

STAND. COM. REP. NO. 791

Honolulu, Hawaii

MAR 05 2021

RE: S.B. No. 358
S.D. 2

Honorable Ronald D. Kouchi
President of the Senate
Thirty-First State Legislature
Regular Session of 2021
State of Hawaii

Sir:

Your Committee on Ways and Means, to which was referred S.B. No. 358, S.D. 1, entitled:

"A BILL FOR AN ACT RELATING TO THE COLLEGE SAVINGS PROGRAM,"

begs leave to report as follows:

The purpose and intent of this measure is to provide an incentive for Hawaii taxpayers to participate in the Hawaii college savings program.

More specifically, this measure establishes a state income tax deduction for Hawaii residents who make contributions into the Hawaii college savings program.

Your Committee received written comments in support of this measure from the State Council on Developmental Disabilities, Securities Industry and Financial Markets Association, Securities Industry Association of Hawaii, and one individual.

Your Committee received comments on this measure from the Department of the Attorney General, Department of Budget and Finance, Department of Taxation, and Tax Foundation of Hawaii.

Your Committee finds that the State established a college savings program in 2002, pursuant to Chapter 256, Hawaii Revised Statutes, and section 529 of the Internal Revenue Code. Currently referred to as "HI529-Hawaii's College Savings Program", the



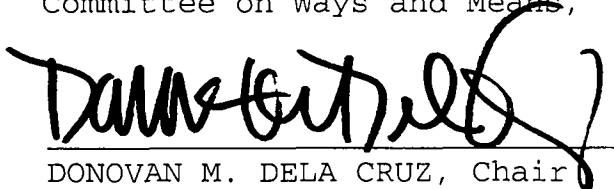
program assists and encourages families to save and invest funds for future higher education expenses. The investment income earned under the program is exempt from federal and state income taxes; provided that the funds are used for qualified higher education expenses. Your Committee further finds that most other states offer a state tax deduction or credit for contributions to state college savings programs as an incentive for their residents to participate.

Your Committee has amended this measure by:

- (1) Clarifying that the income tax deduction is only available for contributions to the Hawaii college savings program, rather than the college savings programs of other states;
- (2) Clarifying that penalties for nonqualified withdrawals shall be as provided under section 256-4, Hawaii Revised Statutes;
- (3) Changing the effective date to July 1, 2050, to facilitate further discussion on the measure; and
- (4) Making technical nonsubstantive amendments for purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Ways and Means that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 358, S.D. 1, as amended herein, and recommends that it pass Third Reading in the form attached hereto as S.B. No. 358, S.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Ways and Means,


DONOVAN M. DELA CRUZ, Chair



The Senate
 Thirty-First Legislature
 State of Hawai'i

Record of Votes
Committee on Ways and Means
WAM

Bill / Resolution No.:*	Committee Referral:	Date:
SB 358, SD 1	HRE, WAM	2/26/21

The Committee is reconsidering its previous decision on this measure.
 If so, then the previous decision was to: _____

The Recommendation is:

Pass, unamended 2312 Pass, with amendments 2311 Hold 2310 Recommit 2313

Members	Aye	Aye (WR)	Nay	Excused
DELA CRUZ, Donovan M. (C)	X			
KEITH-AGARAN, Gilbert S.C. (VC)	X			
ENGLISH, J. Kalani	X			
INOUYE, Lorraine R.	X			
KANUHA, Dru Mamo	X			
KIDANI, Michelle N.	X			
MORIWAKI, Sharon Y.	X			
SHIMABUKURO, Maile S.L.				X
TANIGUCHI, Brian T.	X			
WAKAI, Glenn	X			
FEVELLA, Kurt	X			
TOTAL	10			1

Recommendation: Adopted Not Adopted

Chair's or Designee's Signature:


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*Only one measure per Record of Votes