

**RES23-033
Testimony**

MISC. COMM. 135

BUDGET (BUD)

BUDGET (BUD) Meeting

Meeting Date: Mar 30, 2023 @ 09:00 AM

Support: 0

Oppose: 1

I wish to comment: 1

Name: Ted Kefalas	Email: tkefalas@grassrootinstitute.org	Zip: 96813
Representing: Grassroot Institute of Hawaii	Position: I wish to comment	Submitted: Mar 29, 2023 @ 08:59 AM
Name: Natalie Iwasa	Email: iwasajunk@mail.com	Zip: 96825
Representing: Self	Position: Oppose	Submitted: Mar 29, 2023 @ 10:19 PM
Testimony: I oppose real property tax rates that are unreasonable and unfair, i.e., Res A. Please reduce this rate to the regular residential rate, so landlords will not experience huge increases in their taxes that will put pressure on them to increase rents.		



March 30, 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: RESOLUTION 2023-33 — DETERMINING THE REAL PROPERTY TAX RATES FOR THE CITY AND COUNTY OF HONOLULU FOR THE FISCAL YEAR JULY 1, 2023 TO JUNE 30, 2024

Comments Only

Dear Chair and Committee Members:

The Grassroot Institute of Hawaii would like to offer its comments on [Resolution 2023-33](#), which would set the property tax rates for fiscal year 2024.

The Institute appreciates the Council's efforts to provide homeowners tax relief; however, we also would like to share our analysis of possible changes to the tax rates, in case you decide changes to the rates would be a good way to provide tax relief.

For context, the rates currently proposed in this resolution would generate approximately \$1.71 billion in property tax revenues — up from about \$1.5 billion last year.¹

Our first scenario considers the effect of a 10-cent-per-\$1,000 cut for the Residential, Residential A (tier 1), Commercial, Industrial, Agricultural, Preservation and Vacant Agricultural classes. Maui Mayor Richard Bissen proposed a similar 10-cent-per-\$1,000 reduction for certain owner-occupied units in his fiscal 2024 budget.²

¹ ["City and County of Honolulu Real Property Tax Valuation for Tax Year 2022 - 2023,"](#) Technical Branch, Real Property Assessment Division, Department of Budget and Fiscal Services, City and County of Honolulu. August 2022.

² Melissa Tanji, ["Mayor's \\$1B budget request calls for a slight increase,"](#) The Maui News, March 25, 2023.

The result for Honolulu would be approximately a \$26.7 million tax break for these properties.

Scenario 1: 10 cent per \$1,000 cut

Class	Rates	Assessed value	Revenue
Residential	0.0034	\$197,803,526,000	\$672,531,988
Residential A 1	0.0044	\$29,223,862,003	\$128,584,993
Residential A 2	0.0105	\$16,159,324,000	\$169,672,902
Commercial	0.0123	\$23,445,116,033	\$288,374,927
Hotel and Resort	0.0139	\$17,603,467,000	\$244,688,191
Industrial	0.0123	\$14,355,571,033	\$176,573,524
Agricultural	0.0056	\$1,394,616,030	\$7,809,850
Preservation	0.0056	\$471,296,000	\$2,639,258
Vacant agricultural	0.0084	\$43,193,000	\$362,821
Bed and breakfast home	0.0065	0	0

Our second scenario considers the effect of a revenue freeze. If tax revenues from the Residential, Residential A (tier 1), Commercial, Industrial, Agricultural and Preservation classes were frozen at FY 2023 levels and rates were adjusted accordingly, this would result in about a \$126 million tax reduction, compared to the projected revenue.

Scenario 2: Revenue freeze

Class	Rates ³	Assessed value	Revenue
Residential	0.00321	\$197,803,526,000	\$634,513,000
Residential A 1	0.00311	\$29,223,862,003	\$90,980,000
Residential A 2	0.01050	\$16,159,324,000	\$169,672,902
Commercial	0.01200	\$23,445,116,033	\$281,263,000
Hotel and Resort	0.01390	\$17,603,467,000	\$244,688,191
Industrial	0.01116	\$14,355,571,033	\$160,236,000
Agricultural	0.00534	\$1,394,616,030	\$7,450,000
Preservation	0.00550	\$471,296,000	\$2,591,000
Vacant agricultural	0.00850	\$43,193,000	\$367,141
Bed and breakfast home	0.00650	0	0

³ Rates rounded to the nearest thousandth.

The scenarios outlined above are just two suggestions for how the Council could provide tax relief in light of the county's higher property tax assessments.

In an upcoming report, which we would like to share with you upon its release, we discuss other ways the county could provide property tax relief, including exemptions, tax credits and programs intended to benefit small businesses.

One of those other ways specifically would be to create a tax credit program for certain small businesses. The District of Columbia offers a tax credit to qualified small retailers who have operated in D.C. for a certain number of years.⁴ Such a relief program would target startup entrepreneurs and small businesses that are the backbone of any healthy economy.

We look forward to continued dialogue on this important issue.

Thank you for the opportunity to testify.

Sincerely,

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

⁴ ["Small Retailer Property Tax Relief Credit Frequently Asked Questions \(FAQs\),"](#) Washington, D.C., Office of Tax and Revenue, accessed Jan. 23, 2023.