

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECT FILES 8672
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OBSERVATIONS

Those were the legislative goals and the methodology we used in meeting them but any study which is directed by a Committee takes on a life of its own and differs intrinsically from a study which is done either totally in-house or is totally turned over to outside consultants. The diverse backgrounds of committee members is one factor (members generally being chosen to represent various segments of the community) and the dynamics of Committee interaction is another. What emerges from such a study may be something more than the legislative act creating it envisioned.

In Iowa the enabling legislation stressed burden and yield. The Committee members, as they become more aware of the theories behind taxes became much more involved with horizontal equity and the "perception" versus "reality" aspect of the economic development issue.

As stated previously, the Committee was composed of eleven citizen members and four ex-officio members who were sitting legislators. At the beginning of the process the legislators played the dominant role due to their greater familiarity with taxes and to their desire to have their own issues become a part of the study. By the end of the process they had become a true part of the group and their input was valuable, but not controlling.

The evaluation of the impact of possible modifications was presented to the Committee at progress meetings in October and November.

Task 13: Draft Final Report

Task 14: Final Report

The annotated outline for this final report was presented to and agreed upon by the Committee at the progress meeting held on September 27. As the policy analysis was conducted, the results were compiled as sections of the draft report and were submitted to the Committee on an on-going basis in September, October and November. The final report was submitted on November 16.

Task 15: Assistance in Presentation of Final Report

Members of the Coopers & Lybrand study team met with the Tax study Committee to provide assistance in preparation of their final report to the Governor and members of the General Assembly through December 17. In addition the appropriate officials within the state government were provided with computer models developed during the study and with instructions on their use.

The advantages of using a citizen committee are many: those most effected by changes in the tax structure are put in charge of recommending those changes; different segments of the community do the actual voting and are less likely to be influenced by lobbyists for those interests; conclusions reached have more credibility since they arise from a disinterested body not subject to the need to seek votes.

The major disadvantage is the amount of time it takes to familiarize the members with the details of the tax system and with the intricacies of tax policy.

Using an outside consultant also has advantages and disadvantages. The major disadvantage is the inability of the consultant to work directly with tax returns and the need to rely on state revenue officials to aggregate the data in ways which will yield the maximum amount of information needed while respecting confidentiality. The advantages are: the neutrality afforded by use of a disinterested third party; the ability to combine expertise in economics, economic development and taxes; and, the familiarity with other state tax and development aspects.

In the case of the Iowa Tax Study, we believe that the advantages of using a committee to make recommendations and an outside consulting firm to conduct the study far outweigh the disadvantages involved. The Committee members are intelligent and care about the state - both its citizens and its business climate. The consulting firm brings a familiarity with taxes not only at a theoretical level, but at a true working level based on experience with businesses and individuals who deal with the effects of the tax systems of all fifty states.

A comprehensive study, properly done, can lead to better decision-making at a state level for years to come. Such a study lays a theoretical foundation that transcends the necessary "snapshot-in-time" nature of the specific data used. The Committee is still in the process of reaching its conclusions. What these will be and how the Legislature and Governor will deal with them in the political process, are unknown at this time but we do know that the study will have served its purpose as a reference point for the present system and a policy base for future changes to it.

TEXAS EXAMINES ITS TAXES

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Texas has a particular way of studying state issues. A legislative resolution establishes a commission to examine a specific problem. The membership of this commission usually includes the political "leadership"—the Governor, the Lieutenant Governor, the Speaker of the House, the heads of the budget committees in the House and Senate, other prominent legislators, and often the Comptroller, the Treasurer, and other non-legislative elected officials. Sometimes citizens are included, usually individuals with considerable political power; H. Ross Perot, the head of the Select Committee on Public Education, is the archetype of the citizen-member. The commission is then staffed by staff members to the politicians and by individuals borrowed from state agencies.

The conventional reasons for using this method include the need for any study to get the attention of the political "leadership", since political power in Texas is highly concentrated in a small group of elected officials. In addition, in a state chary of spending public money, this method costs very little. Marginal outlays for these commissions are often zero, though the opportunity costs can be substantial.

The Joint Select Committee on Fiscal Policy, created in October 1983 to study tax and expenditure issues, followed this general pattern. The Committee members include the Lieutenant Governor, the Speaker of the House, the Secretary of State, and the heads of the Senate Finance Committee, the

State Affairs Committee, and the House Ways and Means Committee. Ex-officio members include the Governor, the Treasurer, and the Comptroller. The staff to the Joint Select Committee was assembled from the offices of the Governor, Lieutenant Governor, Legislative Budget Board, Comptroller's Office, and the Texas Advisory Commission on Intergovernmental Relations. The only staff members from outside state government included the head of the Texas Research League, a business-supported group that studies public policy issues; a staff member of the Texas Association of Taxpayers, another business group dedicated to low taxes; the Dean of the LBJ School, an ex-state senator; and me, an economist.

The general motive behind the Joint Select Committee was the fiscal "crisis" of 1983. Severance and sales tax revenues had declined, and the legislature in its 1983 session was forced to curtail appropriations since the House—which must originate all tax legislation—refused to increase taxes. With special pressure from teacher groups and highway interests for more funding, as well as some pressing needs for increased social welfare spending, most observers expected a special legislative session to consider tax increases. Another reason behind the Joint Select Committee was the perception of a key staff member to the Lieutenant Governor that revenue prospects in Texas had changed permanently, and that a study of long-run changes was necessary. A third and more pragmatic reason was that several important members of the House were unconvinced that a fiscal shortfall existed; the Joint Fiscal Committee was a vehicle for bringing the magnitude of the shortfall to their attention. The Joint Select Committee was envisioned as the beginning of a longer-run process to analyze fiscal issues in the state with some short-run results, rather than being focused

3

exclusively on the immediate issues of how to raise taxes. It was also one of several studies and commissions analyzing the state's fiscal problems; others included the Select Committee on Public Education, an independent study of highway financing, and the Comptroller's own study of revenue alternatives.

The original staff plans were to prepare three monographs: one on tax and other revenue issues; one on expenditure patterns and the long-run causes behind them; and one on state-local fiscal relations, concentrating on non-education spending. None of these three areas has been extensively studied in Texas, and all three monographs would have broken new ground. In early discussions, the staff agreed that the results would be comprehensive, free-wheeling, and independent, and would include chapters on alternative revenue sources and other fiscal policies. I interpreted this description to include the standard, garden-variety form of policy analysis—outlining problems, identifying their causes suggesting various solutions, presenting their pros and cons, and making recommendations where the evidence strongly favors one alternative over the others.

My role was to serve as editor and coordinator. Other staff members would write initial drafts in the areas of their expertise. I would criticize and edit these drafts, as well as writing some analytic sections and summaries. Therefore I was not a director in the sense that most state tax studies have had directors with full control over staff. Nor did I have any power over other staff members except the power to cajole and nag. The marginal outlay of the Joint Select Committee was about \$25,000, to support three months of my time plus research assistance; all other time spent on staff work was borrowed from other duties of staff members.

Unlike tax studies in many other states, the Joint Select Committee held no hearings at which citizens could present their opinions, although all meetings were open to the public. The Committee did hold one hearing to which it invited several businessmen and economists to discuss the future of the Texas economy. The other hearings of the Committee were staff briefings of Committee members; these were effective in bringing the magnitude of the state's fiscal problems to the attention of important legislators, but these hearings were not designed either to present information to a larger public or to allow citizens to express their concerns. I had pressed for public hearings because of a personal belief in open government and citizen participation, and because the potential role of the Joint Select Committee in educating the public as well as legislators could have been started through public hearings.

One important result of the Joint Select Committee was its effect in changing the opinions of several legislators about fiscal conditions; this paved the way for a large tax increase during the summer of 1984 to fund expenditures for schools and highways. (However, the Joint Select Committee did not participate as a committee in the decision about which taxes to raise.) The staff of the Joint Select Committee also analyzed several specific tax issues: the taxation of bank stock, resolved in the summer of 1984; and the taxation of the telecommunications industry, hazardous waste, and advertising, issues certain to arise during the 1985 legislative session.

A third concrete result of the Joint Select Committee is the publication of a monograph entitled Funding Texas State Government: An Analysis of Taxes and Non-Tax Revenues. (The table of contents for this monograph is included as an appendix.) This monograph presents little new research, because of time

and money constraints, and instead summarizes what is already known about revenues in general and in Texas specifically. At the insistence of other staff members, the monograph foregoes the usual analysis of tax and revenue alternatives. Since it was restricted to being purely educational document, I concentrated on several issues about which there is little information within Texas, or on which conventional wisdoms have developed that need clarification. These include the following:

1. Texas has a tax system with a low income elasticity, masked by a decade of booming severance taxes. The implication, given stagnant energy prices, is that fiscal crises will continue to occur and that the sales tax (with a surprisingly high elasticity) will increasingly dominate state revenues. The first of these has already occurred: the 1985 legislative session faces another fiscal "crisis" despite the large tax increases of 1984.
2. The incidence of taxes is almost never examined within Texas. In fact, Texas has one of the country's most regressive tax structures, since it relies heavily on consumption taxes and has no income taxes.
3. The issue of how high taxes are is a source of frequent complaint in Texas. One chapter of the monograph addresses this issue by showing that real tax burdens have declined since the mid 1970s, and are among the lowest in the fifty states.
4. One powerful convention within Texas is that increasing taxes will ruin the state's good "business climate" and reduce growth. A

chapter of the monograph reviews the empirical evidence on location and business climate, showing that tax levels are generally marginal influences on interstate location decisions.

5. A chapter on non-tax revenues suggests that there are alternative ways to structure highway user taxes and fees, especially truck fees, and that tuition at state colleges and universities is probably too low. These are revenue sources that have been especially impervious to change.
6. Texas receives lower federal grants per capita than most states, and a convention has developed that this is due to federal formulas discriminating against the Sunbelt and in favor of the Snowbelt. One chapter decomposes the differences in federal grants per capita, in order to show that three other causes are important: failure to receive funds allocated as project grants; federal formulas based on need (unemployment rates, for example), where Texas has lower levels of need than other states; and low spending in Texas for Medicaid and Aid to Families with Dependent Children (AFDC), with low matching federal funds as a result.

My hope is that this monograph will generate increased public attention to tax and revenue issues. There is now woeful ignorance about fiscal issues among both legislators and citizens (as there is in every part of the country), and any increased information about taxes and fees would be a step in the right direction. A second potential effect of this Committee is that staff members in state government—particularly those in agencies like the

Legislative Budget Board and the Office the Comptroller—become more skilled at longer-run, analytic research and writing; other observers claim that this process has already started to take place. The effect of a tax study in educating state staff members, in addition to legislators and the public, is a result more easily achieved by including these individuals in a study, rather than having the study done by a group of "outsiders" formed specifically for a one-shot study.

Still another advantage of the Texas model of performing a tax study is that it is cheap. The marginal outlays for this study were as little as five percent of those in other states (like New York and Minnesota) with large budgets and staffs. In a state wedded to low spending, the low-budget approach is generally considered the only "realistic" method. At the same time, the true cost of borrowing staff members from state agencies is never calculated; in some cases (though not the Joint Select Committee on Fiscal Policy) the real costs can be quite large.

On the other hand, the results of the Joint Select Committee were not as substantial as originally envisioned, because of inherent limitations in the model of "borrowing" staff members from their regular jobs. The original three monographs shrank to one, as monographs on expenditure patterns and on state-local fiscal relations were abandoned. The reasons included the inability of staff members to complete their writing assignments on time, and the uneven quality of some early drafts. These problems were in turn due to the constraints of the jobs held by state staff members. For staff members who have to respond to political crises, or whose other work allows them little spare time, delays in writing are inevitable. For example, the Comptroller's staff has the greatest technical expertise and knowledge about

taxes of any state agency, but as these individuals are constantly being reassigned to new projects they are sometimes unable to complete work they have started; the staff of the Legislative Budget Board was unable to work for long on material for the Joint Select Committee because they had to prepare budget analyses for the special legislative session of 1984. In addition, staff members borrowed from state agencies are often accustomed to doing very different kinds of work from that required by a longer-run policy analysis. Staff members who have become used to and expert at examining the details of agency budgets or specific tax provisions are not necessarily able to shift to the more critical longer-run analysis appropriate for a general study.

Another problem, in my view, of the staff work for the Joint Select Committee was a restriction on the scope of writing. My own assumption that the staff would do a conventional policy analysis—posing alternative solutions to fiscal problems and arguing their pros and cons—was not shared by any other staff members. Instead, others insisted that the results of any staff writing should be purely informational, describing the current revenue structure with no alternatives mentioned, and without any suggestion that problems in the Texas revenue structure might imply the need for reform. Other staff members held that suggesting alternatives was the province of politicians, not staff members. The reason for this position is inherent in using staff members who are in essentially political positions to carry out analytic studies. A staff member to a politician is unlikely to write about issues that his (more rarely, her) boss doesn't want to hear about. The reluctance of staff members to "get out in front" of the politicians reflects an unwillingness to identify as problems issues which their bosses don't view as problems, or to pose alternatives which their bosses do not want to consider.

The educational role of purely informational and descriptive writing is important, of course, and the role of the Joint Select Committee in educating the legislature and the citizenry of Texas should be substantial. Still, there is also a need in state government for more wide-ranging and independent analysis of policy issues and alternatives. Episodes of "crisis" like the one that generated the Joint Select Committee arise precisely because old policies no longer work. In such situations, the analysis of alternatives should be as unconstrained as possible because otherwise some possible improvements may be overlooked.

Appendix

FUNDING TEXAS STATE GOVERNMENT: AN ANALYSIS OF TAXES AND NON-TAX REVENUES

Table of Contents

INTRODUCTION AND SUMMARY

CHAPTER ONE: PRINCIPLES OF TAXATION

- I. Principles Governing the Allocation of Tax Burdens
- II. Equity in Taxation
- III. The Neutrality or Efficiency of Taxes
- IV. Simplicity and Administrative Costs
- V. Stability of Revenue
- VI. Revenue Growth
- VIII. Exportability
- IX. Some Implications of Citizen Preferences

CHAPTER TWO: THE EFFECTS OF TAXATION ON EMPLOYMENT AND POPULATION LOCATIONS

- I. The Location Decisions of Firms
- II. The Location of High Technology Industry
- III. The Location of Individuals
- IV. The Effect of Taxes on Business Climate
- V. Some Conclusions

CHAPTER THREE: THE STRUCTURE OF TAXATION IN TEXAS

- I. An Overview of Texas Taxes
- II. The Sales Tax
- III. Severance Taxes
- IV. Motor Fuel Taxes
- V. The Motor Vehicle Sales and Rental Taxes
- VI. The Corporation Franchise Tax
- VII. Cigarette and Tobacco Taxes
- VIII. Alcoholic Beverage Taxes
- IX. Other Taxes
- X. The Texas Tax Structure Compared with Other States

CHAPTER FOUR: TAX BURDENS IN TEXAS

- I. Tax Burdens Over Time
- II. Comparisons Among States

CHAPTER FIVE: USER FEES AND TAXES

- I. Highway-Related Taxes and User Fees
- II. Tuition for Higher Education

CHAPTER SIX: FEDERAL FUNDS IN TEXAS

- I. The Purposes of Federal Grants
- II. Federal Grants to Texas Compared with Other States
- III. Total Federal Revenue in Texas and Other States

STATE TAX STUDY COMMISSIONS*

STATE	TYPE OF COMMISSION	YEAR	MAJOR RECOMMENDATIONS
California	G	1985	Decrease role of personal income tax in state finance (i.e., use a flat rate with a flat rate surcharge for higher income taxpayers; retain stiff add-on minimum tax and indexing of brackets; exclude from taxation \$16,000 on a joint return/\$12,000 on a head of household return/\$8,000 for a single return); reduce corporate income tax rate at least 10 percent; eliminate all sales tax exemptions and exclusions; create a refundable sales tax credit; include all retail sales and services in sales tax base
Connecticut	L	1983	Refuse adoption of a personal income tax; a package of reforms to enhance administration and collection efforts and to increase the information given to taxpayers; adopt a transportation benefits tax system, dedicating revenues to highway construction and maintenance
Hawaii	C	1984	Sunset all tax exemptions by 1987 to encourage review and possible elimination of existing tax expenditures; maximize tax exporting (e.g., adopt a short-term transient accommodations tax); establish a lottery; revise income tax brackets and standard deduction to restore equity
Illinois	G	1982	Reject graduated personal income tax rate; sunset all statutory property tax exemptions; consider replacing homestead and senior citizens property tax exemptions with a state grant program (e.g., a circuitbreaker); broaden sales tax base to include services but exempt food and drugs fully
Indiana	A	1982 & 1984	None
Iowa	L	1984	Spurn modified flat rate personal and corporate income tax; rebuff broadening of sales tax base to include services; exempt agricultural and manufacturing equipment (including replacement parts) from sales tax base; abolish personal property tax; eliminate homestead property tax credit; extend existing property tax credit for elderly and handicapped owners to all low-income taxpayers; revise assessment formula for agricultural land

STATE	TYPE OF COMMISSION	YEAR	MAJOR RECOMMENDATIONS
Kansas	G	1985	Perform statewide property tax reappraisal; adopt property tax classification scheme with three classes (i.e., public utility property; other income producing real and personal property; and single and multi-family residential real estate)
Michigan	A	1982	None
Minnesota	G	1984	Reduce personal income tax burden by lowering effective tax rate 20 percent; concentrate income tax relief in low and middle income groups; create an income/wealth based property tax credit for low and middle income homeowners/farmers/renters; adopt complete indexation of income taxes; reform property tax classification system to include only three categories (i.e., residential homestead and agricultural property; residential non-homestead property and apartments; and all other property); broaden sales tax base to include personal services and new clothing
New York	L	Ongoing	
Ohio	L	1982	Avoid income tax indexation; adopt a separate income tax rate schedule for single and joint returns; broaden sales tax base to cover most recreational/entertainment services; repeal intangible personal property tax; abolish tangible personal property tax if a revenue replacement can be found; exempt interspousal transfers from estate tax
Pennsylvania	G	1981	Reform property tax assessment program; eliminate numerous local, non-property taxes; authorize local income taxes for municipalities and school districts (1 percent and 1.5 percent respectively; allow Philadelphia to impose an income tax on residents and non-residents, with no rate cap given by the state); let other municipalities outside Philadelphia impose an earnings and net profits tax on non-residents; allow regional income tax of up to 2 percent in the five county area around Philadelphia, earmarked to fund mass transit; index quarterly all transportation taxes and fees (using Federal Highway Administration cost index and the actual level of taxes collected); move toward a user financed transportation system (e.g., increase user fees; adjust taxes to reflect costs imposed by various classes of vehicles; phase out most exemptions); adopt numerous reforms to enhance tax collection and administration

STATE	TYPE OF COMMISSION	YEAR	MAJOR RECOMMENDATIONS
Rhode Island	G	1982	Develop a new personal income tax system not piggybacked on federal tax liability and without indexing of rate brackets (unless that's specifically authorized by the legislature) broaden sales tax base (e.g., tax admissions to entertainment events) but do not include services; devise property tax relief program including an expanded state aid program and an "in lieu of taxes" program for tax-exempt property; target state aid to distressed communities; tie all property tax exemptions to need; consider enactment of a circuitbreaker (available to all low income property owners) to provide property tax relief
Tennessee	L	1985	Restructure taxes but without increasing overall tax burden and without revenue loss to local governments; simplify business taxes, perhaps by adoption of a single business tax (e.g., a value-added tax)
Texas	L	1985	None
Washington	G	1983	Adopt a personal income tax; use a single rate for the income tax but provide generous personal exemptions; base the income tax on federal adjusted gross income; enact a corporate income tax (also using a single rate and based on federal adjusted gross income); reduce existing business and occupation taxes and allow them to be credited against corporate income taxes; set minimum rates for both income taxes in the Constitution; exempt food from sales tax; increase existing property tax exemption for low-income elderly property owners; consider a circuitbreaker (unlimited by the age of the owner)
West Virginia	L	1984	Adjust income tax tables to remove inequities for single taxpayers; reduce nominal income tax rates; replace current business taxes with a new systems of privilege and profits taxes; including a severance tax, a utilities and carrier tax, and a general, apportioned franchise tax; replace credit for business privilege taxes with a deduction to equalize treatment of incorporated and unincorporated businesses; provide property tax relief through a state financed circuitbreaker program, available to all needy individuals regardless of age; collect payments in lieu of taxes from all tax exempt property; give municipalities and counties authority to impose selected general taxes; allow municipalities and counties to

STATE	TYPE OF COMMISSION	YEAR	MAJOR RECOMMENDATIONS
			collect a hotel occupancy tax; expand the amusement tax; authorize counties, school districts and municipalities to charge user fees where individual costs can be determined; adjust at least every two years registration fees and motor fuel excise taxes based upon federal construction or maintenance indices; increase automobile and truck registration and license fees to finance roads; enhance administration, enforcement and collection of transportation taxes; reform tax administration and appeals system

Key:

- A=Undertaken by an academic institution
- C=Mandated by the state Constitution to be conducted every five years
- G=Created by gubernatorial order
- L=Created by legislative action

*Other states just beginning tax studies include Colorado, Florida, Massachusetts, New Jersey and Utah

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The National Conference of
State Legislatures

Spec Staff Comm


**TAX COMPETITION BETWEEN THE STATES
A SOLUTION OR A PROBLEM**

Welcome: Representative Ron Micheli (WY)

We would like to welcome you to this session dealing with tax competition between the states. My name is Ron Micheli, I serve as the chairman of the Western Legislative Conference Revenue and Taxation Committee. It is a pleasure to be here and I'm looking forward to this session.

State and local governments today are becoming more and more active participants in their economies. Increasingly, state and local governments are taking actions to try to attract industries and to stimulate employment in their respective jurisdictions. As a result of these actions, an intense competition has developed between jurisdictions for economic activity. In this competition, state and local governments find themselves pitted against each other for industry, in what really amounts to a high stakes bidding game for jobs and income. State and local governments see it necessary to offer a range of incentives to businesses, often out of fear that the businesses will locate in other areas that are offering more.

Today's panel will be examining one of the more controversial incentives that governments have used to attract business activities — tax incentives. Tax incentives are not new, they have been around for sometime. Even in the early years of this country, state governments used tax policy along with direct expenditure, regulation, and public relations to try to attract businesses to take residence within their borders. In recent years states and local governments have refined the application of tax incentives and broadened their use. While tax incentives have become very popular, a debate rages whether they really accomplish what they are designed to do. Increasingly, the efficiency and effectiveness of tax incentives have been called into question.

We have with us today three speakers who will help us examine tax incentives and the role that tax incentives play in economic development.

Our first speaker is L. Clinton Hock, Executive Vice President of Marketing and Long Range Planning for the Fantus Company. Mr. Hock's work for Fantus has concentrated in the area of facility site selection and economic geography. Mr. Hock has written

extensively and lectured on transportation, physical distribution, industrial development, and plant location. Prior to joining the Fantus Company in 1950, he was a transportation consultant and practitioner before the Interstate Commerce Commission. He is a faculty member of New York University, and also lectures at Columbia University, Elmhurst College, and Princeton University.

Our next panelist is Gary Cornia, who is a member of the Utah State Tax Commission. As a Commissioner, his primary concerns are in the areas of tax management and tax policy. Mr. Cornia is also an Associate Professor at the Graduate School of Management at Brigham Young University. Prior to joining the State Tax Commission, he was a research associate at the Academy for Contemporary Problems in Columbus, Ohio. He has also served as a lecturer and a professor at two universities. He has conducted research and written numerous articles and papers on budgeting, taxation, and economic development.

Our final speaker is Bill Hamilton, founder and senior partner at ASLAN Associates. ASLAN Associates is an economic development consulting firm based in Washington, D.C. Mr. Hamilton's work at ASLAN focuses on state and local economic development activity. He was formerly a consultant for the Urban Institute and he served as project manager for the National Association of State Development Agencies. He also spent time as a legislative assistant to U.S. Senator Wendell Ford.

Speaker: L. Clinton Hock

I am glad that you noted in your introductory remarks that tax incentives, while we all consider them the current rage, are nothing new in this country. As a matter of fact, tax incentives have played a key role in the economic development of our country, going back all the way to early colonial days, and they have been used as an instrument of government policy to foster investment and to designate where new facilities should be located.

I find that going back in history that as early as 1789 there was a notation in George Washington's diary that he had just come back from Beverly, Massachusetts, where he had been visiting with a gentlemen whose name was Mr. Cabot. Mr. Cabot was putting in the first textile mill in the United States in Beverly. What the diary failed to mention was that the town of Beverly and of the Commonwealth of Massachusetts actually had

been encouraging Mr. Cabot in this endeavor by giving him a tax forgiveness so he could meet competition from English imports of textiles. George Washington's friend, Alexander Hamilton, at the same time was developing the first industrial park in the United States in Patterson, New Jersey. We find that Patterson had given to Alexander Hamilton a tax holiday for 50 years. The Erie Canal, which opened in 1825, had a guarantee of no taxes anywhere along the route, locally or by the state, anywhere in the state of New York. Coming home here to the Western States, of course tax incentives played a very key role in the development of Land Grant Railways which opened the West to economic development.

In the 20th century we have used tax incentives very extensively. In World War I, for example, the federal government gave tax incentives to domestic industries so that they could develop new sources for strategic materials. In World War II, we used tax incentives again to take industries from the states of California and Washington and move them to places like Wichita, Kansas out of range of the enemy submarines and naval guns. In the post-war period, tax incentives were used to steer jobs into areas of substantial unemployment, into rural poverty areas in Appalachia, and even onto Indian reservations. Currently, as you all are aware, we're using tax incentives to rebuild our inner-cities, through enterprise zone legislation.

But unquestionably, the greatest tax incentive program ever to hit the American scene, is the so called tax-exempt bond issue. We can credit the development of tax-exempt bonds to Mr. Felix Fantus, founder of my company, who, in 1936, along with Governor Luke White, Governor of the State of Mississippi, invented a program called (BAWI) "balance agriculture with industry." With the help of the legislators of the State of Mississippi, they developed a program of issuing general obligation bonds to build plants — just like building a school or building a town hall — with the full faith and credit of the State of Mississippi pledged to back the bonds. The neighboring states of Tennessee and Louisiana soon picked that up as part of their development programs. General obligation bonds fell out of favor in 1938, still in this depression period when tenants went broke. The pioneer states of Mississippi, Tennessee, and Louisiana responded by inventing the revenue bond. Still tax exempt, the revenue bonds were much safer than the general obligation bonds because instead of using the full faith and credit of the state to back the bond, the lease of the tenant was used as collateral. By the 1960's the use of industrial revenue bonds, as they then began to be called, really began to go wild. I recall a situation in Kentucky, where a little town of Cloverport, with 960 residents, floated a

bond issue for \$96 million to build an aluminum mill.

All through the Southeast the industrial revenue bonds were considered government owned property, and so ad valorem or local property taxes were not applied and the tenants were also permitted to buy their own bonds. We had a situation of quadruple benefits: 1) there was a low interest mortgage arrangement with the tax-exempt bond, 2) the owners of the company as individuals could go out and buy the bond issue (and they usually did for their own portfolio, with no taxes), 3) there was a full deduction of the rent as a business expense, and 4) there was also exempted local ad valorem taxes. But that wasn't enough — there was another sweetener. At the end of the bond period, when the bonds had been fully retired, the company would buy its own plant back for one dollar. The IRS was not very happy with that. It struck back, with the aid of the Congress, by putting a tax on the industrial revenue bonds. President Reagan would like to get rid of these bonds entirely.

We find at Fantus that over the years the use of tax incentives has tended to run in trends or fads. At the federal level it has become a fashion to tinker with the fortunes of selected industries with tax policy. In the closing years of the Carter Administration, the executive departments were beginning to espouse industrial policy. I recall a full-day conference in the White House, when members of my company were called in with the leaders of each of the major departments of the executive branch, to try to figure out how to give favorable tax treatment, on the basis of needs, for job protection to certain industries. The industries we designated were the automobile industry, the textile mills, steel mills, and paper companies. Nothing ever happened. Today the Reagan Administration, again with tax incentives, is leaning toward high-tech and entrepreneurs, at the expense of those very industries (the "smoke stack" industries), that we were talking about. Present tax reform plans call for hitting the banks and the insurance companies, as well as the entire real estate fraternity.

At the state level the trend is to neutralize any competitive advantage of adjacent states by enacting tax legislation offering incentives and inducements. Here in the Western region for example, California phased out its punitive inventory taxes to stem the loss of distribution industries to the neighboring state of Nevada. Maryland recently enacted laws favoring the entry of certain banking operations in competition with adjacent Delaware. Many of the Western States represented in this room are now funding educational and/or other activities to attract high tech investment, imitating a successful

program that has been put in place in Texas. Every once in a while, however, these copy-cat legislation pieces fail miserably. A good example is Florida, which used the model statutes of some Western States to enact a unitary tax provision in 1983. Governor Graham was finally forced to seek the repeal of the law when Sony, Westinghouse, and other multi-nationals threatened to close down their Florida plants and foreign direct investment in Florida declined.

Indeed, the actions of foreign direct investors have become a serious factor in dictating domestic tax policies today. European and Asian investors, who are accustomed to grants and tax incentives at home and abroad, have been demanding the same treatment here in the United States in return for their new payroll. In taking note of the sizable sums which states have pledged to foreign direct investors, domestic companies are now seeking similar concessions. Such inducements have emerged as important factors in the site-selection process.

The GM Saturn situation is a good case in point. Thirty-six states, including twenty-six governors, made a pilgrimage to Detroit in the hopes of winning 20,000 jobs for their area from GM. The offers in the Saturn sweepstakes included not only free land, but millions of dollars in tax breaks. GM finally selected Tennessee. The billion dollar, "let's make a deal" really wasn't about building cars. It was about jobs and it was about taxes. Tennessee could hardly refuse GM, because the state had given a deal of the same magnitude to Nissan only 40 miles away from the GM site.

Currently the inter-fiscal competition among states and legislatures has reached a fever pitch. Legislators in some states that are flushed with a surplus are using this particular time to try to make themselves more competitive and attractive within their own region. This year alone, about 20 states have cut taxes, with the largest reductions coming in the highest tax states, New York, Minnesota, and Ohio. But memories of the grim 1981-1982 recession, which left many of the states short of revenues, remain very vivid in many legislators' minds. Some of the states who have been pressured to reduce taxes have instead cut back on spending growth. In those state where taxes were actually raised, the increases were very small and they involved increases in excise taxes or small changes in exemptions. In some of the embattled farm states, including those here in the West, the polls are saying that there is voter hostility to any tax increases, and therefore you should not try to pass any. A good example of what happens occurred right here in Oregon a few weeks ago, when the voters soundly defeated a proposed 5%

sales tax that was backed by many of the state's top political leaders.

A dollar-for-dollar offset of income taxes is now allowed in many states to encourage business development and growth. I went into my records and found that 21 states have adopted some type of investment credit, 10 states have some type of work incentive credit, 36 states encourage new jobs with income tax credits, 9 provide an offset of fuel taxes and 35 offer some polyglot group of other credits to encourage business development. One of the problems that we have in our business of locating facilities around the country is this comparison of one state's taxes against the other.

One of the serious areas we have for investments of industrial projects involves depreciation rules as they affect state taxes. Unfortunately, the federal government keeps changing its definitions of depreciation. While your states are just catching up now with the old "fast" depreciation system, the federal government went ahead with its new ACRS system, and then made a change in that again last year. Now the president is proposing to eliminate the ACRS system of depreciation entirely.

The states have moved well ahead of the federal government in terms of helping to stimulate industry and create jobs. The most exciting situation in all the areas of incentives involves the direct financing today by the states of capital construction, and this is far beyond the amounts which were granted under industrial revenue bonds. We're finding that economic development authorities (primarily in the Northeastern part of our country where states are setting the trend in this area) are making direct loans at subsidized interest rates and using state employee pension funds to invest in venture capital situations. Many states for the first time are taking an equity participation position. Programs are being aimed at the support of entrepreneurs and the fostering of export trade. Many states are committed to underwriting the development of new industries based upon the commercialization of the research taking place in their own state universities. Finally, among new incentives, we find many new public-private partnerships under state sponsorship, and we also see financial support of local development organizations with state funds.

As we examine state tax incentives, however, it's important to keep all of them in the proper perspective. It's here where we argue most with the publishers of the business climate studies, who we believe are doing the states tremendous disservice by distorting your perception as legislators of what's important in the whole site-selection process.

The published ratings, no matter who is putting them out, are developed by putting a lot of emphasis on low-cost jurisdictions — those states that have relatively low industrialization, and as a result, low wages and low unionization. Further, the business climate studies will reward a state with a high rating if it offers inadequate welfare payments, inadequate unemployment insurance, and inadequate payments to injured workers. The raters' own business game as publishers is very facinating, because every year the ratings are changed and that means that every year states rank differently, and every year you as legislators go out and buy their books to find out where your state stands. Yet a state's ranking may change even if it does nothing whatsoever to make that change occur. The legislatively controlled items in these business climate studies count for less than 40% of the factors which are included in the surveys. The balance of factors you as legislators can do nothing at all about, including such things as the wage rates prevailing in manufacturing or the extent of unionization in your state.

So what is important in the decision process? I strongly urge you to keep a proper perspective in considering this whole area of tax incentives, because contrary to the impression given by the state business climate studies, the key factors influencing site selection are really quite stable. Although exemptions and credits are becoming increasingly important, they still rank well below other business considerations. In the April 1985 issue of Industry Week, a survey was reported of 1,000 leading manufacturing executives, in which the executives were asked to rank the site-selection factors for manufacturing plants. Their rankings may surprise you because ranked number one was geographic location (i.e., where in the country would the facility be located), and ranked number two was workers productivity.

A review of the entire list of site selection factors reveals where tax exemptions and tax credits rank:

- 1) geographic location
- 2) worker productivity
- 3) trucking costs
- 4) union activity
- 5) stability of state government
- 6) skilled labor availability
- 7) long-term financing
- 8) energy and energy sources
9. raw material availability
10. tax exemption
11. tax credits
12. unskilled labor availability

13. air transportation
14. water supply
15. rail transportation
16. worker training programs
17. sea transportation

Our experience at The Fantus Company confirms that Industry Week study of priorities. In the current business environment there has been a notable shift away from wage-rate differential towards the long-term importance of strategic location and improved productivity. While the ranking of tax incentives is lower in priority, nevertheless, there are some factors that you can control as legislators which are becoming increasingly important in the site selection process. First, is the stability of state government. What industry means by that is policies towards commerce and industry. Next, is assistance in long-term financing through the use of the state's borrowing capacity and the availability of pension funds, freeing them up so that they can be utilized for private investment and support of entrepreneurial activity. Tax exemptions and tax credits are important, but should be targeted for expanding and new businesses. Finally, the support of vocational and business education programs, including the funding of research handled through your state universities, can make a difference. In conclusion, we at the Fantus Company would urge you not to yield to the current panic of inter-fiscal competition, but rather to tailor your legislative programs to encourage the expansion of your economic base through appropriate credits and funding mechanisms.

Speaker: Gary Cornia

Today I would like to talk about some important criteria we should use when we evaluate or talk about tax systems. These criteria are typically found in any public finance text book. First, the distribution of the tax burden should be equitable, with everybody should paying their fair share. Second, taxes should be chosen so as to minimize interference

with economic decisions. By that we mean that no politician or elected official is as smart as the free market in making business location decisions. Third, the tax system should permit efficient and not arbitrary administration. Fourth, compliance cost should be kept at a minimum. Fifth, the tax system should generate adequate revenue to fund programs. Sixth, the tax system should be characterized by balance and diversification. Property taxes, severance taxes, income taxes and sales taxes are all part of typical tax system. There is no clear pattern about which tax is right or what mixture of taxes is right, but states are realizing that excessive reliance on a single tax can result in adverse economic and fiscal consequences. The Advisory Commission on Intergovernmental Relations (ACIR) suggests a mixture like this: one fourth of the revenue from the property tax, one fourth of the revenue from the sales tax, one fourth of the revenue from the income tax, and the remaining quarter coming from corporate income taxes and miscellaneous taxes. But again, there is no clear pattern anywhere in the country. Seventh, the tax system should be conducive to economic growth.

In some cases the objectives come into conflict. The movement in the direction of one objective means that we may have to compromise on achieving another objective. For example, there are some things we can do to ease our administrative burden. Unfortunately, easing our administrative burden would increase the compliance cost of the business community as well as of personal income tax filers. Consequently, easing administrative burden is an objective that we have to balance against compliance cost.

Specifically, I see five positive effects that we can identify with economic development activities:

- o Expanded employment opportunities: as new businesses enter a state or a locality or when existing firms expand, the number of jobs increase. Additional increase may be affected in secondary employment such as services and retailing. Some of these jobs may be filled by new

immigrants into the community, but others are likely to go to workers who might otherwise have been unemployed or working at a lower paying job.

- o reduced expenditures: as employment opportunities expand, benefits paid to the unemployed may be expected to decrease. To the extent that these funds come from the state's own sources, fiscal burdens would decline.
- o decreased tax burdens: if the growth of employment enhances the community's tax revenue more than it enhances increases of local costs, the tax burden of existing residents can be reduced. Moreover, if the business has a large portion of non-residents among its customers and owners, and if its competitive position is reasonably strong, the taxes it pays will tend to be exported.
- o expanded services and profits: demand for services and products of existing firms is likely to increase and along with it profitability.
- o increased land value: the area surrounding the new plant may increase in values as suppliers or employees attempt to locate near the operation.

Related to tax and spending policies, I see four major approaches to economic development. The goal of these four approaches is to influence business decisions and to make the state more attractive than other states (or at minimum to keep the state as attractive as other states). The first is tax climate. It is imperative that a state maintain an overall tax structure and rate of taxes which are attractive to industry. Second, is tax incentives. Specific exemptions, temporary tax abatements, or preferential assessments can lower business operating costs. Third, is industrial development bonds. Industrial development bonds essentially allow businesses to take advantage of lower borrowing costs enjoyed by the states and localities because of their tax exempt status. Last, is the policy of providing new firms with certain public services, such as roadways or utility hook-ups at zero or reduced cost.

The question thus becomes, do the incentives work? If so, why? If not, why not? I approach answering such questions with considerable misgiving. I have found the answers to these questions tend to raise serious doubts about the effectiveness of certain policies

that appear to be articles of faith to the true believers of economic development. Anyone who questions such policies is immediately labeled anti-business. Frankly, given the high emotions in the area of economic development and state politics, the mere possibility of a mention of an anti-business attitude is enough to send most public officials scrambling for the exits. In the jargon of the legislature, they "take a walk" rather than answering or even raising the questions. Such responses are unfortunate.

Economic development can be influenced by fiscal incentives. However, the evidence shows that not every approach works and each suggested policy must be carefully evaluated. I find the anti-business label unfortunate, but I consider myself similar to talking to my old maid aunts about all-star wrestling. I suggest to them that there are some gimmicks there and that it's not as authentic as they sometimes believe. The same can be said about the anti-business attitude.

Mr. Hock was talking about economic incentives, going back into the history of colonial America to find whether or not incentives work. Perhaps it is my Utah background or my association with Brigham Young University, but I can go further than that. In fact if I go to the Old Testament in the Book of Kings, we found that after Solomon died his son Rehoboam was concerned with taxes. The people who dealt with Rehoboam, the tribes of Israel, said to him, "we think our yoke is too heavy". Rehoboam sought the counsel of his advisors. The old advisor said they're probably right. The young advisor said, "you must show you're stronger than Solomon, and we think that you should increase the yoke". Rehoboam decided to follow the young advisor's counsel, and he increased the yoke. The result was what are commonly referred to among biblical scholars as the twelve lost tribes. They fled. We can quibble about the authenticity of all of this, but we do know that taxes do influence economic behavior.

Back to the basic question, do fiscal policies work in economic development? The bottom line answer to the question is that they probably don't. Why is the answer they probably don't? The decision to locate a business is a very complex process. There are innumerable factors that matter: site availability, access to financing, access to transportation, cost of transportation, quality of labor, cost of labor, proximity to markets, cost of utilities, cost of housing, level and quality of public services, proximity to supplies, and proximity to other companies.

I'd like to focus on several of the items I just listed. First, wages. Wages are often the most significant cost of doing business. In 1978 I completed a study at the Academy for Contemporary Problems in which we compared taxes per hundred of dollars of business profits and wages per hundred dollars of business profits. While there was a difference between taxes between the states, the range was generally about \$25 from high to low. There was a very significant difference between the cost of hiring employees per hundred dollars of business profits. The range was in the area of \$250. What that means is that if you live in a high wage state, and you're going to attempt to attract industries to come to your state by offering tax concessions, the tax concessions will have to be larger than the wages they're now paying. That would mean tax concessions as high as \$250 per hundred dollars of profit, when the average tax per \$100 of business profits in 1978 was in the range of \$20-\$25. In other words, you would have to give a direct subsidy to somebody to convince them to come to your state if your wages are "higher or out-of-line". A recent study by the State of New York reports, based upon corporate income tax returns, that labor costs are 53 times as large as state corporate tax payments. In other words, a 2% wage differential is equivalent in its effect on profits to a 106% tax differential.

Construction costs vary easily by as much as 30% around the country. It's very difficult

to find the tax incentive that can offset a difference in construction cost of 30%. Energy costs vary by an even larger factor all over the country. In the water rich Northwest, with federal policies, you have some very attractive energy rates. In other parts of the country, energy costs are quite high. Land cost differences are significant. In the final analysis the location decision rests on the availability of a suitable site at a reasonable price. You can have raw materials, markets, and all the essential service, but if you can't find suitable land, your economic development plan simply will not work. A study was made of 80 corporations which left downtown Cleveland and moved to the suburbs during the period of 1958 to 1973. When questioned in depth about the reason they left Cleveland, they responded, and I quote, "the lack of sufficient and efficient industrial space in Cleveland to expand."

Given the uncertainty of the location process, each policy or suggestion needs review and review is the key in this area. I would like to offer some guidelines on review. First, policymakers like yourselves should insist that the burden of proof on the desirability of special business tax incentives be on those who propose or support their use. No tax incentives should be adopted without a complete review of its impact. For example, what will it do to the criteria of equity? Any narrowly focused tax incentive will almost by definition violate the principal of equity. New companies get it, old companies don't. Expanding companies get it, but shrinking companies don't. Large companies tend to get them, small companies tend not to qualify. Capital intensive companies get them, labor intensive companies tend not to get them. All clear violations of the equity principal.

When you lower taxes paid by one group, unless you are willing to cut expenditures or reduce the rate of increase in expenditures, you have to increase tax rates to make up the revenue lost. It is a simple mathematical rule. On one side of the equation, you have

revenues. On the other side of the equation you have a tax base times the tax rate. If you want to keep revenues the same, and you lower the base, then you have to increase the rate. Mr. Hock mentioned the repeal of a unitary tax in Florida. One of the things he didn't mention was that at the same time they repealed the unitary tax, they increased the corporate tax on domestic corporations in Florida by, I think, 3/4%. It is a fact of life that if you lower the base or narrow the base and you don't reduce expenditures, you're going to have to increase the rate and this causes a number of problems.

Minnesota recently completed an excellent study of economic development problems in their state. They determined from the study, comparing Minnesota growth rates to the other 49 states, that their income tax probably was detrimental in their economic development plans. I might add, however, that Minnesota, with its very high income tax, has outpaced the rest of the country in terms of growth and employment over the previous ten years. But they did realize that the econometric equation gave a clear and a statistically significant signal that their income tax rates were out of line. The response of course was to lower the income tax. The other thing they found that was very positive for economic development in Minnesota was the fact that there was a positive correlation on expenditures for education and the state's economic growth. They found that business people viewed the kind of money being spent on education as a positive factor in the state's development. The policymakers in Minnesota were confronted with a serious problem that I suspect that many of you are confronted with. They could lower income taxes, but at the same time they would have to cut expenditures and if they cut expenditures, they may well be shooting themselves in the foot. Less expenditures means less services and hard choices about educational services as well. The revenue loss must be carefully evaluated.

I would like to give two good examples and one bad example from the State of Utah. Within the past 24 months, the Utah Mining Association proposed exemptions on sales of equipment used in mining and exemptions from the property tax for property under construction. Obviously, the Utah mining industry is much like the mining industry throughout the entire United States — they've seen better times and they've made a good pitch for the need for some kind of relief. It was a very emotional and political issue. The governor came to the Tax Commission, and we suggested to him in the true spirit of bureaucrats that we thought somebody else ought to do the study. We just didn't want the enjoyment of explaining what the outcome was. The legislature gave us about \$60,000 — these studies are not cheap, to get the right people you're going to pay for it. We hired a group out of San Francisco that did a thorough evaluation of the mining industry in Utah, a thorough evaluation of the sales tax exemption, and a thorough evaluation of the property tax exemption. The conclusion from the study was there may be some argument for the sales tax exemption (and, in fact, the sales tax exemption did pass), but said no way on the property tax exemption. They were able to convince the governor that if the property tax exemption did pass, he should veto it. There were constitutional questions and there were clear questions about whether or not it would do what it was supposed to do. I might add, as a result of that, the State Tax Commission has adopted a construction work-in-progress regulation that we think is a model for all other states. We now have a process which equally offers tax benefits.

The second example involved a proposal to exempt new manufacturing equipment from the sales tax. Such a tax on manufacturing equipment tends to be a pyramid tax and those kinds of taxes cause some distortion throughout the economy. The first time the proposal was made, we put a fiscal note on it of about \$130 million. Obviously a tax cut of that size wasn't going to go very far, so the business groups which were supporting it came back with a proposal that would only cost \$4 million. We looked at their numbers

and assumptions and concluded it was \$20 million. We convinced them that we were going to stand by our fiscal note of \$20 million, and we did that because we have professional economists on the staff who had solid data and solid assumptions. They finally agreed that we were probably right. We ended up with a bill that was very tightly written and the total cost to the state will be in the neighborhood of \$4-6 million dollars.

In the process of evaluating whether or not we should exempt manufacturing equipment from the sales tax, I surveyed all the states. There were well over 35 that now exempted business from the sales tax on manufacturing equipment. I surveyed the revenue departments, and the economic development departments, and I could find only one department among those 35 states that could tell me the impact of their exemption on sales taxes from manufacturing equipment. They gave it away. Generally it gets marketed as economic development reasons. However, unfortunately nobody in those states knows if its working or not. You must remember once you get a tax exemption, it's really similar to giving a subsidy. A subsidy in perpetuity in my opinion should occasionally be evaluated. I might add that we think that \$4-6 million estimate will hold, although at the tax commission we are being placed under incredible pressure to expand our interpretation of the regulation.

I think both of the above are good examples. They demonstrated a review and they demonstrated a reasonable response to that review. Now I'm going to give you a bad example. An interstate air carrier came to the state legislature during the special session and said "if you will allow us to exempt from the sales tax the machinery and equipment we buy to repair our equipment, we will locate a repair facility in Salt Lake City." The special session lasted a couple of days and the bill was passed. It was crazy, there was no analysis, there was no study, no estimate on the impact of the state. And

so far no repair facility has appeared. I later explained the situation to a fellow tax administrator from California, and he simply said to me "the state of Utah has been had." A major part of the revenue from that particular organization comes from repairing similar equipment for an international air firm which terminates service in Los Angeles. It is unlikely they will ever move to Salt Lake City and give up that revenue.

We should be careful about the many unintended consequences which often dominate the original objective of tax incentives. For example, the mining property tax exemption was going to reduce the bottom line (or increase the bottom line) for the mining companies by about \$20 million. That means they will have \$20 million more to play with than they had if this exemption wasn't given. Now if the federal government taxes at a rate of approximately 50%, the federal government will end up getting \$10 million of those \$20 million. This amounts to revenue sharing in reverse. There's something else that I often find as an unintended consequence -- revenue administration. There is the principle of taxation that goes something like this: business tax liabilities should be readily determined by the application of clear-cut rules, not by negotiation or arbitrary action of administrative officials. Let me make an editorial comment on the property tax while I'm on this topic. The property tax by far is the largest tax paid by the business community. The business community should insist on accurate and frequent assessments and reappraisals of all property in the state. They should insist on trained and qualified local assessors. They should insist that residential tax payers pay their fair share. And they should insist that there are no tricks in the property tax system. It is clearly in the interest in the business community to have those four things happen, because if they don't happen, and the economic studies are very clear, they end up paying more than their fair share in taxes over time. There should be a rule in tax administration that non-voting taxpayers should never become the largest taxpayer in a taxing district. Unfortunately, it happens.

I would like to conclude by offering some quick observations about this entire area of economic development. First, benefits may be short lived. Fiscal and tax incentives are tools that all governments have at their disposal. As soon as one state offers concessions that may cause businesses to relocate and take advantage of that tax break or subsidy, neighboring states have strong incentives to offer tax concessions that meet or exceed those of the first state. In the final analysis, all states can play the tax concession game, thus eliminating any long-term advantages from tax concessions or fiscal incentives. Simply put, if the State of Utah offers a variety of tax concessions that really work, then I would imagine that the State of Wyoming could do the same. The bottom line is that once we've narrowed the tax base to further encourage industrial location, we will have to continue down the road of tax incentives.

Second, benefits may flow largely to non-residents. Since benefits from industrial growth often spread beyond the boundaries of the sponsoring government, the community that bears the cost or offers the concession, may not reap the benefits. There's no guarantee where workers will come from or where they will stay. Development efforts should be targeted. A policy designed to aid a community or state that has largely unskilled, unemployed workers, should recognize that, and not go after the kind of industrial development that requires skilled workers. You need to recognize your strengths and weaknesses.

Back to the criteria, which I listed earlier. Fairness in taxation and fiscal concessions implies that businesses with similar situations should be taxed the same, old businesses should be taxed the same as new businesses, growing businesses taxed the same as shrinking businesses. To the extent that fiscal and tax concessions distorts economic location decisions, they tend to reduce the efficiency of the total economy. That's not a

problem for the individual states, its a national decision. It's really a national policy. My two years on the Tax Commission has also convinced me that business are concerned about administrative ease and cost of compliance. They are very, very unhappy with tax gimmicks which increase the cost of complying with tax laws. Finally, the goal of taxation in the final analysis is revenue. We should not apologize for that. We should recognize that. And my assertion is that the best way to raise revenues for a state is to have a broadly based tax system. A broadly based tax system results in low overall rates, and I think low rates are a significant factor in business location decisions.

Speaker: Bill Hamilton

State and local governments, over the last decade, have developed extensive and increasingly sophisticated programs to achieve public economic development objectives. The most frequently employed instruments of subnational economic development programs are a variety of direct incentives to firms including tax exemptions, loan subsidies and guarantees, below-cost facilities, services and worker training. These industrial subsidies have the primary objective of assisting in retention and expansion of existing firms, stimulating new firm starts, and attracting relocating businesses.

The rapid proliferation of state and local programs testifies to the widespread belief among policy makers and practitioners that an arsenal of development incentives is considered critical to interjurisdictional, interstate and regional competition for industry and jobs. Despite the creativity demonstrated by state and local governments in providing sophisticated financial assistance packages to firms involving both public and private funds, subsidation of private enterprise to achieve public objectives remains a malnourished art form. Little progress has been made in identifying the effective value of different types of incentives to recipient firms. Governments find it difficult to

measure how the behavior of firms has changed as a result of the financial assistance. Further, governments are often unaware of the real cost to the public sector of administering different forms of incentives.

The United States Office of Management and Budget, after a two year study concluded:

....The relative effectiveness of different forms of assistance such as grants, loan, and risk assumption for meeting different types of program objectives has not been systematically reviewed in public literature. In the light of the scope, magnitude and importance of assistance as a tool of national leadership, much more needs to be known.

This dichotomy between the relief of many policymakers and practitioners in the efficacy and need for financial incentives and the findings of existing research literature is paradoxical. Clearly, measures of the cost-effectiveness of alternative forms of industrial subsidies are needed to guide public policy and practice. Some measure of benefit per dollar of government expenditure is required. ASLAN has developed a methodology for evaluating the cost-effectiveness of industrial subsidies and findings to date of applications of this approach.

Cost-effectiveness for present purposes is defined as the ratio of actual benefits received by the assisted firm to the real cost of the assistance to the administering government. Use of this measure would permit state and local governments to identify the benefit derived by the firm per dollar of public expenditure and to allocate scarce development resources to their most cost-effective uses.

Actual benefit to the firm of any form of public assistance is the difference between operating costs in the absence of the government award and these costs in the presence of this assistance. The real or net cost to the administering government is the sum of direct outlays, any tax revenues foregone, minus increased tax revenues paid by the firm as a result of increased net revenues attributable to the public assistance. Calculation of the value of benefits to firms requires identification of the flow of gross benefits from the incentive, the appropriate discount to compute present values of flows accruing over time, and any offsetting costs of accepting the assistance.

The value of a financial incentive to a firm is reduced by cost-offsets. The major offsetting cost is the loss of tax benefits for which the firm would have been eligible in the absence of the development incentive or tax-offsets. Firms pay both state and federal corporate income taxes on net revenues, the effective rate of taxation varying with the levels of profitability and the tax policies of the state. An incentive treated as revenue for tax purposes is directly taxed, reducing the benefits to the firm of the assistance. For example, if a firm's marginal tax rate under current federal rates is 46 percent, the actual value of a dollar of public assistance to a firm making a profit is \$.54. Incentives that reduce operating costs of firms that would otherwise be tax deductible if incurred by the firm from its own resources decrease the value of assistance in the same manner. For example, forms of assistance which subsidize depreciable assets such as plant and equipment reduce the amount of depreciation deductible from the firm's income.

Costs to government of development incentives include direct outlays and revenues forgone. When the subsidy involves a flow of government commitments over time (as in the case of tax abatements) the present value of the cost is determined by discounting the time stream of direct costs. The net cost to government, however, may be less than the gross outlay because subsidies increasing firm revenues or reducing operating costs also raise the tax liability of the firm.

Calculation of the cost of development incentives is complicated by the multilevel structure of the U.S. federal system. Changes in tax revenues resulting from incentives — both positive and negative — may accrue to both state and federal governments, and the full public sector cost of a development subsidy is the combined federal and state cost. For example, the most cost-effective instrument of industrial finance available to state and local governments, by far, is industrial development bonds. Costs of IDBs are borne by the federal government in the form of tax expenditure, while the benefits to the firm may be great. This situation results in a low (that is favorable) cost-to-government/benefit-to-firm ratio from the state and local government perspective. Consequently, use of IRBs has proliferated. Inclusion of federal tax expenditures in the IRB cost-effectiveness calculations, however, reduces the effectiveness of this instrument below several other tools of industrial finance.

A general principle emerging from this is that the federal system diminishes the cost-effectiveness of many forms of development incentives. Whenever a form of assistance

raises profits or lowers costs, the aided firms faces an increased income tax liability. Since the federal government receives most income tax revenues, the states, in effect, subsidize the federal government when they assist business firms.

Changes in federal tax codes enacted in the Economic Recovery Tax Act (ERTA) directly affected the value of assistance to firms of state and local development incentives. Reductions in corporate income tax rate schedules of smaller firms increased the effective value of most state and local development incentives to these firms. Sale-leaseback provisions, in conjunction with the corporate tax revisions for smaller firms, diminished the benefits of further state and local tax abatements. In addition, the new accelerated depreciation schedule sharply reduced the value to firms of all forms of state and local incentives for depreciable capital investments.

TAX INCENTIVES

- o State and local governments confront increasing pressures to provide industrial financing for firm retention and attraction.
- o Public subsidies of private firms is a nontraditional role for subnational governments. In most cases, local public officials have little experience or substantive information to guide them in decisions involving requests for financial subsidies to private enterprises. Conventional wisdom regarding industrial incentives is misleading and, often, simply wrong.
- o The problem is compounded by the increasing sophistication of industry in playing off subnational governments against one another. A particularly pernicious dimension of this problem is those cases in which states and their local governments work at cross-purposes.
- o An inevitable consequence has been burgeoning in competition for enterprise through industrial incentives and, often, wasteful use of scarce public economic development resources.

Principles to Guide State and Local Industrial Tax Policy

1. The primary responsibility of state and local governments is to provide the level and quality of public services and public infrastructure consistent with the preferences and requirements for basic welfare of its citizens, and to ensure the revenue base necessary to this end.

2. The appropriate concern of state and local governments is the overall tax structure, its capacity to generate necessary revenues, equity in the distribution of tax burdens between citizens and businesses, and the effect of business taxes on the competitiveness of the local business environment.
3. Subsidization of business enterprise lies beyond the conventional scope of responsibilities of state and local government and should only be considered in exceptional circumstances in which the essential welfare of the jurisdiction is at issue.
4. Revenues forgone through tax concession should be regarded as costs to the state or local government no less real than direct expenditures.
5. Costs of government actions should be paid by the jurisdictions that receive the resulting benefits. Where benefits spillover beyond the confines of local governments, the next highest level of government which contains these benefits should assume the associated costs.
6. Industrial subsidies should not be awarded to businesses to underwrite actions that would be undertaken in pursuit of their own financial self-interests in the absence of the subsidy.
7. State governments should establish overall policies on industrial subsidies and avoid operating on an ad hoc or case-by-case basis. These policy guidelines should be overridden only in exceptional circumstances.

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268

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**Final Report
of the
Pennsylvania Tax Commission**



March 1981

**Commonwealth of Pennsylvania
Dick Thornburgh, Governor**

**Richard M. Cyert
Chairman**

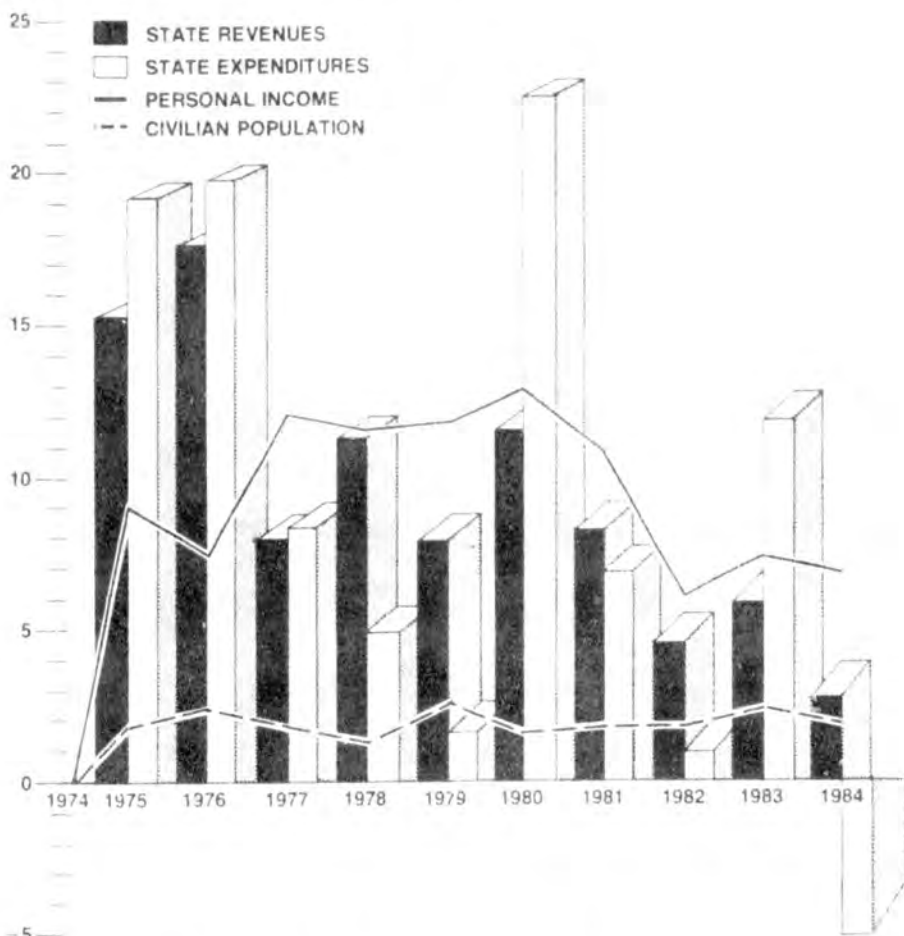
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TAX FOUNDATION OF HAWAII

A private, non-profit, non-partisan, educational organization serving our island state since 1953, the Tax Foundation of Hawaii is governed by a 25-member Board of Trustees who represent the entire state and is financed by concerned and interested corporate and individual members. Its purpose is to foster efficiency and economy in government, to promote an equitable tax system that will encourage the economic growth and stability of Hawaii, and to assist in the improvement of public administration.

Collecting and analyzing data concerning governmental finances and taxation, the Foundation serves as a clearing house and disseminates this information to the public through reports, pamphlets, newspaper articles, and radio and television broadcasts. To further achieve its purposes, the Foundation also channels its efforts through working with governmental officials, private organizations and individuals to improve the methods, systems and procedures of public administration.

Other regular publications of the Tax Foundation, in addition to GOVERNMENT IN HAWAII, include: HAWAII FINANCE IN BRIEF, a wallet-sized resume of Hawaii's fiscal pulse; THE TAX BURDEN OF THE ARNIE ALOHA FAMILY; and weekly commentaries in several of the local media. The LEGISLATIVE TAX BILL SERVICE provides an analysis of all tax legislation introduced during the legislative session, and the LEGISLATIVE REVIEW, published at the conclusion of the session, reports on all legislation which passed and examines the changes in the fiscal outlook.

GOOD GOVERNMENT DEPENDS ON AN INFORMED PUBLIC

FOREWORD

The importance of understanding how government functions and the process by which its decisions are made becomes apparent only when one realizes how extensively government influences our everyday lives. Whether in the home or at work, government taxation and regulation affects all under its aegis. Only through involvement in the process can the citizen-taxpayer insure that government will work for the true benefit of the community.

Becoming involved in the process takes on greater import today, as government begins to look beyond the traditional methods of public financing, whether through creative debt financing or diversifying existing tax sources. In order to obtain and maintain the maximum public benefit from shifts occurring in the structure of government, the community, the taxpayer - corporate and individual, must be kept aware and informed of the impact of "modern" methods and the alternate choices. With this understanding, the citizen-taxpayer is then prepared to be involved in government's decision-making process, whether at the state, county, or federal level.

GOVERNMENT IN HAWAII provides the basic foundation for understanding our state's financial health. The statistics presented in this publication and the graphic depictions in the charts contains both historical and current information about Hawaii's economy, state and county government revenues and expenditures, and public indebtedness. In concert with the Tax Foundation's other publications, Government in Hawaii is the keystone to understanding the public finance puzzle.

The Tax Foundation wishes to extend its gratitude for those whose cooperation and assistance aided the publication of this booklet. The data provided within would not have been presented without the help of many public employees in the federal, state, and county governments. A warm mahalo goes out to the directors and staffs of the State of Hawaii Departments of Accounting and General Services, Budget and Finance, Commerce and Consumer Affairs, Education, Labor and Industrial Relations, Planning and Economic Development, Taxation, and Transportation; the Finance Directors of the four counties; the Internal Revenue Service; Hawaiian Sugar Planters' Association; First Hawaiian Bank; and the Bank of Hawaii.

Phil Z. Chang, President
Tax Foundation of Hawaii

TABLE OF CONTENTS — GOVERNMENT IN HAWAII 1985

Foreword.....	2
PART ONE: HAWAII'S ECONOMY	4
Trends in Hawaii.....	5
Economic Growth.....	6
Income Sources.....	7
County Data.....	8
Personal Income.....	9
Civilian Employment.....	11
Population.....	12
Tax Burden.....	13
PART TWO: WHERE GOVERNMENT GETS ITS MONEY	14
Federal Tax Collections.....	15
Revenue Sources by State.....	16
General Excise.....	17
State Revenues.....	18
State and County Taxes.....	20
Fuel Tax.....	23
Selected Tax Rates by State.....	24
Real Property Data.....	28
County Revenues.....	31
Taxes Levied in Hawaii.....	34
Federal Taxes and Grants in Hawaii.....	36
Federal Grants and Federal Tax Burden.....	37
Federal Administrative Budget.....	39
Tax Collections.....	40
General Fund Finances.....	41
PART THREE: HOW GOVERNMENT SPENDS ITS MONEY	42
Direct Expenditures Per Capita.....	43
State Expenditures.....	44
County Expenditures.....	46
Public Employment Data.....	49
State Retirement System Finances.....	51
Public and Private Compensation Data.....	52
Public School Data.....	53
University of Hawaii.....	57
Transportation: Airports.....	58
Harbors.....	59
Highways.....	60
PART FOUR: THE LONG TERM PUBLIC BONDED DEBT	61
Per Capita Debt by State.....	62
State and County Debt in Hawaii.....	63
Constitutional Debt Limits.....	67
Index.....	68

HAWAII'S ECONOMY

Hawaii's economic prospects brightened considerably as the state's dominant industry, tourism, registered its highest growth rate since 1976 with a 10.6% increase in visitor traffic during 1984. More than 4.8 million tourists spent an estimated \$4.0 billion in the economy, which was 5.2% higher than in 1983.

Following dramatic increases during 1982 and 1983, military expenditures grew by 1% during 1984. Despite the slowdown in growth, federal military and civilian expenditures for national defense constituted Hawaii's second largest source of personal income.

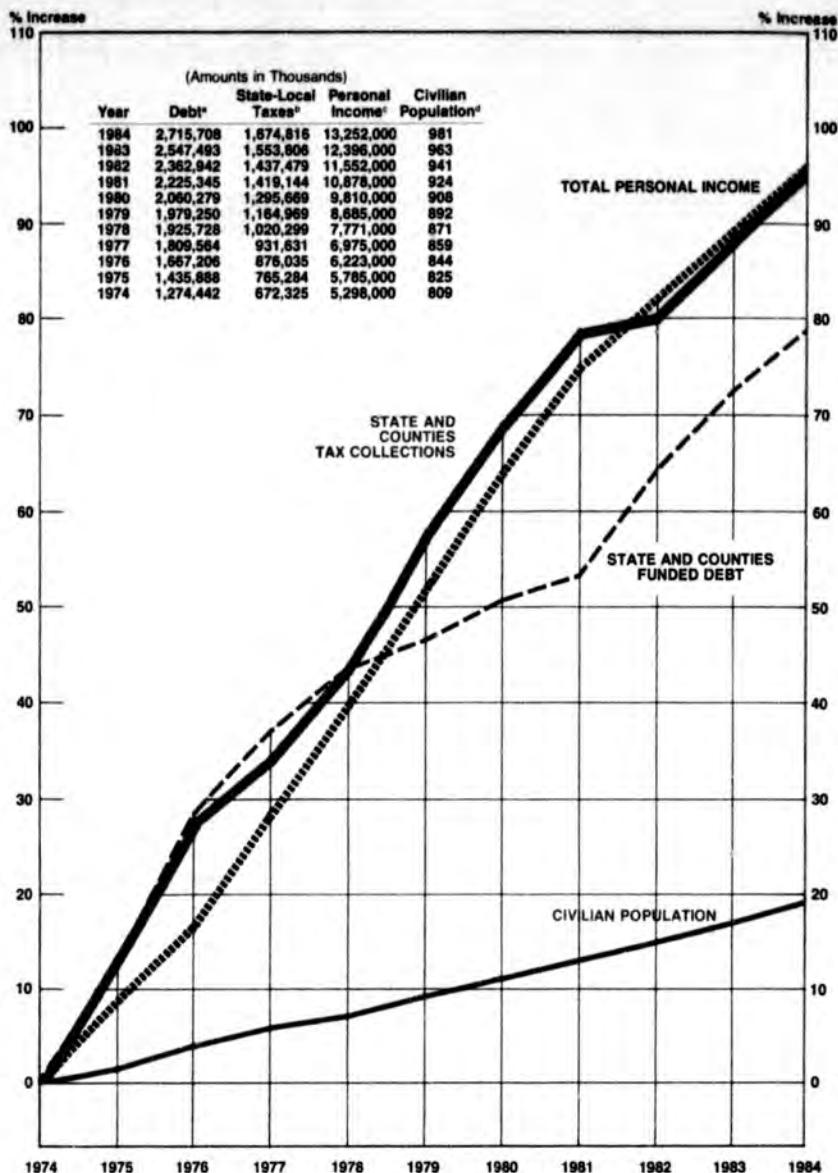
Higher foreign import quotas in the U.S. and growing use of high fructose corn syrup and artificial sweetener combined to dampen the sugar industry's recovery. Although sugar cane acreage declined during the past year, sugar production in the state grew 2% to 1.06 million tons due to higher yields per acre; however, the value sold, as measured by the general excise tax base, fell 5.5%. Despite the shutdown of a cannery in 1984, the state's other major agricultural crop, pineapple, showed an increase in canning value, up 8.2% to \$198 million, due to intensified promotional efforts. Fresh pineapples sales growth, which had displayed moderate growth during the previous two years, flattened.

Faced with high real interest rates and a weakened demand for commercial and multi-unit residential property, the construction industry was further hampered by three labor disputes during 1984. These factors contributed to the 8% decline in construction value completed.

Although labor disputes idled workers during 1984, overall employment in the state grew 1.2% in contrast to a slim growth of 0.4% in the civilian labor force. This lowered the state's unemployment rate from 6.5% to 5.9%. The trend from agriculture-oriented employment to service occupations became more apparent with the closure of a major sugar plantation and a pineapple canning plant forcing layoffs on Hawaii, Oahu, and Molokai. The layoffs, however, were offset by jobs created by the surge in tourism.

Hawaii's total personal income sustained a 6.9% growth during 1984 after posting a 7.3% gain in 1983. Personal income from services represented 15.6% of total personal income for 1983, whereas it had comprised only 14.1% of total personal income ten years earlier. Farming, manufacturing, as well as construction provided smaller proportions of income than recorded in 1973. Income generated by government employment fell from 26.6% in 1973 to 24.6% in 1983, reflecting the slowdown in spending growth caused by tight budgets.

CHART 1 TRENDS IN HAWAII Population, Taxes, Personal Income & Debt 1974-1984



^aState and county general obligation bonds outstanding at December 31.

^bFiscal year collections; unemployment compensation collections included.

^cCalendar years; 1984 preliminary estimate, 1978-83 data revised August 1984, 1974-77 data revised August 1982.

^dMidyear resident civilian population except 1980 at April 1.

SOURCE: State Departments of Budget and Finance, Accounting and General Services, Taxation, Economic Development and Planning, County Finance Departments; U.S. Department of Commerce, Bureau of Economic Analysis, "Survey of Current Business."

TABLE 1
GROWTH IN THE HAWAIIAN ECONOMY
Selected Calendar Years

Economic Indicators	Amount					Percent Change 1984 from		
	1984	1983	1982	1979	1974	1983	1979	1974
Population ^a	1,038,600	1,023,000	996,700	914,700	854,100	1.52	13.55	21.60
Labor Force ^b	472,900	472,000	458,000	399,000	359,090	0.19	18.52	31.69
Employment ^b	446,000	442,000	428,000	374,000	331,930	0.90	19.25	34.37
Unemployment Rate ^b	5.6%	6.4%	6.7%	6.3%	7.6%	(12.50)	(11.11)	(26.32)
Cost of Living ^c	284.8	273.5	267.6	204.5	141.9	4.13	39.27	100.70
Motor Vehicle Regls. ^d	706,972	640,798	660,196	607,560	487,647	10.33	16.36	44.98
Total Housing Units ^e	359,654	353,414	348,980	324,261	250,697	1.77	10.91	43.46
Total Hotel Rooms	64,588	60,198	58,765	54,246	39,632	7.29	19.07	62.97
Number of Visitors	4,855,580	4,357,184	4,242,916	3,960,531	2,786,489	11.44	22.60	74.25
Electricity Sold ^f	6,606	6,426	6,332	6,197	5,114	2.81	6.60	29.18
SNGL Sold ^g	30,928	31,307	32,224	35,264	34,363	(1.21)	(12.30)	(10.00)
Per Capita Per. Inc.	12,760	12,114	11,652	9,129	6,010	5.33	39.77	112.31
Per Capita Taxes	1,556	1,457	1,431	1,194	765	6.79	30.32	103.40
AMOUNTS IN MILLIONS								
Visitor Expenditures	\$ 4,582	\$ 4,000	\$ 3,700	\$2,620	\$1,225	14.55	74.89	274.04
Military Expenditures	2,053	1,885	1,675	1,310	935	8.91	56.71	119.56
Total Personal Income	13,252	12,396	11,579	8,643	5,069	6.91	53.33	161.43
Bank Deposits	7,184	6,584	6,020	4,363	2,553	9.11	64.66	181.39
Savings & Loan Deposits	3,862	3,614	3,352	2,557	1,146	6.86	51.04	237.00
Sugar Processing ^h	414	436	318	306	455	(4.95)	35.29	(9.01)
Pineapple Canning ^h	198	183	185	164	104	8.20	20.73	90.38
Retail Sales ^h	8,467	7,716	6,875	5,753	3,063	9.73	47.18	176.43
Wholesale Sales ^h	6,050	5,314	5,204	4,832	2,248	13.85	25.21	169.13
Diversified Manufact. ^h	520	512	531	565	376	1.60	(7.96)	38.30
Construct. Val. Completed	1,227	1,334	1,324	1,342	1,044	(8.03)	(8.57)	17.53

NOTE: 1984 data are preliminary estimates; subject to revision.

a. Resident population at July 1; includes armed forces personnel. All data revised.

b. Annual average.

c. Honolulu consumer price index for all urban consumers. Year 1967 = 100.

d. At December 31. Excludes military vehicles, motorcycles, and scooters; after 1975, includes nontaxable, nonresidential vehicles not formerly registered.

e. At April 1.

f. Million kilowatt hours.

g. Synthetic natural gas in thousand of therms; does not include bottled gas.

h. General excise tax base.

SOURCE: State Departments of Planning and Economic Development, Commerce & Consumer Affairs, Labor and Industrial Relations, Taxation, and Transportation; County Finance Directors; Hawaii Visitors Bureau; U.S. Department of Commerce; First Hawaiian Bank; and Bank of Hawaii.

TABLE 2
SOURCES OF PERSONAL INCOME
Hawaii (Selected Years): U.S. Average (1973 to 1983)
(Dollars in Millions)

Income Source	State of Hawaii								U.S. Average		
	1983		1982		1973		% Change 1983 from 1973	1983			
	\$ of		\$ of		\$ of			\$ of Total		1983 from 1973	
	Amount	Total	Amount	Total	Amount	Total		1983	1973		
Labor & Prop. Income: By Industry											
Farms	\$ 264	2.1	\$ 262	2.3	\$ 131	2.8	101.5	0.9	3.5	(31.2)	
Contract Construction	537	4.3	490	4.2	377	8.1	42.4	3.7	5.0	91.9	
Wholesale and Retail Trade	1,392	11.2	1,316	11.4	587	12.6	137.1	11.6	13.0	130.0	
Manufacturing	449	3.6	431	3.7	226	4.9	98.7	16.9	20.8	110.4	
Finance, Insurance & Real Estate	625	5.0	543	4.7	228	4.9	174.1	4.5	4.1	186.1	
Transportation and Utilities	791	6.4	788	6.8	319	6.9	148.0	5.5	5.8	145.7	
Services											
Hotels & Other Lodgings	426	3.4	383	3.3	135	2.9	215.6	0.5	0.5	171.1	
Personal & Household	80	0.6	77	0.7	44	0.9	81.8	0.8	1.1	85.0	
Business & Repair	307	2.5	271	2.3	102	2.2	201.0	3.2	2.3	260.6	
Amusement & Recreation	75	0.6	65	0.6	32	0.7	134.4	0.5	0.5	169.8	
Health & Legal	658	5.3	582	5.0	174	3.7	278.2	6.1	4.6	245.1	
Other Services ^a	392	3.2	369	3.2	171	3.7	129.2	3.2	3.2	154.6	
Government											
Federal, Civilian	851	6.9	791	6.8	395	8.5	115.4	2.7	3.3	113.6	
Federal, Military	1,129	9.1	1,057	9.1	418	9.0	170.1	1.3	1.6	105.5	
State & Local	1,070	8.6	1,016	8.8	425	9.1	151.8	8.1	8.8	136.2	
Other Industries ^b	37	0.3	35	0.3	14	0.3	164.3	1.5	1.1	251.9	
Total Labor & Proprietor's Income	\$ 9,083	73.3	\$ 8,477	73.4	\$3,777	81.2	140.5	71.1	79.2	131.7	
Income By Type:											
Wages & Salaries	\$ 8,070	65.1	\$ 7,606	65.8	\$3,367	72.4	139.7	60.4	65.8	136.8	
Other Labor Income	680	5.5	613	5.3	171	3.7	297.7	6.3	4.6	255.1	
Proprietor's Income: Farm	31	0.3	22	0.2	23	0.5	34.8	0.5	3.1	(59.9)	
Non-Farm	302	2.4	237	2.1	216	4.6	39.8	3.9	5.8	77.0	
Dividends, Interest, & Rental	2,248	18.1	2,102	18.2	628	13.5	258.0	18.5	13.5	253.1	
Transfer Payments	1,658	13.4	1,523	13.2	454	9.8	265.2	14.8	11.3	238.9	
Sub-Total	\$12,989	104.8	\$12,103	104.8	\$4,859	104.5	167.3	104.4	104.0	159.1	
Less: Employees' Soc. Ins. Contrib.	(593)	(4.8)	(550)	(4.8)	(209)	(4.5)	183.7	(4.4)	(4.0)	181.6	
TOTAL PERSONAL INCOME	\$12,396	100.0	\$11,553	100.0	\$4,650	100.0	166.6	100.0	100.0	158.2	

NOTE: 1982 data revised in 1984 and 1973 data revised in 1983; percentages may not add to total due to rounding.

a. Includes educational and social services, museums, botanical gardens, membership organizations, and misc. services.

b. Includes agricultural services, forestry, and mining.

SOURCE: "Survey of Current Business," Vol. 64, No. 8 and Vol. 56, No. 8, U.S. Department of Commerce, Bureau of Economic Analysis, August 1984 and August 1976, Washington, D.C.

TABLE 3
THE COUNTIES OF HAWAII
Calendar Years 1983 and 1984

Economic Indicators	Honolulu		Maui		Hawaii		Kauai	
	1984	1983	1984	1983	1984	1983	1984	1983
Population ^a	748,200	737,600	83,000	79,800	106,300	102,700	43,800	42,900
Labor Force ^b	360,400	359,100	43,900	44,100	46,800	46,600	21,800	22,200
Employment ^b	341,300	338,500	41,200	40,600	43,100	42,300	20,400	20,500
Unemployment Rate ^b	5.3	5.7	6.2	7.8	8.0	9.2	6.8	7.6
Hotel Rooms	38,358	35,761	13,592	12,586	6,944	7,243	5,694	4,608
Motor Vehicle Regis. ^c	517,355	468,129	74,783	67,996	79,834	72,524	35,000	32,149
Housing Units	263,448	259,574	38,904	38,201	39,763	38,702	17,539	16,937
Electricity Sold ^d	5,330,931	5,230,658	558,790	519,147	487,583	466,060	228,951	209,713
SNL Sold ^e	28,089	28,487	768	709	2,011	2,047	60	65
Sugar Production	154,220	160,631	299,828	287,146	390,320	391,857	216,946	204,570
AMOUNTS IN THOUSANDS								
Tax Revenues ^f	\$ 253,361	\$ 243,146	\$ 30,348	\$ 28,259	\$ 42,383	\$ 41,189	\$ 16,644	\$ 16,555
Government Expend.	402,419	373,675	59,728	51,507	64,882	59,001	31,409	27,963
Bank Demand Deposits	1,050,573	1,033,155	84,986	76,764	86,171	84,182	32,674	31,932
Selected Tax Bases ^g								
Sugar Processing	87,506	146,126	109,610	114,711	145,813	94,228	71,282	80,514
Pineapple Canning	120,960	120,314	77,306	62,644	--	--	--	--
Retailing	7,150,455	6,507,540	593,261	533,666	513,155	482,071	209,641	192,374
Wholesaling	5,470,579	4,799,927	195,485	171,899	311,751	278,953	72,543	63,535
Manufacturing	459,360	452,437	12,995	9,802	41,247	43,807	5,999	5,777
Contracting	1,069,386	1,161,171	65,584	67,378	80,733	79,370	27,226	45,486
Services	2,010,945	1,804,853	144,738	131,677	161,090	146,248	51,642	51,746
Rentals	2,297,205	2,079,181	242,356	205,137	148,072	139,451	56,222	47,051

NOTE: 1984 data are preliminary estimates; subject to revision.

a. Civilian population at July 1; excludes armed forces personnel.

b. Annual average.

c. At December 31; includes taxable and nontaxable registered motor vehicles, excludes motorcycles and scooters.

d. 1,000 Kilowatt hours.

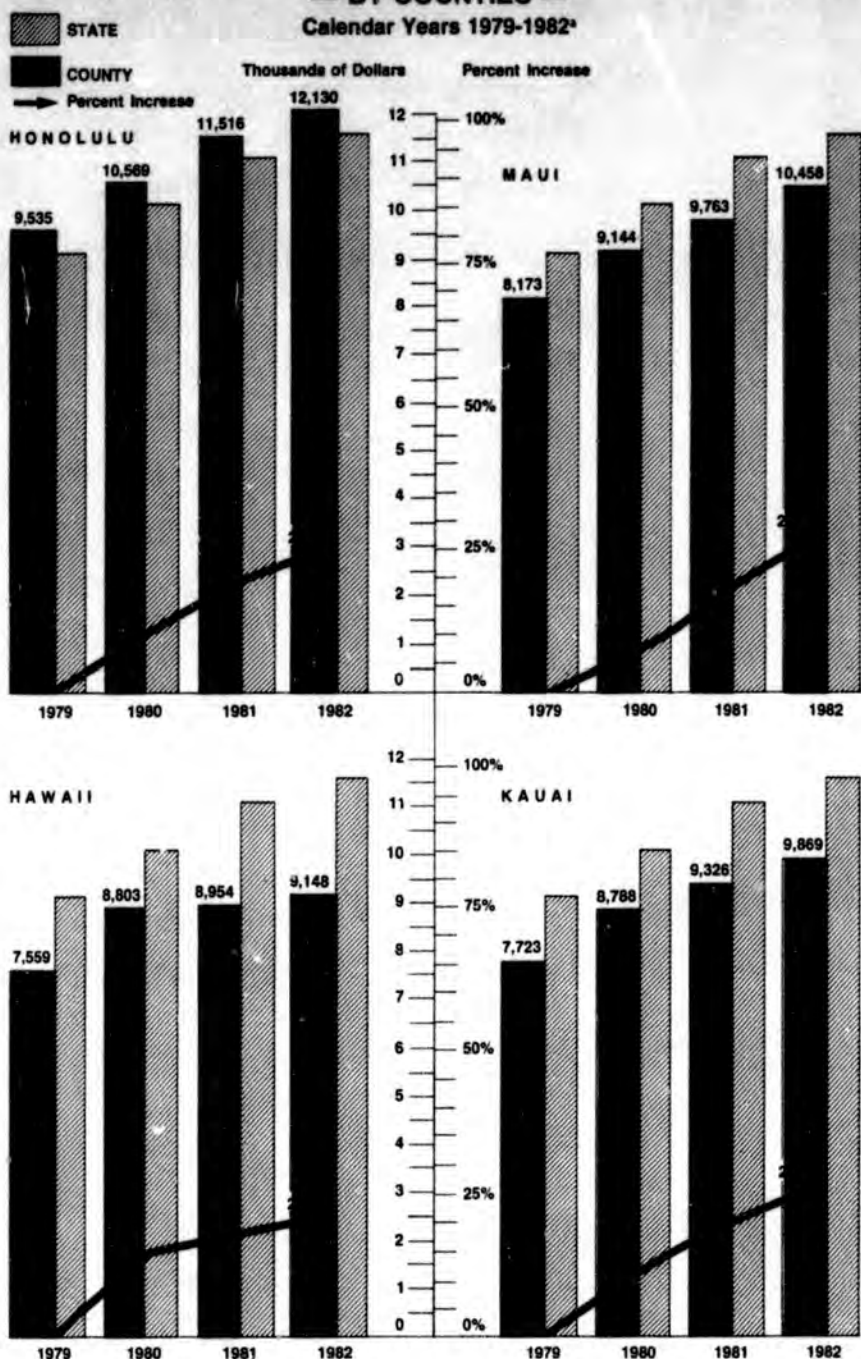
e. Synthetic natural gas in 1,000 therms; does not include bottled gas.

f. Fiscal year data.

g. General excise tax base.

SOURCE: State Departments of Planning and Economic Development, Commerce & Consumer Affairs, Labor and Industrial Relations, Taxation, and Transportation; County Finance Directors; Hawaii Visitor's Bureau; Hawaiian Electric Company, U.S. Department of Commerce; and the Hawaii Sugar Planters' Association.

CHART 2
PER CAPITA PERSONAL INCOME
— BY COUNTIES —
Calendar Years 1979-1982*



*1981 and 1980 data revised in 1984; 1979 data revised in 1983.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

TABLE 4
PER CAPITA PERSONAL INCOME
By States — Selected Years*

State	1983		1982		1978		1973		% Change 1983 from	
	Amount	Rank	Amount	Rank	Amount	Rank	Amount	Rank	1982	1973
Hawaii	\$12,114	16	\$11,590	16	\$ 8,367	12	\$ 5,524	10	4.5	119.3
U.S. Av.	11,658	--	11,113	--	7,772	--	5,010	--	4.9	132.7
Ala.	9,242	46	8,684	48	6,228	48	3,825	49	6.4	141.6
Alaska	17,194	1	16,854	1	11,150	1	6,104	2	2.0	181.7
Ariz.	10,656	33	10,053	34	7,071	33	4,698	33	6.0	126.8
Ark.	8,967	50	8,444	50	6,028	50	3,791	50	6.2	136.5
Calif.	13,257	6	12,617	5	8,857	6	5,496	11	5.1	141.2
Colo.	12,770	9	12,239	8	8,028	16	5,079	20	4.3	151.4
Conn.	14,895	3	13,939	3	9,092	5	5,993	4	6.9	148.5
Del.	12,665	10	11,912	13	8,209	14	5,676	7	6.3	123.1
Fla.	11,593	23	10,929	22	7,783	29	4,951	25	6.1	134.2
Ga.	10,379	35	9,637	36	6,671	37	4,370	37	7.7	137.5
Idaho	9,555	43	9,012	45	6,827	36	4,521	35	6.0	111.3
Ill.	12,405	12	12,027	11	8,798	7	5,752	6	3.1	115.7
Ind.	10,476	34	10,019	35	7,563	25	4,962	24	4.6	111.1
Iowa	10,705	32	10,635	29	7,897	19	5,401	13	0.7	98.2
Kans.	12,247	13	11,850	14	7,994	17	5,269	17	3.4	132.4
Ky.	9,397	45	9,122	43	6,377	45	3,997	44	3.0	135.1
La.	10,270	36	10,065	33	6,631	38	3,855	48	2.0	166.4
Me.	9,847	39	9,264	41	6,297	47	4,124	41	6.3	138.8
Md.	12,994	7	12,280	7	8,409	11	5,465	12	5.8	137.8
Mass.	13,264	5	12,287	6	8,098	15	5,364	14	8.0	147.3
Mich.	11,466	24	10,751	27	8,426	10	5,333	15	6.7	115.0
Minn.	11,913	18	10,290	31	7,935	18	5,243	18	15.8	127.2
Miss.	8,098	51	7,733	51	5,474	51	3,453	51	4.7	134.5
Mo.	10,969	29	10,403	30	7,305	32	4,724	32	5.4	132.2
Mont.	9,949	38	9,617	37	7,004	34	4,762	31	3.5	108.9
Neb.	11,212	28	10,886	25	7,546	26	5,302	16	3.0	111.5
Nev.	12,451	11	11,919	12	8,981	4	5,646	9	4.5	120.5
N. H.	12,021	17	11,131	19	7,356	31	4,689	34	8.0	156.4
N. J.	14,122	4	13,164	4	8,877	5	5,849	5	7.3	141.4
N. M.	9,640	42	9,285	40	6,451	43	3,944	45	3.8	144.4
N. Y.	12,990	8	12,204	10	8,289	13	5,656	8	6.4	129.7
N. C.	9,787	41	9,147	42	6,467	41	4,241	40	7.0	130.8
N. D.	11,666	22	10,886	24	7,375	30	6,435	1	7.2	31.3
Ohio	11,216	27	10,659	28	7,811	21	5,011	23	5.2	123.8
Okla.	10,963	30	11,071	20	6,963	35	4,284	39	(1.0)	155.9
Ore.	10,740	31	10,148	32	7,855	20	4,835	28	5.8	122.1
Pa.	11,448	25	10,928	23	7,675	23	4,928	26	4.8	132.3
R. I.	11,670	21	10,930	21	7,395	28	4,773	30	6.8	144.5
S. C.	9,187	47	8,613	49	6,056	49	3,903	46	6.7	135.4
S. D.	9,847	40	9,332	39	6,625	39	5,027	22	5.5	95.9
Tenn.	9,549	44	9,029	44	6,449	44	4,111	42	5.8	132.3
Texas	11,685	20	11,380	17	7,486	27	4,476	36	2.7	161.1
Utah	8,993	49	8,693	47	6,453	42	4,072	43	3.5	120.8
Vt.	9,979	37	9,518	38	6,572	40	4,291	38	4.8	132.6
Va.	12,116	15	11,353	18	7,623	24	4,844	27	6.7	150.1
Wash.	12,177	14	11,694	15	8,470	9	5,101	19	4.1	138.7
W. Va.	9,159	48	8,966	46	6,373	46	3,902	47	2.2	134.7
Wisc.	11,352	26	10,774	26	7,706	22	4,816	29	5.4	135.7
Wyo.	11,911	19	12,222	9	8,630	8	5,039	21	(2.5)	136.4
D. C.	15,744	2	14,743	2	9,859	2	6,062	3	6.8	159.7

NOTE: 1983 data are preliminary estimates.

a. 1983-1978 data revised in August 1984, 1973 data revised August 1983.

SOURCE: "Survey of Current Business," Vol. 64, No. 8 and Vol. 62, No. 8, U.S. Department of Commerce, Bureau of Economic Analysis, Washington, D.C.

TABLE 5
EMPLOYMENT IN HAWAII
Positions Filled in Selected Industries
Selected Years at December

Type of Employment	Number of Positions					Percent Change 1984 over		Percent of Total Employment		
	1984 ^a	1983	1982	1979	1974	1983	1974	1984	1983	1974
GOVERNMENT										
State	48,800	45,600	45,600	44,300	38,510	7.02	26.72	10.73	10.34	10.32
County	12,900	13,300	13,200	12,700	11,120	(3.01)	16.01	2.84	3.02	2.98
Sub-Total Local Government	61,700	58,900	58,800	57,000	49,630	4.75	24.32	13.57	13.36	13.30
Federal - Air Force	2,650	2,650	2,660	2,700	3,250	0.00	(18.46)	0.58	0.60	0.87
- Army	5,000	4,850	4,650	4,100	5,260	3.09	(4.94)	1.10	1.10	1.41
- Navy	12,950	13,350	13,100	12,100	11,100	(5.00)	16.67	2.85	3.03	2.97
- Other	11,400	11,250	11,100	11,200	11,080	1.33	2.89	2.51	2.55	2.97
Sub-Total Federal Government	32,000	32,100	31,510	30,100	30,690	(0.31)	4.27	7.04	7.28	8.22
Sub-Total Government	93,700	91,000	90,310	87,100	80,320	2.97	16.66	20.61	20.64	21.52
PRIVATE INDUSTRY										
Agriculture - Sugar ^b	4,300	4,500	4,700	4,700	5,160	(4.44)	(16.67)	0.95	1.02	1.38
- Pineapple ^b	2,100	2,300	2,450	1,700	1,910	(8.70)	9.95	0.46	0.52	0.51
- Other	4,400	4,400	4,150	3,900	2,440	0.00	80.33	0.97	1.00	0.65
Food Processing	10,100	11,100	11,100	10,500	9,670	(9.01)	4.45	2.22	2.52	2.59
Other Manufacturing	10,800	11,100	11,300	12,200	12,430	(2.70)	(13.11)	2.38	2.52	3.33
Transport., Comm., & Utilities	32,300	30,700	31,200	31,000	25,260	5.21	27.67	7.10	6.96	6.77
Wholesale Trade	18,800	18,100	18,500	18,800	16,380	3.87	14.77	4.13	4.11	4.39
Retail Trade	94,900	87,600	86,300	89,500	69,320	8.33	36.90	20.87	19.87	18.57
Contract Construction	14,700	17,900	17,800	23,300	29,010	(17.88)	(49.33)	3.23	4.06	7.77
Hotel Services	28,600	26,800	26,500	26,200	18,970	6.72	50.76	6.29	6.08	5.08
Other Services	81,000	77,000	74,700	77,900	53,140	5.19	52.43	17.81	17.46	14.24
Self-Employed & Domestic	27,100	26,800	25,750	23,000	26,020	1.12	4.15	5.96	6.08	6.97
Finance, Ins., & Real Estate	31,900	31,600	31,500	30,900	23,180	0.95	37.62	7.02	7.17	6.21
Sub-Total Private Industry	361,000	349,900	345,950	353,600	292,890	3.17	23.25	79.39	79.36	78.48
Total Positions Filled	454,700	440,900	436,260	440,700	373,210	3.13	21.83	100.00	100.00	100.00

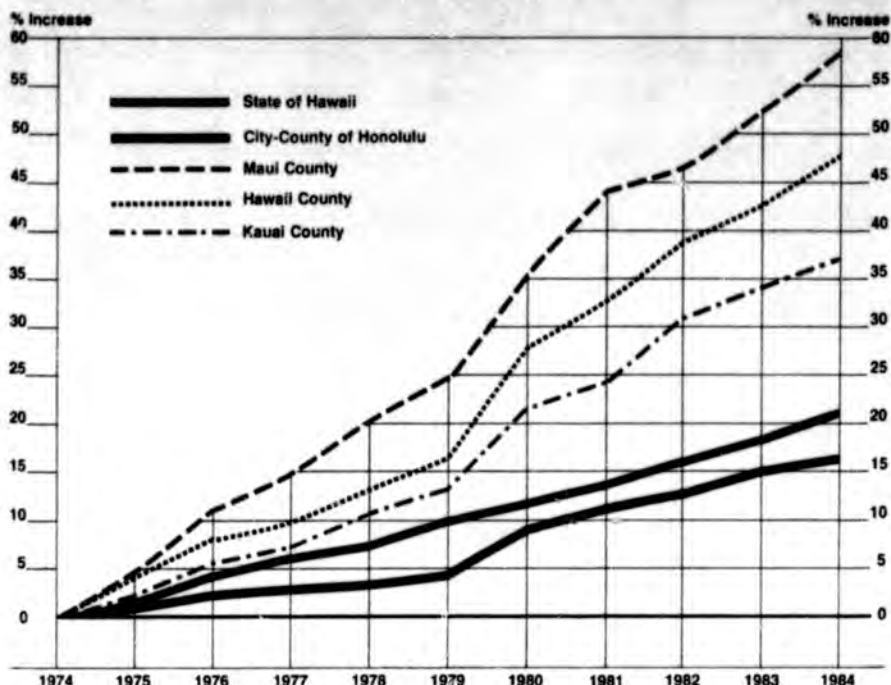
NOTE: Detail may not add to total due to rounding. Data reports positions filled in each industry.

a. 1984 revised preliminary data; table reflects revisions in prior years' data made by the state Department of Labor and Industrial Relations.

b. Sugar mill and pineapple cannery workers included in food processing.

SOURCE: Research and Statistics Office, Department of Labor and Industrial Relations, State of Hawaii.

CHART 3
TRENDS IN CIVILIAN POPULATION
 State of Hawaii & Counties
 Mid-Year Estimates 1974-1984



SOURCE: Table 6.

TABLE 6
POPULATION TRENDS IN HAWAII
 Mid-Year Estimates of Resident Population

July 1	City-County Honolulu	Maui County	Hawaii County	Kauai County	Civilian Total ^a	% Annual Increase	Armed Forces ^b	State Total
1984	748,200	83,000	106,300	43,800	981,300	1.90	57,300	1,038,600
1983	737,600	79,800	102,700	42,900	963,000	2.32	55,200	1,018,200
1982	724,200	76,900	100,000	41,800	941,200	1.83	54,900	996,700
1981	711,700	75,500	95,600	39,700	924,300	1.84	56,600	980,900
1980	701,900	71,000	91,900	38,900	907,635	1.74	57,056	964,691
1979	671,500	65,400	83,600	36,300	892,100	2.46	57,900	950,000
1978	664,100	63,100	81,600	35,400	870,700	1.30	58,300	929,000
1977	661,400	60,200	79,000	34,200	859,500	1.81	56,500	916,000
1976	656,000	58,200	77,700	33,800	844,200	2.31	57,800	902,000
1975	646,900	55,000	75,200	32,600	825,100	1.93	58,900	884,000
1974	640,300	52,400	72,000	31,900	809,500	2.09	57,500	967,000

NOTE: 1980 data at April 1. 1984 data are preliminary estimates, subject to revision.

a. Includes military dependents living in Hawaii; county detail may not add to civilian total due to different source.

b. Includes shore based armed forces for all years and home ported in Hawaii 1974-1984.

SOURCE: Provisional Estimates of the Population of Hawaii, Department of Planning and Economic Development, State of Hawaii.

TABLE 7
STATE AND LOCAL TAX BURDEN
Tax Collections Related to Population and Personal Income
By States: Fiscal Years 1983 and 1984

State	Per Capita Tax Collections ^a					Per Capita Tax as a % of Per Capita Income ^b			
	Fiscal 1984 ^c		Fiscal 1983		% Change from 1983	1984		1983	
	Amount	Rank	Amount	Rank		\$	Rank	\$	Rank
HAWAII	\$1,556	11	\$1,457	6	6.78	12.84	12	12.57	8
U.S. Av.	1,388	--	1,216	--	14.17	11.91	--	10.94	--
Ala.	925	48	806	48	14.66	10.00	45	9.29	44
Alaska	4,536	1	4,908	1	(7.57)	26.38	1	29.12	1
Ariz.	1,267	28	1,064	32	19.04	11.89	20	10.59	26
Ark.	880	50	771	50	14.14	9.81	47	9.13	46
Calif.	1,513	13	1,337	13	13.14	11.41	28	10.60	25
Colo.	1,401	18	1,166	23	20.13	10.97	31	9.53	41
Conn.	1,735	5	1,434	8	21.01	11.65	24	10.28	30
Del.	1,402	17	1,273	16	10.17	11.07	29	10.69	24
Fla.	1,109	38	968	38	14.63	9.57	49	8.85	50
Ga.	1,079	41	973	36	10.86	10.39	40	10.10	35
Idaho	958	46	875	47	9.45	10.02	44	9.71	39
Ill.	1,468	14	1,255	17	16.93	11.83	21	10.44	29
Ind.	1,142	35	905	44	26.14	10.90	32	9.04	47
Iowa	1,301	24	1,171	21	11.10	12.15	17	11.01	19
Kans.	1,283	26	1,129	26	13.69	10.48	38	9.53	42
Ky.	953	47	888	45	7.27	10.14	43	9.74	38
La.	1,080	40	1,051	33	2.76	10.51	37	10.44	28
Me.	1,266	29	1,082	31	16.97	12.85	11	11.68	13
Md.	1,520	12	1,350	12	12.62	11.70	23	10.99	20
Mass.	1,604	10	1,425	9	12.58	12.09	18	11.59	14
Mich.	1,671	9	1,370	11	21.95	14.57	6	12.75	7
Minn.	1,725	6	1,473	5	17.11	14.48	7	13.05	5
Miss.	868	51	769	51	12.79	10.72	33	9.95	36
Mo.	1,068	42	931	41	14.68	9.73	48	8.95	48
Mont.	1,326	21	1,179	20	12.45	13.33	8	12.26	9
Neb.	1,235	30	1,146	24	7.70	11.01	30	10.53	27
Nev.	1,313	22	1,214	19	8.14	10.54	36	10.19	32
N. H.	1,201	33	951	40	26.31	9.99	46	8.54	51
N. J.	1,687	8	1,457	7	15.81	11.95	19	11.07	18
N. M.	1,208	32	1,041	34	16.00	12.53	13	11.21	15
N. Y.	2,188	4	1,889	4	15.80	16.84	3	15.48	3
N. C.	1,034	43	911	43	13.51	10.57	35	9.96	21
N. D.	1,419	16	1,100	28	28.97	12.16	16	10.13	34
Ohio	1,303	23	1,100	29	18.44	11.62	26	10.32	43
Okl.	1,140	37	1,123	27	1.50	10.40	39	10.15	33
Oregon	1,267	27	1,229	18	3.17	11.80	22	12.11	10
Pa.	1,331	20	1,169	22	13.85	11.63	25	10.70	23
R. I.	1,434	15	1,295	15	10.77	12.29	15	11.85	12
S. C.	981	45	878	46	11.63	10.67	34	10.20	31
S. D.	1,000	44	914	42	9.49	10.16	42	9.79	37
Tenn.	893	49	804	49	11.13	9.36	51	8.90	49
Texas	1,106	39	1,033	35	7.09	9.46	50	9.13	45
Utah	1,159	34	963	39	20.41	12.89	10	11.07	17
Vt.	1,301	25	1,138	25	14.30	13.04	9	11.96	11
Va.	1,233	31	1,094	30	12.64	10.17	41	9.64	40
Wash.	1,400	19	1,306	14	7.22	11.50	27	11.17	16
W. Va.	1,140	36	972	37	17.35	12.45	14	10.84	22
Wisc.	1,691	7	1,393	10	21.33	14.89	4	12.93	6
Wyo.	2,677	2	2,443	2	9.55	22.47	2	19.99	2
D. C.	2,344	3	2,132	3	9.91	14.89	5	14.46	4

a. Population excluding armed forces overseas at July 1 as estimated by the U.S. Department of Commerce.

b. Fiscal year taxes as a percentage of prior calendar year personal income.

c. Computed from preliminary state tax collections according to estimates by the U.S. Department of Commerce.

SOURCE: "State Tax Collections in 1984," GF 84, No. 1, "Governmental Finances in 1982-83," GF 83, No. 5, and "Survey of Current Business," Vol. 64, No. 8, U.S. Department of Commerce, Washington, D.C.

WHERE GOVERNMENT GETS ITS MONEY

Hawaii's highly centralized state government is reflected in the taxing authority relationship between the state and counties. In 1984, nearly 80% of all state and local taxes collected in Hawaii accrued to the state government, which derives the bulk of its collections from the individual and corporate income tax, the general excise tax, and the public service companies tax. On the other hand, Hawaii's four county governments depend primarily on the real property tax, motor vehicle and fuel taxes, and public utility franchise tax.

The largest tax revenue generators in Hawaii are the general excise tax, a multi-rate, multi-stage tax on the gross revenue of business, which constituted 38% of total tax collections; and income taxes on individuals and corporations, which accounted for 26%. The real property tax represented the third largest tax revenue source in the state chipping-in nearly 17% of the total. Growth in these taxes roughly mirror the overall growth in the Hawaiian economy and the inflation rate; with a healthy state economy in 1984, these major tax sources had a combined growth rate of 9.6% without any major changes in tax rates.

Hawaii's earmarked taxes such as the fuel, motor vehicle weight, and utility franchise taxes, and the unemployment compensation tax are collected and expended for specific purposes, primarily highway construction and maintenance and provision of unemployment benefits. These taxes comprise 9% of the total state tax collection picture in 1984 and represent a declining share of total tax revenues due to their relative inelasticity or unresponsiveness to changes in economic growth or prices. This is especially true of the state gasoline tax which is based on the number of gallons of fuel sold as opposed to the price of fuel which is subject to external economic pressures.

Real property tax revenues are the foundation for county government finances, representing nearly 50% of total county revenue sources. The growth rate in the real property tax collections slackened from 7.8% in fiscal year 1982 to 5.2% in 1984 due to a combination of a poor real estate market and a hesitancy to increase property tax rates by local officials.

Federal tax collections in Hawaii grew by 4.4% during 1984 after rising a meager 1.1% during 1983. Individual income tax revenues accounted for the bulk or about 87% of federal taxes collected while corporate income taxes contributed 9%, followed by a host of excise taxes, estate and gift taxes, and the federal unemployment tax.

TABLE 8
FEDERAL TAX COLLECTIONS^a
By Source — Selected Fiscal Years
(Dollars in Thousands)

Source	1984	1983	1982	1979	1974
Income and Profits Taxes					
Individual Income & Employment	\$556,049,684	\$519,164,239	\$517,975,744	\$361,437,731	\$203,516,708
Corporate Income & Profits	74,179,370	61,779,556	65,990,832	71,447,876	41,744,444
Sub-Total Income & Profits	\$630,229,054	\$580,943,795	\$583,966,576	\$432,885,607	\$245,261,152
Excise Taxes					
Alcoholic Beverages	\$ 5,402,467	\$ 5,634,853	\$ 5,459,810	\$ 5,647,924	\$ 5,358,477
Tobacco	4,663,610	4,139,810	2,539,495	2,495,517	2,437,005
Manufacturers' Excise					
Gasoline	9,026,745	4,904,580	4,214,373	4,525,065	4,087,669
Tires and Tubes	423,315	677,966	616,785	878,283	827,257
Lubricating Oils ^b	--	48,688	106,483	108,647	105,723
Others ^c	647,182	720,606	560,414	356,448	75,153
Retailers' Excise					
Motor Vehicle Parts & Access.	932,645	424,182	884,845	1,189,169	646,352
Others ^d	1,686,925	831,196	628,625	553,291	416,244
Miscellaneous Excise					
Telephone & Teletype	2,034,965	1,048,317	919,749	1,362,193	1,892,731
Air Transportation of Persons	2,241,203	1,757,412	1,154,863	1,272,003	659,177
Others ^e	9,014,018	16,422,219	22,738,443	588,837	602,416
Unclassified Excise ^f	1,944,411	(844,291)	(3,044,455)	72,126	1,648
Sub-Total Excise Taxes	\$ 38,017,486	\$ 35,765,538	\$ 36,779,430	\$ 19,049,503	\$ 17,109,852
Estate	\$ 6,024,985	\$ 6,077,202	\$ 8,035,335	\$ 5,344,176	\$ 4,659,825
Gift	151,682	148,675	108,038	174,899	440,849
Unemployment	6,052,023	4,311,582	3,351,128	2,958,000	1,480,574
TOTAL	\$680,475,229	\$627,246,793	\$632,240,506	\$460,412,185	\$268,952,254

NOTE: Detail may not add due to rounding; 1983 data revised; retailers' excise reclassified for 1984 and prior years.

a. Gross Internal Revenue collections.

b. Repealed January 7, 1983.

c. Includes taxes for the black lung disability fund, sport equipment and firearms excise taxes, vehicle fuel economy levies, and amounts collected or adjusted for taxes which have expired or been repealed.

d. Includes taxes on noncommercial aviation fuels, diesel and special motor fuels, inland waterway fuel, and amounts collected or adjusted for expired or repealed taxes.

e. Includes taxes on windfall profits, highway vehicles over 26,000 lb., penalties on exempt organizations and employee pension plans, environmental taxes, and amounts collected or adjusted for expired or repealed taxes.

f. Amounts paid into depositories but not yet classified into excise detail; negative amounts represent reclassification of amounts previously reported as unclassified excise taxes.

SOURCE: Annual Reports, Commissioner and Chief Counsel, Internal Revenue Service, U.S. Department of the Treasury.

TABLE 9
DISTRIBUTION OF GENERAL REVENUE SOURCES
State and Local Government — Fiscal 1983*
(Dollars in Millions)

		Percent of Total								
		Taxes							Current Charges ^d	Misc. Revs. ^e
State	Total Amount	Fed. Grants	Total	Income ^b	Sales	Prop.	Vehicle ^c	Others		
HAWAII	\$ 2,467.3	19.7	60.4	15.0	24.4	11.1	3.3	6.6	11.0	8.8
U.S.	\$486,752.9	18.5	58.4	14.3	13.3	18.3	3.5	9.0	12.9	10.2
Ala.	\$ 6,594.3	21.5	48.4	11.1	14.2	6.0	4.7	12.5	20.8	9.3
Alaska	5,686.4	8.0	41.3	4.7	0.7	7.1	1.0	27.8	5.5	45.2
Ariz.	5,630.5	13.3	56.0	11.4	18.5	16.6	4.5	5.0	13.4	17.3
Ark.	3,454.3	24.2	51.9	13.8	13.6	10.9	5.8	7.8	14.5	9.4
Calif.	56,966.2	18.9	59.1	17.9	16.9	15.3	2.6	6.4	12.7	9.4
Colo.	6,512.7	15.5	56.2	10.9	17.3	19.7	3.2	5.1	15.2	13.1
Conn.	6,671.5	15.5	67.4	8.0	16.5	29.0	3.5	10.3	8.2	8.8
Del.	1,474.6	18.3	52.3	24.2	--	7.7	4.4	16.1	15.9	13.5
Fla.	17,890.2	15.5	57.8	2.1	18.6	19.8	4.2	13.0	16.5	10.2
Ga.	11,081.2	21.9	50.3	14.3	13.3	13.8	3.7	5.3	10.4	7.3
Idaho	1,616.5	21.7	53.5	15.8	10.2	14.6	7.1	5.9	15.0	9.8
Ill.	23,066.5	19.2	62.5	12.2	14.5	23.8	3.4	8.7	9.6	8.6
Ind.	8,957.7	18.2	55.4	11.3	17.0	19.2	4.9	3.0	18.9	7.5
Iowa	5,731.5	16.7	59.4	15.1	10.0	23.8	5.9	4.6	16.9	7.0
Kans.	4,853.3	16.0	56.4	13.8	11.3	22.3	3.8	5.1	14.0	13.6
Ky.	5,825.3	23.6	56.6	17.6	12.0	10.2	4.8	12.0	11.2	8.6
La.	9,098.0	18.4	51.3	6.1	18.7	7.2	2.7	16.6	12.9	17.5
Me.	2,071.8	23.3	59.9	13.0	13.0	22.7	4.3	6.9	9.5	7.4
Md.	9,756.7	18.3	59.5	23.5	8.9	15.6	3.3	8.3	12.0	10.2
Mass.	13,180.4	21.9	62.3	23.8	8.0	22.9	2.6	5.1	9.0	6.8
Mich.	21,348.7	19.1	58.2	18.0	9.2	24.2	3.4	3.3	14.1	8.6
Minn.	10,664.2	16.6	57.3	20.9	9.3	16.1	4.2	6.7	14.0	12.1
Miss.	4,140.8	23.9	48.1	6.5	18.4	10.3	4.5	8.4	20.8	7.3
Mo.	7,861.8	19.6	58.9	14.4	16.9	15.4	4.0	8.1	13.3	8.2
Mont.	1,991.8	20.0	48.4	9.4	--	23.0	4.2	11.7	8.6	23.0
Neb.	3,313.5	16.2	55.3	10.0	12.3	22.9	5.2	4.8	17.0	11.5
Nev.	1,972.9	14.9	54.8	--	18.7	10.6	5.6	20.0	18.6	11.7
N.H.	1,585.8	20.0	57.5	5.7	--	36.5	5.7	9.6	12.0	10.6
N.J.	16,675.3	15.1	65.2	12.6	10.0	28.4	3.3	11.0	9.9	9.8
N.M.	3,702.9	23.4	39.3	2.1	14.5	5.4	3.6	13.7	9.7	27.6
N.Y.	51,593.1	18.0	64.7	23.2	12.4	20.8	1.5	6.7	9.4	7.9
N.C.	9,706.5	21.0	57.1	19.1	11.0	13.4	5.5	8.2	14.1	7.9
N.D.	1,576.3	19.7	47.5	4.2	9.3	13.7	4.1	16.2	18.3	14.6
Ohio	19,689.7	16.9	60.0	17.3	11.3	19.4	4.6	7.5	13.9	9.2
Okl.	6,111.3	17.6	60.6	12.3	13.1	10.2	5.1	20.0	14.8	7.0
Ore.	6,120.6	19.0	53.4	21.4	--	22.0	3.6	6.5	13.2	14.4
Pa.	22,880.6	20.7	60.8	17.9	10.3	16.3	4.0	12.2	9.4	9.1
R. I.	2,214.7	21.4	55.8	13.7	9.6	23.2	3.0	6.4	10.1	12.6
S. C.	5,247.6	20.0	54.6	16.1	13.2	13.4	4.9	7.0	16.4	9.0
S. D.	1,311.4	24.7	48.8	0.2	15.3	20.8	6.0	6.5	12.6	13.9
Tenn.	7,381.3	23.0	51.0	3.5	21.0	13.1	5.7	7.8	17.5	8.4
Texas	27,906.5	14.7	58.2	--	14.5	21.4	3.1	19.1	14.1	13.0
Utah	3,120.6	19.9	49.9	12.1	15.4	14.6	3.6	4.3	12.8	17.4
Vt.	1,084.6	23.5	55.1	12.8	6.1	21.9	5.1	9.2	11.0	8.5
Va.	9,936.2	16.9	61.1	17.4	9.8	18.1	5.2	10.6	15.0	7.0
Wash.	9,669.4	17.9	58.1	--	27.6	16.9	3.8	9.8	13.5	10.5
W. Va.	3,428.5	21.8	55.7	10.4	21.7	10.3	4.8	8.4	14.0	8.5
Wisc.	10,854.4	18.1	61.0	19.1	11.1	22.1	3.8	4.8	14.4	6.5
Wyo.	1,970.7	20.5	63.7	--	11.7	26.3	3.7	22.1	11.6	24.7
D. C.	2,700.9	42.2	49.2	16.3	10.1	13.6	1.5	7.8	4.4	4.2

NOTE: Totals may not add due to rounding.

- a. Excludes revenues from insurance trust funds, utility enterprises, and monopoly liquor stores.
- b. Includes individual and corporate income taxes.
- c. Includes motor fuel taxes and motor vehicle license fees.
- d. Includes revenues from hospital charges, higher education institutional fees and charges, school lunch programs, and sewerage charges.
- e. Includes interest earnings.

SOURCE: "Governmental Finances in 1982-1983," Series GF 83, No. 5, U.S. Department of Commerce, Bureau of the Census, Washington, D.C., October 1984.

TABLE 10
GENERAL EXCISE TAX COLLECTIONS
State of Hawaii — Selected Calendar Years

Activities	1984	1983	1979	Change 1984 from 1983	
				Amount	Percent
Retailing	\$324,475,683	\$297,527,750	\$220,795,541	\$26,947,933	9.06
Services	94,736,738	85,380,811	56,487,818	9,355,927	10.96
Contracting	49,717,096	54,136,217	53,018,411	- 4,419,121	- 8.16
Theater, Radio, and Amusement	6,148,877	5,763,843	4,365,715	385,034	6.68
Interest	8,297,096	7,395,988	5,329,661	901,108	12.18
Commissions	11,990,217	10,726,700	12,295,641	1,263,517	11.78
Hotel Rentals	39,380,782	35,048,948	26,883,938	4,331,834	12.36
All Other Rentals	70,373,548	63,783,668	41,113,929	6,589,880	10.33
Use (4%)	14,184,858	11,098,385	9,324,649	3,086,473	27.81
All Others	12,376,683	10,515,442	6,017,994	1,861,241	17.70
Sub-Total	\$631,681,578	\$581,377,752	\$435,633,297	\$50,303,826	8.65
Sugar Processing	\$ 2,071,051	\$ 2,177,871	\$ 1,528,690	-\$ 106,820	- 4.90
Pine Canning	991,336	914,836	821,000	76,500	8.36
Sub-Total	\$ 3,062,387	\$ 3,092,707	\$ 2,349,690	-\$ 30,320	- 0.98
Producing	\$ 1,213,202	\$ 1,101,472	\$ 784,367	\$ 111,730	10.14
Manufacturing ^a	2,598,011	2,559,104	2,826,105	38,907	1.52
Sub-Total	\$ 3,811,213	\$ 3,660,576	\$ 3,610,472	\$ 150,637	4.12
Wholesaling ^b	\$ 20,126,622	\$ 18,471,100	\$ 14,004,757	\$ 1,655,522	8.96
Intermediary	644,380	511,137	221,508	133,243	26.07
Services	10,125,168	8,100,437	10,154,723	2,024,731	25.00
Use (1/2%)	--	--	44,963	--	--
Disabled Vendors	--	--	--	--	--
Sub-Total	\$ 30,896,170	\$ 27,082,674	\$ 24,425,951	\$ 3,813,496	14.08
Insurance	\$ 354,140	\$ 322,434	\$ 358,497	\$ 31,706	9.83
Solicitors	--	--	141,817	--	--
Penalties and Interest	--	--	--	--	--
Sub-Total	\$ 354,140	\$ 322,434	\$ 500,314	\$ 31,706	9.83
TOTAL	\$669,805,488	\$615,536,143	\$466,534,650	\$54,269,345	8.82

NOTE: Total for 1979 reflects net adjustments and collections not assignable by source of \$14,926.

a. Includes canning other than pineapple.

b. 1983 and 1984 revised data includes disabled vendors.

SOURCE: Reports of the Department of Taxation, State of Hawaii.

TABLE 11
DISTRIBUTION OF FEDERAL REVENUE SHARING FUNDS
State and Local Governments: Fiscal Years^a

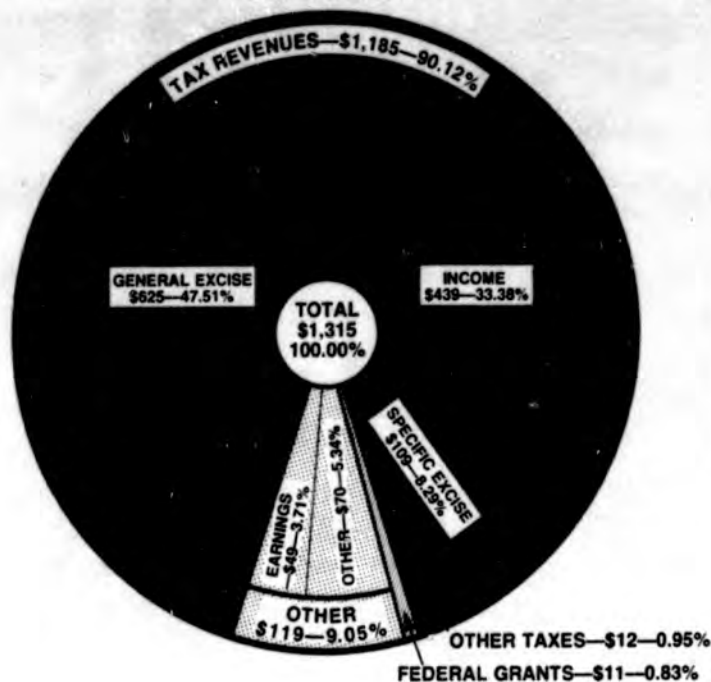
Unit of Government	1984	1983	1982	Change 1984 from 1982	
				Amount	Percent
State of Hawaii	\$ --	\$ 200,109	\$ --	\$ --	0.00
County of:					
Honolulu	15,510,472	16,811,750	16,037,997	(527,525)	(3.29)
Mau	1,814,344	1,868,426	1,356,837	457,507	33.72
Hawaii	2,985,399	3,259,036	3,123,732	(138,333)	(4.43)
Kauai	1,266,664	1,342,212	1,208,762	57,702	4.77
TOTAL	\$21,576,679	\$23,481,513	\$21,727,328	\$ (150,649)	(0.69)

a. Established by the "State and Local Fiscal Assistance Act of 1972," as amended, to distribute assistance moneys to state and local governments.

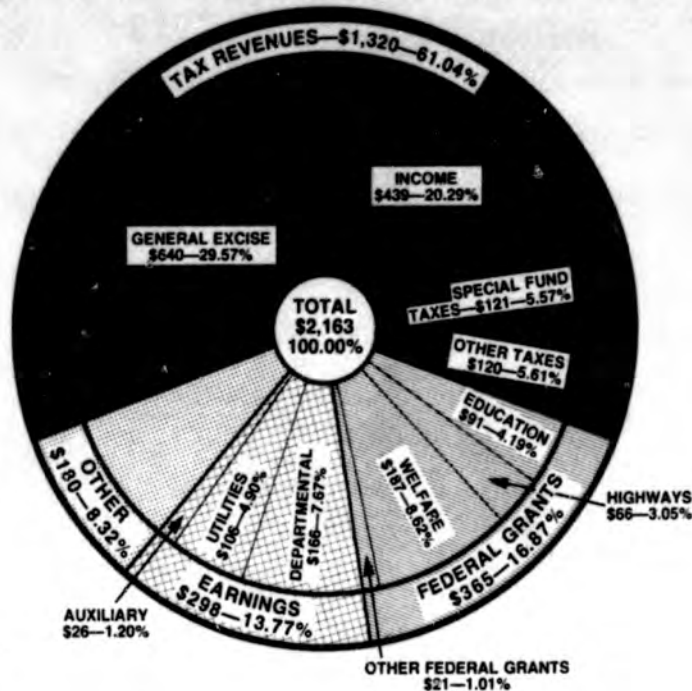
SOURCE: Compiled by the Tax Foundation of Hawaii from reports of the Department of Accounting and General Services, State of Hawaii and the various County Finance Directors' Annual Financial Reports.

CHART 4
SOURCES OF STATE GOVERNMENT OPERATING REVENUES
STATE OF HAWAII — FISCAL 1984
 (Dollars in Millions)

STATE GENERAL FUND



STATE GENERAL AND SPECIAL FUNDS



NOTE: See Table 12 for further detail.

SOURCE: Compiled by the Tax Foundation of Hawaii from the 1984 Annual Report of the Comptroller, State of Hawaii.

TABLE 12
STATE REVENUE RECEIPTS
Hawaii — Fiscal Years 1984 and 1983

Source of Revenue	Fiscal 1984			Fiscal 1983		
	General Fund	Special Fund	Total	General Fund	Special Fund	Total
Tax Revenues						
General Excise	\$ 624,508,072	\$ 15,122,114	\$ 639,630,186	\$ 585,947,523	\$ 15,538,477	\$ 601,486,000
Specific Excise ^a	108,919,275	43,577,447	152,496,722	122,982,734	42,500,699	165,483,433
Individual Income	402,419,191	--	402,419,191	346,950,980	--	346,950,980
Corporate Income	36,430,729	--	36,430,729	24,466,503	--	24,466,503
Unemployment Compensation	--	76,296,605	76,296,605	--	67,625,037	67,625,037
Other Taxes, Lic. & Permits ^b	12,424,065	664,201	13,088,266	8,151,631	308,941	8,460,572
Sub-Total Taxes	\$1,184,701,332	\$135,660,367	\$1,320,361,699	\$1,088,499,371	\$125,973,154	\$1,214,472,525
Fines, Forfeitures & Escheats	\$ 8,695,788	\$ 824,276	\$ 9,520,064	\$ 8,401,760	\$ 816,624	\$ 9,218,384
Federal Grants-In-Aid	10,864,813	354,130,782	364,995,595	10,300,855	376,503,855	386,804,710
Revenues from Other Agencies	1,941,435	7,385,237	9,326,672	1,181,100	6,921,022	8,102,122
Rents, Royalties, & Land Income	49,358,015	12,997,817	62,355,832	46,591,271	54,909,306	101,500,577
Earnings - General Departments	47,992,116	117,986,021	165,978,137	41,669,786	105,877,281	147,547,067
- Auxiliary Enter.	--	25,967,358	25,967,358	--	25,591,274	25,591,274
- Public Service Enter.	--	105,926,811	105,926,811	--	102,215,658	102,215,658
Interest Earned	755,035	--	755,035	1,085,600	--	1,085,600
Miscellaneous	10,229,133	87,746,417	97,975,550	14,789,219	94,272,117	109,061,336
TOTAL^c	\$1,314,537,667	\$848,625,086	\$2,163,162,753	\$1,212,518,962	\$893,080,291	\$2,105,599,253

a. Includes public service companies, tobacco, liquor, insurance, and fuel taxes.

b. Includes franchise tax, inheritance and estate taxes, and conveyance tax.

c. Excludes transfers and repayments except as shown.

SOURCE: Compiled by the Tax Foundation of Hawaii from Annual Reports of the Comptroller, Department of Accounting and General Services, State of Hawaii.

TABLE 13
STATE AND COUNTY TAX COLLECTIONS IN HAWAII
Selected Fiscal Years

Unit of Government Source	1984	1983	1982	1979	1974
State of Hawaii					
General Excise & Use	\$ 639,630,187	\$ 601,486,001	\$ 577,264,805	\$ 430,849,901	\$244,554,768
Fuel	54,909,051	53,635,554	52,579,890	48,318,750	29,649,393
Liquor	(209,040)	9,299,285	7,701,098	20,433,985	11,414,478
Tobacco	19,948,572	17,608,579	14,010,696	11,855,701	8,304,732
Insurance	26,606,444	26,355,858	27,756,730	18,466,002	9,533,689
Public Service Companies	59,559,375	66,395,288	56,987,473	33,924,866	21,167,132
Banks & Other Financial Corp.	547,143	(2,441,046)	3,888,230	7,602,035	3,629,739
Corporate Income ^a	36,430,730	24,466,504	39,314,134	32,273,128	18,166,034
Individual Income ^b					
Net Income	403,076,248	347,015,648	283,000,194	264,557,220	151,733,833
Inheritance and Estate	6,651,792	6,415,597	5,105,869	4,141,033	2,661,186
Real Property ^c	100	153,369	670,529	174,343,109	121,864,482
Conveyance	1,797,394	1,514,888	1,446,145	1,857,695	1,037,260
Licenses, Permits & Others	6,306,846	5,479,833	4,649,170	3,595,007	1,969,838
Unemployment Compensation	76,296,605	67,625,037	58,324,482	75,458,288	25,168,413
Sub-Total	\$1,331,551,447	\$1,225,010,395	\$1,132,699,446	\$1,127,676,720	\$650,854,977
Counties					
Real Property ^c	\$ 289,114,082	\$ 274,919,659	\$ 255,058,407	\$ --	\$ --
Liquor Licenses & Fees	3,076,614	2,853,991	2,408,112	2,269,330	1,428,900
Utility Franchise	16,966,534	18,444,360	17,266,811	8,022,829	3,203,234
Motor Vehicle Weight ^d	25,581,880	24,834,700	23,832,507	21,948,319	12,488,072
Licenses, Permits & Others	8,525,616	7,743,266	6,213,374	5,051,862	4,350,132
Sub-Total	\$ 343,264,726	\$ 328,795,976	\$ 304,779,211	\$ 37,292,340	\$ 21,470,338
TOTAL	\$1,674,816,173	\$1,553,806,371	\$1,437,478,657	\$1,164,969,060	\$672,325,315

r. Includes payments of estimated taxes less refunds.

o. Includes withheld and estimated taxes less refunds, and delinquent compensation taxes (repealed 1/1/58).

c. Article VIII, section 3 of the State Constitution, as amended in 1978, mandated the transfer of real property tax administration to the counties, effective July 1, 1981. State collections after fiscal year 1981 represent taxes for prior years and are distributed to the respective county funds.

d. Includes state motor vehicle weight tax from 1978.

SOURCES: Department of Taxation and Department of Accounting and General Services, State of Hawaii and the County Finance Directors' Annual Reports.

TABLE 14
ALLOCATION OF STATE AND COUNTY TAXES
Hawaii — Fiscal Years 1984 and 1983
(In Thousands)

Type of Taxes	1984 Allocated to						1983 Allocated to					
	State	Honolulu	MauI	Hawaii	Kauai	Total	State	Honolulu	MauI	Hawaii	Kauai	Total
State Collections												
General Excise ^a	\$ 621,458	\$ 7,734	\$ 2,994	\$ 4,328	\$ 3,116	\$ 639,630	\$ 583,314	\$ 7,734	\$ 2,994	\$ 4,328	\$ 3,116	\$ 601,486
Fuel	34,559	15,581	2,022	2,104	642	54,909	33,765	15,310	1,928	2,002	631	53,636
Liquor	(209)					(209)	9,299					9,299
Tobacco	19,949					19,949	17,609					17,609
Insurance	26,606					26,606	26,356					26,356
Public Service Co.	59,559					59,559	56,395					66,395
Banks & Fin. Corp.	547					547	(2,441)					(2,441)
Income - Corp. ^b	36,431					36,31	24,467					24,467
- Indiv. ^c	403,076					403,076	347,016					347,016
Inheritance & Estate	6,652					6,652	6,416					6,416
Real Property ^d	--					--	153					153
Conveyance	1,797					1,797	1,515					1,515
Unemploy. Comp.	76,297					76,297	67,625					67,625
Licenses & Other	6,307					6,307	5,480					5,480
Sub-Total - State	\$1,293,029	\$ 23,315	\$ 5,016	\$ 6,432	\$ 3,758	\$1,331,551	\$1,186,969	\$ 23,044	\$ 4,922	\$ 6,330	\$ 3,747	\$1,225,012
County Collections												
Real Property ^d	\$ --	\$212,270	\$25,620	\$37,142	\$14,082	\$ 289,114	\$ --	\$201,004	\$23,693	\$36,159	\$14,064	\$ 274,920
Liquor Licenses	--	1,616	761	457	243	3,077	--	1,476	680	446	251	2,853
Utility Franchise	--	13,868	812	1,464	823	16,967	--	15,512	789	1,390	754	18,445
Motor Vehicle Weight	9,272	11,642	1,893	1,672	1,102	25,582	8,921	11,320	1,849	1,638	1,107	24,835
All Others	--	6,460	866	850	349	8,526	--	6,106	695	746	196	7,743
Sub-Total - Counties	\$ 9,272	\$245,855	\$29,952	\$41,586	\$16,599	\$ 343,266	\$ 8,921	\$235,418	\$27,706	\$40,379	\$16,372	\$ 328,796
TOTAL	\$1,302,302	\$269,170	\$34,968	\$48,018	\$20,357	\$1,674,817	\$1,195,890	\$258,462	\$32,628	\$46,709	\$20,119	\$1,553,808

NOTE: Detail may not add to total due to rounding.

a. Act 114, SLH 1973 provided fixed amounts for county grants-in-aid subject to transfer of county functions.

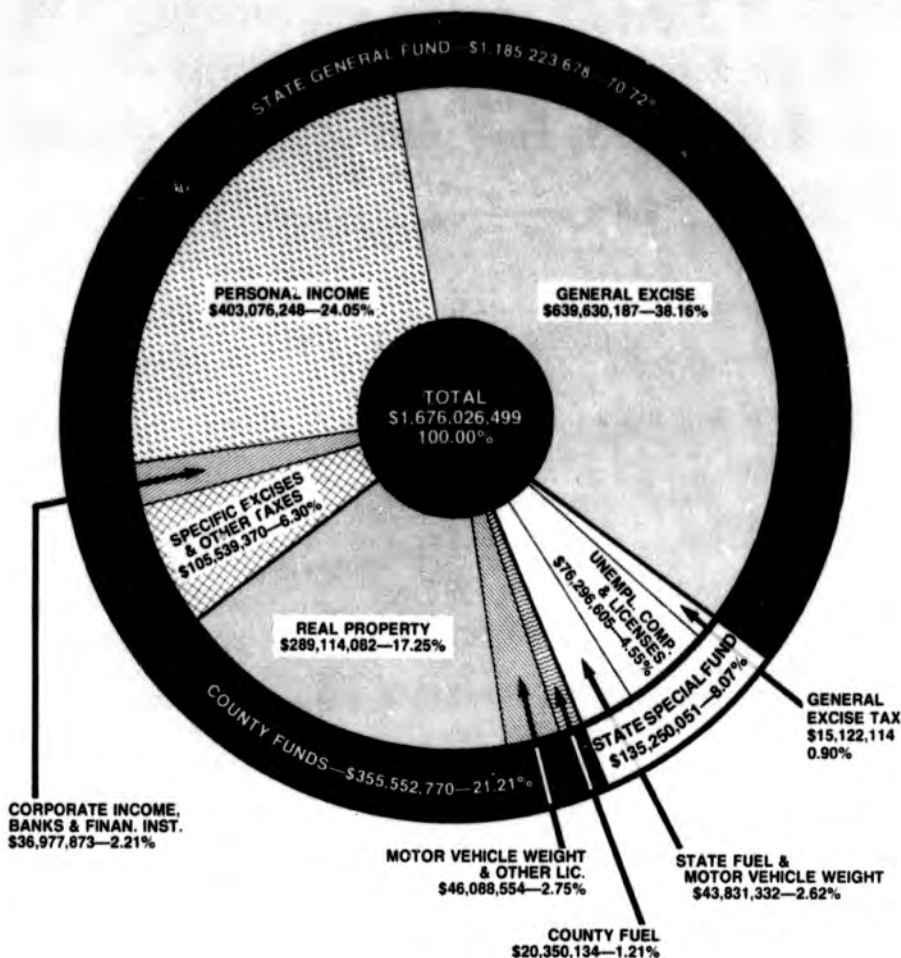
b. Includes amounts paid on declared estimated taxes less refunds.

c. Includes delinquent collections from Compensations and Dividends Tax, repealed 1/1/58, and Personal Net Income Tax including payments for withheld and declared estimated taxes less refunds.

d. Article VIII, Section 3 of the State Constitution, as amended in 1978, mandated the transfer of real property tax administration (including collection of the tax) to the counties, effective July 1, 1981. State collections represent real property taxes for prior years; less than \$1,000 in state collections for fiscal 1984.

SOURCE: Department of Taxation and Department of Accounting and General Services, State of Hawaii; the County Finance Directors' Annual Reports, and Table 13.

CHART 5
HAWAII STATE AND COUNTY TAX COLLECTIONS
Fiscal Year 1984



NOTE: Details do not agree with Tables 13 and 15 due to different sources.

SOURCE: Departments of Taxation, and Accounting and General Services, State of Hawaii, and County Finance Directors' Annual Reports.

TABLE 15
LIQUID FUEL TAX COLLECTIONS
State of Hawaii — Selected Fiscal Years

Type of Fuel	Tax Per Gal. Fiscal 1984 ^a	1984	1983	1982	1979
STATE TAX REVENUES					
OAHU					
Gasoline	8.5	\$19,498,162	\$19,190,682	\$18,636,434	\$20,510,535
Other Highway ^b	6.0 & 8.5	1,080,405	1,025,097	986,602	1,018,227
Other Non-Hwy.	1.0	413,714	421,159	384,537	453,226
Aviation	1.0	4,726,513	4,754,214	4,846,467	4,636,770
Small Boat ^c	1.0 & 15.0	17,311	29,008	39,906	23,118
TOTAL OAHU	--	\$25,736,106	\$25,420,160	\$24,895,946	\$26,641,876
MAUI					
Gasoline	8.5	\$ 2,757,195	\$ 2,402,713	\$ 2,551,810	\$ 2,665,752
Other Highway ^b	6.0 & 8.5	142,589	360,813	147,912	114,846
Other Non-Hwy.	1.0	246,600	281,444	326,742	242,541
Aviation	1.0	151,644	40,523	28,273	48,634
Small Boat ^c	1.0 & 14.5	--	1	684	464
TOTAL MAUI	--	\$ 3,298,029	\$ 3,085,494	\$ 3,035,421	\$ 3,072,037
HAWAII					
Gasoline	8.5	\$ 3,364,176	\$ 3,222,770	\$ 3,246,565	\$ 3,243,903
Other Highway ^b	6.0 & 8.5	251,181	216,714	200,266	245,143
Other Non-Hwy.	1.0	128,088	119,168	112,847	129,666
Aviation	1.0	59,623	54,479	44,132	168,433
Small Boat ^c	1.0 & 13.5	10,105	5,805	22,594	31,522
TOTAL HAWAII	--	\$ 3,813,172	\$ 3,618,926	\$ 3,626,404	\$ 3,818,667
KAUAI					
Gasoline	8.5	\$ 1,343,060	\$ 1,287,824	\$ 1,331,035	\$ 1,306,809
Other Highway ^b	6.0 & 8.5	38,263	70,511	67,869	59,581
Other Non-Hwy.	1.0	132,867	93,267	102,353	230,030
Aviation	1.0	2,227	2,007	4,931	7,217
Small Boat ^c	1.0 & 12.5	--	--	700	223
TOTAL KAUAI	--	\$ 1,516,417	\$ 1,453,609	\$ 1,506,888	\$ 1,603,860
ALL COUNTIES					
Gasoline	--	\$26,962,593	\$26,103,989	\$25,747,844	\$27,726,999
Other Highway	--	1,512,437	1,673,125	1,402,649	1,437,797
Other Non-Hwy.	--	921,270	915,038	926,479	1,055,263
Aviation	--	4,940,008	4,851,223	4,923,803	4,861,054
Small Boat ^d	--	27,416	34,814	63,884	55,327
TOTAL ALL COUNTIES	--	\$34,363,724	\$33,578,189	\$33,064,659	\$35,136,440
COUNTY TAX REVENUES					
OAHU					
Gasoline	6.5	\$14,907,808	\$14,672,339	\$14,249,877	\$ 8,443,723
Other Highways ^b	4.0 & 6.5	824,196	779,068	749,591	414,953
TOTAL OAHU	--	\$15,732,004	\$15,451,407	\$14,999,468	\$ 8,858,676
MAUI					
Gasoline	6.0	1,942,347	\$ 1,692,315	\$ 1,731,726	\$ 1,562,811
Other Highways ^b	4.0 & 6.0	100,518	254,846	99,764	66,989
TOTAL MAUI	--	\$ 2,042,865	\$ 1,947,161	\$ 1,831,490	\$ 1,629,800
HAWAII					
Gasoline	5.0	\$ 1,975,450	\$ 1,892,169	\$ 1,905,542	\$ 1,906,439
Other Highways ^b	3.0 & 5.0	147,154	126,878	117,202	143,767
TOTAL HAWAII	--	\$ 2,122,604	\$ 2,019,047	\$ 2,022,744	\$ 2,050,206
KAUAI					
Gasoline	4.0	\$ 630,491	\$ 604,414	\$ 624,425	\$ 613,044
Other Highways ^b	3.0 & 4.0	18,067	33,240	31,999	28,089
TOTAL KAUAI	--	\$ 648,559	\$ 637,654	\$ 656,424	\$ 641,133
ALL COUNTIES					
Gasoline	--	\$19,456,097	\$18,861,237	\$18,511,570	\$12,526,017
Other Highway	--	1,089,936	1,194,032	998,556	653,798
TOTAL ALL COUNTIES	--	\$20,546,032	\$20,055,269	\$19,510,126	\$13,179,815

NOTE: Detail may not add to total due to rounding.

a. Rate in cents per gallon.

b. Low rate for liquid petroleum gas, higher rate for diesel fuel.

c. Fuel other than gasoline at 1 cent per gallon.

d. Includes \$19,582 in 1982 and \$15,958 in 1979 allocated to the counties.

SOURCE: Reports of the Department of Taxation, State of Hawaii.

TABLE 16
STATE GENERAL SALES TAX DATA
Tax Rates as of January 1, 1985

State	Retail Rates ^a		Other Rates ^b	Credit Granted Against Income Taxes	Food Taxable ^c	Drugs Taxable ^d
	State	Local				
HAWAII	4.0%	--%	0.5%	Yes	Yes	Yes
Ala.	4.0	3.0	--	No	Yes	No
Alaska	--	6.0	--	No	Yes	Yes
Ariz.	5.0	2.0	--	No	No	No
Ark.	4.0	2.0	--	No	Yes	No
Calif.	4.75	1.75	--	No	No	No
Colo.	3.0	4.0	--	No	No	No
Conn.	7.5	--	--	No	No	No
Del.	No state or local sales tax					
Fla.	5.0	1.0	--	No	No	No
Ga.	3.0	1.0	--	No	Yes	Yes
Idaho	4.0	--	--	No	Yes	No
Ill.	5.0	2.0	--	No	No	No
Ind.	5.0	--	0.325	No	No	No
Iowa	4.0	--	--	No	No	No
Kans.	3.0	1.0	--	Yes ^e	Yes	No
Ky.	5.0	0.5	--	No	No	No
La.	4.0	3.0	--	No	No	No
Me.	5.0	--	--	No	No	No
Md.	5.0	--	--	No	No	No
Mass.	5.0	--	--	No	No	No
Mich.	4.0	--	--	No	No	No
Minn.	6.0	1.0	--	No	No	No
Miss.	6.0	--	0.125	No	Yes	No
Mo.	4.125	1.0	--	No	Yes	No
Mont.	No state or local sales tax					
Neb.	3.5	1.5	--	No	No	No
Nev.	2.0	3.75	--	No	No	No
N. H.	No state or local sales tax					
N. J.	6.0	--	--	No	No	No
N. M.	3.75	1.875	--	Yes	Yes	Yes
N. Y.	4.0	4.25	--	No	No	No
N. C.	3.0	1.5	--	No	Yes	No
N. D.	4.0	--	--	No	No	No
Ohio	5.0	2.5	--	No	No	No
Okla.	3.0	4.0	--	No	Yes	No
Ore.	No state or local sales tax					
Pa.	6.0	0.4	--	No	No	No
R. I.	6.0	--	--	No	No	No
S. C.	5.0	--	--	No	Yes	No
S. D.	4.0	3.0	--	Yes ^e	Yes	No
Tenn.	5.5	2.25	--	No	Yes	No
Texas	4.125	1.0	--	No	No	No
Utah	4.625	1.125	--	No	Yes	No
Vt.	4.0	--	--	Yes	No	No
Va.	3.0	1.0	--	No	Yes	No
Wash.	6.5	0.925	0.44	No	Yes	No
W. Va.	5.0	--	0.88 & 0.27	No	No	No
Wisc.	5.0	0.5	--	No	No	No
Wyo.	3.0	1.0	--	Yes ^e	Yes	No
D. C.	--	6.0	--	No	No	No

- Generally on tangible personalty only, although a few states (including Hawaii) tax selected services. Local rate is highest allowed or imposed.
- Hawaii levies tax on wholesaling, producing and manufacturing; Indiana on wholesaling; Washington and West Virginia on manufacturing and wholesaling.
- Food for home consumption; restaurant meals are generally taxable.
- Generally limited to prescription medicine and drugs, although some states exempt various other medical items such as patent medicines, baby supplies, eyeglasses and artificial limbs.
- Refund granted to low income elderly or disabled persons.

SOURCE: State Tax Guide, All State Unit, Commerce Clearing House, Inc.

TABLE 17
STATE FUEL, TOBACCO AND LIQUOR TAXES
Tax Rates as of January 1, 1985

State	Motor Fuel Tax ^a		Tobacco Taxes		
	(¢ Per Gallon) State	Local	Cigarettes (¢ Per Pack)	Other Products	Liquor (Per Gal.)
HAWAII	8.5	7.5	40% Whise. ^c	40% Whise.	20% Whise.
Ala.	11.0 ^b	3.0	16.5	Yes	48% Retail ^e
Alaska	8.0		8.0	No	\$5.60
Ariz.	13.0		15.0	Yes	3.00
Ark.	9.5 ^b		21.0	16% Whise.	\$2.00+3% Retail
Calif.	9.0		10.0	No	2.00
Colo.	12.0 ^b		15.0	No	2.28
Conn.	15.0		26.0	No	3.00
Del.	11.0		14.0	30% Whise.	2.25
Fla.	4.0	4.0	21.0	No	6.50
Ge.	7.5+3% Retail		12.0	Yes	3.79
Idaho	14.5		9.1	35% Whise.	15% Retail ^e
Ill.	12.0 ^b	4.0	12.0	No	2.00
Ind.	11.1		10.5	No	2.68
Iowa	13.0 ^b		18.0	10% Whise.	15% Whise. ^e
Kans.	11.0 ^b		16.0	10% Whise.	2.50
Ky.	10.0		3.0	No	1.92+9% Whise.
La.	16.0		16.0	Yes	2.50
Me.	14.0		20.0	No	75% Whise.+62.5¢
Md.	13.5		13.0	No	1.50
Mass.	11.0		26.0	No	4.05
Mich.	15.0		21.0	No	9.85% Retail ^e
Minn.	17.0		18.0	20% Whise.	4.39
Miss.	9.0 ^b	3.0	11.0	Yes	\$2.50+3% Retail ^e
Mo.	7.0		13.0	No	2.00
Mont.	15.0 ^b		16.0	12.5% Whise.	26% Retail ^e
Neb.	14.5		18.0	No	2.75
Nev.	10.25 ^b	5.75	15.0	30% Whise.	2.05
N. H.	14.0		17.0	No	(e)
N. J.	8.0		25.0	No	2.80
N. M.	11.0		12.0	No	3.94
N. Y.	8.0 ^b	1.0 ^f	21.0	No	4.09
N. C.	12.0		2.0	No	22.5% Retail
N. D.	13.0		18.0	11% Whise.	2.50
Ohio	12.0		14.0	No	(e)
Okla.	9.0		18.0	Yes	4.00
Ore.	10.0	3.0	19.0	No	(e)
Pa.	12.0		18.0	No	\$1.00+18% Retail ^e
R. I.	13.0		23.0	No	2.50
S. C.	13.0		7.0	Yes	\$2.72+9% Surtax
S. D.	13.0		15.0	No	3.80
Tenn.	9.0 ^b		13.0	6% Whise.	4.00
Texas	10.0 ^b		19.5	Yes	2.00
Utah	14.0		12.0	25% Retail	13% Retail ^e
Vt.	13.0 ^b		17.0	20% Whise.	25% Retail ^e
Va.	11.0		2.5	No	20% Retail ^e
Wash.	18.0		23.0	48.15% Whise.	(e)
W. Va.	10.5		17.0	No	(e)
Wisc.	16.5		25.0	20% Whise.	3.25
Wyo.	8.0 ^b		8.0	No	0.95 ^e
D. C.	--	15.5	13.0	No	1.50

- a. Gasoline for use on public highways. Local rate is highest imposed. Additional tax of 3% of retail imposed in Georgia.
- b. Rate for diesel for use on public highways differs in Texas, 6.5¢; Mississippi and New York, 10¢; Arkansas, 10.5¢; Alabama, Nevada and Tennessee, 12¢; Colorado and Kansas, 13¢; Vermont, 14¢; Illinois, 14.5¢; Iowa, 15.5¢; Montana, 17¢; tax exempt in Wyoming.
- c. Tax is approximately 21.5¢ per pack in Hawaii.
- d. Rates apply on distilled spirits not in excess of 100 proof.
- e. Monopoly states. Revenues received through markup plus taxes except markup only in New Hampshire and Oregon.
- f. On leaded gas in New York City.
- SOURCE: State Tax Guide, All States Unit, Commerce Clearing House, Inc.

TABLE 18
STATE PERSONAL INCOME TAX DATA
At January 1, 1985

State	Federal Inc. Tax Deduct. ^a	Tax Rate				Steps in Range	Personal Exemption or Credit ^b	
		Min.	On First	Max	Over		Single	Dependent
HAWAII	No	2.25%	\$ 800	11.0%	\$ 30,800	11	\$1,000 ^c	\$1,000 ^c
Ala.	Yes	2.0%	\$ 500	5.0%	\$ 3,000	3	\$1,500	\$ 500
Alaska	No personal income tax							
Ariz.	Yes	2.0	1,061	8.0	6,366	7	1,834 ^c	1,100 ^c
Ark.	No	1.0	2,999	7.0	25,000	6	17,500 ^{b,c}	6 ^b
Calif.	No	1.0	1,580	11.0	26,600	11	400 ^{b,c}	13
Colo. ^d	Yes	3.0	1,420	8.0	14,150	11	1,200 ^c	1,200
Conn. ^d	No personal income tax							
Del.	Yes	1.4	1,000	13.5	50,000	15	600	600
Fla.	No personal income tax							
Ga.	No	1.0	1,000	6.0	10,000	6	1,500	700
Idaho	No	2.0	1,000	7.5	5,000	6	1,000	1,000
Ill.	No	2.5% of modified federal AGI					1,000	1,000
Ind.	No	3.0% of modified federal AGI					1,000 ^c	500
Iowa	Yes	0.5	1,025	13.0	76,725	13	20 ^{b,c}	15 ^b
Kans.	Yes	2.0	2,000	9.0	25,000	8	1,000	1,000
Ky.	Yes	2.0	3,000	6.0	8,000	5	20 ^b	20 ^b
La.	Yes	2.0	10,000	6.0	50,000	3	4,500	1,000
Me.	No	1.0	2,000	10.0	25,000	8	1,000 ^c	1,000 ^c
Md.	No	2.0	1,000	5.0	3,000	4	800	800
Mass. ^{d,f}	No	5% flat rate + 7.5% surtax					2,200 ^e	700
Mich.	No	5.35% of modified federal AGI					1,500 ^c	1,500
Minn.	Yes	1.6	690	16.0	37,920	12	70 ^{b,c}	70 ^b
Miss.	No	3.0	5,000	5.0	10,000	3	6,000	1,500
Mo.	Yes	1.5	1,000	6.0	9,000	10	1,200 ^c	400
Mont.	Yes	2.0	1,300	11.0	43,900	10	1,000 ^c	1,000 ^c
Neb.	No	19% of adjusted federal liability					1,000	1,000
Nev.	No state income tax							
N. H.	No	5.0% of interest and dividend income over					\$1,200	
N. J.	No	2.0	20,000	3.5	50,000	3	1,000	1,000
N. M.	No	0.7	1,000	7.8	100,000	19	1,000 ^c	1,000
N. Y.	No	2.0	1,000	14.0	23,000	13	800 ^c	800
N. C.	No	3.0	2,000	7.0	10,000	5	1,100 ^c	800
N. D.	Yes	2.0	3,000	9.0	50,000	8	1,000	1,000
Ohio	No	0.95	5,000	9.5	100,000	8	650	650
Okl.	Yes	0.5	1,000	17.0	49,000	18	1,000 ^c	1,000
Ore.	Yes	4.2	500	10.8	5,000	7	85 ^{b,c}	85 ^{b,c}
Pa.	No	2.35% flat rate						
R. I.	No	23.65% of adjusted federal liability					1,040 ^c	1,040
S. C.	Yes	2.0	2,019	7.0	10,093	6	807 ^c	807 ^c
S. D.	No personal income tax							
Tenn.	No	6.0% on dividend and interest income						
Texas	No state income tax							
Utah	Yes	2.75	1,500	7.75	7,500	6	750	750
Vt.	No	26.5% of federal liability					1,040 ^c	1,040
Va.	No	2.0	3,000	5.75	12,000	4	600	600
Wash.	No state income tax							
W. Va. ^f	No	2.1	2,000	13.0	200,000	24	800	800
Wisc.	No	3.4	3,900	10.0	51,600	8	20 ^{b,c}	20 ^b
Wyo.	No state income tax							
D. C.	No	2.0	1,000	11.0	25,000	10	750 ^c	750

- a. Generally limited to federal taxes paid on income taxed by state. Maximum amounts deductible limited by certain states.
- b. States granting tax credits in lieu of personal exemptions.
- c. Additional credits deducted directly from tax liability and designed to relieve the burden of taxes other than income taxes; i.e., sales, property, and/or local income taxes. Limited to elderly in some states. Adjusted for inflation in Arizona, California, Iowa, Maine, Minnesota, Montana and South Carolina.
- d. Additional rates: Colorado, 2% on interest and dividends over \$15,000; Connecticut, graduated tax levied on capital gains and dividends if federal adjusted gross income exceeds \$50,000; Massachusetts, 10% on interest, dividends and capital gains.
- e. No exemptions for joint returns.
- f. Surtax imposed.

SOURCE: State Tax Guide, © 1 States Unit, Commerce Clearing House, Inc.

TABLE 19
STATE CORPORATION NET INCOME TAX
Rates and Estimated Burdens on Selected Incomes
January 1, 1985

State	State/Federal ^a Corporation Tax Deductible	Tax Rate	Net Operating Loss ^b	Estimated State Income Tax on Net Taxable Income ^c of		
				\$5,000	\$50,000	\$500,000
HAWAII	Yes/No	5.85% to \$25,000 6.435% over \$25,000	CF-15, CB-3	\$ 276	\$ 2,886	\$ 30,092
Ala.	No/Yes	5.0%	CF-4	\$ 214	\$ 2,106	\$ 14,854
Alaska	No/No	1% to \$10,000 9.4% over \$10,000	CF-15, CB-3	50	1,500	43,040
Ariz.	Yes/Yes	2.5% to \$1,000 10.5% over \$1,000	CF-5	186	3,778	28,576
Ark.	No/No	1% to \$3,000 6% over \$3,000	CF-3	70	2,440	29,440
Calif.	No/No	9.6%	--	480	4,800	48,000
Colo.	No/No	5.0%	CF-15	250	2,500	25,000
Conn.	No/No	11.5%	CF-5	575	5,570	57,500
Del.	No/No	8.7%	CF-15, CB-3	435	4,350	43,500
Fla.	No/No	5.5%	CF-15	275	2,750	27,500
Ga.	No/No	6.0%	CF-7, CB-3	300	3,000	30,000
Idaho	No/No	7.7% + \$10	CF-10, CB-3	395	3,860	38,510
Ill.	No/No	4% + 2.5%	CF-15, CB-3	325	3,250	32,500
Ind.	No/No	7%	CF-15, CB-3	350	3,500	35,000
Iowa	No/Yes ^d	6% to \$25,000 12% over \$25,000	CF-15, CB-3	279	3,193	41,048
Ka.	No/No	4.5% to \$25,000 6.75% over \$25,000	CF-7, CB-3	225	2,813	33,188
Ky.	No/No	3% to \$25,000 6% over \$25,000	CF-15, CB-3	150	1,750	28,250
La.	No/Yes	4% to \$25,000 8% over \$25,000	CF-5, CB-3	171	1,845	20,214
Me.	No/No	3.5% to \$25,000 8.93% over \$25,000	CF-15, CB-3	175	2,858	41,743
Md.	No/No	7.0%	CF-15, CB-3	350	3,500	35,000
Mass.	No/No	8.53% + 14% surtax	CF-5	475	4,748	47,481
Mich.	No/No	Special business tax of 2.35% levied in lieu of corporate income tax				
Minn.	No/No	6% to \$25,000 12% over \$25,000	CF-5, CB-3	300	4,500	58,500
Miss.	No/No	3% to \$5,000 5% over \$5,000	CF-5	150	2,350	24,850
Mo.	Yes/Yes	5.0%	CF-15, CB-3	204	2,005	14,131
Mont.	No/No	6.75%	CF-7, CB-3	338	3,375	33,750
Neb.	Yes/No	4.75% to \$50,000 6.65% over \$50,000	CF-15, CB-3	227	2,267	30,286
Nevada	No state corporation income tax					
N. H.	No/No	8% + 13.5% surtax	--	454	4,540	45,400
N. J.	No/No	9.0%	--	450	4,500	45,000
N. M.	Yes/No	4.8% to \$1,000,000 7.2% over \$2,000,000	CF-15, CB-3	229	2,290	22,901
N. Y.	No/No	10%	CF-15, CB-3	500	5,000	50,000
N. C.	No/No	6.0%	CF-5	300	3,000	30,000
N. D.	No/Yes	3% to \$3,000 10.5% over \$3,000	CF-15, CB-3	172	2,889	30,273
Ohio	No/No	5.1% to \$25,000 9.2% over \$25,000	CF-5	255	3,575	44,975
Okl.	Yes/No	4.0%	CF-15, CB-3	192	1,923	19,231
Or.	No/No	7.5%	CF-5	375	3,750	37,500
Pa.	No/No	9.5%	CF-3	475	4,750	47,500
R. I.	No/No	8.0%	CF-15, CB-3	400	4,000	40,000
S. C.	No/No	6.0%	CF-5	300	3,000	30,000
S. D.	No state corporation income tax					
Tenn.	No/No	6.0%	CF-3	300	3,000	30,000
Texas	No state corporation income tax					
Utah	No/No	5.0%	CF-5, CB-3	250	2,500	25,000
Vt.	Yes/No	6% to \$10,000 9% over \$10,000	CF-15, CB-3	283	3,487	39,523
Va.	No/No	6.0%	CF-15, CB-3	300	3,000	30,300
Wash.	No state corporation income tax					
W. Va.	No/No	6.0% + 1% sur- tax to \$50,000 7.0% + 1% sur- tax over \$50,000	CF-15, CB-3	345	3,450	39,675
Wisc.	No/No	7.9%	CF-5	395	3,950	39,500
Wyo.	No state corporation income tax					
D. C.	No/No	10% + 5% surtax	--	525	5,250	52,500

a. Deduction limited to federal tax on income taxed by the state. Limited in Iowa to 50% of federal taxes paid.

b. Number of years carried forward and/or carryback of net operating loss; carrybacks usually limited to enactment year. Some states also grant new businesses further relief.

c. "Net taxable income" is income net of all deductions and exemptions except any allowed for federal or state corporate income taxes paid.

d. Additional personal property replacement tax on net income.

SOURCE: State Tax Guide, All States Unit, Commerce Clearing House, Inc. Estimated tax liability computed by the Tax Foundation of Hawaii.

TABLE 20
REAL PROPERTY VALUATIONS IN HAWAII
 Fiscal 1985 — By Counties*
 (Dollars in Thousands)

Type of Property	Honolulu	Maui	Hawaii	Kauai	Total	Percent
Government: Federal	\$ 2,307,705	\$ 6,956	\$ 19,913	\$ 12,859	\$ 2,347,435	4.04
State	4,528,522	201,149	410,418	104,280	5,244,369	9.03
Counties	1,200,001	111,441	45,641	39,534	1,396,617	2.40
Public Utilities ^b	244,708	25,555	19,361	5,040	294,664	0.51
Churches	415,015	43,167	37,106	19,904	515,192	0.89
Charitable Organizations	267,436	23,092	26,280	6,564	323,372	0.56
Schools	284,201	7,091	15,037	217	306,546	0.53
Hospitals	233,167	21,109	--	4,683	258,959	0.45
Miscellaneous Exempt ^c	3,819,431	385,956	597,474	218,666	5,021,527	8.64
All Others	30,344,935	5,656,194	4,095,690	2,289,366	42,386,185	72.96
Total Gross Valuations	\$43,645,121	\$6,481,712	\$ 5,266,920	\$2,701,113	\$58,094,866	100.00
Exempt Properties						
Government	\$ 8,036,228	\$ 319,548	\$ 475,972	\$ 156,673	\$ 8,988,421	15.47
Public Utilities ^b	244,708	25,555	19,361	5,040	294,664	0.51
Churches	415,015	43,167	37,106	19,904	515,192	0.89
Charitable Organizations	267,436	23,092	26,280	6,564	323,372	0.56
Schools	284,201	7,091	15,037	217	306,546	0.53
Hospitals	233,167	21,109	--	4,683	258,959	0.45
Others ^c	3,819,431	385,956	597,474	218,666	5,021,527	8.64
Sub-Total Exemptions	\$13,300,186	\$ 825,518	\$ 1,171,230	\$ 411,747	\$15,708,681	27.04
Taxable Values	\$30,344,935	\$5,656,194	\$ 4,095,690	\$2,289,366	\$42,386,185	72.96
Less 50% of Appeals	409,123	90,357	14,658	199,435	713,573	1.23
Net Taxable Values	\$29,935,812	\$5,565,837	\$ 4,081,032	\$2,089,931	\$41,672,612	71.73

NOTE: Detail may not add due to rounding.

a. Gross valuations assessed at 100% of fair market value.

b. Exempt from property taxation; subject to selective sales public service companies tax.

c. Includes residential home exemption, exemptions for disabled and handicapped, government leases, property used for low-moderate income housing, Hawaiian homes, cemetery, alternate energy, co-ops, etc.

SOURCE: Reports of the Property Technical Office, Real Property Assessment Division, Department of Finance, City and County of Honolulu.

TABLE 21
TRENDS IN REAL PROPERTY TAX BASE
State of Hawaii: By Counties^a
(In Thousands)

Fiscal Year		Honolulu	MauI	Hawaii	Kauai	All Counties ^b
1985		\$(29,935,812)	\$(5,565,837)	\$(4,081,032)	\$(2,089,931)	\$(41,672,612)
Improved Residential	- Land	10,659,541	970,851	641,392	502,082	12,773,866
	- Bldg.	4,916,364	502,649	436,449	261,268	6,116,730
Unimproved Residential	- Land	365,949	185,473	126,771	104,561	782,754
	- Bldg.	31,097	4,708	19,970	5,062	60,837
Hotel/Resort	- Land	455,805	289,590	41,265	51,586	838,246
	- Bldg.	1,378,273	492,472	230,121	87,591	2,188,457
Apartment	- Land	1,363,749	386,081	156,497	224,041	2,130,368
	- Bldg.	3,941,297	1,477,266	506,553	348,554	6,273,670
Commercial	- Land	1,675,589	167,633	123,514	103,975	2,070,711
	- Bldg.	2,290,308	130,142	148,841	88,024	2,657,315
Industrial	- Land	1,609,125	142,766	57,379	48,224	1,857,494
	- Bldg.	841,352	120,190	96,555	30,272	1,088,369
Agricultural	- Land	277,165	478,490	1,116,313	165,109	2,037,077
	- Bldg.	84,655	196,862	325,117	37,153	643,787
Conservation	- Land	30,552	15,846	49,563	31,687	127,648
	- Bldg.	14,991	4,818	4,732	742	25,283
1984		28,004,554	5,633,710	4,020,278	1,849,693	39,508,235
1983		25,063,750	5,251,198	3,634,760	1,713,345	35,663,053
1982		20,751,402	4,823,618	2,898,718	1,415,822	29,889,560
1981		17,653,348	3,711,258	2,281,458	1,073,337	24,719,402
1980		15,673,688	2,961,878	1,985,620	892,433	21,513,620
1979		14,510,773	2,109,747	1,791,142	807,478	19,219,140
1978		13,009,917	1,602,810	1,557,382	687,843	16,857,952
1977		12,613,372	1,533,937	1,527,777	668,835	16,343,920
1976		11,139,475	1,360,280	1,506,740	617,015	14,623,510

NOTE: Detail may not add to totals due to rounding.

a. Net assessed valuations for tax rate purposes increased to 100% of fair market value in fiscal 1984; prior years adjusted to 100% basis.

b. Excludes federal leased property assessable to lessee but not included for tax rate purposes.

SOURCE: Compiled by the Tax Foundation of Hawaii from reports of the Property Technical, Real Property Assessment Division, Department of Finance, City and County of Honolulu and the Department of Taxation, State of Hawaii.

TABLE 22
TRENDS IN REAL PROPERTY TAX COLLECTIONS
State of Hawaii: By Counties

Fiscal Year	Honolulu	Mau	Hawaii	Kauai	All Counties
1985 (Est.) ^a	\$ (223,380,894)	\$ (24,898,918)	\$ (37,195,725)	\$ (15,781,208)	\$ (301,256,742)
Improved Res.	105,137,359	6,483,400	9,161,649	4,756,396	125,538,803
Unimprov. Res.	2,680,061	855,815	1,437,455	703,828	5,677,159
Hotel/Resort	18,340,780	3,519,279	2,368,679	1,171,424	25,400,161
Apartment	35,809,061	8,385,062	5,870,671	4,824,727	54,889,520
Commercial	35,693,073	1,339,988	2,500,289	1,630,781	41,164,130
Industrial	22,054,293	1,183,302	1,394,508	669,293	25,301,395
Agricultural	3,256,380	3,039,084	13,926,625	1,742,961	21,965,049
Conservation	409,887	92,988	535,852	281,798	1,320,525
1984	212,269,921	25,620,492	37,141,879	14,081,790	289,114,082
1983	201,003,749	23,693,234	36,158,715	14,063,961	274,919,659
1982	189,838,546	21,804,283	30,301,000	12,433,773	254,397,602
1981	166,301,144	16,661,599	24,797,746	9,496,130	217,256,619
1980	145,002,528	11,626,644	21,602,726	7,977,589	186,209,287
1979	135,047,817	12,055,703	19,821,901	7,408,160	174,335,581
1978	120,707,945	11,577,622	16,982,147	6,148,490	155,416,204
1977	114,326,276	11,725,735	16,943,416	6,207,789	149,203,216
1976	117,124,133	11,896,154	18,781,089	5,982,956	153,784,332

NOTE: Detail may not add to totals due to rounding.

a. Totals include tax on certain federal leased property not allocated by class, but excludes minimum tax.

SOURCE: Compiled by the Tax Foundation of Hawaii from reports of the Property Technical Office, Real Property Assessment Division, Department of Finance, City and County of Honolulu and the Department of Taxation, State of Hawaii.

TABLE 23
TRENDS IN REAL PROPERTY TAX RATES
State of Hawaii: By Counties
(Rates for \$1,000 Taxable Values)

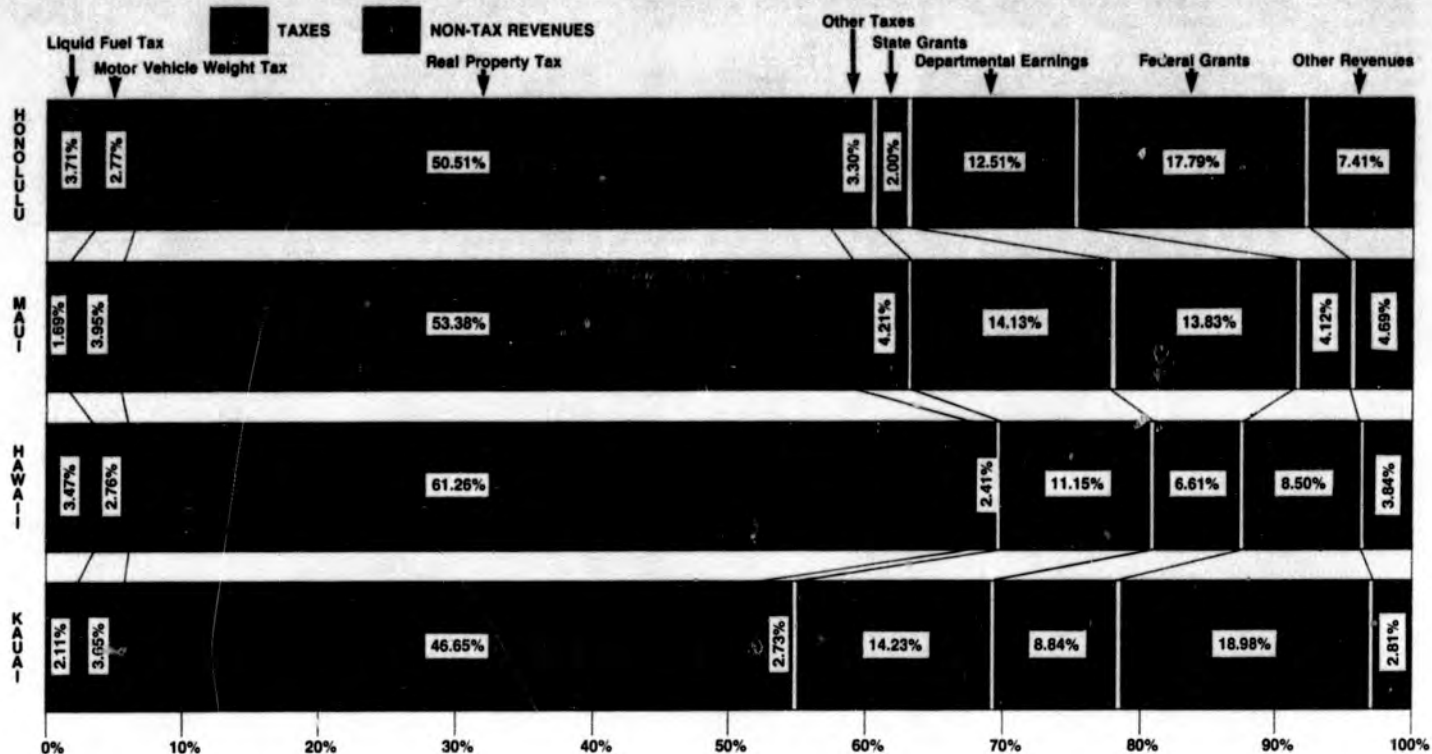
Fiscal Year	Honolulu	Mau	Hawaii	Kauai	Average ^a
1985 Average Rate ^b	\$ 7.46	\$ 4.47	\$ 9.11	\$ 7.55	\$ 7.23
Improv. Resid.:	Land 6.75	4.40	8.50	6.45	9.83
	Bldg. 6.75	4.40	8.50	5.81	6.64
Unimp. Resid.:	Land 6.75	4.50	10.00	6.45	6.70
	Bldg. 6.75	4.50	8.50	5.81	7.07
Hotel/Resort:	Land 10.00	4.50	10.00	8.70	8.02
	Bldg. 10.00	4.50	8.50	8.25	8.53
Apartment:	Land 6.75	4.50	10.00	8.70	6.79
	Bldg. 6.75	4.50	8.50	8.25	6.44
Commercial:	Land 9.00	4.50	10.00	8.70	8.68
	Bldg. 9.00	4.50	8.50	8.25	8.73
Industrial:	Land 9.00	4.50	10.00	8.70	8.68
	Bldg. 9.00	4.50	8.50	8.25	8.44
Agricultural:	Land 9.00	4.50	10.00	8.70	8.47
	Bldg. 9.00	4.50	8.50	8.25	7.33
Conservation:	Land 9.00	4.50	10.00	8.70	8.76
	Bldg. 9.00	4.50	8.50	8.25	8.03
1984 Average Rate	7.60	4.50	9.19	8.05	7.34
1983 " "	13.43	7.50	16.68	14.50	12.94
1982 " "	15.23	7.50	17.90	14.50	14.21
1981 " "	15.23	6.47	17.90	14.50	14.28
1980 " "	15.23	9.09	17.90	14.50	14.25
1979 " "	15.23	11.96	17.90	14.50	14.78
1978 " "	15.37	12.50	17.90	14.50	15.25
1977 " "	15.37	12.50	17.90	14.50	15.31
1976 " "	15.37	14.00	17.90	14.50	15.34

a. State average rates computed by dividing "taxes to be raised" by total county taxable values.

b. Tax rate at 100% net assessed value; 1977-1983 rates at 60% net assessed value; all prior years' rates at 70% of net assessed value.

SOURCE: Compiled by the Tax Foundation of Hawaii from reports of the Property Technical Office, Real Property Assessment Division, Department of Finance, City and County of Honolulu and the Department of Taxation, State of Hawaii.

CHART 6
SOURCES OF COUNTY GOVERNMENT REVENUE
 Percentage Distribution — By Counties
 Fiscal Year — 1984



SOURCE: Tables 24-27.

TABLE 24
OPERATING REVENUES^a — CITY AND COUNTY OF HONOLULU
Selected Fiscal Years

Source of Revenue	1984	1983	1982	1979	1974
Taxes					
Real Property	\$212,769,921	\$201,003,749	\$189,838,546	\$135,047,817	\$ 96,624,744
Liquid Fuel	15,581,185	15,310,410	14,898,569	8,797,372	7,599,540
Utility Franchise	13,867,639	15,511,595	14,350,684	6,561,935	2,604,931
Motor Vehicle Weight	11,642,137	11,320,390	11,015,318	10,414,179	9,926,041
Sub-Total Taxes	\$253,360,882	\$243,146,144	\$230,303,117	\$160,821,303	\$116,755,256
Liquor, Licenses & Fees	\$ 1,615,655	\$ 1,476,242	\$ 1,146,405	\$ 1,380,147	\$ 948,577
Parking Meter Fees	2,646,501	2,598,835	2,606,269	2,376,626	1,717,922
Other License & Fees	6,459,913	6,106,251	4,834,036	3,508,365	3,337,810
Fines, Forfeits & Penalties	140,838	123,032	108,509	65,369	62,472
Departmental Earnings ^b	52,550,921	53,127,894	46,733,711	25,547,669	8,527,123
State Grants					
Pensioners	--	--	--	--	321,532
Act 155 ^c	7,734,416	7,734,416	7,734,416	7,734,416	8,785,664
Others	681,782	1,558,727	1,183,890	1,482,474	789,270
Sub-Total State Grants	\$ 8,416,198	\$ 9,293,143	\$ 8,918,306	\$ 9,216,890	\$ 9,892,466
Federal Grants	\$ 74,774,670	\$ 69,765,337	\$ 63,454,834	\$106,586,114	\$ 28,657,594
Hawaii Housing Authority	190,609	95,052	124,068	246,153	166,554
Land Sales	--	--	--	--	2,089,800
Miscellaneous	20,090,712	\$ 20,113,769	\$ 14,472,100	\$ 3,030,782	\$ 4,333,171
TOTAL	\$420,246,899	\$405,845,699	\$372,701,375	\$312,779,418	\$176,488,546

NOTE: Detail may not add to totals due to rounding.

- a. Excludes loan, bond, revolving, improvement district, and trust funds, and Board of Water Supply revenues.
b. Includes rentals, interest, and other earnings.
c. Act 155, SLH 1965, repealed general excise tax sharing and authorized state-aid grants based on each county's "relative fiscal capacity and relative fiscal need" as defined by the legislature. Amended in 1973 to provide fixed grants equal to the amount granted in 1972 unless a county function was subsequently incorporated as a state function.

SOURCE: Finance Director's Annual Financial Reports, City and County of Honolulu, State of Hawaii.

TABLE 25
OPERATING REVENUES^a — COUNTY OF MAUI
Selected Fiscal Years

Source of Revenue	1984	1983	1982	1979	1974
Taxes					
Real Property	\$25,620,492	\$23,693,234	\$21,804,283	\$12,055,703	\$ 7,842,451
Liquid Fuel	2,022,437	1,928,104	1,817,937	1,611,721	1,011,575
Utility Franchise	812,111	788,951	676,885	332,547	127,032
Motor Vehicle Weight	1,892,679	1,848,636	1,691,763	1,108,541	784,449
Sub-Total Taxes	\$30,347,719	\$28,258,925	\$25,990,868	\$15,114,512	\$ 9,765,507
Liquor, Licenses & Fees	\$ 760,745	\$ 679,840	\$ 589,272	\$ 385,465	\$ 177,808
Other License & Fees	865,992	695,228	439,231	605,555	415,414
Fines, Forfeits & Penalties	304,805	202,800	141,614	4,355	1,534
Departmental Earnings ^b	6,635,407	5,739,784	6,227,864	4,064,877	1,894,838
State Grants					
Pensioners	--	--	--	--	152,923
Act 155 ^c	2,994,474	2,994,474	2,994,474	2,994,474	3,001,232
Others	3,788,060	5,009,555	2,040,238	4,667,359	826,547
Sub-Total State Grants	\$ 6,782,534	\$ 8,004,029	\$ 5,034,712	\$ 7,661,833	\$ 3,980,702
Federal Grants	\$ 1,976,277	\$ 2,204,048	\$ 3,173,842	\$ 5,148,662	\$ 1,674,817
Hawaii Housing Authority	10,434	10,278	10,273	22,314	4,124
Miscellaneous	308,407	323,581	384,421	194,027	2,927,311
TOTAL	\$47,992,318	\$46,118,513	\$41,992,097	\$33,199,600	\$20,842,034

NOTE: Detail may not add to totals due to rounding.

- a. Excludes loan, bond, revolving, certain trust funds, and water revenues.
b. Includes rentals, interest, garbage collection charges, and other earnings.
c. Act 155, SLH 1965, repealed general excise tax sharing and authorized state-aid grants based on each county's "relative fiscal capacity and relative fiscal need" as defined by the legislature. Amended in 1973 to provide fixed grants equal to the amount granted in 1972 unless a county function was subsequently incorporated as a state function.

SOURCE: Finance Director's Annual Financial Reports, County of Maui, State of Hawaii.

TABLE 26
OPERATING REVENUES^a — COUNTY OF HAWAII
Selected Fiscal Years

Source of Revenue	1984	1983	1982	1979	1974
Taxes					
Real Property	\$37,141,679	\$36,198,715	\$30,301,000	\$19,821,901	\$13,276,493
Liquid Fuel	2,104,439	2,002,448	2,013,661	2,045,587	921,953
Utility Franchise	1,464,117	1,390,116	1,284,200	740,739	320,367
Motor Vehicle Weight	1,672,464	1,638,084	1,600,335	1,446,924	1,100,175
Sub-Total Taxes	\$42,382,699	\$41,189,363	\$35,199,416	\$24,054,951	\$15,618,988
Liquor Licenses & Fees	\$ 456,888	\$ 446,464	\$ 430,859	\$ 330,817	\$ 211,566
Perking Motor Fees	99,321	45,356	39,775	42,692	46,794
Other Licenses & Permits	850,402	746,164	688,435	678,771	421,408
Fines, Forfeits & Penalties	3,635	2,974	800	872	11,688
Departmental Earnings ^b	4,004,074	3,752,601	4,285,234	2,193,601	1,590,249
State Grants					
Pensioners	--	--	--	--	222,399
Act 155 ^c	4,327,834	4,327,834	4,327,834	4,327,834	4,469,634
Others	2,432,690	2,345,883	2,821,692	1,325,559	398,684
Sub-Total State Grants	\$ 6,760,724	\$ 6,673,717	\$ 7,149,526	\$ 5,653,393	\$ 5,090,918
Federal Grants	\$ 5,155,624	\$ 5,711,796	\$ 6,394,396	\$ 7,596,392	\$ 3,441,926
Hawaii Housing Authority	25,588	39,834	69,169	35,999	13,496
Miscellaneous	893,557	752,984	730,135	353,252	109,469
TOTAL	\$60,632,732	\$59,561,235	\$54,983,743	\$40,940,740	\$26,564,502

NOTE: Detail may not add to totals due to rounding.

- a. Excludes loan, bond, revolving, certain trust funds and water revenues, Hilo hospital, and Act 97 special funds.
b. Includes rentals, interest, charges for culture and recreation, highways and streets, sewer, sanitation, and miscellaneous revenues.
c. Act 155, SLH 1965, repealed general excise tax sharing and authorized state-aid grants based on each county's "relative fiscal capacity and relative fiscal need" as defined by the legislature. Amended in 1973 to provide fixed grants equal to the amount granted in 1972 unless a county function is subsequently incorporated as a state function.

SOURCE: Finance Director's Annual Reports, County of Hawaii, State of Hawaii.

TABLE 27
OPERATING REVENUES^a — COUNTY OF KAUAI
Selected Fiscal Years

Source of Revenue	1984	1983	1982	1979	1974
Taxes					
Real Property	\$14,081,790	\$14,063,961	\$12,453,773	\$ 7,408,160	\$ 4,118,448
Liquid Fuel	636,929	630,944	642,039	631,374	483,923
Utility Franchise	822,667	753,698	755,042	387,608	150,904
Motor Vehicle Weight	1,102,184	1,106,335	1,045,702	976,451	677,407
Sub-Total Taxes	\$16,643,571	\$16,555,138	\$14,896,556	\$ 9,403,593	\$ 5,430,682
Liquor, Licenses & Fees	\$ 243,328	\$ 251,445	\$ 241,510	\$ 172,901	\$ 90,949
Other Licenses & Permits	349,309	193,623	251,652	259,172	175,500
Fines, Forfeits & Penalties	3,772	3,662	6,017	1,770	--
Departmental Earnings ^b	2,669,638	2,556,367	3,197,780	1,613,452	1,048,813
State Grants					
Pensioners	--	--	--	--	76,194
Act 155 ^c	3,123,821	3,116,321	3,116,321	3,116,321	3,190,821
Others	1,171,585	847,324	327,015	885,610	20,652
Sub-Total State Grants	\$ 4,295,406	\$ 3,963,645	\$ 3,443,336	\$ 4,001,931	\$ 3,287,667
Federal Grants	\$ 5,727,974	\$ 4,949,488	\$ 3,748,001	\$ 2,981,251	\$ 1,716,131
Miscellaneous	252,490	963,662	407,650	517,148	77,726
TOTAL	\$30,185,488	\$29,439,232	\$26,192,568	\$18,951,218	\$11,827,468

NOTE: Detail may not add to totals due to rounding.

- a. Excludes loan, bond, revolving, certain trust funds and water revenues.
b. Includes rentals, interest, garbage collection charges, developer contributions, and other earnings.
c. Act 155, SLH 1965, repealed general excise tax sharing and authorized state-aid grants based on each county's "relative fiscal capacity and relative fiscal need" as defined by the legislature. Amended in 1973 to provide fixed grants equal to the amount granted in 1972 unless a county function is subsequently incorporated as a state function.

SOURCE: Finance Director's Annual Reports, County of Kauai, State of Hawaii.

TABLE 28
TAXES LEVIED IN HAWAII
As of January 1, 1985

KIND OF TAX, LEGAL REFERENCE, BRIEF DESCRIPTION AND REVENUE DISTRIBUTION*	REPORTS DUE & % OF TOTAL COLLECTIONS*
PERSONAL INCOME TAX (Chapter 235) - On net incomes of individuals. Rates are: first \$800, no tax; next \$500, 2.25%; next \$500, 3.25%; next \$500, 4.5%; next \$500, 5%; next \$1,000, 6.5%; next \$2,000, 7.5%; next \$5,000, 8.5%; next \$4,000, 9.5%; next \$6,000, 10%; next \$10,000, 10.5%; and over \$30,800, 11%. Capital gains taxed a maximum 4.4%. Deductions generally follow federal law; including among others, state and local taxes (federal taxes not deductible), contributions, interest paid, medical expenses, union and professional dues. Exemptions are: individuals, \$1,000 per personal exemption (double for those over 65); blind, deaf, or disabled persons, \$7,000; estates, \$400; simple trusts, \$200; complex trusts, \$80; and 1st \$500 income from service as a military reservist. Military pay of residents is taxable. Joint returns with split income permitted. Taxes withheld by employers; other taxpayers must file estimated income returns and pay estimated taxes quarterly. <u>Distribution:</u> State general fund. Individual credits based on adjusted gross income and granted to resident taxpayers are inversely graduated from a maximum of \$48 per qualified exemption when AGI is less than \$5,000 to \$8 when AGI is from \$14,000 to \$19,999. Additional credit of \$50 per qualified exemption granted to renters with AGI of less than \$20,000. Credits (double for those 65 and over) are deducted from tax liability and refunds are granted when credits exceed liability.	20th day of 4th month after close of income year. Withholding returns due on or before 15th day of following month. Estimates of income on 20th of April, June, September and January. 25.22%
CORPORATE INCOME TAX (Chapter 235) - On net income of corporations up to \$25,000 at 5.85%, and 6.435% over \$25,000. Capital gains rate is 3.08%. Deductions include bad debts, depreciation, business expenses, interest on loans, losses from operations (carried backward three years and forward fifteen years), and state and local taxes (federal income taxes are not deductible). <u>Distribution:</u> State general fund. A credit of 4% of the selling price of glue, solvents and paints is granted if the products have been treated to deter abuse by inhalation.	20th day of 4th month after end of income year. Income estimates due 20th of September and January. 2.28%
ESTATE & TRANSFER TAX (Chapter 236D) - On shares of net estates having situs in Hawaii and federal estate tax liability. Tax is equal to the credit for state death taxes allowed on the federal estate tax return. Where an estate has no federal estate tax liability, then there is no state tax liability. Applicable to estates of persons dying after 6/30/83. <u>Distribution:</u> State general fund.	Personal representative of estate to file return. Return and payment due nine months after death. 0.42%
GENERAL EXCISE (Gross Income) TAX (Chapter 237) - On gross income, gross receipts, or gross proceeds of all business activities at following rates: 0.5% on wholesaling, intermediary services, manufacturing, producing, canning, and blind, deaf or totally disabled persons; 0.15% on insurance solicitors; 4% on retail sales of goods, services, and other activities.^c <u>Distribution:</u> State general fund (except on fuel to State highway fund).	Monthly by the end of the following month. Annual summary and reconciliation return by 20th day of 4th month following the tax year. 38.64%
USE TAX (Chapter 238) - On tangible personal property imported or purchased from an unlicensed seller. Rates are 0.5% on goods imported for resale at retail; 4% on all other imports. <u>Distribution:</u> State general fund.	Monthly by the end of the following month. 1.38%
PUBLIC SERVICE COMPANIES TAX (Chapter 239) - On public utility gross incomes at graduated rates based on ratio of net to gross income. Minimum rate, 5.885%; maximum 8.2% except that land carriers are taxed at 5.55%. Utilities are exempt from general excise and property taxes. Motor carriers, common carriers by water, and contract carriers taxed at 4% of gross income and are subject to property tax but exempt from general excise tax. <u>Distribution:</u> State general fund.	On or before April 20th. 3.73%
PUBLIC UTILITY FRANCHISE TAX (Chapter 240) - On gross operating income of certain public utilities (electric and gas companies) at 2.5% rate. <u>Distribution:</u> County highway funds.	One month after end of calendar year. 1.06%

BANKS AND OTHER FINANCIAL CORPORATIONS TAX (Chapter 241) - On net incomes, as defined, at 11.7% on banks, building and loan associations, industrial loan companies and other financial corporations. Federal income taxes upon income from sources in the state are deductible. Distribution: State general fund.

FUEL TAX (Chapter 243) - On distributors at 12.5¢ per gallon in Kauai County to 16¢ in Honolulu for highway use (includes 8.5¢ state tax) except LPG at 2/3 of rates. Off-highway rates for diesel, LPG and aviation fuel at 1¢ per gallon. Agricultural equipment refunds on gasoline for off-highway use granted. Distribution: Aviation to state airport fund; small boat fuel to boating special fund; county fuel to county highway fund; and balance to state highway fund.

LIQUOR TAX (Chapter 244D) - On dealers at 20% of wholesale price. Distribution: State general fund.

TOBACCO TAX (Chapter 245) - On wholesalers at 40% of wholesale price of all tobacco products. Distribution: State general fund.

PROPERTY TAX (County Ordinances) - On real property, land and improvements. Assessments at 100% of "fair market value." Maximum exemption for owner-occupied homes is \$20,000, with multiple exemptions allowed for those over 60. Various rates for land, improvements, and classes of property. Average fiscal year 1985 rates per \$1,000 net assessed value are: Oahu, \$7.46; Maui, \$4.47; Hawaii, \$9.11; and Kauai, \$7.55. Personal property not taxed. Distribution: Respective county general funds.

CONVEYANCE TAX (Chapter 247) - On actual and full consideration paid for the transfer of realty, including leases and subleases, a tax of 5¢ per \$100 is imposed. Minimum tax on each transaction is \$1.00. Certain exemptions allowed. Distribution: State general fund.

MOTOR VEHICLE WEIGHT TAX (Chapter 249) - On weight as follows: Oahu, commercial vehicles, 1.5¢/lb.; passenger vehicles, 0.75¢/lb.; minimum \$12 annually on motor vehicles, \$1 on other vehicles. Hawaii, commercial 1.0¢/lb.; passenger 0.50¢/lb. and a \$6 minimum on motor vehicles. Maui, commercial 1.5¢/lb.; passenger 0.75¢/lb. and a \$6 minimum on motor vehicles. Kauai, commercial 2.0¢/lb.; passenger 0.50¢/lb. with a \$12 minimum. State tax of 0.45¢/lb., and \$2 annual minimum. Distribution: State tax to state highway fund, and county tax to respective county highway funds.

INSURANCE PREMIUMS TAX (Chapter 431) - In lieu of general excise and net income taxes, on gross premiums as follows: life insurance, 1.918% for domestic and 3.197% for foreign firms; surplus lines brokers, 4.68%, casualty and other insurance, 2.964% for domestic and 4.2824% for foreign firms. Cash surrender values not deductible. Ocean marine insurance 0.8775% of gross underwriting profits. Distribution: State general fund.

LICENSES, FEES AND PERMITS - Various business, occupation, and nonbusiness licenses, fees and permits are imposed by either the state or county governments. Distribution: State and counties' general and special funds, depending on levy.

April 20, or 20th of 4th month after fiscal year ends. Other installments due 20th of 2nd, 5th, and 8th months.

0.80%

Monthly on or before end of following month.

1.43%

Monthly on or before end of following month.

(0.01)%

Monthly on or before end of following month.

1.25%

Assessment notices to taxpayer by March 15. Appeals filed by April 9. Use and rates certified by May 1. June 20 last day to amend rates. Semi-annual payments.

18.00%

Not later than 90 days after the taxable transaction.

0.11%

Monthly, quarterly, or annually, depending on prior year's liability.

1.60%

Variable by month.

1.00%

1.11%

a. Legal reference is to Hawaii Revised Statutes (1968), as amended.

b. Based on fiscal 1984 State and county tax collections (see Table 13), excluding unemployment compensation.

c. The 4% tax on retail sales of goods and certain services is deductible as "sales tax" in computing state and federal income taxes.

SOURCE: Compiled from the Hawaii Revised Statutes (1968), as amended.

TABLE 29
FEDERAL TAX COLLECTIONS IN HAWAII
Selected Fiscal Years
(in Thousands)

Source	1984	1983	1982	1979	1974
Income and Profits Taxes					
Indiv. Income, Employment ^a	\$ 1,729,041	\$ 1,681,194	\$ 1,662,349	\$ 1,211,243	\$ 710,004
Corporate Income & Profits	180,576	154,877	157,750	199,747	96,814
Sub-Total Income and Profits	\$ 1,909,617	\$ 1,836,071	\$ 1,820,099	\$ 1,410,990	\$ 806,818
Excise Taxes					
Alcohol ^b	\$ 6,708	\$ 3,303	\$ 431	\$ 668	\$ 3,787
Tobacco ^b	2	85	2	1	2
Manufacturers' Excise					
Gasoline	3,601	2,098	3,020	1,385	(1)
Other Manufact. Excise ^c	294	330	359	418	303
Retailers' Excise ^d	1,067	532	(635)	473	314
Miscellaneous Excise					
Telephone & Teletype	6,736	4,362	3,921	4,104	7,280
Air Trans. of Persons	14,219	10,415	5,340	5,266	2,890
Other Misc. Excise ^e	1,748	1,886	1,208	2,080	1,377
Unclassified Excise ^f	(765)	1,445	3,864	872	(390)
Sub-Total Excise Taxes	\$ 33,610	\$ 24,456	\$ 17,510	\$ 15,265	\$ 15,562
Estate	\$ 20,373	\$ 22,830	\$ 26,604	\$ 17,702	\$ 11,263
Gift	1,046	1,320	226	1,271	1,523
Unemployment Insurance	15,822	13,181	12,188	9,997	4,923
TOTAL	\$ 1,980,467	\$ 1,897,858	\$ 1,876,628	\$ 1,455,225	\$ 840,089

NOTE: Totals may not add due to rounding; retailers' excise reclassified for 1984 and prior years.

a. Includes withholding, FICA, individual income, and railroad retirement taxes.

b. Includes receipts from customs.

c. Includes taxes on tires, sporting goods, firearms, and vehicle fuel economy.

d. Includes taxes on diesel and special fuels and motor vehicle chassis, parts, etc.

e. Includes taxes on highway vehicles over 26,000 lb., exempt organization and pension fund penalties, amounts collected or adjusted for repealed or expired taxes.

f. Contains amounts paid into depositories but not yet classified; negative data represents reclassification of amounts previously reported as unclassified.

SOURCE: Annual Reports, Commissioner and Chief Counsel, Internal Revenue Service, U.S. Department of the Treasury, Washington, D.C.

TABLE 30
FEDERAL GRANTS TO HAWAII
Grants to State General and Special Funds
Selected Fiscal Years

Purpose	1984	1983	1982	1979	1974
Highways	\$ 65,975,414	\$ 53,268,411	\$ 46,274,876	\$ 51,902,594	\$ 40,055,610
Airports	6,620,992	9,999,402	7,083,442	7,794,233	8,212,266
National Guard	411,972	571,855	313,282	292,023	17,829,778
Health & Hospitals					
Hospital Construc.	--	--	5,295	--	(2,425)
Public Health	12,925,258	11,773,581	11,704,463	10,322,388	4,899,153
Hansen's Disease	1,411,824	1,889,088	1,789,776	1,348,448	799,151
Education					
Elem. - Secondary Act	6,407,258	8,152,682	8,913,372	8,145,027	3,815,296
Other Education	84,262,254	84,053,562	78,607,406	74,633,304	51,563,763
Public Welfare					
Dependent Child	47,679,035	48,584,786	50,888,963	45,279,754	27,362,723
Aged and Other	138,824,631	131,013,309	131,021,688	68,791,159	22,502,597
Natural Resources	5,462,520	4,839,886	5,514,892	4,526,629	2,738,373
Employment Security	17,539,615	1,999,268	1,694,698	87,635	6,382,860
Unemp. Comp. Benefits	8,120,320	10,974,550	32,600	(306,305)	7,868,715
Emergency Employment	7,403,917	3,968,847	5,301,563	20,727,080	913,889
East-West Center	--	--	--	--	7,740,238
Economic Opportunity	--	--	153,433	116,000	2,170,884
Revenue Sharing	--	200,109	--	11,229,255	8,971,520
Miscellaneous	20,378,969	31,647,405	26,635,087	32,474,516	10,964,829
TOTAL	\$ 423,423,979	\$ 402,936,742	\$ 375,934,836	\$ 337,363,741	\$ 224,789,221

NOTE: Detail may not add to total due to rounding.

SOURCE: Compiled by the Tax Foundation of Hawaii from the Annual Reports of the Comptroller, Department of Accounting and General Services, State of Hawaii.

TABLE 31
FEDERAL GRANTS-IN-AID
AND ESTIMATED FEDERAL TAX BURDEN
Fiscal Year 1984
(In Millions)

State	Federal Grants ^a	Federal Tax Burden ^b	Burden per \$1.00 of Grant	
			Amount	Rank
Hawaii	\$ 458.8	\$ 408.1	\$0.89	27
U.S.	92,759.2	92,759.2	1.00	--
Alabama	1,493.9	1,187.3	0.79	35
Alaska	591.4	324.6	0.55	48
Arizona	973.7	1,048.2	1.08	16
Arkansas	937.7	658.6	0.70	41
California	9,686.3	11,149.7	1.15	10
Colorado	1,097.9	1,363.6	1.24	7
Connecticut	1,221.4	1,706.8	1.40	3
Delaware	298.5	269.0	0.90	25
Florida	2,779.4	4,202.0	1.51	2
Georgia	2,209.4	1,947.9	0.88	28
Idaho	393.0	296.8	0.76	36
Illinois	4,303.1	4,990.4	1.16	9
Indiana	1,759.5	1,957.2	1.11	12
Iowa	1,090.7	1,029.6	0.94	22
Kansas	802.8	1,001.8	1.25	6
Kentucky	1,577.2	1,113.1	0.71	40
Louisiana	1,770.8	1,586.2	0.90	26
Maine	590.3	361.8	0.61	45
Maryland	1,718.6	1,938.7	1.13	11
Massachusetts	2,634.0	2,606.5	0.99	20
Michigan	3,773.4	3,430.6	0.91	23
Minnesota	1,862.2	1,623.3	0.87	29
Mississippi	1,154.3	658.6	0.57	47
Missouri	1,771.7	1,845.9	1.04	17
Montana	486.1	278.3	0.57	46
Nebraska	636.2	575.1	0.90	24
Nevada	319.8	389.6	1.22	8
New Hampshire	367.0	398.9	1.09	13
New Jersey	2,871.0	3,877.3	1.35	5
New Mexico	664.0	454.5	0.68	43
New York	10,268.3	7,708.3	0.75	37
North Carolina	1,926.5	1,938.7	1.01	18
North Dakota	429.9	269.0	0.63	44
Ohio	4,043.8	4,053.6	1.00	19
Oklahoma	1,161.1	1,252.2	1.08	15
Oregon	1,122.4	936.9	0.83	32
Pennsylvania	4,665.6	4,591.6	0.98	21
Rhode Island	547.6	380.3	0.69	42
South Carolina	1,165.3	955.4	0.82	34
South Dakota	431.8	213.3	0.49	50
Tennessee	1,777.6	1,530.5	0.86	30
Texas	4,130.5	6,641.6	1.61	1
Utah	652.3	482.3	0.74	38
Vermont	330.8	167.0	0.50	49
Virginia	1,646.2	2,272.6	1.38	4
Washington	1,673.2	1,808.8	1.08	14
West Virginia	818.1	584.4	0.71	39
Wisconsin	2,062.8	1,725.3	0.84	31
Wyoming	270.5	222.6	0.82	33
Dist. of Columbia	1,340.8	333.9	0.25	51

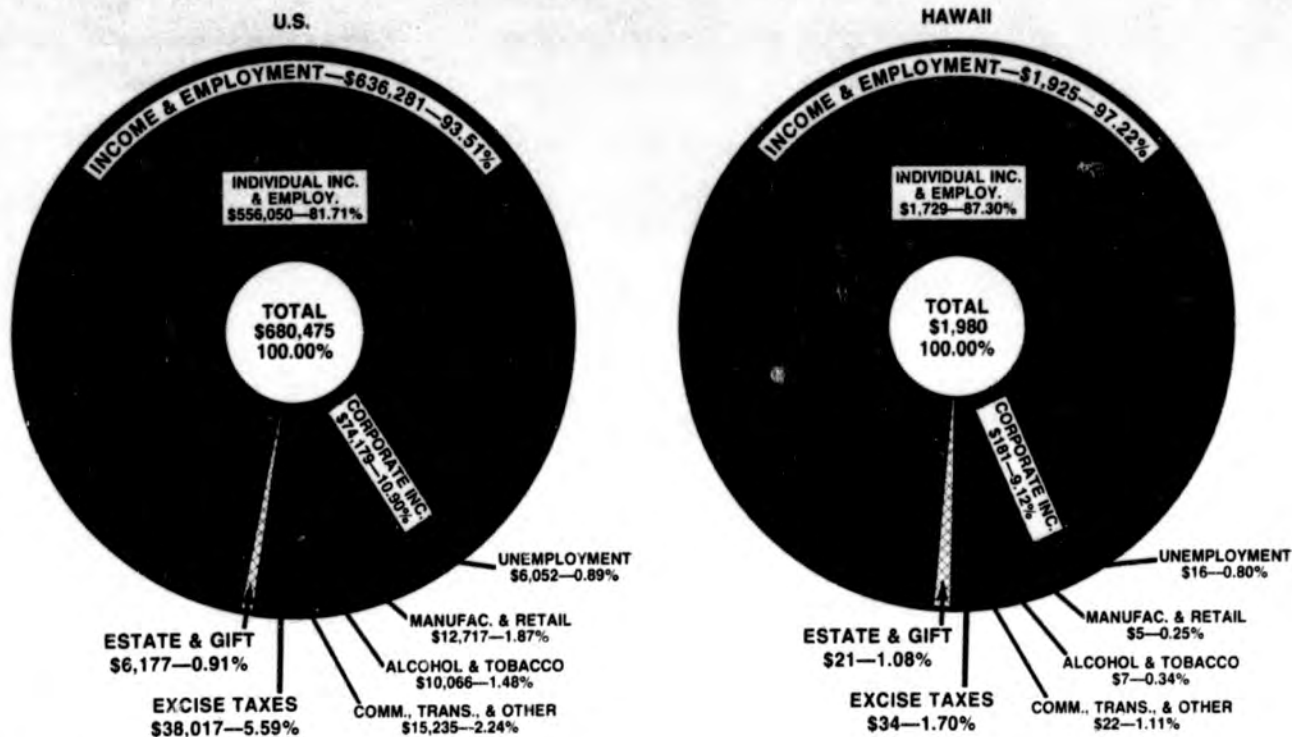
a. Excludes shared revenues and payments in lieu of taxes; includes general revenue sharing and trust fund aids.

b. Total tax burden for grants assumed to equal grant payments.

SOURCE: Tax Foundation, Inc. computations based on data from the U.S. Department of Commerce, Bureau of the Census and Office of Management & Budget.

CHART 7 FEDERAL TAX COLLECTIONS

Fiscal Year 1984
(In Millions of Dollars)



SOURCE: Tables 8 and 29.

TABLE 32
FEDERAL BUDGET RECEIPTS, EXPENDITURES, AND PUBLIC DEBT
Selected Fiscal Years
(Dollars in Millions)

	1984		1983		1982		1979		1974	
	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total	Amount	% of Total
BUDGET RECEIPTS^a										
Individual Income Taxes	\$ 296,206	44.4	\$ 288,938	48.1	\$ 297,744	48.2	\$217,841	47.0	\$118,952	45.2
Corporate Income Taxes	56,893	8.5	37,022	6.2	49,207	8.0	65,677	14.2	38,620	14.7
Employee Taxes & Contributions ^b	241,651	36.3	208,994	34.8	201,498	32.6	138,939	30.0	75,071	28.5
Excise Taxes										
Federal Funds	22,279	3.3	24,086	4.0	28,668	4.6	9,808	2.1	9,743	3.7
Trust Funds	15,082	2.3	11,214	1.9	7,642	1.2	8,937	1.9	7,100	2.7
Estate and Gift Taxes	6,010	0.9	6,053	1.0	7,991	1.3	5,411	1.2	5,035	1.9
Customs Duties	11,370	1.7	8,655	1.4	8,854	1.4	7,439	1.6	3,335	1.3
Miscellaneous Receipts	16,965	2.5	15,601	2.6	19,161	2.6	9,251	2.0	5,368	2.0
TOTAL RECEIPTS	\$ 666,457	100.0	\$ 600,562	100.0	\$ 617,766	100.0	\$463,502	100.0	\$263,224	100.0
BUDGET EXPENDITURES^a										
National Defense	\$ 227,411	27.0	\$ 209,902	26.4	\$ 185,309	25.4	\$116,342	23.7	\$ 77,781	29.0
International Affairs	13,063	1.6	8,995	1.1	10,016	1.4	6,171	1.3	5,681	2.1
General Science, Space, & Tech.	8,310	1.0	7,745	1.0	7,080	1.0	5,051	1.0	3,977	1.5
Agriculture	12,203	1.4	22,206	2.8	14,889	2.0	6,191	1.3	2,227	0.8
Natural Resources & Energy	15,129	1.8	16,671	2.1	17,678	2.4	18,998	3.9	6,507	2.4
Transportation	24,587	2.9	21,385	2.7	20,570	2.8	17,468	3.6	9,172	3.4
Community Devel. & Housing	12,520	1.5	11,358	1.4	11,033	1.5	12,123	2.5	8,059	3.0
Education & Manpower	27,579	3.3	26,606	3.3	26,329	3.6	29,693	6.0	12,344	4.6
Health	30,432	3.6	28,655	3.6	27,435	3.8	20,477	4.2	20,364	7.6
Income Security	348,320	41.4	345,467	43.4	309,552	42.5	196,926	40.1	84,437	31.5
Veteran's Benefits & Svcs.	25,614	3.0	24,846	3.1	23,958	3.3	19,931	4.1	13,386	5.0
Law Enforcement & Justice	5,660	0.7	5,099	0.6	4,703	0.6	4,169	0.8	2,462	0.9
Net Interest	111,058	13.2	89,774	11.3	84,995	11.7	42,615	8.7	21,449	8.0
General Government	5,117	0.6	4,784	0.6	4,536	0.6	3,948	0.8	3,243	1.2
General Revenue Sharing	6,770	0.8	6,452	0.8	6,390	0.9	8,369	1.7	6,890	2.6
Less: Undistributed Off-setting Receipts	(31,957)	(3.8)	(33,976)	(4.3)	(26,099)	(3.6)	(17,476)	(3.6)	(10,068)	(3.8)
TOTAL EXPENDITURES	\$ 841,815	100.0	\$ 795,969	100.0	\$ 728,375	100.0	\$490,997	100.0	\$267,912	100.0
Deficit or Surplus	\$ (175,359)	--	\$ (195,404)	--	\$ (110,609)	--	\$ (27,694)	--	\$ (4,688)	--
Gross Federal Debt ^c	\$1,576,748	--	\$1,381,886	--	\$1,146,987	--	\$780,425	--	\$468,200	--

NOTE: Detail may not add to totals due to rounding; data for 1979-84 revised for comparative purposes to reflect establishment of a military retirement trust fund and on-budget outlays only.

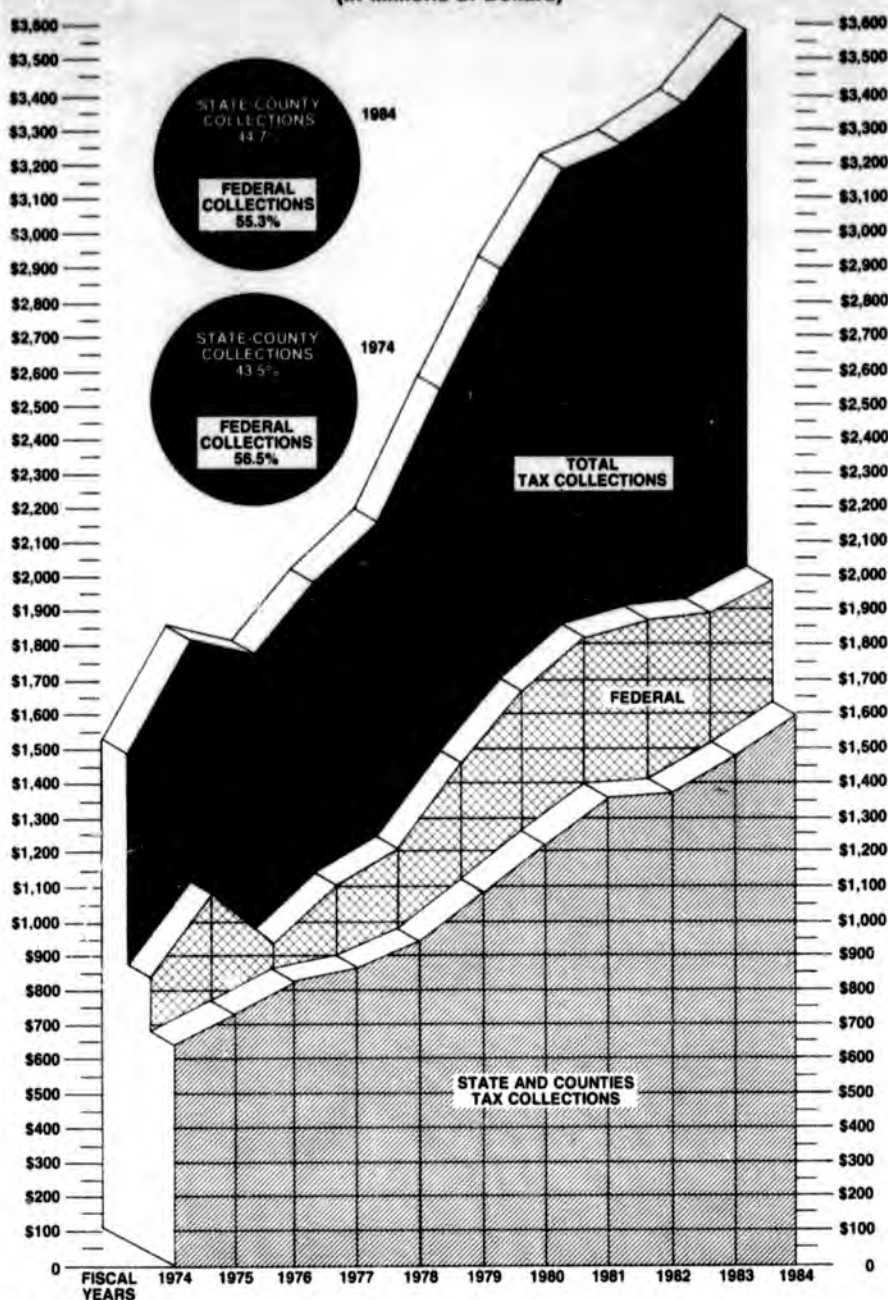
a. Includes both federal and trust funds.

b. Includes unemployment insurance and other insurance and retirement contributions.

c. At the end of the fiscal year.

SOURCE: "Budget of the United States Government," fiscal years 1986 and 1984, Executive Office of the President, Office of Management and Budget, Washington, D.C.

CHART 8
TAX COLLECTIONS IN HAWAII
 Total, Federal, and State-Local
 (In Millions of Dollars)



NOTE: Excludes Unemployment Compensation tax.

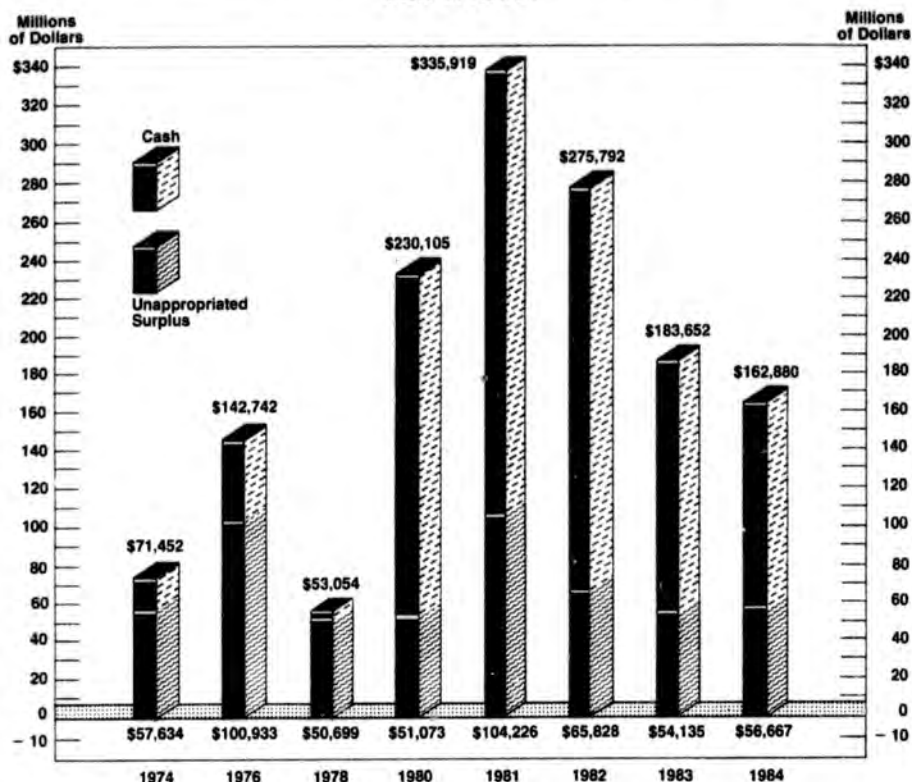
SOURCE: Compiled by the Tax Foundation of Hawaii from reports of the County Finance Directors and State Department of Taxation, State of Hawaii; and reports of the Internal Revenue Service, U.S. Department of the Treasury.

TABLE 33
HAWAII STATE GENERAL FUND FINANCES
Fiscal Years Ending June 30
(In Thousands)

Fiscal Year	Receipts	Expenditures	Excess or Deficiency	Cash Balance	Unexpended Appropriations	Unappropriated Surplus
1984	\$1,354,631	\$1,375,403	\$(20,772)	\$162,880	\$ 56,667	\$105,063
1983	1,252,536	1,344,676	(92,140)	183,652	54,135	129,517
1982	1,185,778	1,237,997	(52,219)	275,792	65,828	209,964
1981 ^a	1,198,680	1,092,866	105,814	335,919	104,226	231,692
1980	1,084,860	963,323	121,537	230,105	51,073	179,032
1979	942,455	886,942	55,513	108,568	41,641	66,927
1978	816,104	835,608	(19,504)	53,054	50,699	2,355
1977 ^b	737,398	785,159	(47,761)	72,559	37,353	35,205
1976	908,251	900,385	7,867	142,742	100,933	41,810
1975	823,749	760,326	63,423	134,875	51,409	83,467
1974	708,294	675,748	32,546	71,452	57,634	13,818

- a. Adjustment of cash balance to reflect a restatement of continuing appropriations for fiscal 1981 in the amount of \$7,908,000.
- b. 1977 reflects a decrease due to a reclassification of funds; unexpended appropriations reduced by \$22,242. Prior to 1977, federal funds earmarked for specific purposes were included.
- SOURCE: Annual Financial Reports of the Comptroller, Department of Accounting and General Services, State of Hawaii.

CHART 9
GENERAL FUND FINANCIAL POSITION
State of Hawaii



SOURCE: Table 33.

HOW GOVERNMENT SPENDS ITS MONEY

During fiscal year 1984, state and local governments in Hawaii spent more than \$2.6 billion in providing services for the people of the 50th State.

Unlike its counterparts on the mainland, Hawaii's state government provides many services which are traditionally delivered by cities, counties, municipalities, school districts and the like such as education, welfare administration, court functions, hospitals, and airport and harbor operations. Therefore it is not surprising that state government in Hawaii accounted for almost 80% of all state and local expenditures, reflecting the centralized system of government in the 50th state.

Education claimed the lion's share of state government expenditures in 1984, representing one-third of total operating costs, followed by public welfare programs at 16% of the total, debt service costs at 10%, public employee retirement at 6%, and hospitals at 5%. The total cost for state government operations actually declined in 1984 due to sharp cutbacks in urban redevelopment and housing grants and programs to protect natural resources.

Expenditures for airport, harbor, and highway operations, maintenance, and capital costs are classified as special fund expenditures which are funded from earmarked taxes, grants, and fees. Of the three program areas, highways accounted for the bulk of the spending with nearly \$130 million in program expenditures, of which 63% was allocated for capital projects, followed by airports at \$101 million, and harbors at \$24 million.

County government expenditures topped \$555 million in 1984, increasing 8.5% over the previous year. Of total county expenditures, the City and County of Honolulu accounted for 72%, Hawaii County for 12%, Maui County for 10%, and Kauai County for 6%. Major local government expenses in Hawaii are attributable to public safety, including police and fire, general government operations, public employee retirement system costs, and health and sanitation functions.

Per capita spending by state and county governments in Hawaii rose by 3.3% to \$2,409 during 1983. Despite this modest growth in public expenditures, it was sufficient to boost the 50th State a notch in the U.S. ranking, making Hawaii the fifth biggest spender among the 50 states. Per capita expenditures for health and welfare services continue to outpace all other program areas, even education which came in a distant second.

TABLE 34
PER CAPITA DIRECT GENERAL EXPENDITURES
State and Local Government — Fiscal 1983^a

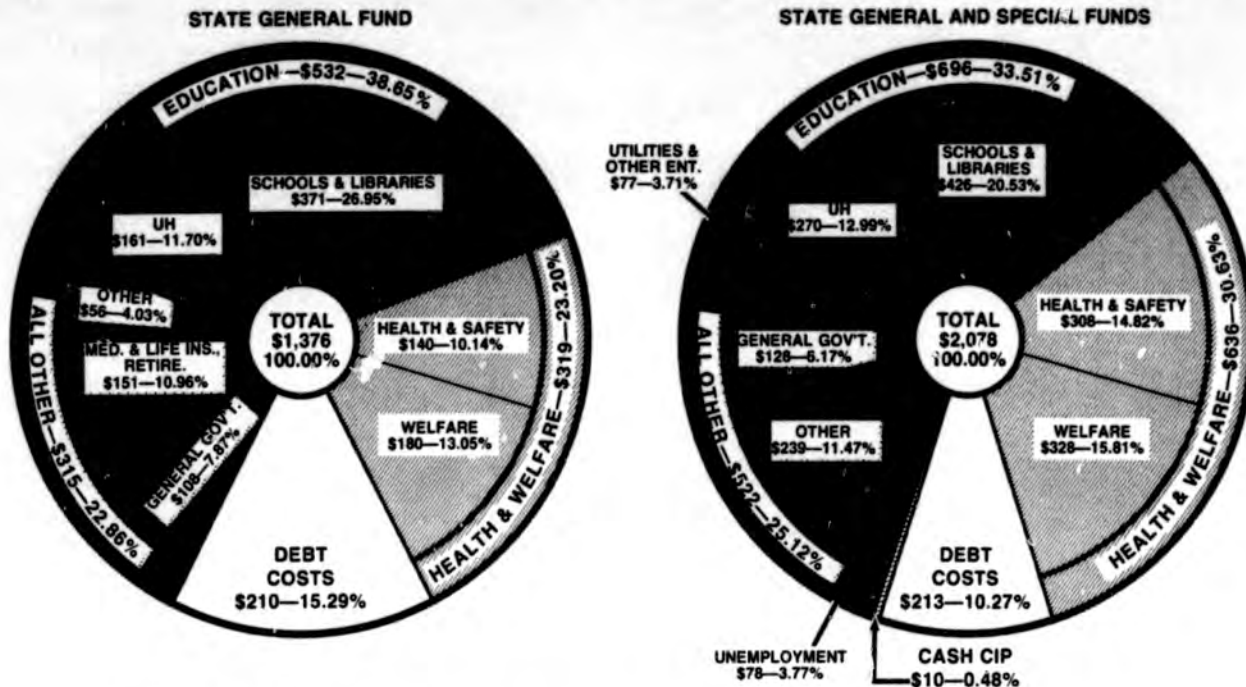
State	Rank	Total	Public Educ. ^b	Higher Educ.	Hwy.	Health Welfare ^c	Police Fire	Con-trol ^d	Int. on Debt	All Other ^e
HAWAII	5	\$2,409	\$ 439	\$269	\$151	\$ 530	\$116	\$144	\$ 170	\$ 592
U.S. Av.	--	1,988	523	187	157	490	109	89	103	330
Ala.	41	1,668	440	216	162	407	73	68	78	225
Alaska	1	8,662	1,574	517	872	883	351	537	1,223	2,704
Ariz.	29	1,885	520	277	153	293	129	98	94	321
Ark.	51	1,372	404	142	145	336	53	57	65	170
Calif.	13	2,218	503	232	102	605	146	115	69	445
Colo.	23	2,024	592	243	183	415	112	109	94	276
Conn.	25	1,989	565	119	131	464	120	89	150	350
Del.	15	2,181	534	330	217	287	97	122	233	361
Fla.	42	1,645	447	128	129	356	124	84	64	313
Ga.	33	1,786	436	148	162	556	83	70	57	274
Idaho	43	1,600	424	181	192	317	77	80	59	270
Ill.	28	1,897	503	163	139	464	126	88	107	287
Ind.	44	1,591	474	190	114	397	75	66	57	217
Iowa	24	2,016	547	257	249	510	79	76	60	239
Kans.	26	1,961	520	234	216	412	82	91	138	270
Ky.	45	1,554	417	167	189	326	56	67	120	211
La.	19	2,119	505	186	247	496	103	88	144	349
Me.	34	1,770	472	143	198	429	73	89	101	265
Mo.	14	2,215	568	211	198	483	120	86	128	420
Mass.	20	2,107	518	101	116	610	133	88	121	419
Mich.	10	2,238	568	235	121	710	121	101	88	294
Minn.	6	2,404	616	207	241	623	94	104	134	366
Miss.	46	1,548	367	189	195	427	53	54	51	208
Mo.	49	1,479	412	141	138	358	90	65	59	217
Mont.	17	2,139	688	177	280	352	79	119	121	323
Neb.	27	1,899	540	224	244	407	78	82	63	262
Nev.	7	2,340	480	169	247	442	175	166	155	505
N. H.	39	1,721	450	145	215	358	92	72	153	235
N. J.	21	2,086	596	131	137	443	133	94	148	405
N. M.	8	2,295	633	262	284	398	107	113	150	328
N. Y.	4	2,790	685	157	162	787	156	112	200	531
N. C.	47	1,497	424	205	114	334	75	57	57	231
N. D.	12	2,234	566	301	267	358	63	95	86	498
Ohio	31	1,797	493	179	128	510	100	75	75	238
Okl.	36	1,754	523	232	177	396	85	72	35	234
Ore.	11	2,237	618	234	169	354	121	132	223	385
Pa.	35	1,761	500	97	144	461	80	78	109	292
R. I.	16	2,172	548	180	102	596	134	100	192	319
S. C.	50	1,448	437	174	79	387	61	56	54	200
S. D.	32	1,789	473	173	279	291	65	101	91	315
Tenn.	48	1,493	372	152	136	399	76	53	83	222
Texas	37	1,730	544	216	158	343	87	71	78	235
Utah	30	1,855	566	285	167	292	92	83	84	286
Vt.	22	2,081	534	261	239	422	72	102	122	329
Va.	40	1,710	504	181	159	368	93	85	76	244
Wash.	18	2,128	563	226	231	425	111	94	88	390
W. Va.	38	1,725	508	150	202	353	53	72	117	269
Wisc.	9	2,243	554	276	199	648	119	91	98	257
Wyo.	2	3,569	1,017	357	496	557	149	151	272	570
D. C.	3	3,560	589	120	110	1,076	338	206	213	904

NOTE: Detail may not add to total due to rounding.

- a. Includes capital outlay.
- b. Includes libraries.
- c. Includes vendor payments under welfare programs, institutional care of the needy, administration of welfare activities, and health, hospital, veterans services, sewerage, and other sanitation expenditures.
- d. Includes financial administration.
- e. Includes airports, corrections, housing and urban renewal, natural resources and parks, public buildings, water transport, air transportation, unemployment compensation, and all other unallocable expenditures.

SOURCE: "Governmental Finances in 1982-1983," Series GF 83, No. 5, Bureau of the Census, U.S. Department of Commerce, Washington, D.C., October 1984.

CHART 10
HOW STATE GOVERNMENT DOLLARS ARE SPENT
 Operating Expenditures — By Functions
 State of Hawaii — Fiscal 1984
 (Dollars in Millions)



NOTE: See Table 35 for further detail.

SOURCE: Compiled by the Tax Foundation of Hawaii from the 1984 Annual Report of the Comptroller, State of Hawaii.

TABLE 35
STATE OPERATING EXPENDITURES
State of Hawaii — Selected Fiscal Years^a

Functions	1984	1983	1982	1979	1974
General Government - Control	\$ 46,028,637	\$ 42,160,372	\$ 34,922,365	\$ 27,608,676	\$ 12,828,100
- Staff	82,002,315	73,693,206	79,580,770	63,307,765	29,149,996
Public Safety - Police & Fire	1,682,278	2,340,081	2,037,809	2,690,607	218,700
- Other Protection	71,661,882	69,710,160	60,095,222	43,199,581	34,972,507
Highways	49,040,979	57,207,337	48,937,486	42,682,202	16,165,573
Natural Resources	17,172,230	28,403,965	19,094,014	15,863,975	10,564,297
Health & Sanitation	72,630,585	72,269,838	67,809,881	30,955,958	16,903,552
Hospitals & Institutions	114,557,165	96,335,498	84,152,155	78,755,102	42,130,802
Public Welfare	328,399,874	328,322,855	317,194,604	243,717,212	118,153,995
Education - Higher	269,796,046	261,096,594	240,226,613	173,868,613	115,539,404
- Public Education	405,228,441	406,369,727	370,356,199	282,119,762	182,470,087
- Libraries & Other	21,233,213	22,752,946	22,082,004	15,508,124	8,366,011
Recreation	13,826,886	13,885,134	12,848,298	8,462,116	4,350,987
Utilities & Other Enterprises	76,989,615	76,855,869	59,289,660	51,608,597	39,240,241
Debt Service ^b	213,293,091	199,212,768	175,329,846	139,265,945	62,583,267
Retirement & Pension	126,006,369	123,442,993	94,877,813	62,261,333	47,095,905
Employees' Health & Hosp. Ins.	24,855,892	21,116,955	19,715,070	13,487,102	8,130,596
Unemployment Compensation	78,278,241	90,207,383	79,445,226	44,053,260	45,240,163
Grants-in-Aid to Counties	18,173,045	18,173,045	18,273,045	20,650,138	19,447,551
Urban Redevelop. & Housing	11,618,519	151,534,980	82,862,846	38,668,851	12,593,908
Miscellaneous	25,110,886	23,696,023	21,103,522	13,353,934	11,472,440
Cash Capital Improvements ^c	9,986,642	11,861,345	48,298,360	71,146,027	61,265,106
TOTAL	\$2,077,672,831	\$2,190,649,074	\$1,958,472,808	\$1,483,234,880	\$898,883,986

NOTE: Due to reclassification of funds, 1974 data not exactly comparable to later years; all interfund transfers eliminated to avoid duplication.

- a. Includes general, special, and proprietary fund expenditures; unemployment trust fund is treated as a special fund.
- b. Debt service on revenue bonds reimbursable from highway funds are included under Highways; from airport and harbor funds under Utilities; from Sand Island receipts, land revolving trust, and Veterans' home loan funds under Miscellaneous.
- c. Special funds account for \$58,695,768 in 1974, \$71,111,203 in 1979, \$39,852,659 in 1982, \$7,300,545 in 1983, and \$8,939,166 in 1984.

SOURCE: Compiled by the Tax Foundation of Hawaii from the Annual Reports of the Comptroller, Department of Accounting and General Services, State of Hawaii.

TABLE 36
OPERATING EXPENDITURES^a — CITY AND COUNTY OF HONOLULU
Selected Fiscal Years

Object of Expenditure	1984	1983	1982	1979	1974
General Government					
Control	\$ 4,707,545	\$ 4,735,039	\$ 5,415,795	\$ 3,828,404	\$ 1,847,942
Staff	45,528,241	36,594,853	30,872,881	25,061,970	14,991,572
Public Safety					
Police & Fire	84,275,254	82,835,763	72,772,215	56,952,413	38,564,420
Other Protection	13,526,169	10,914,824	10,582,667	8,583,061	7,245,450
Highways	15,409,959	17,273,783	17,368,372	13,389,134	10,306,343
Health & Sanitation	37,350,900	35,530,903	34,902,402	21,914,397	14,735,450
Recreation	28,635,484	27,305,583	25,728,057	19,794,408	11,873,516
Interest	15,219,323	15,279,328	12,533,667	11,827,975	8,206,452
Bond Redemption	16,611,229	15,142,000	16,327,000	15,451,075	12,415,622
Pension & Retirement	33,241,499	32,658,679	22,498,832	18,456,222	10,744,301
Salary Adjustment	--	--	--	--	162,211
Econ. & Urban Dev. ^b	21,568,463	17,680,283	20,637,749	39,853,857	9,995,063
Mass Transit ^c	37,179,899	40,237,042	36,682,973	24,621,388	3,758,510
Miscellaneous	13,586,254	20,598,511	20,438,357	13,309,968	4,590,721
Cash Capital Improve.	35,578,869	16,888,567	41,148,033	20,141,051	20,825,177
TOTAL	\$402,419,091	\$373,675,159	\$367,909,000	\$293,185,323	\$170,262,751

NOTE: Detail may not add to totals due to rounding.

- a. All funds expended by the county with the exception of certain bond, revolving, loan, and enterprise funds. Excludes urban redevelopment land purchases.
b. Includes expenditures from redevelopment grants.
c. Includes transfers to the bus transportation fund which are not reported as part of operating expenditures.

SOURCE: Finance Director's Annual Report, City and County of Honolulu, State of Hawaii.

TABLE 37
OPERATING EXPENDITURES^a — COUNTY OF MAUI
Selected Fiscal Years

Object of Expenditure	1984	1983	1982	1979	1974
General Government					
Control	\$ 873,980	\$ 771,329	\$ 699,928	\$ 523,153	\$ 327,985
Staff	6,565,002	6,572,810	6,133,115	6,073,384	1,876,166
Public Safety					
Police & Fire	10,997,506	10,961,859	8,941,345	6,351,532	4,247,326
Other Protection	1,311,468	2,981,858	1,087,968	4,111,287	519,558
Highways	4,289,752	4,132,175	4,111,474	1,008,373	1,802,179
Health & Sanitation	4,893,074	4,819,699	4,517,978	1,706,063	424,355
Hospitals & Institutions	92,553	85,603	200,506	39,229	5,356
Public Welfare	3,521,766	3,554,631	3,018,394	3,534,778	133,331
Public Schools	190,870	185,219	162,993	166,040	77,414
Recreation	3,277,611	3,591,840	3,385,721	2,214,836	1,145,028
Interest	1,098,093	1,122,038	1,162,085	828,819	1,072,911
Bond Redemption	1,513,500	1,105,000	1,147,000	1,252,815	646,122
Pension & Retirement	3,038,521	2,915,319	2,272,123	1,954,952	1,619,447
Salary Adjustment	--	--	--	--	11,917
Miscellaneous	3,107,100	3,394,486	3,078,703	1,737,091	1,246,347
Cash Capital Improve.	12,156,715	5,512,965	2,184,408	3,436,173	1,214,527
TOTAL	\$56,727,511	\$51,506,831	\$42,103,741	\$36,938,526	\$16,369,970

NOTE: Detail may not add to totals due to rounding.

- a. All funds expended by the county with exception of certain revolving and bond fund expenditures, loan repayments, and Act 97, SLH 1965 expenditures; interfund transfers eliminated to avoid duplication.

SOURCE: Finance Director's Annual Financial Reports, County of Maui, State of Hawaii.

TABLE 38
OPERATING EXPENDITURES^a — COUNTY OF HAWAII
Selected Fiscal Years

Object of Expenditure	1984	1985	1982	1979	1974
General Government					
Control	\$ 1,504,479	\$ 1,825,396	\$ 2,002,767	\$ 1,941,939	\$ 758,858
Staff	6,652,777	5,666,114	5,496,619	5,186,899	2,144,346
Public Safety					
Police & Fire	18,733,850	17,134,725	15,176,742	9,775,655	6,387,077
Other Protection	3,967,403	3,687,568	3,547,676	2,168,856	1,582,301
Highways	5,213,811	4,998,907	4,692,389	3,177,249	2,560,483
Health & Sanitation	2,922,043	2,687,678	2,864,561	1,544,160	746,512
Public Welfare	2,405,548	1,642,971	1,477,625	944,492	163,851
Public Schools	281,466	267,423	236,959	234,427	215,131
Recreation	5,300,459	5,337,128	5,096,681	3,253,146	2,103,031
Interest	3,562,733	3,608,094	2,898,009	1,715,360	1,221,586
Bond Redemption	1,177,000	1,698,916	1,458,644	1,455,109	1,267,651
Pension & Retirement	7,485,471	7,421,098	5,374,336	4,777,652	2,193,155
Mass Transit	1,341,605	1,014,804	991,078	600,926	181,610
Miscellaneous	1,442,169	1,355,042	1,402,437	913,624	414,554
Cash Capital Improve.	2,891,056	655,289	1,104,149	1,531,540	1,576,344
TOTAL	\$64,881,870	\$59,001,153	\$54,040,652	\$39,221,234	\$23,516,490

NOTE: Detail may not add to totals due to rounding.

a. All funds expended by county with the exception of certain revolving and bond fund expenditures, loan repayments, Act 97, SLH 1965 funds, and Hilo hospital special fund. Interfund transfers are eliminated to avoid duplication.

SOURCE: Finance Director's Annual Financial Reports, County of Hawaii, State of Hawaii.

TABLE 39
OPERATING EXPENDITURES^a — COUNTY OF KAUAI
Selected Fiscal Years

Object of Expenditure	1984	1985	1982	1979	1974
General Government					
Control	\$ 899,331	\$ 830,251	\$ 893,423	\$ 618,146	\$ 454,592
Staff	4,197,607	4,158,749	4,240,108	3,518,402	1,851,387
Public Safety					
Police & Fire	6,694,491	6,568,949	5,654,237	4,163,146	2,838,105
Other Protection	5,101,220	2,204,732	596,207	383,119	284,713
Highways	3,034,753	2,824,589	1,396,894	1,346,865	886,281
Health & Sanitation	1,006,317	1,012,378	948,897	545,822	255,879
Public Welfare	968,523	682,219	2,009,260	573,047	68,336
Public Schools	124,686	122,128	130,537	117,483	71,726
Recreation	1,871,782	1,820,243	1,771,269	1,477,084	622,459
Interest	1,671,693	1,672,398	1,673,103	841,959	592,641
Bond Redemption	15,000	15,000	15,000	819,000	359,082
Pension & Retirement	3,004,770	2,548,888	1,889,803	1,663,208	795,589
Salary Adjustment ^b	12,768	13,366	12,333	7,997	80,878
Cash Capital Improve.	290,256	942,267	1,347,657	227,197	330,905
Miscellaneous	2,515,891	2,547,155	2,702,434	1,768,972	1,421,831
TOTAL	\$31,409,089	\$27,963,312	\$25,281,160	\$18,071,447	\$10,914,411

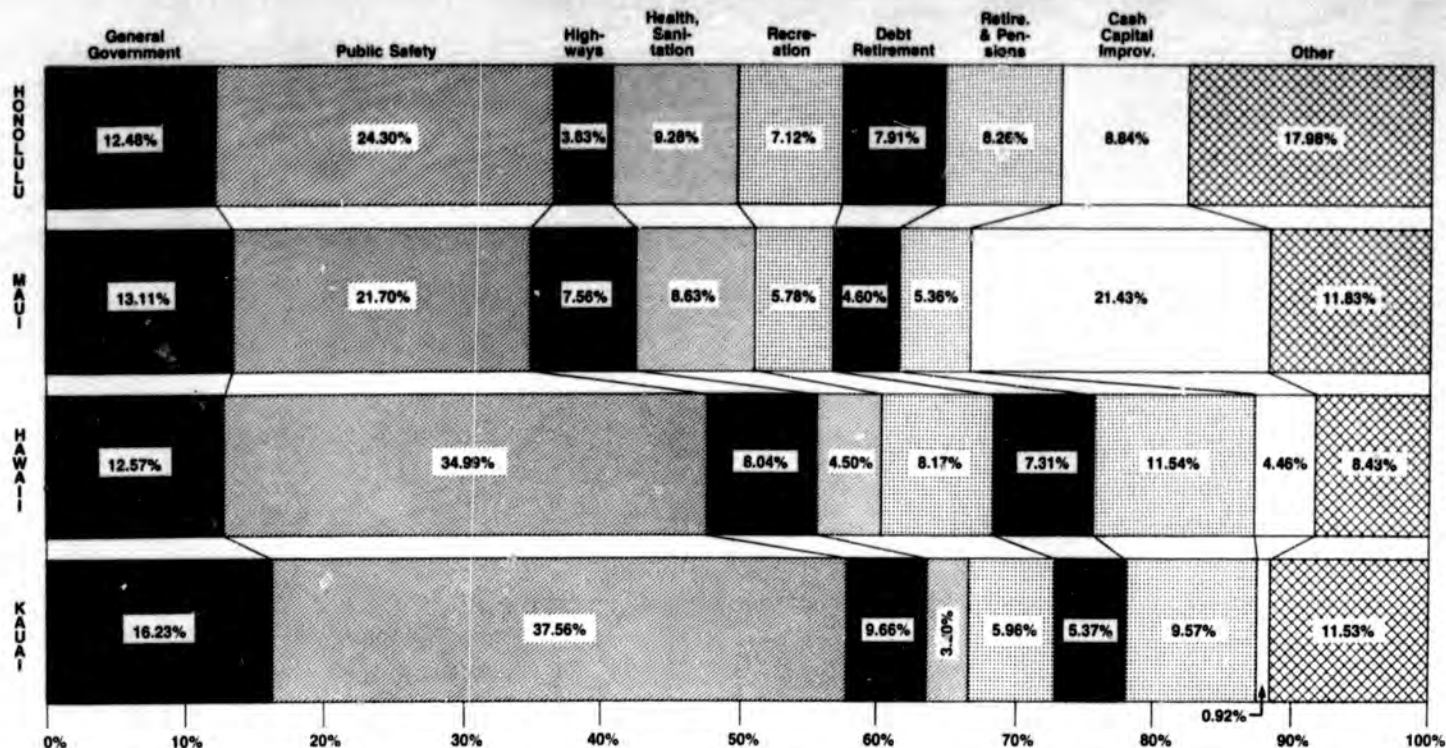
NOTE: Detail may not add to totals due to rounding.

a. All funds expended by the county with the exception of certain revolving and bond fund expenditures, loan repayments, and Act 97, SLH 1965 expenditures; Interfund transfers eliminated to avoid duplication.

b. Amount not allocated by function.

SOURCE: Finance Director's Annual Financial Reports, County of Kauai, State of Hawaii.

CHART 11
OBJECTS OF COUNTY GOVERNMENT EXPENDITURES
 Percentage Distribution — By Counties
 For Fiscal Year 1984



SOURCE: Tables 36-39.

TABLE 40
PUBLIC EMPLOYMENT
State and Local Government Full-Time Equivalent Employees
Per 10,000 Population, by Function: October 1983

State	Rank	Total	Public Educ. ^a	Higher Educ.	Hwy.	Hosp.	Police Fire	Parks Rec. ^b	Water	Con-trol ^c	All Other ^d
HAWAII	23	480	159	54	19	50	40	28	9	42	79
U.S. Av.	--	465	173	50	22	55	36	15	6	30	80
Ala.	17	484	167	54	27	87	31	13	6	25	75
Alaska	1	814	260	99	80	29	37	60	3	83	164
Ariz.	37	451	173	64	19	25	37	15	5	34	80
Ark.	39	445	183	48	29	53	26	15	6	25	59
Calif.	41	438	147	51	13	49	38	18	7	29	88
Colo.	25	477	180	62	23	51	35	17	8	34	66
Conn.	46	431	181	33	24	41	41	9	4	31	68
Del.	12	507	164	75	28	57	29	16	3	44	91
Fla.	40	438	153	38	18	58	40	18	6	30	78
Ga.	7	541	193	43	23	124	36	15	9	25	74
Idaho	32	456	180	59	30	48	29	21	3	35	51
Ill.	48	421	156	47	16	35	44	14	5	32	73
Ind.	42	435	179	54	19	53	30	10	4	26	61
Iowa	16	489	194	70	30	61	25	12	4	29	64
Kans.	8	523	206	75	34	52	33	17	7	38	61
Ky.	50	410	170	46	21	37	26	16	5	25	65
La.	9	518	192	54	30	73	35	21	6	32	76
Me.	35	451	204	41	35	27	29	15	7	28	64
Md.	15	498	171	63	23	55	42	18	5	30	91
Mass.	38	446	175	27	18	57	49	8	6	30	77
Mich.	44	431	169	61	15	48	30	11	5	28	64
Minn.	29	468	179	56	26	56	24	16	4	31	76
Miss.	13	500	183	59	31	85	27	24	4	23	64
Mo.	43	432	170	37	22	62	36	13	5	29	58
Mont.	10	518	206	53	38	35	29	36	4	43	75
Neb.	4	581	193	83	35	58	29	29	5	36	113
Nev.	28	473	150	35	22	62	50	18	5	40	92
N. H.	49	419	172	52	31	25	36	10	3	19	71
N. J.	24	478	198	35	25	46	46	10	4	35	80
N. M.	5	566	205	86	31	64	37	23	6	35	78
N. Y.	6	551	164	33	25	85	46	11	3	36	148
N. C.	26	476	183	60	22	64	29	15	5	23	73
N. D.	14	500	190	77	31	42	25	26	4	44	62
Ohio	47	429	169	46	19	46	32	11	6	28	72
Okla.	11	515	196	61	26	66	35	17	8	27	80
Ore.	18	483	185	60	24	40	34	21	5	35	80
Pa.	51	383	160	23	22	30	29	9	4	29	77
R. I.	30	465	155	49	18	45	46	12	5	31	105
S. C.	21	481	192	55	20	76	27	11	5	25	71
S. D.	19	483	207	56	37	38	26	19	5	39	55
Tenn.	33	454	164	48	25	58	35	12	9	22	82
Texas	27	474	203	59	20	56	33	13	9	25	57
Utah	45	431	168	83	18	33	27	15	5	27	56
Vt.	31	458	198	61	35	22	26	16	3	33	65
Va.	22	481	194	57	24	51	33	15	5	26	77
Wash.	36	451	154	62	23	39	32	19	5	30	87
W. Va.	20	482	213	48	33	57	22	16	4	29	60
Wisc.	34	451	160	75	23	38	33	13	4	29	77
Wyo.	3	661	257	77	48	88	43	28	7	48	66
D. C.	2	735	162	27	18	85	94	9	6	49	287

NOTE: Detail may not add to total due to rounding.

a. Includes local libraries.

b. Includes natural resources.

c. Includes financial, administration, and general control.

d. Includes employees in special schools, welfare, employment security administration, correction, sewerage and other sanitation, public service enterprises, state liquor stores, and all other general government functions.

SOURCE: "Public Employment in 1983," Series 83, No. 1, U.S. Department of Commerce, Bureau of the Census, Washington, D.C., June 1984.