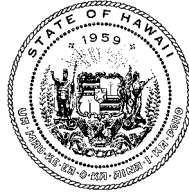


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GOVERNOR

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LT. GOVERNOR



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COUNCIL ON REVENUES

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

September 30, 2009

The Honorable Linda Lingle
Governor, State of Hawaii
Executive Chambers
State Capitol, Fifth Floor
Honolulu, HI 96813

Dear Governor Lingle:

The Department of Taxation recently notified the Council on Revenues that the correct amount of conveyance and individual income taxes that were deposited into the State's General Fund in fiscal year (FY) 2009, as reported by the Department of Accounting and General Services, was \$1.9 million more than the amount previously included in the Council's forecasts of General Fund tax revenue.

This adjustment to the amount on which the Council's current forecasts are based prompts me to submit a revision to the General Fund tax revenue amounts previously forecasted and reported to you on September 9, 2009. Please note that the growth rates voted on and adopted by the Council at its meeting on August 27, 2009, are unchanged.

Revised estimates of State General Fund tax revenues for FY 2009 through FY 2016 are listed in the table below:

Fiscal Year	Thousands of Dollars	% Growth From Previous Year
2009	\$4,202,301	-9.5%
2010	\$4,139,266	-1.5%
2011	\$4,408,318	6.5%
2012	\$4,672,817	6.0%
2013	\$4,953,186	6.0%
2014	\$5,250,377	6.0%
2015	\$5,512,896	5.0%
2016	\$5,788,541	5.0%

The Honorable Linda Lingle

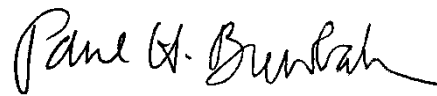
September 30, 2009

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Line-item details of State General Fund tax revenues by revenue category for FY 2009 through FY 2016 are presented in the attached table. These detailed forecasts are based on the Council's forecast for total State General Fund tax revenues using an econometric model of the Tax Research and Planning Office.

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

Sincerely,

A handwritten signature in black ink, reading "Paul H. Brewbaker". The signature is fluid and cursive, with the first name "Paul" being the most prominent.

PAUL H. BREWBAKER, Ph. D.
Chair, Council on Revenues

Attachment

Table A
ESTIMATES OF GENERAL FUND TAX REVENUE: FY 2010 to FY 2016
Adjustments above the Line

(in thousands of dollars)

TYPE OF TAX	ACTUAL		ESTIMATED						
	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
General Excise & Use 2/	\$2,618,787	\$2,417,580	\$2,357,365	\$2,508,351	\$2,649,015	\$2,809,276	\$2,975,735	\$3,126,220	\$3,327,381
Income - Individual 4/	1,544,307	1,338,451	1,299,942	1,399,948	1,494,300	1,597,539	1,703,699	1,792,885	1,913,608
Income - Corporation	85,081	53,522	51,350	41,011	43,685	53,605	65,795	79,206	93,155
Public Service Company	127,481	126,069	124,393	124,085	124,678	126,121	128,324	130,994	134,596
Insurance Premiums	95,742	93,720	90,533	91,050	96,670	97,955	99,192	98,362	97,945
Tobacco & Licenses 5/	83,443	76,955	94,138	93,578	89,882	83,864	80,713	77,775	75,079
Liquor & Permits	45,620	47,242	49,358	51,922	54,471	56,967	59,332	61,579	63,726
Banks & Other Fin Corps	18,212	26,075	24,138	24,985	31,198	35,009	38,459	40,392	43,628
Conveyance 3/	6,513	8,311	9,551	8,866	8,632	6,280	6,224	6,188	6,162
Miscellaneous *	751	810	535	537	540	542	544	545	547
Transient Accommodation Tax 1/	15,935	13,566	37,963	63,985	79,746	86,028	92,360	98,750	32,714
NET TOTAL	\$4,641,872	\$4,202,301	\$4,139,266	\$4,408,318	\$4,672,817	\$4,953,186	\$5,250,377	\$5,512,896	\$5,788,541
GROWTH RATE	1.2%	-9.5%	-1.5%	6.5%	6.0%	6.0%	6.0%	5.0%	5.0%

Notes:

1/ Deposits of 44.8% of TAT revenues to counties (Act 156, SLH 1998); 32.6% to the tourism special fund and 5.3% to the TAT trust fund (Act 250, SLH 2002); 17.3% to the convention center enterprise fund (Act 253, SLH 2002); all net of general fund deposits of excess of fund ceilings. Act 235, SLH 2005, increases allocation to the tourism special fund to 34.2% and repeals the TAT trust fund. Effective on July 1, 2007. Act 209, SLH 2006, increases ceiling on allocation to the convention center enterprise fund to \$33 million. Effective on July 1, 2006. Act 61, SLH 2009, temporarily imposes an additional 1.0% TAT for the period 7/1/2009 through 6/30/2010, and an additional 2.0% TAT for the period 7/1/2010 through 6/30/15. These additional amounts will be deposited into the general fund. Act 5, Special Session Laws of Hawaii 2009, allocates 12.5% of the revenues derived from Act 61 to the tourism special fund for one fiscal year (FY 2011).

2/ Act 209, SLH 2007, exempts gross income received from the sale of alcohol fuel from the general excise tax. Effective on July 1, 2007, provided that the exemption repeals on June 30, 2009. Act 40, SLH 2009, reduces the interest rate on overpayments due to taxpayers from 2/3 of 1% to 1/3 of 1% per month or fraction thereof.

3/ Due to the expiration of Act 222, SLH 2007, on June 30, 2008, the amount of conveyance tax deposited into the General Fund increased from 15% to 35%. Act 59, SLH 2009, increased the conveyance tax rates for properties valued \$1 million or more.

4/ Act 60, SLH 2009, temporarily increases the standard deduction and personal exemption amounts for taxable years beginning after 12/31/10, and also temporarily creates new 9%, 10%, and 11% tax brackets for certain individuals with high taxable income beginning with taxable years beginning after 12/31/08. Act 60, SLH 2009, will be automatically repealed on December 31, 2015.

5/ Act 58, SLH 2009, taxes "little cigars" in the same manner as cigarettes beginning 9/30/09; increases the tax on tobacco products other than cigarettes, little cigars, and cigars from 40% to 70% beginning 9/30/09; imposes a 50% tax on cigars. Act 56, SLH 2009, increases the cigarette tax from 11¢ to 13¢ on 7/1/09, from 12¢ to 14¢ on 7/1/10, and from 13¢ to 15¢ on 7/1/11; and also amends the dates on which changes in the allocation of cigarette tax revenues changes.

* Includes inheritance and estate tax.