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LINDA LINGLE
GOVERNOR

January 31, 2006

CITY COUNCIL
HONOLULU, HAWAII

RECEIVED

Mr. Anthony P. Scarpelli
Mrs. Cecilia Scarpelli
92-116 Kohi Place
Kapolei, HI 96707

Dear Mr. and Mrs. Scarpelli:

Thank you for your letter of December 18, 2005, expressing your concerns about the real property tax burden on our citizens and the budget shortfall.

In response to your proposal for real property tax relief, I must inform you that this relief can only be given by the City and County of Honolulu, since real property tax matters are strictly under the control of the City and County. A copy of your letter will be forwarded to Mayor Mufi Hannemann and members of the Honolulu City Council who can look into your concerns and proposals and properly address them.

Regarding your suggestion to tax military retirement income to increase tax revenue, Hawaii law provides a specific exemption for benefits received under the state's retirement system or under any other public retirement system. Therefore, military retirement income is not taxable. My administration has always looked for ways to provide tax relief for our citizens and this law has effectively lessened the tax burden on our elderly citizens who are on a fixed budget. Because of the derived benefits of this law and the state's increasing cost of living, the taxation of military retirement income would not be a solution that I would support to increase the state's tax revenue.

Thank you for taking the time to share your concerns and suggestions.

Sincerely,

LINDA LINGLE

cc: The Honorable Mayor Hannemann
✓ Chair and Members of the Honolulu City Council

Misc. Com. No. 0296

Anthony and Cecilia Scarpelli
92-116 Kohi Place
Kapolei, HI 96707

(808) 672-7664 Home
(808) 368-0078 Cell
e-mail: apscarpelli@hawaii.rr.com

18 December 2005

Honorable Governor Linda Lingle
Executive Chambers, State Capitol
Honolulu, Hawaii 96813

Honorable Governor Linda Lingle:

We wish you and your family a safe and joyous Holiday season. My family moved here from San Diego, California in January 2002. We love Hawaii and all it has to offer. However, I am contacting you about the excessive property tax increase for 2006. I just received my property tax bill and it increased 49% in one year. There is no way to budget for real estate taxes under the current Hawaii property tax system. I receive a cost of living increase of 3% on my annual base pay. I knew my house increased in its assessed value, however, there should be a cap on the amount the property tax can increase in a year. The Hawaii state and Oahu county spending bills do not raise that quickly.

I am appealing my real property tax based on unfair and illegal methods for taxing a residential property based on real property and land assessed at 100% "fair market value." Hawaii needs to address the method of taxation and how to apply a fair and equitable yearly real estate tax increase. Hawaii is exactly where California was in 1978. Property taxes are sky rocketing and it is forcing people to sell their homes. If Hawaii wants to promote the state for outside companies to move in, there must be a curb on how much real estate taxes can increase from year to year.

What I propose is that when a house is purchased, the purchase price becomes the tax base. The maximum amount of tax on real estate would be limited to .375% of the full cash value. The property tax exemption of \$600 would be applied to the real estate tax of the main residence only. The current exemption of \$40,000 applied to the assessed value is nothing because of the increase in home values. The yearly real estate tax increase would be assessed on the previous years tax and could increase at a maximum of the state CPI for that year. For example, a person buys a house for \$750,000. The tax would be $750,000 \times 0.00375 = \$2,812.50$. With the homeowner's exemption the real estate tax would be $\$2,812.50 - \$600.00 = \$2,212.50$. The next year the CPI is 4%. The property tax could increase a maximum of $\$2,212.50 \times 0.04 = \112.50 . The new maximum property tax would be $\$2,212.50 + \$112.50 = \$2,325.00$. With the home owner's exemption the property tax would be $\$2,325.00 - \$600.00 =$

\$2,325.00. The next years tax increase would now be based on the CPI for that year and would be applied to the previous years property tax, not the assessed value of the home. This would allow people the ability to budget for property taxes and stop taxing people out of their home. I recommend making this law retroactive to 1 January 2005 and using the 2005 property tax as the base and applying tax increases from that years real estate tax.

In Hawaii, the counties set their property tax codes, I recommend the state take this over and allocate portions of the property tax to the counties. If there is not an even method for applying a property tax, then Hawaii cannot attract outside businesses. Therefore, the state should set property tax policies and have the counties collect the property tax.

When someone buys a new home, the new real estate tax would be assessed on the purchase price. If the owner should pass the real estate to their heirs, the heirs would be allowed to assume the real estate property tax. The heir would not have the house accessed at the current fair market value.

A fair and simple solution for any budget shortfall is for Hawaii to tax military retirement pay. I served in the military and I know what my obligations are to pay for services in the area I chose to call home. Not taxing the military retirement pay is a drain on resources because the state is making up for those lost taxes by other means. I recommend applying the same tax rules for military retirement pay as the federal income tax.

As a resident of Hawaii, I want Hawaii to attract new businesses. That will assist us all in maintaining a structured and reasonable tax base, and provide our children an opportunity to remain in Hawaii based on jobs, and affordable housing and real estate taxes.

Please let me know what your proposal to this situation of run away real estate property taxes is going to be. The best way you can contact me is via e-mail: apscarpelli@hawaii.rr.com. My work cell is (808) 368-0078 and if I do not answer, please leave a message and I will return your call when possible. Thank you for your time.

Sincerely,


Anthony P. Scarpelli