

JAN 19 2018

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# A BILL FOR AN ACT

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RELATING TO TAXATION.

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

1       SECTION 1. Chapter 235, Hawaii Revised Statutes, is  
2       amended by adding a new section to part III to be appropriately  
3       designated and to read as follows:  
4       "§235-       College savings program tax credit. (a) There  
5       shall be allowed to each taxpayer subject to the tax imposed  
6       under this chapter, a college savings program tax credit equal  
7       to the amount determined under subsections (b), (c), and (d),  
8       that shall be deductible from the taxpayer's net income tax  
9       liability, if any, imposed by this chapter for the taxable year  
10       in which the credit is properly claimed. The tax credit shall  
11       apply to any contribution made by the taxpayer on or after  
12       January 1, 2018, to the account of a designated beneficiary in  
13       the college savings program under chapter 256; provided that the  
14       credit shall apply to rollover distributions from college  
15       savings programs in other states.



1        (b) For taxpayers filing jointly or as a surviving spouse,  
2        the tax credit shall be equal to ten per cent of the first  
3        \$5,000 contributed during the taxable year.

4        (c) For taxpayers filing a single return or a married  
5        person filing separately, the tax credit shall be equal to ten  
6        per cent of the first \$2,500 contributed during the taxable  
7        year.

8        (d) For taxpayers filing as head of household, the tax  
9        credit shall be equal to ten per cent of the first \$3,750  
10       contributed during the taxable year.

11       (e) The amount of the tax credit taken shall not exceed  
12       \$500 for contributions made on behalf of each designated  
13       beneficiary during each taxable year.

14       (f) No tax credit shall be allowed under this section for  
15       any contribution made on behalf of any designated beneficiary  
16       when the value of the beneficiary's account at the time of the  
17       contribution equals or exceeds the maximum investment level  
18       referred to under section 256-4(1).

19       (g) The tax imposed by this chapter for the taxable year  
20       shall be increased by an amount equal to the tax credit allowed  
21       under subsection (a) for that taxable year and all prior taxable



1 years for contributions made by the taxpayer to a college  
2 savings program account when:

3 (1) The taxpayer cancels the tuition savings agreement  
4 under chapter 256; or

5 (2) The taxpayer makes a nonqualified withdrawal as  
6 defined in section 256-1.

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

11 (i) Claims for the tax credit under this section,  
12 including any amended claims thereof, shall be filed on or  
13 before the end of the twelfth month following the taxable year  
14 for which the credit may be claimed. Failure to properly and  
15 timely claim the credit shall constitute a waiver of the right  
16 to claim the credit.

17 (j) If the tax credit under this section exceeds the  
18 taxpayer's income tax liability, the excess of credit over  
19 liability may be used as a credit against the taxpayer's income  
20 tax liability in subsequent years until exhausted.



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(k) For purposes of this section, the term "designated beneficiary" shall have the same meaning as in section 256-1."

SECTION 2. New statutory material is underscored.

SECTION 3. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2017.

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# S.B. NO. 2544

**Report Title:**

Taxation; College Savings Program Tax Credit

**Description:**

Establishes a college savings program income tax credit.

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