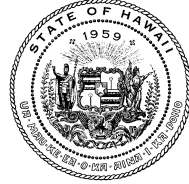


**JOSH GREEN, M.D.**  
GOVERNOR

**SYLVIA LUKE**  
LT. GOVERNOR



**COUNCIL ON REVENUES**

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

September 10, 2024

**KURT KAWAFUCHI**  
CHAIR

**Kristi L. Maynard**  
VICE-CHAIR

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Carl S. Bonham  
Wendell Lee  
Scott Hayashi  
Mike Hamasu  
Regina Ostergaard-Klem

The Honorable Josh Green, M.D.  
Governor, State of Hawaii  
Executive Chambers  
State Capitol, Fifth Floor  
Honolulu, HI 96813

Dear Governor Green:

The Council on Revenues held a meeting to forecast revenue growth for the General Fund on September 5<sup>th</sup>, 2024. While the Council expects relatively solid economic growth for the current and subsequent fiscal years, it lowered its forecast because of the significant tax relief legislation passed in the 2024 Legislature. The Council lowered its forecast to 3.5% from 4.8% for Fiscal Year (FY) 2025, 2.2% from 4.5% for FY 2026, 3.5% from 4.0% for FY 2027, 3.1% from 3.5% for FY 2028, 3.1% from 3.5% for FY 2029, 1.9% from 3.5% for FY 2030, and 3.1% for FY 2031.

The downward revision for all years accounts for the significant tax relief legislation and the revenue loss expected from laws passed by the 2024 Legislature. Act 46, SLH incrementally decreases the State's income tax burden over a seven-year period. Act 47, SLH 2024 reduces GET collections through its exemption of medical and dental services paid with Medicare, Medicaid, and TRICARE. The revenue impacts of both laws are incorporated in the Council's forecast. See below for the expected revenue impacts of each law.

A recovery of tourists on the island of Maui in the wake of the 2023 fires, an expected gradual return of Japanese visitors, a strong construction outlook, and the stimulative effects coming from the anticipated cuts to the Federal Reserve's benchmark rate make for a more favorable economic outlook for the State in the coming years. The Council believes these developments will provide a temporary boost to revenue growth in FY 2025 and FY 2026. After which, revenue growth will gradually revert to its long-term average rate.

The new forecasts for the State General Fund tax revenues FY 2025 through FY 2031 are shown in the table below.

### General Fund Tax Revenues

Fiscal Year	Amount (in Thousands of Dollars)	Growth From Previous Year
2025	\$9,902,112	3.5%
2026	\$10,124,452	2.2%
2027	\$10,480,070	3.5%
2028	\$10,807,947	3.1%
2029	\$11,148,146	3.1%
2020	\$11,365,525	1.9%
2031	\$11,723,481	3.1%

The Council adopted specific adjustments recommended by the Department of Taxation to reflect effects on General Fund tax revenues due to tax law changes enacted by the 2024 Legislature, including the following:

- Act 46, SLH 2024 increases the standard deduction amounts, with amendments taking effect in tax years 2024, 2026, 2028, 2030, and 2031. The act also amends the income tax brackets by increasing the income limits in each bracket, with amendments taking effect in tax years 2025, 2027, and 2029. The estimated revenue impact assumes the adjustment of the withholding tables on wages beginning January 1, 2025. The law became effective January 1, 2024. The estimated loss to the General Fund is \$240.3 million in FY 2025, \$596.6 million in FY 2026, \$740.1 million in FY 2027, \$922.7 million in FY 2028, \$1,052.6 million in FY 2029, \$1,262.3 million in FY 2030, \$1,347.5 million in FY 2031, and \$1,453.2 million in FY 2032.
- Act 47, SLH 2024 exempts medical services health care providers provide to patients who receive Medicaid, Medicare, or TRICARE benefits from the general excise tax. The exemption applies to taxable years beginning January 1, 2026. The estimated loss to the General Fund is \$33.6 million in FY 2026, \$77.5 million in FY 2027, \$81.0 million in FY 2028, \$84.5 million in FY 2029, \$88.2 million in FY 2030, and \$92.1 million in FY 2031.

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

Very truly yours,



KURT KAWAFUCHI  
Chair, Council on Revenues