

BILL037(22)
Testimony

MISC. COMM. 348

COUNCIL

COUNCIL Meeting

Meeting Date: Jul 7, 2023 @ 02:30 PM

Support: 3

Oppose: 0

I wish to comment: 3

Name: Ola Popovich	Email: ola.smith@pm.me	Zip: 96744
Representing: Self	Position: Support	Submitted: Jul 3, 2023 @ 04:31 PM
Testimony: I support this bill.		
Name: Theodore Kefalas	Email: tkefalas@grassrootinstitute.org	Zip: 96813
Representing: Grassroot Institute of Hawaii	Position: I wish to comment	Submitted: Jul 5, 2023 @ 02:29 PM
Name: Natalie Iwasa	Email: iwasajunk@mail.com	Zip: 96825
Representing: Self	Position: I wish to comment	Submitted: Jul 6, 2023 @ 01:22 PM
Name: Zhizi Xiong	Email: alohadivinedesign@gmail.com	Zip: 96817
Representing: CARES Community Advocacy Research Education Services	Position: Support	Submitted: Jul 7, 2023 @ 01:05 PM
Name: B.A. Alexander	Email: babs@ladybuglan.com	Zip: 96734
Representing: Self	Position: Support	Submitted: Jul 7, 2023 @ 01:40 PM
Testimony: Since it is long past time to address this issue, I want to definitely support Bill 37. I would note, however, that this "income eligibility" amount be adjusted each year in line with C.O.L.A. adjustments granted to Soc. Security recipients and/or Fed. gov't. retirees. The proposed adjustment does take care of that for this year, but it ought to be looked at each year. Mahalo. B.A. Alexander		
Name: Choon James	Email: ChoonJamesHawaii@gmail.com	Zip: 96762
Representing: CountryTalkStory.com	Position: I wish to comment	Submitted: Jul 7, 2023 @ 02:20 PM



July 7, 2023

2:30 p.m.

Honolulu City Council Chambers

To: Honolulu City and County Council

Councilmember Tommy Waters, Chair

Councilmember Esther Kiaʻāina, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: Bill 37 (2022), CD1 — 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 37 \(2022\), CD1](#), which would increase the income eligibility for the real property tax credit from \$60,000 to \$80,000.

This credit caps the tax bill at no more than 3% of the qualifying homeowner's income. For someone making \$80,000 a year, that would represent a maximum tax bill of \$2,400.

The Institute supports increasing the eligibility for the tax credit to assist lower-income homeowners, and we believe that the proposed income threshold should stay at \$80,000.

This "circuit breaker" for lower income households has not kept up with changes in personal income. This credit was last increased in 2014 from \$50,000 to \$60,000.¹

In 2014, a two-person household income of \$61,350 equaled 80% of area median income. In 2022, a two-person household making 80% of AMI would have an income of \$83,600.²

¹ [Ordinance 14-33](#). See also Revised Ordinances of Honolulu, [§ 8-13.2 Real property tax credit established](#), accessed April 3, 2023.

² ["Honolulu County Income Schedule by Family Size,"](#) Hawaii Housing Finance and Development Corp., 2022, p. 16; ["Honolulu County Income Schedule by Family Size,"](#) Hawaii Housing Finance and Development Corp., 2014, p. 1.

Further, the County should make efforts to raise awareness of this tax credit, since only 3,252 homeowners received it for fiscal 2023.³

Thank you for the opportunity to testify.

Sincerely,

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

³ Uniform Information Practices Act request filed with the Honolulu Department of Budget and Fiscal Services, Dec. 8, 2022.

TO: Members of the Honolulu City Council

FROM: Natalie Iwasa
808-395-3233

DATE: Friday, July 7, 2023

SUBJECT: Bill 37 (2022), CD1, Real Property Tax Credit - **COMMENTS**

Aloha Chair Waters and Councilmembers,

Thank you for allowing testimony on Bill 37 (2022), CD1, and the proposed FD1, which would increase the threshold for the tax credit from \$60,000 to \$80,000 (CD1) or \$70,000 (FD1).

I support the real property tax credit, as some homeowners have seen the values of their homes increase significantly beyond the means they have to pay for the related taxes. **My preference at this time is to increase the threshold to \$70,000 as noted in the FD1**, as other taxpayers will have to subsidize these credits.

As I've previously stated, the city requests A LOT of documents from taxpayers when they apply for this credit. Some of the documents are not needed, as they provide no additional information related to income beyond that which is already included in the income tax returns. (See my prior testimony on the permitted interaction group report below.)

In addition, **some of the documents include personally identifiable information for other people and should at the very least be redacted if they are provided to the city.** This is extremely important, because ID theft is on the rise, and cases of hackers obtaining database information of many different types of businesses and even governmental agencies have increased.

As a means of educating taxpayers, I think it would be beneficial for the public as well as councilmembers to have a discussion on documentation that is required for not only this credit, but exemptions and dedications as well.

Testimony from May 26, 2023 RE Documentation

RPT Credit. I previously provided a list of documents the city required when I assisted my mother-in-law with the credit application. Many of these documents should not be required, as they increase the time to review applications, can be confusing to applicants and most importantly, because there is no additional benefit.

- Schedule C reports self-employment income – the net taxable income from this form is already reported on the 1040 or tax return transcript. There is no additional data here regarding tax-exempt income or unreported income.
- Schedule E reports income from rental properties and pass-through income from partnerships and s-corporations – the net taxable income from this form is reported on the 1040 or tax return transcript. There is no additional data regarding tax-exempt or unreported income.
- SSA-1099 reports social security benefits, which are already reported on the 1040 and transcript.
- 1099-DIV and 1099-INT are often 10 pages or more. While they do report tax-exempt income, it can be time consuming to go through these forms to find that information, which is already requested on the application itself. The director should be asked how many applicants have been denied the credit due to information found on these forms and whether the cost is worth it.
- 1099-MISC may include prizes and similar income that may or may not be included on the return. Similar to the 1099-DIV and 1099-INT, the cost of going through these documents should be weighed against the benefit of any information received related to eligibility. Also note that these forms may contain social security numbers of payers who have nothing to do with the credit. **If the city is going to continue requesting these forms, the social security numbers should be redacted before they are sent to the city.**
- 1099-NEC report nonemployee compensation. I do not know whether these forms are requested with the application, but if they are, they should not be. First of all, many who file a Schedule C may receive a dozen or more 1099-NECs. Each one has the payer's ID number, which is oftentimes the social security number. Second, there is **absolutely no need to request this form**, as the gross revenues are required to be reported on the Schedule C and therefore on the 1040.
- 1099-R reports retirement distributions which are already reported in full on the 1040 and transcript.

Bill 37

Introduction

CARES testifies in support of the Bill 37. Real property tax credit provides relief for homeowner taxpayers.

What is property tax?²

Property tax is a major source of income for local governments. But while they help fund key critical government services, property taxes can be a financial burden for some Americans. On average, US households spent \$1,556 on property taxes nationwide in FY 2016, according to a 2019 Tax Foundation Analysis, although collection amounts vary by region. While local governments generally manage property taxes, states typically have some oversight. When it comes to property tax relief, many states have created programs aimed at easing property tax burdens on homeowners who qualify.

How do property taxes work? Property taxes are generally based on where you live and the assessed value of your home. Local governments typically assess home values, establish tax rates, issue property tax bills and collect taxes under guidelines established by the law. A property assessor calculates home costs on a frequent basis. In some states, assessment takes place annually, but the frequency can vary from State to State.

What is property tax relief?²

Property tax relief programs, called exemptions, release homeowners from paying all or part of the property taxes. The tax-relief process varies with the very State & County, and potentially every City. In general, there are certain eligibility requirements and application processes. Common property tax exemptions reduce or waive property taxes for veterans, surviving spouses, minor children whose parents are deceased, homeowners who made energy-efficient home improvements and for disabled & low-income residents.

RPAD (Real Property Assessment Division)

For the City & County of Honolulu's real property tax credit relief programs, more information can be found from [the Real Property Assessment Division's website](#). The RPAD division is operated by the Department of Budget & Fiscal Services.

CM Proposals for Tax Credits & Larger Property Assessments¹

One of the big issues going into the budget process this year, FY 23, was large property assessments, so that was discussed, there was a 2nd year of larger assessments in general for FY 25. Every Dec 15th, we send notice to taxpayers under property tax assessments, and for this year, 2022, we announced the 2nd year of larger property tax assessment increases. There is big concern by public about what the City can do to provide relief. The mayor decided to provide a 1 time tax credit right away for FY 24 starting in July 2023. The City proposed a \$300 tax credit for people who live at home who have the homeowners' exemption. There were 152,000 parcels from homeowners who will get this credit. This was the proposal. In the floor drafts, the Councilmembers proposed adding \$50 more so it equals a \$350 tax credit.

This \$350 tax credit equals to a homeowner exemption of \$100k. Depending on where you are in terms of the value of your property, if you're a homeowner with an average home of \$1 million, you will be having the \$350 tax credit equals to an exemption of \$100k. So if someone had a tax increase of 10% over the prior year, and they were at a million dollars in the prior year, hypothetically, they would be at \$1 million and 1, and that extra \$100k will be removed by this tax credit, the relief is provided immediately.

In a condo, where someone has a homeowner exemption worth \$600k, and the condo by assessment increases by 10%, \$60,000, there is actually a reduction of tax assessment to an amount below \$600k. The one time credit will allow taxpayers to get tax relief down to a minimum of \$300. There is a minimum \$300 tax everyone has to pay but the impact could be significant depending on the situation.

The mayor kept the tax credit flat because people who lived in homes that are not as high in terms of assessment value will get a better benefit those who live in multimillion dollar homes will get a smaller impact. The intention was to help those who are most in need first.

Long term solutions & HART¹

One of the good examples is the low income tax credit that requires filing annually but to qualify for this credit the combined income of a household based on individuals listed on the deed, the owners of the home, cannot exceed \$60,000. This income limit has been in place for years from 2014 and it hasn't changed. The City has considered looking at increasing the limit but is very careful & deliberate about it.

There are vacancies that the City has to fill and on top of that and even if the City's vacancies remain on hold in terms of amount, there are pay increases that are gonna kick in from FY 24-25 and those pay increases are significant. The City is looking at salaries & benefits related & tied to salaries creating an combined increase of what the City will have to fund in FY 25 of \$160 million. That is a huge number to fund. And now there is HART. As interim operations start

on June 30, more information on operating characteristics & costs will be assessed. And there will be more information about the costs of what it takes to run that huge project.

There is increased cost on 1 side of equation, in terms of tax relief on revenue side, the City will look at various options in providing relief but will be very careful & deliberate about the costs they have to cover moving forward.

Critical Government Services & PIG¹

The Budget & Fiscal Services Department is working closely with the Councilmembers. The Councilmembers, a few weeks ago, set up a PIG to review & discuss tax relief going forward, beyond FY 24. They reviewed more than 30 bills that are active that could impact real property taxes. The bills were categorized by tax credits. The bills were grouped together by situations that involve homeowner exemptions and the amount of the exemption. They looked at a group of bills that involved other types of exemptions, dedications to homeowner taxpayers. And finally, they looked at bills that considered restructuring the tax reclassification system that is utilized for assessment to determine tax evaluation for all taxpayers.

The Budget & Fiscal Services Department went through the 1st round of discussions with Councilmembers. The Councilmembers met on their own in the final meeting and the discussions went well. There is a plan. There were changes that were proposed during the 3rd reading of budget bill. There was talk about more joint discussion for a 2nd PIG for later in the year to talk about the tax classification system and other larger issues including relief for long term renters. The City's costs to continue critical government services are going to go up in the future, especially with HART operations. And the City has to go through this process of discussing relief very deliberately because the City has to consider how it will balance the funding of critical government services to the public.

Conclusion

CARES is in strong support of Bill 37 & 40 because providing relief through tax credit programs is critically important to citizens.

Works Cited

1. Star-Advertiser, By Ryan Kalei Tsuji and Yunji de Nies / Special to the, and 2023 June 5. "VIDEO: Honolulu's Budget Director Joins "Spotlight Hawaii."" Honolulu Star-Advertiser, 5 June 2023, www.staradvertiser.com/2023/06/05/breaking-news/upcoming-livestream-honolulu-budget-director-joins-spotlight-hawaii-tune-in-at-1030-a-m/. Accessed 7 July 2023.
2. "Property Tax Relief: How It Works and How to Get It." Intuit Credit Karma, 5 May 2020, www.creditkarma.com/tax/i/property-tax-relief-what-to-know. Accessed 7 July 2023.

3. "RPAD - Homepage." [Www.realpropertyhonolulu.com](http://www.realpropertyhonolulu.com), www.realpropertyhonolulu.com/. Accessed 7 July 2023.



CountryTalkStory.com

Promoting Good & Just Governance

**SPECIAL MEETING
CITY COUNCIL CHAMBER
10TH SESSION
FRIDAY, JULY 7, 2023
2:30 PM**

[BILL037\(22\)](#)

[Tabbed View](#)

Measure Title:

RELATING TO REAL PROPERTY TAXATION.

Date Introduced:

May 16, 2022

Introduced By:

ESTHER KIA'ĀINA

Committee:

BUDGET (BUD)

[BILL040\(22\)](#)

[Tabbed View](#)

Measure Title:

RELATING TO REAL PROPERTY TAXATION.

Date Introduced:

Jun 14, 2022

Introduced By:

ESTHER KIA'ĀINA

Committee:

BUDGET (BUD)

Aloha Chair Waters, Vice-Chair Kia'aina and City Council members:

It's good that the City Council is paying attention and efforts to these very potent property tax issues in Oahu. We hope these efforts and dialogue will continue in order to fine-tune the system for the benefit of our local folks.

I hope these shared parameters will be carefully considered in the policy-making to make Oahu a better place:

1. Real property assessments will continue to increase. It's concerning that the county appears to want to spend "projected" revenues and there is not enough culture of fiscal prudence or any desire to cut the fat off budgets. The city budget continues to increase. Is there any desire to carefully comb through the entire budget and objectively figure out between the needs and the wants? What is most effective and efficient way to spend the fiscal resources? How can we make life easier for our residents?

Honolulu Property Tax Revenue

Fiscal Year 2014 - 2023

*In thousands

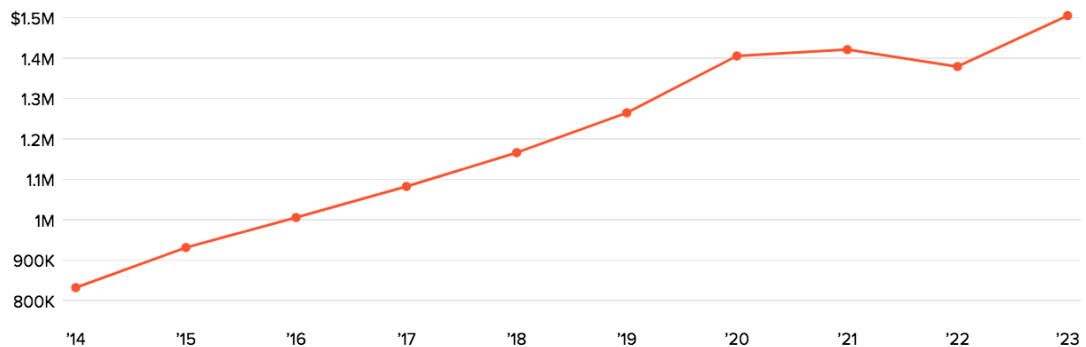


Chart: Civil Beat/2023 • Source: City and County of Honolulu

Despite rates remaining stable, increases in property assessments have driven property tax collections in Honolulu up more than 80% in the past decade, rising from just over \$800 million in 2014 to over \$1.5 billion in fiscal 2023. Skyrocketing assessments suggest the increases in 2024 will exceed those of recent years.

2. It's no secret that Honolulu is primarily financed by real property taxes. If there continues to be uncontrolled bad fiscal decisions, it's the residents who have the bear the brunt of these fiscal blackhole.
3. An example is the **Honolulu Rail** now known as "Skyline". It's very obvious that the math does not pencil out in this project. This project has escalated

from \$2.7 BILLION in 2006 to about \$11 BILLION today. There was an OPENING DAY on June 30, 2023 with lots of pomp and fanfare despite the fact that the project is incomplete. The first 3 days of Free fare and natural novelty has brought out curious riders. But on the 4th day, the patronage of this product has already shown a marked decrease in the projected **fare-box revenues**. This can only mean one thing – the rail will be eating up increasingly bigger and bigger portions of the city's year budget. Is this financially sustainable for the citizenry?

The budget for Honolulu Rail is
County TAT transfer to HART - \$39,809,000

Rail O&M – I think \$73.4 million (pg 14 of Bill 11)

City “skin” - \$12 million (not sure where this is at)

All the “expenses” to help property taxes are pittance compared to these Rail costs.

4. The Honolulu City and County needs to decide whether it wants to help long time local residents remain in Oahu or to incrementally price them out of paradise. Property values will definitely go up. It's certainly profitable for the County tax collectors. But, what good is it for a property owners who have no intention of leaving Hawaii and no intention of selling but keeping it in the ohana.
5. There are **marked differences** between **apartment, condominium, townhomes** and **single family dwellings**. It's clear that apartment and condos have much less property tax assessments and thus less RPTaxes.

Because of these valuations, providing a say, “\$20,000.00 more exemption is much more significant for apartment owners than single family owners whose RPT assessments have gone up from \$200,000 to \$1.5 Million this year. Obviously a \$20,000 extra exemption is more valuable for apartment owners in the \$400,000 value assessment range. Kauai and Maui counties are more pragmatic by offering both offering home exemptions much higher than Honolulu's in the \$160,000 and \$300,000, respectively. \$20,000 more in exemptions is pittance.

6. I continue to have concerns with certain categories including the historical home exemptions. A single family home valued at \$3M has to pay many more thousands of dollars than a home under such exemption that used to pay \$100, then \$300 and now probably \$1,000.00 Generally those with historical exemptions are also much more affluence than ordinary owners who are caught in inevitable property appreciation.

I look forward to seeing more dialogue on these very important issues.

Mahalo,

Choon James
ChoonJamesHawaii@gmail.com
808 293 8888