

BILL014(23)
Testimony

MISC. COMM. 136

BUDGET (BUD)

BUDGET (BUD) Meeting

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

Support: 0

Oppose: 0

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 @ 08:58 AM



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: Bill 14 (2023) — 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 14 \(2023\)](#), which would give qualified homeowners a \$300 credit on their 2023-2024 property tax bills.

The Institute believes this measure would be useful in offsetting the county's higher property tax bills, based on the most recent property assessments.

The Honolulu Department of Customer Services has estimated that this one-time tax credit would provide 151,749 Oahu homeowners approximately \$45.5 million in tax relief.¹

However, we would suggest three things for the Council to consider.

>> First, the Council should pair this one-time tax reduction with longer-term relief. Together, Bill 38 and Bill 40 — which would increase the property tax credit and the homeowner exemption — would serve as effective vehicles for permanent reform.

¹ [“Commitments to affordable housing, public safety highlighted as Mayor Blangiardi submits proposed budget for 2024 fiscal year.”](#) Honolulu Department of Customer Services, March 2, 2023.

>> Second, the Council should consider increasing the value of this tax credit so that it completely offsets higher assessments on residential properties. At the moment, the proposed tax credit would fall short by about \$12.5 million of the estimated \$58 million increase in property tax revenues for 2022-2023 — estimated by the Honolulu Department of Budget and Fiscal Services to reach \$692 million, assuming no change in the rates.²

Given that homeowners did not receive any new tax relief in fiscal year 2023, and that inflation has been especially high over the past year and a half, we suggest the value of the credit should be increased to at least \$380.

This increase would render the higher assessments over the past year essentially moot, which would give homeowners at least some break from Honolulu's high cost of living.

>> Third, we are concerned that as drafted the bill would mitigate the value of the one-time tax credit for lower-income homeowners.

For example, a retired couple making \$60,000 a year and living in a \$750,000 home would normally receive a \$100,000 home exemption on top of the low-income tax credit. The homeowner exemption would reduce the taxable value of their home to \$650,000, which at the current 0.0035% residential rate would yield a tax bill of \$2,275. The low-income tax credit would further reduce the tax bill to \$1,800 — 3% of \$60,000.

However, by applying the one-time tax credit first, as Bill 14 does in Section 2(c), it would render the existing tax credit effectively useless for low-income homeowners.

In the same scenario above, the original \$2,275 tax bill would be cut to \$1,975 with the one-time \$300 tax credit, and the low-income tax credit would still provide relief by knocking the tax bill down to \$1,800. Their tax bill would still be the same as if the one-time credit had never been applied.

To fix this, we suggest the one-time tax credit be placed below the low-income tax credit in the order of priority.

We believe this ordering is based on ROH Sec. 8-13.2(7), which governs the low-income tax credit. It reads "If the taxes owed less any other one-time tax credit are less than or equal to

² ["Administrative Overview, Fiscal Year 2024 Budget,"](#) Department of Budget and Fiscal Services, Dept. Communication 158, March 6, 2023, p. 9.

three percent of all titleholders' combined income for the calendar year immediately preceding the date of the application, no credit will be applied.”³

Amending Bill 14 and ROH Sec. 8-13.2(7), therefore, would ensure that lower-income homeowners receive the maximum value of this one-time credit.

Thank you for the opportunity to testify.

Sincerely,

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

³ https://www.honolulu.gov/rep/site/ocs/roh/Chapter_8_Art_12-16.pdf. Page 10.