

PRESENTATION FOR COUNCIL ON REVENUES

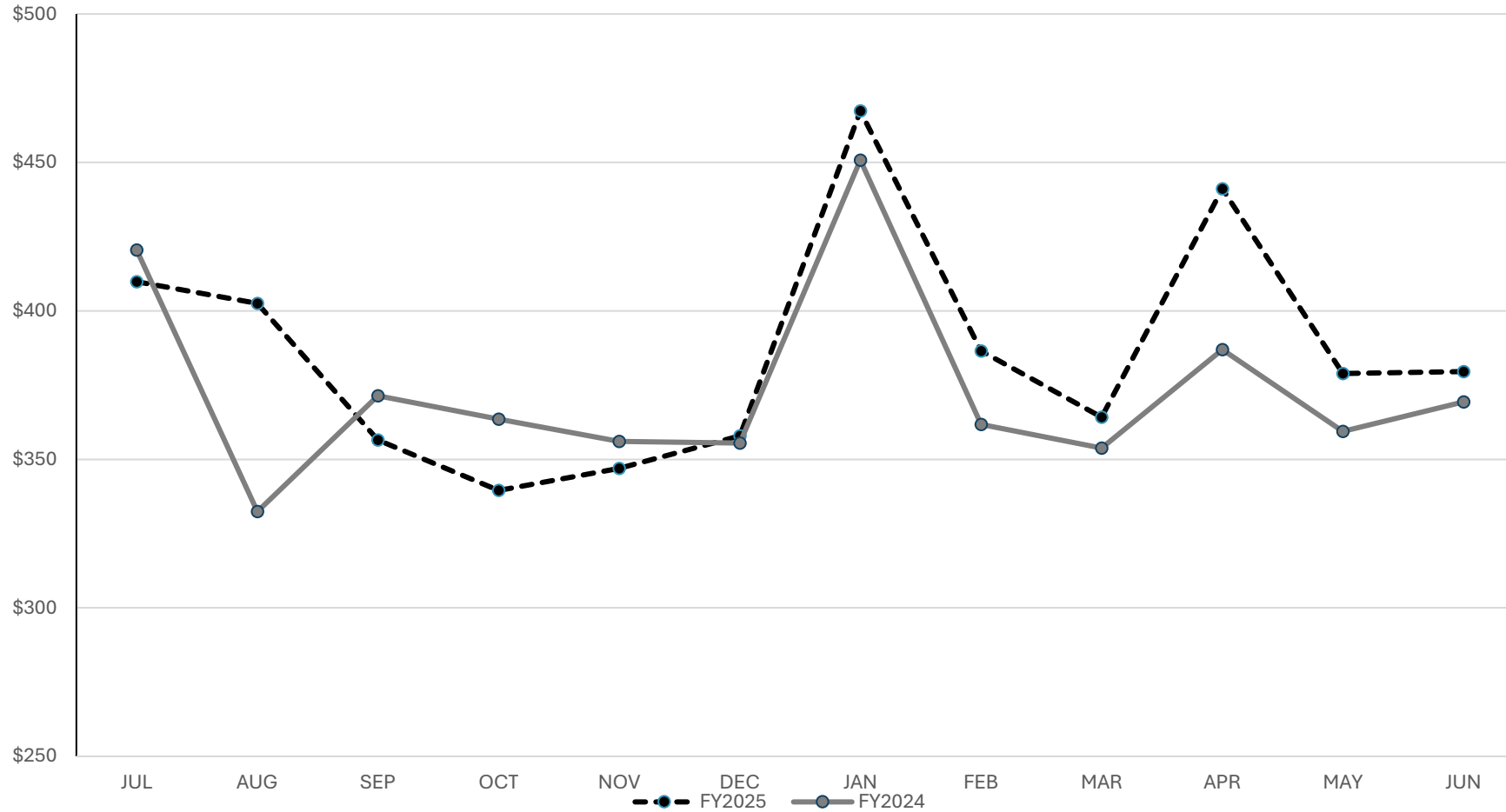
General Fund Forecast Meeting (FY 2026 to FY 2032)

January 7, 2026

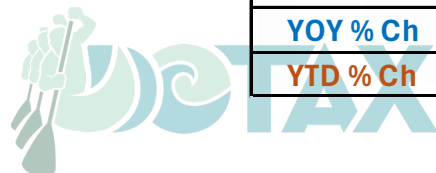
Baybars Karacaovali, Ph.D.
Tax Research & Planning Officer
Hawai'i Department of Taxation (DOTAX)



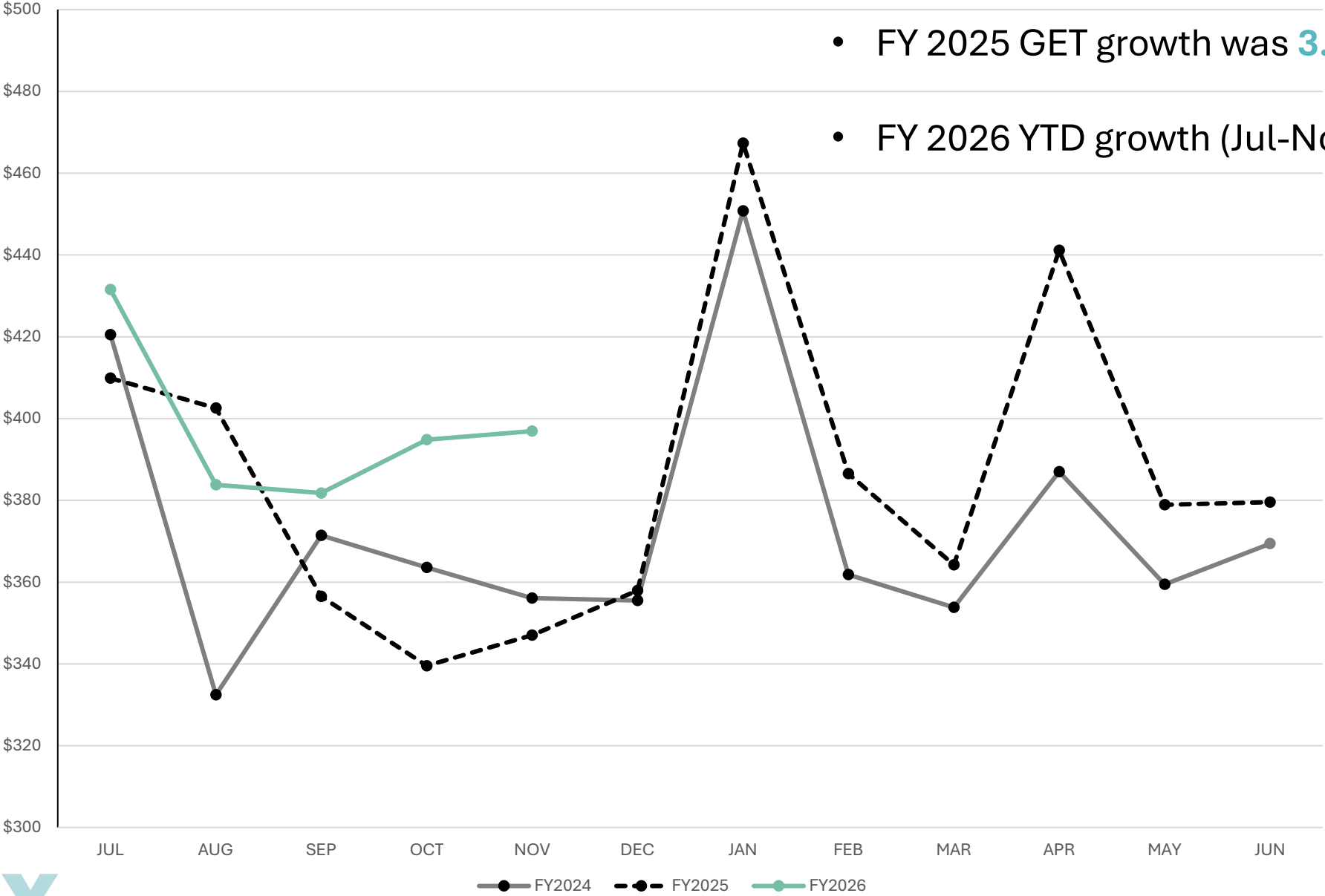
General Excise & Use Tax Collections (\$ Million)



General Excise & Use Tax Collections													
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY
FY2025	\$410	\$403	\$356	\$340	\$347	\$358	\$467	\$387	\$364	\$441	\$379	\$380	\$4,631
FY2024	\$420	\$332	\$371	\$364	\$356	\$355	\$451	\$362	\$354	\$387	\$359	\$369	\$4,482
YOY % Ch	-2.53%	21.09%	-4.02%	-6.61%	-2.54%	0.70%	3.67%	6.83%	2.94%	13.99%	5.42%	2.76%	3.33%
YTD % Ch	-2.53%	7.90%	3.96%	1.38%	0.62%	0.63%	1.15%	1.83%	1.95%	3.19%	3.38%	3.33%	



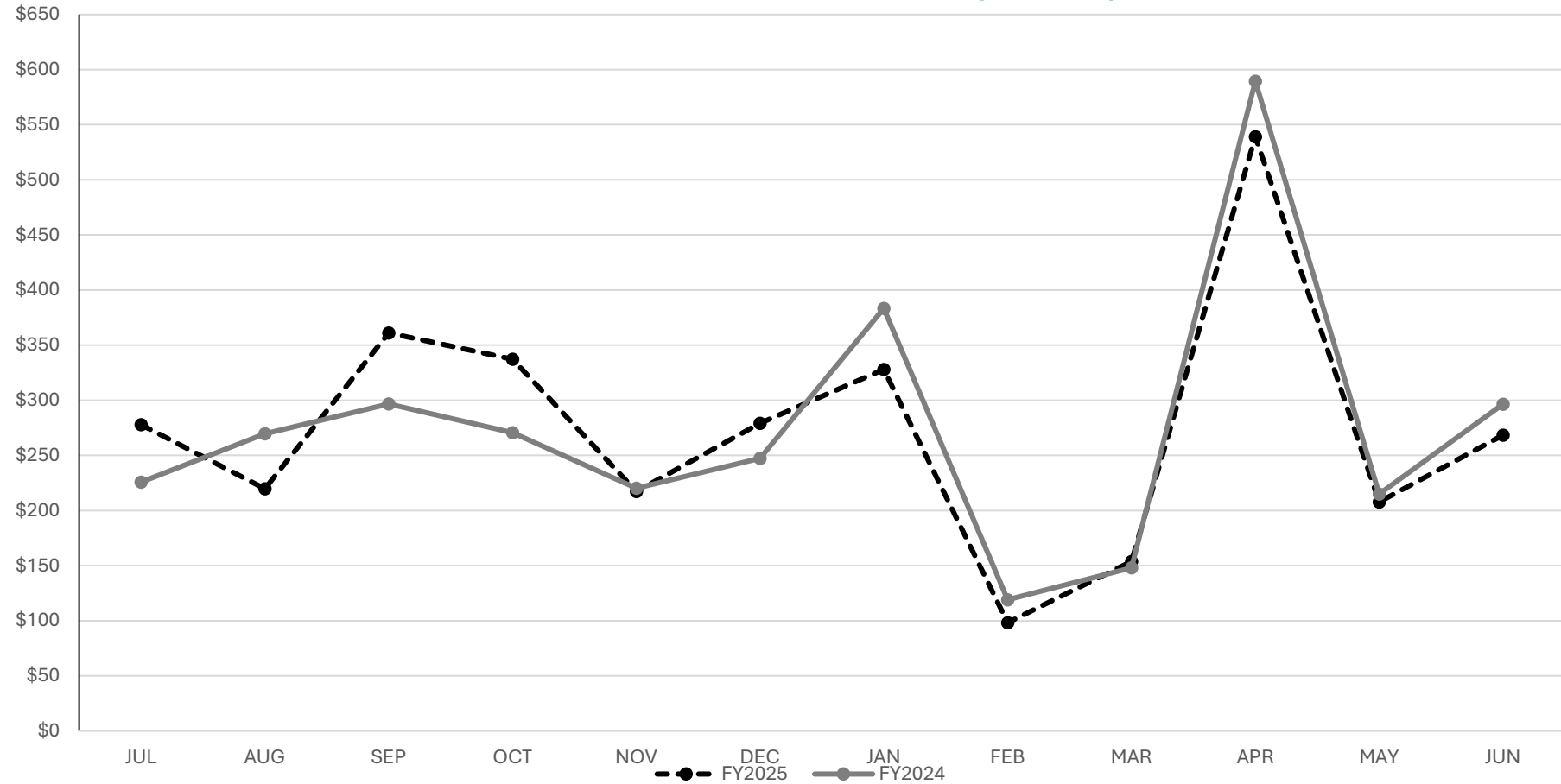
General Excise & Use Tax Collections (\$ Million)



- FY 2025 GET growth was **3.33%**
- FY 2026 YTD growth (Jul-Nov) is **7.2%**



Individual Income Tax Collections (\$ Million)



Individual Income Tax Collections

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY
FY2025	\$278	\$220	\$361	\$337	\$217	\$279	\$328	\$98	\$154	\$539	\$208	\$268	\$3,288
FY2024	\$226	\$270	\$297	\$271	\$220	\$247	\$383	\$119	\$148	\$589	\$215	\$296	\$3,282
YOY % Ch	23.09%	-18.50%	21.67%	24.69%	-1.36%	12.86%	-14.42%	-17.49%	3.92%	-8.53%	-3.32%	-9.42%	0.20%
YTD % Ch	23.09%	0.46%	8.41%	12.55%	10.16%	10.60%	5.59%	4.24%	4.22%	1.50%	1.16%	0.20%	



Major Tax-Related Measures Passed by the 2024 Legislature and Enacted into Law

Estimates of General Fund Tax Revenue Gain or (Loss)

(Dollar amounts are in \$ millions)

Act Number	Description	General Fund Revenue Gain (or Loss)						
		FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Act 46, SLH 2024	Individual Income Tax Cut. Increases the standard deduction amounts, with amendments taking effect in tax years 2024, 2026, 2028, 2030, and 2031. Act 46 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.	(\$240.3)	(\$596.6)	(\$740.1)	(\$922.7)	(\$1,052.6)	(\$1,262.3)	(\$1,347.5)
Act 47, SLH 2024	GET Exemption. Exempts medical services provided by health care providers to patients who receive Medicaid, Medicare, or TRICARE benefits from the general excise tax. Applies to taxable years beginning 1/1/2026.	\$0.0	(\$33.6)	(\$77.5)	(\$81.0)	(\$84.5)	(\$88.2)	(\$92.1)
Total		(\$240.3)	(\$630.2)	(\$817.6)	(\$1,003.7)	(\$1,137.1)	(\$1,350.5)	(\$1,439.6)

ACT 46, SLH 2024

STANDARD DEDUCTION CHANGES

	CY2023	CY2024		CY2026		CY2028		CY2030	CY2031
Single	\$2,200	\$4,400		\$8,000		\$9,000		\$10,000	\$12,000
Joint	\$4,400	\$8,800		\$16,000		\$18,000		\$20,000	\$24,000
HH	\$3,212	\$6,424		\$12,000		\$13,500		\$15,000	\$18,000

	CY2025		CY2027		CY2029	
TAX BRACKET CHANGES						



2019-2024 ACTUAL TAX SCHEDULE

Married Filing Joint Returns and Qualifying Widow(er)s

Over (>)	But Not Over (<=)	Your tax is:	
	\$4,800	1.40%	
\$4,800	\$9,600	\$67 plus	3.20%
\$9,600	\$19,200	\$221 plus	5.50%
\$19,200	\$28,800	\$749 plus	6.40%
\$28,800	\$38,400	\$1,363 plus	6.80%
\$38,400	\$48,000	\$2,016 plus	7.20%
\$48,000	\$72,000	\$2,707 plus	7.60%
\$72,000	\$96,000	\$4,531 plus	7.90%
\$96,000	\$300,000	\$6,427 plus	8.25%
\$300,000	\$350,000	\$23,257 plus	9.00%
\$350,000	\$400,000	\$27,757 plus	10.00%
\$400,000		\$32,757 plus	11.00%

ACT 46, SLH 2024

TAX YEAR 2025

Married Filing Joint Returns and Qualifying Widow(er)s

Over (>)	But Not Over (<=)	Your tax is:	
	\$19,200	1.40%	
\$19,200	\$28,800	\$269 plus	3.20%
\$28,800	\$38,400	\$576 plus	5.50%
\$38,400	\$48,000	\$1,104 plus	6.40%
\$48,000	\$72,000	\$1,718 plus	6.80%
\$72,000	\$96,000	\$3,350 plus	7.20%
\$96,000	\$250,000	\$5,078 plus	7.60%
\$250,000	\$350,000	\$16,782 plus	7.90%
\$350,000	\$450,000	\$24,682 plus	8.25%
\$450,000	\$550,000	\$32,932 plus	9.00%
\$550,000	\$650,000	\$41,932 plus	10.00%
\$650,000		\$51,932 plus	11.00%

ACT 46, SLH 2024

STANDARD DEDUCTION CHANGES

	CY2023	CY2024		CY2026		CY2028		CY2030	CY2031
Single	\$2,200	\$4,400		\$8,000		\$9,000		\$10,000	\$12,000
Joint	\$4,400	\$8,800		\$16,000		\$18,000		\$20,000	\$24,000
HH	\$3,212	\$6,424		\$12,000		\$13,500		\$15,000	\$18,000

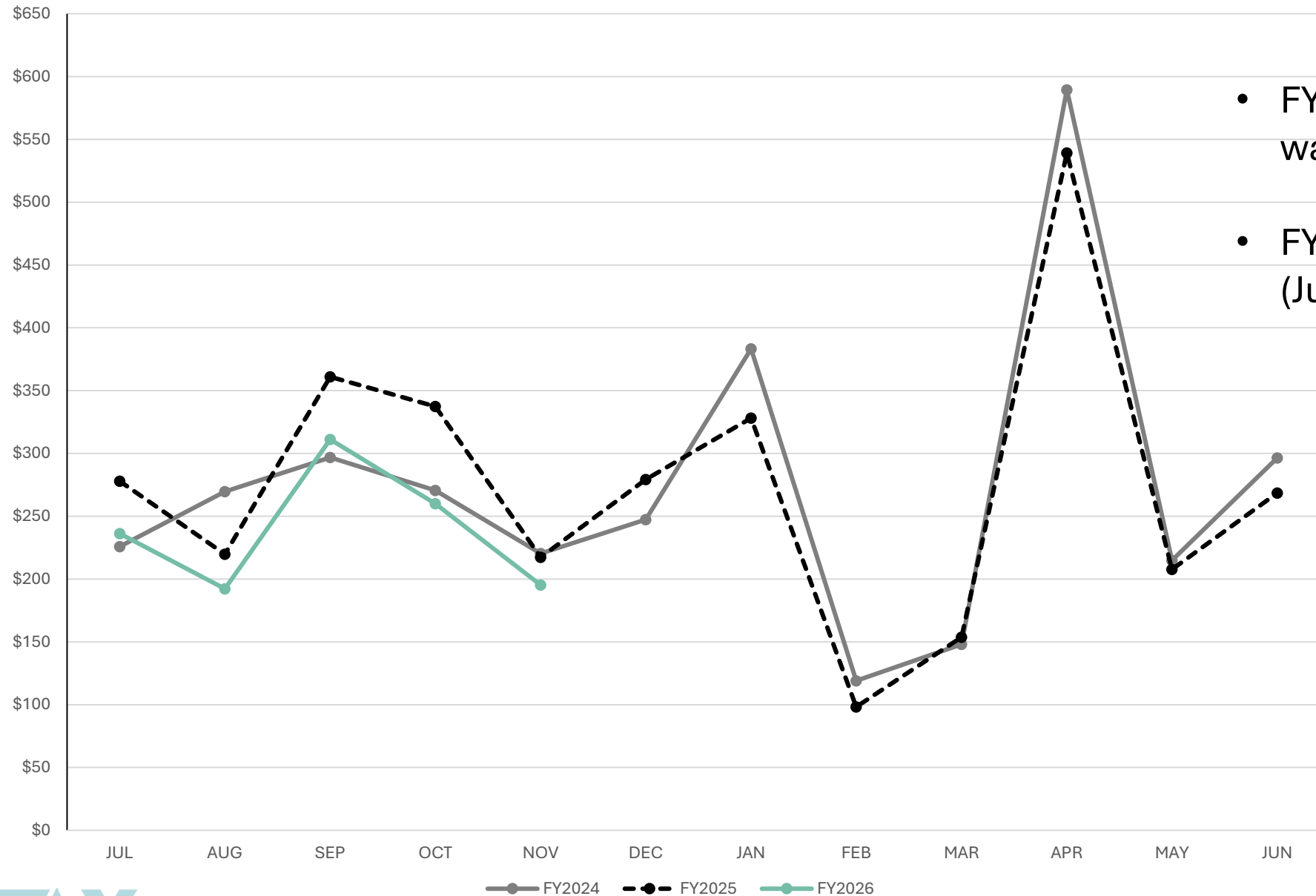
TAX BRACKET CHANGES

	CY2025		CY2027		CY2029

RESIDENT FEDERAL AGI DECILE			TAX LIABILITY REDUCTION AS A SHARE OF TOTAL TAX LIABILITY BEFORE THE CHANGE		
Filing Status: Married Filing Jointly			Residents	Nonresidents	Total
	Under	\$21,296	N/A	122.3%	N/A
\$21,296	to under	\$41,523	115.9%	88.3%	114.5%
\$41,523	to under	\$60,284	70.9%	73.5%	71.0%
\$60,284	to under	\$77,032	49.8%	62.2%	50.2%
\$77,032	to under	\$92,884	38.5%	55.8%	39.0%
\$92,884	to under	\$109,492	31.3%	44.7%	31.6%
\$109,492	to under	\$129,538	26.1%	39.9%	26.5%
\$129,538	to under	\$157,233	21.7%	34.2%	22.1%
\$157,233	to under	\$208,304	18.0%	28.6%	18.4%
\$208,304	and over		9.2%	12.3%	9.4%
			19.4%	19.8%	19.4%



Individual Income Tax Collections (\$ Million)



- FY 2025 IIT growth was **0.2%**
- FY 2026 YTD growth (Jul-Nov) is **-15.5%**

Major Tax-Related Measures Passed by the 2025 Legislature and Enacted into Law

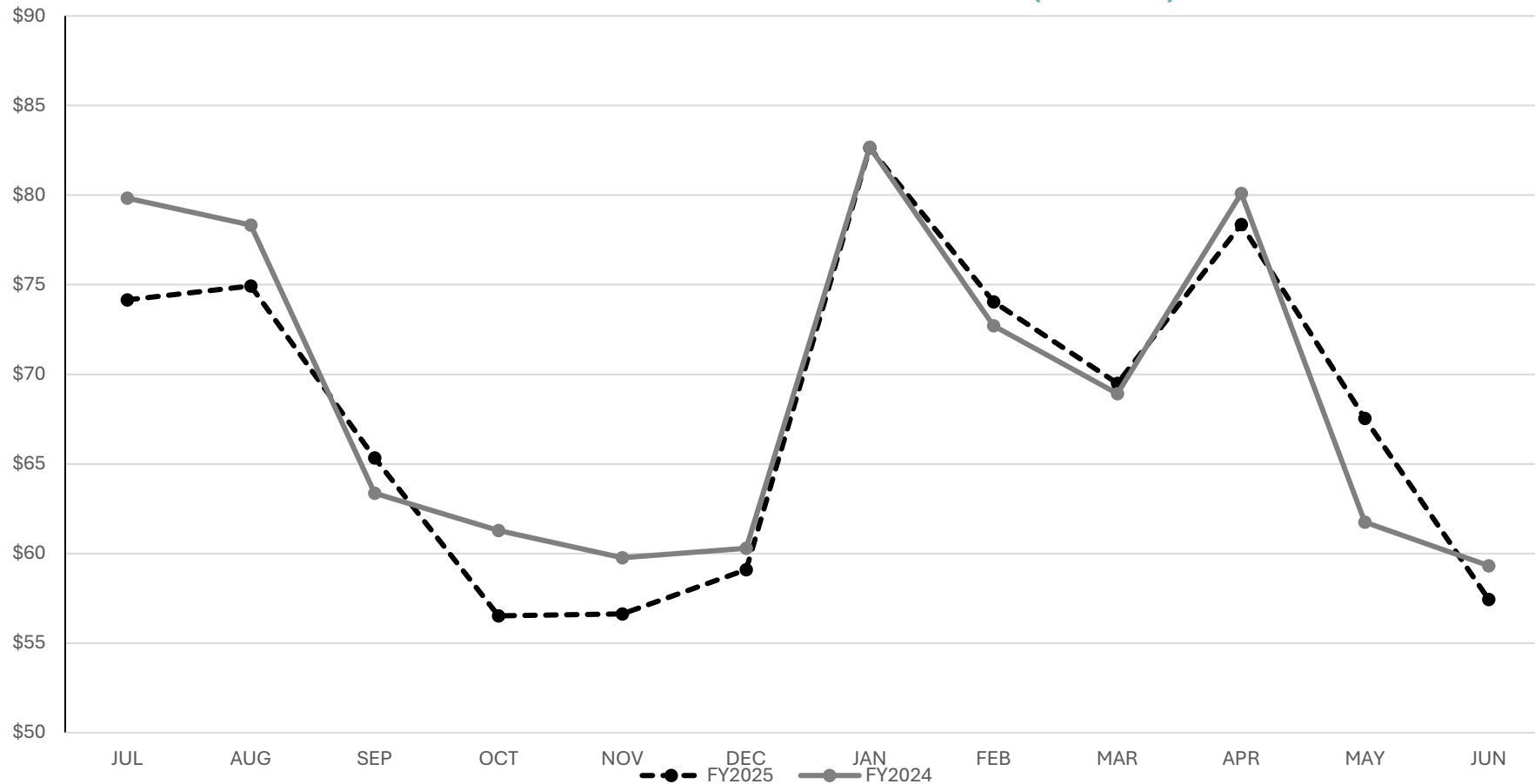
Estimates of General Fund Tax Revenue Gain or (Loss)

(Dollar amounts are in \$ millions)

Act Number	Description							
		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Act 58, SLH 2025	Pass-Through Entity (PTE) Tax Add-Back Eliminates double benefit by adding PTE credit back to the qualified member's taxable income. Effective on May 15, 2025, and applicable to Tax Year 2025.	\$29.3	\$30.8	\$32.4	\$34.0	\$35.7	\$37.5	\$39.4
Act 96, SLH 2025	Transient Accommodations Tax Increase and Imposition on Cruise Ships Increases TAT by 0.75% (climate impact/green fee) and imposes TAT on gross rental proceeds derived from cruise fares. Effective on January 1, 2026 for TY 2026-TY 2030.	\$42.0	\$87.0	\$88.0	\$88.9	\$88.8	\$87.8	\$89.8
Total		\$71.3	\$117.8	\$120.4	\$122.9	\$124.5	\$125.3	\$129.2



Transient Accommodations Tax Collections (\$ Million)

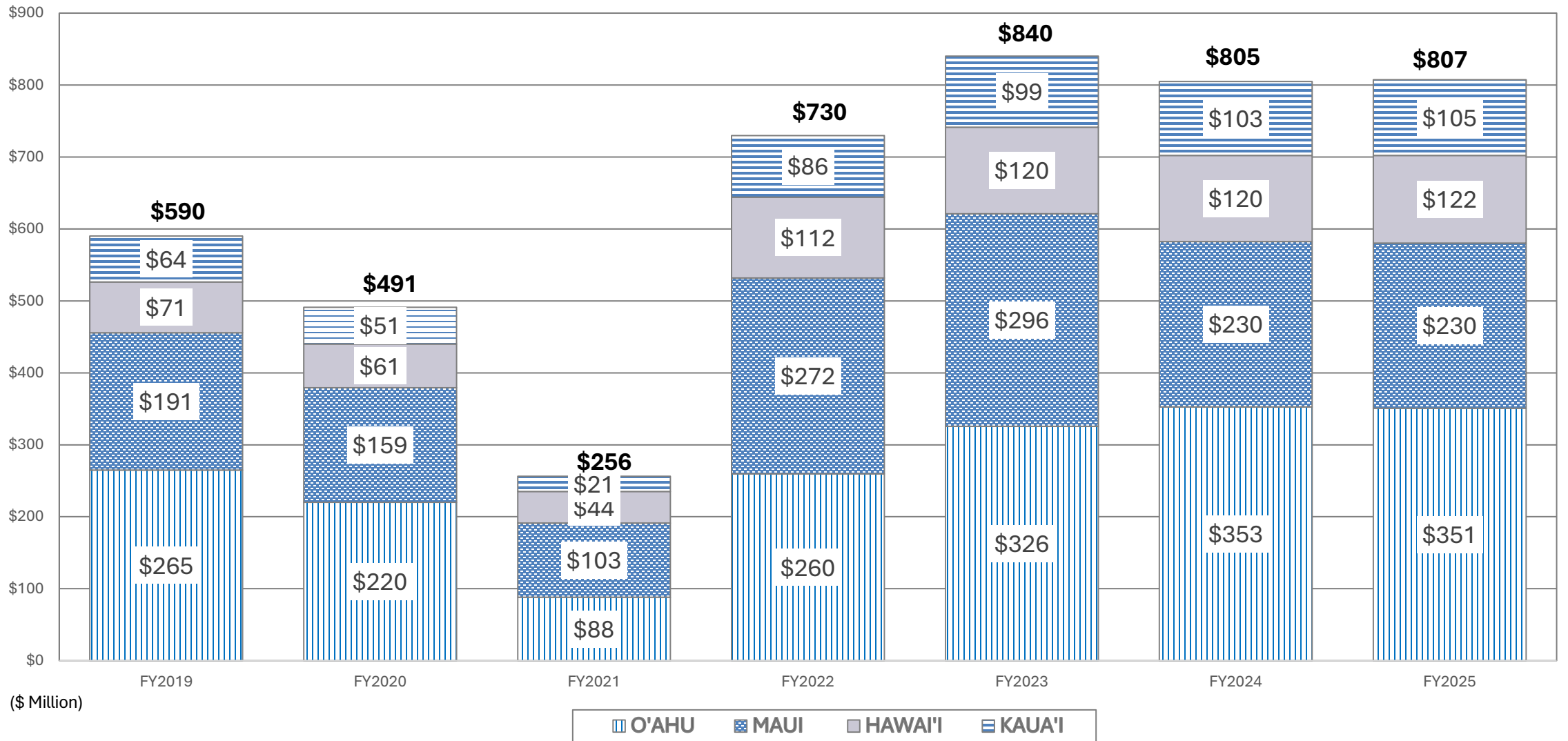


Transient Accommodations Tax Collections

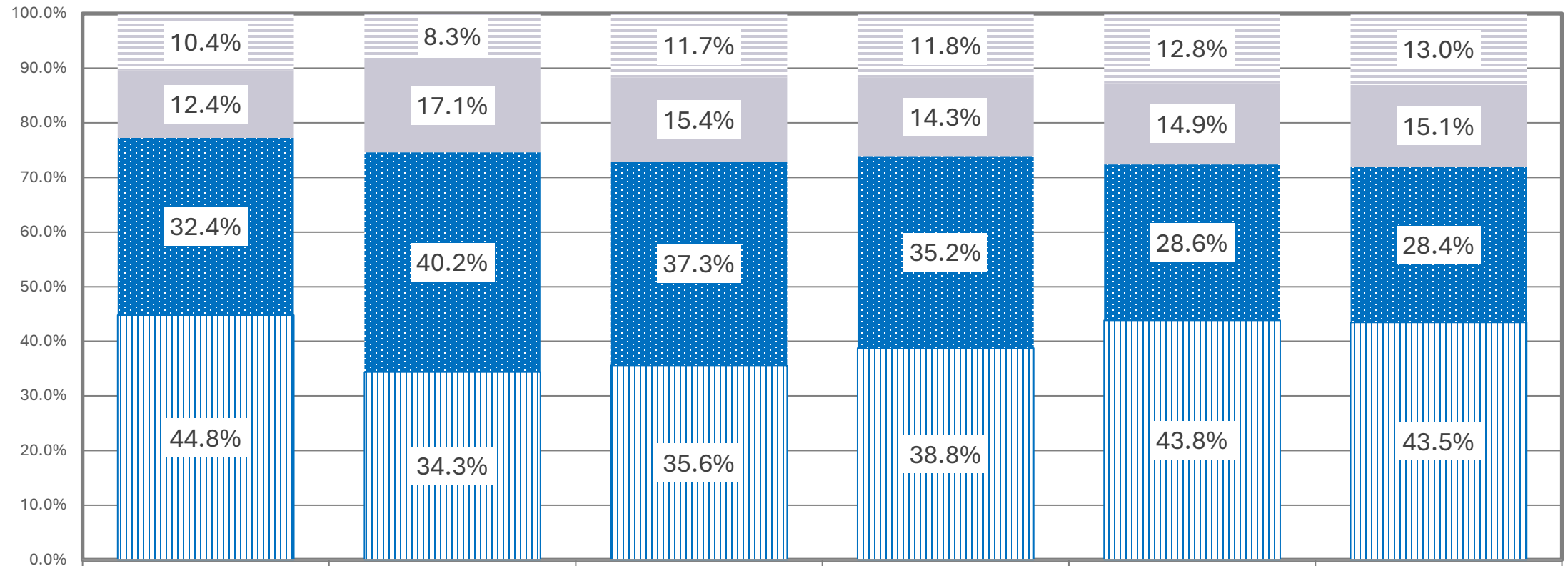
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY
FY2025	\$74	\$75	\$65	\$57	\$57	\$59	\$83	\$74	\$69	\$78	\$68	\$57	\$816
FY2024	\$80	\$78	\$63	\$61	\$60	\$60	\$83	\$73	\$69	\$80	\$62	\$59	\$828
YOY % Ch	-7.11%	-4.33%	3.12%	-7.78%	-5.26%	-1.97%	-0.04%	1.83%	0.84%	-2.17%	9.38%	-3.17%	-1.47%
YTD % Ch	-7.11%	-5.74%	-3.20%	-4.20%	-4.38%	-4.02%	-3.34%	-2.67%	-2.28%	-2.27%	-1.34%	-1.47%	



TRANSIENT ACCOMMODATIONS TAX LIABILITY BY TAX DISTRICT (\$ Million)



TRANSIENT ACCOMMODATIONS TAX LIABILITY COMPOSITION BY TAX DISTRICT

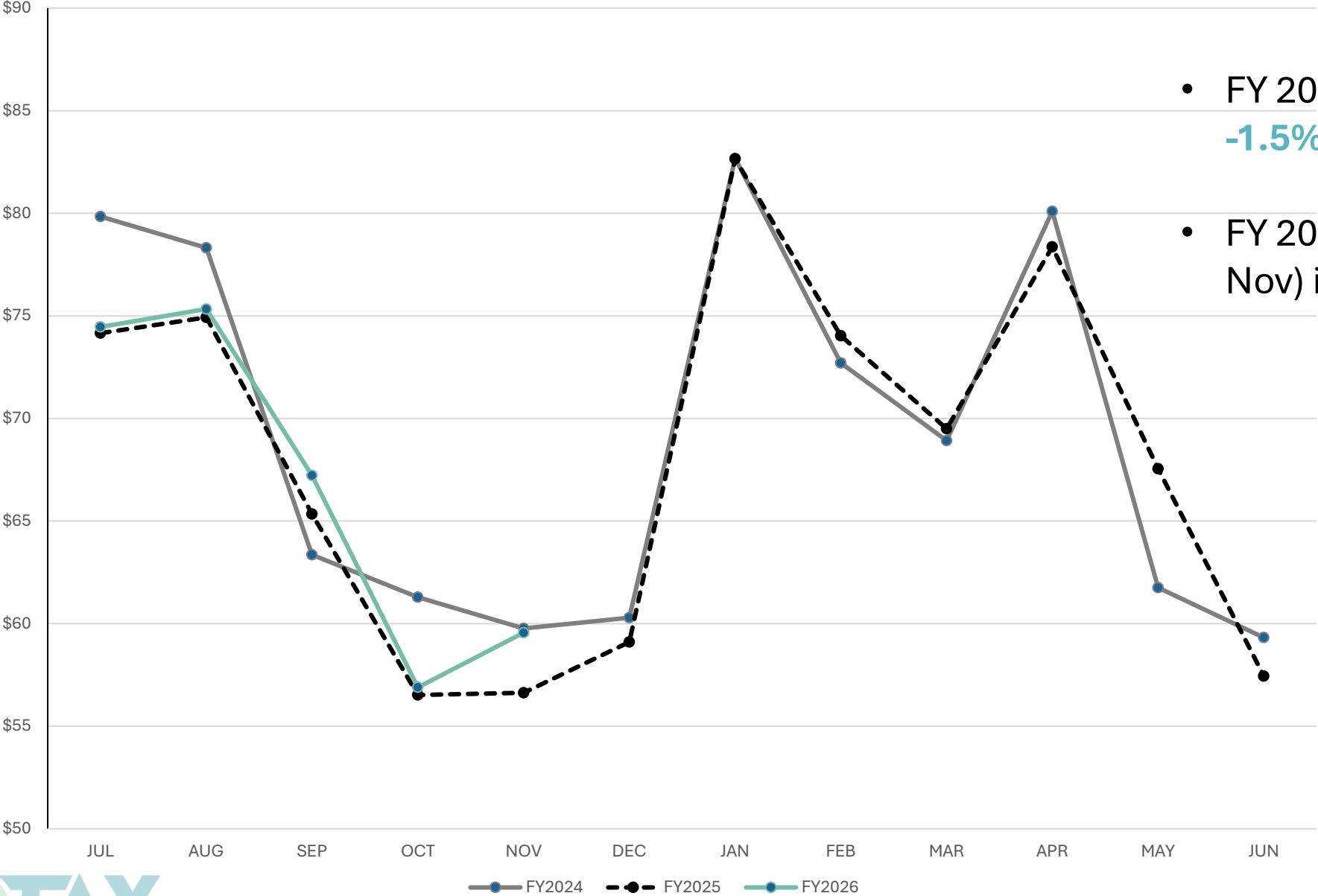


	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
KAUAI	10.4%	8.3%	11.7%	11.8%	12.8%	13.0%
HAWAI'I	12.4%	17.1%	15.4%	14.3%	14.9%	15.1%
MAUI	32.4%	40.2%	37.3%	35.2%	28.6%	28.4%
O'AHU	44.8%	34.3%	35.6%	38.8%	43.8%	43.5%

O'AHU
 MAUI
 HAWAI'I
 KAUAI



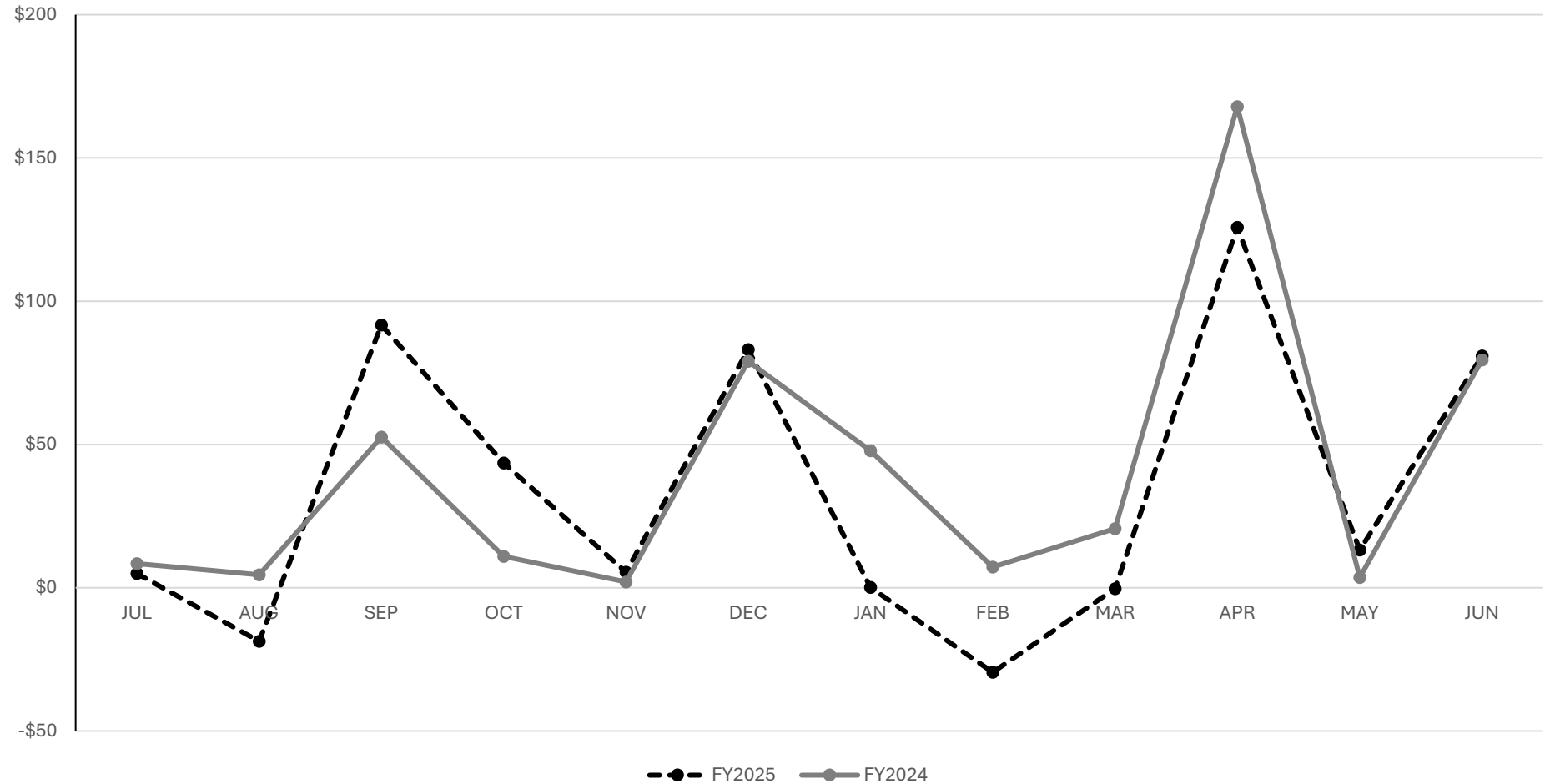
Transient Accommodations Tax Collections (\$ Million)



- FY 2025 TAT growth was **-1.5%**
- FY 2026 YTD growth (Jul-Nov) is **1.8%**



Corporate Income Tax Collections (\$ Million)

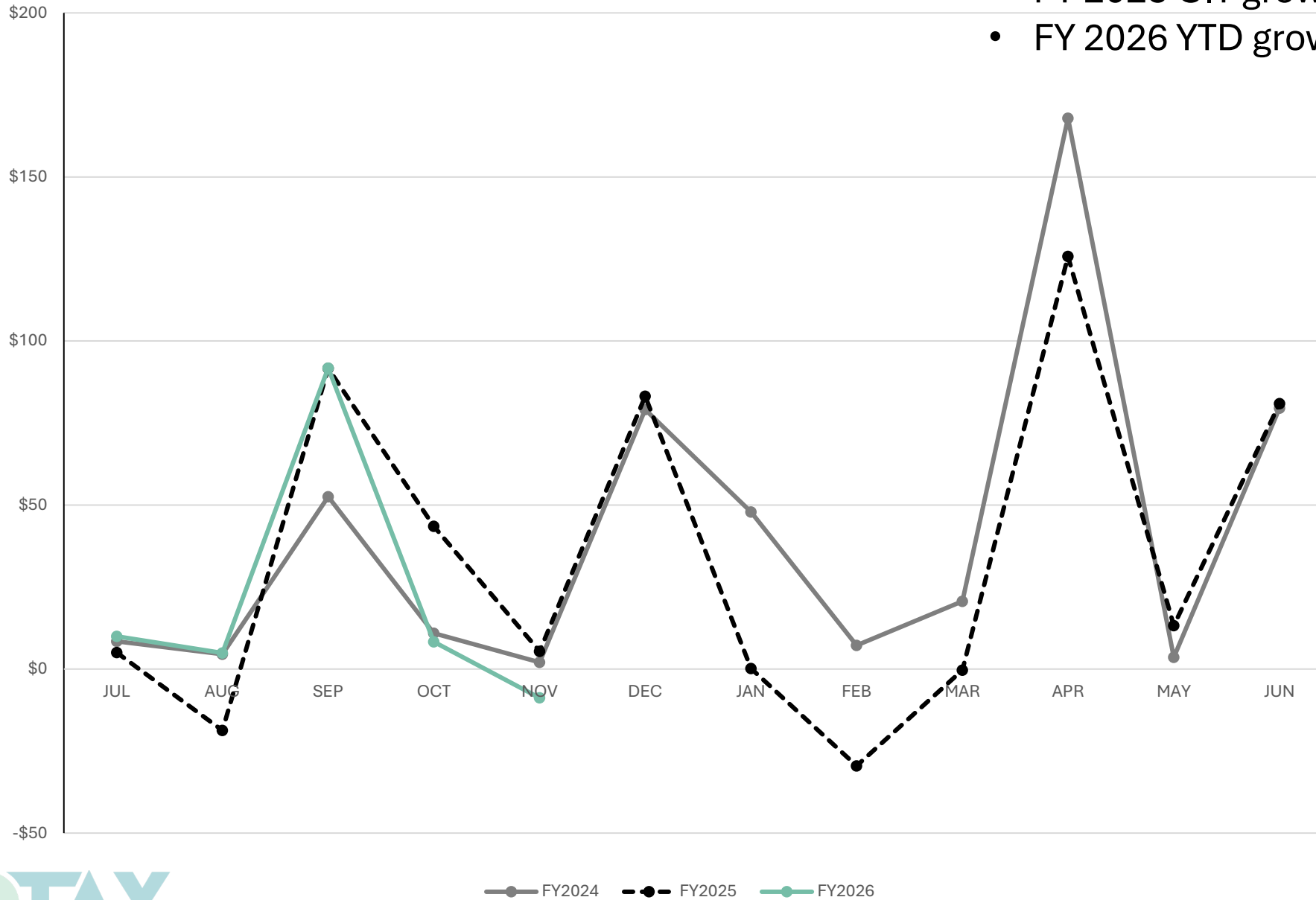


Corporate Income Tax Collections													
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY
FY2025	\$5	-\$19	\$92	\$44	\$5	\$83	\$0	-\$29	\$0	\$126	\$13	\$81	\$400
FY2024	\$8	\$5	\$53	\$11	\$2	\$79	\$48	\$7	\$21	\$168	\$4	\$80	\$484
YOY % Ch	-40.82%	-515.08%	74.48%	298.70%	164.32%	5.16%	-99.59%	-507.35%	-101.61%	-25.10%	269.04%	1.76%	-17.34%
YTD % Ch	-40.82%	-205.45%	19.03%	58.99%	61.75%	33.35%	2.37%	-14.99%	-22.66%	-23.68%	-21.09%	-17.34%	

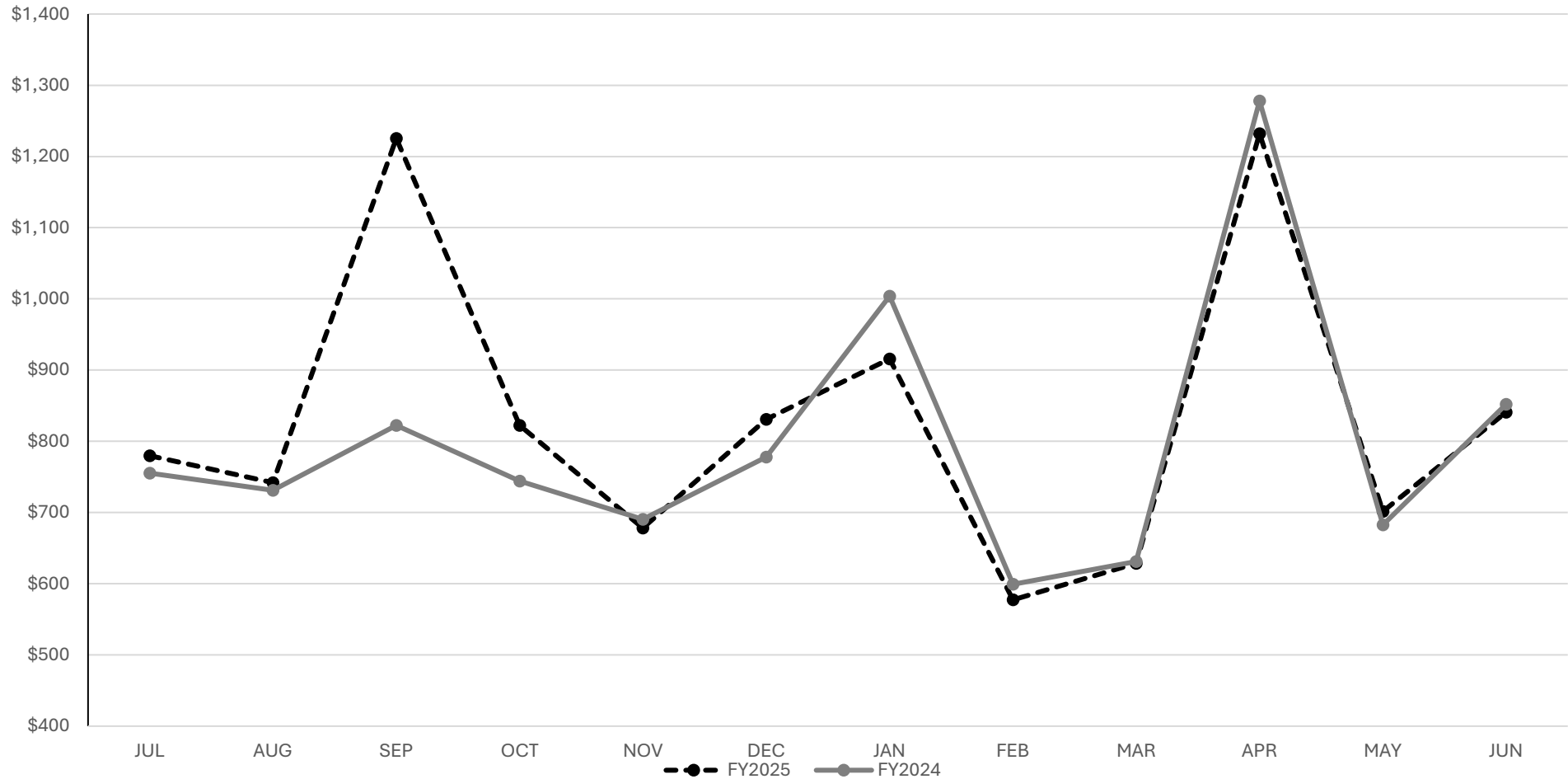


Corporate Income Tax Collections (\$ Million)

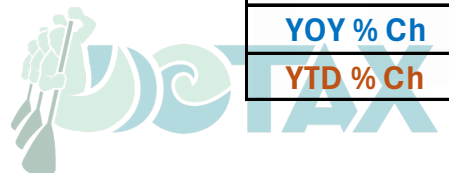
- FY 2025 CIT growth was **-17.3%**
- FY 2026 YTD growth (Jul-Nov) is **-16.4%**



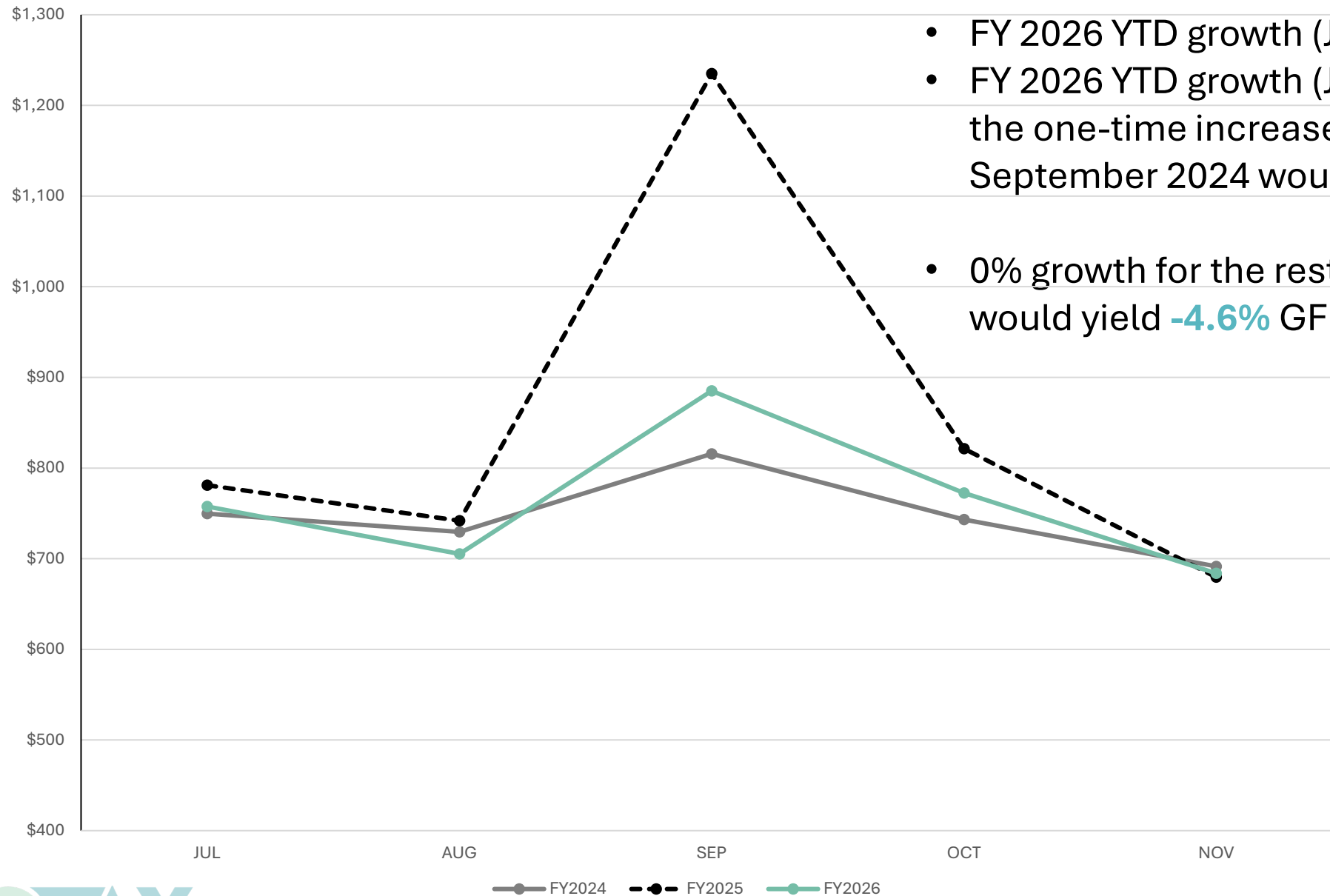
General Fund (\$ Million)



General Fund													
	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	FY
FY2025	\$780	\$742	\$1,225	\$822	\$678	\$831	\$916	\$577	\$628	\$1,232	\$702	\$841	\$9,974
FY2024	\$755	\$731	\$823	\$744	\$691	\$778	\$1,004	\$599	\$631	\$1,278	\$683	\$852	\$9,568
YOY % Ch	3.27%	1.48%	48.99%	10.48%	-1.82%	6.78%	-8.79%	-3.65%	-0.41%	-3.59%	2.79%	-1.33%	4.24%
YTD % Ch	3.27%	2.39%	18.99%	16.91%	13.46%	12.31%	8.48%	7.29%	6.57%	4.96%	4.79%	4.24%	



PRELIMINARY General Fund (\$ Million)

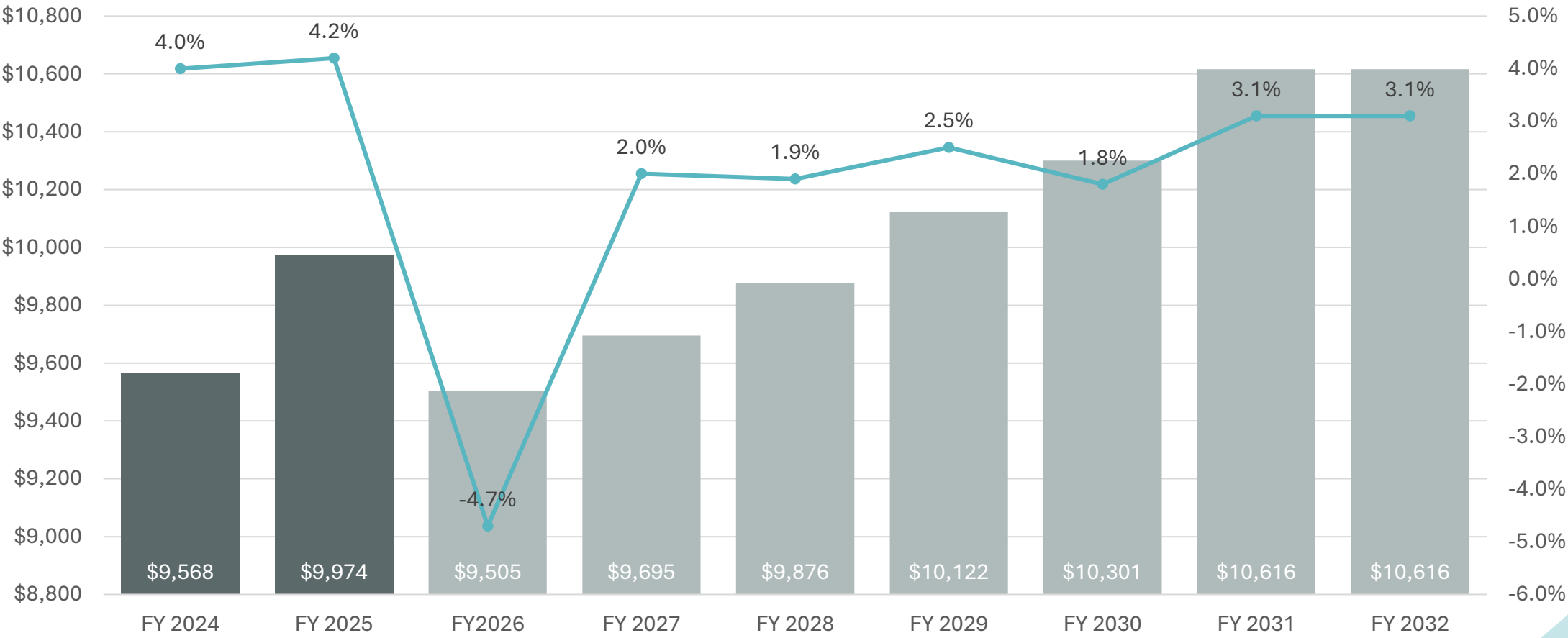


- FY 2026 YTD growth (Jul-Nov) is **-10.5%**
- FY 2026 YTD growth (Jul-Nov) removing the one-time increase in estate taxes in September 2024 would be **-3.2%**
- 0% growth for the rest of the fiscal year would yield **-4.6%** GF growth for FY 2026

ACTUAL		COR FORECAST: AS OF SEPTEMBER 2025						
FY 2024	FY 2025	FY2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
\$9,568	\$9,974	\$9,505	\$9,695	\$9,876	\$10,122	\$10,301	\$10,616	\$10,616
4.0%	4.2%	-4.7%	2.0%	1.9%	2.5%	1.8%	3.1%	3.1%

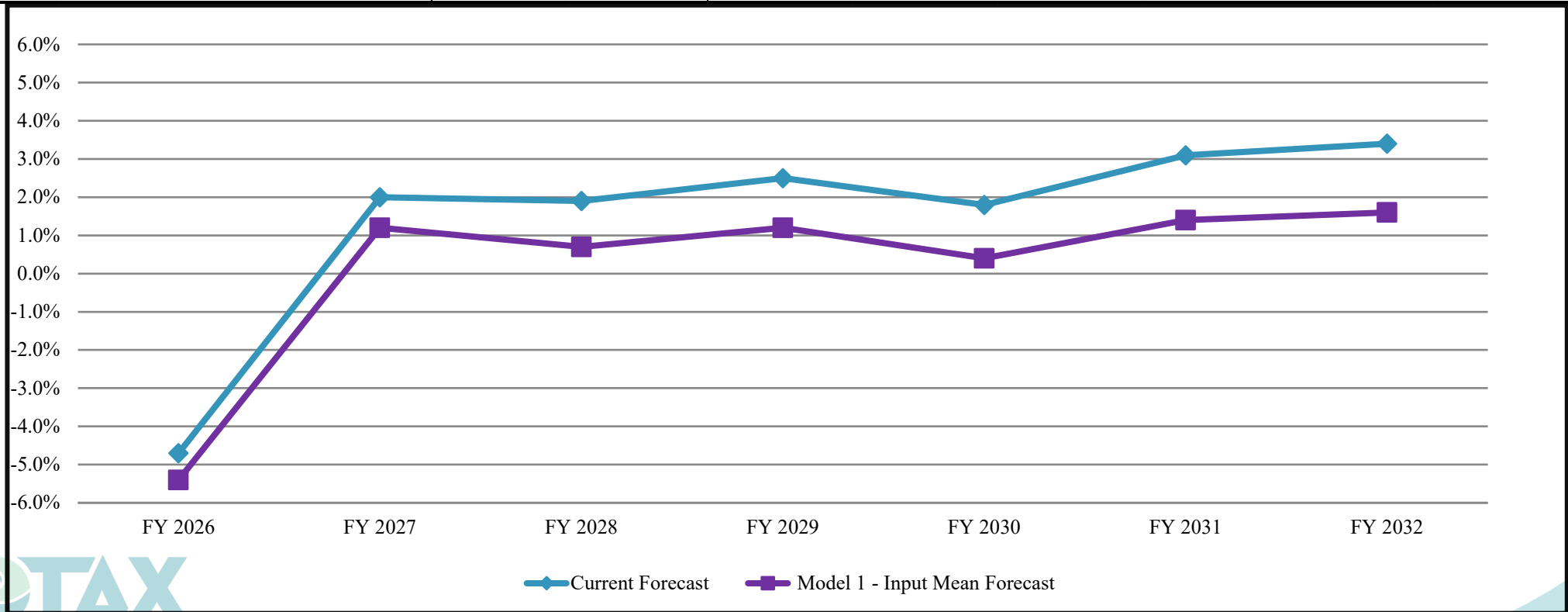
GENERAL FUND REVENUE

ACTUAL (FY 2024-FY 2025) AND FORECAST (FY 2026-FY2032)
(in \$ Million)



SUMMARY TABLE
ESTIMATES OF GENERAL FUND TAX REVENUE: FY 2026 to FY 2032
 Amount (\$1,000) and Growth Rate (%)

	BASE		ESTIMATE						
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
CURRENT FORECAST as of Sep 4, 2025	\$ 9,568,313 4.0%	\$ 9,974,161 4.2%	\$ 9,505,375 -4.7%	\$ 9,695,483 2.0%	\$ 9,876,069 1.9%	\$ 10,122,139 2.5%	\$ 10,300,648 1.8%	\$ 10,616,265 3.1%	\$ 10,976,895 3.4%
MODEL 1 - INPUT MEAN FORECAST	\$ 9,568,313 4.0%	\$ 9,974,161 4.2%	\$ 9,440,316 -5.4%	\$ 9,552,834 1.2%	\$ 9,622,721 0.7%	\$ 9,733,816 1.2%	\$ 9,775,158 0.4%	\$ 9,912,980 1.4%	\$ 10,070,574 1.6%



Major Tax-Related Measures Passed by the 2025 Legislature and Enacted into Law

Estimates of General Fund Tax Revenue Gain or (Loss)

(Dollar amounts are in \$ millions)

Act Number	Description							
		FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Act 58, SLH 2025	Pass-Through Entity (PTE) Tax Add-Back Eliminates double benefit by adding PTE credit back to the qualified member's taxable income. Effective on May 15, 2025, and applicable to Tax Year 2025.	\$29.3	\$30.8	\$32.4	\$34.0	\$35.7	\$37.5	\$39.4
Act 96, SLH 2025	Transient Accommodations Tax Increase and Imposition on Cruise Ships Increases TAT by 0.75% (climate impact/green fee) and imposes TAT on gross rental proceeds derived from cruise fares. Effective on January 1, 2026 for TY 2026-TY 2030.	\$42.0	\$87.0	\$88.0	\$88.9	\$88.8	\$87.8	\$89.8
Total		\$71.3	\$117.8	\$120.4	\$122.9	\$124.5	\$125.3	\$129.2

ACT 96 GENERAL FUND IMPACT	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Cruise Ships	\$12.6	\$26.0	\$24.8	\$23.5	\$21.2	\$17.7	\$17.4
Regular TAT	\$29.5	\$61.0	\$63.2	\$65.4	\$67.7	\$70.0	\$72.5
TOTAL	\$42.0	\$87.0	\$88.0	\$88.9	\$88.8	\$87.7	\$89.8



ACT 96 GENERAL FUND IMPACT	FY26	FY27	FY28	FY29	FY30	FY31	FY32
Cruise Ships	\$12.6	\$26.0	\$24.8	\$23.5	\$21.2	\$17.7	\$17.4
Regular TAT	\$29.5	\$61.0	\$63.2	\$65.4	\$67.7	\$70.0	\$72.5
TOTAL	\$42.0	\$87.0	\$88.0	\$88.9	\$88.8	\$87.7	\$89.8

DOTAX ANNOUNCEMENT NO. 2026-01

The United States Court of Appeals for the Ninth Circuit enjoined enforcement of the portions of Act 96 that relate and apply to cruise ships in an order issued on December 31, 2025 and clarified on January 2, 2026. See *Cruise Lines Int’l Ass’n, Inc. v. Sukanuma*, Nos. 25-8057, 25-8058 (9th Cir.). Accordingly, and until further notice, the Department of Taxation (DOTAX) will refrain from enforcing Act 96 as it relates and applies to cruise ships. Taxpayers shall refrain from reporting income from cruise fares on Forms TA-1 and TA-2 and shall refrain from remitting TAT on cruise fares. All other provisions in Act 96, including the increase in the TAT rate from 10.25 percent to 11 percent, shall be effective as of January 1, 2026.



SUMMARY TABLE
ESTIMATES OF GENERAL FUND TAX REVENUE: FY 2026 to FY 2032
Amount (\$1,000) and Growth Rate (%)

	BASE		ESTIMATE						
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
CURRENT FORECAST as of Sep 4, 2025	\$ 9,568,313 4.0%	\$ 9,974,161 4.2%	\$ 9,505,375 -4.7%	\$ 9,695,483 2.0%	\$ 9,876,069 1.9%	\$ 10,122,139 2.5%	\$ 10,300,648 1.8%	\$ 10,616,265 3.1%	\$ 10,976,895 3.4%
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WITHOUT TAT ON CRUISE SHIPS

	BASE		ESTIMATE						
	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
CURRENT FORECAST as of Sep 4, 2025	\$ 9,568,313 4.0%	\$ 9,974,161 4.2%	\$ 9,505,375 -4.7%	\$ 9,695,483 2.0%	\$ 9,876,069 1.9%	\$ 10,122,139 2.5%	\$ 10,300,648 1.8%	\$ 10,616,265 3.1%	\$ 10,976,895 3.4%
MODEL 1 - INPUT MEAN FORECAST	\$ 9,568,313 4.0%	\$ 9,974,161 4.2%	\$ 9,427,756 -5.5%	\$ 9,526,835 1.1%	\$ 9,597,914 0.7%	\$ 9,710,317 1.2%	\$ 9,753,990 0.4%	\$ 9,895,201 1.4%	\$ 10,053,204 1.6%



Mahalo nui loa

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