

JAN 24 2018

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# A BILL FOR AN ACT

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RELATING TO COLLEGE SAVINGS ACCOUNTS.

**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 be appropriately designated  
3       and to read as follows:  
4       "§235- College savings accounts. (a) There shall be  
5       allowed as a deduction from gross income the amount of  
6       contribution made, not to exceed \$5,000, during the taxable year  
7       by an individual taxpayer to a college savings account  
8       established in the Hawaii college savings program pursuant to  
9       chapter 256. A deduction from gross income not to exceed  
10       \$10,000 shall be allowed for a married couple filing a joint  
11       return. No deduction from gross income shall be allowed on any  
12       amounts distributed less than three hundred sixty-five days from  
13       the date on which a contribution is made to the account. Any  
14       deduction claimed for a previous taxable year for amounts  
15       distributed less than three hundred sixty-five days from the  
16       date on which a contribution was made shall be disallowed and  
17       the amount deducted shall be included in the previous taxable



1 year's gross income and the tax reassessed. The interest paid  
2 or accrued within the taxable year on the account shall not be  
3 included in the individual's gross income.

4 In the case of a married couple filing separate returns,  
5 the sum of the deductions allowable to each of them for the  
6 taxable year shall not exceed \$5,000, or \$10,000 for a joint  
7 return, for amounts contributed, excluding interest paid or  
8 accrued thereon.

9 The amounts allowable as a deduction from gross income  
10 under this section to an individual for all taxable years shall  
11 not exceed \$ , excluding interest paid or accrued. In  
12 the case of married individuals having separate college savings  
13 accounts, the sum of the separate accounts and the deduction  
14 under this section shall not exceed \$ , excluding  
15 interest paid or accrued thereon.

16 Only a Hawaii taxpayer who is an account owner in the  
17 Hawaii college savings program shall be allowed to claim the  
18 above applicable deduction for contributions made by the  
19 taxpayer into the taxpayer's account in the Hawaii college  
20 savings program.



1        (b) In order to be deductible for a particular taxable  
2 year, a contribution shall be credited to the account of the  
3 Hawaii taxpayer on or before the last day of that taxable year;  
4 provided that if a contribution is mailed in, it shall be  
5 postmarked on or before the last day of that taxable year.

6        (c) Rollovers from another state's college savings program  
7 into Hawaii's college saving program shall not be considered to  
8 be contributions eligible for the tax deduction under this  
9 section.

10       (d) If the amount of the tax deduction exceeds the Hawaii  
11 taxpayer's taxable income for the taxable year the contribution  
12 is made, the excess deduction may be used as a deduction against  
13 the taxpayer's taxable income in subsequent tax years until the  
14 excess deduction is exhausted.

15       (e) Contributions to the Hawaii college savings program  
16 that have been deducted from the Hawaii taxpayer's adjusted  
17 gross income for prior tax years shall be subject to recapture  
18 if the taxpayer:

19       (1) Makes a subsequent nonqualified withdrawal from the  
20 Hawaii college savings program; or



1        (2) Rolls the Hawaii college savings program account into  
2                    another state's college savings program.

3        The contribution shall be recaptured by adding the amount  
4        previously deducted, not to exceed the amount of the  
5        nonqualified withdrawal or rollover, to the taxpayer's adjusted  
6        gross income for the tax year in which the nonqualified  
7        withdrawal or rollover occurred.

8        (f) The transfer of an individual's interest in a college  
9        savings account to a spouse under a dissolution of marriage  
10       decree or under a written instrument incident to a dissolution  
11       of marriage shall not be considered a taxable transfer made by  
12       the individual, and the interest, at the time of the transfer,  
13       shall be treated as part of a college savings account of the  
14       transferee, and not of the transferor. After the transfer, the  
15       account shall be treated, for purposes of this section, as  
16       maintained for the benefit of the transferee.

17       (g) The trustee of a college savings account shall make  
18       reports regarding the account to the director and to the  
19       individual for whom the account is maintained with respect to  
20       contributions, distributions, and other matters as the director  
21       may require under rules. The reports shall be filed at a time



1 and in a manner as may be required by rules adopted under  
2 chapter 91. A person who fails to file a required report shall  
3 be subject to a penalty of \$10 to be paid to the director for  
4 each instance of failure to file."

5 SECTION 2. Section 23-95, Hawaii Revised Statutes, is  
6 amended by amending subsection (c) to read as follows:

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

- 8 (1) Section 235-5.5--Deduction for individual housing  
9 account deposit;
- 10 (2) Section 235-7(f)--Deduction of property loss due to a  
11 natural disaster;
- 12 (3) Section 235-16.5--Credit for cesspool upgrade,  
13 conversion, or connection;
- 14 (4) Section 235-19--Deduction for maintenance of an  
15 exceptional tree;
- 16 (5) Section 235-55.91--Credit for the employment of a  
17 vocational rehabilitation referral;
- 18 (6) Section 235-110.2--Credit for in-kind services  
19 contribution for public school repair and maintenance;  
20 [and]



- 1 (7) Sections 235-110.8 and 241-4.7--Credit for ownership  
2 of a qualified low-income housing building[-]; and  
3 (8) Section 235- --Deduction for contributions to an  
4 account in the Hawaii college savings program."

5 SECTION 3. Section 256-1, Hawaii Revised Statutes, is  
6 amended by adding two new definitions to be appropriately  
7 inserted and to read as follows:

8 "Contribution" means:

- 9 (1) Any payment directly allocated to a Hawaii college  
10 savings program account for the benefit of a  
11 designated beneficiary, or used to pay administrative  
12 fees associated with the account; and  
13 (2) That portion of any rollover amount treated as a  
14 contribution under section 529 of the Internal Revenue  
15 Code of 1986, as amended, or successor legislation.

16 "Rollover" means a distribution or transfer from an account  
17 that is transferred to or deposited within sixty calendar days  
18 of the distribution into an account of the same person for the  
19 benefit of the same designated beneficiary or another person who  
20 is a member of the family of the designated beneficiary if the  
21 transferee account was created under chapter 256 or another



1 college savings program maintained in accordance with section  
2 529 of the Internal Revenue Code of 1986, as amended, or  
3 successor legislation."

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

6 SECTION 5. This Act shall take effect upon its approval  
7 and apply to taxable years beginning after December 31, 2017.

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INTRODUCED BY:

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# S.B. NO. 3062

**Report Title:**

College Savings Account; Tax Deduction

**Description:**

Allows taxpayers to deduct contributions to a college savings account up to \$5,000 per taxpayer from the taxpayer's income. Establishes requirements for college savings accounts to qualify for the deduction.

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

