



Working Together for Hawaii

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Hawaii Government Employees Association
AFSCME Local 152, AFL-CIO

City Council City and County of Honolulu
Regular Meeting

Testimony by
HGEA/AFSCME, Local 152, AFL-CIO
February 21, 2007

Bill 17 (2007) – Relating to the Assessment of Property for Real Property Tax Purposes

The Hawaii Government Employees Association, AFSCME, Local 152, AFL-CIO agrees there is a need to provide property tax relief for Oahu property owners. However, we firmly oppose Bill 17, which imposes property tax caps similar to Proposition 13. Property tax caps carry ramifications that extend well beyond the problem they claim to address. These are most valuable for taxpayers whose homes are appreciating most rapidly, but will provide less tax relief for homeowners whose property values are stagnant or declining.

While Bill 17 calls for a graduated cap on property taxes tied to how long the property is owed, we still believe it is problematic because it will significantly reduce revenue to the City and County of Honolulu. Such limits on property taxes often lead to greater than expected reductions in vital public services, including road maintenance, parks, police and fire protection. Since property taxes remain the single most significant source of revenue for the City and County of Honolulu, we must not overreact to recent short-term changes in property tax values by endorsing permanent reductions in property taxes, which could result in public service cuts, increasing other fees or both. Property tax increases and declines are cyclical.

Another problem is that caps usually include an "acquisition value" rule that resets the assessed value of properties to equal their market value when they are sold. This creates unfair differences between the tax treatment of similar homes that were purchased in different years.

If tax relief for low/fixed income homeowners is the goal, assessment caps (even graduated ones) are not the most effective tax strategy. Property tax caps are expensive and poorly targeted. A less expensive and more targeted approach is a "circuit breaker" tax credit, which provides tax breaks to low-income and elderly taxpayers for whom property taxes exceed a certain percentage of their incomes above which property taxes are considered too burdensome. Property tax relief should alleviate the tax burden for those who can least afford the property tax increase.

Thank you for the opportunity to provide testimony in opposition to Bill 17.

Respectfully submitted,

Karen Muelleger
for Nora A. Nomura
Legislative Officer

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