SUMMARY OF PROPOSED FLOOR DRAFT:

Bill 40 (2022), CD1
RELATING TO REAL PROPERTY TAXATION.

The PROPOSED FD1 makes the following amendments:

A. Increases the real property tax homeowner's exemption for taxpayers 65 years of age and older from $150,000 to $160,000, under ROH § 8-10.3(d).

B. Provides that the in lieu of homeowner's exemption for qualifying taxpayers 75 years of age and older reverts to $160,000 instead of $140,000 after the maximum period of five years for the claim of exemption expires under ROH § 8-10.3(e).

C. Makes various technical and nonsubstantive amendments.

CITY COUNCIL
CITY AND COUNTY OF HONOLULU
HONOLULU, HAWAIʻI

ORDINANCE ______________

BILL 40 (2022), CD1, FD1
Proposed

A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAXATION.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose. The purpose of this ordinance is to address the real property tax home exemption.

SECTION 2. Section 8-10.3, Revised Ordinances of Honolulu 2021, is amended to read as follows:

"§ 8-10.3 Exemption—Homes.

(a) Real property owned and occupied as the owner's principal home as of the date of assessment by an individual or individuals, is exempt [~~only to the following extent from property taxes:~~] from property taxes in the amount of $120,000, subject to the following:

(1) [~~Totally exempt~~] For real property where the value of [~~a~~] the property is not in excess of [~~$100,000;~~] the exemption amount established pursuant to this subsection, the real property is totally exempt;

(2) [~~Where the value of the property is in excess of $100,000,~~] For all other real property, the exemption is the amount [~~of $100,000;~~] established pursuant to this subsection; provided that:

(A) No such exemption will be allowed to any corporation, copartnership, or company;

(B) The exemption under this section will not be allowed on more than one home for any one taxpayer;

(C) Where the taxpayer has acquired the taxpayer's home by a deed made on or after July 1, 1951, the deed is recorded on or before September 30 immediately preceding the year for which the exemption is claimed;

(D) Spouses will not be permitted exemption of separate homes owned by each of them, unless they are living separate and apart, in which case each is entitled to one-half of one exemption;

(E) A person living on premises, a portion of which is used for commercial purposes, is not entitled to an exemption with respect to such portion, but is entitled to an exemption with respect to the portion thereof used exclusively as a home;

(F) Notwithstanding any law to the contrary, real property will continue to be entitled to the exemption contained in this section in the event the owner of the real property moves from the home on which the exemption is granted to a long-term care facility or an adult residential care home licensed to operate in the State; provided that:

(i) The taxpayer designates the adult residential care home or long-term care facility on the form necessary to administer this subsection;

(ii) The home the taxpayer moves from is not rented, leased, or sold during the time the taxpayer is in the long-term care facility or the adult residential care home; and

(iii) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period;

(G) Notwithstanding any law to the contrary, in the event the owner of real property vacates the home for which an exemption is granted and moves to a temporary residence within the city during the renovation of the home, the real property will continue to be entitled to the exemption contained in this section; provided that:

(i) The taxpayer submits to the director a change in status report regarding vacating the home during renovations which identifies:

(aa) The building permit number issued by the city department of planning and permitting;

(bb) The renovation start date as indicated on the building permit; and (cc) A verifiable address within the city where the taxpayer will reside during the renovation period and where the assessment notices will be mailed;

(ii) The renovation period will commence on the renovation start date and must not exceed two years. The taxpayer may reoccupy the home before the expiration of two years. Prior to the reoccupation of the home, the taxpayer must submit to the director a change in status report regarding reoccupation of the home along with a dated certificate of occupancy, notice of completion, or close permit indicating the date the renovations have been completed;

(iii) Upon receipt by the director of the change in status report regarding reoccupation of the home and a dated certificate of occupancy, notice of completion, or close permit, assessment notices will be mailed to the reoccupied home and the owner may sell the home without penalty;

(iv) The home must not be rented, leased, or sold during the renovation period; and

(v) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period;

(H) Notwithstanding any law to the contrary, in the event the owner of the real property vacates the home for which the exemption is granted and moves to a temporary residence outside the city during a sabbatical or temporary work assignment, the real property will continue to be entitled to the exemption contained in this section[~~,~~]; provided that:

(i) The taxpayer submits to the director a change in status report that provides verification of the sabbatical or temporary work assignment and documentation from the taxpayer's employer [~~which~~] that specifies the start and completion dates of the sabbatical or temporary work assignment;

(ii) Within the report, the taxpayer provides a verifiable address of the temporary residence and certification of intent to reoccupy the home on which the exemption is granted after the sabbatical or temporary work assignment concludes;

(iii) The home the taxpayer moves from is not rented, leased, or sold during the time the taxpayer resides in the designated temporary residence;

(iv) The taxpayer reoccupies the home on which the exemption is granted within 24 months after the sabbatical or temporary work assignment begins, however, prior to reoccupation of the home, the taxpayer [~~submits~~] must submit to the director a change in status report with the actual date the home will be reoccupied; and

(v) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period; and

(l) Notwithstanding any law to the contrary, in the event the owner of real property vacates the home for which an exemption is granted and moves to a temporary residence within the city as a result of the home being damaged or destroyed by fire, the real property will continue to be entitled to the exemption contained in this section; provided that:

(i) The damage or destruction of the home is not the result of the taxpayer or any person residing in the home intentionally, knowingly, or recklessly setting fire to the home;

(ii) The taxpayer submits to the director a change in status report that provides the date the fire occurred and evidence that the fire caused the home to be uninhabitable;

(iii) The taxpayer intends to remain in the city and within the report provides a verifiable address of temporary residence and certification of intent to reoccupy the home on which the exemption is granted after the home is repaired or replaced;

(iv) The home the taxpayer moves from is not rented, leased, or sold during the time the taxpayer resides in the designated temporary residence;

(v) The taxpayer reoccupies the home on which the exemption is granted within 24 months after the date of the fire; however, prior to reoccupation of the home, the taxpayer [~~submits~~] must submit to the director a change in status report with the actual date the home will be reoccupied; and

(vi) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period.

Failure to comply with any of the requirements [~~stipulated within~~] in paragraphs (F), (G), (H), and (I) will result in the disallowance of the home exemption and will subject the taxpayer to rollback taxes, interest, and penalties as set forth in §§ 8-10.1(d) and (e) for the period of time the home exemption is continued.

For the purposes of this section, "real property owned and occupied as the owner's principal home" means occupancy of a home in the city and may be evidenced by but not limited to the following indicia: occupancy of a home in the city for more than 270 calendar days of a calendar year; registering to vote in the city; being stationed in the city under military orders of the United States; and filing of an income tax return as a resident of the State, with a reported address in the city. The director may demand documentation of the above or other indicia from a property owner applying for an exemption or from an owner as evidence of continued qualification for an exemption.

Failure to respond to the director's request is grounds for denying a claim for an exemption or disallowing an existing exemption. The director may demand documentary evidence such as a tax clearance from the State indicating that the taxpayer filed an income tax return as a full-time resident for the year prior to the effective date of the exemption. Failure to respond to the director's demand in 30 days is grounds for disallowance or denial of a claim for an exemption.

In the event the director receives satisfactory evidence that an individual occupies a home outside the city or there is documented evidence of the individual's intent to reside outside the city, that individual will not be qualified for an exemption or continued exemption under this section, as the case may be.

Notwithstanding any provision to the contrary, for real property held by a trustee or other fiduciary, the trustee or other fiduciary is entitled to the exemption where:

(1) The settlor of the trust occupies the property as the settlor's principal home; or

(2) The settlor of the trust dies and a beneficiary entitled to live in the home under the terms of the trust document occupies the property as the beneficiary's principal home.

For the purposes of this subsection, real property is "sold" when title to the real property is transferred to a new owner; and property is deemed "uninhabitable" if the property owner is unable to live in or on the property for health or safety reasons.

The director may adopt rules and shall provide forms as may be necessary to administer this subsection.

(b) The use of a portion of any building or structure for the purpose of drying coffee and the use of a portion of real property, including structures, in connection with the planting and growing for commercial purposes, or the packing and processing for such purposes, of flowers, plants, or foliage, [~~shall~~] will not affect the exemptions provided for by this section.

(c) Where two or more individuals jointly, by the entirety, or in common own or lease land on which their homes are located, each home, if otherwise qualified for the exemption granted by this section, [~~shall~~] will receive the exemption. If a portion of land held jointly, by the entirety, or in common by two or more individuals is not qualified to receive an exemption, such disqualification [~~shall~~] will not affect the eligibility for an exemption or exemptions of the remaining portion.

(d) A taxpayer who is 65 years of age or over on or before June 30 preceding the tax year for which the exemption is claimed and who qualifies for a home exemption under subsection (a) [~~shall be~~] is entitled to a home exemption of [~~$140,000.~~] $160,000.

For the purposes of this subsection, [~~a husband and wife~~] spouses who own property jointly, by the entirety, or in common, on which a home exemption under subsection (a) has been granted [~~shall be~~], are entitled to the [~~$140,000~~] $160,000 home exemption under this subsection when at least one of the spouses qualifies for the exemption.

(e) (1) In lieu of the [~~$140,000~~] home exemption amount provided in subsection (d), a low-income taxpayer who:

(A) Is 75 years of age or over on or before June 30 preceding the tax year for which the exemption is claimed;

(B) Qualifies for a home exemption under subsection (a);

(C) Applies for the exemption as required in subdivision (2); and

(D) Has household income that meets the definition of "low-income" in § 8-10.17(a),

[~~shall be~~] is entitled to one of the following home exemption amounts for that tax year:

Age of Taxpayer	***Home Exemption Amount***
75 years of age or over but not 80 years of age or over	[~~$140,000~~] $160,000
80 years of age or over but not 85 years of age or over	$160,000
85 years of age or over but not 90 years of age or over	$180,000
90 years of age or over	$200,000

(2) The claim for exemption, allowed at the applicant's attainment of 75, 80, or 85 years, [~~shall continue~~] continues for a maximum period of five years, after which period of time the home exemption amount [~~shall revert~~] reverts to [~~$140,000~~] the amount provided in subsection (d), except the claim for exemption at 90 years of age [~~shall extend~~] extends for the life of the applicant or until June 30, 2039. The director [~~shall~~] may not accept claims for exemption under this subsection after September 30, 2013.

(3) For the purposes of this subsection, [~~a husband and wife~~] spouses who own property jointly, by the entirety, or in common, on which a home exemption under subsection (a) has been granted and qualify under this subsection [~~shall be~~] are entitled to the applicable home exemption under

this subsection when at least one of the spouses qualifies each year for the minimum age of the applicable home exemption.

(f) To qualify for the exemptions under subsections (d) and (e), a taxpayer must provide, upon request, a photocopy of or submit for inspection, a current, valid government-issued identification containing [~~a~~] the taxpayer's photo and [~~the~~] date of birth, such as a State driver's license, a State identification card, or a passport."

SECTION 3. Ordinance material to be repealed is bracketed and stricken. New material is underscored. When revising, compiling, or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the Revisor of Ordinances need not include the brackets, the material that has been bracketed and stricken, or the underscoring.

A BILL FOR AN ORDINANCE

SECTION 4. This ordinance takes effect upon its approval and applies to tax years beginning July 1, 2024 and thereafter.

INTRODUCED BY:

Esther Kiaʻāina

DATE OF INTRODUCTION:

June 14, 2022
Honolulu, Hawaiʻi

Councilmembers

APPROVED AS TO FORM AND LEGALITY:

Deputy Corporation Counsel

APPROVED this ______day of ______________, 20 ______.

RICK BLANGIARDI, Mayor
City and County of Honolulu