



RECEIVED
CITY CLERK
& C OF HONOLULU
2014 APR 15 PM 3:45

April 15, 2014

Chair Ernie Martin
Honolulu City Council
City and County of Honolulu
Honolulu, HI 96813-3077

RE: Bill 25, Relating to the Minimum Real Property Tax (First Reading 4/16/14)

Dear Chair Martin, Vice Chair Anderson and Members of the Honolulu City Council:

The Hawai'i Alliance of Nonprofit Organizations opposes Bill 25, which increases the minimum real property tax for those exempt under Section 8.10.10 (real property tax exemptions for charitable purposes).

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.

This bill would result in a significant increase in costs for nonprofits, and represents a major change of tax policy as it erodes the real property tax exemption over time. The current real property tax for these properties is \$300 annually, raised from \$100 in 2010. This proposal would make a major change by setting the amount at 10% of the tax liability in 2014, rising to 25% by 2017.

Nonprofits are tax-exempt because they provide a social good in education, health and human services, housing, support to the elderly and youth, and other critical services that government would otherwise have to furnish. Nonprofits are able to provide these services more cost-effectively, and increased taxation would add tremendously to their overhead costs and reduce their resources for serving the community.

We understand the need to balance the city's budget—a considerable challenge in this current fiscal climate—and we appreciate the City Council's efforts to create more funding streams to support nonprofit service delivery. However, nonprofit resources are extremely challenged at this time, having not quite recuperated from the recession and demand for nonprofit services continues to be very high.

We understand that the Real Property Tax Commission will be convening soon. We suggest that this bill be deferred until the commission has an opportunity to discuss the issue. Thank you for the opportunity to provide testimony to express concerns about Bill 25.

Sincerely,

Nikki Love Kingman
Public Policy Director