
A BILL FOR AN ACT

RELATING TO COLLEGE SAVINGS PROGRAM TAX DEDUCTION.

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

- 1 SECTION 1. Chapter 235, Hawaii Revised Statutes, is
2 amended by adding a new section to be appropriately designated
3 and to read as follows:
- 4 "§235- College savings program tax deduction (a) The
5 following annual deductions from gross income shall be allowed
6 for contributions made to a designated beneficiary's Hawaii
7 college savings program account established pursuant to chapter
8 256:
- 9 (1) Up to \$5,000 for individual taxpayers, but not more
10 than the amount contributed during the taxable or
11 prior year as provided in this section;
- 12 (2) Up to \$5,000 for married couples filing separate
13 returns, but not more than the amount contributed
14 during the taxable or prior year as provided in this
15 section; provided that each spouse may claim a
16 deduction of up to \$5,000; and



1 (3) Up to \$10,000 for married couples filing joint
2 returns, individuals filing as the head of the
3 household, or individuals filing as surviving spouses,
4 but not more than the amount contributed during the
5 taxable or prior year as provided in this section;
6 provided that a taxpayer shall be limited to one deduction for
7 all contributions made per year.

8 (b) If the amount of the deduction exceeds the taxpayer's
9 taxable income for the taxable year the contribution is made, or
10 if the amount contributed to the college savings program account
11 exceeds the amount allowed to be deducted during the year of
12 contribution, the contribution in excess of the deductible
13 amount may be used as a deduction against the taxpayer's taxable
14 income for up to five subsequent tax years or until the excess
15 deduction is exhausted, whichever occurs first.

16 (c) Amounts deducted shall be for contributions made by
17 December 31 of the tax year. No deduction shall be allowed for
18 any amounts derived from a withdrawal or rollover from another
19 qualified tuition program created pursuant to section 529 of the
20 Internal Revenue Code of 1986, as amended. No deduction shall
21 be allowed for contributions to an account made in the same tax



1 year that a nonqualified withdrawal from that account has
2 occurred.

3 All deductions taken under this section shall be subject to
4 recapture. Recapture of deductions taken under this section
5 shall be triggered by any nonqualified withdrawal from the
6 account to which the contribution was made. Any recapture under
7 this section shall be equal to the amount of all nonqualified
8 withdrawals during the taxable year and shall be added to the
9 taxpayer's taxable income for the taxable year in which the
10 recapture is triggered.

11 (d) In addition to the recapture of deductions under
12 subsection (c), all nonqualified withdrawals shall be subject to
13 a penalty equal to ten per cent of the amount of the unqualified
14 withdrawal.

15 (e) For the purposes of this section, "nonqualified
16 withdrawal" has the same meaning as in section 256-1."

17 SECTION 2. New statutory material is underscored.

18 SECTION 3. This Act shall take effect on July 1, 2525.



Report Title:

College Savings Program Tax Deduction; 529 Plans

Description:

Provides an annual maximum deduction of \$5,000 per individual or \$10,000 for a married couple filing jointly for contributions made to the Hawaii College Savings Program. (HB2519 HD1)

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