

# 1995 - 1997 TAX REVIEW COMMISSION FINAL REPORT

Every five years a State Tax Review Commission conducts a systematic review of Hawaii's tax structure, using standards such as equity and efficiency. The autonomous, unpaid seven-member 1995-1997 Commission, appointed by the Governor and confirmed by the Senate, has been meeting regularly the past year and a half.

After careful review of time and budgetary constraints, this Commission limited its scope to Hawaii's general excise tax, use tax and net income tax. These taxes account for over 80 per cent of Hawaii's state government tax revenues. "Only if government spending is reduced can Hawaii effectively reduce its taxes so as to provide real equity for Hawaii's taxpayers," the report emphasizes.

The Commission recommends income tax relief be provided to all taxpayers by increasing the standard deduction and personal exemption amounts, and expanding and reducing the number of tax brackets. The Commission also suggests future changes to the tax treatment of pension income, capital gains, tax deferred transactions and non-residents.

In an effort to eventually enable the state to provide broader tax relief by lowering the 4.0 per cent general excise tax rate, the Commission recommends, among other things, broadening the general excise tax base by eliminating preferential treatment for certain taxpayers. It also recommends clarifying and expanding the intermediary services provision to include a new wholesale services concept and exemption of exported services.

The 1997 Legislature may accept, reject or modify Commission recommendations.

*The report is available in pdf format.*

*[1995 - 1997 TAX REVIEW COMMISSION REPORT](#)*

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Copies of the final Tax Review Commission Report may also be picked up at:

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