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

12 The legislature further finds that the federal Tax Cuts and
13 Jobs Act of 2017 expanded 529 plan benefits to include K-12
14 educational expenses. However, the state decided to not conform
15 to these specific changes made to the Internal Revenue Code.

16 The purpose of this Act is to strengthen Hawaii's 529
17 college savings program by:



(1) Establishing a state income tax deduction for contributions made to Hawaii 529 accounts through the college savings program; and

(2) Opting into the amendments of the Internal Revenue Code that authorize 529 benefits to be used for K-12 educational expenses as authorized by federal law.

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

"§235- Section 529 contributions; deduction. (a)

There shall be allowed as a deduction from gross income the following amounts for contributions made to an account or college account pursuant to chapter 256 and section 529 of the Internal Revenue Code of 1986, as amended:

(1) For single filers and married individuals filing separately, a maximum deduction of \$5,000 per taxable year; and

(2) For married individuals filing jointly, heads of households, and surviving spouses, a maximum deduction of \$10,000 per taxable year.



1 (b) Contributions are eligible for the deduction only in
2 the taxable year in which they are made.

3 (c) Contributions withdrawn for non-qualified expenses
4 shall be subject to recapture and included as taxable income for
5 the purposes of income tax, consistent with penalties under
6 federal law.

7 (d) The director of taxation shall prepare forms as may be
8 necessary to claim a tax deduction under this section, may
9 require proof of the claim for the tax deduction, and may adopt
10 rules pursuant to chapter 91."

11 SECTION 3. Section 235-2.4, Hawaii Revised Statutes, is
12 amended by amending subsection (ii) to read as follows:

13 "(ii) Section 529 (with respect to qualified tuition
14 programs) shall be operative for the purposes of this chapter[
15 ~~except that sections 529(c)(6), 529(c)(7), and 529(e)(3)(A)(iii)~~
16 ~~shall not be operative]~~."

17 SECTION 4. Section 256-2, Hawaii Revised Statutes, is
18 amended to read as follows:

19 "[+]§256-2[+] **College savings program established.** There
20 is established the college savings program. The purpose of this
21 program is to enable families to save for college tuition and



1 other expenses through college accounts. The program shall
2 provide college accounts to:

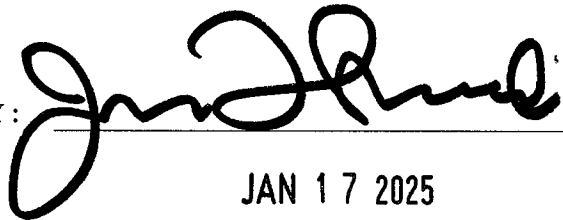
3 (1) Enable residents of this State and other states to
4 benefit from the tax incentive provided for qualified
5 state tuition programs under the Internal Revenue Code
6 of 1986, as amended; and

7 (2) Attract students to public and private colleges [~~and~~],
8 universities, and elementary or secondary public,
9 private, or religious school within the State."

10 SECTION 5. Statutory material to be repealed is bracketed
11 and stricken. New statutory material is underscored.

12 SECTION 6. This Act, upon its approval, shall apply to
13 taxable years beginning after December 31, 2024.

14 INTRODUCED BY:



JAN 17 2025



H.B. NO. 707

Report Title:

College Savings Program; 529 Accounts; Income Tax; Deduction;
Internal Revenue Code Conformance

Description:

Establishes a state income tax deduction for contributions made to Hawaii 529 accounts through the college savings program. Conforms to the amendments of the Internal Revenue Code that authorize 529 benefits to be used for K-12 educational expenses.

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