



**STATE OF HAWAII**  
**KA MOKU'ĀINA O HAWAII**  
**STATE COUNCIL ON DEVELOPMENTAL DISABILITIES**  
**'A'UNIKE MOKU'ĀPUNI NO KA NĀ KĀWAI KULA**  
PRINCESS VICTORIA KAMĀMALU BUILDING  
1010 RICHARDS STREET, Room 122  
HONOLULU, HAWAII 96813  
TELEPHONE: (808) 586-8100 FAX: (808) 586-7543

February 5, 2025

The Honorable Representative Andrew Takuya Garrett, Chair  
House Committee on Higher Education

The Honorable Representative Justin H. Woodson, Chair  
House Committee on Education

The Thirty-Third Legislature  
State Capitol  
State of Hawai'i  
Honolulu, Hawai'i 96813

Dear Representative Garrett, and Committee Members:  
Dear Representative Woodson, and Committee Members:

**SUBJECT: HB707 Relating to the College Savings Program**

The Hawai'i State Council on Developmental Disabilities **SUPPORTS HB707**, which establishes a state income tax deduction for contributions made to Hawaii 529 accounts through the college savings program and conforms to the amendments of the Internal Revenue Code authorizing 529 benefits to be used for K-12 educational expenses.

We respectfully request the inclusion of the Hawai'i Achieving a Better Life Experience (ABLE) Savings Program within this measure. The ABLE Act, signed into federal law in 2014 and enacted in Hawai'i as Act 206, SLH 2015, allows individuals with disabilities to establish special savings accounts without jeopardizing eligibility for Social Security and Medicaid benefits.

ABLE accounts are critical financial tools for individuals with disabilities, enabling them to save for education, housing, transportation, employment training, and health-related expenses. These accounts complement and are compatible with HI529 Hawaii College Savings Program, and we propose that the measure be amended to refer to the program as the "Hawaii College and ABLE Savings Program."

Including ABLE accounts in HB707 will expand its reach to encompass individuals with disabilities, promoting greater financial security and educational opportunities within the disability

community. This integration will also raise awareness about ABLE accounts and encourage broader participation.

Thank you for the opportunity to submit testimony in strong support of HB707, with the recommendation to include the Hawai'i ABLE Savings Program.

Thank you for the opportunity to submit testimony in **support of HB707.**

Sincerely,

A handwritten signature in blue ink that reads "Daintry Bartoldus". The signature is written in a cursive, flowing style.

Daintry Bartoldus  
Executive Administrator

**JOSH GREEN M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR



STATE OF HAWAII  
**DEPARTMENT OF TAXATION**

Ka 'Oihana 'Auhau

P.O. BOX 259

HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1540

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**GARY S. SUGANUMA**  
DIRECTOR

**KRISTEN M.R. SAKAMOTO**  
DEPUTY DIRECTOR

**TESTIMONY OF  
GARY S. SUGANUMA, DIRECTOR OF TAXATION**

**TESTIMONY ON THE FOLLOWING MEASURE:**

H.B. No. 707, Relating to the College Savings Program.

**BEFORE THE:**

House Committees on Higher Education and Education

**DATE:** Wednesday, February 5, 2025

**TIME:** 2:00 p.m.

**LOCATION:** State Capitol, Room 309

Chairs Garrett and Wodson, Vice-Chairs Amato and La Chica, and Members of the Committees:

The Department of Taxation (DOTAX) offers the following comments regarding H.B. 707 for your consideration.

Section 2 of H.B. 707 amends section 235, Hawaii Revised Statutes (HRS), to allow an income tax deduction for contributions made to an account or college account pursuant to chapter 256 and section 529 of the Internal Revenue Code (IRC). For single filers, the deduction is limited to \$5,000 per taxable year. For joint filers, the deduction is limited to \$10,000 per taxable year.

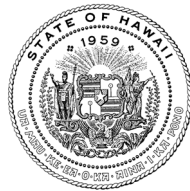
Section 3 of the bill amends section 235-2.4, HRS, to conform with provisions of the IRC that authorize 529 benefits to be used for K-12 educational expenses. Hawaii currently does not conform to these provisions.

Section 4 of the bill amends the state's College Savings Program to further articulate that college accounts are intended to attract students to elementary or secondary public, private, or religious schools within the state.

The measure applies to taxable years beginning after December 31, 2024.

DOTAX can administer this bill as drafted.

Thank you for the opportunity to provide comments on this measure.



JOSH GREEN, M.D.  
GOVERNOR

SYLVIA LUKE  
LIEUTENANT GOVERNOR

EMPLOYEES' RETIREMENT SYSTEM  
HAWAII EMPLOYER-UNION HEALTH BENEFITS TRUST FUND  
OFFICE OF THE PUBLIC DEFENDER

LUIS P. SALAVERIA  
DIRECTOR

SABRINA NASIR  
DEPUTY DIRECTOR

**STATE OF HAWAII**  
**DEPARTMENT OF BUDGET AND FINANCE**  
*Ka 'Oihana Mālama Mo'ohelu a Kālā*  
P.O. BOX 150  
HONOLULU, HAWAII 96810-0150

ADMINISTRATIVE AND RESEARCH OFFICE  
BUDGET, PROGRAM PLANNING AND MANAGEMENT DIVISION  
FINANCIAL ADMINISTRATION DIVISION  
OFFICE OF FEDERAL AWARDS MANAGEMENT

**WRITTEN ONLY**

TESTIMONY BY LUIS P. SALAVERIA  
DIRECTOR, DEPARTMENT OF BUDGET AND FINANCE  
TO THE HOUSE COMMITTEE ON HIGHER EDUCATION  
AND  
THE COMMITTEE ON EDUCATION  
ON  
HOUSE BILL NO. 707

**February 5, 2025**  
**2:00 P.M.**  
**Conference Room 309 and Videoconference**

RELATING TO THE COLLEGE SAVINGS PROGRAM

The Department of Budget and Finance offers the following comments on Senate Bill No. 707, which proposes in Section 2 of the bill, to amend HRS section 235 by adding a new section to establish a state income tax deduction of \$5,000 per qualified single filers and married individuals filing separately; and \$10,000 for qualified married individuals filing jointly, heads of household, or surviving spouses, for contributions made to an account established pursuant to chapter 256 (College Savings Program) and section 529 of the Internal Revenue Code of 1986, as amended (commonly known as 529 college savings plans). The measure limits contributions eligible for the deduction only in the taxable year in which they are made, and specifies withdrawals for non-qualifying expenses are subject to recapture. It also authorizes the director of taxation to prepare forms as may be necessary to claim the tax deduction and to adopt applicable rules.

Section 3 of the bill amends HRS section 235-2.4 and section 256-2 to include accounts for elementary or secondary public, private, or religious schools within the state which intends to extend plan tax benefits to include primary and secondary school tuition as a qualified expense as authorized by federal law under the Tax Cuts and Jobs Act of 2017 which expanded the Qualified Tuition Program to allow withdrawals up to \$10,000 per year from a 529 plan to pay for K-12 school tuition.

The Department appreciates the intent of the bill to encourage and provide incentives for individuals and families to save and invest funds for the increasing cost of education and provides comments on this bill as follows.

There would be an undetermined amount of revenue loss with the tax deduction on contributions for higher education which would be increased by expanding the deduction to K-12, depending on the number of taxpayers with children in schools charging tuition.

There would need to be amendments to HRS chapter 256 to expand its applicability to K-12 in addition to college.

In closing, the Department recognizes that a state tax deduction and/or expansion of the 529 college savings program would provide a significant incentive to Hawai'i families to save for college and for families who pay primary and secondary school tuition. Thank you for the opportunity to provide comments.

# TAX FOUNDATION OF HAWAII

735 Bishop Street, Suite 417

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: INCOME TAX, College Savings Program, Full Conformity to IRC 529

BILL NUMBER: HB 707

INTRODUCED BY: TAKENOUCHI

EXECUTIVE SUMMARY: Establishes a state income tax deduction for contributions made to Hawai'i 529 accounts through the college savings program. Conforms to the amendments of the Internal Revenue Code that authorize 529 benefits to be used for K-12 educational expenses.

SYNOPSIS: Adds a new section 235-\_\_\_\_, HRS, to allow a gross income deduction for contributions made to a college account established in chapter 256, HRS and section 529 of the IRC. The maximum deduction per taxable year allowed:

- 1) For single filers and married individuals filing separately, \$5,000;
- 2) For married individuals filing jointly, heads of households, and surviving spouses, \$10,000.

Contributions withdrawn for non-qualified expenses shall be subject to recapture and included in taxable income, consistent with penalties under federal law.

The director of taxation shall prepare forms necessary to claim a tax deduction, may require proof of claim, and may adopt rules pursuant to chapter 91.

Amends section 235-2.4(ii) to conform to all provisions of section 529 of the Internal Revenue Code of 1986. The measure conforms to the following (that currently do not apply):

- IRC Section 529(c)(6): imposes the IRC section 530(d)(4) tax to any payment or distribution from a qualified tuition program in the same manner as such tax applies to payments or distributions from a Coverdell education savings account.
- IRC Section 529(c)(7): "Qualified higher education expense" includes tuition in connection with enrollment or attendance at an elementary or secondary public, private or religious school.
- IRC Section 529(e)(3)(A)(iii): "Qualified higher education expenses" means expenses for the purchase of computer or peripheral equipment, computer software, or Internet access and related services used primarily by the beneficiary enrolled in an eligible educational institution.

Makes conforming changes to section 256-2, HRS.

EFFECTIVE DATE: Upon approval, shall apply to taxable years beginning after December 31, 2024.

STAFF COMMENTS: The Hawaii college savings program under chapter 256, HRS, is a college savings program intended to qualify under IRC section 529. This measure proposes conformity with the changes made by the federal Tax Cuts and Jobs Act of 2017.

Under the Internal Revenue Code, contributions to a 529 plan are not deductible, but the monies in the plan can earn income tax-free and will not be taxed when the money is taken out to pay for college.

According to <https://www.savingforcollege.com/intro-to-529s/name-the-top-7-benefits-of-529-plans> (which, as updated Jan. 17, 2025, now discusses nine benefits), over 30 states currently offer a full or partial tax deduction or credit for 529 plan contributions. This measure allows this incentive.

Digested: 2/3/2025



**HB-707**

Submitted on: 2/4/2025 7:39:00 PM

Testimony for HED on 2/5/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Dale Balsis	Individual	Support	Written Testimony Only

Comments:

**Honorable Members of the HED and EDN,**

I am writing in strong support of HB707, which proposes the establishment of a state income tax deduction for contributions made to Hawai‘i 529 accounts through the college savings program. This bill also conforms to the amendments of the Internal Revenue Code that authorize 529 benefits to be used for K-12 educational expenses.

The importance of this bill cannot be overstated. By allowing for state income tax deductions on contributions to 529 accounts, we are encouraging families in Hawai‘i to save for their children's education, both for college and K-12. This bill will provide much-needed financial relief to families who are working hard to ensure their children's educational success.

Establishing this state income tax deduction will have several significant benefits:

1. **Encourages Savings:** It will incentivize families to save more for their children's education, ensuring that they have the resources necessary to pursue higher education and other educational opportunities.
2. **Reduces Financial Burden:** The tax deduction will help alleviate the financial burden on families, making it more feasible for them to allocate funds toward education rather than other expenses.
3. **Promotes Education:** By supporting educational savings, we are investing in the future of our state. An educated populace is vital to the growth and development of our community and economy.

Furthermore, aligning Hawai‘i's 529 program with the amendments to the Internal Revenue Code to include K-12 educational expenses will provide families with greater flexibility in using their savings. This change will make it easier for families to provide quality education for their children at all stages of their academic journey.

In conclusion, I wholeheartedly support HB707 and urge the members of the committee to pass this critical legislation. By doing so, we are making a meaningful investment in the education and future of our keiki and, ultimately, the future of Hawai‘i.

Thank you for your attention and consideration.

Sincerely,

Dale Balsis

Resident of Nu`uanu

**HB-707**

Submitted on: 2/4/2025 7:59:46 PM

Testimony for HED on 2/5/2025 2:00:00 PM



Submitted By	Organization	Testifier Position	Testify
Nikki Balsis	Individual	Support	Written Testimony Only

Comments:

**Honorable Members of the HED/EDN, FIN,**

I am writing in strong support of HB707, which proposes the establishment of a state income tax deduction for contributions made to Hawai‘i 529 accounts through the college savings program. This bill also conforms to the amendments of the Internal Revenue Code that authorize 529 benefits to be used for K-12 educational expenses.

The importance of this bill cannot be overstated. By allowing for state income tax deductions on contributions to 529 accounts, we are encouraging families in Hawai‘i to save for their children's education, both for college and K-12. This bill will provide much-needed financial relief to families who are working hard to ensure their children's educational success.

Establishing this state income tax deduction will have several significant benefits:

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Furthermore, aligning Hawai‘i's 529 program with the amendments to the Internal Revenue Code to include K-12 educational expenses will provide families with greater flexibility in using their savings. This change will make it easier for families to provide quality education for their children at all stages of their academic journey.

In conclusion, I wholeheartedly support HB707 and urge the members of the committee to pass this critical legislation. By doing so, we are making a meaningful investment in the education and future of our keiki and, ultimately, the future of Hawai‘i.

Thank you for your attention and consideration.

Sincerely,

Nikki Balsis

Resident of Nu`uanu

**LATE**

**HB-707**

Submitted on: 2/4/2025 8:24:59 PM

Testimony for HED on 2/5/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Patrick Katahara	Individual	Support	Written Testimony Only

Comments:

**Honorable Members of the HED/EDN, FIN,**

I am writing in strong support of HB707, which proposes the establishment of a state income tax deduction for contributions made to Hawai‘i 529 accounts through the college savings program. This bill also conforms to the amendments of the Internal Revenue Code that authorize 529 benefits to be used for K-12 educational expenses.

The importance of this bill cannot be overstated. By allowing for state income tax deductions on contributions to 529 accounts, we are encouraging families in Hawai‘i to save for their children's education, both for college and K-12. This bill will provide much-needed financial relief to families who are working hard to ensure their children's educational success.

Establishing this state income tax deduction will have several significant benefits:

1. **Encourages Savings:** It will incentivize families to save more for their children's education, ensuring that they have the resources necessary to pursue higher education and other educational opportunities.
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Furthermore, aligning Hawai‘i's 529 program with the amendments to the Internal Revenue Code to include K-12 educational expenses will provide families with greater flexibility in using their savings. This change will make it easier for families to provide quality education for their children at all stages of their academic journey.

In conclusion, I wholeheartedly support HB707 and urge the members of the committee to pass this critical legislation. By doing so, we are making a meaningful investment in the education and future of our keiki and, ultimately, the future of Hawai‘i.

Thank you for your attention and consideration.

Sincerely,

Patrick Katahara

Resident of Kaimuki.

**LATE**

**HB-707**

Submitted on: 2/4/2025 8:36:33 PM

Testimony for HED on 2/5/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Kyle Miyahana	Individual	Support	Written Testimony Only

Comments:

**Honorable Members of the HED/EDN, FIN,**

I am writing in strong support of HB707, which proposes the establishment of a state income tax deduction for contributions made to Hawai‘i 529 accounts through the college savings program. This bill also conforms to the amendments of the Internal Revenue Code that authorize 529 benefits to be used for K-12 educational expenses.

The importance of this bill cannot be overstated. By allowing for state income tax deductions on contributions to 529 accounts, we are encouraging families in Hawai‘i to save for their children's education, both for college and K-12. This bill will provide much-needed financial relief to families who are working hard to ensure their children's educational success.

Establishing this state income tax deduction will have several significant benefits:

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Furthermore, aligning Hawai‘i's 529 program with the amendments to the Internal Revenue Code to include K-12 educational expenses will provide families with greater flexibility in using their savings. This change will make it easier for families to provide quality education for their children at all stages of their academic journey.

In conclusion, I wholeheartedly support HB707 and urge the members of the committee to pass this critical legislation. By doing so, we are making a meaningful investment in the education and future of our keiki and, ultimately, the future of Hawai‘i.

Thank you for your attention and consideration.

Sincerely,  
Kyle





**HB-707**

Submitted on: 2/4/2025 8:46:46 PM

Testimony for HED on 2/5/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Sean Smith	Individual	Support	Written Testimony Only

Comments:

Aloha,

I am a financial advisor and I am writing in strong support of HB707, which proposes the establishment of a state income tax deduction for contributions made to Hawai‘i 529 accounts through the college savings program. This bill also conforms to the amendments of the Internal Revenue Code that authorize 529 benefits to be used for K-12 educational expenses.

The importance of this bill cannot be overstated. By allowing for state income tax deductions on contributions to 529 accounts, we are encouraging families in Hawai‘i to save for their children's education, both for college and K-12. This bill will provide much-needed financial relief to families who are working hard to ensure their children's educational success.

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Furthermore, aligning Hawai‘i's 529 program with the amendments to the Internal Revenue Code to include K-12 educational expenses will provide families with greater flexibility in using their savings. This change will make it easier for families to provide quality education for their children at all stages of their academic journey.

In conclusion, I wholeheartedly support HB707 and urge the members of the committee to pass this critical legislation. By doing so, we are making a meaningful investment in the education and future of our keiki and, ultimately, the future of Hawai‘i.

Thank you for your attention and consideration.

Sincerely,

Sean Smith



**HB-707**

Submitted on: 2/4/2025 9:37:47 PM

Testimony for HED on 2/5/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Emily W Kuwahara	Individual	Support	Written Testimony Only

Comments:

**Members of the HED/EDN, FIN,**

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In conclusion, I wholeheartedly support HB707 and urge the members of the committee to pass this critical legislation. By doing so, we are making a meaningful investment in the education and future of our keiki and, ultimately, the future of Hawai‘i.

Thank you for your attention and consideration.

Sincerely,

Emily Kuwahara Pauoa resident

**LATE**

**HB-707**

Submitted on: 2/5/2025 9:17:16 AM

Testimony for HED on 2/5/2025 2:00:00 PM

Submitted By	Organization	Testifier Position	Testify
Won Lee	Individual	Support	Written Testimony Only

Comments:

**Honorable Members of the HED/EDN, FIN,**

I am writing in strong support of HB707, which proposes the establishment of a state income tax deduction for contributions made to Hawai‘i 529 accounts through the college savings program. This bill also conforms to the amendments of the Internal Revenue Code that authorize 529 benefits to be used for K-12 educational expenses.

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Thank you for your attention and consideration.

Sincerely,

Won Lee

Resident of Salt Lake