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

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



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

11 The purpose of this Act is to provide a state income tax  
 12 deduction for program contributions to the Hawaii college  
 13 savings program, which will apply to contributions made in  
 14 taxable years beginning after December 31, 2019.

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

18 "§235- Hawaii college savings program. (a) There  
 19 shall be allowed as a deduction from gross income contributions  
 20 made to an account in the Hawaii college savings program



1 established under chapter 256; provided that the annual  
2 deductions for the contributions shall be:

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

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

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

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



1 in, it shall be postmarked on or before the last day of that  
2 taxable year.

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

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

12 (e) Contributions to the Hawaii college savings program  
13 that have been deducted from the taxpayer's adjusted gross  
14 income for prior tax years shall be subject to recapture if the  
15 taxpayer:

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

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

20 The contribution shall be recaptured by adding the amount  
21 previously deducted, not to exceed the amount of the



1 nonqualified withdrawal or rollover, to the taxpayer's adjusted  
2 gross income for the tax year in which the nonqualified  
3 withdrawal or rollover occurred."

4 SECTION 3. Section 23-95, Hawaii Revised Statutes, is  
5 amended by amending subsection (c) to read as follows:

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

7 (1) Section 235-5.5--Deduction for individual housing  
8 account deposit;

9 (2) Section 235-7(f)--Deduction of property loss due to a  
10 natural disaster;

11 (3) Section 235-16.5--Credit for cesspool upgrade,  
12 conversion, or connection;

13 (4) Section 235-19--Deduction for maintenance of an  
14 exceptional tree;

15 (5) Section 235-55.91--Credit for the employment of a  
16 vocational rehabilitation referral;

17 (6) Section 235-110.2--Credit for in-kind services  
18 contribution for public school repair and maintenance;

19 [and]

20 (7) Sections 235-110.8 and 241-4.7--Credit for ownership  
21 of a qualified low-income housing building[-]; and



1       (8) Section 235- --Deduction for contributions to an  
2           account in the Hawaii college savings program."

3       SECTION 4. Section 256-1, Hawaii Revised Statutes, is  
4 amended by adding two new definitions to be appropriately  
5 inserted and to read as follows:

6       "Contribution" means:

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

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

14       "Rollover" means a distribution or transfer from an account  
15       that is transferred to or deposited within sixty calendar days  
16       of the distribution into an account of the same person for the  
17       benefit of the same designated beneficiary or another person who  
18       is a member of the family of the designated beneficiary if the  
19       transferee account was created under chapter 256 or another  
20       college savings program maintained in accordance with section



1 529 of the Internal Revenue Code of 1986, as amended, or  
2 successor legislation."

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

5 SECTION 6. This Act, upon its approval, shall apply to  
6 taxable years beginning after December 31, 2018.

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INTRODUCED BY:

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# H.B. NO. 1469

**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.

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

