

Council on Revenues DOTAX Presentation

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DEPARTMENT OF TAXATION

SEP 5, 2024

Assessing FY 2024 Performance

FY 2024 general fund growth

Actual: 4.0%

COR Forecasts

MAY: 3.3%

MAR: 4.0%

JAN: 4.0%

SEP: 1.3%

Factors:

Individual Income Up

- WH Tax on Wages 8.2%
- CIT and IIT combined up 10.2%
- Boosted by 2023 Constitutional Refund (0.6% GF growth w/o Const Refund)

GET Flat

TAT down

PRELIMINARY COMPARATIVE STATEMENT OF STATE GENERAL FUND TAX REVENUES

June 2024

(Dollars in Thousands)

	Jun 2024	CUMULATIVE TOTALS		DIFFERENCE	
		2023-2024	2022-2023	AMOUNT	%CHANGE
GE/Use Taxes	\$366,469	\$4,446,125	\$4,408,473	37,652	0.9%
Income Tax - Corp.	79,481	483,676	316,831	166,845	52.7%
Decl. Est. Taxes	81,479	518,568	355,872		
Payment w/returns	2,165	59,926	42,417		
Refunds	(4,164)	(94,818)	(81,459)		
Income Tax - Ind.	296,354	3,280,493	3,099,887	180,607	5.8%
Decl. Est. Taxes	110,971	949,879	1,156,683		
Payment w/returns	16,547	402,994	434,209		
WH Tax on Wages	213,806	2,772,438	2,563,022		
Refunds	(44,970)	(844,803)	(1,053,938)		
Special Fund	0	(15)	(91)		
Trans. Accom. Tax	58,127	810,642	854,784	(44,142)	-5.2%
Turtle Bay Conservation Fund	0	(1,500)	(1,500)		
Convention Ctr. Enterprise Fund	0	(11,000)	(11,000)		
Tourism Emergency Special Fund	0	0	0		
Land & Development Fund	0	(3,000)	(3,000)		
Mass Transit Fund	(5,734)	(79,668)	(82,707)		
SUB-TOTAL	52,393	715,475	756,578	(41,103)	
All Others	54,109	638,210	618,537	19,673	3.2%
Collected by DOTAX	32,221	359,128	365,715		
Collected by Other Departments*	21,888	279,082	252,823		
TOTAL GENERAL FUND	\$848,805	\$9,563,978	\$9,200,305	\$363,673	4.0%

Note: General Fund allocations are in bold print.

*Includes Conveyance Tax and Insurance Premium Tax.

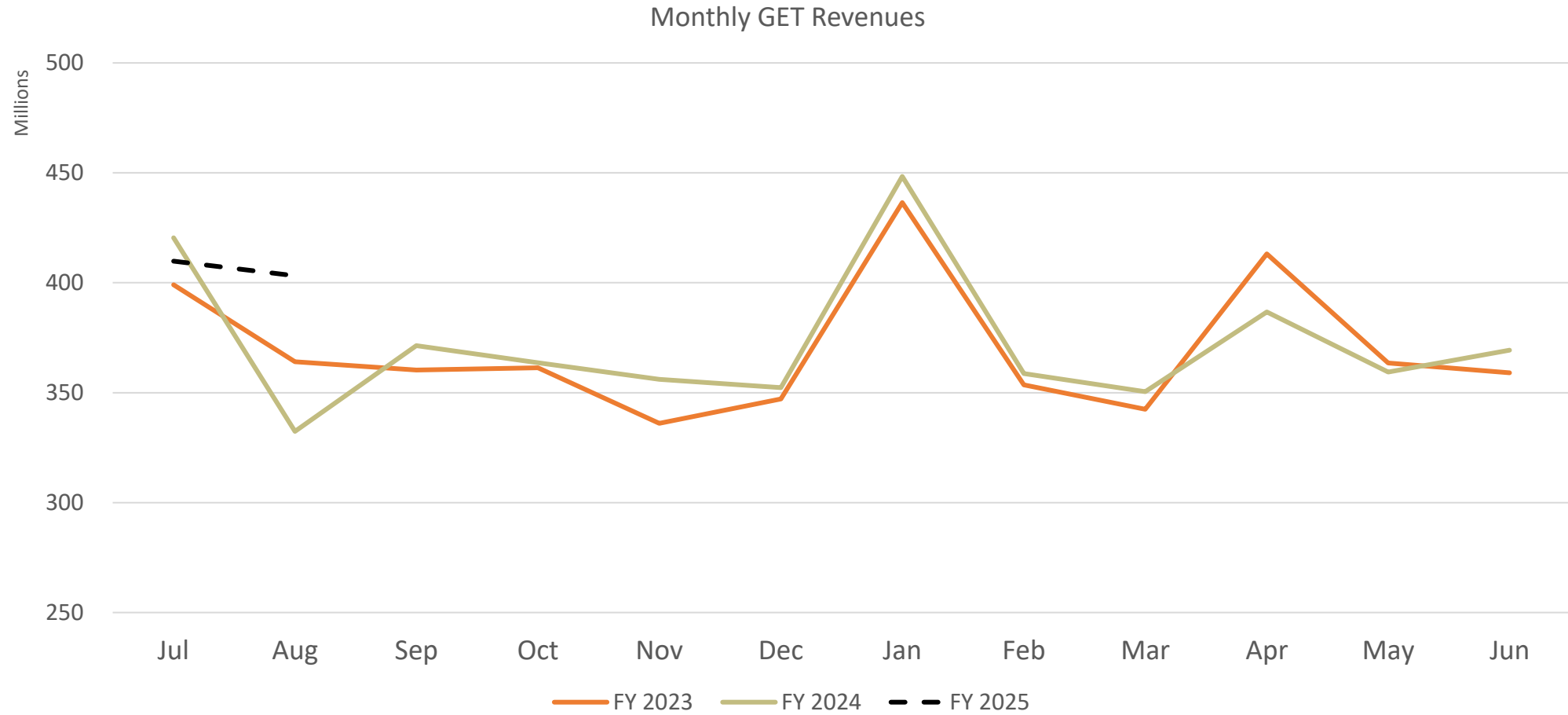
PRELIMINARY COMPARATIVE STATEMENT OF STATE GENERAL FUND TAX REVENUES
July 2024
(Dollars in Thousands)

	Jul 2024	CUMULATIVE TOTALS		DIFFERENCE	
		2024-2025	2023-2024	AMOUNT	%CHANGE
GE/Use Taxes	\$406,798	\$406,798	\$417,379	(10,581)	-2.5%
Income Tax - Corp.	5,015	5,015	8,328	(3,313)	-39.8%
Decl. Est. Taxes	13,690	13,690	15,293		
Payment w/returns	2,316	2,316	479		
Refunds	(10,991)	(10,991)	(7,444)		
Income Tax - Ind.	277,947	277,947	225,579	52,368	23.2%
Decl. Est. Taxes	43,040	43,040	29,117		
Payment w/returns	15,903	15,903	12,985		
WH Tax on Wages	266,540	266,540	219,476		
Refunds	(47,535)	(47,535)	(35,999)		
Special Fund	0	0	0		
Trans. Accom. Tax	73,223	73,223	78,181	(4,959)	-6.3%
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	(7,233)	(7,233)	(7,731)		
SUB-TOTAL	50,490	50,490	54,950	(4,460)	
All Others	39,584	39,584	48,919	(9,335)	-19.1%
Collected by DOTAX	22,947	22,947	35,028		
Collected by Other Departments*	16,637	16,637	13,891		
TOTAL GENERAL FUND	\$779,834	\$779,834	\$755,156	\$24,678	3.3%

Note: General Fund allocations are in bold print.

*Includes Conveyance Tax and Insurance Premium Tax.

GET collections are robust, especially compared to August 2023

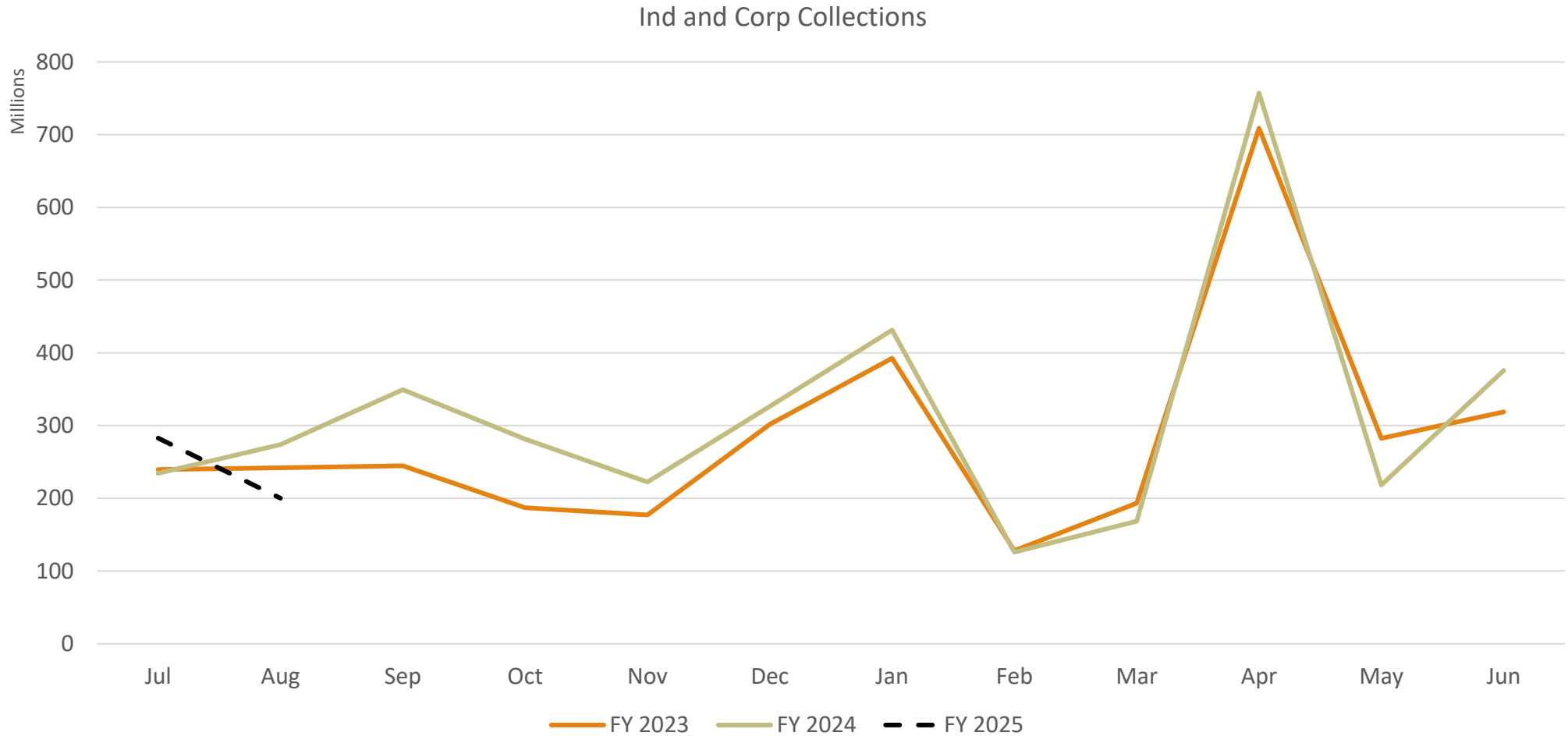


FY 2024 individual income collections fell compared with FY 2023



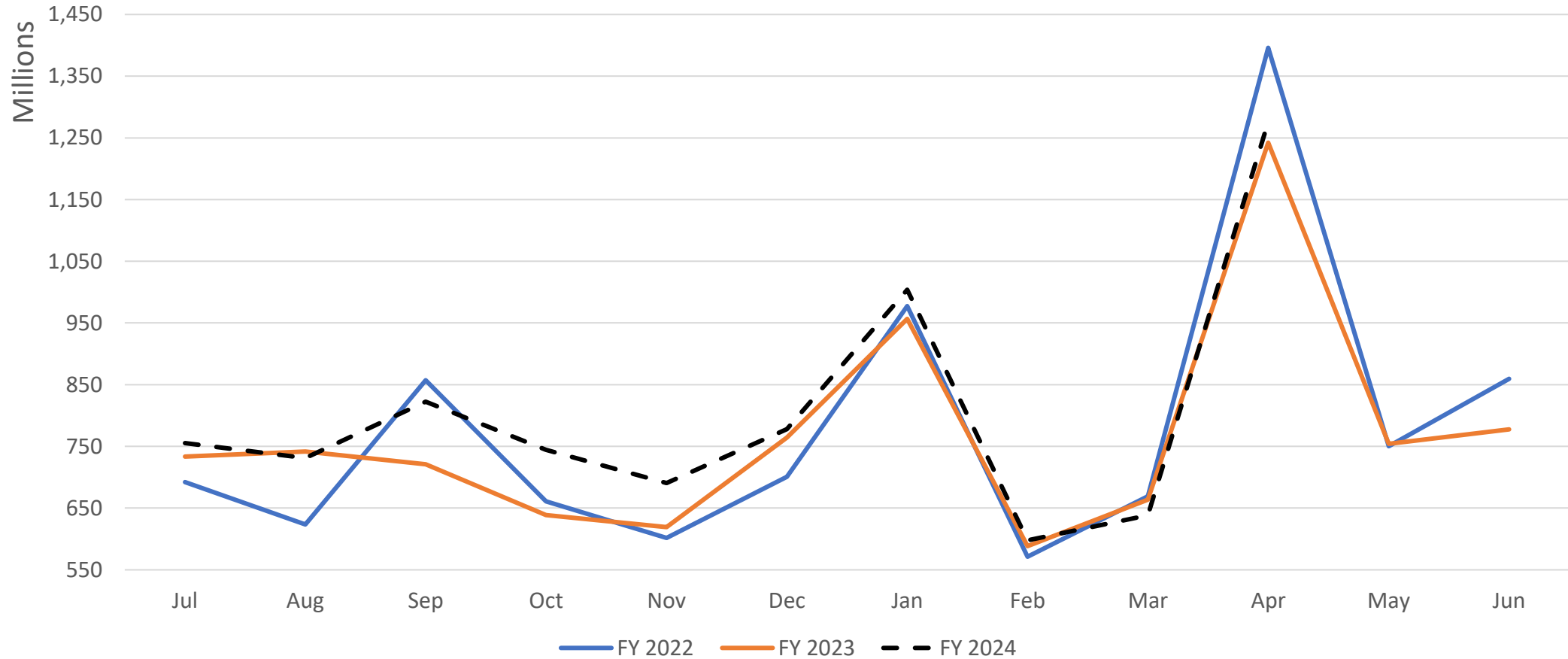
Combined Income Tax Collections Are Stable

Switch from individual to corporate explained by PTE Law



April 2024 General Fund Collections were above April 2023 but below April 2022

General Fund Collections



2024 Legislation

Individual Income Tax

Act 46, SLH 2024 (HB2404 HD1 SD1 CD1) RELATING TO INCOME TAX

Bill reduces income tax liabilities for all HI taxpayers

1. **Standard Deduction:**
 - A larger standard deduction exempts more income taxation
 - Increasing the standard deduction benefits low to moderate-income taxpayers more since they are less likely to itemize deductions
2. **Tax Bracket Adjustments:**
 - Eliminates the lowest income tax brackets
 - The highest tax brackets go into effect at higher income thresholds

	Existing Law	2024	2025	2026	2027	2028	2029	2030	2031
Standard Deduction	Joint: \$4,400 Single: \$2,200	Joint: \$8,800 Single: \$4,400		Joint: \$16,000 Single: \$8,000		Joint: \$18,000 Single: \$9,000		Joint: \$20,000 Single: \$10,000	Joint: \$24,000 Single: \$12,000
Tax Brackets			Decrease rates. Eliminate bottom brackets		Decrease rates. Eliminate bottom bracket		Decrease rates. Eliminate bottom bracket		

2024 Legislation

Individual Income Tax

Act 46, SLH 2024 (HB2404 HD1 SD1 CD1) RELATING TO INCOME TAX

Revenue Impact:

Estimated Total Revenue Impact (\$ Millions)

FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031	FY2032
-240.3	-596.6	-740.1	-922.7	-1,052.6	-1,262.3	-1,347.5	-1,453.2

Includes macroeconomic impacts and additional tax revenue from increased income

Incorporates changes to withholding tables beginning Jan 1, 2025

2024 Legislation

General Excise Tax

Act 47, SLH 2024 (SB 1035 SD2 HD1 CD1) RELATING TO GENERAL EXCISE TAX

Exempts GET from medical and dental services provided to patients who received Medicaid, Medicare, or TRICARE

Estimated Total Revenue Impact (\$ Millions)

FY2025	FY2026	FY2027	FY2028	FY2029	FY2030	FY2031
0.0	-33.6	-77.5	-81.0	-84.5	-88.2	-91.9

Includes macroeconomic impacts and additional tax revenue from increased income.

Additional Fiscal Development in FY 2025

The State will issue hazard pay settlement for State employees due to collective bargaining agreement

Estimated Income Boost: \$537 million

Two Equal Payments

October 2024

March 2025

Expected FY 2025 revenue gain:

IIT: \$40.2 million

GET: \$10.7 million

Total: \$50.9 million

Things to keep in mind as Hawaii undergoes large fiscal changes

There are no Keynesians at the State level!!!!

Forget lessons from Econ 101 on deficit spending

Hawaii is a balanced-budget state

HI Government spending = tax revenues + Federal transfers

$$\text{GDP} = \uparrow C + I + \downarrow G + NX$$
$$\text{GDP} \approx \text{TPI}$$

- There is limited capacity for intertemporal shifts in spending

Potential vectors for shifts in aggregate demand

Short Term

- Consumers spend money faster than the government
 - Gov is slow at disbursing funds. Stashes cash in rainy-day funds
 - If true, positive effect

Medium Term

- Increased incomes boost migration into State (or slow outflows)
 - If true, positive effect

Long-Term

- Citizens invest money more productively than government
 - If true, positive effect
- Lack of public investment, leads to capital deterioration
 - If true, negative effect

Suggestion:

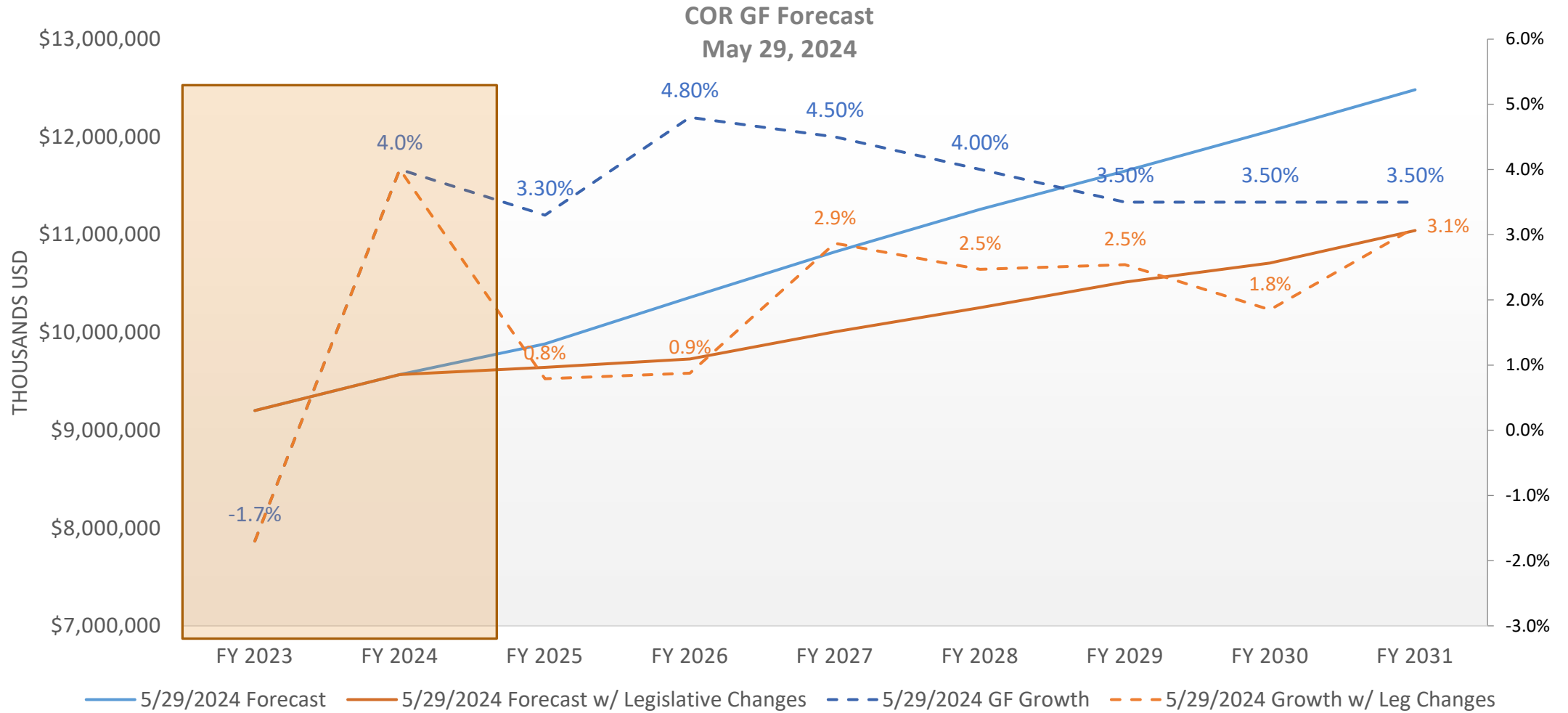
- 1) Pick your top-line general fun forecast
- 2) Use calculator to adjust for revenue changes due to legislation

The revenue estimates already include macroeconomic impacts

- Council members do not need to adjust their forecast for economic effects of legislation
- Revenue estimates above \$50 million are scored dynamically

	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
5/29/2024 Forecast	\$9,200,336	\$9,568,313	\$10,027,592	\$10,478,834	\$10,897,987	\$11,279,417	\$11,674,196	\$12,082,793	\$12,505,691
	-1.7%	4.0%	4.80%	4.50%	4.00%	3.50%	3.50%	3.50%	3.50%
HB2404			-\$240,274	-\$596,644	-\$740,069	-\$922,668	-\$1,052,649	-\$1,262,307	-\$1,347,517
SB1035				-\$33,600	-\$77,500	-\$81,000	-\$84,500	-\$88,200	-\$91,900
5/29/2024 Forecast w/ Legislative Changes	\$9,200,336	\$9,568,313	\$9,787,318	\$9,848,590	\$10,080,418	\$10,275,749	\$10,537,047	\$10,732,286	\$11,066,273
	-1.70%	4.00%	2.3%	0.6%	2.4%	1.9%	2.5%	1.9%	3.1%

Current Council on Revenues Forecast



May 29, 2024 Forecast

FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
\$9,200,336	\$9,568,313	\$9,884,067	\$10,358,503	\$10,824,635	\$11,257,621	\$11,651,637	\$12,059,445	\$12,481,525
-1.7%	4.0%	3.30%	4.80%	4.50%	4.00%	3.50%	3.50%	3.50%

Mahalo!