
A BILL FOR AN ACT

RELATING TO QUALIFIED TUITION PROGRAMS.

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

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

8 Most states that assess an income tax offer some kind of
9 in-state tax deduction or credit for contributions as an
10 incentive for residents to participate in the college savings
11 plan of their choice and to increase their participation in
12 these programs.

13 The purpose of this Act is to provide a state income tax
14 deduction for contributions to any qualified tuition program
15 that shall apply to program contributions made in calendar year
16 2009 and thereafter.



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

4 "§235- Qualified tuition program; tax deduction. (a)

5 The following annual deductions from gross income shall be
6 allowed for contributions to a qualified tuition program
7 established pursuant to section 529 (with respect to qualified
8 tuition programs) of the Internal Revenue Code:

9 (1) Up to \$5,000 for individual taxpayers, but not more
10 than the amount contributed during the taxable or
11 prior year as provided herein;

12 (2) Up to \$5,000 for married couples filing separate
13 returns, but not more than the amount contributed
14 during the taxable or prior year as provided herein;
15 provided that each spouse may claim a deduction of up
16 to \$5,000; and

17 (3) Up to \$10,000 for married couples filing joint
18 returns, individuals filing as the head of the
19 household, or individuals filing as surviving spouses,
20 but not more than the amount contributed during the
21 taxable or prior year as provided herein;



1 provided that the qualified tuition program prominently disclose
2 in its offering or marketing documents that before investing in
3 any qualified tuition program, an investor should consider the
4 features and benefits of the State's qualified tuition program
5 prior to investing and contributing to any such program.

6 (b) If the amount of the deduction exceeds the taxpayer's
7 taxable income for the taxable year the contribution is made, or
8 if the amount contributed to the qualified tuition program
9 account exceeds the amount allowed to be deducted during the
10 year of contribution, the contribution in excess of the
11 deductible amount may be used as a deduction against the
12 taxpayer's taxable income for up to five subsequent tax years or
13 until the excess deduction is exhausted, whichever occurs first.

14 (c) Amounts deducted shall be for contributions made by
15 December 31 of the tax year or prior to April 16 of the
16 succeeding year. No deduction shall be allowed for any amounts
17 derived from a withdrawal or rollover from any qualified tuition
18 program. No deduction shall be allowed for contributions to an
19 account made in the same tax year that a withdrawal from that
20 account has occurred. Any deduction taken under this section
21 shall be subject to recapture in the taxable year or years in
22 which any distribution or any other withdrawal is made from a



1 savings account in connection with a qualified tuition program
2 for any reason other than:

3 (1) To pay qualified higher education expenses;

4 (2) To rollover to another qualified tuition program
5 established pursuant to section 529 of the Internal
6 Revenue Code;

7 (3) As a result of the beneficiary's death or disability;

8 (4) As a result of the beneficiary receiving a
9 scholarship; provided that the aggregate amount of
10 distributions or withdrawals made do not exceed the
11 amount of the scholarship provided during the tax
12 year; or

13 (5) Amounts withdrawn during any year that are in excess
14 of amounts contributed and taken as deductions."

15 SECTION 3. Section 235-2.4, Hawaii Revised Statutes, is
16 amended by amending subsection (r) to read as follows:

17 "(r) Section 529 (with respect to qualified tuition
18 programs) shall be operative for the purposes of this chapter,
19 except that section 529(c)(6) shall not be operative. For tax
20 treatment see section 235- ."

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



1 SECTION 5. This Act shall take effect upon its approval
2 and apply to taxable years beginning after December 31, 2008.
3

INTRODUCED BY: 

JAN 22 2009



Report Title:

Qualified Tuition Program; 529 Plans

Description:

Provides an annual maximum deduction of \$5,000 per individual or \$10,000 for a married couple filing jointly for contributions made to a section 529 qualified tuition program in 2009 and thereafter.

