BILL045(24)
Testimony

MISC. COMM. 366

BUDGET (BUD)

BUDGET (BUD) Meeting

Meeting Date: Aug 20, 2024 @ 09:00 AM

Support: 1

Oppose: 0

I wish to comment: 1

Name:	Email:	Zip:
Ted Kefalas	tkefalas@grassrootinstitute.org	96813
Representing:	Position:	Submitted:
Grassroot Institute of Hawaii	Support	Aug 19, 2024 @ 07:03 AM
Name:	Email:	Zip:
Natalie Iwasa	iwasajunk@mail.com	96825
Representing:	Position:	Submitted:
Self	I wish to comment	Aug 19, 2024 @ 11:00 PM

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Removing barriers to Hawaii's prosperity

Aug. 20, 2024, 9 a.m.
Honolulu Hale

To: Honolulu City Council, Committee on Budget
Radiant Cordero, Chair
Matt Weyer, Vice Chair

From: Grassroot Institute of Hawaii
Ted Kefalas, Director of Strategic Campaigns

RE: Bill 45 (2024) — RELATING TO REAL PROPERTY TAXATION

Aloha Chair Cordero, Vice-Chair Weyer and other members of the Committee,

The Grassroot Institute of Hawaii **supports** Bill 45 (2024), which would increase eligibility for the low-income property tax credit from $80,000 to $100,000.

Honolulu homeowners often face unpredictable changes in their property tax bills because assessments can increase rapidly year over year. Extending this program to cover more homeowners would help shield them against what has been a volatile real estate market.

Under the current low-income property tax credit, homeowners making $80,000 or less pay no more than 3% of their income on property taxes — for a maximum tax bill of $2,400.

Council increased the eligibility level from $60,000 to $80,000 in 2023.[1] A two-person household making 80% of the area median income last year would have earned about $83,840.[2] For 2024, the 80% AMI level for a two-person household is $89,120 — a 6.3% growth.

To keep up with growing AMI, Council should set the eligibility to at least $90,000, but a $100,000 eligibility level is preferable for two reasons.

[1] Ordinance 23-22.
[2] "Honolulu County Income Schedule by Family Size," Hawaii Housing Finance and Development Corp., 2023, p. 1; and "Honolulu County Income Schedule by Family Size," Hawaii Housing Finance and Development Corp., 2024, p. 1.

First, it would make the credit open to more individuals and families. For four-person households, $100,000 represents just over 70% of AMI for 2024.[3] This income level would be low enough to qualify the family for many of the city's affordable housing programs, so why would it not qualify them for reduced property taxes?

Lower- and middle-income households, especially those with dependents, would benefit from upward adjustments in the value of the credit.

Second, increasing the credit to $100,000 now would save the Council from having to readjust it again in a few years when the 80% AMI level reaches $100,000.

Finally, in case you were unaware, almost 2,000 more Oahu homeowners applied for the credit after the Council increased the eligibility threshold eligibility last year — from 3,085 for fiscal 2024 to 5,020 for fiscal 2025,[4] and we encourage the City and County to keep raising awareness about this important program.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

[3] "Honolulu County Income Schedule by Family Size," Hawaii Housing Finance and Development Corp., 2024, p. 1.
[4] Uniform Information Practices Act request filed with the Honolulu Department of Budget and Fiscal Services, Nov. 14, 2023; and correspondence with Frank Chung from the Division of Property Tax Relief, March 21, 2024.

TO: Members of the Committee on Budget

FROM: Natalie Iwasa, CPA, CFE
808-395-3233

DATE: Tuesday, August 20, 2024

SUBJECT: Bill 45, Real Property Taxation, Tax Credit – **COMMENTS and AMENDMENT REQUESTED**

Aloha Chair Cordero and Councilmembers,

Thank you for allowing testimony on Bill 45, which would increase the income threshold from $80,000 to $100,000. **The threshold was last increased just a year ago, from $60,000 to $80,000,** with the approval of Bill 37(22), CD1. Another increase at this time would put pressure on the city administration and you to keep other tax rates high, as the decrease in revenues from the credits would have to be subsidized by other taxpayers.

Rather than increase the threshold again so soon, please correct the law. Under Sec. 8-13.1, the definition of income includes "the Internal Revenue Code of the United States of 1954 . . . . " The Internal Revenue Code was overhauled in 1986.[1] Therefore, please **amend this bill to state "the Internal Revenue Code of the United States of 1986"** in Sec. 8-13.1 of the Revised Ordinances of Honolulu.

Please also **ask the administration to include nontaxable income such as dependent care deductions in the applications**. Following are two scenarios which show how someone who has pre-tax deductions can go over the maximum allowed income but still be allowed the tax credit.

Gross compensation	$85,000	$80,000	
Dependent care deduction	(5,000)	-	(typically not shown in W2s)
W2 Box 4	$80,000	$80,000	

Attached is the application for next fiscal year. While there is a requirement to include some pre-tax income such as retirement deductions, nowhere does it mention pre-tax dependent care, cafeteria plan deductions or health savings account deductions. This is unfair to all taxpayers.

[1] Title 26, U.S. Code, history by the United States Census, https://www.census.gov/history/www/reference/privacy_confidentiality/title_26_us_code_1.html

Application Form, Form T-RPT100
Revised June 30, 2024

CONFIDENTIAL

CITY AND COUNTY OF HONOLULU

REAL PROPERTY TAX CREDIT FOR HOMEOWNERS APPLICATION
TAX YEAR 2025 - 2026

PARCEL INFORMATION

Tax Map Key _____ Property Address_____

APPLICANT INFORMATION

_____
Last Name First Name Middle Name

_____
Mailing Address: Street Number Street Name Unit No.

_____
City State Zip Code Phone (Cell Landline) E-Mail Address (Please print clearly)

QUALIFICATION REQUIREMENTS

1. **Is the total combined gross income of all owners on title greater than $80,000?**
   _____ YES (If YES, **STOP**, You do not qualify for the credit) _____ NO

2. **Do you have a home exemption on this property for both the 2024 and 2025 tax years?**
   _____ YES _____ NO (If NO, **STOP**, You do not qualify for the credit)

3. **Do any of the owners on title own other property on Oahu, elsewhere in Hawaii, in another state or territory, or in a foreign country?**
   _____ YES (If YES, **STOP**, You do not qualify for the credit) _____ NO

4. **Do you expect the property to be sold or the owners on title to change before June 30, 2025?**
   _____ YES _____ NO
   Any sale of the property or ownership change must be reported within 30 days to the Division of Treasury, Tax Relief Section, PO Box 135028, Honolulu, HI 96801-5028 as the credit may be voided and a fine may be imposed.

5. **Is this property in a trust?** …… YES _____ NO _____
   If in a trust, was a separate State or Federal tax return filed for the trust…….. YES _____ NO _____
   If YES, you must submit copies of the trust's tax return.
   - **If you are not sure if property is in a trust, please call 808-768-3205 for assistance.**

DOCUMENT REQUIREMENT

If you filed a Federal Tax Return for 2023, submit a Tax Return Transcript. As an alternative, if you are unable to obtain a Tax Return Transcript, submit Page 1 and 2 of your 2023 1040 Federal Tax Return or Pages 1, 2, and 3 of your 2023 1040-SR Federal Tax Return.

INCOME AND DOCUMENTS WORKSHEET
All Titleholders must complete this form

Last Name	First	Middle	Soc. Sec. No. (last 4 digits only)	Date of Birth
Spouse's Last Name	First	Middle	Soc. Sec. No. (last 4 digits only)	Date of Birth

IF YOU FILED A FEDERAL INCOME TAX RETURN, YOU MUST COMPLETE THIS SECTION

Submit the following required documents with your application:

- **2023 Tax Return Transcript, or Page 1 and 2 of your 1040 Federal Return or Pages 1, 2, and 3 of your 1040-SR Federal Return if unable to obtain transcript.**
- **1099R with a box 7 code of G or 6 if you rolled-over a portion of IRA or Annuity distribution.**
- **W2 for 2023 (If you worked in 2023 and received a W2)**

We reserve the right to request any other income document to verify your income.

List the gross amount of all income for 2023. If you filed a joint return, you must use the joint income.

Type of Income	$ Gross Income	Type of Income	$ Gross Income
Wages (Include amounts deducted from wages for contributions to pension/deferred compensation plans).		Social Security/SSI Benefits	
Interest: Taxable & Tax Exempt		Veterans Disability Benefits	
Dividends		Alimony	
Business Profit/Loss		Rents/Royalties	
Capital Gains/Losses		Debt Write-Off	
Pension & Annuities (Gross Amt. less rollover)		Gambling Winnings	
IRA Distribution (Gross distribution less rollover)		List Other Income: COLA, etc	

Income of all titleholders cannot exceed $80,000. **TOTAL INCOME $**

IF YOU ARE NOT REQUIRED AND DID NOT FILE A FEDERAL INCOME TAX RETURN, YOU MUST COMPLETE THIS SECTION

You must submit all income documents such as SSA1099, 1099's, W-2, Etc.
If you filed a State of Hawaii Tax Return, you must also submit a copy of the return (N-11).
We reserve the right to request any other income document to verify your income.

List the gross amount of all income you received in 2023.

Type of Income	$ Gross Income	Type of Income	$ Gross Income
Wages (Include amounts deducted from wages for contributions to pension/deferred compensation plans)		Social Security/SSI Benefits	
Interest: Taxable & Exempt		Veterans Disability Benefits	
Dividends		Alimony	
Business Profit/Loss		Rents/Royalties	
Capital Gains/losses		Debt Write-Off	
Pension & Annuities (Gross amount less rollover)		Gambling Winnings	
IRA Distribution (Gross distribution less rollover)		List Other Income:	

Income of all titleholders cannot exceed $80,000. **TOTAL INCOME $**

REAL PROPERTY TAX CREDIT FOR HOMEOWNERS APPLICATION

APPLICATION MAILING INSTRUCTION

MAIL APPLICATION TO:
City and County of Honolulu
Division of Treasury, Tax Relief Section
P O Box 135028
Honolulu, HI 96801-5028

DEADLINE TO FILE THIS APPLICATION: SEPTEMBER 30, 2024

INCOME OF ALL TITLEHOLDERS

LIST NAMES AND INCOME OF ALL TITLEHOLDERS

First Name	Middle Name	Last Name	INCOME From Page 2
TOTAL COMBINED GROSS INCOME OF ALL OWNERS ON TITLE			$

AFFIDAVIT AND CERTIFICATION

I (we) certify, under the penalty of law, that (1) the statements made in this claim and the accompanying documents are true, correct and complete to the best of my knowledge, (2) I (we) shall continue to qualify for a home exemption under Revised Ordinances of Honolulu (ROH) 2021 §8-10.3 throughout the tax year in which the credit is applied, (3) none of the titleholders owns any other real property anywhere during the applicable tax year and (4) none of the titleholders have violated ROH §8-13.5. If I (we) cease to qualify for the tax credit, I (we) must report the change(s) to the Director of Budget and Fiscal Services. I (we) understand that any misstatement of facts will be grounds for disqualification and penalties.

Revised Ordinance of Honolulu §8-13.5 (a) (1 & 2)

Any person who files a fraudulent application or attests to any false statement with the intent to defraud the City or evade the payment of real property taxes or any part thereof; or in any manner intentionally deceives or attempts to deceive the City, shall be guilty of a violation and be subject to a criminal fine of not more than $2,000, in addition to being responsible for paying any outstanding taxes interest and penalties. Please sign and date.

All owners on title must sign below

Signature	Date	Signature	Date
Signature	Date	Signature	Date

CONTACT PERSON

If we have questions on your application and someone other than yourself should be contacted, please include the information below. This hereby authorizes our office to contact the following person(s) other than yourself, regarding this application for Real Property Tax Credit for Homeowners, Tax Year 2025 – 2026. REQUIRED INFORMATION:

Name	Relationship to Owner	
Address	Phone Number	Email Address

REMINDER: THE DEADLINE TO FILE THIS APPLICATION IS SEPTEMBER 30, 2024

HOW TO OBTAIN AN IRS TRANSCRIPT OF YOUR 2023 TAX RETURN

Transcripts are provided by the IRS at no charge, and mailed to your home.

OPTION 1: REQUEST YOUR TRANSCRIPT BY PHONE (IRS will mail in 5 to 10 days).

Call 1-800-908-9946. You will get a recorded message. When you hear the messages listed below, press the number next to it or enter the information requested. ***Keep this script in front of you as you place your call.***

Step	When you hear the message below Press or enter
1	To continue in English, press 1…..……..……..Press 1
2	Please enter the Social Security number for which you are calling……..... Soc. Sec. No.
3	The Social Sec. No. you entered was ___ if this is correct, press 1 now……..... Press 1
4	To verify your address, please enter the numbers of your street address. Do not enter letters or fractions (If your street number has a dash "–" such as 45-2000, enter only the 45)…….. Street No

.

Listen to the recorded information regarding transcript. Wait until you hear Step 5.

5	**To receive a transcript of your tax return press 2** ……	Press 2
6	Please enter the year for which you would like information……	2023
7	The year you entered is 2023, if this is correct press 1……	Press 1

Disregard message about a 10 digit customer file number. Wait to hear step 8.

8	You have requested a transcript of your 2023 tax return, if this is correct press 1..…….....	Press 1
9	To end press 3..……	Press 3

OPTION 2: GET A TRANSCRIPT BY MAIL AT: www.irs.gov

You can order your tax return transcript at http://www.irs.gov and have it mailed to your address on record.
Select **Get Your Tax Record** option**.**
Welcome to Get Transcript page will appear**.** Select **Get Transcript by Mail.**
Complete information requested.
IRS will mail to you in 5 to 10 days. **Note**: IRS will not mail transcript to an address other than the one on your 1040 return.

If you encounter problems in ordering your IRS Tax Return Transcript,
Please call the Tax Relief Office at (808) 768-3205.

Before submitting your transcript to the Tax Relief Office,
Please print your full name on the upper right hand corner of the transcript.

DEADLINE TO FILE APPLICATION: SEPTEMBER 30, 2024
You must file for the tax credit annually to continue receiving the credit.