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Updated at 5:39 p.m., Wednesday, May 19, 2010

City says rail tax collections on pace with revised targets

Advertiser Staff

Transit tax revenues are totaling 99.6 percent of the city's revised financial goals, the city announced Wednesday.

Honolulu Mayor Mufi Hannemann said in a news release the tax collection figures are encouraging.

"This is excellent news that bodes well for the future of the rail project," he said in a news release. General excise tax "revenues are on track despite the state of the economy, and we have saved $90 million in construction costs for the first rail contract. We could realize additional savings on three major rail contracts that will be awarded later this year."

As of April, the city received $499.3 million from the rail tax, the city said. The rail tax is a 0.5 percentage point surcharge added to the general excise tax on Oahu. Revenue from the tax will be use to build a planned 20-mile, $5.5 billion commuter train.

The revenue taken in as of April is close to the $501.5 million revenue target contained in the city's August 2009 financial plan.

However, when compared to a financial plan contained in the city's November 2008 Draft Environmental Impact Statement, the tax revenue is coming in about 5 percent below expectations. Under the 2008 plan, the city anticipated raising $527 million by April.

The city's revenue projection was adjusted in 2009 to reflect the slowing economy. Under the August 2009 updated financial plan, the city expects transit tax revenues to total $3.69 billion over the 15-year life of the tax. That's about $360 million less than the $4.05 billion in transit tax revenues forecast by the city in a draft environmental impact statement.

The city now expects to rely on increased federal funds — including diverting federal money intended for TheBus — to help make up for the lower-than-anticipated tax revenue, according to the most recent financial plan.

The excise tax surcharge for rail started in 2007 and ends in 2022. Overall the city needs to collect an inflation-adjusted $3.9 billion from 2007 through 2022 to pay its share of the train's costs under current revenue and cost projections.

During April the transit tax raised $9.8 million for the city, which was down from $12 million raised during

April 2009.

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