

Council on Revenues DOTAX Presentation

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DEPARTMENT OF TAXATION

JAN 8, 2025

PRELIMINARY COMPARATIVE STATEMENT OF STATE GENERAL FUND TAX REVENUES

December 2024

(Dollars in Thousands)

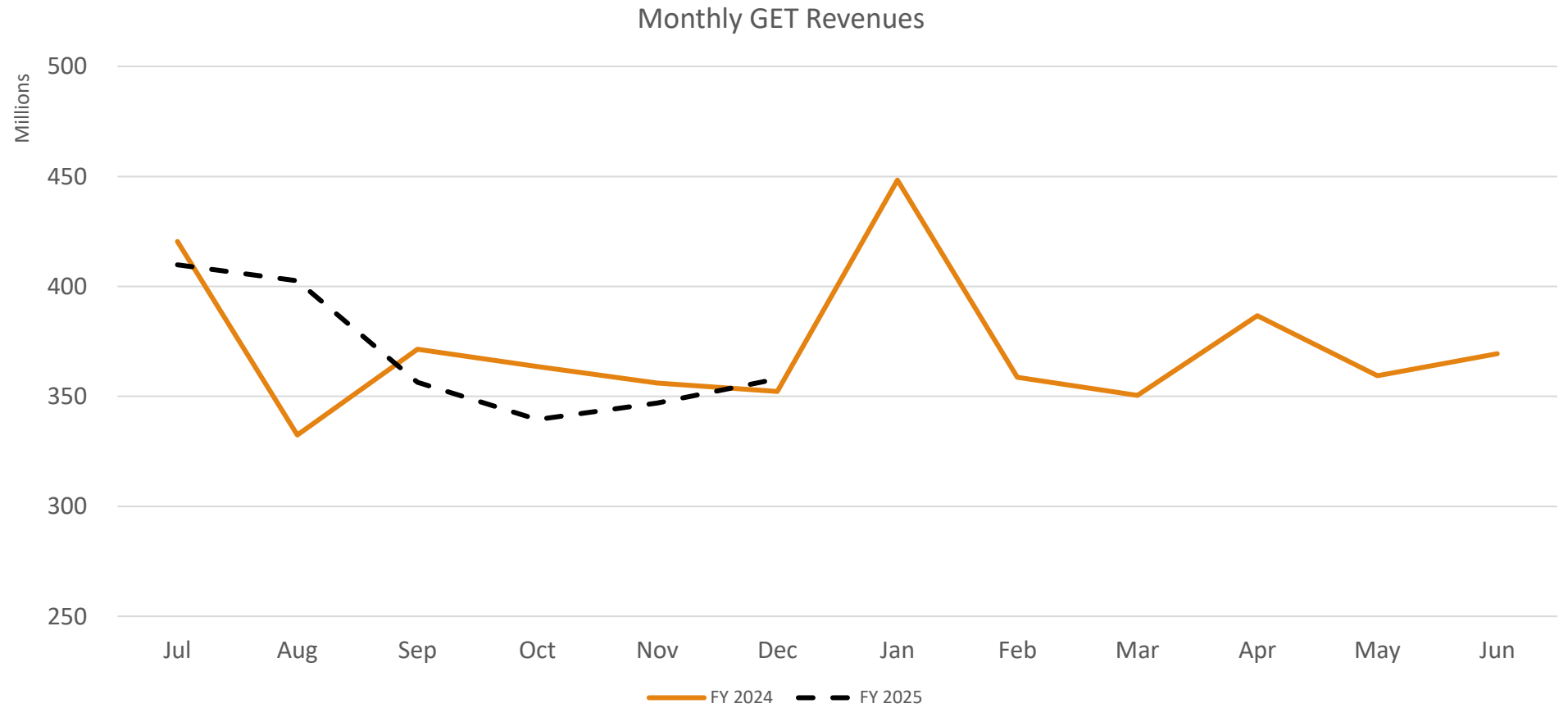
ADJUSTED

	CUMULATIVE TOTALS			DIFFERENCE		ADJUSTMENT	2024-2025	
	Dec 2024	2024-2025	2023-2024	AMOUNT	%CHANGE		AMOUNT	%CHANGE
GE/Use Taxes	\$355,458	\$2,197,897	\$2,180,181	17,715	0.8%		2,197,897	0.8%
Income Tax - Corp.	83,111	210,003	157,288	52,715	33.5%		210,003	33.5%
Decl. Est. Taxes	78,835	241,453	177,778					
Payment w/returns	5,060	33,164	14,379					
Refunds	(783)	(64,614)	(34,869)					
Income Tax - Ind.	279,144	1,691,078	1,529,877	161,200	10.5%		1,691,078	10.5%
Decl. Est. Taxes	40,783	348,921	271,683					
Payment w/returns	10,456	114,277	118,974					
WH Tax on Wages	244,808	1,445,185	1,356,383					
Refunds	(16,902)	(217,306)	(217,147)					
Special Fund	0	0	(15)					
Trans. Accom. Tax	58,463	383,680	393,585	(9,905)	-2.5%		383,680	-2.5%
Turtle Bay Conservation Fund	0	(1,500)	(1,500)					
Convention Ctr. Enterprise Fund	0	(11,000)	(11,000)					
Tourism Emergency Special Fund	0	0	0					
Land & Development Fund	0	(3,000)	(3,000)					
Mass Transit Fund	(5,655)	(37,468)	(38,957)					
SUB-TOTAL	52,808	330,712	339,128	(8,416)				
All Others	63,285	653,177	315,199	337,978	107.2%	(315,000)	338,177	7.3%
Collected by DOTAX	31,943	517,480	193,767					
Collected by Other Departments*	31,342	135,696	121,433					
TOTAL GENERAL FUND	\$833,805	\$5,082,867	\$4,521,674	\$561,193	12.4%	(315,000)	4,767,867	5.4%

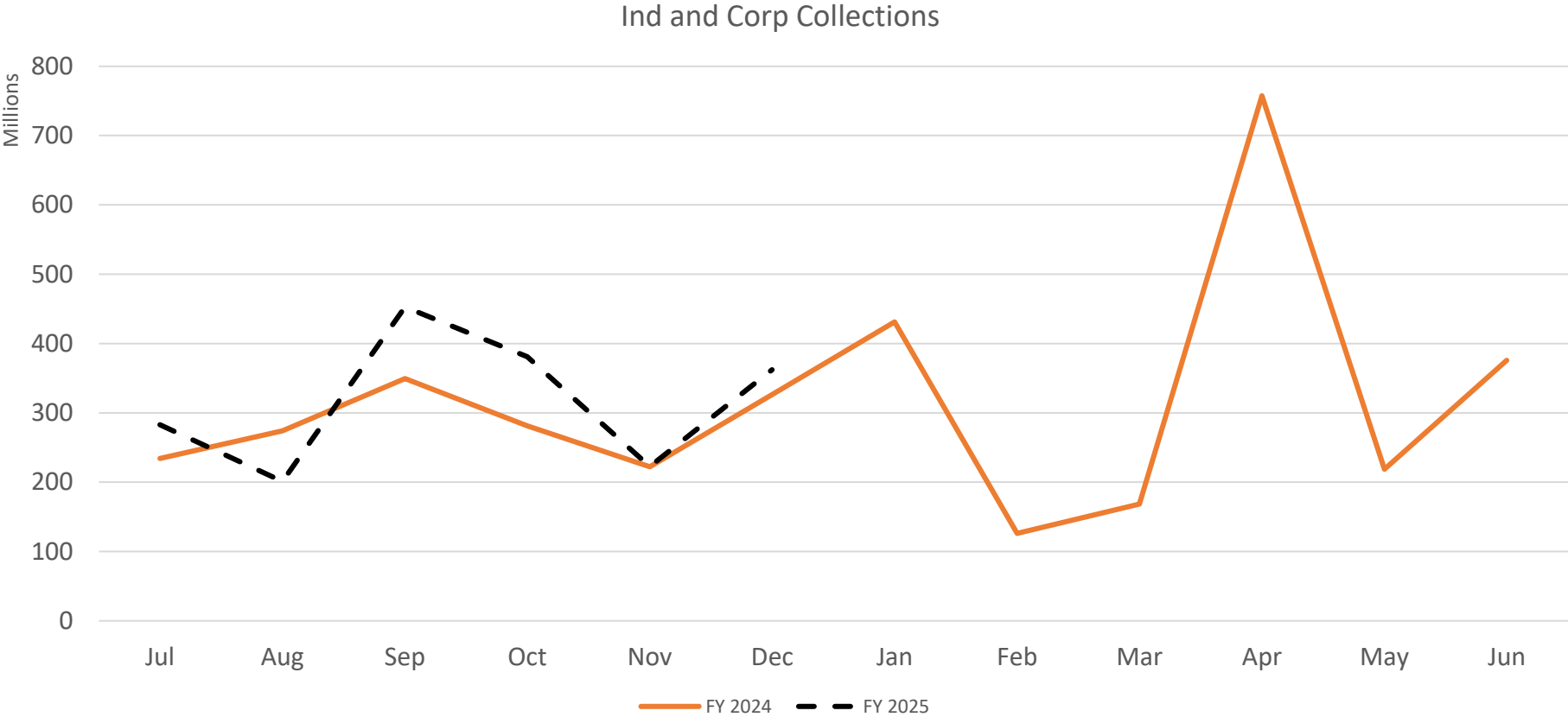
Note: General Fund allocations are in bold print.

*Includes Conveyance Tax and Insurance Premium Tax.

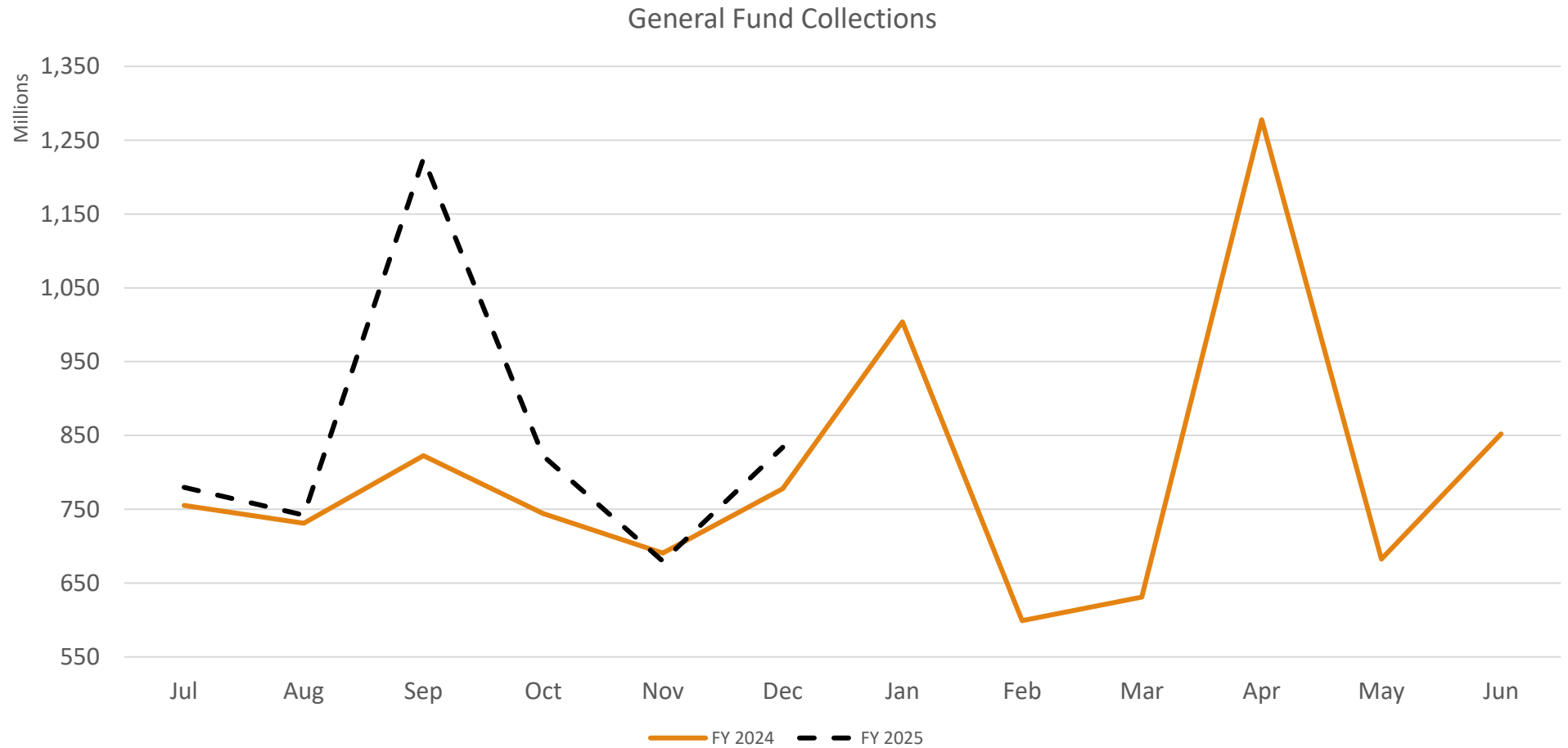
GET collections are flat year-to-date



Individual and Corporate Income Collections Are Up On the Year



General Fund Collections Saw a Large Spike in September



2024 Legislation

Individual Income Tax

Act 46, SLH 2024 (HB2404 HD1 SD1 CD1) RELATING TO INCOME TAX

Revenue Impact:

Estimated Total Revenue Impact (\$ Millions)

FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
-240.3	-596.6	-740.1	-922.7	-1,052.6	-1,262.3	-1,347.5	-1,453.2

Includes macroeconomic impacts and additional tax revenue from increased income

Incorporates changes to withholding tables beginning Jan 1, 2025

2024 Legislation

General Excise Tax

Act 47, SLH 2024 (SB 1035 SD2 HD1 CD1) RELATING TO GENERAL EXCISE TAX

Exempts GET from medical and dental services provided to patients who received Medicaid, Medicare, or TRICARE

Estimated Total Revenue Impact (\$ Millions)

FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
0.0	-33.6	-77.5	-81.0	-84.5	-88.2	-91.9

Includes macroeconomic impacts and additional tax revenue from increased income.

Additional Fiscal Development in FY 2025

The State will issue hazard pay settlement for State employees due to collective bargaining agreement

Estimated Income Boost: \$537 million

Two Equal Payments

October 2024

March 2025

Expected FY 2025 revenue gain:

IIT: \$40.2 million

GET: \$10.7 million

Total: \$50.9 million

Estate Tax Collections in September 2025 were \$315 million larger than normal

Suggestion

- 1) Pick your top-line general fun forecast
- 2) Use calculator to adjust for revenue changes due to legislation

The revenue estimates already include macroeconomic impacts

- Council members do not need to adjust their forecast for economic effects of legislation
- Revenue estimates above \$50 million are scored dynamically

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
9/05/2024 Forecast	\$9,200,336	\$9,568,313	\$10,142,412	\$10,750,956	\$11,288,504	\$11,796,487	\$12,268,346	\$12,697,739	\$13,142,159
	-1.7%	4.0%	6.00%	6.00%	5.00%	4.50%	4.00%	3.50%	3.50%
HB2404			-\$240,274	-\$596,644	-\$740,069	-\$922,668	-\$1,052,649	-\$1,262,307	-\$1,347,517
SB1035				-\$33,600	-\$77,500	-\$81,000	-\$84,500	-\$88,200	-\$91,900
Forecast w/ Legislative Changes	\$9,200,336	\$9,568,313	\$9,902,138	\$10,120,712	\$10,470,936	\$10,792,819	\$11,131,198	\$11,347,232	\$11,702,742
	-1.70%	4.00%	3.5%	2.2%	3.5%	3.1%	3.1%	1.9%	3.1%
Sep Estate Tax			\$ 315,000						
Forecast w/ Leg changes and Estate Tax	\$9,200,336	\$9,568,313	\$10,217,138	\$10,120,712	\$10,470,936	\$10,792,819	\$11,131,198	\$11,347,232	\$11,702,742
General Fund (%)			6.8%	-0.9%	3.5%	3.1%	3.1%	1.9%	3.1%

Where do things stand YTD?

COR Top of the Line Forecast FY 2025 Sep 5, 2024	General Fund Collections June- December 2025	General Fund Collections Adjusted for Estate Tax Payment (\$315 Million) June- December 2025
6.0%	12.4%	5.4%

Table 6AA

ESTIMATES OF GENERAL FUND TAX REVENUE BEFORE AND AFTER ADJUSTMENTS FOR CHANGES IN TAX LAWS: FY 2025 to FY 2031

Results Based on Input Mean Forecasts (in thousands of dollars)

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

TYPE OF TAX	BASE		ESTIMATED						
	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
General Excise and Use Tax	\$4,408,473	\$4,446,125	\$4,778,199	\$5,050,252	\$5,250,479	\$5,359,645	\$5,442,868	\$5,495,873	\$5,550,788
Individual Income Tax	3,099,886	3,280,416	3,768,059	4,251,491	4,717,887	5,208,923	5,746,877	6,336,318	6,980,840
Corporate Income Tax	316,831	483,676	515,856	566,226	656,907	686,365	708,788	727,512	741,747
Public Service Company Tax	142,195	159,222	167,360	175,808	184,273	192,676	201,421	210,520	219,897
Tax on Insurance Premiums	203,791	211,352	231,710	249,101	265,270	281,708	299,012	317,258	336,533
Cigarette and Tobacco Tax 1/	59,070	58,789	43,033	39,055	21,466	17,058	2,033	1,182	(820)
Liquor Tax	54,513	51,602	52,497	53,522	54,333	54,988	55,641	56,288	56,893
Tax on Banks and Other Financial Corps.	28,969	28,912	35,616	39,827	43,357	46,194	48,221	49,757	51,056
Inheritance and Estate Tax	58,083	55,794	57,139	58,499	59,826	61,113	62,421	63,750	65,089
Conveyance Tax 1/	49,032	54,311	58,540	68,692	78,295	87,669	97,457	107,893	119,035
Miscellaneous Taxes 2/	812	672	694	718	741	764	787	810	834
Transient Accommodations Tax	854,784	810,642	845,971	870,335	889,917	907,983	926,415	945,035	963,275
UNADJUSTED TOTAL	\$9,276,438	\$9,641,513	\$10,554,674	\$11,423,526	\$12,222,751	\$12,905,086	\$13,591,941	\$14,312,196	\$15,085,167
GROWTH RATE	-1.6%	3.9%	9.5%	8.2%	7.0%	5.6%	5.3%	5.3%	5.4%
ADJUSTMENTS									
Miscellaneous Tax adjustments 5/	22,074	21,968	21,862	21,757	21,653	21,549	21,445	21,342	21,240
Transient Accommodations Tax adjustments 1/	(98,207)	(95,168)	(98,034)	(100,411)	(102,321)	(104,084)	(105,882)	(107,699)	(109,478)
TOTAL SPECIAL FUND ALLOCATION	(76,133)	(73,200)	10,478,502	11,344,872	12,142,083	12,822,551	13,507,504	14,225,839	14,996,929
			9.5%	8.3%	7.0%	5.6%	5.3%	5.3%	5.4%
General Excise Tax adjustments 3/			-	(33,551)	(77,484)	(80,963)	(84,525)	(88,219)	(92,074)
Individual Income Tax adjustments 4/			(240,300)	(596,600)	(740,100)	(922,700)	(1,052,600)	(1,262,300)	(1,347,500)
TOTAL REVENUE IMPACT - 2024 LEGISLATURE			(240,300)	(630,151)	(817,584)	(1,003,663)	(1,137,125)	(1,350,519)	(1,439,574)
GENERAL FUND TOTAL	\$9,200,305	\$9,568,313	\$10,238,202	\$10,714,721	\$11,324,499	\$11,818,888	\$12,370,379	\$12,875,320	\$13,557,355
GROWTH RATE	-1.7%	4.0%	7.0%	4.7%	5.7%	4.4%	4.7%	4.1%	5.3%

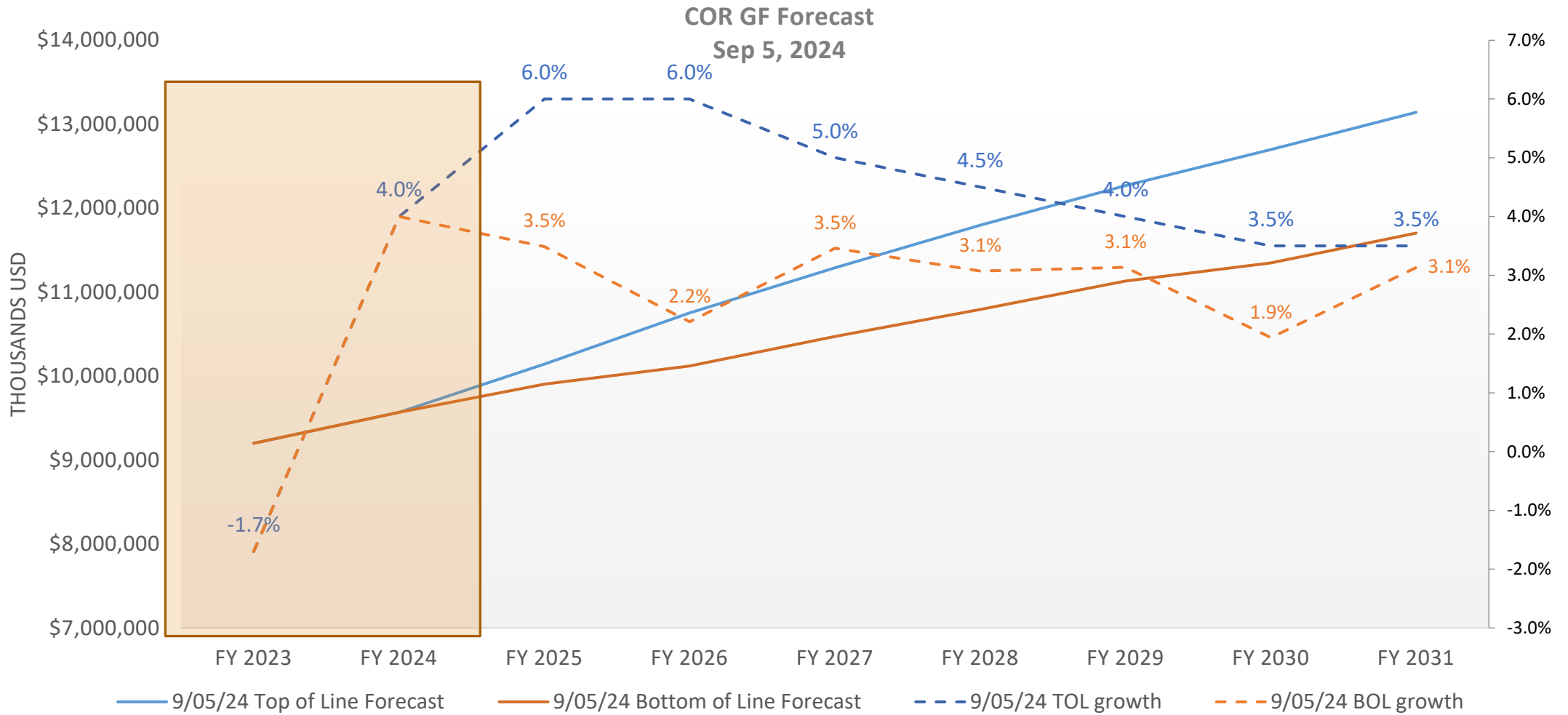
What's driving the model's high forecast?

Council members are forecasting high growth of TPI and Construction

Table 3: Forecasts of Key Economic Indicators
Mean Forecast of Council Members

B. ANNUAL PERCENTAGE GROWTH RATE							
Hawaii Total Personal Income (1982-1984 Constant Dollars)(\$Millions)	2.98	2.62	2.15	2.07	2.08	2.09	2.08
Hawaii Total Personal Income (\$Millions)	6.20	5.31	4.59	4.38	4.34	4.31	4.29
Construction Completed (\$Millions)	9.71	7.19	4.85	3.52	2.84	2.10	2.15
Honolulu CPIU (1982-1984 = 100)	3.13	2.62	2.39	2.27	2.21	2.17	2.17
Visitor Arrivals by Air (Thousands)	2.13	2.88	2.25	2.03	2.03	2.01	1.93
U.S. GDP (\$ Billions)	4.02	3.93	3.71	3.53	3.53	3.49	3.45
U.S. GDP Deflator (2017 = 100)	2.41	2.38	2.27	2.15	2.14	2.13	2.10
Calendar Year Wages (\$Millions)	4.31	3.74	3.34	3.08	2.99	2.98	2.96
Visitor Expenditures by Air (\$Millions)	1.83	2.42	2.37	2.26	2.21	2.17	2.11
Hawaii Real GDP (2017 Constant Dollars)(\$Millions)	1.79	2.08	1.82	1.52	1.42	1.38	1.35

Current Council on Revenues Forecast



Sep 5, 2024 Forecast

FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
\$9,200,336	\$9,568,313	\$9,902,138	\$10,120,712	\$10,470,936	\$10,792,819	\$11,131,198	\$11,347,232	\$11,702,742
-1.70%	4.00%	3.5%	2.2%	3.5%	3.1%	3.1%	1.9%	3.1%

Mahalo!