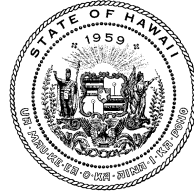


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GOVERNOR

SHAN TSUTSUI
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COUNCIL ON REVENUES

STATE OF HAWAII
P.O. BOX 259
HONOLULU, HAWAII 96809-0259

May 30, 2013

The Honorable Neil Abercrombie
Governor, State of Hawaii
Executive Chambers
State Capitol, Fifth Floor
Honolulu, HI 96813

Dear Governor Abercrombie:

At its meeting on May 28, 2013, the Council on Revenues maintained its forecast for State General Fund tax revenue growth of 6.7% in FY 2013. However, the Council increased the growth forecasts for FY 2014 and FY 2015 slightly; the forecast for FY 2014 increased from 7.3% to 8.0% and the forecast for FY 2015 increased from 6.8% to 7.0%.

The Council members did not think that they had new information since their last meeting to justify changing the forecast for FY 2013. The upward revisions to the forecast for FY 2014 and FY 2015 were due mainly to expected increased activity in the construction sector. The Council left its assessment for the out years basically unchanged, but the way in which the forecast was specified resulted in a small technical change to the growth forecast for FY 2016, which went from 1.4% to 1.5%.

Revised forecasts of State General Fund tax revenues for FY 2013 through FY 2019 are shown in the table below. As in all multi-year forecasts, the estimates for the later years are subject to greater uncertainty.

Fiscal Year	General Fund Tax Revenues	
	Amount (in Thousands of Dollars)	Growth From Previous Year
2013	5,311,364	6.7%
2014	5,736,273	8.0%
2015	6,137,812	7.0%
2016	6,227,110	1.5%
2017	6,488,095	4.2%
2018	6,812,581	5.0%
2019	7,131,215	4.7%

The Honorable Neil Abercrombie

May 30, 2013

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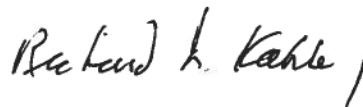
In producing its forecasts, the Council adopted specific adjustments recommended by the Department of Taxation reflecting effects on General Fund tax revenues of tax law changes enacted by the 2011 Legislature, including the following:

- Act 97 (SB 570 SD2 HD1 CD1). Part II repeals state tax deduction for taxpayers with Federal AGI above \$100,000 (for single taxpayers), \$200,000 (for joint filers), and \$150,000 (for heads of households). Part III caps itemized deductions at \$25,000 for a single taxpayer with Federal AGI of \$100,000 and above; \$50,000 for a joint filer with Federal AGI of \$200,000 and above; and \$37,500 for a head of household with Federal AGI of \$150,000 and above. Parts II and III sunset on January 1, 2016. Part IV delays the 10% increase in the standard deduction and the personal exemption by 2 years and makes them permanent.
- Act 103 (SB 1186 SD2 HD1 CD1) establishes a temporary \$10 minimum daily tax on each transient accommodation furnished at no charge. The act also temporarily limits the TAT revenue distribution to the counties to \$93 million per year, and limits the distribution to the Tourism Special Fund to \$69 million per year.
- Act 105 (SB 754 SD1 HD1 CD1) suspends certain GET exemptions and imposes tax at 4 percent on the previously exempt amounts for the period from July 1, 2011 to June 30, 2013.

The Department of Taxation has prepared a report for submission with this transmittal correspondence, detailing line-item forecasts for various components of the General Fund, reconciled to the Council's forecast growth rate for total General Fund tax revenues. The line-item forecasts include components, such as revenues from the General Excise Tax and from the Individual Income Tax, that the Council does not forecast separately. Also, the Department of Budget and Finance has prepared the attached report to update its projections for change in non-tax and special tax revenues from its report in March 2013.

Please advise us if we can be of further assistance or if we can answer any questions.

Sincerely,



Richard F. Kahle, Jr.
Chair, Council on Revenues

Attachments