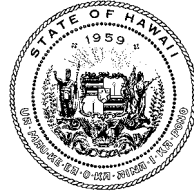


NEIL ABERCROMBIE
GOVERNOR

BRIAN SCHATZ
LT. GOVERNOR



RICHARD F. KAHLE, JR.
CHAIR

JACK P. SUYDERHOUD
VICE-CHAIR

MEMBERS:
Avery K. Aoki
Carl S. Bonham
Christopher Grandy
Kristi L. Maynard
Marilyn M. Niwao

COUNCIL ON REVENUES

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

August 6, 2012

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

Dear Governor Abercrombie:

In its August 2, 2012 meeting, the Council on Revenues increased slightly its forecast for growth in Hawaii total personal income for calendar year 2012 from 4.0% to 4.2%. The Council forecasts growth of 4.4% for calendar year 2013.

According to the latest estimates from the U.S. Bureau of Economic Analysis (BEA), total personal income for Hawaii grew at a rate of 4.2% and 4.5% during the third and fourth quarters of 2011, and 3.6% during the first quarter of 2012.

The Council's forecast reflects strong growth in visitor arrivals along with other economic conditions which were discussed by the members. The Council was cautious about the economic situation in Europe.

The revised total personal income data for the State for calendar years 2007 through 2011, as well as the Council's forecasts for 2012 and 2013, are listed below:

Calendar Year	Millions of Dollars	% Growth From Previous Year
2007	\$52,555	6.98%
2008	\$55,314	5.25%
2009	\$54,639	-1.22%
2010	\$56,647	3.68%
2011	\$59,297	4.68%
2012 (Forecast)	\$61,787	4.20%
2013 (Forecast)	\$64,506	4.40%

The Honorable Neil Abercrombie

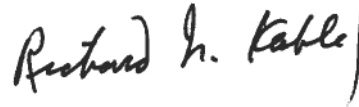
August 6, 2012

Page 2

The Council also considered a request by the Department of Budget and Finance to revisit its general fund tax revenue forecast, since tax collections in fiscal year 2012 were substantially greater than forecast. The Council decided to leave its forecast for growth rates unchanged for fiscal years 2013 through 2018, but to use the actual collections in fiscal year 2012 to calculate revenues for fiscal years 2013 through 2018. The new revenue forecasts are presented in the attached table.

Please advise us if we can be of further assistance or if we can answer any questions you may have concerning the foregoing estimates.

Sincerely,

A handwritten signature in black ink that reads "Richard F. Kahle, Jr." in a cursive style.

RICHARD F. KAHLE, JR.
Chair, Council on Revenues

Attachment

ESTIMATES OF GENERAL FUND TAX REVENUE IMPLIED BY THE GROWTH RATE FORECASTS PRODUCED AT THE COUNCIL'S MEETING OF MAY 29, 2012, APPLIED TO PRELIMINARY DATA ON TAX COLLECTIONS FOR FISCAL YEAR 2012

Line item projections generated by Tax Research and Planning Office to be consistent with the total growth forecast

Results Based on Council Mean Forecasts

(in thousands of dollars)

TYPE OF TAX	BASE		PRELIMINARY	ESTIMATED					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
General Excise and Use Tax	\$2,316,434	\$2,495,807	\$2,697,951	\$2,895,882	\$2,981,320	\$3,176,894	\$3,373,471	\$3,542,622	\$3,716,320
Individual Income Tax	1,527,619	1,246,672	1,540,730	1,613,001	1,679,756	1,830,716	1,951,220	2,063,316	2,185,637
Corporate Income Tax	59,186	34,573	73,027	58,943	113,083	69,188	99,408	100,514	94,181
Public Service Company Tax	157,661	117,940	149,730	126,460	130,724	135,133	140,649	146,390	152,366
Tax on Insurance Premiums	104,721	140,456	121,586	156,017	159,419	169,289	179,098	187,150	195,521
Cigarette and Tobacco Tax	85,503	106,137	100,417	125,328	107,639	113,047	118,570	124,224	130,068
Liquor Tax	44,074	48,054	48,852	49,991	50,676	51,328	52,279	53,233	54,204
Tax on Banks and Other Financial Corps.	18,666	31,677	(855)	29,842	30,211	31,674	32,715	33,560	34,391
Inheritance and Estate Tax 1/	0	6,899	14,125	19,600	19,600	19,600	19,600	19,600	19,600
Conveyance Tax	18,216	21,527	18,394	16,670	12,489	13,688	14,892	15,890	16,935
Miscellaneous Taxes 2/	781	19,812	85,564	19,241	19,258	14,257	1,023	983	943
Transient Accommodations Tax	31,698	59,757	126,302	128,568	144,949	162,156	35,524	31,889	35,174
GENERAL FUND TOTAL	\$4,364,559	\$4,329,311	\$4,975,824	\$5,239,543	\$5,449,124	\$5,786,970	\$6,018,449	\$6,319,371	\$6,635,340
GROWTH RATE	3.9%	-0.8%	14.9%	5.3%	4.0%	6.2%	4.0%	5.0%	5.0%

Notes:

* The General Fund figures for fiscal year 2012 are preliminary.

1/ Act 74, SLH 2010, reinstates Hawaii's estate tax for persons who die after April 30, 2010.

2/ 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 and from the rental motor vehicle surcharge.