

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	1,554,114	1,608,315	1,669,006	1,730,860	1,792,127	1,855,568
Income - Individual	1,083,370	1,112,050	1,136,751	1,167,085	1,206,230	1,255,844	1,305,994	1,355,002	1,406,396
Income - Corporation	46,209	42,643	46,778	50,889	54,977	60,408	64,586	67,550	70,406
Public Service Company	120,326	121,143	121,162	121,877	123,119	124,787	126,704	128,898	131,204
Insurance Premiums	59,443	52,493	61,329	62,480	63,661	64,887	66,170	67,532	68,930
Tobacco & Licenses	36,098	42,281	43,960	45,809	47,772	49,844	52,013	54,268	56,623
Liquor & Permits	38,894	38,508	39,807	41,024	42,191	43,334	44,473	45,630	46,810
Banks & Other Fin Corps	15,546	9,772	13,318	15,222	16,511	17,981	19,044	19,765	20,477
Inheritance & Estate	19,645	28,738	18,242	24,382	21,965	24,051	23,838	24,859	25,291
Miscellaneous	4,006	5,363	5,179	5,177	5,228	5,316	5,434	5,561	5,691
Transient Accommodation Tax	127,076	124,783	127,346	130,416	133,599	136,993	140,760	144,667	148,689
GROSS TOTAL	2,975,965	3,025,053	3,116,639	3,218,475	3,323,568	3,452,451	3,579,876	3,705,859	3,836,085
GROWTH RATE	2.7%	1.6%	3.0%	3.3%	3.3%	3.9%	3.7%	3.5%	3.5%
ADJUSTMENT 1 1/		11,750	28,430	29,071	29,733	30,440	31,225	32,039	32,878
ADJUSTMENT 2 2/	(126,781)	(138,728)	(163,276)	(166,986)	(170,832)	(174,934)	(179,485)	(184,206)	(189,066)
ADJUSTMENT 3a 3/		(43,600)	(163,692)	(182,649)	(240,643)	(293,867)	(305,603)	(317,070)	(329,097)
ADJUSTMENT 3b 4/			17,327	14,792	20,510	22,189	23,104	24,160	24,160
ADJUSTMENT 4a 5/			(15,100)	(38,885)	(64,856)	(92,959)	(122,895)	(154,078)	(183,610)
ADJUSTMENT 4b 6/			1,598	3,149	5,528	7,019	9,291	11,740	13,479
NET TOTAL	\$2,849,184	\$2,854,475	\$2,821,926	\$2,876,967	\$2,903,008	\$2,950,339	\$3,035,513	\$3,118,444	\$3,204,829
GROWTH RATE	2.8%	0.2%	-1.1%	2.0%	0.9%	1.6%	2.9%	2.7%	2.8%

See footnotes 1/ to 6/ on next page.

FOOTNOTES FOR FORECAST TABLE, SEPTEMBER 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 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); © transfer of \$2.5 million 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).