

JAN 25 2023

A BILL FOR AN ACT

RELATING TO THE COLLEGE SAVINGS PROGRAM.

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

1 SECTION 1. The legislature finds that saving for a child's
2 education is a priority for many families. The legislature
3 further finds that it is in the State's interest to incentivize
4 educational savings for the children of Hawaii. Additionally,
5 the legislature finds that many other states offer tax
6 deductions for educational savings programs established pursuant
7 to section 529 of the Internal Revenue Code.

8 Accordingly, the purpose of this Act is to offer tax
9 incentives comparable to those available elsewhere for accounts
10 in qualified educational savings programs.

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

14 "§235- Hawaii college savings program. (a) There
15 shall be allowed as a deduction from the Hawaii adjusted gross
16 income of a qualified taxpayer, contributions made to an account
17 in a college savings program established under chapter 256 and



1 section 529 of the Internal Revenue Code of 1986, as amended, or
2 successor legislation hereinafter referenced as the
3 "HI529-Hawaii's college savings program"; provided that the
4 annual deductions for the contributions shall be up to:

5 (1) \$5,000 for qualified taxpayers filing a single return
6 and for married couples filing separate returns;
7 provided that each spouse may claim a deduction of up
8 to \$5,000;

9 (2) \$7,500 for heads of household; and

10 (3) \$10,000 for qualified taxpayers filing joint returns
11 or surviving spouses; provided that the deduction
12 shall be available to married couples filing joint
13 returns if at least one spouse is an account owner in
14 the HI529-Hawaii's college savings program;

15 provided further that only a qualified taxpayer who is an
16 account owner in the HI529-Hawaii's college savings program
17 shall be allowed to claim the applicable deduction for
18 contributions made by the qualified taxpayer into the qualified
19 taxpayer's account in the HI529-Hawaii's college savings
20 program; and provided further that any contributions made to the
21 qualified taxpayer's account in the HI529-Hawaii's college



1 savings program for a designated beneficiary shall be reduced by
2 any withdrawals made for qualified higher education expenses
3 during the same year for that designated beneficiary.

4 (b) In order to be deductible for a particular taxable
5 year, a contribution shall be credited to the qualified
6 taxpayer's account in the HI529-Hawaii's college savings program
7 on or before the last day of that taxable year; provided that if
8 a contribution is delivered by mail, it shall be postmarked on
9 or before the last day of that taxable year.

10 (c) Rollovers from the HI529-Hawaii's college savings
11 program into another state's college saving program shall not be
12 considered as contributions eligible for the tax deduction under
13 this section.

14 (d) If the amount of the contribution to the qualified
15 taxpayer's account in the HI529-Hawaii's college savings program
16 exceeds the maximum deduction for the taxable year in which the
17 contribution is made pursuant to subsection (a), the excess
18 deduction may be used as a deduction against the qualified
19 taxpayer's Hawaii adjusted gross income for up to four
20 subsequent tax years until the excess deduction is exhausted.



1 (e) Contributions to the HI529-Hawaii's college savings
2 program that have been deducted from the qualified taxpayer's
3 Hawaii adjusted gross income for prior taxable years shall be
4 subject to recapture and penalties pursuant to section 256-4 if
5 the qualified taxpayer makes a subsequent nonqualified
6 withdrawal from a college savings program. The contribution
7 shall be recaptured by adding the amount previously deducted,
8 not to exceed the amount of the nonqualified withdrawal, to the
9 qualified taxpayer's Hawaii adjusted gross income for the tax
10 year in which the nonqualified withdrawal occurred.

11 (f) As used in this section:

12 "Contribution" means:

- 13 (1) Any payment directly allocated to an account of the
14 HI529-Hawaii's college savings program for the benefit
15 of a designated beneficiary, or used to pay
16 administrative fees associated with the account; and
17 (2) The portion of any rollover amount treated as a
18 contribution under section 529 of the Internal Revenue
19 Code of 1986, as amended, or successor legislation.

20 "Qualified higher education expenses" shall have the same
21 meaning as in section 256-1.



- 1 "Qualified taxpayer" means a resident of the State who is:
2 (1) An individual taxpayer or a married couple filing
3 separate returns each with an adjusted gross income of
4 less than \$ _____ ;
5 (2) A head of household with an adjusted gross income of
6 \$ _____ ; or
7 (3) A married couple filing a joint return or surviving
8 spouse with an adjusted gross income of less than
9 \$ _____ .

10 "Rollover" means a distribution or transfer from an account
11 that is transferred to or deposited within sixty calendar days
12 of the distribution into an account of the same person for the
13 benefit of the same designated beneficiary or another person who
14 is a member of the family of the designated beneficiary;
15 provided that the transferee account was created under chapter
16 256 or another college savings program maintained in accordance
17 with section 529 of the Internal Revenue Code of 1986, as
18 amended, or successor legislation."

19 SECTION 3. Section 23-95, Hawaii Revised Statutes, is
20 amended by amending subsection (c) to read as follows:

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



- 1 (1) Section 235-5.5--Deduction for individual housing
- 2 account deposit;
- 3 (2) Section 235-7(f)--Deduction of property loss due to a
- 4 natural disaster;
- 5 (3) Section 235-16.5--Credit for cesspool upgrade,
- 6 conversion, or connection;
- 7 (4) Section 235-19--Deduction for maintenance of an
- 8 exceptional tree;
- 9 (5) Section 235-55.91--Credit for the employment of a
- 10 vocational rehabilitation referral;
- 11 (6) Section 235-110.2--Credit for in-kind services
- 12 contribution for public school repair and maintenance;
- 13 ~~[and]~~
- 14 (7) Sections 235-110.8 and 241-4.7--Credit for ownership
- 15 of a qualified low-income housing building~~[-]~~; and
- 16 (8) Section 235- --Deduction for contributions to an
- 17 account in the HI529-Hawaii's college savings
- 18 program."

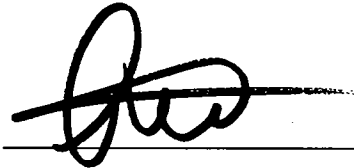
19 SECTION 4. Statutory material to be repealed is bracketed
20 and stricken. New statutory material is underscored.



1 SECTION 5. This Act shall take effect upon its approval;
2 provided that section 2 shall apply to taxable years beginning
3 after December 31, 2022.

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INTRODUCED BY:



A handwritten signature in black ink is written over a horizontal line. The signature is stylized and appears to be the initials 'JW'.



S.B. NO. 1250

Report Title:

College Savings Program; Income Tax Deduction

Description:

Establishes a state income tax deduction for eligible contributions made by residents of the State into the HI529-Hawaii's College Savings Program.

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

