
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 assists and encourages families to save and invest
7 funds for future higher education expenses. The investment
8 income earned under the program is exempt from federal and state
9 taxes; provided that the funds are used for qualified higher
10 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 further
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
3 education continues to rise, it is appropriate for the State to
4 provide a similar incentive to Hawaii taxpayers to participate
5 in Hawaii's college savings program, thus helping Hawaii
6 families save for college instead of taking out educational
7 loans. Furthermore, such an incentive will increase the Hawaii
8 program's assets so that the State and program participants may
9 obtain a lower 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.

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

16 "§235- Hawaii college savings program. (a) There shall
17 be allowed as a deduction from Hawaii adjusted gross income
18 contributions made to an account in the Hawaii college savings
19 program established under chapter 256; provided that the annual
20 deductions for the contributions shall be up to:



1 (1) \$4,000 for taxpayers filing a single return and for
2 married couples filing separate returns; provided that
3 each spouse may claim a deduction up to \$4,000; and
4 (2) \$8,000 for married couples filing joint returns, heads
5 of household, or surviving spouses; provided that the
6 deduction shall be available to married couples filing
7 joint returns if at least one spouse is an account
8 owner in the Hawaii college savings program;
9 provided further that only a taxpayer who is an account owner in
10 the Hawaii college savings program shall be allowed to claim the
11 applicable deduction for contributions made by the taxpayer into
12 the taxpayer's account in the Hawaii college savings program.

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

19 (c) Rollovers from another state's college savings program
20 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
4 taxpayer's Hawaii adjusted gross income for the taxable year in
5 which the contribution is made, the excess deduction may be used
6 as a deduction against the taxpayer's Hawaii adjusted gross
7 income in subsequent tax years until the excess deduction is
8 exhausted.

9 (e) Contributions to the Hawaii college savings program
10 that have been deducted from the taxpayer's Hawaii adjusted
11 gross income for prior taxable years shall be subject to
12 recapture and penalties pursuant to section 256-4 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 Hawaii adjusted gross income for the tax year in
18 which the nonqualified withdrawal occurred.

19 (f) As used in this section:

20 "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) The 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 3. Section 23-95, Hawaii Revised Statutes, is
18 amended by amending subsection (c) to read as follows:

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

20 (1) Section 235-5.5--Deduction for individual housing
21 account deposit;



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

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

18 SECTION 5. This Act shall take effect on July 1, 2050, and
 19 shall apply to taxable years beginning after December 31, 2019.



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. Applies to taxable years after 12/31/2019. Effective 7/1/2050. (SD1)

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