

HB-1208

Submitted on: 2/8/2021 9:16:24 PM

Testimony for ECD on 2/10/2021 9:30:00 AM

Submitted By	Organization	Testifier Position	Present at Hearing
Paul Bernstein	Individual	Support	No

Comments:

Aloha Chairman Quinlan and Members of the Economic Development Committee:

I am writing to express my strong support for HB 1208. This bill addresses the long needed change in Hawaii's punitive tax code when it comes to workers. The current tax code favors wealthy out of staters who own Hawaii real estate and local high income property owners at the expense of the everyday working person. I understand that HB 1208 could cause tension between the state and counties as they compete for tax revenues, but this conflict seems like a small cost to pay to greatly improve the equity of our tax system. Therefore, the state should work with the counties to develop a taxation system that works holistically and equitably. HB 1208 will help move this process forward.

Mahalo nui loa for hearing my testimony.

Kind regards,

Paul Bernstein

TAX FOUNDATION OF HAWAII

126 Queen Street, Suite 304

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONSTITUTIONAL AMENDMENT, Allows State to Impose Real Property Tax

BILL NUMBER: HB 1208

INTRODUCED BY: HASHEM, LUKE, SAIKI, YAMASHITA, Belatti

EXECUTIVE SUMMARY: Proposes an amendment to the Hawaii State Constitution to repeal the exclusive power of the counties as to the functions, powers, and duties relating to the taxation of real property and authorize the State to also exercise those functions, powers, and duties.

SYNOPSIS: Amends Article VIII, section 3, of the Hawaii Constitution to provide that the legislature may impose real property taxes as well as the counties.

EFFECTIVE DATE: Takes effect upon compliance with article XVII, section 3, of the Constitution of the State of Hawaii.

STAFF COMMENTS: A tax increase of any magnitude in Hawaii's fragile economy will, no doubt, have a negative impact as costs soar due to higher taxes. As costs and overhead increase, employers must find ways to stay in business by either increasing prices to their customers or cut back on costs. This may take the form of reducing inventory, shortening business hours, reducing employee hours, or even laying off workers. A tax increase of any magnitude would send many companies, especially smaller ones, out of business taking with them the jobs the community so desperately needs at this time.

The proposed measure empowers the legislature to establish a surcharge on real property tax. The proposed measure does not say "residential," "commercial," or any other class of real property. Therefore, if adopted, any real property may be surcharged.

Furthermore, there are no limits to the amount of the surcharge. The surcharge could be less than the current property tax, or it could be many times the current property tax.

In other words, once the amendment passes, the genie is out of the bottle. It may not even be under control of the members now in the legislature, because future legislators may have different ideas from current members.

We need to ask ourselves if we want to or need to give the genie that much power. If we do, then we only have ourselves to blame for what happens when the genie does come out. If we don't, then we should either kill the constitutional amendment or write strict limits into it.

Digested 2/8/2021



**Testimony to the House Committee on Economic Development
Wednesday, February 10, 2021 at 9:30 A.M.
Via Videoconference**

**RE: HB 1208, PROPOSING AN AMENDMENT TO ARTICLE VIII, SECTION 3 OF
THE HAWAII CONSTITUTION RELATING TO THE FUNCTIONS, POWERS, AND
DUTIES OF REAL PROPERTY TAXATION.**

Chair Quinlan, Vice Chair Holt, and Members of the Committee:

The Chamber of Commerce Hawaii ("The Chamber") **opposes** HB 1208, proposing an amendment to the Hawaii State Constitution to repeal the exclusive power of the counties as to the functions, powers, and duties relating to the taxation of real property and authorize the State to also exercise those functions, powers, and duties.

The Chamber is Hawaii's leading statewide business advocacy organization, representing 2,000+ businesses. Approximately 80% of our members are small businesses with less than 20 employees. As the "Voice of Business" in Hawaii, the organization works on behalf of members and the entire business community to improve the state's economic climate and to foster positive action on issues of common concern.

Hawaii continues to be ranked at the bottom compared to other states across the nation according to Forbes' Best States for Business and Careers¹. Coupled with COVID-19 related sacrifices that our island state continue to confront and overcome, island companies face a long road to recovery that they expect will extend into April 2022². State officials has also been the road to recovery will take at least 2 years³.

Given our slow reopening of the kama'aina economy, the Chamber, in partnership with UHERO and other organizations released findings to a survey about the ongoing impacts of the COVID-19 pandemic within the business community. It was found that despite the slow reopening of the kama'aina economy, business revenue has remained significantly depressed with nearly 20% of businesses having no revenue and another 20% reported earning less than half of their baseline monthly revenue. The survey further found that nearly 51% of businesses

¹ Forbes; <https://www.forbes.com/best-states-for-business/list/>

² Survey finds Hawaii businesses reeling from lost revenue, cutting jobs, and expecting a long road to recovery <https://www.staradvertiser.com/2021/02/02/breaking-news/survey-finds-hawaii-businesses-reeling-from-lost-revenue-cutting-jobs-and-expecting-a-long-road-to-recovery/>

³ Civil Beat; <https://www.civilbeat.org/2021/02/stabilizing-or-stalling-state-officials-explain-why-hawaiis-recovery-plan-will-take-2-years/>



Chamber of Commerce HAWAII

The Voice of Business

surveyed indicated either additional cuts would be needed, or their business would not survive if the restrictions remained in place.

Economic stimulation and assistance in the form of government relief are direly needed rather than the imposition of possibly both state and county property taxes via a Constitutional Amendment as proposed in HB 1208. The unnecessary tax will surely impede economic revitalization when catalysts for economic renewal is direly needed. For the foregoing reasons, we respectfully ask that the bill be held.

Thank you for this opportunity to provide testimony.

February 10, 2021

The Honorable Sean Quinlan, Chair
House Committee on Economic Development
Via Videoconference

**RE: H.B. 1208 PROPOSING AN AMENDMENT TO ARTICLE VIII, SECTION 3
OF THE HAWAII CONSTITUTION RELATING TO THE
FUNCTIONS, POWERS, AND DUTIES OF REAL PROPERTY
TAXATION.**

HEARING: Wednesday, February 10, 2021, at 9:30 a.m.

Aloha Chair Quinlan, Vice Chair Holt, and Members of the Committee,

I am Ken Hiraki, Director of Government Affairs Committee, testifying on behalf of the Hawai'i Association of REALTORS® (“HAR”), the voice of real estate in Hawai'i, and its over 10,000 members. HAR **strongly opposes** House Bill 1208 which proposes an amendment to the Hawaii State Constitution to repeal the exclusive power of the counties as to the functions, powers, and duties relating to the taxation of real property and authorize the State to also exercise those functions, powers, and duties.

According to WalletHub, Hawai'i ranks 2nd in the nation for the most tax burdened State, Hawai'i has a regressive General Excise Tax that is more than double the national average and more than every other State per capita except for Washington. Hawai'i also has the 2nd highest income tax in the country after California, and it has a Conveyance Tax that taxes every type of property sale including affordable housing.

Due to the COVID-19 pandemic, a double property tax (state and county) would delay our path to recovery. We see homeowners and renters struggling, businesses closing, and a double property tax which could apply to virtually every property type, would add another burden that would add to our high cost of living and doing business in Hawai'i.

Furthermore, a double property tax could put the dream of homeownership further out of reach for first-time homebuyers or small businesses looking to start-up. At a time when we should be encouraging homeownership and investment and in our State, the proposed amendment would discourage it.

Mahalo for the opportunity to testify.



The House of Representatives
The Thirty-First Legislature
Regular Session of 2021

To: Committee on Economic Development

Date: February 10, 2021

Place: Conference Room 312 - Via Video Conference
Hawaii State Capitol
415 South Beretania Street
Honolulu, Hawaii 96813

RE: HB 1208 PROPOSING AN AMENDMENT TO ARTICLE VIII, SECTION 3 OF THE HAWAII CONSTITUTION RELATING TO THE FUNCTIONS, POWERS, AND DUTIES OF REAL PROPERTY TAXATION.

Rep. Sean Quinlan, Chair & Rep. Daniel Holt, Vice Chair and the Representatives of the Committee On Economic Development

RBOAA **opposes** this HB 1286 and would like to offer the following:

This Bill proposes an amendment the Hawaii State Constitution to repeal the exclusive power of the counties as to the functions, powers, and duties relating to the taxation of real property.

Each county depends almost exclusively on the revenue from property tax assessments. They are reliant upon these funds to provide vital services to residents such as police and fire. All Hawaii residents would be adversely impacted should the counties not be able to fund these necessary functions.

The Bill further states that property tax rates “disproportionately burden the residential workforce, who effectively subsidize non-residents’ real estate investments in Hawaii.” But a review of the data does not support this conclusion.

Based upon a DBEDT legislative report regarding property tax rates the overall tax rate for owner occupied dwellings was 0.43, for non-owner occupied it was 0.83 making it nearly double the rate. Additionally, although out of state property owners accounted for 11.9% of owners they paid 23.4% of all property taxes illustrating they already pay twice the rate and do not “burden the residential workforce” as assumed.

Additionally, nearly forty percent (40%) of all residents of Hawaii rent their dwellings. Should there be a substantial increase in property tax rates for “investment properties” it will have the consequence of increasing the cost of living for those residents who rent.

We respectfully request that this Bill be held.

Sincerely,

Alicia Humiston, President
Rentals by Owner Awareness Association

29 S. KUKUI PLACE, KIHEI, HI 96753

Council Chair
Alice L. Lee

Vice-Chair
Keani N.W. Rawlins-Fernandez

Presiding Officer Pro Tempore
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Councilmembers
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Yuki Lei K. Sugimura



Director of Council Services
Traci N. T. Fujita, Esq.

COUNTY COUNCIL
COUNTY OF MAUI
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WAILUKU, MAUI, HAWAII 96793
www.MauiCounty.us

February 9, 2021

TO: Honorable Sean Quinlan, Chair
House Committee on Economic Development

FROM: Alice L. Lee
Council Chair

DATE: February 10, 2021

SUBJECT: **OPPOSITION TO HB 1208, RELATING TO TAXATION**

Thank you for the opportunity to testify in **OPPOSITION** to this important measure. The purpose of this measure is to propose an amendment to the Hawaii State Constitution to repeal the exclusive power of the counties as to the functions, powers, and duties relating to the taxation of real property and authorize the State to also exercise those functions, powers, and duties.

The Maui County Council has not had the opportunity to take a formal position on this measure. Therefore, I am providing this testimony in my capacity as an individual member of the Maui County Council.

I oppose this measure for the following reasons:

1. Real property taxes are counties' primary and largest source of revenue to fund county programs. The counties must account for raising expenses and reduced revenue.
2. The State has far more taxing authority than the counties and should be able to handle any increased need for funds. This measure ignores the importance of the community's right to decision making.
3. With the economy down and all levels of government struggling to maintain vital services, now is not the time to arbitrarily and callously take funds away from the counties.

For the foregoing reason, I **OPPOSE** this measure.



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Corey Rosenlee
President
Osa Tui Jr.
Vice President
Logan Okita
Secretary-Treasurer
Wilbert Holck
Executive Director

TESTIMONY BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

RE: HB 1208 PROPOSING AN AMENDMENT TO ARTICLE VIII, SECTION 3
OF THE HAWAII CONSTITUTION RELATING TO THE FUNCTIONS,
POWERS, AND DUTIES OF REAL PROPERTY TAXATION.

WEDNESDAY, FEBRUARY 10, 2021

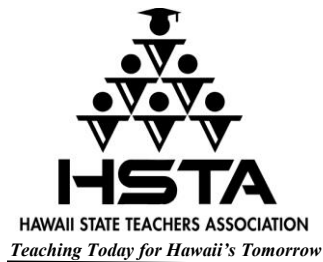
COREY ROSENLEE, PRESIDENT
HAWAII STATE TEACHERS ASSOCIATION

Chair Quinlan, and Members of the Committee:

The Hawaii State Teachers Association **strongly supports HB 1208**, proposing an amendment to article VII, Section 3 of the Hawaii Constitution relating to the functions, powers, and duties of real property taxation. This bill proposes an amendment to the Hawaii State Constitution to repeal the exclusive power of the counties as to the functions, powers, and duties relating to the taxation of real property and authorize the State to also exercise those functions, powers, and duties.

Hawaii is the only state where the counties contribute no revenue to fund education, **yet all of the property taxes are given to the counties. Hawaii is the only state where property taxes are not used to help fund public schools.** This systemic failure means that Hawaii spends the lowest percentage of state and county funds towards education in the country. As a result, Hawaii has the 45th lowest per-pupil spending and the lowest teacher salaries in the nation, when adjusted for cost of living. The way Hawaii funds public education is systemically broken, due to this lack of state funding. In order to allow the state to collect funds from property taxes to use on state functions, such as public education, there needs to be a Constitutional Amendment.

Other states have remedies in the courts available when their education systems systemically deny a quality public education. The vast majority of states, 46 out of 50, have language in their constitutions protecting education. But Hawaii does not. Not only does Hawaii not have proper systems in place to fund education, **it also doesn't have the constitutional remedy to correct the systemic problem. If this Constitutional Amendment passes, more funds could be collected from real property taxes, thus funding the state more, and thus the state would**



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Corey Rosenlee
President

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Vice President

Logan Okita
Secretary-Treasurer

Wilbert Holck
Executive Director

have a better ability to fund our public schools, and other state functions, properly.

Just a little over a decade ago, Hawaii experienced an economic decline that resulted in cuts to education funding. Currently, even with the restoration of some of the initially planned budget cuts, Hawaii could still lay off 1,000 DOE employees, including 800 teachers and may also reduce employees' salaries. Our educators and our schools are trying to recover from the economic recession and the budget cuts of 2009. Making this important change in our constitution will help avoid this kind of damage to our education system in the decades to come. **In these critical times, the state needs to consider other avenues for generating revenue for the state, and thus allowing them to fund our public education system, as well as other state functions, appropriately, and not rely on budget cuts, layoffs, or furloughs to balance the state budget on the back of its state workers, and the public who need their services.**

Hawaii's leaders often say that our keiki are our future and that we have to protect education at all costs. This bill will give the people of Hawaii the opportunity to vote on allowing our state to use property tax to support our state functions, through our state constitution, to ensure that no matter what crisis happens, we always put our people and our keiki first.

Michael P. Victorino
Mayor

Sananda K. Baz
Managing Director



LATE



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COUNTY OF MAUI
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February 9, 2021

TESTIMONY OF MICHAEL P. VICTORINO
MAYOR
COUNTY OF MAUI

BEFORE THE HOUSE COMMITTEE ON ECONOMIC DEVELOPMENT

Wednesday, February 10, 2021, 9:30 a.m.
House Conference Room via Videoconference

HB1208, RELATING TO THE FUNCTIONS, POWERS, AND DUTIES OF REAL PROPERTY TAXATION

Honorable Sean Quinlan, Chair
Honorable Daniel Holt, Vice Chair
Honorable Members of the House Committee on Economic Development

Thank you for this opportunity to offer comments in **opposition to HB1208**.

The County of Maui is not in favor of this bill. Maui County has successfully individualized their real property tax programs to meet the needs of its residents, tax payers and government. The county's real property tax revenue stream is stable, reliable and fair as we have been able to provide tax relief where needed. The COM is concerned that the county's largest revenue stream will be compromised if the state attempts to administer a centralized real property tax program. The individual county real property tax programs will need to be homogenized in order to meet equalization requirements. The only way to avoid this is for the state to create their own individual real property tax program and not rely upon the counties for values or classifications.

Further, the counties have significant differences in the composition of the tax base, and vastly different tax rates.

We **strongly oppose** this measure, **HB1208**.

OFFICE OF THE MAYOR

DEREK S.K. KAWAKAMI, MAYOR

MICHAEL A. DAHLIG, MANAGING DIRECTOR



Testimony of Derek S.K. Kawakami

Mayor, County of Kaua'i

Before the

House Committee on Economic Development

February 10, 2021; 9:30 a.m.

Conference Room 312

In consideration of

House Bill 1208 Proposing an Amendment to Article VII, Section 3 of the Hawai'i Constitution Relating to the Functions, Powers, and Duties of the Reap Property Taxation

Honorable Chair Quinlan, Chair Holt, and Members of the Committees:

The County of Kaua'i respectfully submits testimony in **opposition** to HB 1208 which proposes an amendment to the Hawaii State Constitution to repeal the exclusive power of the counties as to the functions, powers, and duties relating to the taxation of real property, and authorize the State to also exercise those functions, powers, and duties.

Real property assessment is the major revenue stream for our island. We have multiple layers for assessing properties and have used our property tax system to incentivize specific uses in attempts to address our housing issues. We appreciate the flexibility we can extend to property owners including this last year delaying our biannual due dates to assist property owners struggling during the COVID-19 pandemic.

In addition, each county has a unique real property tax system which would require restructuring to fulfill the requirements of this measure.

Thank you for your consideration and your continued support of the island of Kaua'i.



MAUI
CHAMBER OF COMMERCE
VOICE OF BUSINESS

**HEARING BEFORE THE HOUSE COMMITTEE ON
ECONOMIC DEVELOPMENT
HAWAII STATE CAPITOL, HOUSE CONFERENCE ROOM 312
WEDNESDAY, FEBRUARY, 2021 AT 9:30 A.M.**

To The Honorable Sean Quinlan, Chair;
The Honorable Daniel Holt, Vice Chair; and
Members of the Committee on Economic Development,

OPPOSE HB1208 CONSTITUTIONAL AMENDMENT ON REAL PROPERTY TAX

Aloha, my name is Pamela Tumpap. I am the President of the Maui Chamber of Commerce, in the county most impacted by the COVID-19 pandemic in terms of our dependence on the visitor industry and corresponding rate of unemployment.

We strongly oppose this bill and understand our county does as well. We have detailed the Maui Chamber of Commerce's reasons for opposing the bill below.

We know the state is facing a very difficult budget shortfall and cuts need to be made. We understand the House has already made budget cuts, but more governmental cuts across the board need to occur. Given the extremely devastating year residents and businesses have faced and long projected recovery period, now is not the time to increase taxes. Currently, we do not know the degree in which the counties will need to increase real property taxes this year and if this passes, do not know how much the state could also add in real property taxes. This creates unknowns for businesses and residents making it difficult to plan forward and an additional real property tax expense would be detrimental.

Mahalo for your consideration of our testimony and ask that you please defer this bill.

Sincerely,

Pamela Tumpap
President

To advance and promote a healthy economic environment for business, advocating for a responsive government and quality education, while preserving Maui's unique community characteristics.