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# A BILL FOR AN ACT

RELATING TO THE COLLEGE SAVINGS PROGRAM.

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

1           SECTION 1. In 2002, the State established a college  
2 savings program called "TuitionEDGE", pursuant to chapter 256,  
3 Hawaii Revised Statutes, and section 529 of the Internal Revenue  
4 Code of 1986, as amended. In November 2007, the program was  
5 revised and renamed as "HI529 Hawaii's College Savings Program".  
6 The program was established to assist and encourage families to  
7 save and invest funds for future higher education expenses. The  
8 investment income earned under the program is exempt from  
9 federal and state taxes; provided that the funds are used for  
10 qualified higher education expenses.

11           The legislature finds that based on data from The Pew  
12 Charitable Trusts, while the amount of assets in Hawaii's  
13 college savings program increased from 2010 to 2017, the rate of  
14 increase lags far behind the rate of increase of assets in most  
15 other states' corresponding programs. The legislature also  
16 finds that most other states offer a state tax deduction or  
17 credit for contributions to their state college savings programs



1 as an incentive for their residents to participate. The  
2 legislature therefore finds that as the cost of higher education  
3 continues to rise, it is appropriate for the State to provide a  
4 similar incentive to Hawaii taxpayers to participate in Hawaii's  
5 college savings program, thus helping Hawaii families save for  
6 college instead of taking out educational loans. Furthermore,  
7 such an incentive will increase the Hawaii program's assets so  
8 that the State and program participants may obtain a lower  
9 program management fee in the future.

10 The purpose of this Act is to provide a state income tax  
11 deduction for program contributions to the Hawaii college  
12 savings program, which will apply to contributions made in  
13 taxable years beginning after December 31, 2018.

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

17 "§235- Hawaii college savings program. (a) There shall  
18 be allowed as a deduction from gross income contributions made  
19 to an account in the Hawaii college savings program established  
20 under chapter 256; provided that the annual deductions for the  
21 contributions shall be:



1        (1) Up to \$5,000 for taxpayers filing a single return and  
2        for married couples filing separate returns; provided  
3        that each spouse may claim a deduction up to \$5,000;  
4        and

5        (2) Up to \$10,000 for married couples filing joint  
6        returns, heads of household, or surviving spouses;  
7        provided that the deduction shall be available to  
8        married couples filing joint returns if at least one  
9        spouse is an account owner in the Hawaii college  
10       savings program;

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

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



1       (c) Rollovers from another state's college savings program  
2 into Hawaii's college saving program shall not be considered to  
3 be contributions eligible for the tax deduction under this  
4 section.

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

10       (e) Contributions to the Hawaii college savings program  
11 that have been deducted from the taxpayer's adjusted gross  
12 income for prior tax years shall be subject to recapture if the  
13 taxpayer makes a subsequent nonqualified withdrawal from the  
14 Hawaii college savings program. The contribution shall be  
15 recaptured by adding the amount previously deducted, not to  
16 exceed the amount of the nonqualified withdrawal, to the  
17 taxpayer's adjusted gross income for the tax year in which the  
18 nonqualified withdrawal occurred."

19       SECTION 3. 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 4. 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 5. Statutory material to be repealed is bracketed  
18       and stricken. New statutory material is underscored.

19       SECTION 6. This Act shall take effect on July 1, 2050, and  
20       shall apply to taxable years beginning after December 31, 2018.



**Report Title:**

Hawaii College Savings Program; Income Tax Deduction

**Description:**

Establishes a state income tax deduction for eligible contributions made to the Hawaii college savings program.  
(HB1469 HD1)

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

