
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 1999, Act 81 was enacted to create a college
2 savings program pursuant to chapter 256, Hawaii Revised
3 Statutes, and section 529 of the Internal Revenue Code of 1986,
4 as amended. In November 2007, the program was revised and
5 renamed as "HI529-Hawaii's College Savings Program". The
6 program assists and encourages families to save and invest funds
7 for future higher education expenses. The investment income
8 earned under the program is exempt from federal and state taxes;
9 provided that the funds are used for qualified higher education
10 expenses, including for apprenticeship programs and to pay
11 student loans, as authorized by recent amendments to section 529
12 of the Internal Revenue Code of 1986.

13 The legislature further finds that most other states offer
14 a state tax deduction or credit for contributions to state
15 college savings programs as an incentive for their residents to
16 participate. The legislature therefore finds that, as the cost
17 of higher education continues to rise, it is appropriate for the



1 State to provide a similar incentive to Hawaii taxpayers to
2 participate in college savings programs, thus helping Hawaii
3 families save for college instead of taking out educational
4 loans.

5 The purpose of this Act is to provide a state income tax
6 deduction for Hawaii taxpayers making contributions to a college
7 savings program established under chapter 256 of the Hawaii
8 Revised Statutes.

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

12 "§235- Hawaii's college and ABLE savings program. (a)
13 There shall be allowed as a deduction from the Hawaii adjusted
14 gross income of a qualified taxpayer, contributions made to an
15 account in a college savings program established under chapter
16 256; provided that the annual deductions for the contributions
17 shall be no more than:

18 (1) \$4,000 for qualified taxpayers filing a single return
19 and for married couples filing separate returns;
20 provided further that each spouse may claim a
21 deduction of no more than \$4,000; and



1 (2) \$8,000 for qualified taxpayers filing joint returns,
2 heads of household, or surviving spouses; provided
3 further that the deduction shall be available to
4 married couples filing joint returns if at least one
5 spouse is an account owner in a college savings
6 program established under chapter 256;
7 provided further that only a qualified taxpayer who is an
8 account owner in a college savings program established under
9 chapter 256 shall be allowed to claim the applicable deduction
10 for contributions made by the qualified taxpayer into the
11 qualified taxpayer's account in the college savings program;
12 provided further that any contributions made to the qualified
13 taxpayer's account in the college savings program established
14 under chapter 256 for a designated beneficiary shall be reduced
15 by any withdrawals made for qualified higher education expenses
16 during the same year for that designated beneficiary.
17 (b) In order to be deductible for a particular taxable
18 year, a contribution shall be credited to the qualified
19 taxpayer's account in the college savings program on or before
20 the last day of that taxable year; provided that if a



1 contribution is delivered by mail, it shall be postmarked on or
2 before the last day of that taxable year.

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

7 (d) If the amount of the contribution to the qualified
8 taxpayer's account in a college savings program established
9 under chapter 256 exceeds the maximum deduction for the taxable
10 year in which the contribution is made pursuant to subsection
11 (a), the excess deduction may be used as a deduction against the
12 qualified taxpayer's Hawaii adjusted gross income for up to four
13 subsequent taxable years or until the excess deduction is
14 exhausted, whichever occurs first.

15 (e) Contributions to a college savings program that have
16 been deducted from the qualified taxpayer's Hawaii adjusted
17 gross income for prior taxable years shall be subject to
18 recapture and penalties pursuant to section 529(c)(6) of the
19 Internal Revenue Code of 1986, as amended, or successor
20 legislation, if the qualified taxpayer makes a subsequent
21 nonqualified withdrawal from a college savings program that



1 results in an additional tax penalty under section 529(c)(6) of
2 the Internal Revenue Code of 1986, as amended, or successor
3 legislation. The contribution shall be recaptured by adding the
4 amount previously deducted, not to exceed the amount of the
5 nonqualified withdrawal, to the qualified taxpayer's Hawaii
6 adjusted gross income for the taxable year in which the
7 nonqualified withdrawal occurred.

8 (f) As used in this section:

9 "Contribution" means:

10 (1) Any payment directly allocated to a college savings
11 program account for the benefit of a designated
12 beneficiary, or used to pay administrative fees
13 associated with the account; or

14 (2) The portion of any rollover amount treated as a
15 contribution under section 529 of the Internal Revenue
16 Code of 1986, as amended, or successor legislation.

17 "Qualified higher education expenses" shall have the same
18 meaning as in section 256-1.

19 "Qualified taxpayer" means an individual taxpayer or a
20 married couple filing separate returns, whose income level
21 qualifies to contribute to a Roth individual retirement account



1 under section 408A(c) (3) of the Internal Revenue Code of 1986,
2 as amended; or each member of a married couple filing a joint
3 return, head of household, or surviving spouse qualifying to
4 contribute to a Roth individual retirement account under section
5 408A(c) (3) of the Internal Revenue Code of 1986, as amended.

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

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

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

18 (1) Section 235-5.5--Deduction for individual housing
19 account deposit;

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



- 1 (3) Section 235-16.5--Credit for cesspool upgrade,
2 conversion, or connection;
- 3 (4) Section 235-19--Deduction for maintenance of an
4 exceptional tree;
- 5 (5) Section 235-55.91--Credit for the employment of a
6 vocational rehabilitation referral;
- 7 (6) Section 235-110.2--Credit for in-kind services
8 contribution for public school repair and maintenance;
9 [and]
- 10 (7) Sections 235-110.8 and 241-4.7--Credit for ownership
11 of a qualified low-income housing building[-]; and
- 12 (8) Section 235- --Deduction for contributions to an
13 account under the college savings program pursuant to
14 chapter 256."

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

17 SECTION 5. This Act shall take effect on June 30, 3000;
18 provided that section 2 shall apply to taxable years beginning
19 after December 31, .



Report Title:

College Savings Program; Income Tax Deduction

Description:

Establishes a state income tax deduction for eligible contributions made to a college savings program established under chapter 256, Hawaii Revised Statutes. Effective 6/30/3000. Applies to taxable years beginning after an unspecified date. (HD1)

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