

ESTIMATES OF GENERAL FUND TAX REVENUE

COR Respondents

(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	\$1,510,532	\$1,594,542	\$1,681,318	\$1,774,471	\$1,871,585	\$1,974,875	\$2,081,396
Income - Individual	1,083,370	1,112,050	1,163,545	1,227,006	1,295,646	1,372,532	1,452,430	1,538,250	1,626,246
Income - Corporation	46,209	42,643	46,942	51,357	55,889	60,656	64,896	69,110	72,744
Public Service Company	120,326	121,143	122,547	124,299	126,176	128,489	131,013	133,834	136,791
Insurance Premiums	59,443	52,493	61,231	62,294	63,384	64,588	65,853	67,255	68,717
Tobacco & Licenses	36,098	42,281	44,272	46,268	48,320	50,465	52,714	55,013	57,396
Liquor & Permits	38,894	38,508	39,679	40,798	41,883	42,967	44,065	45,202	46,383
Banks & Other Fin Corps	15,546	9,772	13,381	15,407	16,869	18,197	19,322	20,443	21,412
Inheritance & Estate	19,645	28,738	18,283	24,476	22,191	24,382	24,335	25,503	26,127
Miscellaneous	4,006	5,364	5,234	5,261	5,371	5,486	5,624	5,758	5,889
Transient Accommodation Tax	127,076	124,783	127,084	130,255	133,592	137,674	142,339	147,005	151,904
GROSS TOTAL	\$2,975,965	\$3,025,053	\$3,152,730	\$3,321,963	\$3,490,639	\$3,679,907	\$3,874,176	\$4,082,248	\$4,295,005
GROWTH RATE	2.7%	1.6%	4.2%	5.4%	5.1%	5.4%	5.3%	5.4%	5.2%
ADJUSTMENT 1 1/		11,440	28,376	29,036	29,732	30,582	31,554	32,526	33,547
ADJUSTMENT 2 2/	(126,781)	(138,728)	(162,960)	(166,791)	(170,824)	(175,756)	(181,393)	(187,031)	(192,951)
ADJUSTMENT 3a 3/		(43,600)	(167,550)	(192,026)	(258,481)	(321,172)	(339,868)	(359,950)	(380,541)
ADJUSTMENT 3b 4/			17,327	14,792	20,510	22,189	23,104	24,160	24,160
ADJUSTMENT 4a 5/			(15,100)	(39,691)	(67,452)	(98,325)	(132,204)	(168,917)	(204,897)
ADJUSTMENT 4b 6/			1,561	3,057	5,352	6,793	8,987	11,338	13,008
ADJUSTMENT 5 7/				(20,000)		20,000			
NET TOTAL	\$2,849,184	\$2,854,165	\$2,854,384	\$2,950,340	\$3,049,476	\$3,164,218	\$3,284,356	\$3,434,374	\$3,587,331
GROWTH RATE	2.8%	0.2%	0.0%	3.4%	3.4%	3.8%	3.8%	4.6%	4.5%

See footnotes 1/ to 7/ on next page.

FOOTNOTES FOR FORECAST TABLE, MARCH 2000

1/ Increase in transient accommodation tax rate from 6% to 7.25%, including time-share, effective January 1, 1999 (Act 156, SLH 1998). Reflects TAT allocation update Nov. 26, 1999.

2/ Includes (a) FY 1998 to FY 2006 actual and expected transfer of \$5.0 million into the Bond Reserve Fund which is not included in the forecast estimates; (b) annual transfer of transient accommodation tax of one-sixth to Convention Center Special Fund and 95% of remainder to counties for 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) transfer of \$2.5 million of the franchise tax to the Compliance Resolution Fund, effective July 1, 1999 (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).

7/ June 30 falls on a weekend in FY 2001 and FY 2002.