LATE TESTIMONY

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THE SENATE
THE TWENTY-SIXTH LEGISLATURE
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COMMITTEE ON EDUCATION

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Testimony on S.B. 2964
(Relating to Taxation)

Chair Tokuda, Vice-Chair Kidani, and members of the Committee, this written testimony supplements my oral testimony. This this bill authorizes a state income tax deduction for qualified student loan interest paid on tuition expenses at the University of Hawaii system. My **comments regarding Senate Bill 2964** are as follows

- Federal law currently allows taxpayers to deduct interest on student loans. Hawaii conforms to federal law and allows taxpayers to deduct such interest. This law may create a conflict with existing tax allowing a deduction. It could also be interpreted to limit deduction of student loan interest to interest on loans to pay tuition expenses only for schools in the University of Hawaii. This Bill needs to clarify how it integrates with the current law allowing deduction on student loans.

- If this Bill is interpreted to limit the deduction for student loan interest on loan to pay tuition expenses solely to schools in the University of Hawaii system, the provisions in this bill may violate the Commerce Clause of the United States Constitution. The Commerce Clause prohibits a state from engaging in "economic protectionism" of business activity occurring within a state. Bacchus Imps., Ltd. v. Dias, 468 U.S. 263, 270-273 (1984); Guy v. Baltimore, 100 U.S. 434, 443 (1879). State actions which provide a benefit or remove a detriment from an instate business or activity not equally available to an out-of-state business are prohibited. This provides a benefit to schools in the University of Hawaii system by making it more expensive to attend schools in other states.

Thank you for the opportunity to testify.

Respectfully,

Peter L. Fritz