

**RES23-040  
Testimony**

**MISC. COMM. 191**

COUNCIL

## **COUNCIL Meeting**

Meeting Date: Apr 19, 2023 @ 10:00 AM

Support: 0

Oppose: 0

I wish to comment: 2

Name: Natalie Iwasa	Email: iwasajunk@mail.com	Zip: 96825
Representing: Self	Position: I wish to comment	Submitted: Apr 18, 2023 @ 11:32 PM
Name: Ivan Kaisan	Email: none@gmail.com	Zip: 96822
Representing: Self	Position: I wish to comment	Submitted: Apr 19, 2023 @ 08:47 AM

TO: Members of the Honolulu City Council

FROM: Natalie Iwasa  
808-395-3233

DATE: Wednesday, April 19, 2023

SUBJECT: Resolution 23-40, Establishing a Permitted Interaction Group for  
Matters Related to Real Property Taxation - **COMMENT**

Aloha Chair Waters and Councilmembers,

Thank you for allowing testimony on Resolution 23-40, CD1, which would establish a permitted interaction group to discuss various bills related to real property taxes.

I'm disappointed to see that this resolution wasn't amended to include real property tax exemptions, other than those that are currently in bill form before the council. At least there are a bunch of other bills for the group to discuss.

At some point, please ask the administration to provide more details on the properties that have exemptions.

April 19, 2023

TO: COUNCILMEMBERS  
FR: IVAN KAISAN  
(845) 204-8263 (text only)  
RE: RES. 23-40 AND THE PROPERTY TAX SYSTEM

As you consider various measures to ease the burden on taxpayers, I'd like to offer two points about the property tax system generally.

- (1) The property tax system is fundamentally biased against taxpayers.**
- (2) The interests of the mayor and the council are opposed to the interests of taxpayers.**

Let me explain.

As you know, Hawaii typically has had a hot real estate market, which translates into property assessments mailed each December that are alarming. Taxpayers know that if the mayor and the council do nothing, taxpayers would be hit with substantial tax increases. In contrast, the mayor and the council enjoy at least the prospect of windfall revenues to balance the budget. This windfall affords the mayor and the council to compete over how much to **give back** to taxpayers in the form of lower tax rates, or higher tax credits and exemptions, all the while taxpayers squirm awaiting the outcome. That is a major reason why property taxes are the most reviled form of tax. I submit that the risk of paying jacked up taxes solely because of our hot real estate market is unfair.

This is not to say the city's budget needs aren't meritorious. Instead, I would suggest that if taxes need to be raised, it would be more honest and fair for the mayor or the council to publicly propose and justify it. A tax increase should never be the default, automatic, and hidden starting point of the budget process.

Of course, eliminating the current potential revenue windfall would be hard on the mayor and the council. Advocating higher taxes is difficult; debating how much to give back is much easier.

This tension reveals that the interests of the mayor and council are fundamentally at odds with those of taxpayers, a tension that cannot be resolved.

What would a fair property tax system look like? Not like California's Proposition 13. I suggest that a fair tax system would keep tax bills more or less unchanged unless an increase was proposed, debated, justified, and approved.<sup>1</sup> But the last time the system was proposed to be reformed in this way, the opposition of interests was made clear. In 2006, I persuaded the council chair and budget chair to introduce a measure (Bill 12, 2006) that would annually reset initial tax rates such that tax bills would remain unchanged, adjusted for inflation, unless a tax increase was publicly declared by either the mayor or the council. When the mayor and council realized this would mean the budget would be harder to balance, the bill was gutted in committee. Although the remnant bill was rendered nonsensical, it was approved by the council unanimously and signed by the mayor. Taxpayers who had testified in the bill's support were left confused.

Whatever you do this time, please address the issue openly and honestly.

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<sup>1</sup> In the unusual event of a declining real estate market, tax bills would remain unchanged, a boon to the mayor and the council.