

Democrats for Property Tax Fairness Task Force  
Oahu Democratic Party Committee  
3566 Harding Avenue, Honolulu, Hawaii 96816

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Before the State Senate Committee on Intergovernmental Affairs

## Testimony In Support of SCR 191 and SR 126

Requests the governor, the county mayors and county councils, with the assistance of the tax review commission, the city and county of Honolulu's tax policy committee and comparable committees of Kauai, Maui, and Hawaii counties to review the state and counties' tax and revenue system.

Date, Time and Place: March 28, 2006, 2:45 p.m., State Capitol Room 225

Chairperson: Senator David Ige  
Vice Chairperson: Senator Donna Mercado Kim  
Members: Senator Rosalyn Baker  
Senator Kalani English  
Senator Lorraine Inouye  
Senator Clarence Nishihara  
Senator Sam Slom

Aloha and Good Afternoon Chairperson Ige and Members of the Committee:

I am Mike Abe and am testifying in support of Senate Concurrent Resolution 191 and Senate Resolution 126 on behalf of the Democratic Party Oahu County Committee's Democrats for Property Tax Fairness Task Force.

### Background:

The Oahu Democratic Party County Committee formed the Democrats for Property Tax Fairness Task Force in late December 2005 in response to the cries of our members, neighbors and friends after they received their 2006 real property tax assessment notices. The notices shocked, angered and scared them. Their property tax bills were going up again by 25 to 40%. Many people's real property tax bills had gone up 100% in two years. Home owners, especially homeowners on fixed incomes, fear losing their homes. Working people also complained about the increases. Renters suffered too, as landlords passed on real property tax increases.

Real property values have risen astronomically in some neighborhoods and skyrocketed across Oahu. Kauai and Maui faced similar challenges and even earlier than Oahu. Areas of the Big Island are also suffering similarly.

Hawaii is blessed and cursed by its uniqueness. Outside investors and low interest rates are driving up prices and rents for homes faster than local residents can afford them, and pay for property taxes. Incomes have not kept pace. Real property taxes are rising too fast and too much.

Our group organized a petition drive to freeze property tax bills to the current level while a fairer and equitable property tax plan can be developed. Thousands have signed the petition. And there are other groups who are doing similar things.

The Honolulu City Council and Mayor Hannemann enacted some real property tax relief measures recently. But quite frankly, the relief measures are not enough. Raising the homeowners exemption from \$40,000 to \$80,000 only provides a tax break worth \$150 annually. The average increase is twice that and next fiscal year will bring another real property tax increase. A circuit breaker has been provided for homeowners who earn \$50,000 or less. It limits tax bills to 4% of income. Homeowners must file an income tax looking form and provide copies of their state and federal tax returns.

The Honolulu City Council members and Mayor are trying to provide tax relief but they are constrained by increasing budget demands and the legal limitations of the County's taxing and revenue raising authority. Other Counties are similarly challenged. Kauai County and real property owners are in fact fighting in the Hawaii State Supreme Court.

We have learned that the real property tax system is unfair and inequitable. It is a poor and outdated system to raise tax revenues. It's based on property values and a volatile market, now sky rocketing because of outside investors and low interest rates. Increasing public service and facility demands will place increasing pressure to continually raise real property taxes because it is the primary revenue source for the Counties. The burden threatens homeowners and even renters with losing their homes.

#### State and Counties Are Interwined.

The Counties have already turned to State authorized funding sources – excise surcharge for transit, transient accommodations tax, state grants, fuel tax, utility franchise tax, etc.

Our research has shown that State income tax credits and the lowering of business taxes to encourage economic development and growth has shifted the cost of government services and programs more on to the backs of people. The 2003 State Tax Commission Report stated that corporate tax collections decreased and financial institution tax collections went negative in recent years.

Federal tax and domestic program spending cuts and policies have also shifted the costs and on to the State and Counties, and the tax burden from the very rich and multi-national corporations to the low and middle class taxpayers. Cuts to medicaid, medicare, education, aid to children and veterans, Section 8 and low and affordable housing, crime and drug fighting programs, disaster preparedness and response programs, unfunded Federal mandates have shifted the cost burden to the States and counties.

Rising and shifting costs of government challenges the State and Counties, and the search for revenue sources and the provision of tax incentives and relief, and politics over shadow assessing the unintended but significant collective impact on people, their pockets and quality of life.

Law makers and the people cannot make good decisions to advance the common good without seeing and understanding the whole picture of taxes and revenue sources and its collective impact financially and socially on people.

It's like the classic Indian fable of the blind men who come upon an elephant for the first time in their lives. Each man examines a part of the elephant and describes the part to the others. One touches the trunk and describes it similar to a snake. Another examines the elephant's ear and describes it like a huge fan. Another strokes the elephant's side and describes it like a large immovable wall. Another touches the elephant's leg and describes it more like a tree trunk. Another is hit in the face by the elephant's tail and says the elephant is more like a whip. Another is standing in rear of the elephant when the elephant relieves itself. I won't say what he described the elephant to be but you can imagine.

None of the blind men see the whole animal. Each goes on with their own perception and prejudices and find the animal useless and dangerous. None sees that the elephant as huge and strong, capable of stepping and hurting people and things, but intelligent, and if properly trained and guided, a very useful and helpful animal.

Similarly, our State and County tax and revenue systems are viewed separately, disjointed, and even working in conflict at the expense of the people.

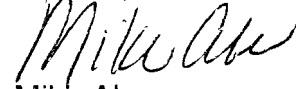
A comprehensive study and review of State and Counties tax and revenue systems and policies, and assessment of the impact upon taxpayers and people are urgently needed at this time of State surpluses, sky rocketing property values and taxes, tax credits and rebates, the widening income and quality of life gap, lack of affordable housing and sky rocketing health care costs, the massive rail transit undertaking, and the intergovernmental dispute about the collection of the excise tax surcharge for the rail transit.

The Task Force believes a holistic, informed, fair and equitable approach is required by the State and Counties to minimize the total federal, state and local tax burden on residents while collecting enough revenue to pay for the necessary public services. The resolutions seek to gather the information and knowledge necessary to achieve this.

We anticipate that this review and study will shed light and direction for the next legislative session for real tax reform.

We respectfully request your support for these resolutions.

Mahalo,

A handwritten signature in black ink that reads "Mike Abe". The signature is written in a cursive style with a large, prominent "M" and "A".

Mike Abe

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