
A BILL FOR AN ACT

RELATING TO COLLEGE SAVINGS ACCOUNTS.

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 accounts. (a) There shall be
5 allowed as a deduction from adjusted gross income the amount of
6 contribution made, not to exceed \$5,000, during the taxable year
7 by an individual taxpayer to a college savings account
8 established in the Hawaii college savings program pursuant to
9 chapter 256. A deduction from adjusted gross income not to
10 exceed \$10,000 shall be allowed for a married couple filing a
11 joint return. No deduction from adjusted gross income shall be
12 allowed on any amounts distributed less than three hundred
13 sixty-five days from the date on which a contribution is made to
14 the account. Any deduction claimed for a previous taxable year
15 for amounts distributed less than three hundred sixty-five days
16 from the date on which a contribution was made shall be
17 disallowed and the amount deducted shall be included in the



1 previous taxable year's adjusted gross income and the tax
2 reassessed. The interest paid or accrued within the taxable
3 year on the account shall not be included in the individual's
4 adjusted gross income.

5 In the case of a married couple filing separate returns,
6 the sum of the deductions allowable to each of them for the
7 taxable year shall not exceed \$5,000, or \$10,000 for a joint
8 return, for amounts contributed, excluding interest paid or
9 accrued thereon.

10 Only a Hawaii taxpayer who is an account owner in the
11 Hawaii college savings program shall be allowed to claim the
12 above applicable deduction for contributions made by the
13 taxpayer into the taxpayer's account in the Hawaii college
14 savings program.

15 (b) In order to be deductible for a particular taxable
16 year, a contribution shall be credited to the account of the
17 Hawaii taxpayer on or before the last day of that taxable year;
18 provided that if a contribution is mailed in, it shall be
19 postmarked on or before the last day of that taxable year.

20 (c) Rollovers from another state's college savings program
21 into Hawaii's college saving program shall not be considered to



1 be contributions eligible for the tax deduction under this
2 section.

3 (d) If the amount of the tax deduction exceeds the Hawaii
4 taxpayer's taxable income for the taxable year the contribution
5 is made, the excess deduction may be used as a deduction against
6 the taxpayer's taxable income in subsequent tax years until the
7 excess deduction is exhausted.

8 (e) Contributions to the Hawaii college savings program
9 that have been deducted from the Hawaii taxpayer's adjusted
10 gross income for prior tax years shall be subject to recapture
11 if the taxpayer:

12 (1) Makes a subsequent nonqualified withdrawal from the
13 Hawaii college savings program; or

14 (2) Rolls the Hawaii college savings program account into
15 another state's college savings program.

16 The contribution shall be recaptured by adding the amount
17 previously deducted, not to exceed the amount of the
18 nonqualified withdrawal or rollover, to the taxpayer's adjusted
19 gross income for the tax year in which the nonqualified
20 withdrawal or rollover occurred.



1 (f) The transfer of an individual's interest in a college
2 savings account to a spouse under a dissolution of marriage
3 decree or under a written instrument incident to a dissolution
4 of marriage shall not be considered a taxable transfer made by
5 the individual, and the interest, at the time of the transfer,
6 shall be treated as part of a college savings account of the
7 transferee, and not of the transferor. After the transfer, the
8 account shall be treated, for purposes of this section, as
9 maintained for the benefit of the transferee.

10 (g) The trustee of a college savings account shall make
11 reports regarding the account to the director and to the
12 individual for whom the account is maintained with respect to
13 contributions, distributions, and other matters as the director
14 may require under rules. The reports shall be filed at a time
15 and in a manner as may be required by rules adopted under
16 chapter 91. A person who fails to file a required report shall
17 be subject to a penalty of \$10 to be paid to the director for
18 each instance of failure to file."

19 SECTION 2. Section 23-95, Hawaii Revised Statutes, is
20 amended by amending subsection (c) to read as follows:

21 "(c) This section shall apply to the following:



- 1 (1) Section 235-5.5--Deduction for individual housing
2 account deposit;
- 3 (2) Section 235-7(f)--Deduction of property loss due to a
4 natural disaster;
- 5 (3) Section 235-16.5--Credit for cesspool upgrade,
6 conversion, or connection;
- 7 (4) Section 235-19--Deduction for maintenance of an
8 exceptional tree;
- 9 (5) Section 235-55.91--Credit for the employment of a
10 vocational rehabilitation referral;
- 11 (6) Section 235-110.2--Credit for in-kind services
12 contribution for public school repair and maintenance;
13 [and]
- 14 (7) Sections 235-110.8 and 241-4.7--Credit for ownership
15 of a qualified low-income housing building[-]; and
- 16 (8) Section 235- --Deduction for contributions to an
17 account in the Hawaii college savings program."

18 SECTION 3. Section 256-1, Hawaii Revised Statutes, is
19 amended by adding two new definitions to be appropriately
20 inserted and to read as follows:

21 "Contribution" means:



1 (1) Any payment directly allocated to a Hawaii college
2 savings program account for the benefit of a
3 designated beneficiary, or used to pay administrative
4 fees associated with the account; and

5 (2) That portion of any rollover amount treated as a
6 contribution under section 529 of the Internal Revenue
7 Code of 1986, as amended, or successor legislation.

8 "Rollover" means a distribution or transfer from an account
9 that is transferred to or deposited within sixty calendar days
10 of the distribution into an account of the same person for the
11 benefit of the same designated beneficiary or another person who
12 is a member of the family of the designated beneficiary if the
13 transferee account was created under chapter 256 or another
14 college savings program maintained in accordance with section
15 529 of the Internal Revenue Code of 1986, as amended, or
16 successor legislation."

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

19 SECTION 5. This Act shall take effect on May 12, 2030, and
20 apply to taxable years beginning after December 31, 2017.

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Report Title:

College Savings Account; Tax Deduction

Description:

Allows taxpayers to deduct contributions to a college savings account up to \$5,000 per taxpayer from the taxpayer's adjusted gross income. Establishes requirements for college savings accounts to qualify for the deduction. Applies to taxable years beginning after 12/31/2017. Takes effect 5/12/2030. (SD1)

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.

