

Marilyn M. Niwao, Vice Chair

Council on Revenues

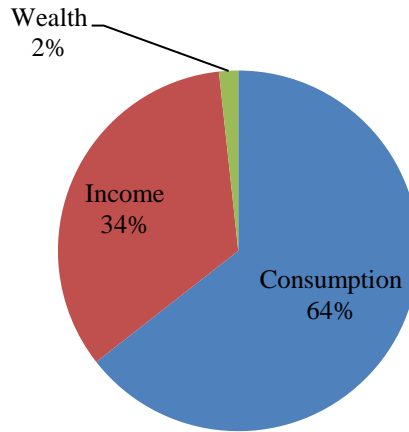
Senate Ways and Means / House Finance Joint Hearing

January 2, 2018

Where do Hawaii's tax dollars come from?

THE BULK OF HAWAII'S TAX REVENUE COMES FROM CONSUMPTION TAXES

STATE REVENUES BY TAX TYPE (FY 2016)

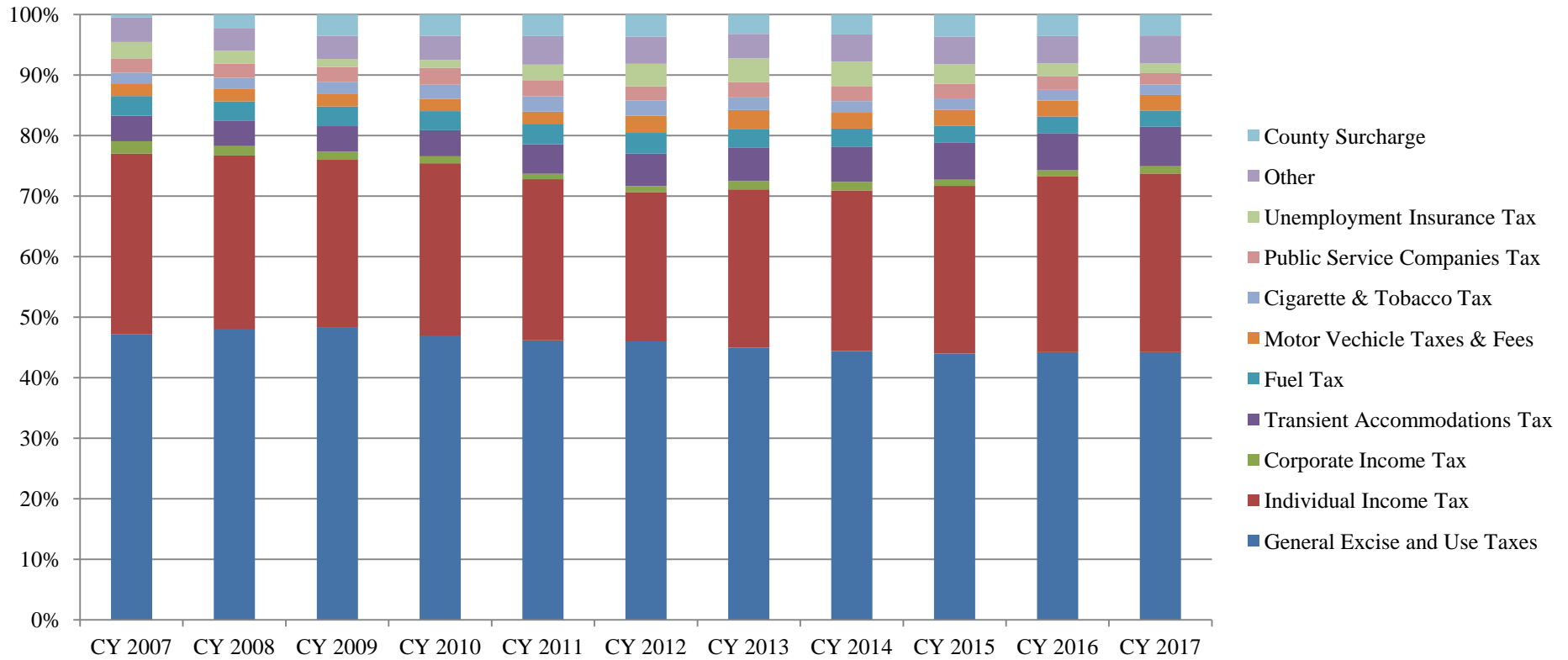


STATE TAXES BY TYPE

Consumption	Income	Wealth
<ul style="list-style-type: none"> • General Excise and Use Tax • Transient Accommodation Tax • Fuel Tax • Cigarette & Tobacco Tax • Public Service Companies Tax • Insurance Premiums Tax • Liquor Tax • Motor Vehicle Taxes & Fees • Franchise Tax 	<ul style="list-style-type: none"> • Individual Income Tax • Corporate Income Tax • Unemployment Insurance Tax 	<ul style="list-style-type: none"> • Estate Tax • Conveyance Tax

GET AND INDIVIDUAL INCOME TAXES COMPRISE APPROXIMATELY THREE QUARTERS OF STATE REVENUE

COMPOSITION OF STATE TAX REVENUES



General Excise & Use Tax

GENERAL EXCISE AND USE TAX: WHAT IS IT?

- What are the General Excise and Use Taxes?
 - The GET is a gross receipts tax that is imposed on the privilege of doing business in the State of Hawaii. The Use Tax applies to purchases from out-of-state vendors that are not required to collect tax on their sales to Hawaii.
- Vs. Sales Tax?
 - A sales tax is levied on the customer but collected by business. The GET is levied on the business.
 - A sales tax is usually limited to retail sales of tangible goods whereas the GET is levied on almost all business activity.
- Vs. Value Added Tax (VAT)?
 - A VAT only taxes the value added by business. The GET taxes the gross receipts of the business, so it taxes some business-to-business transactions.

GET RAISES SIGNIFICANT REVENUE THROUGH A LOW RATE AND A BROAD BASE

Amongst the lowest sales tax rates in the country

State	State Tax		Avg. Local		Rank
	Rate	Rank	Tax Rate	Combined	
La.	5.00%	33	4.98%	9.98%	1
Tenn.	7.00%	2	2.46%	9.46%	2
Ark.	6.50%	9	2.80%	9.30%	3
Ala.	4.00%	40	5.01%	9.01%	4
Wash.	6.50%	9	2.42%	8.92%	5
Okla.	4.50%	37	4.36%	8.86%	6
Ill.	6.25%	13	2.39%	8.64%	7
Kans.	6.50%	9	2.12%	8.62%	8
N.Y.	4.00%	40	4.49%	8.49%	9
Calif.	7.25%	1	1.00%	8.25%	10
Hawaii	4.00%	40	0.35%	4.35%	45

Highest per capita collections of any state

State	Collections per Capita	Rank
Hawaii	\$ 2,090	1
N.D.	\$ 1,835	2
Wash.	\$ 1,746	3
Nev.	\$ 1,412	4
Wyo.	\$ 1,384	5
Tex.	\$ 1,226	6
Miss.	\$ 1,144	7
Conn.	\$ 1,137	8
S.D. (b)	\$ 1,131	9
Ind.	\$ 1,100	10
N.M. (b)	\$ 1,082	11
Fla.	\$ 1,075	12
Ark.	\$ 1,069	13
Kans.	\$ 1,049	14
Ohio	\$ 1,025	15

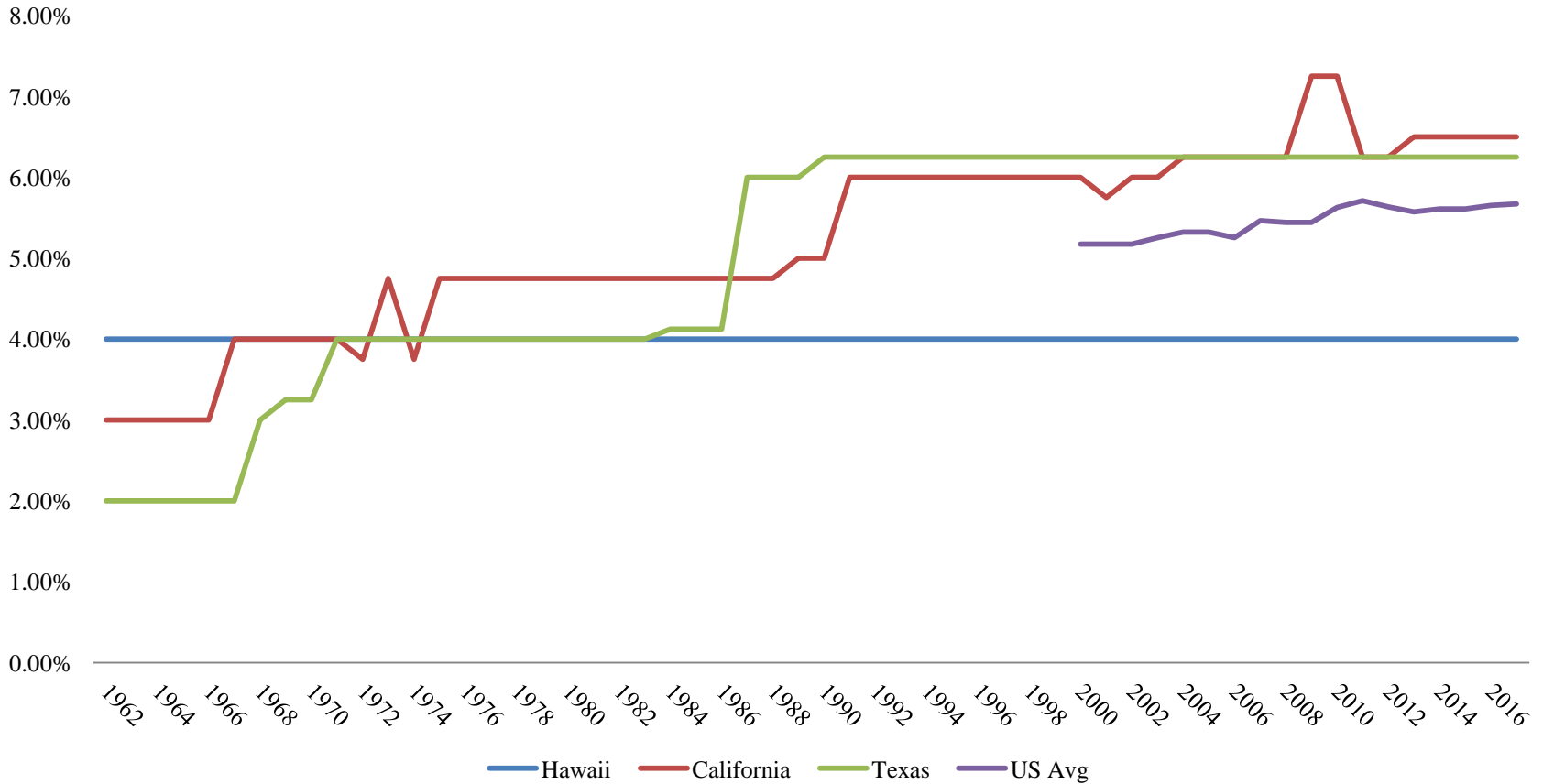
Broadest scope of sales tax of any state

State	Sales Tax Breadth	Rank
Hawaii (a)	104%	1
N.D.	73%	2
S.D. (a)	65%	3
Wyo.	62%	4
N.M. (a)	59%	5
Nev.	49%	6
Miss.	47%	7
Ark.	43%	8
Tex.	42%	9
Maine	41%	10
Ariz.	41%	11
Fla.	40%	12
Ind.	40%	13
Idaho	38%	14
Wash.	38%	15

Source: Tax Foundation

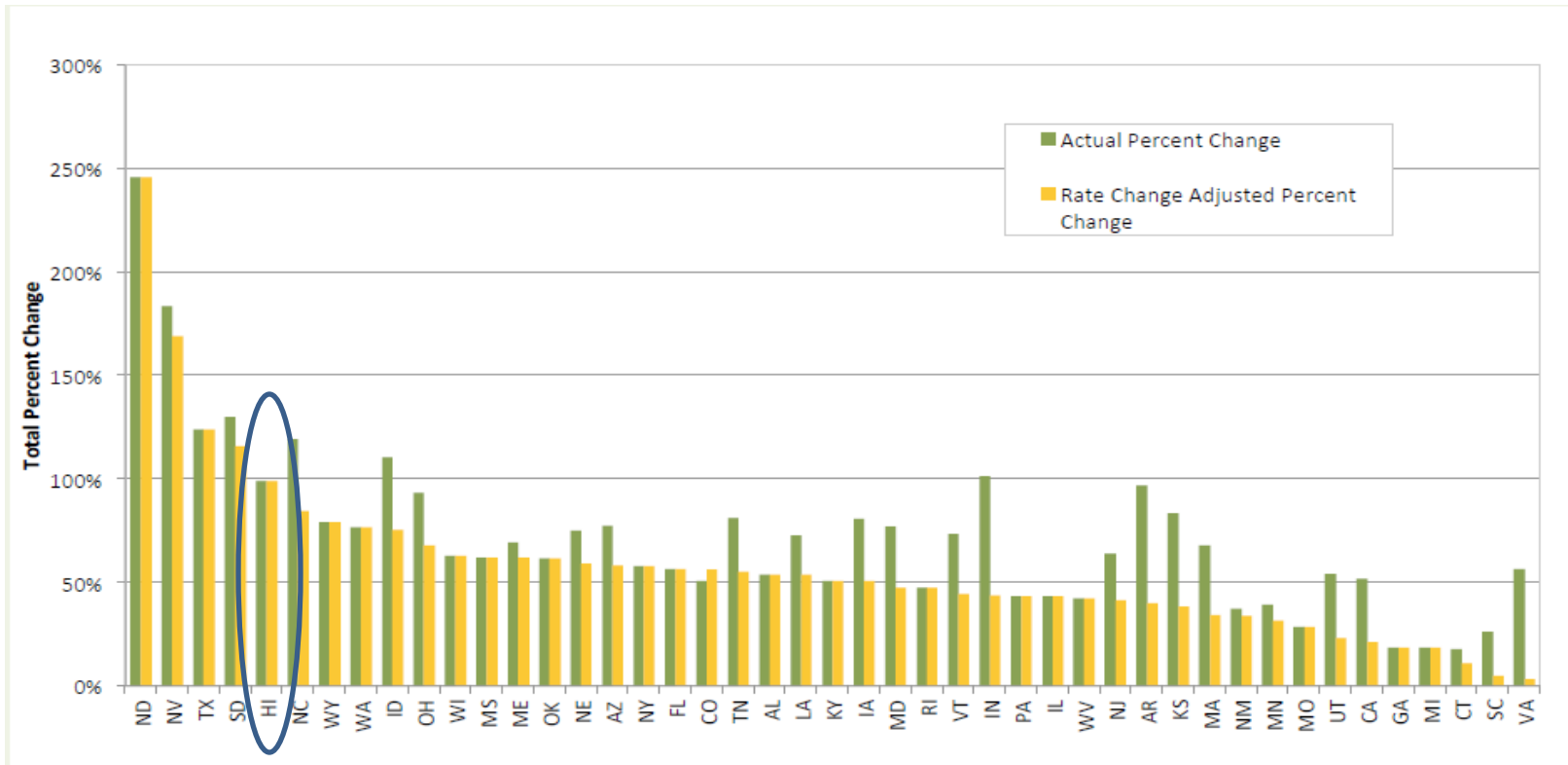
HAWAII'S GET RATE HAS BEEN REMARKABLY STABLE RELATIVE TO THE RATES OF SALES TAXES IN OTHER STATES

STATE SALES TAX RATES



HAWAII'S GENERAL EXCISE TAX HAS FARED BETTER THAN SALES TAX REVENUES IN OTHER STATES

ACTUAL AND TAX RATE ADJUSTED PERCENT CHANGE IN SALES TAX COLLECTIONS, 2000 - 2016



Source: Strategic Economics Group

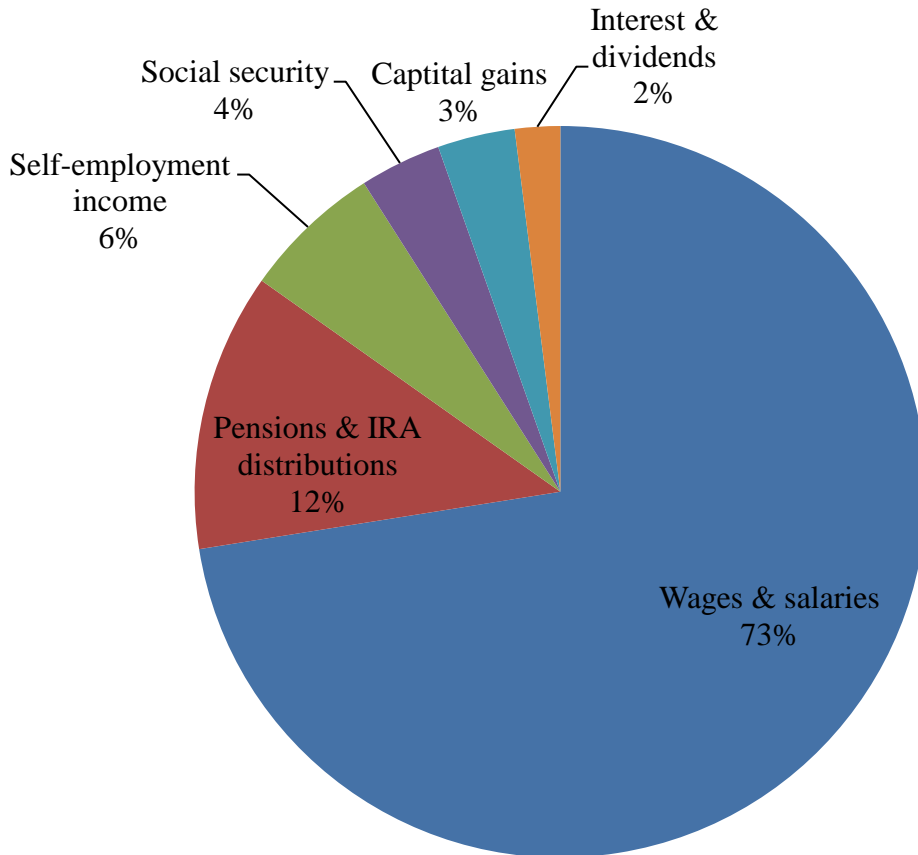
Individual Income Tax

NOTABLE FEATURES OF HAWAII INDIVIDUAL INCOME TAX

- Very progressive relative to other states
- Brackets not indexed to inflation (like Federal rates)
- Relatively low standard exemption compared to Federal (Federal \$12,600, HI: \$4,400)
- Refundable credits offset burden for lower income individuals
- Hawaii exports a large amount of tax burden to Federal government, particularly at high income levels
- The largest state specific exemption is pensions and social security, which is expected to grow with time

HAWAII EXEMPTS 16% OF INCOME THROUGH PENSION DISBURSEMENTS

COMPOSITION OF FEDERAL INDIVIDUAL INCOME IN HAWAII



INCOME SOURCES	RATE
Wage & Salaries	Variable (See tax bracket)
Pensions & IRA distributions	0% (Employer contributions exempt)
Self-employment income	Variable (see tax bracket)
Social security	0%, (exempt)
Capital Gains	7.25%
Interest & Dividends	Variable (see tax bracket)

HAWAII HAS ONE OF THE HIGHEST MARGINAL TAX RATES IN THE COUNTRY

- 43 states levy individual incomes taxes
- 8 states have a single-rate structures
- Hawaii will have the most brackets in the country (12 brackets in 2018, currently has 9). California and Missouri have the second most tax brackets with 10
- Hawaii has the second highest income tax rates of any state

Highest Marginal Tax Bracket		
1	California	13.30%
2	Hawaii (2018)	11.00%
3	Maine	10.15%
4	Oregon	9.90%
5	Minnesota	9.85%
6	Iowa	8.98%
7	New Jersey	8.97%
8	Vermont	8.95%
9	DC	8.95%
10	New York	8.82%
11	Hawaii (2017)	8.25%
11	Wisconsin	7.65%
12	Idaho	7.40%

**THE MEDIAN HAWAIIAN HOUSEHOLD REPORTS ABOVE AVERAGE INCOME, BUT RESIDENTS
IN THE TOP 1.0% REPORT BELOW AVERAGE INCOME**

INCOME THRESHOLD OF TOP 1.0% OF FILERS BY STATE

\$64,859

Median HH income in Hawaii
(6th highest in nation)

\$121,860

Income threshold of top10% of
filers in Hawaii

Rank	State	Income threshold of top 1.0%
1	Connecticut	\$659,979
2	New Jersey	\$547,737
3	Massachusetts	\$539,055
4	New York	\$517,447
5	North Dakota	\$481,188
6	California	\$453,772
7	Texas	\$424,507
Avg	United States	\$389,436
45	Hawaii	\$281,620

Source: American Community Survey and DOTAX

Source: Economic Policy Institute

MOST RESIDENT FILERS ARE IN MIDDLE AND UPPER-MIDDLE TAX BRACKETS

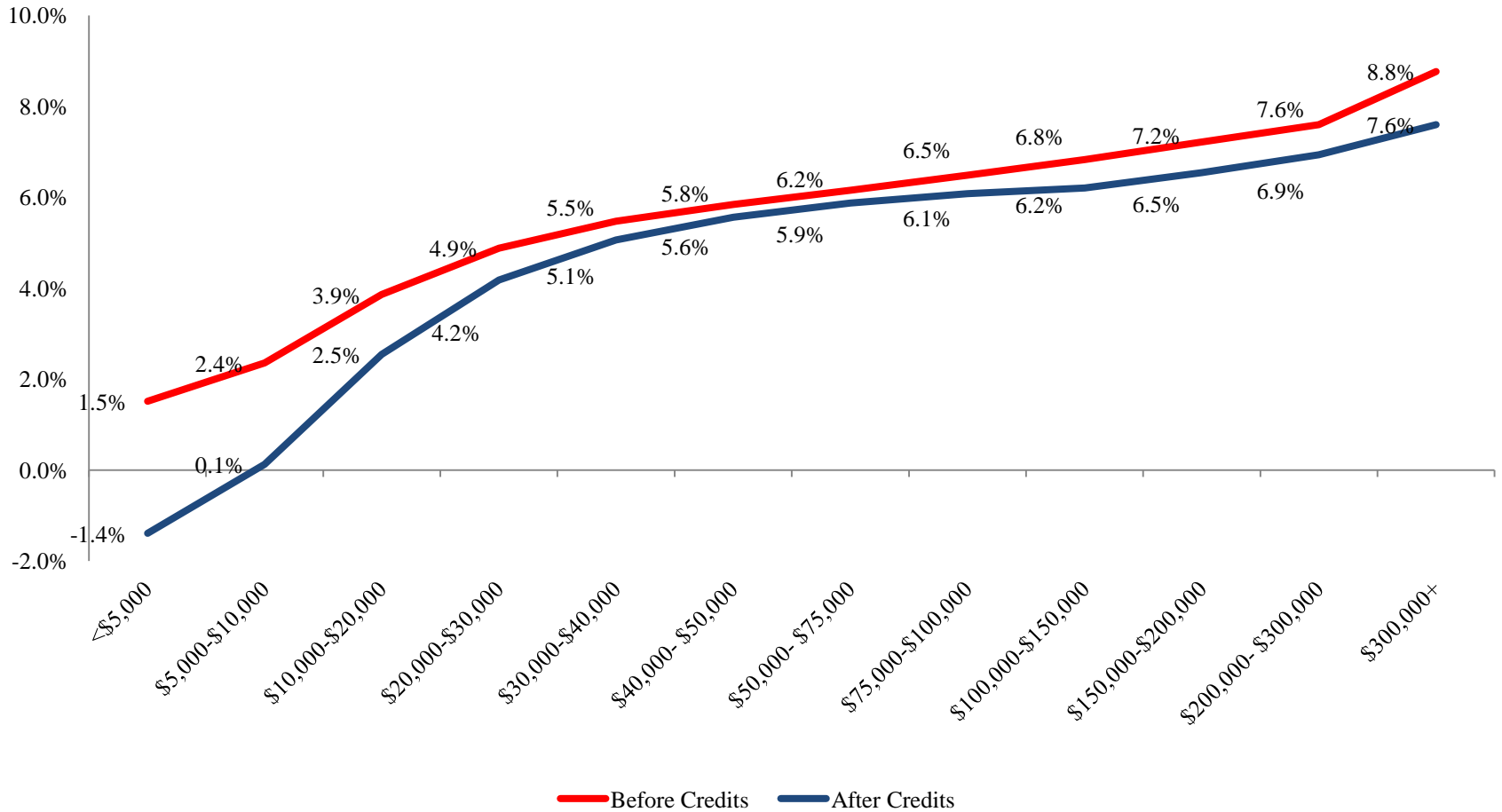
2013 JOINT FILERS BY TAX BRACKETS (RESIDENTS)

Status - Joint

Tax Bracket	Marginal Rate	Returns With Taxable Income In the Tax Bracket		
		Number of Returns	% of Total No. of Returns	Amount of Taxable Income
\$0 to \$4,800	1.4%	43,029	19.6%	19,151,351
\$4,801 to \$9,600	3.20%	8,101	3.7%	58,093,778
\$9,601 to \$19,200	5.50%	16,785	7.6%	242,009,824
\$19,201 to \$28,800	6.40%	17,147	7.8%	411,129,792
\$28,801 to \$38,400	6.80%	16,396	7.5%	550,098,981
\$38,401 to \$48,000	7.20%	15,781	7.2%	681,365,652
\$48,001 to \$72,000	7.60%	36,390	16.6%	2,169,779,414
\$72,001 to \$96,000	7.90%	26,291	12.0%	2,183,916,220
\$96,001 to \$300,000	8.25%	35,466	16.1%	5,062,150,292
\$300,001 to \$350,000	9.00%	1,058	0.5%	342,401,741
\$350,001 to \$400,000	10.00%	703	0.3%	263,097,729
\$400,001 & Over	11.00%	2,505	1.1%	2,678,825,866
ALL		219,652	100.0%	\$ 14,662,020,640

LOW INCOME FILERS HAVE LOW TAX LIABILITES AND BENEFIT FROM REFUNDABLE CREDITS

EFFECTIVE TAX RATES BY INCOME



MAJOR STATE DEDUCTIONS AND EXEMPTIONS DERIVE FROM FEDERAL DEDUCTIONS

Deduction	Federal (2013)	Hawaii (2013)
Major Federal		
Employee Sponsored Health Insurance	\$260 Billion	\$1.3 Billion
New Pension Contribution and Earnings	\$140 Billion	\$700 million
Mortgage interest rate deduction	\$ 70 Billion	\$350 million
State		
Pension and Social Security exemption		\$226 million (expected to grow)*

*Between 2010-2016, three-quarters of the state's net population growth was attributable to residents 65 and older. From 14.3% of population to 17.1% in 2016

HAWAII EXPORTS A LARGE PORTION OF THE INDIVIDUAL INCOME TAX BURDEN TO FEDERAL GOVERNMENT

- The state and local tax exemption reduced resident's federal tax burden by \$343 million in 2015
- The tax burden most benefits high income earners

Value of the State & Local Tax Deduction to Hawaii Taxpayers by Deciles (2015)

Deciles	Fed AGI	Amount	Percent/total
0	<\$6,433	\$158,662	0.0%
0.1	\$6,433+	\$217,131	0.1%
0.2	\$13,994+	\$535,362	0.2%
0.3	\$21,811+	\$995,372	0.3%
0.4	\$29,435+	\$2,144,375	0.6%
0.5	\$38,177+	\$6,117,689	1.8%
0.6	\$49,042+	\$12,452,639	3.6%
0.7	\$64,283+	\$26,007,302	7.6%
0.8	\$86,163.5+	\$56,829,448	16.6%
0.9	\$121,860+	\$237,595,988	69.3%
Total		\$343,053,968	100%

Transient Accommodation Tax

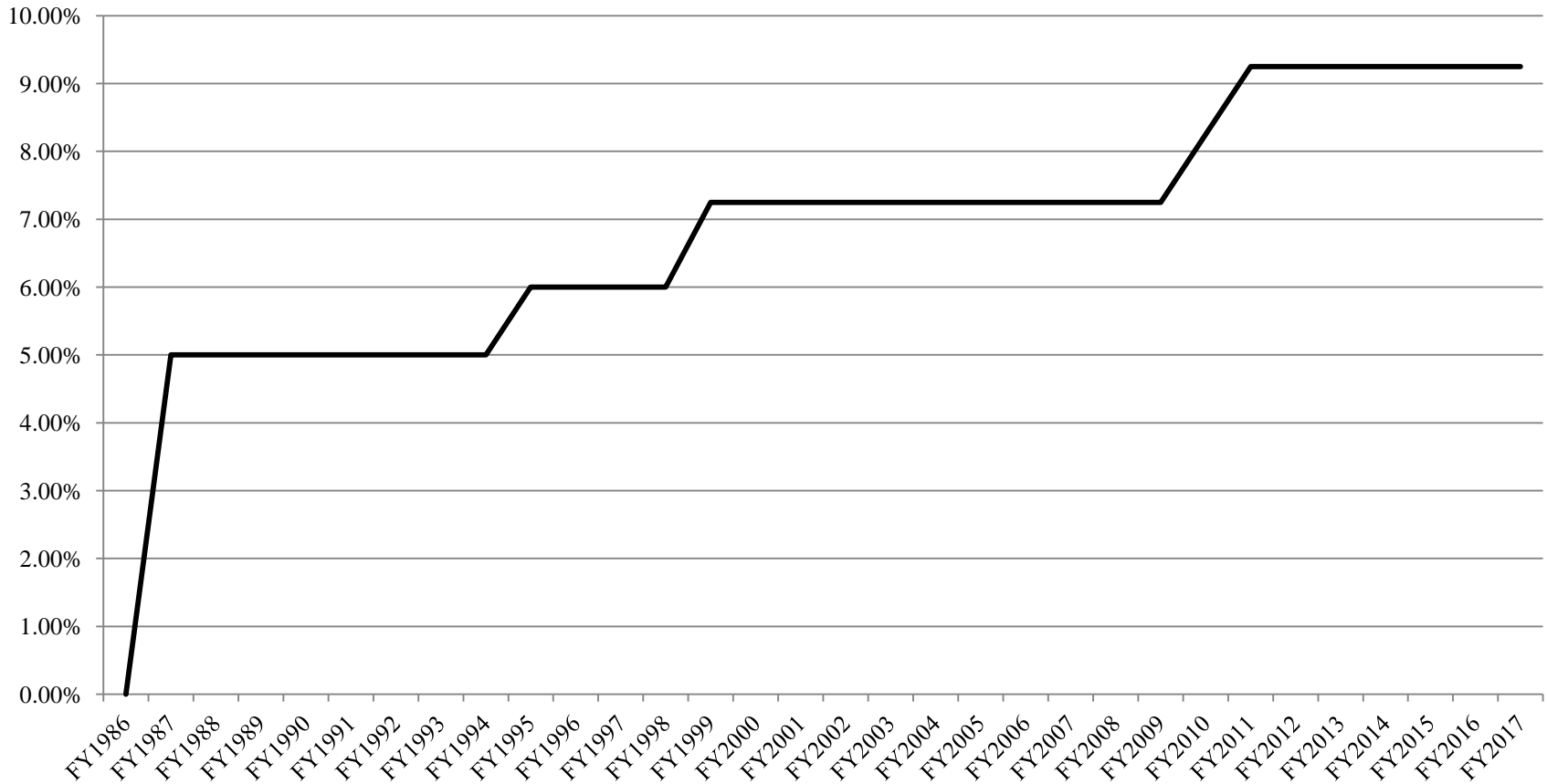
TRANSIENT ACCOMMODATION TAX

- Levied on gross rental proceeds derived from furnishing "transient accommodation" for less than 180 consecutive days
 - Transient Accommodation Tax: 10.25%
 - Timeshare Occupancy Tax: 10.25%

- **Exemptions:** NGOs (nonprofits and other non-governmental organizations , health care facilities, students, publicly subsidized lodging, military

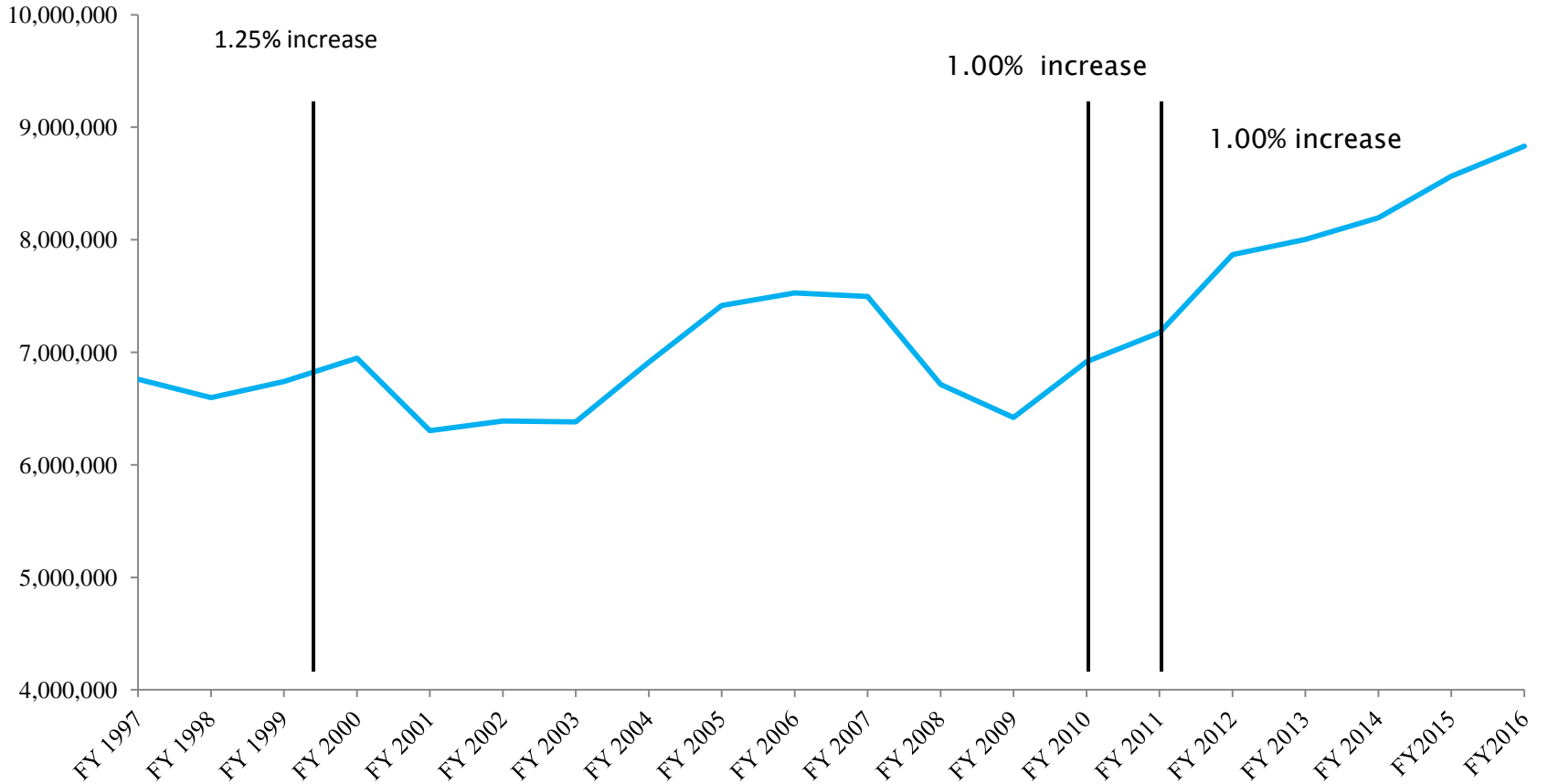
THE TAT HAS BEEN INCREASING SINCE ITS INCEPTION IN 1986, PARTLY DUE TO INCREASED TAX RATES OVER THE YEARS

TRANSIENT ACCOMMODATION RATE



TAT RATE INCREASES DO NOT APPEAR TO HAVE ADVERSELY AFFECTED VISITOR ARRIVALS IN THE PAST

VISITOR ARRIVALS

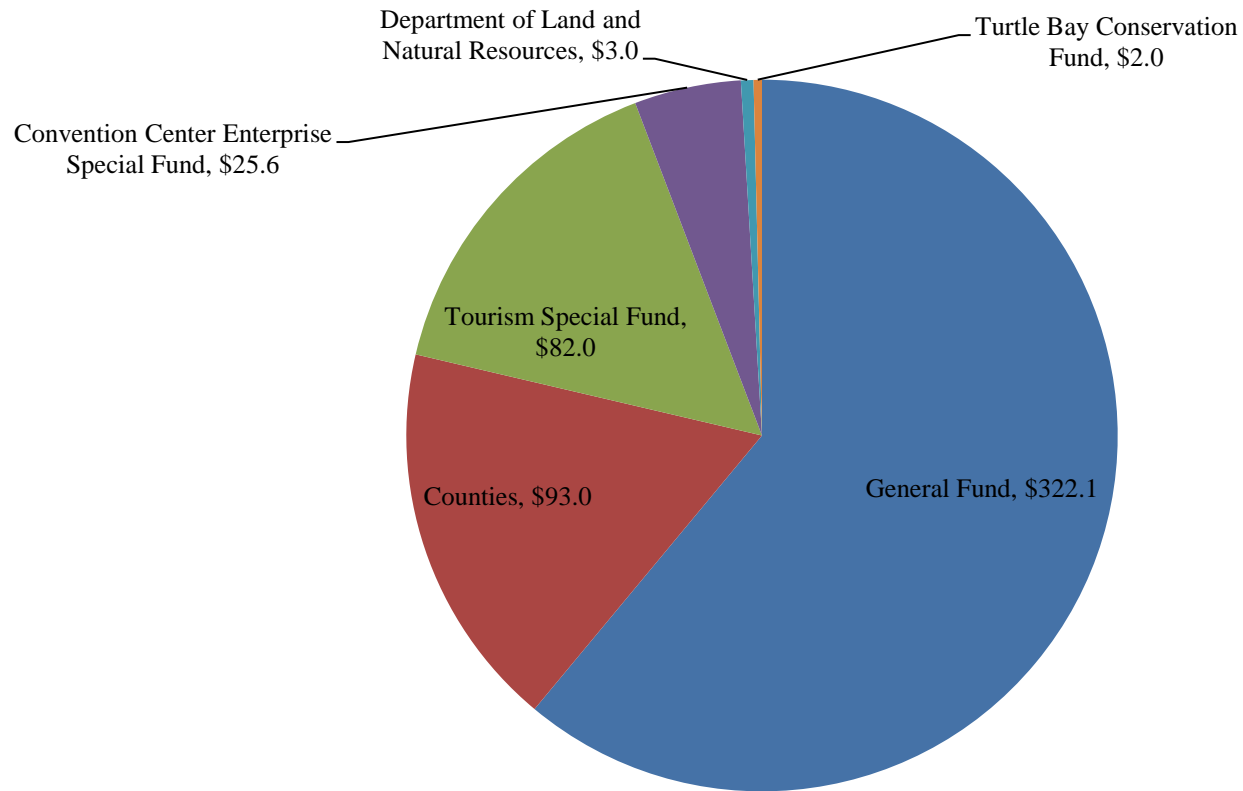


**HONOLULU PROVIDES THE LARGEST AMOUNT OF TAT REVENUE
COMPARED TO OTHER INDIVIDUAL COUNTIES**

TAT Liability by county				
	Oahu	Maui	Hawaii	Kauai
2011	45.5%	33.5%	12.1%	8.9%
2012	46.5%	32.5%	12.0%	9.0%
2013	48.0%	31.4%	11.7%	9.0%
2014	49.9%	28.2%	12.5%	9.4%
2015	48.1%	29.5%	12.8%	9.6%
Mean	47.6%	31.0%	12.2%	9.2%
Allocation of TAT County Funds (\$103M/ year)				
	44.1%	22.8%	18.6%	14.5%

MORE THAN HALF OF ALL TAT REVENUE GOES TO THE GENERAL FUND

DESTINATION OF TAT REVENUES EXPECTED FY 2018
TOTAL : \$527M



How does the Council derive its estimates?

COUNCIL ON REVENUES FORECAST CONSIDERATIONS

- The output of three economic models
 - Regular Model
 - UCLA Model
 - Single Regression Equation Model
- Tax laws and tax law changes affecting tax collections
- The impact of DOTAX administrative policies and procedures, such as:
 - Timing of the collection of taxes
 - Payment of tax refunds to taxpayers
 - Allocations to the City and County of Honolulu
- Other factors discussed at Council meetings

SELECTED ECONOMIC DATA: FY 2016 TO FY 2018

	FY 2016					FY 2017					FY 2018
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Annual	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Annual	Jul-Sep
1. U.S. GDP in Current Dollars (in billion)	18,228	18,287	18,325	18,538	18,345	18,729	18,906	19,058	19,250	18,986	19,509
2. U.S. GDP Implicit Price Deflator (2009=100)	110.3	110.5	110.6	111.2	110.7	111.6	112.2	112.7	113.0	112.4	113.6
3. Construction (\$ mil.)	2,058	2,075	1,910	1,994	8,037	2,431	2,117	2,071	1,937	8,557	na
4. Total Private Building Authorizations (\$ mil.)	892	933	546	960	3,331	889	846	920	821	3,476	722
5. Total Wages (\$ mil.)	7,375	8,050	7,466	7,584	30,475	8,010	8,110	8,058	7,929	32,107	na
6. Total Personal Income (\$ mil.)	70,013	70,867	71,253	71,877	71,003	72,316	72,339	73,341	73,994	72,997	na
7. Visitor Arrivals by Air (1,000)											
a. Total State	2,197	2,122	2,173	2,183	8,676	2,266	2,200	2,224	2,311	9,000	2,396
b. Domestic	1,484	1,413	1,428	1,533	5,857	1,542	1,466	1,451	1,618	6,077	1,621
c. International	713	709	746	650	2,818	724	734	773	693	2,923	775
8. Average Daily Visitor Census (1,000)											
a. Total State	212	211	226	211	215	218	216	235	223	223	228
b. Domestic	155	153	159	158	156	159	156	163	166	161	165
c. International	57	58	68	52	59	59	60	72	57	62	63
9. Honolulu CPIU (1982-84=100) 1/	262.5	262.5	264.0	264.0	263.3	266.5	266.5	270.7	270.7	268.6	na
10. State General Fund Tax Revenue (\$ mil.)	1,593	1,432	1,504	1,665	6,194	1,546	1,500	1,576	1,694	6,315	1,692
11. General Excise & Use Tax (\$ mil.)	831	754	818	802	3,206	801	784	832	822	3,239	901
12. Individual Income Tax (\$ mil.)											
a. Net Individual Income Tax	520	498	496	602	2,117	510	511	556	616	2,193	543
b. Declaration of Estimated Taxes	120	70	124	245	559	86	75	178	213	552	150
c. Withholding Tax on Wages	438	443	469	460	1,810	464	461	526	465	1,916	461
13. TAT (\$ mil.)	115	96	124	112	447	150	100	140	120	508	135
14. Civilian Unemployment Rate (%)	3.5	3.1	3.0	3.2	3.2	3.0	2.8	2.8	2.9	2.9	2.4
15. Non-Agricultural Wage and Salary Jobs (1,000)	635	650	644	646	643	644	657	650	654	651	651
16. Hotel Occupancy Rate (%)	79.4	77.8	80.7	77.5	78.9	80.5	77.7	81.2	79.2	79.7	81.3
17. Hotel Average Daily Room Rate (\$/day)	243	246	258	240	247	257	259	273	254	261	261

1/Data are for every 6 months.

na - not available.

SELECTED ECONOMIC DATA: FY 2016 TO FY 2018

	FY 2016					FY 2017					FY 2018
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Annual	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Annual	Jul-Sep
1. U.S. GDP in Current Dollars	3.4%	3.1%	2.5%	2.5%	2.9%	2.8%	3.4%	4.0%	3.8%	3.5%	4.2%
2. U.S. GDP Implicit Price Deflator (2009=100)	1.0%	1.1%	1.1%	1.2%	1.2%	1.2%	1.5%	2.0%	1.6%	1.5%	1.8%
3. Construction	15.7%	15.8%	8.5%	-7.4%	7.4%	18.1%	2.0%	8.5%	-2.9%	6.5%	na
4. Total Private Building Authorizations	13.0%	-2.8%	-58.0%	14.3%	-14.3%	-0.3%	-9.4%	68.5%	-14.5%	4.3%	-18.8%
5. Total Wages	5.2%	7.4%	3.4%	6.1%	5.6%	8.6%	0.7%	7.9%	4.6%	5.4%	na
6. Total Personal Income	5.1%	5.0%	4.4%	3.6%	4.5%	3.3%	2.1%	2.9%	2.9%	2.8%	na
7. Visitor Arrivals by Air											
a. Total State	3.6%	4.3%	3.6%	1.7%	3.3%	3.1%	3.6%	2.3%	5.9%	3.7%	5.8%
b. Domestic	4.2%	5.4%	4.1%	1.3%	3.7%	3.9%	3.8%	1.6%	5.5%	3.8%	5.2%
c. International	2.5%	2.1%	2.7%	2.8%	2.5%	1.5%	3.4%	3.6%	6.6%	3.7%	7.1%
8. Average Daily Visitor Census											
a. Total State	3.6%	3.2%	0.9%	1.1%	2.1%	2.6%	2.4%	3.9%	6.0%	3.7%	4.9%
b. Domestic	1.9%	3.4%	0.1%	0.3%	1.4%	2.5%	2.1%	2.6%	5.1%	3.1%	4.3%
c. International	8.4%	2.7%	2.8%	3.5%	4.3%	2.6%	3.4%	7.0%	8.5%	5.4%	6.5%
9. Honolulu CPIU (1982-84=100) 1/	1.3%	1.3%	2.4%	2.4%	1.8%	1.5%	1.5%	2.5%	2.5%	2.0%	na
10. State General Fund Tax Revenue	18.1%	1.4%	4.1%	8.9%	8.0%	-3.0%	4.8%	4.8%	1.7%	2.0%	9.5%
11. General Excise & Use Tax	10.2%	2.3%	4.6%	3.7%	5.2%	-3.6%	3.9%	1.7%	2.5%	1.0%	12.5%
12. Individual Income Tax											
a. Net Individual Income Tax	14.8%	-0.3%	6.8%	5.4%	6.5%	-2.1%	2.5%	12.2%	2.4%	3.6%	6.6%
b. Declaration of Estimated Taxes	75.5%	8.0%	6.7%	-1.7%	12.1%	-28.5%	7.7%	43.0%	-12.7%	-1.2%	74.9%
c. Withholding Tax on Wages	6.2%	0.7%	7.8%	4.4%	4.7%	5.9%	4.2%	12.0%	1.2%	5.9%	-0.8%
13. TAT	7.9%	6.2%	8.7%	1.6%	6.1%	29.8%	3.6%	12.8%	7.1%	13.8%	-9.6%
14. Civilian Unemployment Rate (change)	-0.8	-0.9	-0.9	-0.6	-0.8	-0.5	-0.3	-0.2	-0.3	-0.3	-0.6
15. Non-Agricultural Wage and Salary Jobs	1.8%	2.1%	1.7%	1.3%	1.8%	1.5%	1.1%	0.9%	1.3%	1.2%	1.1%
16. Hotel Occupancy Rate (change)	0.7	3.1	0.7	-0.2	1.1	1.1	-0.1	0.5	1.7	0.8	0.8
17. Hotel Average Daily Room Rate	3.9%	2.9%	2.5%	2.0%	2.8%	5.7%	5.6%	5.9%	6.0%	5.8%	1.4%

1/Data are for every 6 months.

na - not available.

What are the Council's current forecasts?

**FORECASTS OF KEY ECONOMIC INDICATORS FROM THE MEETING OF SEPTEMBER 7, 2017: FY 2018
to FY 2024**

Fiscal Year	2018	2019	2020	2021	2022	2023	2024
	A. VALUE						
Hawaii Total Personal Income (1982-1984 Constant Million Dollars)	27,752	28,171	28,591	29,017	29,467	29,909	30,355
Hawaii Total Personal Income (\$Millions)	76,275	79,257	82,237	85,230	88,298	91,362	94,487
Construction Completed (\$Millions)	9,252	9,642	9,955	10,247	10,527	10,789	11,063
Honolulu CPIU (1982-1984 = 100)	275	282	289	295	301	307	313
Visitor Arrivals by Air (Thousands)	9,226	9,386	9,523	9,657	9,788	9,922	10,059
U.S. GDP (\$ Billions)	19,684	20,460	21,250	22,055	22,893	23,763	24,666
U.S. GDP Deflator (2005 = 100)	125	127	129	131	134	137	140
Calendar Year Wages (\$Millions)	32,336	33,507	34,666	35,803	36,927	38,061	39,203
Visitor Expenditures by Air (\$Millions)	16,860	17,421	17,958	18,486	19,000	19,528	20,071
Hawaii Real GDP (2009 Constant Million Dollars)	74,811	75,836	76,845	77,844	78,848	79,857	80,871
	B. ANNUAL PERCENTAGE GROWTH RATE						
Hawaii Total Personal Income (1982-1984 Constant Million Dollars)	1.47	1.51	1.49	1.49	1.55	1.50	1.49
Hawaii Total Personal Income (\$Millions)	3.83	3.91	3.76	3.64	3.60	3.47	3.42
Construction Completed (\$Millions)	5.13	4.22	3.25	2.93	2.73	2.49	2.54
Honolulu CPIU (1982-1984 = 100)	2.39	2.44	2.31	2.19	2.09	1.98	1.93
Visitor Arrivals by Air (Thousands)	2.42	1.73	1.46	1.41	1.36	1.37	1.38
U.S. GDP (\$ Billions)	3.71	3.94	3.86	3.79	3.80	3.80	3.80
U.S. GDP Deflator (2005 = 100)	1.68	1.93	1.94	1.92	1.92	1.92	1.92
Calendar Year Wages (\$Millions)	3.74	3.62	3.46	3.28	3.14	3.07	3.00
Visitor Expenditures by Air (\$Millions)	3.81	3.33	3.08	2.94	2.78	2.78	2.78
Hawaii Real GDP (2009 Constant Million Dollars)	1.40	1.37	1.33	1.30	1.29	1.28	1.27

ESTIMATES OF GENERAL FUND TAX REVENUE FROM THE MEETING OF SEPTEMBER 7, 2017: FY 2018 TO FY 2024¹

(In thousands of dollars unless otherwise specified)

TYPE OF TAX	BASE		ESTIMATED						
	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
General Excise and Use Tax	3,206,154	3,239,225	3,365,590	3,484,017	3,606,528	3,734,638	3,864,419	4,004,304	4,128,122
Individual Income Tax	2,116,392	2,192,341	2,285,253	2,415,567	2,517,342	2,634,487	2,760,243	2,887,921	3,020,250
Corporate Income Tax	93,036	76,761	91,257	89,489	103,600	106,104	109,332	111,234	113,502
Public Service Company Tax	152,760	122,159	125,861	130,243	134,802	139,471	144,301	149,300	154,471
Tax on Insurance Premiums	153,173	164,688	169,774	173,738	177,994	182,731	187,633	192,792	207,425
Cigarette and Tobacco Tax	83,685	82,792	83,120	85,101	87,525	90,085	92,806	95,622	98,540
Liquor Tax	50,590	51,167	51,677	52,288	52,876	53,447	54,018	54,596	55,181
Tax on Banks and Other Financial Corps.	12,691	9,174	8,156	6,505	5,173	4,553	3,848	3,461	16,787
Inheritance and Estate Tax	49,613	18,968	19,287	19,659	20,040	20,425	20,817	21,217	21,624
Conveyance Tax	26,415	49,737	53,433	57,582	61,983	66,781	71,748	76,952	81,650
Miscellaneous Taxes*	16,067	15,845	16,258	16,253	16,247	16,241	16,234	16,228	16,221
Transient Accommodations Tax	233,781	292,357	317,103	339,558	360,690	381,629	402,417	423,302	444,633
GENERAL FUND TOTAL	6,194,356	6,315,215	6,586,769	6,870,000	7,144,800	7,430,592	7,727,816	8,036,929	8,358,406
GROWTH RATE	8.0%	2.0%	4.3%	4.3%	4.0%	4.0%	4.0%	4.0%	4.0%

¹ Line item projections generated by Tax Research & Planning Office to be consistent with the Council's forecast for the total General Fund tax revenues.

*The figures on this line include penalty and interest charges, fees and license charges from various taxes, and allocations to the general fund from the environmental response, energy and food security tax.

Effects of Recent Passage of 2017 Tax Cuts and Jobs Act?

IMPACT OF 2017 TAX REFORM ACT

- It will be less easy for Hawaii to export a large amount of its tax burden to the Federal government.
 - Deductibility of Hawaii State income, GET (sales) tax, and real property taxes paid will be capped at \$10,000 for itemized deductions
- Accelerates payment of deductible expenses from 2018 to 2017.
- Increases incentive for individuals to establish and maintain their tax residences in lower tax states.
- Other consequences will require further time to analyze.