

Council on Revenues DOTAX Presentation

SETH COLBY, PH.D.

TAX RESEARCH AND PLANNING OFFICER

DEPARTMENT OF TAXATION

SEP 07, 2023

Major Tax-Related Measures Passed by the 2023 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 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| Act 62, SLH 2023 | Amends the cigarette tax and tobacco tax. Beginning January 1, 2024, imposes a tax of 70% of the wholesale price of each electronic smoking device or e-liquid sold, used, or possessed by a wholesaler or dealer, whether or not sold at wholesale, or if not sold, then at the same rate upon the use by the wholesaler or dealer. The Act increases the wholesaler and dealer license fee from \$2.50 to \$250. It also increases the retail tobacco permit fee from \$20 to \$50. The Act became effective on July 1, 2023. | \$6.4 | \$15.8 | \$16.3 | \$16.8 | \$17.3 | \$17.8 | \$18.3 |
| Act 163, SLH 2023 | Amends the household and dependent care services credit by increasing the cap on employment-related expenses that may be used to claim the credit from \$2,400 to \$10,000 for one qualifying individual and from \$4,800 to \$20,000 for two or more qualifying individuals. Act 163 amends the EITC by increasing the amount of the credit from 20% to 40% of the federal EITC allowed. The Act also amends the refundable food/excise tax credit by doubling the amount of credit per qualified exemption and increasing the adjusted gross income limits by \$10,000 in all income brackets. Act 163 became effective on June 30, 2023, applies to taxable years beginning after December 31, 2022, and will be repealed on December 31, 2027. | (\$89.2) | (\$88.0) | (\$87.6) | (\$87.7) | (\$88.2) | \$0.0 | \$0.0 |
| Total | | (\$82.8) | (\$72.2) | (\$71.3) | (\$70.9) | (\$70.9) | \$17.8 | \$18.3 |

PRELIMINARY COMPARATIVE STATEMENT OF STATE GENERAL FUND TAX REVENUES

July 2023

(Dollars in Thousands)

| | Jul 2023 | CUMULATIVE TOTALS | | DIFFERENCE | |
|---------------------------------|------------------|-------------------|------------------|-----------------|---------|
| | | 2023-2024 | 2022-2023 | AMOUNT | %CHANGE |
| GE/Use Taxes | \$417,379 | \$417,379 | \$396,648 | 20,732 | 5.2% |
| Income Tax - Corp. | 8,328 | 8,328 | 14,473 | (6,145) | -42.5% |
| Decl. Est. Taxes | 15,293 | 15,293 | 17,660 | | |
| Payment w/returns | 479 | 479 | 805 | | |
| Refunds | (7,444) | (7,444) | (3,992) | | |
| Income Tax - Ind. | 225,579 | 225,579 | 225,449 | 130 | 0.1% |
| Decl. Est. Taxes | 29,117 | 29,117 | 35,679 | | |
| Payment w/returns | 12,985 | 12,985 | 14,221 | | |
| WH Tax on Wages | 219,476 | 219,476 | 211,949 | | |
| Refunds | (35,999) | (35,999) | (36,399) | | |
| Special Fund | 0 | 0 | 0 | | |
| Trans. Accom. Tax | 78,181 | 78,181 | 83,204 | (5,022) | -6.0% |
| Turtle Bay Conservation Fund | (1,500) | (1,500) | (1,500) | | |
| Convention Ctr. Enterprise Fund | (11,000) | (11,000) | (11,000) | | |
| Tourism Emergency Special Fund | 0 | 0 | 0 | | |
| Land & Development Fund | (3,000) | (3,000) | (3,000) | | |
| Mass Transit Fund | (7,731) | (7,731) | (8,101) | | |
| SUB-TOTAL | 54,950 | 54,950 | 59,602 | (4,652) | |
| All Others | 43,392 | 43,392 | 37,314 | 6,078 | 16.3% |
| Collected by DOTAX | 35,031 | 35,031 | 24,530 | | |
| Collected by Other Departments* | 8,362 | 8,362 | 12,784 | | |
| TOTAL GENERAL FUND | \$749,629 | \$749,629 | \$733,486 | \$16,143 | 2.2% |

Note: General Fund allocations are in bold print.

*Includes Conveyance Tax and Insurance Premium Tax.

PRELIMINARY COMPARATIVE COLLECTIONS

AUGUST

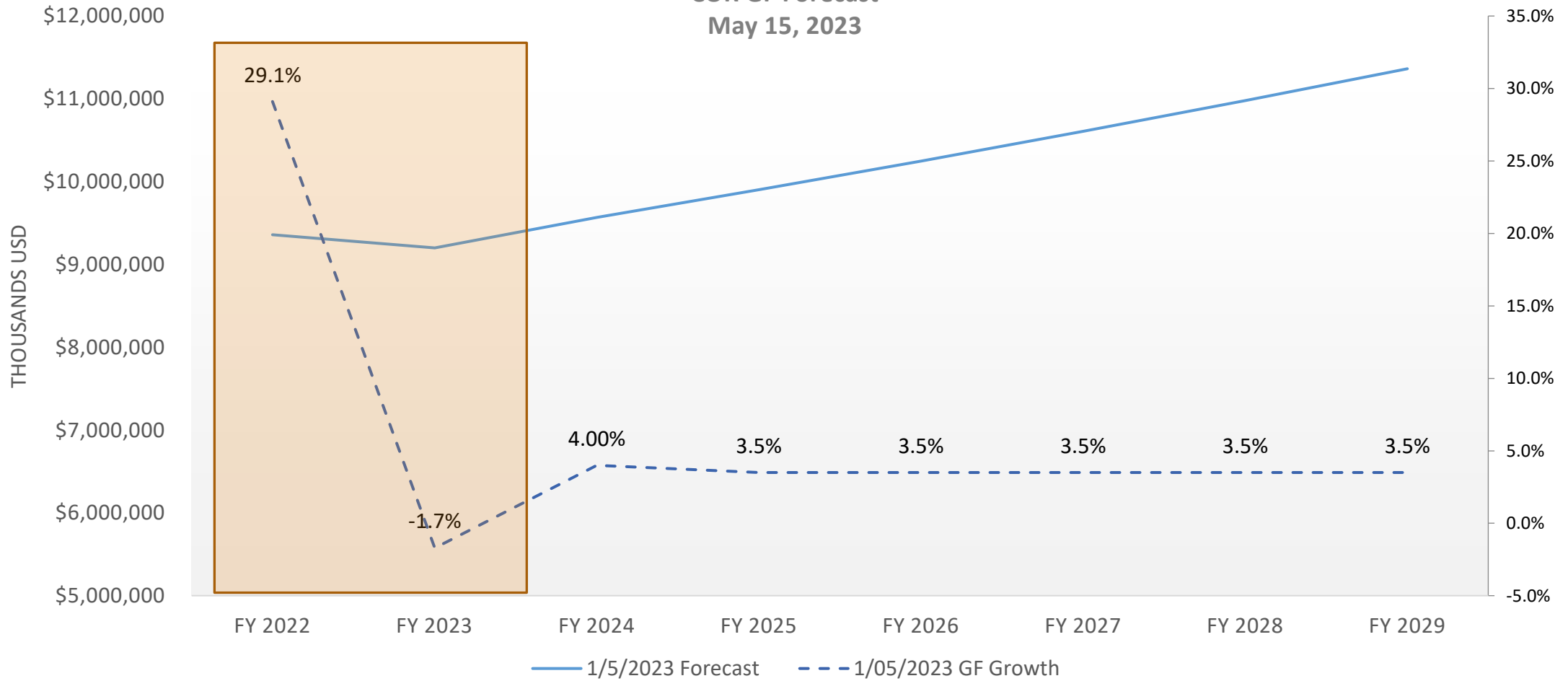
| | 2023 | 2022 | % Chng |
|---------------------------------|--------------------|--------------------|---------------|
| General Excise Tax | 352,083,265 | 364,112,366 | -3.3% |
| Corporate Income Tax | 3,596,792 | 5,469,669 | -34.2% |
| Individual Income Tax | 249,954,496 | 236,597,285 | 5.6% |
| Declared Estimated Taxes | 28,761,517 | 33,927,140 | -15.2% |
| Payment w/ Returns | 14,368,930 | 16,936,785 | -15.2% |
| W/H on Wages | 234,255,793 | 214,013,251 | 9.5% |
| Refunds | (27,431,744) | (28,279,893) | -3.0% |
| Transient Accommodations | 78,309,027 | 81,452,333 | -3.9% |
| Others | 26,787,413 | 33,087,674 | -19.0% |
| Total | 710,730,993 | 720,719,327 | -1.4% |

Issues Impacting FY2023 Collections

- Lower base in FY 2022 from Constitutional Refund
 - \$311.7 million in September and October
- Lower Estimated Tax Payments will reset in January 2024
- Economic Impacts from Maui Wild Fires
- Economic slowdown at National and State level
- Tax Law Changes
 - -\$83 million in FY2023

Current Council on Revenues Forecast

COR GF Forecast
May 15, 2023



May 15, 2023 Forecast

| FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 |
|--------------|-------------|-------------|-------------|--------------|--------------|--------------|--------------|
| \$ 9,358,848 | \$9,200,336 | \$9,356,742 | \$9,684,228 | \$10,023,176 | \$10,373,987 | \$10,737,076 | \$11,112,874 |
| 29.1% | -1.7% | 1.7% | 3.5% | 3.5% | 3.5% | 3.5% | 3.5% |

Model 1

ESTIMATES OF GENERAL FUND TAX REVENUE: FY 2024 TO FY 2030 Results Based on Input Mean Forecasts (in thousands of dollars)

| TYPE OF TAX | BASE | | ESTIMATED | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 |
| General Excise and Use Tax | \$3,978,993 | \$4,408,473 | \$4,603,400 | \$4,880,428 | \$5,119,250 | \$5,338,266 | \$5,555,865 | \$5,781,006 | \$6,011,792 |
| Individual Income Tax | 3,759,753 | 3,099,886 | 3,110,968 | 3,284,334 | 3,451,613 | 3,622,212 | 3,798,320 | 4,067,857 | 4,255,968 |
| Corporate Income Tax | 255,621 | 316,831 | 192,394 | 208,132 | 226,531 | 288,786 | 295,448 | 300,726 | 306,643 |
| Public Service Company Tax | 122,068 | 142,195 | 147,683 | 152,189 | 156,252 | 160,298 | 164,318 | 168,306 | 172,371 |
| Tax on Insurance Premiums | 195,607 | 203,791 | 220,532 | 231,626 | 242,177 | 252,974 | 264,102 | 275,488 | 287,256 |
| Cigarette and Tobacco Tax | 65,658 | 59,070 | 57,319 | 58,062 | 58,974 | 59,810 | 60,808 | 61,889 | 63,019 |
| Liquor Tax | 53,983 | 54,513 | 55,916 | 57,739 | 59,467 | 61,236 | 63,019 | 64,820 | 66,671 |
| Tax on Banks and Other Financial Corps. | 57,252 | 28,969 | 29,527 | 41,995 | 45,060 | 48,333 | 50,584 | 51,868 | 52,964 |
| Inheritance and Estate Tax | 57,405 | 58,083 | 60,023 | 61,607 | 63,031 | 64,442 | 65,841 | 67,224 | 68,628 |
| Conveyance Tax | 145,318 | 49,032 | 49,958 | 51,078 | 52,112 | 53,136 | 54,156 | 55,166 | 56,178 |
| Miscellaneous Taxes* | 21,760 | 22,888 | 24,168 | 25,518 | 26,942 | 28,449 | 30,041 | 31,724 | 33,503 |
| Transient Accommodations Tax | 645,429 | 756,578 | 765,321 | 749,056 | 788,308 | 824,640 | 862,956 | 901,942 | 941,533 |
| GENERAL FUND TOTAL | \$9,358,848 | \$9,200,308 | \$9,317,209 | \$9,801,764 | \$10,289,717 | \$10,802,582 | \$11,265,458 | \$11,828,016 | \$12,316,526 |
| GROWTH RATE | 29.1% | -1.7% | 1.3% | 5.2% | 5.0% | 5.0% | 4.3% | 5.0% | 4.1% |

Table 8: Impact of Economic Parameters for FY 23 of Model 1 (Adjusted for Constitutional Refund)

Total State Visitor Arrivals by Air

Annual Growth Rate

-10.0% -8.0% -6.0% -4.0% -2.0% 0.0% 2.0%

In Thousands

8,666 8,859 9,051 9,244 9,436 9,629 9,822

Hawaii Total Personal Income - Nominal

Annual Growth Rate

| | | | | | | | |
|--------------|-------|-------|-------|-------|-------|-------|-------|
| 0.0% | -2.4% | -2.2% | -1.9% | -1.7% | -1.5% | -1.2% | -1.0% |
| 1.5% | -1.3% | -1.1% | -0.8% | -0.6% | -0.4% | -0.1% | 0.1% |
| 3.0% | -0.2% | 0.0% | 0.3% | 0.5% | 0.7% | 1.0% | 1.2% |
| 4.5% | 0.9% | 1.1% | 1.4% | 1.6% | 1.8% | 2.1% | 2.3% |
| 6.0% | 2.0% | 2.2% | 2.5% | 2.7% | 2.9% | 3.2% | 3.4% |
| 7.5% | 3.1% | 3.3% | 3.6% | 3.8% | 4.0% | 4.3% | 4.5% |
| 9.0% | 4.2% | 4.4% | 4.7% | 4.9% | 5.1% | 5.4% | 5.6% |
| 10.5% | 5.3% | 5.5% | 5.8% | 6.0% | 6.2% | 6.5% | 6.7% |