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CITY COUNCIL
HONOLULU, HAWAII

October 22, 2014

Chair Ray Kamikawa
Real Property Tax Advisory Commission
City and County of Honolulu
Honolulu, Hawai'i 96813

RE: Draft Report - minimum tax for 501(c)(3) organizations (Commission Meeting 10/22/14)

Dear Chair Kamikawa, Vice Chair Yamachika, and members of the Commission:

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.

HANO supports maintaining the current \$300 minimum tax for charitable 501(c)(3) organizations. It appears that is the Commission's recommendation, but we would like to address two details in the draft report:

1. Page 2 of the draft report indicates the Commission's intent is for 501(c)(3) organizations to pay the \$300 minimum tax, while very small parcels should not be subject to that minimum tax if they would owe taxes less than \$300. Then on page 3, the proposed ordinance language includes the following language: "the exemption in section 8-10.10 for charitable use may reduce the tax on a parcel to no less than \$300 a year". To maintain the existing minimum tax of \$300, we ask the Commission to consider replacing or deleting the words "*no less than*" so that it reads: "...reduce the tax on a parcel *to no more than \$300 a year*," or simply, "...reduce the tax on a parcel *to \$300 a year*".
2. The proposed ordinance language on page 3 includes the language "owned and used" by 501(c)(3) organizations. It seems that would be more restrictive than the current practice – our understanding is that properties leased by 501(c)(3) organizations are eligible for the exemption as well. Making this change to "owned and used" could negatively impact the many 501(c)(3) organizations that rent property, as their landlords may end up passing the increased costs onto the renter.

(continued on next page)

Thank you for your consideration of issues important to charitable nonprofits. 501(c)(3) organizations have a special role in our community and in partnership with government. Nonprofits are tax-exempt because they provide a social good in education, health and human services, housing, support to the elderly and youth, and many other critical services that government would otherwise have to furnish. Nonprofits are able to provide these services more cost-effectively and with first-hand expertise of community needs.

Furthermore, 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. Any increased taxation would be especially detrimental to charitable nonprofits, as it would add to their overhead costs and reduce their resources for serving the community.

Mahalo for the opportunity to provide testimony.

Sincerely,

Nikki Love Kingman
Public Policy Director