REPORT OF THE COMMITTEE ON BUDGET

Voting Members:
Tyler Dos Santos-Tam, Chair; Scott Y. Nishimoto, Vice Chair;
Radiant Cordero, Esther Kiaʻāina, Matt Weyer

Committee Meeting Held
March 4, 2025

Honorable Tommy Waters
Chair, City Council
City and County of Honolulu

Mr. Chair:

Your Committee on Budget, which considered Bill 17 (2025) entitled:

"A BILL FOR AN ORDINANCE RELATING TO REAL PROPERTY TAXATION,"

which passed first reading at the February 26, 2025 Council meeting, reports as follows:

The purpose of the bill is to amend provisions relating to the real property tax home exemption.

The Director of Budget and Fiscal Services, Andrew Kawano, provided comments.

Your Committee considered and approved a proposed posted CD1 version that makes the following amendments:

A. Amends SECTION 5 of the bill to provide that the ordinance applies to the tax years beginning July 1, 2027, and thereafter, instead of July 1, 2026, and thereafter.

B. Makes miscellaneous technical and nonsubstantive amendments.

ADOPTED ON MAR 19 2025

COMMITTEE REPORT NO. 69

REPORT OF THE COMMITTEE ON BUDGET

Voting Members:
Tyler Dos Santos-Tam, Chair; Scott Y. Nishimoto, Vice Chair;
Radiant Cordero, Esther Kia'āina, Matt Weyer

Your Committee on Budget is in accord with the intent and purpose of Bill 17 (2025), as amended herein, and recommends that it pass second reading, be scheduled for a public hearing, and be referred back to Committee in the form attached hereto as Bill 17 (2025), CD1. (Ayes: Cordero, Dos Santos-Tam, Kia'āina, Weyer – 4; Noes: None; Absent: Nishimoto – 1.)

Respectfully submitted,

Committee Chair

ADOPTED ON MAR 19 2025

COMMITTEE REPORT NO. 69

HONOLULU CITY COUNCIL

KE KANIHELA O KE KALANA O HONOLULU

CITY AND COUNTY OF HONOLULU

ORDINANCE _____

BILL **17 (2025), CD1**

A BILL FOR AN ORDINANCE

RELATING TO REAL PROPERTY TAXATION.

BE IT ORDAINED by the People of the City and County of Honolulu:

SECTION 1. Purpose. The purpose of this ordinance is to amend provisions relating to the real property tax home exemption.

SECTION 2. Section 8-10.3, Revised Ordinances of Honolulu 2021 ("Exemption—Homes"), is amended by amending subsection (a) to read as follows:

"(a) For real property owned and occupied as the owner's principal home as of the date of assessment by an individual or individuals, [~~$120,000~~] $140,000 of the total assessed value is exempt from property taxes, subject to the following:

(1) For real property where the value of the property is not in excess of the exemption amount established pursuant to this subsection, the real property is totally exempt; and

(2) For all other real property, the exemption is the amount established pursuant to this subsection; provided that:

(A) No such exemption will be allowed to any corporation, copartnership, or company;

(B) The exemption under this section will not be allowed on more than one home for any one taxpayer;

(C) Where the taxpayer has acquired the taxpayer's home by a deed made on or after July 1, 1951, the deed is recorded on or before September 30 immediately preceding the year for which the exemption is claimed;

(D) Spouses will not be permitted exemption of separate homes owned by each of them, unless they are living separate and apart, in which case each is entitled to one-half of one exemption;

(E) A person living on premises, a portion of which is used for commercial purposes, is not entitled to an exemption with respect

to such portion, but is entitled to an exemption with respect to the portion thereof used exclusively as a home;

(F) Notwithstanding any law to the contrary, real property will continue to be entitled to the exemption contained in this section in the event the owner of the real property moves from the home on which the exemption is granted to a long-term care facility or an adult residential care home licensed to operate in the State; provided that:

(i) The taxpayer designates the adult residential care home or long-term care facility on the form necessary to administer this subsection;

(ii) The home the taxpayer moves from is not rented, leased, or sold during the time the taxpayer is in the long-term care facility or the adult residential care home; and

(iii) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period;

(G) Notwithstanding any law to the contrary, in the event the owner of real property vacates the home for which an exemption is granted and moves to a temporary residence within the city during the renovation of the home, the real property will continue to be entitled to the exemption contained in this section; provided that:

(i) The taxpayer submits to the director a change in status report regarding vacating the home during renovations [~~which~~] that identifies:

(aa) The building permit number issued by the city department of planning and permitting;

(bb) The renovation start date as indicated on the building permit; and

(cc) A verifiable address within the city where the taxpayer will reside during the renovation period and where the assessment notices will be mailed;

(ii) The renovation period will commence on the renovation start date and must not exceed two years. The taxpayer may reoccupy the home before the expiration of two years. Prior to the reoccupation of the home, the taxpayer [~~must~~] shall submit to the director a change in status report regarding reoccupation of the home along with a dated certificate of occupancy, notice of completion, or close permit indicating the date the renovations have been completed;

(iii) Upon receipt by the director of the change in status report regarding reoccupation of the home and a dated certificate of occupancy, notice of completion, or close permit, assessment notices will be mailed to the reoccupied home and the owner may sell the home without penalty;

(iv) The home must not be rented, leased, or sold during the renovation period; and

(v) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period;

(H) Notwithstanding any law to the contrary, in the event the owner of the real property vacates the home for which the exemption is granted and moves to a temporary residence outside the city during a sabbatical or temporary work assignment, the real property will continue to be entitled to the exemption contained in this section; provided that:

(i) The taxpayer submits to the director a change in status report that provides verification of the sabbatical or temporary work assignment and documentation from the taxpayer's employer that specifies the start and completion dates of the sabbatical or temporary work assignment;

(ii) Within the report, the taxpayer provides a verifiable address of the temporary residence and certification of intent to reoccupy the home on which the exemption is granted after the sabbatical or temporary work assignment concludes;

(iii) The home the taxpayer moves from is not rented, leased, or sold during the time the taxpayer resides in the designated temporary residence;

(iv) The taxpayer reoccupies the home on which the exemption is granted within 24 months after the sabbatical or temporary work assignment begins[~~, however,~~]; provided that prior to reoccupation of the home, the taxpayer [~~must~~] shall submit to the director a change in status report with the actual date the home will be reoccupied; and

(v) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period; and

(l) Notwithstanding any law to the contrary, in the event the owner of real property vacates the home for which an exemption is granted and moves to a temporary residence within the city as a result of the home being damaged or destroyed by fire, the real property will continue to be entitled to the exemption contained in this section; provided that:

(i) The damage or destruction of the home is not the result of the taxpayer or any person residing in the home intentionally, knowingly, or recklessly setting fire to the home;

(ii) The taxpayer submits to the director a change in status report that provides the date the fire occurred and evidence that the fire caused the home to be uninhabitable;

(iii) The taxpayer intends to remain in the city and within the report provides a verifiable address of temporary residence and certification of intent to reoccupy the home on which the exemption is granted after the home is repaired or replaced;

(iv) The home the taxpayer moves from is not rented, leased, or sold during the time the taxpayer resides in the designated temporary residence;

(v) The taxpayer reoccupies the home on which the exemption is granted within 24 months after the date of the fire; [~~however,~~] provided that prior to reoccupation of the home, the taxpayer [~~must~~] shall submit to the director a change in status report with the actual date the home will be reoccupied; and

(vi) Continuation of the home exemption entitles the taxpayer to the benefits of this section in effect during the applicable time period.

Failure to comply with any of the requirements in paragraphs (F), (G), (H), and (I) will result in the disallowance of the home exemption and will subject the taxpayer to rollback taxes, interest, and penalties as set forth in [~~§§~~] § 8-10.1(d) and (e) for the period of time the home exemption is continued.

For the purposes of this section, "real property owned and occupied as the owner's principal home" means occupancy of a home in the city and may be evidenced by but not limited to the following indicia: occupancy of a home in the city for more than 270 calendar days of a calendar year; registering to vote in the city; being stationed in the city under military orders of the United States; and filing of an income tax return as a resident of the State, with a reported address in the city. The director may demand documentation of the above or other indicia from a property owner applying for an exemption or from an owner as evidence of continued qualification for an exemption.

Failure to respond to the director's request is grounds for denying a claim for an exemption or disallowing an existing exemption. The director may demand documentary evidence such as a tax clearance from the State indicating that the taxpayer filed an income tax return as a full-time resident for the year prior to the effective date of the exemption. Failure to respond to the director's demand [~~in~~] within 30 days is grounds for disallowance or denial of a claim for an exemption.

In the event the director receives satisfactory evidence that an individual occupies a home outside the city or there is documented evidence of the

individual's intent to reside outside the city, that individual will not be qualified for an exemption or continued exemption under this section, as the case may be.

Notwithstanding any provision to the contrary, for real property held by a trustee or other fiduciary, the trustee or other fiduciary is entitled to the exemption where:

(1) The settlor of the trust occupies the property as the settlor's principal home; or

(2) The settlor of the trust dies and a beneficiary entitled to live in the home under the terms of the trust document occupies the property as the beneficiary's principal home.

For the purposes of this subsection, real property is "sold" when title to the real property is transferred to a new owner; and property is deemed "uninhabitable" if the property owner is unable to live in or on the property for health or safety reasons.

The director may adopt rules and shall provide forms as may be necessary to administer this subsection."

SECTION 3. Section 8-10.3, Revised Ordinances of Honolulu 2021 ("Exemption—Homes"), is amended by amending subsection (d) to read as follows:

"(d) A taxpayer who is 65 years of age or over on or before June 30 preceding the tax year for which the exemption is claimed and who qualifies for a home exemption under subsection (a) is entitled to a home exemption of [~~$160,000~~] $180,000 from the total assessed valuation of the real property.

For the purposes of this subsection, spouses who own property jointly, by the entirety, or in common, on which a home exemption under subsection (a) has been granted, are entitled to the [~~$160,000~~] home exemption under this subsection when at least one of the spouses qualifies for the exemption."

SECTION 4. Ordinance material to be repealed is bracketed and stricken. New material is underscored. When revising, compiling, or printing this ordinance for inclusion in the Revised Ordinances of Honolulu, the Revisor of Ordinances need not include the brackets, the material that has been bracketed and stricken, or the underscoring.

A BILL FOR AN ORDINANCE

SECTION 5. This ordinance takes effect upon its approval and applies to the tax years beginning July 1, 2027, and thereafter.

INTRODUCED BY:

Esther Kia'āina

_____

_____

_____

_____

_____

_____

DATE OF INTRODUCTION:

_____

_____

February 10, 2025
Honolulu, Hawai'i

_____
Councilmembers

APPROVED AS TO FORM AND LEGALITY:

_____
Deputy Corporation Counsel

APPROVED this _____day of _____, 20 ___.

_____
RICK BLANGIARDI, Mayor
City and County of Honolulu

Report Title:
Real Property Tax Exemption; Home Exemption; Real Property Tax ("RPT"); Department of Budget and Fiscal Services ("BFS"); BFS Director

Description:
Amends real property tax homeowner's exemption base amount. Amends real property tax homeowner's exemption for taxpayers 65 years of age or over. Effective upon approval and applies to tax years beginning July 1, 2027, and thereafter.

The summary description of legislation appearing on this page is for informational purposes only and is not legislation or evidence of legislative intent.