

ESTIMATES OF GENERAL FUND TAX REVENUE

(IN THOUSANDS OF DOLLARS)

TYPE OF TAX	ACTUAL		ESTIMATED						
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
General Excise & Use	\$1,425,352	\$1,447,278	\$1,502,767	\$1,559,137	\$1,632,547	\$1,712,582	\$1,793,526	\$1,877,215	\$1,964,160
Income - Individual	1,083,370	1,112,050	1,136,751	1,195,435	1,253,006	1,319,573	1,384,785	1,450,527	1,518,920
Income - Corporation	46,209	42,643	46,778	51,083	55,637	61,142	65,238	68,103	70,809
Public Service Company	120,326	121,143	121,162	122,059	123,387	125,162	127,162	129,511	131,974
Insurance Premiums	59,443	52,493	61,329	62,210	63,282	64,443	65,651	66,955	68,290
Tobacco & Licenses	36,098	42,281	43,960	45,755	47,684	49,702	51,804	53,957	56,189
Liquor & Permits	38,894	38,508	39,807	40,763	41,829	42,889	43,956	45,048	46,170
Banks & Other Fin Corps	15,546	9,772	13,318	15,322	16,789	18,332	19,416	20,144	20,844
Inheritance & Estate	19,645	28,738	18,242	24,308	21,902	23,935	23,760	24,781	25,240
Miscellaneous	4,006	5,364	5,179	5,250	5,331	5,435	5,567	5,708	5,852
Transient Accommodation Tax	127,076	124,783	127,346	129,923	132,747	135,926	139,756	143,978	148,421
GROSS TOTAL	\$2,975,965	\$3,025,053	\$3,116,639	\$3,251,245	\$3,394,141	\$3,559,121	\$3,720,621	\$3,885,927	\$4,056,869
GROWTH RATE	2.7%	1.6%	3.0%	4.3%	4.4%	4.9%	4.5%	4.4%	4.4%
ADJUSTMENT 1 1/		11,750	28,430	28,967	29,556	30,218	31,016	31,895	32,821
ADJUSTMENT 2 2/	(126,781)	(138,728)	(163,276)	(166,390)	(169,803)	(173,644)	(178,272)	(183,373)	(188,742)
ADJUSTMENT 3a 3/		(43,600)	(163,692)	(185,712)	(245,933)	(301,191)	(313,167)	(324,830)	(336,980)
ADJUSTMENT 3b 4/			17,327	14,792	20,510	22,189	23,104	24,160	24,160
ADJUSTMENT 4a 5/			(15,100)	(39,032)	(65,318)	(93,868)	(124,219)	(155,971)	(186,162)
ADJUSTMENT 4b 6/			1,598	3,109	5,447	6,915	9,164	11,601	13,347
NET TOTAL	\$2,849,184	\$2,854,475	\$2,821,926	\$2,906,979	\$2,968,600	\$3,049,740	\$3,168,247	\$3,289,409	\$3,415,313
GROWTH RATE	2.8%	0.2%	-1.1%	3.0%	2.1%	2.7%	3.9%	3.8%	3.8%

See footnotes 1/ to 6/ on next page.

FOOTNOTES FOR FORECAST TABLE, DECEMBER 1999

1/ Increase in transient accommodation tax rate from 6% to 7.25%, effective January 1, 1999 (Act 156, SLH 1998).

2/ Includes (a) FY 1998 to FY 2006 actual and expected transfer of \$5.0 million into the Bond Reserve Fund; (b) annual transfer of transient accommodation tax revenues of one-sixth to Convention Center Special Fund and 95% of remainder to counties from July 1, 1994 to December 31, 1998. All transient accommodation tax revenues accrue to county and special funds, effective January 1, 1999 (Act 156, SLH 1998); (c) annual transfer of \$2.5 million of the franchise tax to the Compliance Resolution Fund, beginning FY 2000 (Act 182, SLH. 1999).

3/ Decrease in individual income tax rates, effective January 1, 1999. Act 157, SLH 1998.

4/ Dynamic impact of Act 157 on general fund tax revenues:

The Department of Business, Economic Development, & Tourism (DBEDT) provided the impacts of Act 157 on disposable income, personal income, and completed construction for FY 1999 to FY 2005 (letter from DBEDT Director Seiji F. Naya to Dr. Michael A. Sklarz, Chairman, Council on Revenues, August 4, 1998). At its September 1, 1998 workshop, the Council adjusted the resulting investment impacts with a time lag of one year.

The Department of Taxation developed the tax impact model to trace the impacts of changes in total personal income, total disposable income, and investment on tax revenues (letter from Mr. Ray K. Kamikawa, Director of Taxation, to Dr. Michael A. Sklarz, Chairman, Council on Revenues, August 17, 1998). Using DBEDT estimates (adjusted by the Council) as inputs to the tax impact model, the Department of Taxation estimated the dynamic revenue impact of Act 157, SLH 1998 from FY 1999 to FY 2006.

5/ Revenue impact of Act 71, SLH 1999 (de-pyramiding) and Act 353, SLH 1997 (subleasing)

In late 1997, the Economic Revitalization Tax Force (ERTF) used the estimate provided by the Department of Taxation. These estimates were based on the Hawaii Income Patterns - Corporations study. Based on analysis of business expenses and deductions, it was estimated that direct inputs as a share of final product or service for the end user approximate 12.75% of total taxable sales. This represents 45% of total pyramiding estimated by an earlier study of the Tax Review Commission. Using the estimate of 12.75% and general excise tax data on rentals and all other activities, the Department of Taxation estimated the direct revenue impacts of Act 353, SLH 1997 and Act 71, SLH 1999.

6/ The dynamic revenue impact of Act 71, SLH 1999 (de-pyramiding) and Act 353, SLH 1997 (subleasing) is assumed to be in similar proportion to the dynamic revenue impact of Act 157, SLH 1998 (See footnote 4).