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Hawaii Government Employees Association  
AFSCME Local 152, AFL-CIO

The Twenty-Fourth Legislature, State of Hawaii  
Hawaii State House of Representatives  
Committee on Consumer Protection and Commerce

Testimony by  
HGEA/AFSCME, Local 152, AFL-CIO  
March 24, 2008

H.C.R. 368/H.R. 304 – REQUESTING THE MAYOR OF  
MAUI AND THE MAUI COUNTY COUNCIL TO ESTABLISH  
A REAL PROPERTY TAX STRUCTURE BASED ON THE  
CALIFORNIA PROPOSITION 13 PROPERTY TAX SYSTEM

The Hawaii Government Employees Association, AFSCME Local 152, AFL-CIO, strongly opposes H.C.R. 368 and H.R. 304. These resolutions request the Mayor of Maui County and the County Council to establish a property tax structure based upon California's Proposition 13. Property tax caps such as those included in Proposition 13 are not able to change the main drivers behind higher property taxes, nor do these address the rising costs of providing public services. While such caps will limit property tax increases, they are likely to impair the ability of local government to provide public safety, road maintenance and other vital services residents need.

A number of states enacted various types of limits on property taxes. The results are clear that the quality of public services have deteriorated. In California, per-pupil spending in public schools fell significantly under Proposition 13. A number of towns in Massachusetts laid off school and municipal employees, including police and fire fighters, closed libraries and senior centers, and stopped funding infrastructure projects to comply with the state's severe property tax cap. In Illinois, school districts affected by the state's cap have eliminated positions, imposed salary freezes and cut class offerings. Property tax caps also 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 otherwise similar homes that were purchased in different years.

If tax relief for fixed income homeowners and seniors is the objective, assessment caps are among the least effective tax relief strategies. Assessed value caps are not designed to address the ability to pay problem as effectively as homestead exemptions and circuit breakers, which give taxpayers substantial targeted relief. Homestead exemptions exclude a specified amount of the value of a property from taxation. The amount generally represents a higher proportion of the assessed valuation of a lower-valued property than more expensive property, thereby providing the greatest relief to those living in modest homes.

Circuit breakers limit the percentage of a household's income used to pay property taxes. These are especially effective in helping senior citizens residing in homes purchased many years before, and people living in gentrifying neighborhoods. Unlike a property tax assessment cap, homestead exemptions and circuit breakers target tax relief on those who need it most, without cutting the revenue needed for public safety, road maintenance and other services. Thank you for the opportunity to testify in opposition to these resolutions.

Respectfully submitted,

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for  
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