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## A BILL FOR AN ACT

RELATING TO COLLEGE SAVINGS PROGRAM TAX DEDUCTION.

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

1           SECTION 1. 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- College savings program tax deduction (a) The  
5 following annual deductions from gross income shall be allowed  
6 for contributions made to a designated beneficiary's Hawaii  
7 college savings program account established pursuant to chapter  
8 256:

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 in this section;

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 in this  
15 section; provided that each spouse may claim a  
16 deduction of up to \$5,000; and



1       (3) Up to \$10,000 for married couples filing joint  
2       returns, individuals filing as the head of the  
3       household, or individuals filing as surviving spouses,  
4       but not more than the amount contributed during the  
5       taxable or prior year as provided in this section;

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 college savings program account  
9       exceeds the amount allowed to be deducted during the year of  
10       contribution, the contribution in excess of the deductible  
11       amount may be used as a deduction against the taxpayer's taxable  
12       income for up to five subsequent tax years or until the excess  
13       deduction is exhausted, whichever occurs first.

14       (c) Amounts deducted shall be for contributions made by  
15       December 31 of the tax year. No deduction shall be allowed for  
16       any amounts derived from a withdrawal or rollover from another  
17       qualified tuition program created pursuant to section 529 of the  
18       Internal Revenue Code of 1986, as amended. No deduction shall  
19       be allowed for contributions to an account made in the same tax  
20       year that a nonqualified withdrawal from that account has  
21       occurred. Any deduction taken under this section shall be



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1 subject to recapture in any taxable year in which any  
2 nonqualified withdrawal is made.

3 (d) For the purposes of this section, "nonqualified  
4 withdrawal" has the same meaning as in section 256-1."

5 SECTION 2. New statutory material is underscored.

6 SECTION 3. This Act, upon its approval, shall apply to  
7 taxable years beginning after December 31, 2015.  
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INTRODUCED BY:

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# H.B. NO. 2519

**Report Title:**

College Savings Program Tax Deduction; 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 the Hawaii college savings program.

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