

Kalapa

CONTINUED FROM B1

Hawai'i's property tax burden

Council's 'relief' proposal would shift bigger share to business — but guess who will pay in the end?

It seems that the City Council's operating philosophy in setting real property tax rates follows that old saying: "Don't tax you, don't tax me, tax the man behind the tree," as the proposal that is set for approval will decrease the rate for residential properties by 16 cents while increasing the rate for nonresidential properties by 60 cents. The reasoning of the council is that as a result of the runaway values of residential property in recent years, the residential classes are picking up an increasingly larger share of the real property tax pie.

Where the amount contributed by residential properties represented less than 47 percent of the amount collected in 1994, residential properties contributed 60 percent of the collections for the current fiscal year.

However, what advocates of the higher differential rate fail to point out is that the value of residential property has always represented between 70 percent and 80 percent of the valuation pie.

As a result, nonresidential properties, e.g., commercial, industrial and hotel/resort properties, have been subsidizing residential owners. Councils, both past and present, reason that "businesses" can pass the cost of the tax on to their customers. What they fail to ask of themselves is "to whom" do they think these businesses pass the cost of the increased property tax burden?

Unfortunately in nearly all cases, the cost of the increased burden on nonresidential properties is passed on to customers and employees of those businesses. Thus, an increase in the tax burden of nonresidential properties means the cost of the goods and services they provide must also rise while the ability to provide pay increases or additional jobs is curtailed.

More importantly, by shifting the tax burden to nonresidential properties the true cost

SEE KALAPA, B4

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of how much it costs to run the City and County of Honolulu is hidden in the cost of goods and services and instead of pointing the finger of blame where it belongs — at elected officials.

We direct our anger at businesses that appear to be gouging us as customers and to our employers for not giving us pay raises.

The shift in the tax burden severs the accountability relationship between elected officials and taxpayers. Since the No. 1 priority for elected officials beginning the day after being elected is to get re-elected, they make every effort to please their constituents.

This means providing every program and service demanded by their constituents no matter how inane or useless the project or service is.

For example, upon recommending the capital budget, the council last week added \$50,000 to the capital budget to install a sign that would identify Whitmore Village.

While \$50,000 is a lot of money, it appears even more ridiculous when it was noted that it only cost \$4,000 to make the sign and that this marker will be nearly a quarter-mile away from the main highway where it might have informed passers-by that they were near Whitmore Village.

Although council members bemoaned the task of having to set property tax rates and, in this case, raise the tax rate on nonresidential properties so they could provide "tax relief" to residential properties, the problem they face is of their own making.

The true problem that the council has is not one of how to raise the money from the property tax as much as it is one of not being able to control the spending they authorize.

It was suggested that perhaps if they can't decide what should be funded and what should not, they should resort to setting up a task force to help make those decisions. In response, one council member claimed that making spending decisions was their job.

Oh, there was such a great temptation to respond: "Then why aren't you doing your job?"

Council members may be obsessed with pleasing their constituents by providing tax relief to homeowners and renters, but have they considered what a sharp increase in the property tax burden on nonresidential properties will have on the economy and the future of our city? The state Legislature has already done a pretty good job of making it costly to do business in Hawai'i.

The council's action to raise the burden even higher on businesses in the City and County of Honolulu drives yet another nail into the coffin of Hawai'i's economic engine.

On the very day that the council was hearing the resolution to raise property tax rates on businesses, *The Honolulu Advertiser* reported that Hoku Scientific, one of Hawai'i's high-technology darlings, will take its next venture into solar research elsewhere, possibly to Singapore "where it is cheaper to do business."

The long and short of it is that yes, property tax bills are going up, but it is not because real estate valuations are soaring as much as it is the insatiable thirst to spend.

The tax relief that the City Council proposes to provide to homeowners is no tax relief at all as the cost will be shifted to nonresidential properties that will have to raise prices and forgo wage increases for workers if they are to stay in business.

This shift in the tax burden is less than honest, if not downright deceptive, in allowing us to believe that we can have all those county services while receiving tax relief as homeowners and renters.

Unfortunately, we are the "man behind the tree," the target of the shift in the property tax burden.



ISLAND VOICES
By Lowell Kalapa