

**BILL048(23)**  
**Testimony**

**MISC. COMM. 487**

COUNCIL

## **COUNCIL Meeting**

Meeting Date: Sep 6, 2023 @ 10:00 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: Sep 5, 2023 @ 10:52 AM



September 6, 2023

10 a.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 48 (2023) — RELATING TO REAL PROPERTY TAXATION

***Comments Only***

Dear Chair and Councilmembers:

The Grassroot Institute of Hawaii would like to offer its comments on [Bill 48 \(2023\)](#), which would create an assessment cap for Honolulu homeowners who are 65 or older.

This cap would ensure the assessed value of any eligible property could increase by no more than 2% each year or the rate of inflation, whichever is lower.

The bill provides that whenever a home is sold, its value is reset to the market value. It also specifies that if a homeowner improves the property through renovations or additions, the value of those improvements are to be added to the assessed value of the home.

The Institute supports the intent of this measure, which aims to protect retirees and kupuna from sudden increases in their tax bills; however, we believe the bill should be amended to mitigate possible drawbacks.

Research demonstrates that assessment caps — think California's Proposition 13 — can distort the housing market by encouraging residents to stay in one home in order to keep their tax

benefit. This is especially true of assessment caps set to low levels such as the 2% limit in Prop 13 and as proposed in this bill.<sup>1</sup>

Many retirees may want to downsize to a smaller home, but do not want to see their tax bill go sky-high. To mitigate this concern, California has approved several ballot measures guaranteeing that older residents who change houses can do so without losing their tax benefit.<sup>2</sup>

The Council should add similar language to this bill, ensuring that kupuna who choose to move or downsize will not see their property tax protections removed.

In addition, the Council should consider whether there are other ways to accomplish Bill 48's goal. A substantial increase in the homeowner exemption for those 65 and older could achieve the same end.

Likewise, the county could also partner with the state Department of Taxation to determine the income of Honolulu homeowners, automatically enrolling eligible homeowners in the county's "circuit breaker" program, which caps the total tax that lower income homeowners can pay.

We look forward to dialogue on this issue.

Thank you for the opportunity to submit our comments.

Sincerely,

Ted Kefalas  
Director of Strategic Campaigns  
Grassroot Institute of Hawaii

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<sup>1</sup> Nada Wasi and Michelle White, "[Property Tax Limitations and Mobility: The Lock-In Effect of California's Proposition 13](#)," National Bureau of Economic Research Working Paper 11108, February 2005. See also Keith Ihlanfeldt, "[Do Caps on Increases in Assessed Values Create a Lock-In Effect? Evidence From Florida's Amendment One](#)," National Tax Journal, March 2011.

<sup>2</sup> See "[Transfer of Base Year Value for Persons Age 55 and Over – Propositions 60/90](#)," California State Board of Equalization, accessed Sept. 1, 2023.