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**STATE OF HAWAII**  
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BUDGET PROGRAM PLANNING AND  
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**WRITTEN ONLY**

TESTIMONY BY RODERICK K. BECKER  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE SENATE COMMITTEE ON HIGHER EDUCATION  
ON  
HOUSE BILL NO. 1469, H.D. 2

**March 14, 2019**  
**2:45 P.M.**  
**Conference Room 229**

RELATING TO THE COLLEGE SAVINGS PROGRAM

House Bill No. 1469, H.D. 2, proposes to provide for an annual state income tax deduction of an unspecified amount per individual and for a married couple filing jointly, heads of household, or surviving spouses, for contributions made into an account owned by the taxpayer in Hawaii's 529 College Savings Program established pursuant to HRS chapter 256 and section 529 of the Internal Revenue Code. The Bill also proposes for the deduction to be carried forward into subsequent tax years and be subject to recapture if the taxpayer makes a subsequent nonqualified withdrawal.

The Department supports the intent of the bill to encourage and provide incentives for individuals and families to save funds for higher education, but notes there may be a general fund tax impact depending on the amount of the deduction allowed. An income limit for eligible deductions could be considered.

Thank you for the opportunity to provide our testimony on this bill.

DAVID Y. IGE  
GOVERNOR

JOSH GREEN M.D.  
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA  
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To: The Honorable Donna Mercado Kim, Chair  
and Members of the Senate Committee on Higher Education

Date: Thursday, March 14, 2019

Time: 2:45 P.M.

Place: Conference Room 229, State Capitol

From: Linda Chu Takayama, Director  
Department of Taxation

Re: H.B. 1469, H.D. 2, Relating to the College Savings Program

The Department of Taxation (Department) offers the following comments on H.B. 1469, H.D. 2 for the Committee's consideration. A summary of the measure's key provisions are as follows:

- Creates a deduction from income tax for contributions made to an account in the Hawaii College Savings Program, up to an unspecified amount per year for individual taxpayers or married taxpayer filing separately, and up to an unspecified amount per year for taxpayers filing jointly, heads of household, or surviving spouses.
- Allows the deduction to be carried forward into subsequent tax years until exhausted if not entirely expended on the return filed for the year the contributions were made.
- The deduction is subject to 100% recapture if the taxpayer makes a subsequent nonqualified withdrawal from the Hawaii College Savings Program.
- It has a defective effective date of July 1, 2050 and otherwise applies to taxable years beginning after December 31, 2018.

First, the Department notes that this deduction would result in providing a double tax benefit as distributions from a qualified 529 plan are not subject to tax.

Second, the Department notes that it is unclear from what amount the contribution to the Hawaii College Savings Program can be deducted. In subsection (a), the bill says the contribution will be deducted from gross income. In subsection (d), the bill discusses the consequences of a contribution exceeding taxable income. In subsection (e), the bill discusses recapture of amounts deducted from adjusted gross income. The Department suggests clarifying from what amount contributions may be deducted and using that term consistently in subsections (a), (d), and (e). The Department's recommendation would be to allow the deduction from Hawaii adjusted gross income.

Lastly, the Department respectfully requests this measure be amended to apply to taxable years beginning after December 31, 2019.

Thank you for the opportunity to provide comments on this measure.



**STATE OF HAWAII**  
STATE COUNCIL  
ON DEVELOPMENTAL DISABILITIES  
1010 RICHARDS STREET, Room 122  
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March 14, 2019

The Honorable Senator Donna Mercado Kim, Chair  
Senate Committee on Higher Education  
Thirtieth Legislature  
State Capitol  
State of Hawai'i  
Honolulu, Hawai'i 96813

Dear Senator Donna Mercado Kim and Members of the Committee:

SUBJECT: HB 1469 HD2 – Relating to the College Savings Program

The State Council on Developmental Disabilities **SUPPORTS HB 1469 HD2**, which will establish a state income tax deduction for eligible contributions to the Hawai'i college savings program.

The Council respectfully requests that the Hawai'i Achieving a Better Life Experience (ABLE) Act be added into this measure. The Able Act was signed into law by President Obama in 2014. Governor David Ige signed into law Hawai'i ABLE Savings Program or known as Act 206, SLH 2015. These accounts allow for individuals with disabilities to open special accounts which allows them to save up to \$100,000.00 without risking their eligibility for Social Security and Medicaid coverage.

ABLE accounts can only be used to pay for education, housing, transportation, employment training, and health services. The ABLE account was created out of the HI529 and is compatible with the proposed college saving program in this measure. The Council suggests replacing "Hawaii's college savings program" to "Hawaii's College and ABLE Savings Program". These replacements are found on pg. 2 line 16, pg. 3 lines 11-13-16-21, pg. 4 line 8, and pg. 6 line 13.

The inclusion of the ABLE account within this measure will broaden its reach to include persons with disabilities within the sphere of tax deductions. Allowing for more people with disabilities to apply and know of ABLE accounts as well as enhance the educational opportunities of the disability community.

Thank you for the opportunity to submit testimony **supporting HB 1469 HD2**.

Sincerely,

Daintry Bartoldus  
Executive Administrator

**HB-1469-HD-2**

Submitted on: 3/12/2019 11:27:44 AM

Testimony for HRE on 3/14/2019 2:45:00 PM

<b>Submitted By</b>	<b>Organization</b>	<b>Testifier Position</b>	<b>Present at Hearing</b>
Amy Brinker	Individual	Support	No

Comments: