

STAND. COM. REP. NO.

155

Honolulu, Hawaii

FEB 10 2023

RE: S.B. No. 281
S.D. 1

Honorable Ronald D. Kouchi
President of the Senate
Thirty-Second State Legislature
Regular Session of 2023
State of Hawaii

Sir:

Your Committee on Higher Education, to which was referred
S.B. No. 281 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 establish a
state income tax deduction for Hawaii residents making eligible
contributions into the HI529-Hawaii's College Savings Program.

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

Your Committee finds that the HI529-Hawaii's College Savings
Program assists and encourages individuals and families to save
and invest funds for future higher education expenses. Most other
states offer a state tax deduction or credit for contributions to
state college savings programs to incentivize participation. As
the cost of higher education continues to rise, this measure
similarly will help incentivize Hawaii residents to save for
higher education through contributions to an HI529 program
account.



Your Committee recognizes that not all Hawaii residents make contributions into the HI529 program, but instead may contribute to other state college savings programs. To encourage these residents to continue making contributions, amendments to this measure are necessary to expand eligibility for the proposed state income tax deduction for eligible contributions to any college savings program under section 529 of the Internal Revenue Code. Your Committee further notes the concerns raised in the testimony submitted by the Department of the Attorney General raising constitutional concerns regarding equality of treatment for resident and nonresident taxpayers and therefore finds that amendments to this measure are necessary to address these concerns.

Accordingly, your Committee has amended this measure by:

- (1) Clarifying the state income tax deduction shall be allowed for eligible contributions made to any college savings program established under section 529 of the Internal Revenue Code of 1986, as amended, rather than exclusively for contributions made to the HI529-Hawaii's College Savings Program;
- (2) Deleting language that would have defined "qualified taxpayer" as a resident of the State;
- (3) Amending section 1 to reflect its amended purpose;
- (4) Inserting an unspecified taxable year for which the income tax deduction shall be allowed to commence; and
- (5) Making technical, nonsubstantive amendments for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Higher Education that is attached to this report, your Committee is in accord with the intent and purpose of S.B. No. 281, as amended herein, and recommends that it pass Second Reading in the form attached hereto as S.B. No. 281, S.D. 1, and be referred to your Committee on Ways and Means.



Respectfully submitted on
behalf of the members of the
Committee on Higher Education,

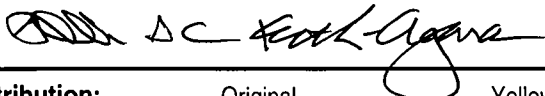


DONNA MERCADO KIM, Chair



The Senate
 Thirty-Second Legislature
 State of Hawai'i

Record of Votes
Committee on Higher Education
HRE

Bill / Resolution No.:* SB 281	Committee Referral: HRE, NAM	Date: 2/2/23		
<input type="checkbox"/> The Committee is reconsidering its previous decision on this measure. If so, then the previous decision was to: _____				
The Recommendation is: <input type="checkbox"/> Pass, unamended 2312 <input checked="" type="checkbox"/> Pass, with amendments 2311 <input type="checkbox"/> Hold 2310 <input type="checkbox"/> Recommit 2313				
Members	Aye	Aye (WR)	Nay	Excused
KIM, Donna Mercado (C)	✓			
KIDANI, Michelle N. (VC)				X
FUKUNAGA, Carol	X			
KEITH-AGARAN, Gilbert S.C.	X			
FEVELLA, Kurt	X			
TOTAL	4			1
Recommendation: <input checked="" type="checkbox"/> Adopted <input type="checkbox"/> Not Adopted				
Chair's or Designee's Signature: 				
Distribution: Original Yellow Pink Goldenrod File with Committee Report Clerk's Office Drafting Agency Committee File Copy				

*Only one measure per Record of Votes