'24AUG20 AM 9:13 CITY CLERK

DEPARTMENT OF BUDGET AND FISCAL SERVICES
KA 'OIHANA MĀLAMA MO'OHELU A KĀLĀ
CITY AND COUNTY OF HONOLULU

530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAI'I 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • WEB: www.honolulu.gov

RICK BLANGIARDI
MAYOR
MEIA

ANDREW T. KAWANO
DIRECTOR
PO'O

CARRIE CASTLE
DEPUTY DIRECTOR
HOPE PO'O

August 19, 2024

The Honorable Radiant Cordero, Chair
and Members
Committee on Budget
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawai'i 96813

Dear Chair Cordero and Councilmembers:

SUBJECT: Bill 45 (2024) - Relating to Real Property Taxation

The Department of Budget and Fiscal Services (BFS) has administrative and fiscal concerns for Bill 45 (2024) which seeks to increase the combined income limit for all titleholders from $80,000 to $100,000 in order to qualify for the real property tax credit.

When Bill 37 (2022) passed to increase the combined income limit from $60,000 to $80,000, the number of tax credit applications increased from 3,459 to 5,021. The aggregate dollar amount of the tax credits provided increased from just over $5 million per year to about $9.5 million.

Due to the large increase of applications, BFS' Treasury Division experienced an unsustainable increase in administrative costs and burden to review, process, and audit applications, service applicants, and implement software program changes. The Treasury Division managed the additional workload last year with the staff working overtime daily and hiring an additional contract accountant who has since left.

For Fiscal Year 2026, Treasury Division plans to request two additional staff positions in the Tax Relief Section to help with the increased application review based on the current $80,000 tax credit income limit, while also servicing the Automatic Fire Sprinkler Credit applications. Considering a possible increase to $100,000 for the tax credit income limit, Treasury Division will very likely need four additional staff positions to manage the workload. The potential impact of not having the staffing support before

this bill passes may result in the inability to meet application processing deadlines. It also means Treasury Division may not have the resources to accurately audit the applicants' tax documents to verify the $100,000 income limit, resulting in potential errors and fraudulent tax credits.

BFS respectfully urges Councilmembers to consider and evaluate the administrative and fiscal concerns that are raised in this testimony which could result in tax credit application processing delays; tax credit errors; fraud; decreased staff retention from additional stress placed on existing staff; and reduction of property tax revenue.

Thank you for the opportunity to provide testimony on this bill. Please contact me at (808) 768-3901, if you have questions or need clarification.

Sincerely,

Andrew T. Kawano
Director

APPROVED:

Michael D. Formby
Managing Director