
A BILL FOR AN ACT

RELATING TO TAXATION.

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 part III to be appropriately
3 designated and to read as follows:
4 "§235- College savings program tax credit. (a) There
5 shall be allowed to each taxpayer subject to the tax imposed
6 under this chapter, a college savings program tax credit equal
7 to the amount determined under subsections (b), (c), and (d),
8 that shall be deductible from the taxpayer's net income tax
9 liability, if any, imposed by this chapter for the taxable year
10 in which the credit is properly claimed. The tax credit shall
11 apply to any contribution made by the taxpayer on or after
12 January 1, 2018, to the account of a designated beneficiary in
13 the college savings program under chapter 256; provided that the
14 credit shall apply to rollover distributions from college
15 savings programs in other states.
16 (b) For taxpayers filing jointly or as a surviving spouse,
17 the tax credit shall be equal to, for each designated



1 beneficiary on whose behalf a contribution is made, ten per cent
2 of the first \$5,000 contributed during the taxable year.

3 (c) For taxpayers filing a single return or a married
4 person filing separately, the tax credit shall be equal to, for
5 each designated beneficiary on whose behalf a contribution is
6 made, ten per cent of the first \$2,500 contributed during the
7 taxable year.

8 (d) For taxpayers filing as head of household, the tax
9 credit shall be equal to, for each designated beneficiary on
10 whose behalf a contribution is made, ten per cent of the first
11 \$3,750 contributed during the taxable year.

12 (e) The amount of the tax credit taken shall not exceed
13 \$500 for contributions made on behalf of each designated
14 beneficiary during each taxable year.

15 (f) No tax credit shall be allowed under this section for
16 any contribution made on behalf of any designated beneficiary
17 when the value of the beneficiary's account at the time of the
18 contribution equals or exceeds the maximum investment level
19 referred to under section 256-4(1).

20 (g) The tax imposed by this chapter for the taxable year
21 shall be increased by an amount equal to the tax credit allowed



1 under subsection (a) for that taxable year and all prior taxable
2 years for contributions made by the taxpayer to a college
3 savings program account when:

4 (1) The taxpayer cancels the tuition savings agreement
5 under chapter 256; or

6 (2) The taxpayer makes a nonqualified withdrawal as
7 defined in section 256-1.

8 (h) The director of taxation shall prepare such forms as
9 may be necessary to claim a credit under this section, may
10 require proof of the claim for the tax credit, and may adopt
11 rules pursuant to chapter 91 to effectuate this section.

12 (i) Claims for the tax credit under this section,
13 including any amended claims thereof, shall be filed on or
14 before the end of the twelfth month following the taxable year
15 for which the credit may be claimed. Failure to properly and
16 timely claim the credit shall constitute a waiver of the right
17 to claim the credit.

18 (j) If the tax credit under this section exceeds the
19 taxpayer's income tax liability, the excess of credit over
20 liability may be used as a credit against the taxpayer's income
21 tax liability in subsequent years until exhausted.



1 (k) For purposes of this section, the term "designated
2 beneficiary" shall have the same meaning as in section 256-1."

3 SECTION 2. New statutory material is underscored.

4 SECTION 3. This Act, upon its approval, shall apply to
5 taxable years beginning after December 31, 2017.

6



Report Title:

Taxation; College Savings Program Tax Credit

Description:

Establishes a college savings program income tax credit.

Applies to taxable years after 12/31/2017. (SD1)

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