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### Dismal Report Could Mean Tax Hikes, Budget Cuts

#### **Tax Revenues Down \$196 Million So Far This Fiscal Year**

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**HONOLULU** -- The latest tax revenue report in Tuesday from the state Tax Department shows the state's financial situation to be direr than originally thought.

Gov. Linda Lingle last week proposed a new plan to close a \$650 million revenue shortfall over the biennium. Some lawmakers are saying the governor's hope to balance the budget without new taxes or employee furloughs now may be wishful thinking.

With the slow economy, the state is taking in far less money in taxes than last year.

Total general fund revenues are down for the first eight months of the fiscal year -- under 6.4 percent or \$196.3 million compared to the same period last year. The hotel room tax alone is down 9.2 percent. Corporate income tax collections are also down 30 percent.

With the revenue situation getting worse, legislative leaders said tax increases may be a reality.

"I can't rule out anything," House Speaker Calvin Say said.

State House members are looking at hiking income taxes

"Income tax, we are looking at that on the higher end like the (President Barack) Obama plan," Say said.

The Senate is proposing raising the excise tax.

The governor and Republican lawmakers said tax hikes are the worst solution.

"When the economy is bad, you don't raise taxes, you don't raise fees. You leave the money in the hands of the people because 70 percent of the economy is consumption," Republican Rep. Gene Ward said.

The Council on Revenues on Thursday is expected to project an additional budget shortfall of more than \$400 million over the next two years.

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**Video: State Revenue Shortfall Could Mean Tax Hike, Budget Cuts**

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