



March 19, 2014

Chair Ann Kobayashi
Budget Committee
Honolulu City Council
City and County of Honolulu
Honolulu, HI 96813-3077

RE: Bill 18, Relating to the Minimum Real Property Tax

Dear Chair Kobayashi, Vice-Chair Chang and members of the Honolulu City Council Budget Committee:

The Hawai'i Alliance of Nonprofit Organizations (HANO) is a statewide professional association for nonprofits that unites and strengthens the nonprofit sector as a collective force to improve the quality of life in Hawai'i. It works in the areas of leadership and convenings, advocacy and public policy, research and information, communications, professional development, products and capacity building services for its members. HANO members provide essential services across every community in the state.

With no dollar commitments in the current version of Bill 18, it is not clear what this committee's intent is regarding changes to the minimum real property tax in accordance with Section 8.10.10 (real property tax exemptions for charitable purposes). Is it the intent to incrementally raise the minimum real property tax beyond the current tax of \$300 annually?

If so, we worry that there is a slippery slope associated with this increased tax, it paves the way for future taxation and perhaps a challenge to the real property tax exemption altogether. The amount of this annual tax was already raised to \$300 from \$100 in 2010.

We understand the mandate this committee has to balance the city's budget—a considerable challenge in this current fiscal crisis—but one that cannot be achieved on the backs of the nonprofit sector. Nonprofits are tax-exempt because they provide a social good in education, health and human services, housing, support to the elderly, and other critical services that government would otherwise have to furnish and probably. Nonprofits are able to provide these services more cost-effectively, but increased taxation would add tremendously to their business costs and hinder their ability to serve the community.

Nonprofit resources are extremely challenged at this time, having not quite recuperated from the recession and when demand for nonprofit services is still very high.

The public wants their charitable contributions to go for community services, not taxes. Taxing these organizations has the effect of discouraging giving and volunteering. Our community needs more of what these organizations and volunteers do, not LESS. Thank you for the opportunity to provide testimony to express our concerns about Bill 18.

Sincerely,
Lisa Maruyama, President & CEO