
A BILL FOR AN ACT

RELATING TO STUDENT LOAN DEBT.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Currently, the amount of student loan debt in
2 the United States is one trillion dollars spread out over
3 thirty-seven million borrowers. On average, a student carries
4 over \$30,000 in debt upon entering the work force, which burdens
5 young graduates starting careers, families, and post-graduate
6 schooling. Frequently, graduates with heavy student loan debts
7 cannot choose public-interest or public-service careers, because
8 the pay for such jobs is insufficient to repay their student
9 loans.

10 Student loan debt discourages millions of young Americans
11 from buying cars and homes, making potentially beneficial career
12 moves that involve some risk, saving money for retirement, and
13 marrying and starting families.

14 For decades, student loan debt in Hawaii has been two-
15 thirds the national average. Two major factors have contributed
16 to the lower-than-average student loan debt in Hawaii:



1 (1) Strong financial support by the State for the
2 University of Hawaii system kept tuition among the
3 lowest in the nation; and

4 (2) Local private institutions of higher education were
5 among the most affordable in the nation.

6 However, in recent years, state support for the University of
7 Hawaii has decreased, and tuition at the University of Hawaii
8 and all major local colleges and universities has increased at
9 many times the inflation rate.

10 Although the student loan interest deduction under the
11 Internal Revenue Code provides a greater benefit to those with
12 high-interest student loans, this Act assists individuals with
13 low-interest loans but high amounts of debt. Under current law,
14 the student loan interest deduction is capped at \$2,500 per year
15 of taxable income.

16 Allowing for student loan debt to be paid by pre-tax income
17 would help alleviate the financial burden for borrowers and help
18 maintain the average student debt in Hawaii at a lower-than-
19 average amount. Rising educational costs create larger debt for
20 students, but allowing for the payment of student loan debt with
21 pre-tax income will combat those rising costs, assist borrowers



1 in repaying their loans, and benefit creditors by helping them
2 recover the money loaned.

3 The purpose of this Act is to provide relief for
4 individuals burdened by student loan debt by allowing the
5 payment of student loan debt with pre-tax income.

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

9 "§235- Payment of student loan debt. (a) There shall
10 be allowed as a deduction from gross income the amount, not to
11 exceed \$, during the taxable year by an individual
12 taxpayer for the repayment of a qualified student loan. A
13 deduction not to exceed \$ shall be allowed for a married
14 couple filing a joint return. In the case of a married couple
15 filing separate returns, the sum of the deductions allowable to
16 each of them for the taxable year shall not exceed \$, or
17 \$ for a joint return.

18 (b) The department of taxation shall prepare any forms
19 necessary to effectuate this chapter.

20 (c) The department of taxation may adopt rules under
21 chapter 91 necessary to effectuate this chapter.



1 (d) As used in this section:

2 "Academic period" includes a semester, trimester, quarter,
3 or other period of study, such as a summer school session, as
4 reasonably determined by an educational institution.

5 "Eligible educational institution" means any college,
6 university, vocational school, or other postsecondary
7 educational institution eligible to participate in a student aid
8 program administered by the United States Department of
9 Education during the academic period during which the student
10 loan was incurred. "Eligible educational institution" also
11 includes an institution conducting an internship or residency
12 program leading to a degree or certificate from an institution
13 of higher education, a hospital, or a health care facility that
14 offers post-graduate training.

15 "Eligible student" means a student who was enrolled at
16 least half-time in a program leading to a degree, certificate,
17 or other recognized educational credential.

18 "Enrolled at least half-time" means a student who takes at
19 least half the normal full-time work load for the student's
20 course of study in any academic period; provided that the
21 standard for determining half of the normal full-time work load



1 may not be lower than any of those established by the United
2 States Department of Education under the Higher Education Act of
3 1965.

4 "Qualified education expenses" means the total costs of
5 attending an eligible educational institution, including
6 graduate school, such as:

7 (1) Tuition and fees;

8 (2) Room and board;

9 (3) Books, supplies, and equipment; and

10 (4) Other necessary expenses, such as transportation;

11 provided that the cost of room and board qualifies only to the
12 extent that it does not exceed the allowance for room and board,
13 as determined by the eligible educational institution, that was
14 included in the cost of attendance for federal financial aid
15 purposes for a particular academic period and living arrangement
16 of the student, or if the cost of room and board is greater, the
17 actual amount charged if the student is residing in housing
18 owned or operated by the eligible educational institution.

19 "Qualified student loan" means a student loan that:

20 (1) An individual takes out solely to pay qualified

21 education expenses that were for the individual, the



- 1 individual's spouse, or a person who was a dependent
2 of the individual at the time that the student loan
3 was taken;
- 4 (2) Was paid or incurred within a reasonable period of
5 time before or after the individual took out the loan;
6 and
- 7 (3) Was for education provided during an academic period
8 for an eligible student."

9 SECTION 3. This Act does not affect rights and duties that
10 matured, penalties that were incurred, and proceedings that were
11 begun before its effective date.

12 SECTION 4. If any provision of this Act, or the
13 application thereof to any person or circumstance, is held
14 invalid, the invalidity does not affect other provisions or
15 applications of the Act that can be given effect without the
16 invalid provision or application, and to this end the provisions
17 of this Act are severable.

18 SECTION 5. New statutory material is underscored.



1 SECTION 6. This Act shall take effect upon its approval
2 and shall apply to taxable years beginning after December 31,
3 2017.

4

INTRODUCED BY:



Cindy Evans



JAN 23 2017



H.B. NO. 958

Report Title:

Student Loan Debt; Payment with Pre-tax Income.

Description:

Allows individuals to pay student loan debt with pre-tax income.

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

