THE SENATE TWENTY-FOURTH LEGISLATURE, 2007 STATE OF HAWAII

S.B. NO. 722

JAN 1 9 2007

A BILL FOR AN ACT

RELATING TO THE COLLEGE SAVINGS ACCOUNT PROGRAM.

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

1	SECTION 1. The purpose of this Act is to provide initial
2	state investments at birth and periodic investments throughout a
3	child's lifetime to college savings accounts to encourage
4	savings and investment for post-secondary educational purposes.
5	SECTION 2. Chapter 235, Hawaii Revised Statutes, is
6	amended by adding a new section to be appropriately designated
7	and to read as follows:
8	"§235- College savings account program; tax deduction.
9	(a) There shall be allowed as a deduction from gross income the
10	amount paid during the taxable year by an individual taxpayer as
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11	contributions to a college savings account under chapter 256;
11 12	
	contributions to a college savings account under chapter 256;
12	contributions to a college savings account under chapter 256; provided that the tax deduction shall not exceed \$ for
12 13	contributions to a college savings account under chapter 256; provided that the tax deduction shall not exceed \$ for taxpayers filing individually and \$ for taxpayers



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1	may require proof of the claim for the tax deduction, and may
2	adopt rules pursuant to chapter 91.
3	(c) For purposes of this section, the term "college
4	savings account" shall have the same meaning as defined in
5	section 256-1."
6	SECTION 3. Section 256-4, Hawaii Revised Statutes, is
7	amended as follows:
8	1. By amending subsection (b) to read:
9	"(b) [Only the] <u>The</u> account owner <u>or the State</u> may make
10	contributions to the account after the account is opened. Upon
11	acceptance of an application under subsection (a), the State
12	shall transfer from the college savings program trust fund
13	<pre>\$ to the account owner's college savings account.</pre>
14	Thereafter, when the designated beneficiary of any account
15	reaches the ages of and , the State shall make
16	additional transfers from the college savings program trust fund
17	of \$ to the account owner's college savings account
18	for that designated beneficiary."
19	2. By amending subsection (e) to read:
20	"(e) An account owner may change the designated
21	beneficiary of an account to an individual who is a member of
22	the family of the prior designated beneficiary [-]; provided that
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1	an amount equal to state contributions to the account, plus				
2	interest accrued thereon, shall be withheld as a penalty and				
3	paid to the college savings program trust fund. An account				
4	owner may transfer all or a portion of an account to another				
5	college account, the designated beneficiary of which is a member				
6	of the same family, as defined in section 529 of the Internal				
7	Revenue Code of 1986, as amended, or successor legislation, as				
8	the beneficiary of the initial $account[-]$; provided that an				
9	amount equal to state contributions to the account, plus				
10	interest accrued thereon, shall be withheld as a penalty and				
11	paid to the college savings program trust fund. Changes in				
12	designated beneficiaries and transfers under this section shall				
13	not be permitted if they constitute excess contributions."				
14	SECTION 4. Section 256-6, Hawaii Revised Statutes, is				
15	amended by amending subsection (b) to read as follows:				
16	"(b) The fund shall consist of a trust account and an				
17	operating account. The trust account shall include amounts				
18	received by the college savings program pursuant to tuition				
19	savings agreements, administrative charges, fees, and all other				
20	amounts received by the program from other sources, and interest				
21	and investment income earned by the fund. The director of				

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1 finance, from time to time, shall make transfers from the trust 2 account to [the]:

3	(1)	The operating account for the immediate payment of
4		obligations under tuition savings agreements,
5		operating expenses, and administrative costs of the
6		college savings program[-]; and

7 (2) College savings accounts pursuant to section 256-4."

SECTION 5. There is appropriated out of the general 8 9 revenues of the State of Hawaii the sum of \$, or so much thereof as may be necessary for fiscal year 2007-2008, and 10 the same sum, or so much thereof as may be necessary for fiscal 11 year 2008-2009, to the college savings program trust fund. 12

13 The sums appropriated shall be expended by the department 14 of budget and finance for the purposes of this Act.

15 SECTION 6. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored. 16

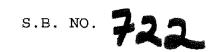
17 SECTION 7. This Act, upon its approval, shall apply to taxable years beginning after December 31, 2006; provided that 18 19 section 5 shall take effect on July 1, 2007.

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INTRODUCED BY:

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Report Title:

College Savings Account Program

Description:

Provides initial state investments at birth and periodic investments to college savings accounts to encourage savings and investment for post-secondary educational purposes.

