

PRESENTATION FOR COUNCIL ON REVENUES

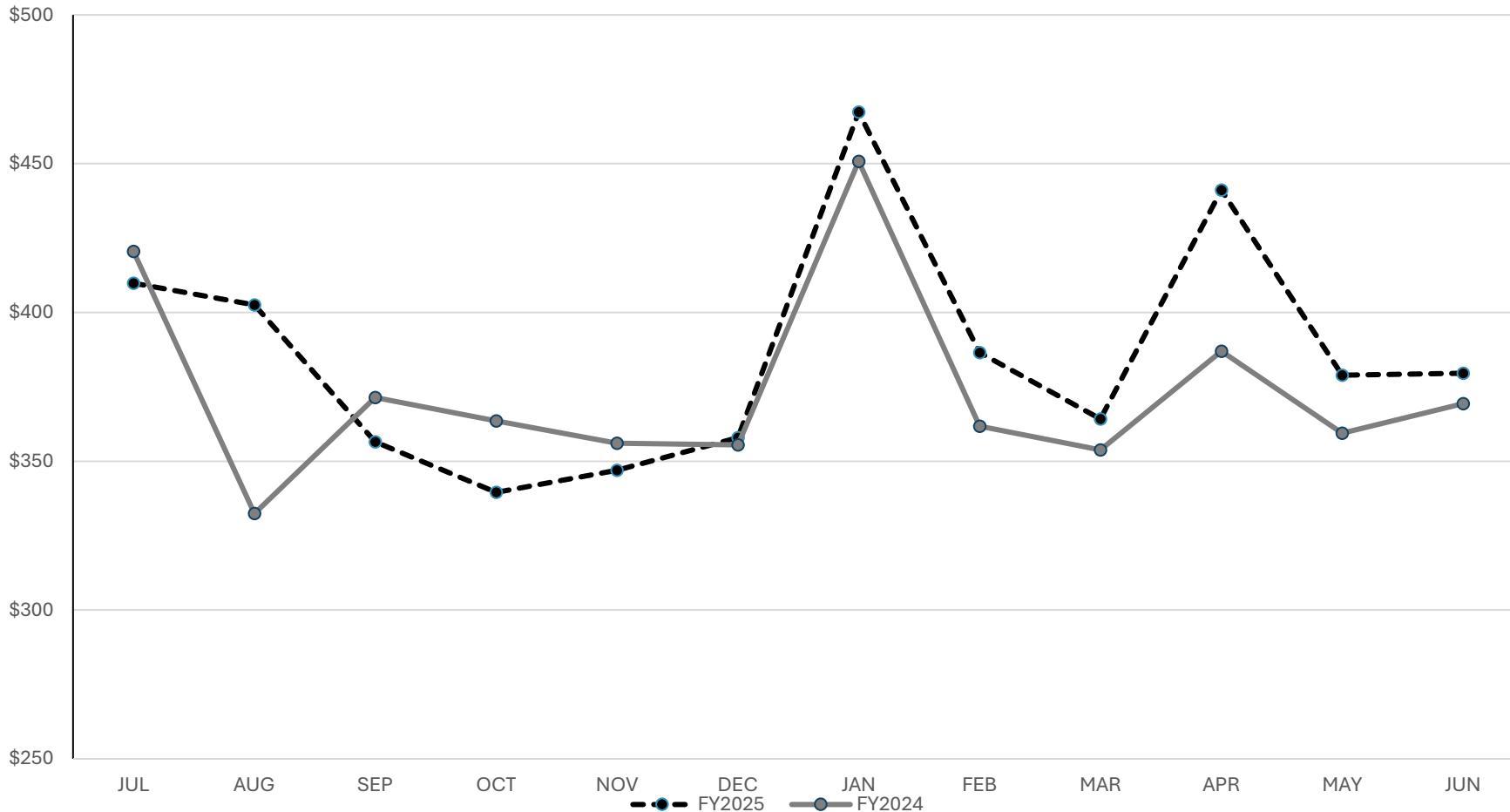
General Fund Forecast Meeting (FY 2026 to FY 2032)

January 7, 2026

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



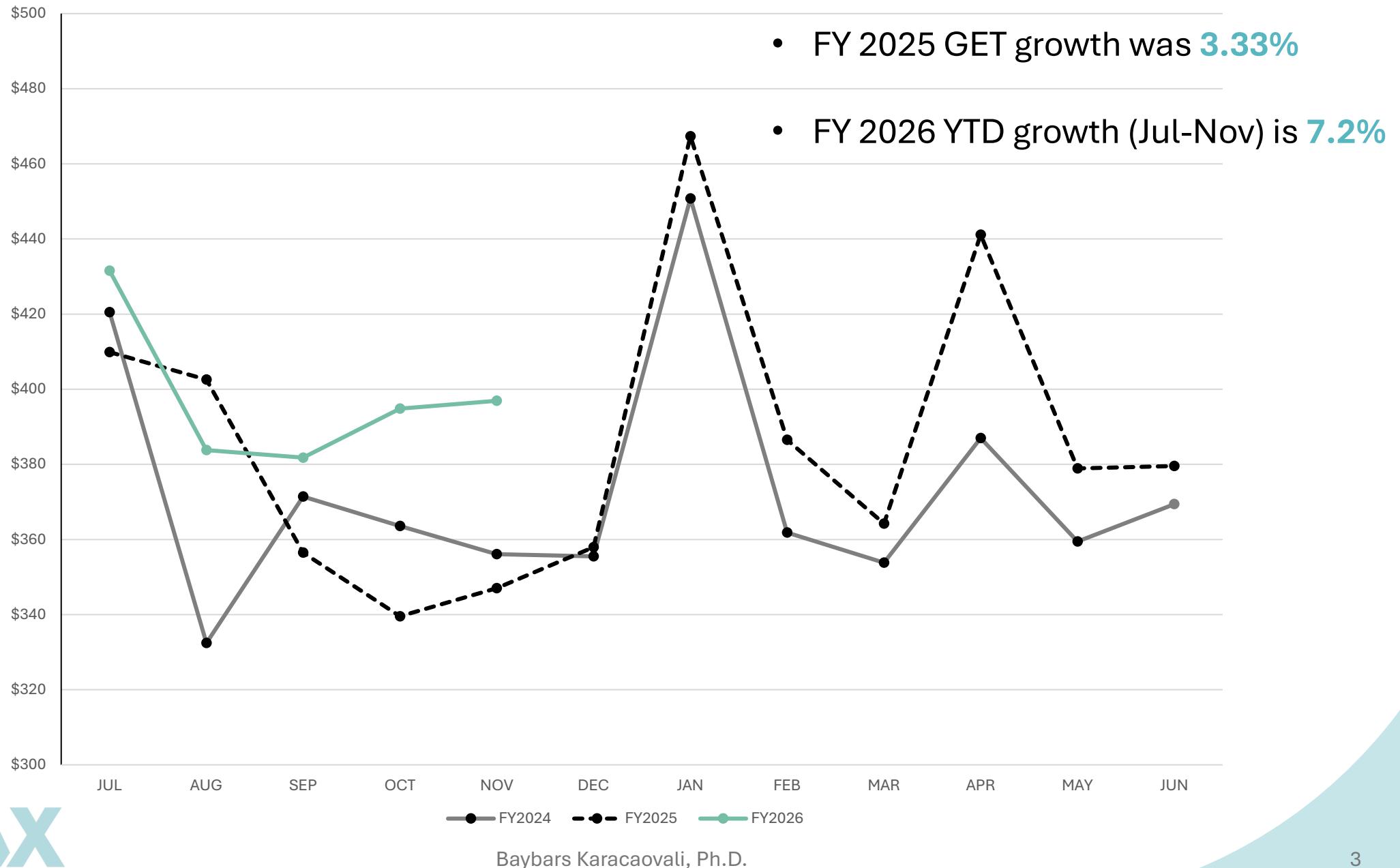
General Excise & Use Tax Collections (\$ Million)



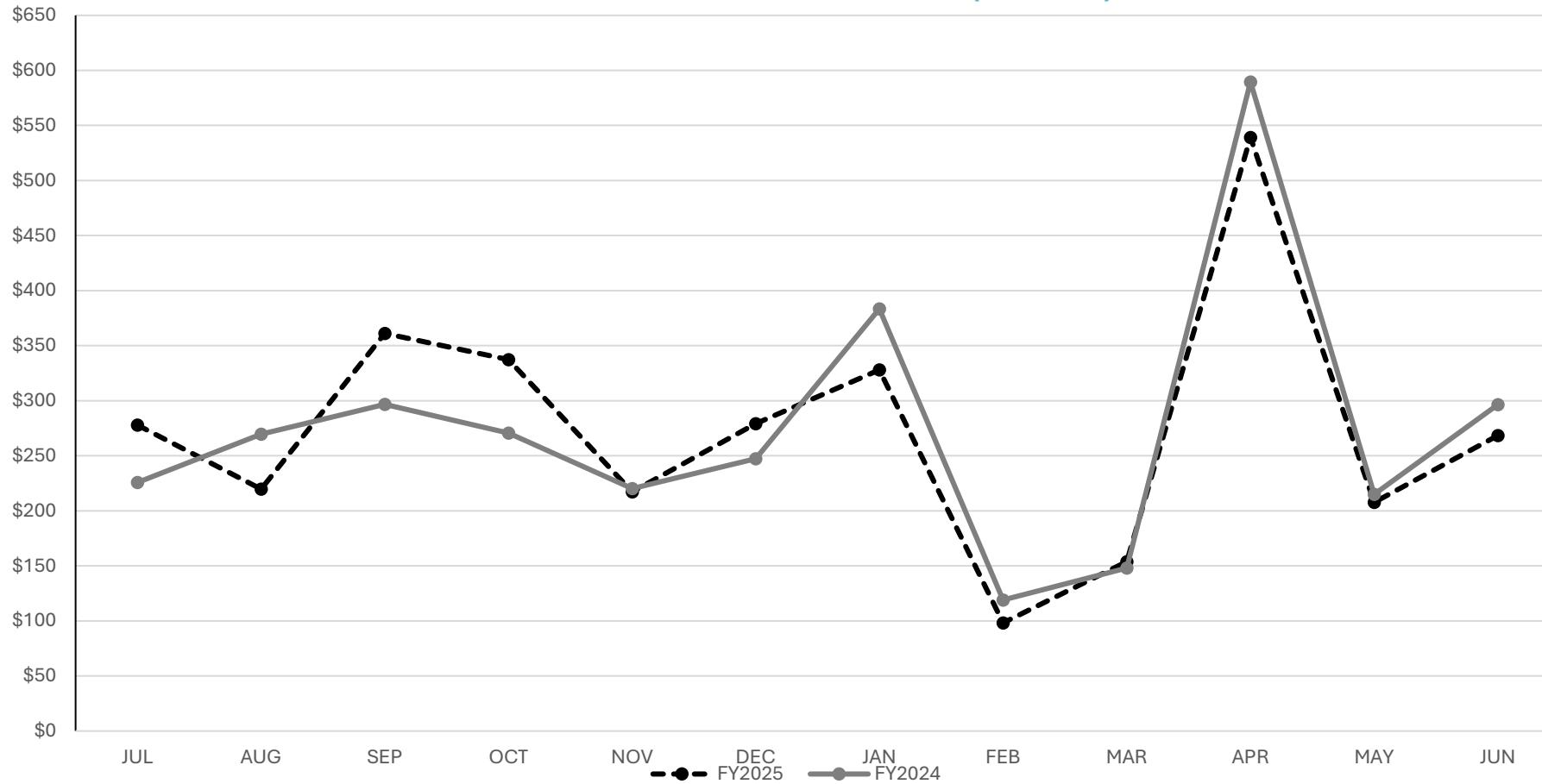
General Excise & Use Tax Collections

| | 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)



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 |

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 | \$9,600 | \$67 plus | 3.20% |
| \$4,800 | \$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 | \$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% |

| | | | TAX LIABILITY REDUCTION AS A SHARE OF TOTAL TAX LIABILITY BEFORE THE CHANGE | | |
|---------------------------------------|----------|-----------|---|--------------|--------------|
| RESIDENT FEDERAL AGI DECILE | | | 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% |

ACT 46, SLH 2024

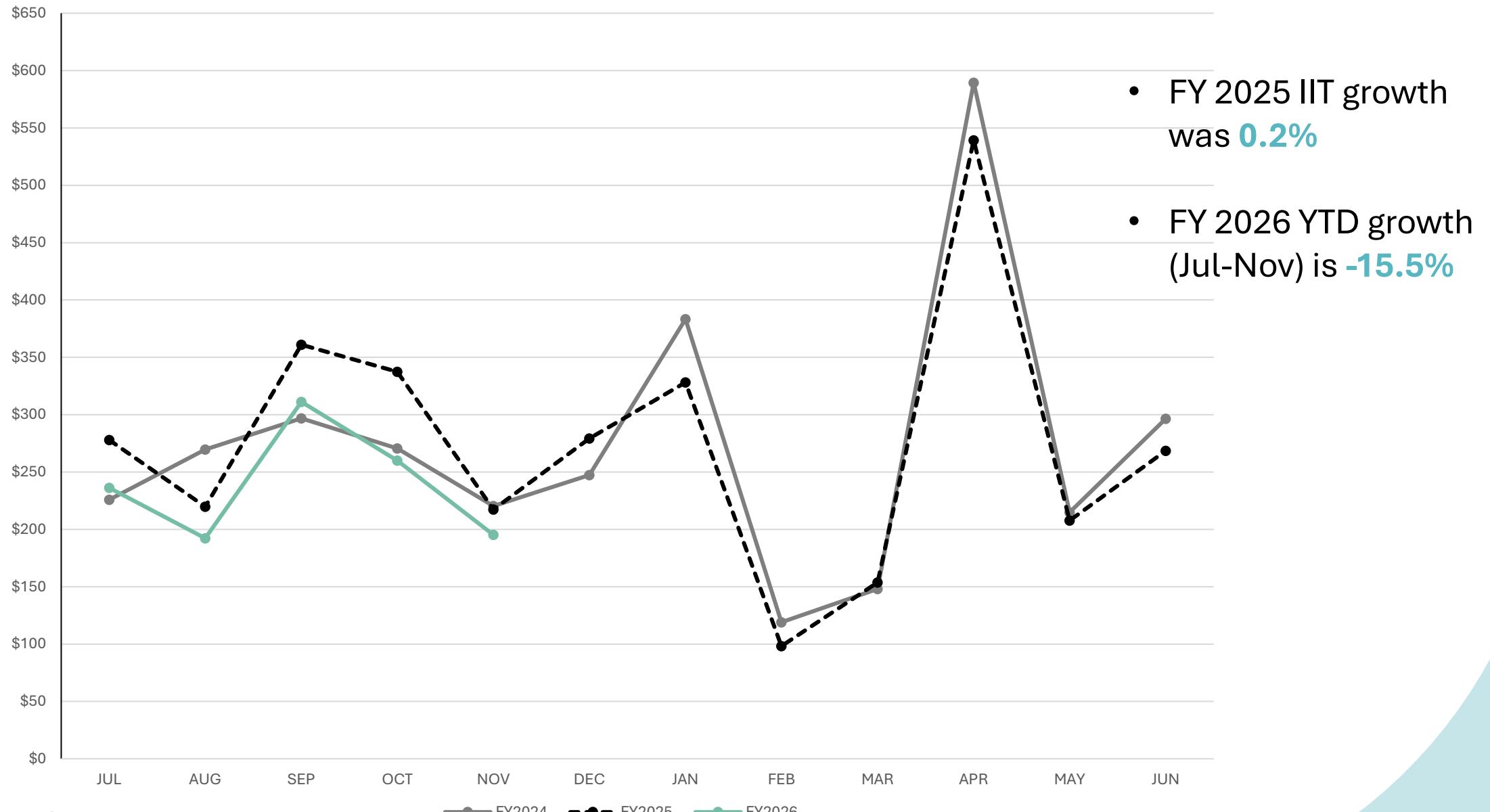
STANDARD DEDUCTION CHANGES

| | 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



Individual Income Tax Collections (\$ Million)



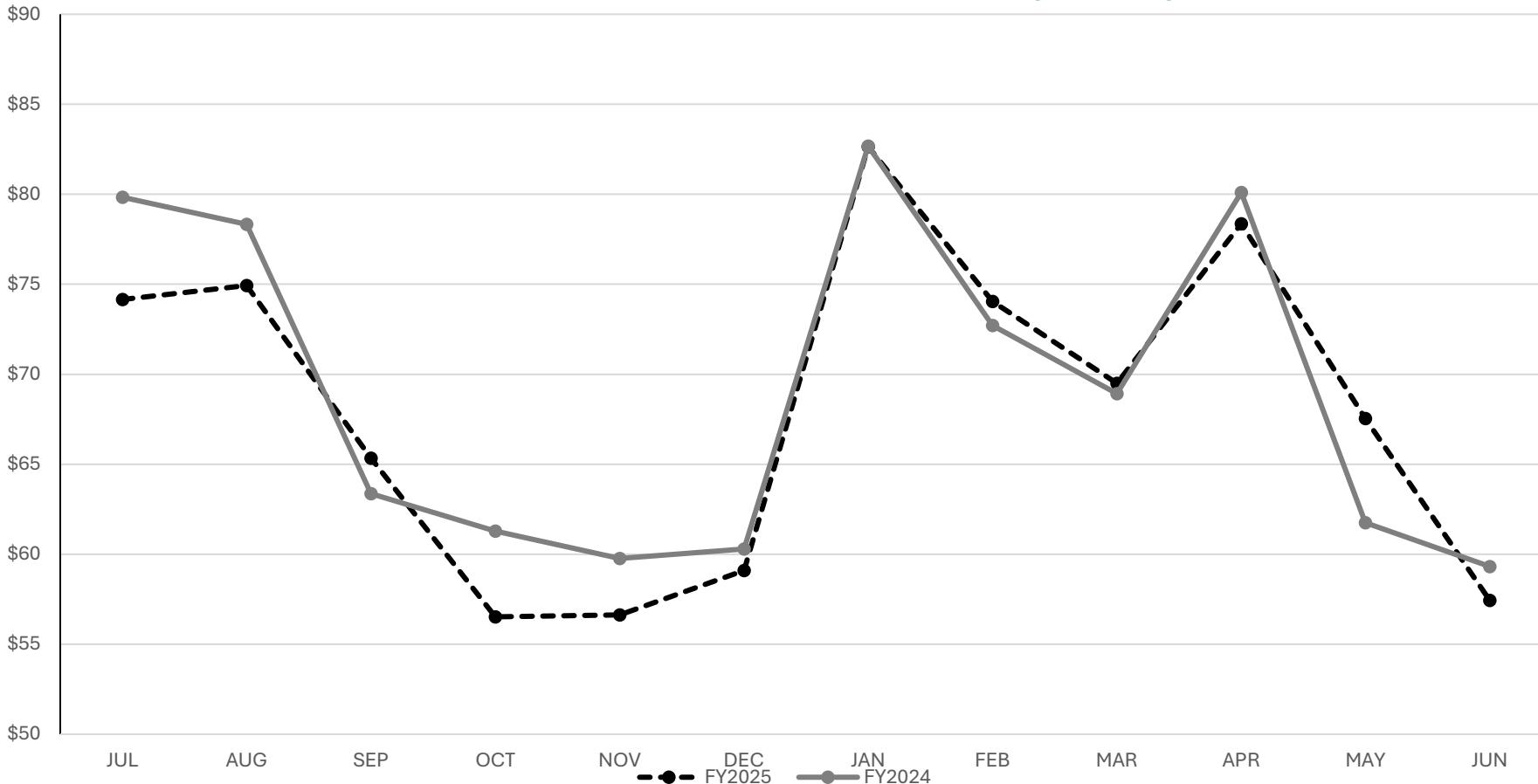
Major Tax-Related Measures Passed by the 2025 Legislature and Enacted into Law

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 |

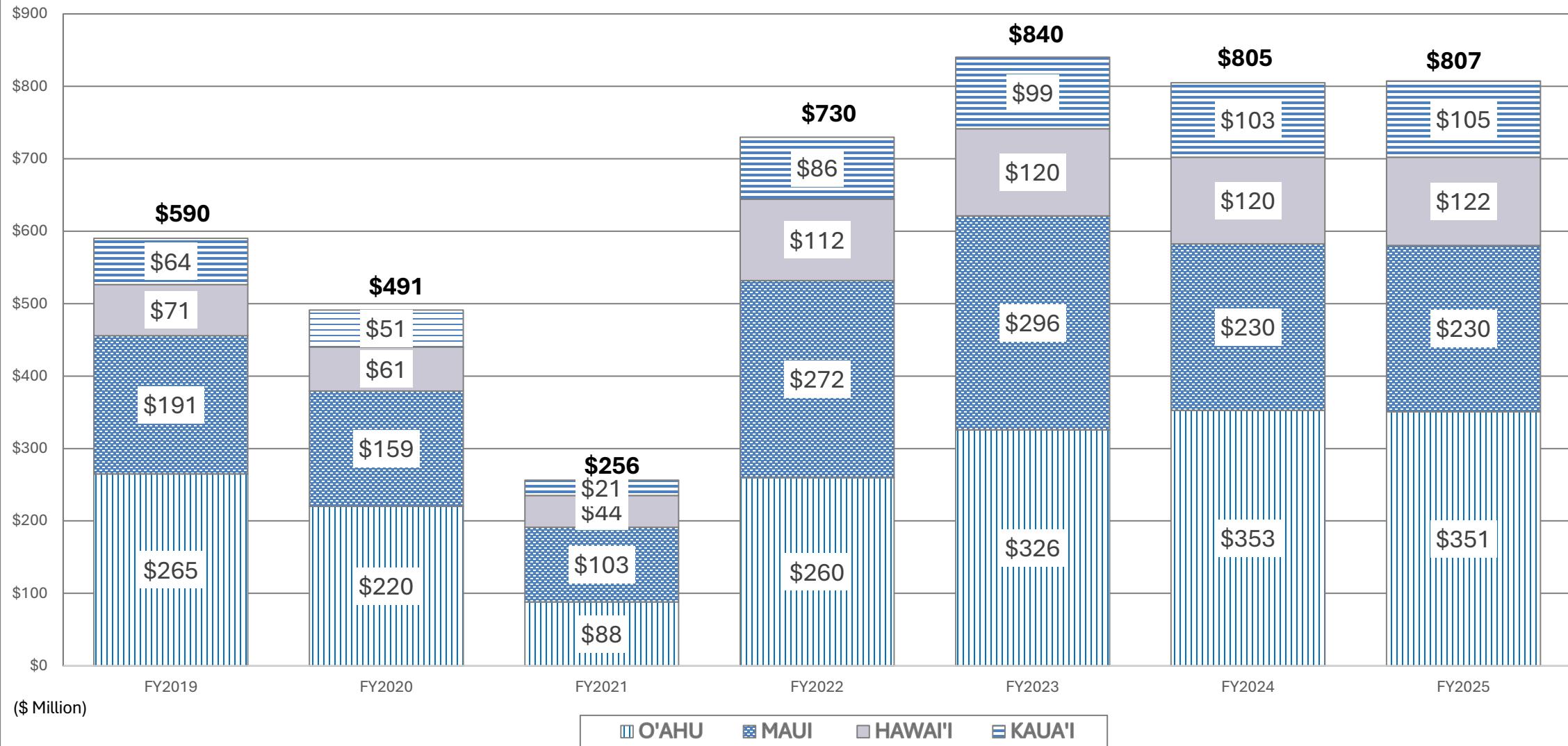
Transient Accommodations Tax Collections (\$ Million)



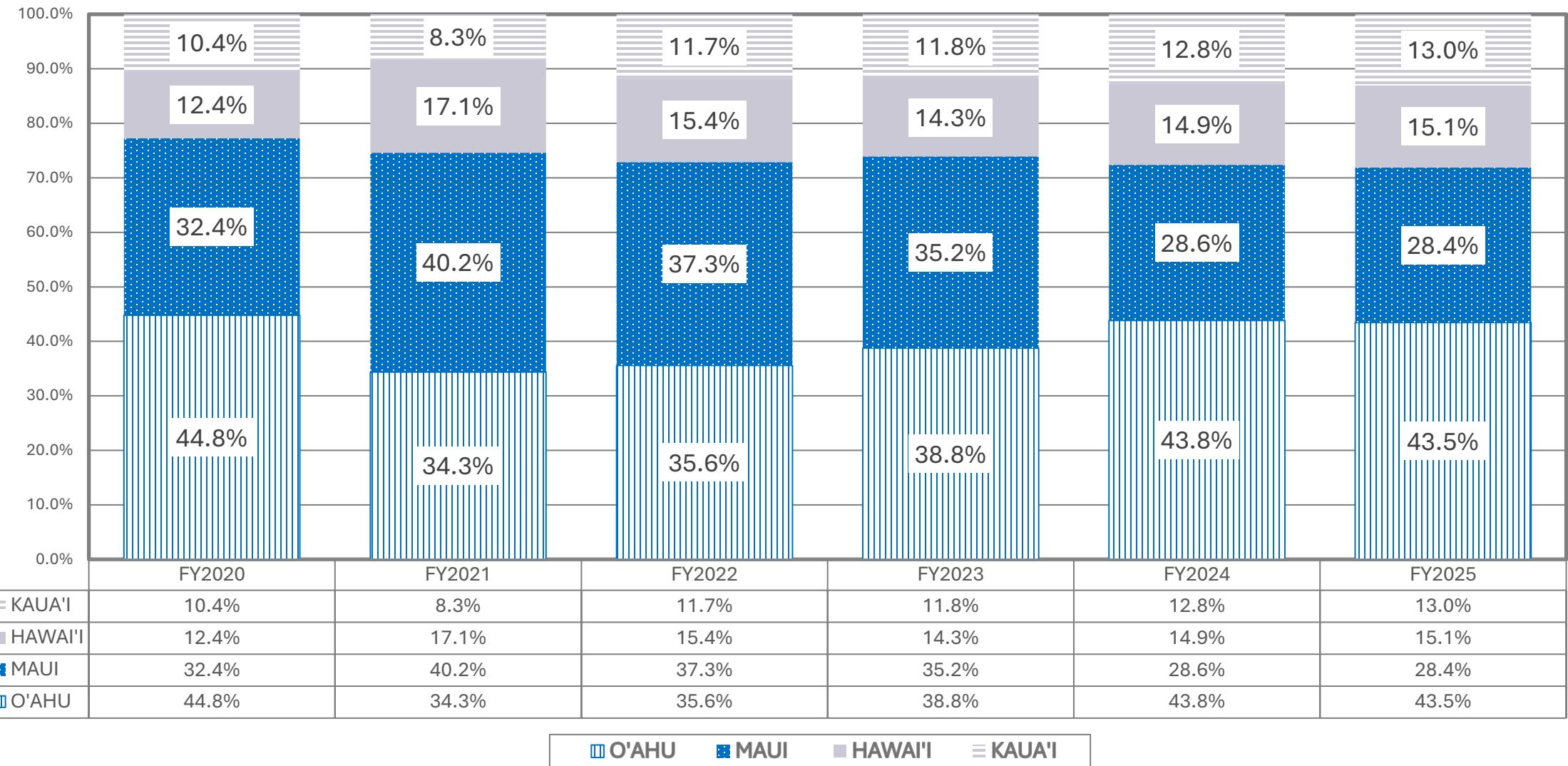
Transient Accommodations Tax Collections

| | 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% | |

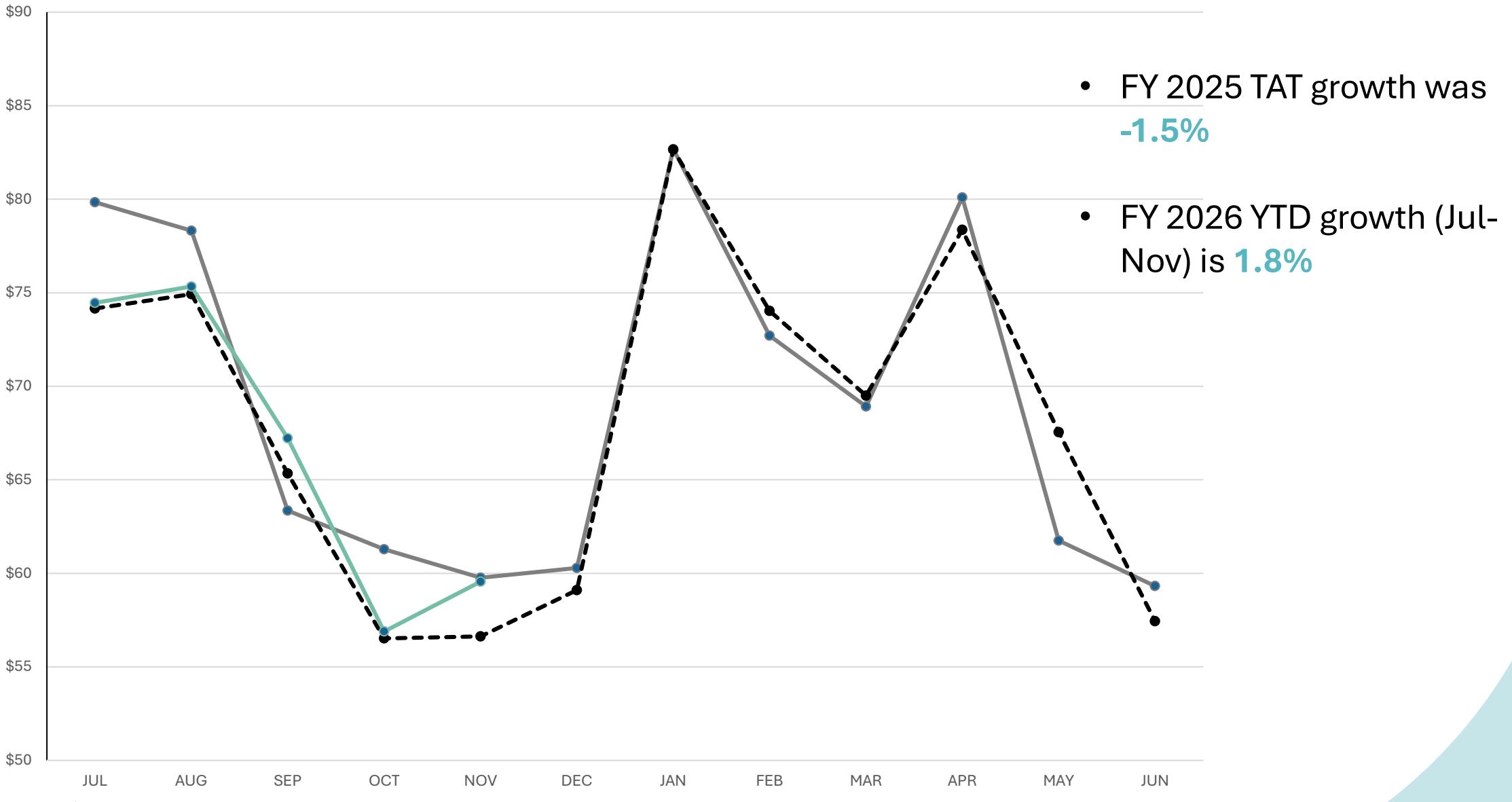
TRANSIENT ACCOMMODATIONS TAX LIABILITY BY TAX DISTRICT (\$ Million)



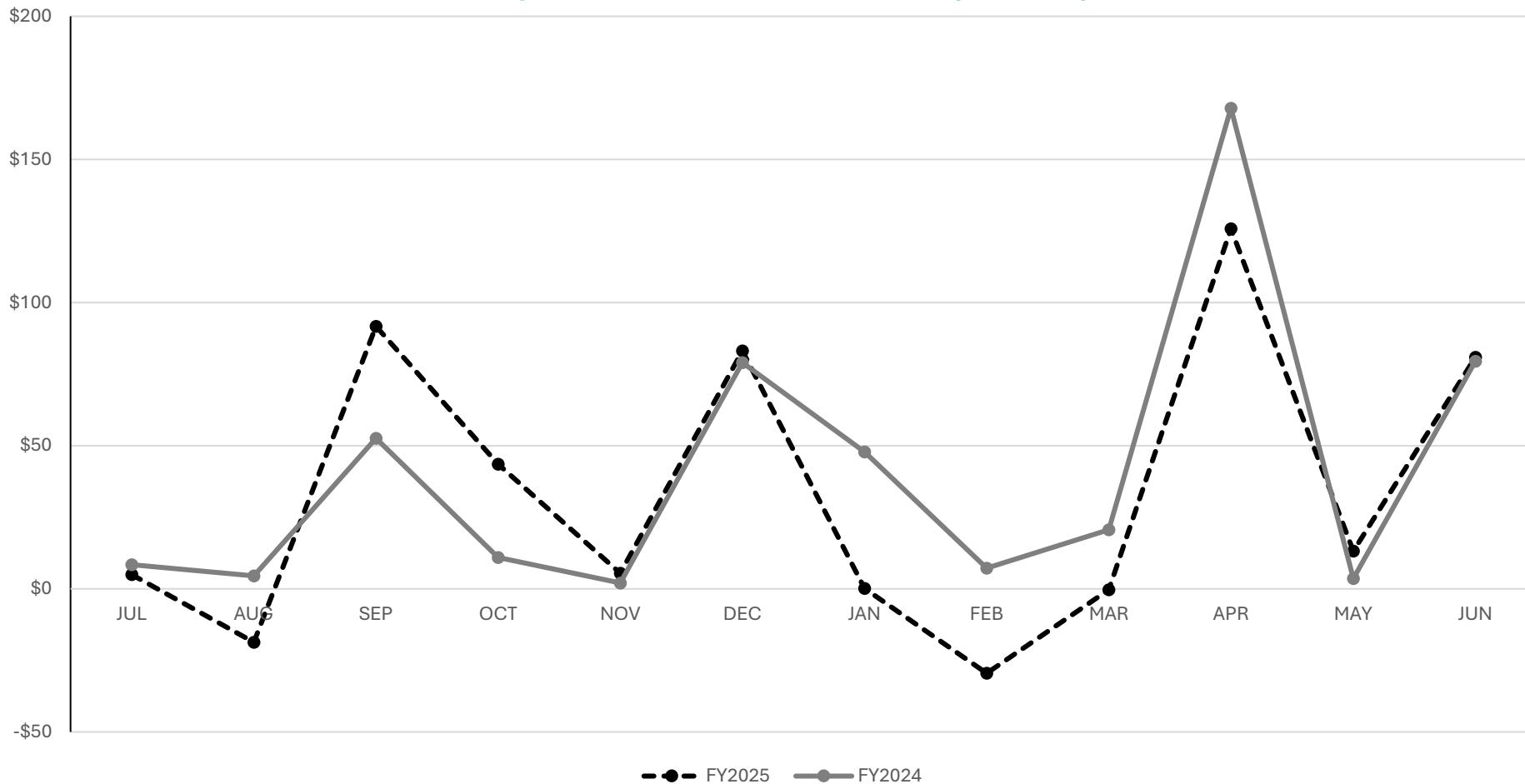
TRANSIENT ACCOMMODATIONS TAX LIABILITY COMPOSITION BY TAX DISTRICT



Transient Accommodations Tax Collections (\$ Million)



Corporate Income Tax Collections (\$ Million)

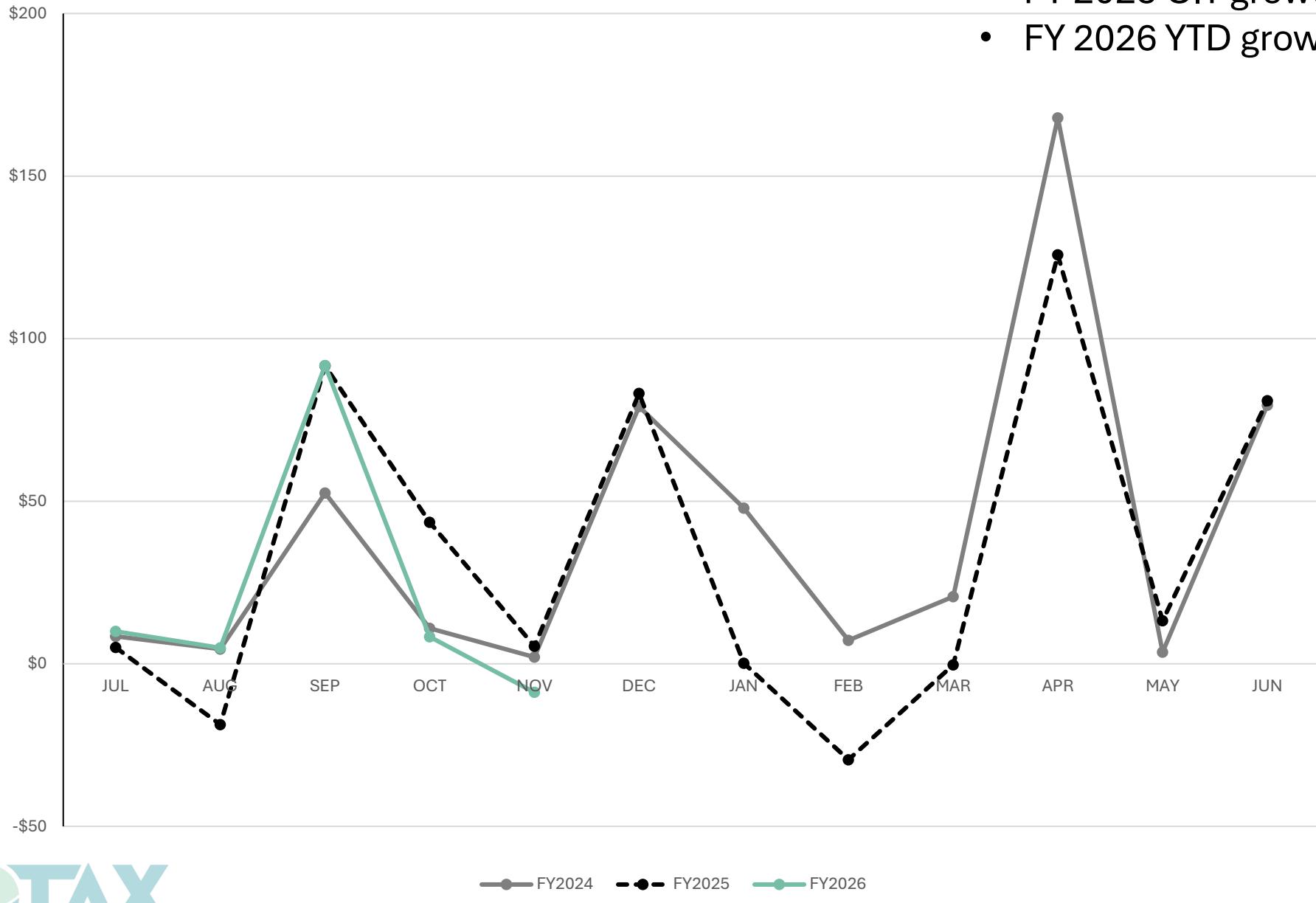


Corporate Income Tax Collections

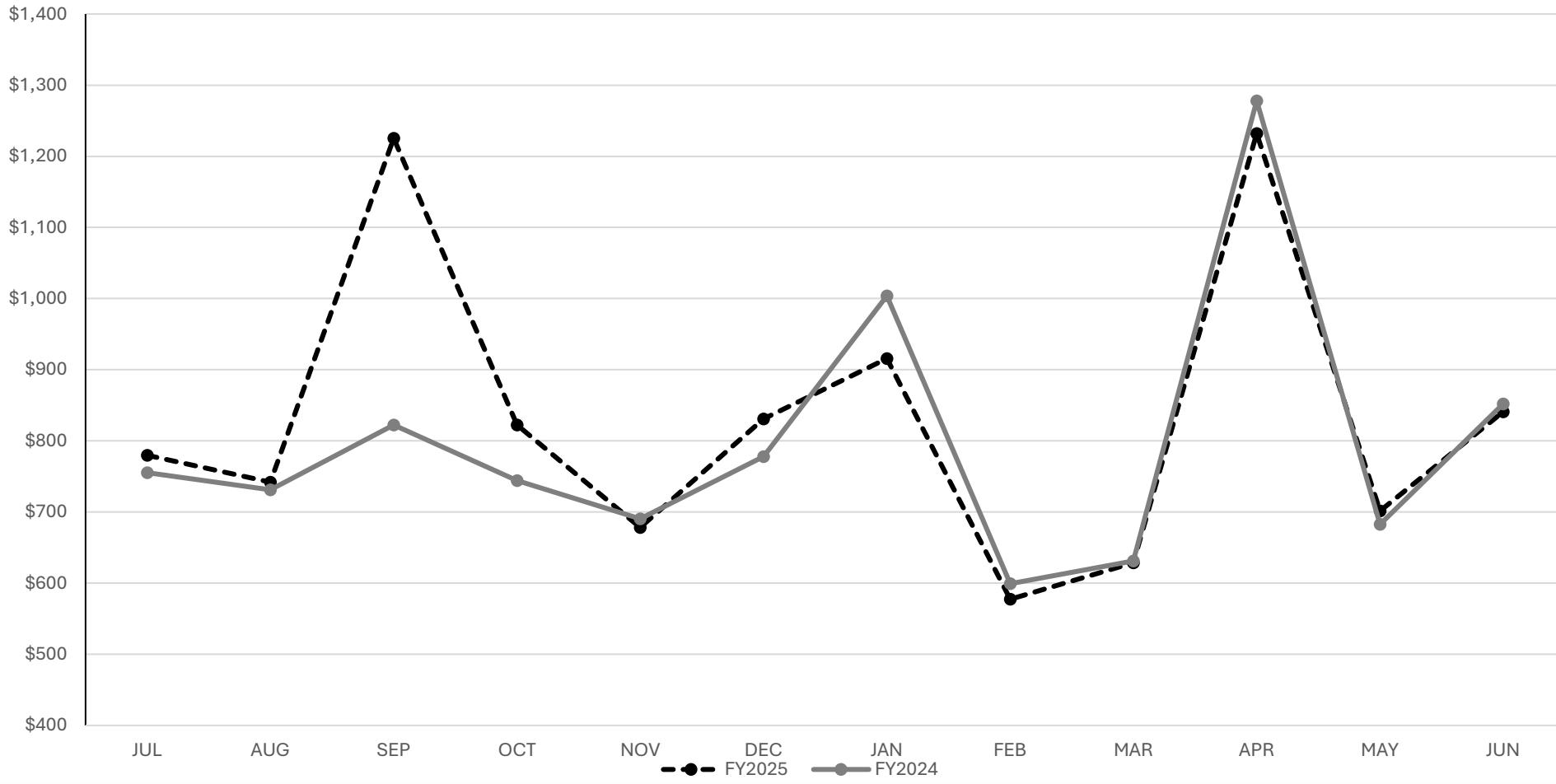
| | JUL | AUG | SEP | OCT | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | FY |
|-----------------|---------|----------|--------|---------|---------|--------|---------|----------|----------|---------|---------|---------|---------|
| FY2025 | \$5 | -\$19 | \$92 | \$44 | \$5 | \$83 | \$0 | -\$29 | \$0 | \$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%**



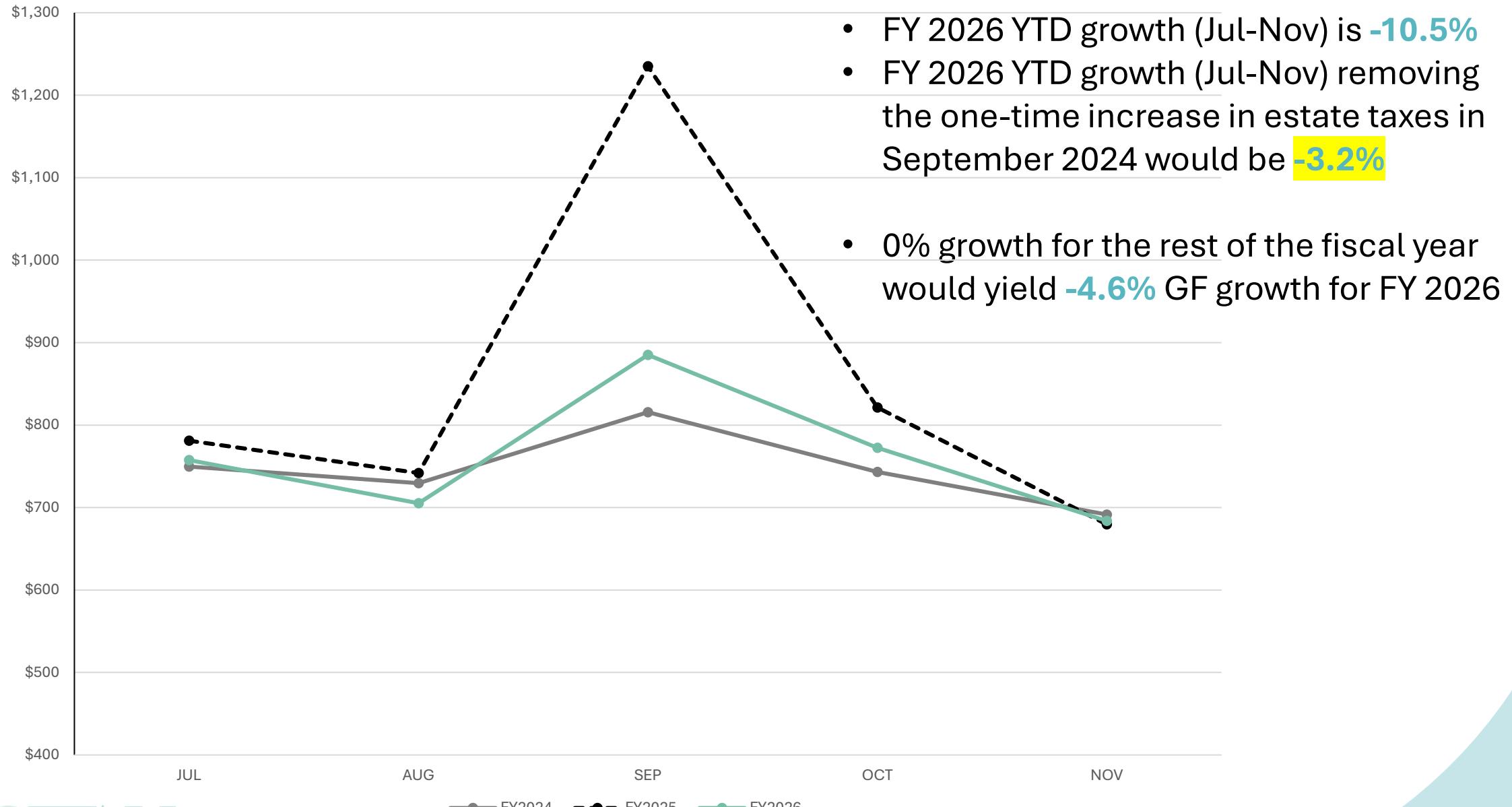
General Fund (\$ Million)



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)

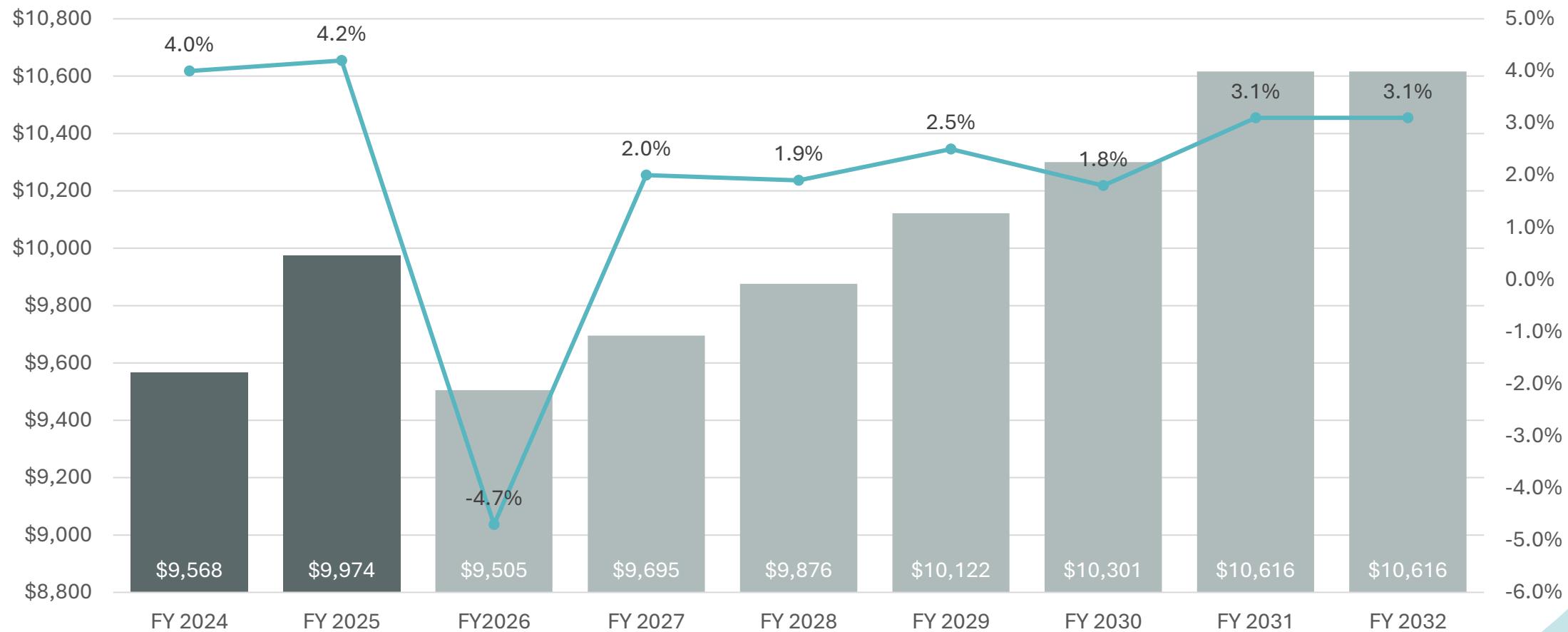


| ACTUAL | | COR FORECAST: AS OF SEPTEMBER 2025 | | | | | | |
|---------|---------|------------------------------------|---------|---------|----------|----------|----------|----------|
| FY 2024 | FY 2025 | FY2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2031 | FY 2032 |
| \$9,568 | \$9,974 | \$9,505 | \$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

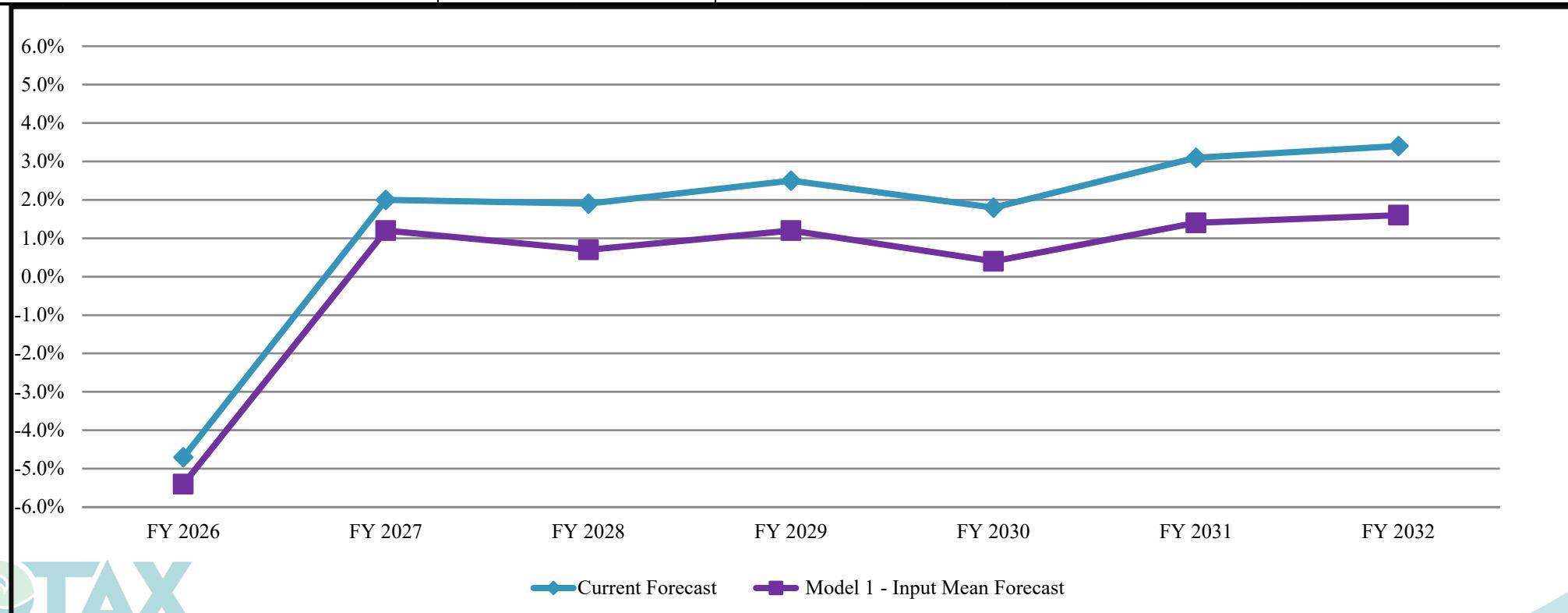
ACTUAL (FY 2024-FY 2025) AND FORECAST (FY 2026-FY2032)

(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. Suganuma*, 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% | |
| 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% | |

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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