

STAND. COM. REP. NO. 452-22

Honolulu, Hawaii
FEB 16 , 2022

RE: H.B. No. 1208
H.D. 2

Honorable Scott K. Saiki
Speaker, House of Representatives
Thirty-First State Legislature
Regular Session of 2022
State of Hawaii

Sir:

Your Committee on Judiciary & Hawaiian Affairs, to which was referred H.B. No. 1208, H.D. 1, entitled:

"A BILL FOR AN ACT PROPOSING AN AMENDMENT TO ARTICLE VIII,
SECTION 3 OF THE HAWAII CONSTITUTION RELATING TO THE
FUNCTIONS, POWERS, AND DUTIES OF REAL PROPERTY TAXATION,"

begs leave to report as follows:

The purpose of this measure is to propose an amendment to the Hawaii State Constitution to repeal the exclusive authority of the counties to exercise the functions, powers, and duties of real property taxation, thereby authorizing the State to also exercise those functions, powers, and duties.

Your Committee received testimony in support of this measure from the Hawai'i Appleseed Center for Law and Economic Justice. Your Committee received testimony in opposition to this measure from the Hawai'i Association of REALTORS, Hawai'i Lodging & Tourism Association, Maui Chamber of Commerce, and two individuals. Your Committee received comments on this measure from the Tax Foundation of Hawaii.

Your Committee finds that Hawaii has the second highest income tax rates and the lowest real property tax rates in the nation. This tax structure results in the overall tax burden being placed on the residential workforce, while effectively

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subsidizing non-residents' real estate investments in Hawaii. Removing the counties exclusive authority to determine real property taxes will provide the State with greater flexibility and control over its taxation policies.

Your Committee further finds that the intention of this measure is to enable the Legislature to eliminate personal and business income taxes and offset these tax revenue sources with real property taxes. The long-term intention of allowing the State to exercise control over property taxes is to double the homeowner and senior exemptions on real property taxes to lessen the overall tax burden on local residents. If this measure is enacted and the amendment to the Hawaii State Constitution is ratified, House Bill No. 1209, House Draft 2, Regular Session of 2022, upon its enactment and the enactment of state law specifying the real property tax amounts to be levied and assessed, will take effect and the State will stop collecting all income taxes.

Your Committee has amended this measure by:

- (1) Clarifying the intention of the measure and constitutional question to be placed on the ballot; and
- (2) Making technical, nonsubstantive amendments for the purposes of clarity, consistency, and style.

As affirmed by the record of votes of the members of your Committee on Judiciary & Hawaiian Affairs that is attached to this report, your Committee is in accord with the intent and purpose of H.B. No. 1208, H.D. 1, as amended herein, and recommends that it be referred to your Committee on Finance in the form attached hereto as H.B. No. 1208, H.D. 2.

Respectfully submitted on
behalf of the members of the
Committee on Judiciary &
Hawaiian Affairs,



MARK M. NAKASHIMA, Chair



