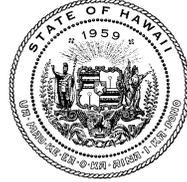


JOSH GREEN, M.D.
GOVERNOR

SYLVIA LUKE
LT. GOVERNOR



COUNCIL ON REVENUES

STATE OF HAWAII
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March 12, 2026

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 (“Council”) held a meeting to forecast revenue growth for the General Fund on March 10th, 2026. The Council raised its forecast for Fiscal Year (FY) 2026 growth rate from -4.7% to -4.5%. Otherwise, the Council kept the forecast for Fiscal Years (FY) 2027 through 2032 unchanged from the projections adopted at its two previous meetings on January 7, 2026, and September 4, 2025. Accordingly, the Council’s General Fund growth forecast for the out-years is as follows: 2.0% for FY 2027, 1.9% for FY 2028, 2.5% for FY 2029, 1.8% for FY 2030, 3.1% for FY 2031, and 3.4% for FY 2032.

The negative growth number in FY 2026 is in part due to a higher base in FY 2025 from the one-off boost of \$315 million to estate tax collections in September 2024. The multi-year implementation of the individual income tax cuts enacted by Act 46, SLH 2024 are also weighing down on the forecast figures at an increasing rate through FY 2032.

There is still a tremendous amount of economic uncertainty that will influence collections over the next several fiscal years caused by policy changes at the Federal level. There is uncertainty due to the current war in the Middle East as well.

The forecast of the State General Fund tax revenues for FY 2026 through FY 2032 are shown in the table below.

General Fund Tax Revenues

| Fiscal Year | Amount (in Thousands of Dollars) | Growth From Previous Year |
|-------------|-------------------------------------|------------------------------|
| 2026 | \$9,525,324 | -4.5% |
| 2027 | \$9,715,830 | 2.0% |
| 2028 | \$9,900,431 | 1.9% |
| 2029 | \$10,147,942 | 2.5% |
| 2030 | \$10,330,605 | 1.8% |
| 2031 | \$10,650,854 | 3.1% |
| 2032 | \$11,012,983 | 3.4% |

The Council considered the Department of Taxation's estimates of the General Fund revenue impacts resulting from recent tax law changes enacted by the Legislature, including the following:

- Act 58, SLH 2025 requires all qualified members claiming a credit for Pass-Through Entity (PTE) tax to adjust their taxable income by adding the qualified member's share of taxes paid by the electing PTE. The Act became effective on May 15, 2025, and applies to taxable years beginning after December 31, 2024. The estimated gain to the General Fund is \$29.3 million in FY 2026, \$30.8 million in FY 2027, \$32.4 million in FY 2028, \$34.0 million in FY 2029, \$35.7 million in FY 2030, \$37.5 million in FY 2031, and \$39.4 million in FY 2032.
- Act 96, SLH 2025 increases the transient accommodations tax (TAT) by 0.75% and imposes the TAT on cruise ship operators' gross rental proceeds derived from cruise fares, prorated by the ratio of days docked in any port in the State to the total number of days of the voyage. Act 96 is effective on January 1, 2026. The estimated gain to the General Fund is \$42 million in FY 2026, \$87 million in FY 2027, \$88 million in FY 2028, \$88.9 million in FY 2029, \$88.8 million in FY 2030, \$87.8 million in FY 2031, and \$89.8 million in FY 2032.
- 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 takes into account 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 \$596.6 million in FY 2026, \$740.1 million in FY 2027, \$922.7 million in FY 2028, \$1,052.6

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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, \$92.1 million in FY 2031, and \$96.1 million in FY 2032.

The Department of Taxation has prepared a report (attached) detailing line-item forecasts for various components of the General Fund, reconciled to the Council's forecast growth rate for total General Fund tax revenues. The line-item forecasts include components, such as revenues from the general excise tax and the individual income tax that the Council does not forecast separately. The Department of Budget and Finance has also prepared the attached report to update its projections for change in non-tax and special tax revenues from its January 2026 report.

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

Attachments