



Working Together for Hawaii

888 Mililani Street, Suite 601
Honolulu, Hawaii 96813-2991
www.hgea.org

Telephone: 808.536.2351
Facsimile: 808.528.4059

Hawaii Government Employees Association
AFSCME Local 152, AFL-CIO

City Council City and County of Honolulu
Special Meeting

Testimony by
HGEA/AFSCME, Local 152, AFL-CIO
February 23, 2006

BILL 12 (2006), CD 1 – RELATING TO
LIMITS ON REAL PROPERTY TAXATION

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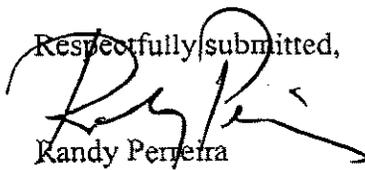
The Hawaii Government Employees Association, AFSCME, Local 152, AFL-CIO agrees there is a need to provide property tax relief for Oahu homeowners. However, we are opposed to the concept contained in Bill 12 (2006), CD 1 which establishes a new way of setting real property tax rates. As proposed, Bill 12 (2006), CD 1 would adjust for the city's so-called "uncontrollable costs" expressed as a percentage increase from the base year to the budgeted tax year. The stated goal of the ordinance is to provide greater stability in real property taxes by insulating property owners from wide swings in property valuations due to market forces.

We oppose bills with property tax caps (limits) based upon increases in the consumer price index or other factors. Such caps carry ramifications that extend well beyond the problem they claim to address. Not only will Bill 12 (2006), CD 1 likely reduce flexibility in budgeting, but it could lead to reductions in public services in the future. There must be a sufficient revenue stream to maintain important city services.

The basic purposes of property tax reduction programs should be to reduce property tax inequities among citizens and to target relief to those citizens who can least afford the property tax increase. Therefore, we support the underlying purpose of the "circuit breaker" approach to property tax relief based upon income. A "pure" circuit breaker does not give relief to everyone, so the cost to local government is manageable. The HGEA also supports the concept of reducing property taxes for owner occupants as opposed to investors. This could include establishing separate classes of property based upon occupant or investor status.

Property taxes remain the single most significant source of revenue for the City and County of Honolulu. Therefore, we must be careful not to overreact to recent short-term changes in property tax values by enacting drastic changes in the method used to calculate property taxes. Since property tax valuations are cyclical, any major shift in the method used to assess property values could result in public service cuts, increasing other taxes, or both. In contrast, targeted property tax relief avoids sharp reductions in public services when property values drop, which they inevitably will. Thank you for the opportunity to testify in opposition to Bill 12 (2006), CD 1.

Respectfully submitted,


Randy Perreira

Deputy Executive Director

Misc. Com. No. 0516