

HONOLULU CITY COUNCIL
KE KANIHELA O KE KALANA O HONOLULU
CITY AND COUNTY OF HONOLULU

No. 23-243

RESOLUTION

RELATING TO REAL PROPERTY TAX COMPROMISES.

WHEREAS, Ordinance 13-33 created a Residential A general class ("Residential A") of property for the purpose of real property taxation; and

WHEREAS, under Section 8-7.1, Revised Ordinances of Honolulu 2021 ("ROH"), the Residential A class includes real property with an assessed value of \$1 million or more that does not have a home exemption; and

WHEREAS, ROH § 8-11.1 establishes two tiers based on assessed property valuation for the Residential A classification, with a specific rate assigned to the first tier for the value of a property up to \$1 million and a higher rate assigned to the second tier for the value of a property in excess of \$1 million; and

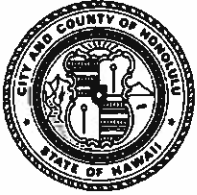
WHEREAS, through Resolution 23-33, FD1, the City Council ("Council") adopted real property tax rates for tax year 2023-2024, with a Residential rate of \$3.50 per \$1,000 of assessed value, a Residential A Tier 1 rate of \$4 per \$1,000 of assessed value, and a Residential A Tier 2 rate of \$11.40 per \$1,000 of assessed value; and

WHEREAS, the Real Property Assessment Division of the City and County of Honolulu ("City") published its preliminary report, *Number of Records by Land Use Class for Tax Year 2023-2024*, which reflects that more than 29,000 properties were classified as Residential A for tax year 2023-2024, an increase of more than 9,000 properties from tax year 2022-2023; and

WHEREAS, many owners who would have qualified for a home exemption but did not meet the September 30, 2022 deadline to file a claim for a home exemption or did not otherwise qualify for a home exemption for the 2023-2024 tax year had their properties reclassified as Residential A for tax year 2023-2024; and

WHEREAS, due to the reclassification of these properties as Residential A, these affected property owners are subject to a higher tax rate under the Residential A classification, which has resulted in substantial property tax increases that many are financially unprepared to pay; and

WHEREAS, the City has, on occasion, granted real property tax compromises to organizations to address a public need and to individuals to address unintended consequences of property tax reclassifications; and



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WHEREAS, in acknowledgment of the ongoing financial hardship endured by owners of residential property who qualify for a home exemption but who are being taxed at the Residential A tax rates, the Council believes that these property owners should be afforded one-time relief by having their tax liability for tax year 2023-2024 compromised; and

WHEREAS, ROH § 8-1.3(12) provides that the Director of Budget and Fiscal Services may compromise a claim relating to real property taxation not exceeding \$500 with the approval of the Corporation Counsel, and may compromise a claim exceeding \$500 with the approval of the Council; and

WHEREAS, ROH § 2-3.1(4) provides that the Corporation Counsel has the authority to compromise claims in favor of or against the City not requiring payment in excess of \$5,000 and to compromise claims in excess of \$5,000 with the approval of the Council under ROH § 2-3.4(a); now, therefore,

BE IT RESOLVED by the Council of the City and County of Honolulu that for tax year 2023-2024 only:

1. Owners of parcels that were reclassified from Residential to Residential A for the tax year 2023-2024 are hereby granted a reduction in their tax liability by compromise under ROH § 8-1.3(12); provided that the owner:
 - (a) Certifies by November 17, 2023 that the parcel would have qualified for a home exemption on October 3, 2022, and will continuously qualify for a home exemption through September 30, 2024;
 - (b) Files a claim for a home exemption by November 17, 2023; and
 - (c) Applies for a tax compromise by November 17, 2023;

provided further, that the Department of Budget and Fiscal Services approves of the compromise;

2. Exhibit A attached hereto and incorporated herein lists the properties in each Council district, identified by tax map key number, that were reclassified from Residential to Residential A despite meeting the requirements for a home exemption and thus may be granted a reduction in tax liability by compromise under ROH § 8-1.3(12) upon meeting the requirements set forth in Section 1;



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3. The Department of Budget and Fiscal Services shall consider all applications on a case by case basis and, if an application is approved, then the tax liability pertaining to that application will be compromised as determined by the Department of Budget and Fiscal Services; and
4. Compromises of individual claims provided herein that exceed payment by the City of \$5,000 by refund or credit, with interest, are hereby approved by the Council under ROH § 2-3.4(a) in the amount paid by the owner in excess of the taxes due for the 2023-2024 tax year, as compromised to the Residential tax rate; and

BE IT FINALLY RESOLVED that copies of this resolution be transmitted to the Director of Budget and Fiscal Services.

INTRODUCED BY:

Tony Wale

DATE OF INTRODUCTION:

SEP 28 2023

Honolulu, Hawai'i

Councilmembers

EXHIBIT A