

BILL038(22)
Testimony

MISC. COMM. 95

BUDGET (BUD)

BUDGET (BUD) Meeting

Meeting Date: Feb 28, 2023 @ 09:00 AM

Support: 0

Oppose: 0

I wish to comment: 1

Name: Ted Kefalas	Email: tkefalas@grassrootinstitute.org	Zip: 96814
Representing: Grassroot Institute of Hawaii	Position: I wish to comment	Submitted: Feb 27, 2023 @ 01:50 PM



February 28, 2023

9 a.m.

Honolulu City Council Chambers

To: Honolulu City and County Council Committee on Budget

Councilmember Radiant Cordero, Chair

Councilmember Matt Weyer, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: Bill 38 (2022) — RELATING TO REAL PROPERTY TAXATION

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [Bill 38 \(2022\)](#), which would change the formula for calculating the eligibility for the real property tax credit.

This bill would change the eligibility from its current limit of \$60,000 in total household income to “80 percent of the area median income established for a two person household,” as estimated by the U.S. Department of Housing and Urban Development for the Honolulu area.

For 2022, a two-person household making 80% of the Honolulu area median income would be earning \$83,600 a year.¹

This is a good bill, because in addition to providing relief, it would shift the qualifying figure from a set dollar figure to a percentage of area median income, in effect indexing the amount to ensure that such relief would adjust over time to reflect changes in Honolulu’s cost of living.

Property tax credits, also known as “circuit breakers,” are used nationwide to ensure that lower income property owners who are “land rich, cash poor” receive property tax relief. Every county in the state, except for Hawaii island, employs some form of circuit breaker.

¹ [“2022 Income Limits,”](#) Honolulu Department of Planning and Permitting, July 11, 2022, p. 1.

Between fiscal years 2012 and 2022, this program reduced Honolulu residents' tax burdens by almost \$40 million.²

According to a report from the Lincoln Institute of Land Policy, a policy research group based in Cambridge, Massachusetts, "Property tax circuit breakers are meant to prevent homeowners from being overburdened by property taxes, just as an electrical circuit breaker prevents electric current overloads."³

The Lincoln Institute report suggested that circuit breakers are useful as a targeted way to provide relief to households who might be most burdened by rising property taxes.

The Grassroot Institute discusses circuit breakers and other property tax relief mechanisms in a forthcoming policy brief that we hope to share with you soon.

If enacted, this bill would not lower taxes across the board, but it would be a good first step in helping homeowners cope with the tax consequences of continually increasing property valuations.

We look forward to future discussion on this matter.

Thank you for the opportunity to testify.

Sincerely,

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

² UIPA request filed with the Honolulu Department of Budget and Fiscal Services, Dec. 8, 2022.

³ Adam Langley and Joan Youngman, "[Property Tax Relief for Homeowners](#)," Lincoln Institute of Land Policy, Nov. 2021, p. 38.