

Subcommittee on Credits and Exemptions

Written Report for February 22, 2022 meeting

The Subcommittee provides the following report to the Commission regarding preliminary recommendations on changes to real property tax exemptions. These recommendations are based on the written report for the February 7 meeting and subsequent discussion of the full Commission.

The Subcommittee recommends the following statement be released to the public:

Oahu Real Property Tax Advisory Commission Seeks Public Input on Recommendations Related to Existing Real Property Tax Exemptions Including the Repeal of All Existing Exemptions.

As the primary source of revenue for the City and County, the real property tax system includes numerous classes, exemptions, and credits which may need to be adjusted from time to time in order to ensure that the tax burden is shared in an equitable and efficient manner.

In 2011 the City Council created the Oahu Real Property Tax Advisory Commission ("ORPTAC") to advise and assist the Council by conducting a biennial review of the City's real property tax system. The ORPTAC is comprised of seven members selected by the City Council based on their experience and expertise in relevant fields, including real estate, construction, accounting, and law.

At its next meeting on Tuesday, February 22, 2022 at 2:00 p.m., the ORPTAC is requesting public input regarding all property tax exemptions noted in Chapter 8, Article 10 of the Revised Ordinances of Honolulu. ***As currently proposed in Bill 42 (2021), the Commission is considering a proposal presently pending before the City Council to repeal any and all property tax exemptions and credits.*** The public is invited and encouraged to testify virtually and provide written testimony regarding the continuation, repeal or change to existing property tax exemptions and credits as part of the ORPTAC's comprehensive review of the City's real property tax system.

All property tax credits and exemptions are subject to a review and recommendation by the ORPTAC. However, in an effort to solicit specific feedback, ORPTAC's Subcommittee on Credits and Exemptions provides the following list of preliminary recommendations:

Preliminary Recommendations

1. Increase the exemption amount for *homes* from the current \$100,000. (ROH § 8-10.4)
2. Define the exemption for *persons with impaired sight or hearing and person totally disabled* to homes only, not all real property. (ROH § 8-10.8)
3. Define the exemption for *charitable purposes* to only 501(c)(3) charitable organizations. (ROH § 8-10.10)
4. Repeal the exemption for *crop shelters*. (ROH § 8-10.12)
5. Eliminate the annual filing requirement for the exemption for *low-income rental housing* defined by a regulatory agreement. (ROH § 8-10.20)
6. Increase the minimum real property tax for *historic residential real property dedicated for preservation* from \$300 to \$1,000 annually. (ROH § 8-10.22)
7. Repeal the exemption for *credit unions*. (ROH § 8-10.24)
8. Repeal the exemption for *slaughterhouses*. (ROH § 8-10.25)
9. Repeal the exemption for *qualifying construction work*. (ROH § 8-10.26)
10. Define the exemption for *nonprofit organization thrift shop* to only 501(c)(3) charitable organizations. (ROH § 8-10.29)
11. Increase the minimum real property tax for *historic commercial real property dedicated for preservation* from \$300 to \$1,000 annually. (ROH § 8-10.30)
12. Repeal the exemption for *qualifying agricultural improvements for dedicated vacant agricultural lands*. (ROH § 8-10.31)
13. Repeal the exemption for *for-profit group child care centers*. (ROH § 8-10.33)