
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 in 2002, the 'State
2 established a college savings program called "TuitionEDGE"
3 pursuant to chapter 256, Hawaii Revised Statutes, and section
4 529 of the Internal Revenue Code of 1986, as amended. In 2007,
5 the program was revamped under a new program manager, and re-
6 branded as "HI529 Hawaii's College Savings Program". The
7 program assists and encourages families to save and invest funds
8 for future higher education expenses. The investment income
9 earned under the program is exempt from federal and state taxes;
10 provided that the funds are used for qualified higher education
11 expenses.

12 The legislature further finds that the federal Tax Cuts and
13 Jobs Act of 2017 expanded 529 plan benefits to include K-12
14 educational expenses. However, the State decided to not conform
15 to these specific changes made to the Internal Revenue Code.

16 The legislature also finds that establishing a state income
17 tax deduction for accounts under the Hawaii achieving a better



1 life experience savings program, which provides for individual
2 savings accounts for individuals with a disability and their
3 families to save private funds to support the individuals, will
4 promote greater financial security and educational opportunities
5 within the disability community.

6 The purpose of this Act is to:

7 (1) Establish a state income tax deduction for
8 contributions made to:

9 (A) Hawaii 529 accounts through the college savings
10 program; and

11 (B) Accounts through the Hawaii achieving a better
12 life experience savings program; and

13 (2) Opt into the amendments of the Internal Revenue Code
14 that authorize 529 benefits to be used for K-12
15 educational expenses as authorized by federal law.

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

19 **"§235- Hawaii's college and ABLE savings program;**
20 **deduction.** (a) There shall be allowed as a deduction from
21 gross income the following amounts for contributions made to an



1 account or college account pursuant to chapter 256 and section
2 529 of the Internal Revenue Code of 1986, as amended, and for
3 contributions made to an account pursuant to chapter 256B:

4 (1) For single filers and married individuals filing
5 separately, a maximum deduction of \$5,000 per taxable
6 year; and

7 (2) For married individuals filing jointly, heads of
8 households, and surviving spouses, a maximum deduction
9 of \$10,000 per taxable year.

10 (b) Contributions are eligible for the deduction only in
11 the taxable year in which they are made.

12 (c) Contributions withdrawn for non-qualified expenses
13 shall be subject to recapture and included as taxable income for
14 the purposes of income tax, consistent with penalties under
15 federal law.

16 (d) The director of taxation shall prepare forms as may be
17 necessary to claim a tax deduction under this section, may
18 require proof of the claim for the tax deduction, and may adopt
19 rules pursuant to chapter 91."

20 SECTION 3. Section 235-2.4, Hawaii Revised Statutes, is
21 amended by amending subsection (ii) to read as follows:



1 "(ii) Section 529 (with respect to qualified tuition
2 programs) shall be operative for the purposes of this chapter[~~r~~
3 ~~except that sections 529(c)(6), 529(c)(7), and 529(c)(3)(A)(iii)~~
4 ~~shall not be operative]~~."

5 SECTION 4. Section 256-2, Hawaii Revised Statutes, is
6 amended to read as follows:

7 "**[+]§256-2[+] College savings program established.** There
8 is established the college savings program. The purpose of this
9 program is to enable families to save for college tuition and
10 other expenses through college accounts. The program shall
11 provide college accounts to:

- 12 (1) Enable residents of this State and other states to
13 benefit from the tax incentive provided for qualified
14 state tuition programs under the Internal Revenue Code
15 of 1986, as amended; and
16 (2) Attract students to public and private colleges [~~and~~],
17 universities, and elementary or secondary public,
18 private, or religious schools within the State."

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



1 SECTION 6. This Act shall take effect on July 1, 3000, and
2 shall apply to taxable years beginning after December 31, 2024.



Report Title:

College Savings Program; 529 Accounts; Hawaii ABLE Savings Program; Income Tax; Deduction; Internal Revenue Code Conformance

Description:

Establishes a state income tax deduction for contributions made to Hawaii 529 accounts through the college savings program and accounts made through the Hawaii ABLE Savings Program. Conforms to the amendments of the Internal Revenue Code that authorize 529 benefits to be used for K-12 educational expenses. Effective 7/1/3000. (HD1)

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