The five-year carryback period for net operating losses for any taxable year ending during 2001 and 2002 in section 172(b)(1)(H) of the Internal Revenue Code shall not be operative for purposes of this chapter.

(e) There shall be disallowed as a deduction the amount of interest paid or accrued within the taxable year

Formatted: Right: 0.25"

on indebtedness incurred or continued, (1) to purchase or carry bonds the interest upon which is excluded from gross income by subsection (a); or (2) to purchase or carry property owned without the State, or to carry on trade or business without the State, if the taxpayer is a person taxable only upon income from sources in the State.

(f) Losses of property as the result of tidal wave, hurricane, earthquake, or volcanic eruption, or as a result of flood waters overflowing the banks or walls of a river or stream, or from any other natural disaster, to the extent of the amount deductible, under this chapter, not compensated for by insurance or otherwise, may be deducted in the taxable year in which sustained, or at the option of the taxpayer may be deducted in equal installments over a period of five years, the first such year to be the calendar year or fiscal year of the taxpayer in which ~~such~~ the loss occurred.

(g) In computing taxable income there shall be allowed as a deduction:

- (1) Political contributions by any taxpayer not in excess of \$250 in any year; provided that ~~such~~ the contributions are made to a central or county committee of a political party whose candidates

shall have qualified by law to be voted for at the immediately previous general election; or

- (2) Political contributions by any individual taxpayer in an aggregate amount not to exceed \$1,000 in any year; provided that ~~such~~ the contributions are made to candidates as defined in section 11-191, who have agreed to abide by the campaign expenditure limits as set forth in section 11-209; and provided further that not more than \$250 of an individual's total contribution to any single candidate shall be deductible for purposes of this section.

(h) The following annual deductions from gross income shall be allowed for contributions to any qualified tuition program established pursuant to section 529 of the Internal Revenue Code, as amended:

- (1) Up to \$5,000 for individual taxpayers;
- (2) Up to \$5,000 for married couples filing separate returns; provided that each spouse may claim a deduction up to \$5,000; and
- (3) Up to \$10,000 for married couples filing joint returns, individuals filing as the head of the household, or individuals filing as surviving spouses;

Formatted: Right: 0.25"

If the amount of the deduction exceeds the taxpayer's taxable income for the taxable year the contribution is made, the excess deduction may be used as a deduction against the taxpayer's taxable income in subsequent tax years for a maximum of eight (8) years from the year of such contribution. Notwithstanding the foregoing the taxpayer shall add back to their gross income such deduction taken in an amount equal to a withdrawal by them from any such qualified tuition program account for any purpose other than the payment of qualified higher education expenses, in the case of the death or disability of the designated beneficiary, a rollover to another qualified tuition plan, in an amount equal to a scholarship award to such designated beneficiary or for any other purpose that does not result in the imposition of a penalty under section 529 of the Internal Revenue Code, as amended.

Deleted: provided that the aggregate deduction amount shall not exceed \$75,000 per college savings account established pursuant to section 529 of the Internal Revenue Code, as amended.

Deleted: until

Deleted: the excess deduction is exhausted

Deleted: "¶"

Formatted: Indent: Left: 0.5"

SECTION 4. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 5. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2007; provided that amendments made to section 235-7, Hawaii Revised Statutes, by this Act shall not be repealed when

Formatted: Right: 0.25"

that section is reenacted on January 1, 2013, pursuant to
section 3 of Act 166, Session Laws of Hawaii 2007

Formatted: Right: 0.25"

Sent via Electronic Mail

February 14, 2008

The Honorable Carol Fukunaga, Chair
Economic Development and Taxation Committee
Hawaii State Capitol, Room 216
415 South Beretania Street
Honolulu, HI 96813
E-mail: senfukunaga@Capitol.hawaii.gov

The Honorable Will Espero, Vice-Chair
Economic Development and Taxation Committee
Hawaii State Capitol, Room 207
415 South Beretania Street
Honolulu, HI 96813
E-Mail: senespero@Capitol.hawaii.gov

RE: S.B. 2660 Relating to Taxation

Dear Chairman Fukunaga and Vice-Chair Espero:

I am writing on behalf of the Financial Planning Association (FPA®)¹ in support of SB 2660. The President of FPA's Hawaii Chapter (FPA Hawaii), Vernon Wong, recently wrote to you in support of SB 2660, explaining why this bill, which would provide for 529 plan parity, is important to financial planners and investors in Hawaii. FPA Hawaii, representing approximately 150 financial planners in the state, presented the issues well and I will not restate them here.

At the national level, FPA strongly supports 529 plans as an important investment option to help people plan for their children's education as costs skyrocket. As financial planners, having choices available is crucial to providing the best possible financial advice to our clients. For that reason, we strongly urge states to adopt 529 plan parity, as it provides the optimal benefit for parents who are looking to plan for their children's futures.

¹ The Financial Planning Association is a 501(c)6 non-profit professional association representing financial planners and affiliated firms, with over 100 chapters throughout the country. FPA is incorporated in Washington, D.C., with its primary administrative office in Denver. FPA connects those who need, support and deliver financial planning. We believe that everyone is entitled to objective advice from a competent, ethical financial planner to make smart financial decisions. FPA members demonstrate and support a professional commitment to education and a client-centered financial planning process.

We are very pleased that you are considering SB 2660, which would provide for plan parity and choice for Hawaii's parents. We are concerned, however, because we are aware that the legislature is considering other options which fall far short of parity, and thus severely limit the choices available to parents. **We strongly urge you to reject these more restrictive options.** If you have any specific concerns at SB 2660 and plan parity, we would welcome the opportunity to address those concerns so that we can find a way to move SB 2660 forward for the benefit of Hawaii's parents.

Finally, we would like to reiterate FPA Hawaii's concern regarding Section 2 of SB 2660, as stated in Mr. Wong's letter. By mandating, instead of facilitating, the distribution of information regarding the Hawaii 529 plan, the state would at best be creating confusion for investors and at worst could be placing financial planners in jeopardy of violating their legal and ethical obligations to their clients. For that reason **we respectfully request that Section 2 of SB 2660 be deleted.** However, we would welcome the opportunity to work with you to find effective ways to promote the Hawaii 529 plan without compromising planner's obligations to their clients.

Thank you for your consideration of our position. If you have any questions, either I or members of FPA Hawaii would welcome the opportunity to discuss these issues with you. Please do not hesitate to contact me at 202.449.6343 or Dan.Barry@fpanet.org.

Very truly yours,

A handwritten signature in black ink, appearing to read 'DB', with a long horizontal line extending to the right.

Daniel Barry
Director of Government Relations



February 12, 2008
9:25 a.m.
Conference Room 224

TESTIMONY TO
THE SENATE COMMITTEE ON
ECONOMIC DEVELOPMENT & TAXATION

SB 2660 SD1 – Relating to College Savings Programs

Dear Chair Fukunaga, Vice-Chair Espero, and Members of the Committee:

My name is Robert Witt, executive director of the Hawaii Association of Independent Schools, which represents approximately 100 private and independent schools and educates over 30,000 elementary and secondary school students in our state.

Our association supports the intent of SB 2660 SD1, which is consistent with that of SB 3000—to provide taxpayers with a state tax deduction for contributions to Hawaii's 529 College Savings Program; however, like the State Department of Budget and Finance, we oppose allowing state tax deductions for contributions to 529 plans other than Hawaii's. In addition, we are in support of the higher maximum deductions given in SB 3000, rather than those given in this measure.

Most prominent among our reasons for supporting SB 2660 SD1 is the recently adopted goal of the Hawaii P-20 initiative to work strenuously over the next decade to significantly increase the percentage of adults living in Hawaii with a four-year college degree. This measure would provide significant financial incentives for parents, grandparents and family members to save the funds necessary to send more high school graduates to college over the next ten years than have ever attended before.

Our association has supported the 529 College Savings Program for many years, posting information about the program on our website and allocating space in our annual private school guide to present families with information about how to participate. We have recently renewed our commitment to advancing this program with an even greater number of families and, working together with the State Department of Budget and Finance, will continue to add value to the program in the years ahead, beginning by advocating for the tax deduction proposed by this bill.

Thank you for this opportunity to testify.