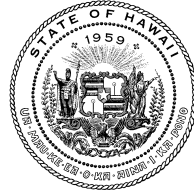


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## COUNCIL ON REVENUES

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

January 21, 2016

The Honorable Jill N. Tokuda  
Chair, Senate Committee on Ways and Means  
State Capitol, Room 207  
Honolulu, HI 96813

The Honorable Sylvia Luke  
Chair, House Committee on Finance  
State Capitol, Room 306  
Honolulu, HI 96813

Chairpersons and Members of the Committees:

Thank you for inviting the Council on Revenues to appear before your committees to present the current tax revenue forecasts for the State of Hawaii. My name is Kurt Kawafuchi and I am the Chair of the Council on Revenues. Today, I would like to present a review of the recent trends and the Council's latest forecast.

### **Recent Revenue Trends**

#### *Results for fiscal year 2015*

As I mentioned in my testimony last year, changes in the tax laws made by the Legislature and signed into law by the Governor in 2014 regarding the extension of the \$1.05 per barrel rate for the environmental response tax and the general excise tax exemptions for the hotel operators as well as changes in the allocations of the environmental response tax, the transient accommodations tax, and the conveyance tax to the State general fund had a net effect of reducing the State general fund tax revenues for FY14 by \$31 million. While FY14 had a decline of (1.8%) in general fund revenue, the State general fund tax revenues grew in FY15 by 6.8% and in terms of dollars, increased from \$5,370.3 million in FY14 to \$5,735.1 million in FY15. Please note that the laws mandated the deposit of \$55.5

million from the collection of general excise tax to the Hurricane Relief Fund in both fiscal years 2014 and 2015 which, in turn, lowered the growth rate of State general excise tax by about 1.8% in FY14 but only marginally affected the growth rate of FY15 from FY14 since an equal amount was deducted from the general fund in both fiscal years.

Part of the increase is due to tax administration. Data compiled by the Tax Services and Processing Division of the Department of Taxation indicate that the number of business licenses increased from 623,000 in FY14 to 669,000 in FY15. While there is continuous improvement in tax administration, the main reason for the increase in tax revenues was the growth of key sectors of Hawaii's economy.

The general excise tax (GET) makes up about half of the total general fund tax revenues and usually is a good indicator of economic activity in Hawaii. Revenue from the largest tax category (i.e., GET) increased by 5.8% from FY14 to FY15, as a result of the healthy increase in visitor arrivals and construction activity as well as increase in consumption expenditures spent by Hawaii's residents. Construction completed, measured by general excise tax base for contracting, increased by 4.6% from \$7,053 million in FY14 to \$7,374 million in FY15. At the same time, the total number of visitors to Hawaii increased by 4.0% from 8.04 million to 8.37 million, as reported by the Hawaii Tourism Authority. The latest data from the U.S. Bureau of Economic Analysis indicated total personal income in Hawaii increased by 4.9% in FY15 significantly higher to the inflation rate of only 1.3%, as measured by changes in the Honolulu Consumer Price Index for All Urban Consumers (CPI-U). Data on the Honolulu Consumer Price Index for All Urban Consumers are surveyed, compiled and reported by the U.S. Bureau of Labor Statistics.

Total personal income, as reported by the Bureau of Economic Analysis, grew by 4.9% in FY15 and the Department of Taxation reported that income tax withheld from wages grew by 6.4%. However, total net collections, including declaration of estimated taxes, payments with returns and net of refunds, showed a very healthy 13.9% growth rate. One of the possible explanations of the double-digit percentage increase (11.9%) in declaration of estimated taxes which likely indicate increased taxable income and business profits and likely certain the expansion of businesses, e.g., hiring of additional personnel, as the result of the fast growing economy during the last fiscal year.

#### *Results since the beginning of FY2016*

Preliminary data for December show that the cumulative general fund tax revenues for the first six months of FY16 (July through December of 2015) are up by 9.5% compared to the same period in FY15. Here is what happened with

cumulative collections from the general excise tax and the individual income tax in the first six months of FY16:

- Cumulative net collections of the GET (before allocations to the Hawaii Hurricane Relief Fund) were \$1585.2 million, compared to \$1,492.2 million for the same period in FY15. The year-over-year growth rate for the tax is 6.3%.
- Cumulative net collections for the individual income tax were \$1,018.8 million, compared to \$953.0 million for the same period in FY15, a growth rate of 6.9%.

The tabulation below shows the growth in cumulative general fund tax revenues in FY15 over the same period in the previous fiscal year.

Growth rate in cumulative general fund tax revenues, as of the end of:

July 2015	4.7%
August 2015	17.5%
September 2015	18.1%
October 2015	10.8%
November 2015*	9.2%
December 2015*	9.5%

\* Preliminary data.

### **The Council's Forecasts of General Fund Tax Revenues**

Before providing the Council's latest forecast, I would like to explain how the Council produces its forecasts and errors in the forecasts made by the Council on Revenues. The Council meets four times a year to forecast general fund tax revenues. The forecasts are due by January 10, March 15, June 1 and September 10 of each year. Prior to a General Fund meeting, each Council member completes a survey provided by the Office of Tax Research and Planning (TRP) in the Department of Taxation. The survey asks for the members' forecasts for growth in key economic variables, including construction, the Honolulu consumer price index, total visitor arrivals coming to Hawaii by air, U.S. Gross Domestic Product (GDP), the U.S. GDP deflator (a measure of inflation in the national economy), total State wages, visitor expenditures, and Hawaii GDP in real (deflated) terms. TRP staff put the members' economic forecasts into econometric models to estimate the implied growth in general fund tax revenue.

The primary model used by TRP staff has a separate econometric equation to predict the growth in revenues from each major tax type (the individual income tax, the corporate income tax, the general excise tax, the public service company tax, and others). All of the models incorporate estimates for the effects of changes in tax law that will affect the general fund tax revenues. TRP staff provide historic data on the economic variables to be forecast by the Council members, the econometric predictions of general fund revenue growth based on the Council's economic forecasts (including incorporating the effects of changes in tax laws), and information about matters of tax administration that could affect the general fund tax revenues, such as delays in processing or unusual collections of delinquent taxes.

In their meeting, Council members review the results of the econometric models and consider other factors, such as the current trends in monthly collections and changes in the economy that might change the current trends. The members then decide on the official forecast for the growth in general fund tax revenue. The forecast may or may not agree with the results of the econometric models. The Council forecasts only the total general fund tax collections. To get the implied growth in collections of the individual tax types, TRP staff change the economic variables in the primary model until the model produces a growth rate for total general fund tax revenues that matches the Council's forecast, so that the forecasts of tax revenue growth for the individual tax types are consistent with the Council's forecast for overall general fund tax revenue growth.

#### *The Council's Recent Forecast Errors*

Table 1 compares the average (mean) forecasts of key economic indicators that our members submitted to the Tax Research and Planning Office slightly before each of the 4 meetings during the FY15. As can be seen from the table, the Council underestimated the growth of the Hawaii's economy during the last fiscal year. The actual growth rate of total personal income, the most important factor to forecast tax revenues, actually increased by 4.9% as compared to the 4.0% to 4.3% growth rate range forecast by the Council over time. Regarding the two key industries of the economy, while the Council underestimated the strength of the visitor industry, the Council overestimated the growth of the construction industry. The underestimation of the strength of the visitor industry has been based in part by, among other things, the capacity of existing hotel rooms and hotel rooms under renovation. The overestimation of the growth of the construction industry was based in part, because of the robust growth in permits and known and visible large construction projects including in the Kaka'ako, Ala Moana and Waikiki areas, which were not matched by an expected growth rate in tax revenue in the contracting, i.e., construction category.

Table 2 presents the forecasts of tax revenues and the errors for the four (4) forecasts made by the Council during FY15. I would like to note again that the distribution of the overall forecasts of general fund tax revenues to various components has been done by the Tax Research Planning Office for illustration and other purposes. While these forecasts are consistent with the overall forecasts, the component forecasts should not be labeled as "Council on Revenues' forecasts". In September 2014, the Council lowered its growth rate from 5.5% (May 2014 forecast) to 3.5% mainly due to the lower than expected actual general tax collections for FY14. The forecast was raised to 4.5% and 5.5% in January 2015 and March 2015, respectively. The March forecast, which is used by the legislature to finalize the budget, erred 1.2% on the conservative side (i.e., the Council forecast 5.5% but the actual FY15 was 6.8%) consistent with the slight underestimation of the strength of the economy during the fiscal year. The May 2015 forecast of 7.5% produced a much smaller error, however, that forecast was technically the same as the March 2015 forecast, mainly because the Council, based on the information of the Department of Taxation administration, estimated that \$104 million of State income tax refunds would be delayed and shifted that refund amount from FY15 to FY16. This turned out not to be the case, as the Department of Taxation was finally able to catch up with refunds right before the end of FY15 (June 30, 2015).

I would like to note that revenue forecasts are multi-year forecasts, error in a fiscal year can be offset or compounded by errors in another fiscal year. To review the performance of the Council forecasts over time, table 3 compares the forecasts made in March, the time that the legislature finalizes the budget, over three fiscal years, the same fiscal year when the budget is formed and the next two fiscal years, considering the fact that the legislature concentrates on the actual biennium budget.

As shown in table 3, the Council underestimated the general fund tax revenues by 4.9% over the three-year period in March 2010, reflecting the common very pessimistic view of the economy right after the severe recession. As more data indicated that the recovery had been holding, the forecast performance improved substantially in March 2011 and March 2012. In March 2013, the Council overestimated the tax collections over the three-year period 3.1%, mainly due to unanticipated slowdown of the economy in FY14, which resulted in a decline of 1.8% in general fund tax collections for that fiscal year. Actual data for tax collections for FY16 and FY17 are not available. We do not know exactly the performance of the forecasts made by the Council in March 2014 and March 2015.

*The Council's Current Forecast*

At its meeting on January 7, 2016, the Council on Revenues raised its forecast for growth in the State's general fund tax revenues in fiscal year (FY) 16 from 6.0% to 6.7%. The Council retained the forecast annual growth rates for FY17 and later fiscal years: 5.5% for FY17 and FY18, 5.0% for FY19, 4.5% for FY20, FY21 and FY22.

The forecast change for FY16 and actual FY16 to date are largely based on two factors. First, Act 62 (2011) did not require that \$55 million be set aside for the Hurricane Relief Fund. The second factor is based upon information provided by the Department of Taxation on the status of general excise tax payments by online travel companies. The Department indicated that payment of about \$29 million of the total \$39 million from the Hawaii Supreme Court's decision in the online travel companies was already released to the general fund in FY16 earlier this fiscal year. The remainder amount of \$10 million is expected to be released to the general fund from the litigated claims fund later this fiscal year.

Council members discussed the effects of the significant drop in oil prices in 2015, of the continued strength of the U.S. dollar in foreign exchange markets, and of the recent slowdown in economic growth in China. Table 4 summarizes the recent key economic and tax revenue data and table 5 exhibited the average forecasts of key economic indicators provided by members of the Council. As can be seen from table 5, the Council expects that inflation, as measured by the Honolulu Consumer Price Index for All Urban Consumer (CPI-U), will be about 2% a year over the forecast horizon due to expected increase in oil prices and housing costs. As a matter of comparison, the Honolulu CPI-U increased 1.4% in FY14 and 1.3% in FY15, as reported by the U.S. Bureau of Labor Statistics. The Council also expects that the number of visitors will continue to increase at an annual average growth rate of about 2% in the foreseeable future. Because of the strength of the dollar, it is expected that U.S. visitors will grow faster than international visitors during the forecast period, in my own opinion. As reported by DBEDT in their 4<sup>th</sup> Quarter 2015 Quarterly Statistical and Economic Report, the Blue Chip Economic Consensus Forecast 1.1% growth in real GDP for Japan in calendar year 2016 as compared to 2.6% growth rate of the U.S. economy for the same year. The latest UCLA Business Forecast, subscribed by the Tax Research and Planning Office, expects the U.S. economy will grow at an even stronger 3% growth rate in 2016. Another key economic factor impacting the growth of tax revenue collections is the strength of the construction industry. Construction permits, an indicator of future construction activity, increased 32.1% in FY15, followed by 10.3% during the first 5 months of the current fiscal year. Consistent to that data, the Council average forecasts of the growth rate for the construction activity are 14.9% for FY16, 12.1% for FY17 and 8.3% in FY18. Total personal income, a comprehensive indicator of Hawaii's economy, is expected to grow between 4.7% and 4.8% during this fiscal year and the next biennium, FY17 and FY18.

Revised forecasts of State general fund tax revenues for FY16 through FY21 and the new forecast for FY22 are shown in the table below.

General Fund Tax Revenues

Fiscal Year	Amount (in Thousands of Dollars)	Growth From Previous Year
2016	6,119,395	6.7%
2017	6,455,962	5.5%
2018	6,811,040	5.5%
2019	7,151,592	5.0%
2020	7,473,414	4.5%
2021	7,809,718	4.5%
2022	8,161,155	4.5%

In producing its forecasts, the Council adopted specific adjustments recommended by the Department of Taxation to reflect effects on general fund tax revenues of tax law changes enacted by the 2015 Legislature, including the following:

- Act 84, SLH 2015 establishes maximum dollar amounts for the allocations of the Conveyance Tax to the Land Conservation fund and the Rental Housing trust fund, and eliminates allocations to the Natural Area Reserve fund starting in FY16. The annual general fund revenue gain is estimated to be \$19.7 million for FY16 and later.
- Acts 117 and 121, SLH 2015 changed allocations of the Transient Accommodations Tax (TAT). According to Act 121, TAT allocations for FY16 and later are as follows: Tourism special fund \$82 million; Counties \$93 million (except \$103 million in FY 2016); Convention Center special fund \$26.5 million; and Turtle Bay conservation easement \$1.5 million. Act 117 allocated \$3 million annually to the Special Land Development fund starting in FY17. The changes in allocations are expected to yield \$5 million in additional general fund tax revenues in FY16 and \$2 million annually thereafter.
- Act 120, SLH 2015 provides a tax credit for converting cesspools to a septic system or connecting to a wastewater system. The tax credit expires December 31, 2020 and is estimated to reduce general fund tax revenues by \$5 million annually from FY16 through FY21.
- Act 223, SLH 2015 modifies the food/excise tax credit (an increase for certain taxpayers) for tax years 2016 and 2017. The Act is estimated to reduce general fund tax revenues by \$6.5 million in FY's 2017 and 2018.

- Act 238, SLH 2015 reduces the allocation of tobacco taxes to the Trauma special fund, caps the amount allocated to the fund, and also caps the allocations to the Emergency Medical Services and Community Health Centers special funds, effective July 1, 2015. The Act is estimated to increase general fund tax revenues by \$4 million in FY's 2016 and later.

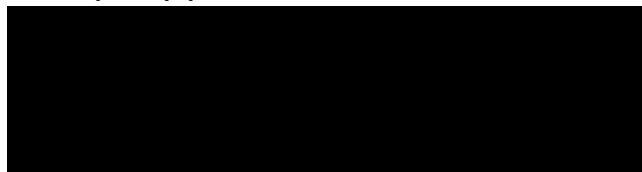
The Council also took into account provisions from earlier legislation, including the following:

- Act 107, SLH 2014 reestablished the energy systems development special fund. It also extends the \$1.05 per barrel rate for the environmental response tax, which was set to expire at the end of fiscal year 2015, through fiscal year 2030, as well as the allocations of the tax to the general fund. The annual general fund revenue gain is estimated to be \$15.5 million for fiscal years 2016 through 2030.
- Act 89, SLH 2013 amends the motion picture digital media and film production tax credit. The Act increases the credit rate from 15% to 20% for productions on Oahu and from 20% to 25% for productions on the neighbor islands. The Act also increases the cap on the amount of the credit per production from \$8 million to \$15 million and moves the expiration date for the credit from January 1, 2016 to January 1, 2019. The Act is estimated to raise the annual cost of the tax credit by about \$21 million.
- Act 163, SLH 2013 makes permanent the GET exemption for certain expenses paid by hotel operators and timeshare projects and removes the cap on the aggregate amount of the exemptions that can be claimed. The Act is estimated to reduce GET collections by about \$13 million annually.

The Department of Taxation has prepared a report (attached table 6) 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 from the individual income tax that the Council does not forecast separately.

That concludes my presentation. I am available to answer any questions you may have.

Very truly yours,



KURT KAWAFUCHI  
Chair, Council on Revenues



Kurt Kawafuchi, Chair  
**Council on Revenues**

Senate Ways and Means / House Finance Joint Hearing  
January 21, 2016

**TABLE 1**  
**KEY ECONOMIC INDICATORS FY 2015: ACTUAL VS FORECASTS**  
(Annual percentage growth rate)

Indicators	Actual	Forecast			
		September 2014	January 2015	March 2015	May 2015
Hawaii Total Personal Income (Real growth)	3.2	2.3	2.3	2.4	2.5
Hawaii Total Personal Income (Nominal)	4.7	4.3	4.0	4.1	4.1
Construction Completed	7.4	11.5	9.3	7.3	7.4
Honolulu CPIU (1982-1984 = 100)	1.3	1.9	1.7	1.7	1.6
Visitor Arrivals by Air	4.0	1.5	1.7	2.3	2.3
U.S. GDP	4.0	4.3	4.4	4.3	3.9
Calendar Year Wages	5.0	3.9	3.5	3.6	3.6
Visitor Expenditures	3.4	2.5	2.8	3.0	2.2

**TABLE 2**  
**STATE GENERAL FUND TAX REVENUES, FY 2015: FORECASTS VS. ACTUAL**

		FORECAST DATE							
		Actual	September 2014		January 2015		March 2015		May 2015
Type of Tax	(\$mil.)	(\$mil.)	Error	(\$mil.)	Error	(\$mil.)	Error	(\$mil.)	Error
<b>General Excise and Use Tax</b>	2,993	2,967	-0.8%	2,974	-0.6%	2,984	-0.3%	3,017	0.8%
<b>Individual Income Tax</b>	1,988	1,801	-9.4%	1,848	-7.0%	1,887	-5.1%	1,961	-1.3%
<b>Corporate Income Tax</b>	52	75	43.6%	75	43.7%	76	45.8%	76	45.5%
<b>Public Service Company Tax</b>	163	172	5.1%	171	4.5%	171	4.4%	170	-4.1%
<b>Tax on Insurance Premiums</b>	146	141	-3.1%	142	-2.4%	143	-1.7%	145	-0.3%
<b>Cigarette and Tobacco Tax</b>	83	77	-6.7%	77	-6.6%	77	-6.6%	77	-6.7%
<b>Liquor Tax</b>	50	49	-3.0%	49	-3.4%	49	-3.3%	48	-3.6%
<b>Tax on Banks and Other Financial Corps.</b>	18	42	131.8%	42	131.8%	42	131.8%	42	131.8%
<b>Inheritance and Estate Tax</b>	12	15	24.8%	15	24.4%	15	24.3%	15	24.1%
<b>Conveyance Tax</b>	12	12	2.3%	12	3.3%	12	4.4%	12	6.3%
<b>Miscellaneous Taxes*</b>	16	16	3.9%	16	4.0%	16	4.0%	16	4.0%
<b>Transient Accommodations Tax</b>	203	191	-6.0%	191	-6.0%	193	-4.8%	192	-5.2%
<b>GENERAL FUND TOTAL</b>	5,735	5,558	-3.1%	5,612	-2.1%	5,666	-1.2%	5,773	0.7%
<b>Growth rate</b>	6.8%	3.5%	-	4.5%	-	5.5%	-	7.5%	-

\*The figures on this line include penalty and interest charges, fees and license charges from various taxes, and allocations to the General Fund from the environmental response, energy and food security tax.

**TABLE 2A**  
**STATE GENERAL FUND TAX REVENUES, FY 2014: FORECASTS VS. ACTUAL**

		FORECAST DATE							
		Actual	September 2013		January 2014		March 2014		May 2014
Type of Tax	(\$mil.)	(\$mil.)	Error	(\$mil.)	Error	(\$mil.)	Error	(\$mil.)	Error
<b>General Excise and Use Tax</b>	2,825	3,021	6.9%	2,987	5.7%	2,916	3.2%	2,882	2.0%
<b>Individual Income Tax</b>	1,745	1,891	8.3%	1,889	8.2%	1,802	3.2%	1,820	4.3%
<b>Corporate Income Tax</b>	87	79	-8.8%	78	-10.7%	65	-25.7%	65	-25.4%
<b>Public Service Company Tax</b>	166	169	2.0%	169	1.7%	169	1.7%	168	1.4%
<b>Tax on Insurance Premiums</b>	137	139	1.2%	139	1.0%	136	-0.8%	136	-0.6%
<b>Cigarette and Tobacco Tax</b>	78	81	4.5%	81	4.4%	81	4.4%	81	4.5%
<b>Liquor Tax</b>	48	50	2.9%	49	2.3%	49	1.9%	49	1.3%
<b>Tax on Banks and Other Financial Corps.</b>	37	23	-37.4%	23	-37.5%	23	-37.2%	23	-37.2%
<b>Inheritance and Estate Tax</b>	15	15	2.5%	15	2.1%	15	2.3%	15	2.2%
<b>Conveyance Tax</b>	27	20	-22.8%	20	-23.0%	20	-24.8%	20	-24.6%
<b>Miscellaneous Taxes*</b>	18	19	3.4%	19	3.5%	19	3.3%	19	3.3%
<b>Transient Accommodations Tax</b>	187	183	-2.1%	177	-5.3%	172	-8.3%	166	-11.2%
<b>GENERAL FUND TOTAL</b>	5,370	5,690	6.0%	5,647	5.2%	5,467	1.8%	5,445	1.4%
<b>Growth rate</b>	-1.8%	4.1%	-	3.3%	-	0.0%	-	-0.4%	-

\*The figures on this line include penalty and interest charges, fees and license charges from various taxes, and allocations to the General Fund from the environmental response, energy and food security tax.

**TABLE 3**  
**STATE GENERAL FUND TAX REVENUES,**  
**FORECASTS VS ACTUAL DATA: MARCH 2010 TO MARCH 2015**

(In millions of dollars unless otherwise specified)

<b>March 2010</b>	FY 2010	FY 2011	FY 2012	Total
Forecast	4,047.2	4,343.1	4,603.7	12,994.0
Actual	4,364.6	4,329.3	4,973.8	13,667.7
Error	-7.3%	0.3%	-7.4%	-4.9%

<b>March 2011</b>	FY 2011	FY 2012	FY 2013	Total
Forecast	4,294.7	4,767.1	5,053.2	14,115.0
Actual	4,329.3	4,973.8	5,466.9	14,770.0
Error	-0.8%	-4.2%	-7.6%	-4.4%

<b>March 2012</b>	FY 2012	FY 2013	FY 2014	Total
Forecast	4,848.4	5,212.5	5,421.0	15,481.9
Actual	4,973.8	5,466.9	5,370.3	15,811.0
Error	-2.5%	-4.7%	0.9%	-2.1%

<b>March 2013</b>	FY 2013	FY 2014	FY 2015	Total
Forecast	5,309.5	5,699.2	6,084.2	17,092.9
Actual	5,466.9	5,370.3	5,735.1	16,572.3
Error	-2.9%	6.1%	6.1%	3.1%

<b>March 2014</b>	FY 2014	FY2015	FY 2016	Total
Forecast	5,309.5	5,699.2	6,084.2	17,092.9
Actual	5,370.3	5,735.1	n.a.	n.a.
Error	-1.1%	-0.6%	n.a.	n.a.

<b>March 2015</b>	FY 2015	FY 2016	FY 2017	Total
Forecast	5,665.6	5,977.2	6,306.0	17,948.8
Actual	5,735.1	n.a.	n.a.	n.a.
Error	-1.2%	n.a.	n.a.	n.a.

**TABLE 4**  
**SELECTED ECONOMIC DATA: FY 2014 TO FY 2016**

	FY 2014					FY 2015					FY 2016
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Annual	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Annual	Jul-Sep
<b>1. U.S. GDP in Current Dollars (in billion)</b>	16,728	16,958	16,984	17,270	16,985	17,522	17,616	17,649	17,913	17,609	18,060
<b>2. U.S. GDP Implicit Price Deflator (2009=100)</b>	107.1	107.6	108.0	108.6	107.8	109.0	109.1	109.1	109.7	109.2	110.0
<b>3. Construction (\$ mil.)</b>	1,845	1,690	1,702	1,815	7,053	1,779	1,792	1,761	2,042	7,374	na
<b>4. Total Private Building Authorizations (\$ mil.)</b>	688	689	758	806	2,942	790	961	1,298	840	3,888	892
<b>5. Total Wages (\$ mil.)</b>	6,688	7,113	6,923	6,852	27,576	7,010	7,493	7,222	7,148	28,872	na
<b>6. Total Personal Income (\$ mil.)</b>	62,635	63,109	64,149	65,075	63,742	65,791	66,378	67,178	68,035	66,846	68,919
<b>7. Visitor Arrivals by Air (1,000)</b>											
<b>a. Total State</b>	2,077	1,928	2,026	2,009	8,041	2,117	2,032	2,085	2,131	8,365	2,198
<b>b. Domestic</b>	1,393	1,257	1,316	1,399	5,365	1,420	1,337	1,369	1,504	5,631	1,482
<b>c. International</b>	685	672	710	610	2,676	696	695	716	628	2,734	716
<b>8. Average Daily Visitor Census (1,000)</b>											
<b>a. Total State</b>	205	196	217	197	204	204	204	223	207	210	211
<b>b. Domestic</b>	150	142	154	149	149	151	148	158	156	153	154
<b>c. International</b>	55	54	63	49	55	53	56	65	51	56	57
<b>9. Honolulu CPIU (1982-84=100) 1/</b>	255	255	256	256	255	259	259	258	258	259	na
<b>10. State General Fund Tax Revenue (\$ mil.)</b>	1,311	1,285	1,287	1,487	5,370	1,349	1,413	1,445	1,529	5,735	1,593
<b>11. General Excise &amp; Use Tax (\$ mil.)</b>	699	694	747	741	2,881	754	738	782	774	3,048	831
<b>12. Individual Income Tax (\$ mil.)</b>											
<b>a. Net Individual Income Tax</b>	454	424	347	521	1,746	453	500	464	571	1,988	520
<b>b. Declaration of Estimated Taxes</b>	94	35	102	214	445	68	65	117	249	498	120
<b>c. Withholding Tax on Wages</b>	389	405	425	406	1,625	413	440	436	440	1,729	438
<b>13. TAT (\$ mil.)</b>	98	86	109	102	395	107	90	114	110	421	115
<b>14. Civilian Unemployment Rate (%)</b>	4.8	4.8	4.6	4.6	4.7	4.3	4.0	4.1	4.1	4.1	3.4
<b>15. Non-Agricultural Wage and Salary Jobs (1,000)</b>	615	630	623	625	623	621	632	629	633	629	632
<b>16. Hotel Occupancy Rate (%)</b>	77.8	72.3	80.8	74.0	76.2	78.7	75.0	80.1	77.9	77.9	79.9
<b>17. Hotel Average Daily Room Rate (\$/day)</b>	233	226	244	222	231	237	246	252	234	242	242

1/Data are for every 6 months.

na - not available.

**TABLE 4 (CONTINUED)**  
**SELECTED ECONOMIC DATA: FY 2014 TO FY 2016**

	FY 2014					FY 2015					FY 2016
	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Annual	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Annual	Jul-Sep
<b>1. U.S. GDP in Current Dollars</b>	3.1%	4.1%	3.3%	4.5%	3.7%	4.8%	3.9%	3.9%	3.7%	3.7%	3.1%
<b>2. U.S. GDP Implicit Price Deflator (2009=100)</b>	1.5%	1.6%	1.5%	1.9%	1.6%	1.8%	1.4%	1.0%	1.0%	1.3%	0.9%
<b>3. Construction</b>	-3.6%	-14.9%	-2.2%	-6.3%	-6.9%	-3.6%	6.0%	3.4%	12.5%	4.6%	na
<b>4. Total Private Building Authorizations</b>	0.3%	-8.5%	20.6%	12.9%	5.7%	14.7%	39.4%	71.1%	4.2%	32.1%	13.0%
<b>5. Total Wages</b>	3.4%	2.4%	3.8%	3.9%	3.3%	4.8%	5.3%	4.3%	4.3%	4.7%	na
<b>6. Total Personal Income</b>	1.1%	-0.1%	3.8%	4.7%	2.4%	5.0%	5.2%	4.7%	4.5%	4.9%	4.8%
<b>7. Visitor Arrivals by Air</b>											
<b>a. Total State</b>	1.7%	-2.6%	0.2%	1.7%	0.3%	1.9%	5.4%	2.9%	6.1%	4.0%	3.8%
<b>b. Domestic</b>	0.2%	-6.5%	-2.9%	0.0%	-2.3%	2.0%	6.4%	4.0%	7.4%	5.0%	4.3%
<b>c. International</b>	4.8%	5.5%	6.5%	6.0%	5.7%	1.7%	3.4%	0.8%	2.9%	2.2%	2.8%
<b>8. Average Daily Visitor Census</b>											
<b>a. Total State</b>	1.8%	-3.0%	0.3%	1.4%	0.1%	-0.5%	4.2%	2.9%	4.9%	2.8%	3.7%
<b>b. Domestic</b>	1.1%	-4.8%	-1.6%	0.2%	-1.3%	0.5%	4.1%	2.3%	5.1%	3.0%	2.4%
<b>c. International</b>	3.7%	2.3%	5.2%	5.8%	4.2%	-3.9%	4.4%	4.4%	4.4%	2.4%	7.6%
<b>9. Honolulu CPIU (1982-84=100) 1/</b>	1.7%	1.7%	1.1%	1.1%	1.4%	1.8%	1.8%	0.7%	0.7%	1.3%	na
<b>10. State General Fund Tax Revenue</b>	-2.7%	1.2%	0.3%	-5.4%	-1.8%	2.9%	9.9%	12.2%	2.8%	6.8%	18.1%
<b>11. General Excise &amp; Use Tax</b>	-5.4%	0.5%	-1.5%	-2.1%	-2.2%	8.0%	6.3%	4.8%	4.4%	5.8%	10.2%
<b>12. Individual Income Tax</b>											
<b>a. Net Individual Income Tax</b>	4.3%	-2.1%	-1.3%	0.9%	0.6%	-0.2%	17.9%	33.8%	9.6%	13.9%	14.8%
<b>b. Declaration of Estimated Taxes</b>	36.4%	-22.1%	9.6%	-17.6%	-4.6%	-27.6%	86.7%	14.3%	16.1%	11.9%	75.5%
<b>c. Withholding Tax on Wages</b>	3.1%	2.3%	5.6%	4.9%	4.0%	6.2%	8.6%	2.4%	8.5%	6.4%	6.2%
<b>13. TAT</b>	8.1%	11.3%	5.7%	4.7%	7.2%	8.7%	5.0%	4.9%	7.4%	6.5%	7.9%
<b>14. Civilian Unemployment Rate (change)</b>	-1.1	-0.4	-0.3	-0.3	-0.5	-0.5	-0.8	-0.5	-0.5	-0.6	-0.9
<b>15. Non-Agricultural Wage and Salary Jobs</b>	1.8%	1.7%	1.9%	1.2%	1.7%	0.9%	0.3%	0.9%	1.2%	0.8%	1.7%
<b>16. Hotel Occupancy Rate (change)</b>	-1.1	-2.2	-1.2	-0.2	-1.2	0.9	2.7	-0.7	3.9	1.7	1.2
<b>17. Hotel Average Daily Room Rate</b>	13.1%	9.2%	3.4%	0.9%	6.4%	1.7%	9.0%	3.3%	5.5%	4.8%	3.5%

1/Data are for every 6 months.

na - not available.

**TABLE 5**  
**FORECASTS OF KEY ECONOMIC INDICATORS FROM THE MEETING**  
**OF JANUARY 7, 2016: FY 2016 to FY 2022**

<b>Fiscal Year</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>A. VALUE</b>						
Hawaii Total Personal Income (1982-1984 Constant Million Dollars)	26,689	27,394	28,032	28,635	29,213	29,780	30,334
Hawaii Total Personal Income (\$Millions)	69,979	73,331	76,807	80,263	83,738	87,222	90,702
Construction Completed (\$Millions)	8,165	9,152	9,914	10,529	11,015	11,410	11,798
Honolulu CPIU (1982-1984 = 100)	262	268	274	280	286	292	298
Visitor Arrivals by Air (Thousands)	8,633	8,826	9,016	9,203	9,383	9,562	9,742
U.S. GDP (\$ Billions)	18,289	18,969	19,661	20,353	21,073	21,819	22,589
U.S. GDP Deflator (2005 = 100)	121	123	125	127	129	131	133
Calendar Year Wages (\$Millions)	30,149	31,403	32,681	33,874	35,043	36,192	37,321
Visitor Expenditures (\$Millions)	15,444	15,964	16,510	17,055	17,621	18,190	18,768
Hawaii Real GDP (2009 Constant Million Dollars)	72,933	74,625	76,229	77,754	79,231	80,705	82,182
	<b>B. ANNUAL PERCENTAGE GROWTH RATE</b>						
Hawaii Total Personal Income (1982-1984 Constant Million Dollars)	3.2	2.6	2.3	2.2	2.0	1.9	1.9
Hawaii Total Personal Income (\$Millions)	4.7	4.8	4.7	4.5	4.3	4.2	4.0
Construction Completed (\$Millions)	14.9	12.1	8.3	6.2	4.6	3.6	3.4
Honolulu CPIU (1982-1984 = 100)	1.4	2.1	2.4	2.3	2.3	2.2	2.1
Visitor Arrivals by Air (Thousands)	3.2	2.2	2.2	2.1	2.0	1.9	1.9
U.S. GDP (\$ Billions)	3.5	3.7	3.7	3.5	3.5	3.5	3.5
U.S. GDP Deflator (2005 = 100)	1.3	1.6	1.7	1.7	1.8	1.8	1.8
Calendar Year Wages (\$Millions)	4.1	4.2	4.1	3.7	3.5	3.3	3.1
Visitor Expenditures (\$Millions)	2.7	3.4	3.4	3.3	3.3	3.2	3.2
Hawaii Real GDP (2009 Constant Million Dollars)	2.4	2.3	2.2	2.0	1.9	1.9	1.8



**TABLE 6**  
**ESTIMATES OF GENERAL FUND TAX REVENUE FROM THE MEETING**  
**OF JANUARY 7, 2016: FY 2016 TO FY 2022<sup>1</sup>**  
(In thousands of dollars unless otherwise specified)

TYPE OF TAX	BASE		ESTIMATED						
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
General Excise and Use Tax	2,825,041	2,992,707	3,197,573	3,373,680	3,536,407	3,690,803	3,823,016	3,969,277	4,115,772
Individual Income Tax	1,745,312	1,987,752	2,085,500	2,190,098	2,329,500	2,480,039	2,584,943	2,734,629	2,888,888
Corporate Income Tax	87,021	52,319	82,683	85,684	95,972	96,181	144,250	141,500	148,825
Public Service Company Tax	166,179	163,481	167,469	172,598	178,075	183,888	189,993	196,335	202,889
Tax on Insurance Premiums	137,179	145,679	150,576	157,146	163,302	169,668	175,104	181,758	188,442
Cigarette and Tobacco Tax	77,659	82,829	87,198	90,900	93,939	97,458	100,931	104,599	108,361
Liquor Tax	48,305	50,281	50,532	50,969	51,444	51,949	52,479	53,023	53,574
Tax on Banks and Other Financial Corps.	36,983	17,930	10,595	19,500	24,878	21,895	20,407	22,528	23,791
Inheritance and Estate Tax	14,789	12,071	12,232	12,436	12,651	12,876	13,109	13,348	13,591
Conveyance Tax	26,508	11,534	32,869	34,751	36,536	38,405	40,019	42,014	44,041
Miscellaneous Taxes*	18,063	15,588	16,262	16,263	16,263	16,262	16,260	16,258	16,257
Transient Accommodations Tax	187,229	202,970	225,906	251,937	272,073	292,168	312,903	334,449	356,724
<b>GENERAL FUND TOTAL</b>	5,370,268	5,735,141	6,119,395	6,455,962	6,811,040	7,151,592	7,473,414	7,809,718	8,161,155
<b>GROWTH RATE</b>	-1.8%	6.8%	6.7%	5.5%	5.5%	5.0%	4.5%	4.5%	4.5%

<sup>1</sup> Line item projections generated by Tax Research & Planning Office to be consistent with the Council's forecast for the total General Fund tax revenues.

\*The figures on this line include penalty and interest charges, fees and license charges from various taxes, and allocations to the general fund from the environmental response, energy and food security tax.