

October 12, 2021

To: Hawai'i Tax Review Commission

From: Beth Giesting, Chair

Re: **Proposed Recommendation on Property Taxes**

I am submitting the following proposed recommendation for the Commission's discussion and decision-making at our meeting on October 13, 2021.

The Tax Review Commission recommends that the counties further explore opportunities to use real property taxes as a means to increase the equity and adequacy of the overall tax system, and leverage resources to meet future needs, particularly for housing for Hawai'i's working families.

This recommendation is based on the points included in my September 2021 memo:

- Hawai'i faces growing public program and capital obligations, including offering universal public preschool, and supporting housing, transportation and other public infrastructure, and addressing climate change.
- Hawai'i's public revenue and expenditure functions have been traditionally concentrated at the state level, but it will be challenging for the state to meet emerging and on-going needs without the counties taking on more initiatives.
- Hawai'i's residential real property tax rates are the lowest in the nation. Increasing rates targeted at nonresident investors, second home owners, and high-value properties would:
 - Help address the market dynamics that reduce housing inventory for local residents and stimulate higher costs to purchase and rent a home; and
 - Make more resources available to counties that can be used to leverage funds to develop housing for Hawai'i residents.