

Honolulu Advertiser, Cliff Slater's SECOND OPINION for July 25, 2005

Hawai'i's tax burden: We're movin' on up

Congratulations, Hawaii. This year we moved up a notch compared to other states — we are now no longer fourth, we are now the third highest in our level of state and local tax burden.¹ Let's hear it for our elected officials!

Not only that, even more exciting is that we are now third highest of all states in the taxing of poor families.²

But wait!

These data are from last year and do not take into account the new levels of property tax — \$500 annually for an average Hawaii home. Nor have they considered the \$75 a year for the doubling of sewer fees, nor the \$60 for the new vehicle weight tax.³ Nor had they considered that Honolulu council members are ready to vote on August 10 for the proposed ½ percent hike in the GE tax that will cost us \$450 per family.⁴

By next year's tally, with all these new taxes, we should move up another notch to second place in average tax burden and, since the GE tax is so highly regressive (hurts the poor more than the affluent), it might take us right up to first place for the taxing of poor families.

It is quite perplexing to find that right wing New Hampshire (state motto: "Live free or die") and rugged individualist Alaska are the two states where the poor are taxed the least, while in our People's Unionocracy (state motto: "Live poor and high") the poor are taxed the most.

All of which begs the question: What amount of taxes should we be paying?

Those who have worked with the late Herb Cornuelle will recall that whenever proposals were made to him, his response was always, "What is normal and customary?" In time you learned to tell him upfront what was "normal and customary" if only to pre-empt the asking of the question.

It is a great management tool because it forces proponents to justify why they wish to depart from what is "normal and customary." It is a question we might ask when we consider taxes to be excessively high.

To arrive at "normal and customary" taxes, we might start with the average of what the residents of other states pay since both our Hawaii individual income levels⁵ and gross state product per capita⁶ are close to the average of other states. On this basis, our combined state and local taxes are 25 percent higher than the average state. Were we to reduce taxes to the average level, a local family of four would find themselves with an additional \$2,600 to spend each year. So how do our elected officials justify our taxes being so high?

Do we have better roads? Do we have a better than average education system? Is our police force better paid than elsewhere? Do we fix our potholes faster? Do we have a better traffic signal system? Do we maintain our sewer system better? Do we have fewer water line breaks? Many more questions come to mind but, unfortunately, only one answer.

Those who say the reason for high taxes is that our voters are more compliant, submissive, and servile than those of other states, do not provide a justification for higher taxes, they merely tell us how our elected officials get away with it, and why unionocracy is our state's form of government.

As for our heavy taxation of poor families, voters should be ashamed of themselves for tolerating such a situation. Voters should also note the anomaly that the small business community is complaining about it — while the public worker unions push for a higher percentage for the regressive GE tax.⁷ Elected officials in affluent districts have opposed this tax; those in less affluent districts favored it.

Of course, legislators reading this will be astounded and shocked, and call for the State Auditor to immediately examine our tax situation and suggest ways to bring our tax revenues into line with that of other states. Right.

Cliff Slater is a regular columnist whose footnoted columns are at: www.lava.net/cslater

Footnotes:

¹ [Tax Foundation, local and state tax burden, by state.](#)

² Poor families defined as “families of four with *incomes at the poverty line (\$17,028)*.” [Center on Budget and Policy Priorities](#). See also [Who Pays? A Distributional Analysis of the Tax Systems in All 50 States](#), 2nd Edition Robert S. McIntyre et al. January 2003. p. 11.

³ Allows for average families with two cars.

⁴ [Tax Foundation estimate of \\$450 vs. Legislature's \\$245](#). The Mayor and the City Council both use estimated tax revenue of \$148 million. This divided by population of 920,000 and multiplied by four, yields \$650 per family. Whatever the amount is, it is not \$245.

⁵ [State Data Book, Table 13.05.](#)

⁶ [Per capita Gross State Product, by state.](#)

⁷ There are four discussions about regressive taxes on the [Small Business Hawaii](#) website, there are none on that of the [HGEA](#).