

BILL048(24)
Testimony

MISC. COMM. 376

*BUDGET (BUD)

***BUDGET (BUD) Meeting**

Meeting Date: Jul 22, 2025 @ 09:00 AM

Support: 1

Oppose: 0

I wish to comment: 2

Name: Linda Howe	Email: lindamhowe@gmail.com	Zip: 96744-2523
Representing: Self	Position: Support	Submitted: Jul 20, 2025 @ 09:15 AM
Name: Ted Kefalas	Email: maliah@grassrootinstitute.org	Zip: 96813
Representing: Grassroot Institute of Hawaii	Position: I wish to comment	Submitted: Jul 21, 2025 @ 08:24 AM
Name: Natalie Iwasa	Email: iwasajunk@mail.com	Zip: 96825
Representing: Self	Position: I wish to comment	Submitted: Jul 22, 2025 @ 06:31 AM

Testimony of Linda Howe

Mahalo for recognizing these measures related to the Residential A tax rate are again up for discussion.

Although the City did not increase the tax RATE for Res A last year, the result of many properties appreciating past the Res A threshold was a five percent increase in the Res A taxes PAID (as reported to you by Budget Director Kawano).

Based on this, I make two points: 1) This increase in revenue to the City is being paid by renters, likely including many ALICE households. And 2) If our community's goal is affordable, stable housing for residents, then this Res A tax on long-term rentals to residents is counter-productive as it is increasing the cost of long-term rental housing.

Both of the bills for discussion today are intended to address this high-priority issue, which is to make existing rental housing more affordable.

Thank you again for not forgetting the impact of the Res A taxes on renters and for revisiting these proposed solutions. I continue to write in support these efforts.

July 22, 2025, 9 a.m.

Honolulu Hale

To: Honolulu City Council Committee on Budget

Val Okimoto, Chair

Scott Nishimoto, Vice Chair

From: Grassroot Institute of Hawaii

Ted Kefalas, Director of Strategic Campaigns

RE: Bill 48 (2024) — RELATING TO REAL PROPERTY TAXATION

Aloha Chair Okimoto, Vice Chair Nishimoto and other members of the Committee,

The Grassroot Institute of Hawaii would like to offer **comments on [Bill 48 \(2024\)](#)**, which would reduce the tax rate for any properties in the Residential A class that are dedicated to rental use for at least four years.

To clarify, properties in the Residential A class typically are non-owner-occupied homes and are taxed at \$4 per \$1,000 for the first \$1 million of the property's value, and \$11.40 per \$1,000 on any value greater than \$1 million.¹

Under Bill 48, any Residential A property qualifying for the reduction would pay \$3.50 per \$1,000 in assessed value versus the current

Grassroot believes that such tax relief would benefit both the owners and tenants of such properties, since research suggests that rental owners typically pass along at least some portion of their property tax bills to their tenants,² and lower taxes could result in lower rents, or at least more stable rents.

¹ ["Real Property Tax Rates for Tax Year July 1, 2024 to June 30, 2025,"](#) City and County of Honolulu, accessed July 3, 2025.

² David Schwegman and John Yinger, ["The Shifting of the Property Tax on Urban Renters: Evidence from New York State's Homestead Tax Option,"](#) U.S. Census Bureau Center for Economic Studies, December 2020; Bill Wheaton, ["Can Landlords really pass on higher property taxes to tenants?"](#) MIT Center for Real Estate, Oct. 5, 2018; and Leah Tsoodle and Tracy Turner, ["Property Taxes and Residential Rents,"](#) Journal of Real Estate Economics, February 2008.

Grassroot suggests that tax reductions for long-term rentals come in the form of an amendment to the existing residential-use dedication instead of creating an entirely new program for the city to administer and property owners to navigate.

The existing residential-use dedication allows the owners of properties used as residences for periods of 30 or more consecutive days to dedicate their properties to residential use for a minimum of five years. In exchange, the city places those properties into the Residential tax class.³

Not all properties qualify for the current dedication, however. Properties zoned Residential, Country and Agricultural are excluded. Grassroot recommends that the Council amend the current dedication to include these zones so that all single-family homes that now fall into the Residential A tax class would be able to take advantage of the lower tax rate.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

³ [§ 8-7.5 Certain property dedicated for residential use.](#), Revised Ordinances of Honolulu, accessed July 18, 2025.

TO: Members of the Committee on Budget

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

DATE: Tuesday, July 22, 2025

SUBJECT: Discussion Bill 48, CD1, Real Property Taxation, Long-Term Rental Dedication
- COMMENTS

Aloha Chair Okimoto and Councilmembers,

Thank you for having a discussion on Bill 48, CD1, which would create a new dedication of long-term residential rental for a period of four years.

Following are concerns I have with respect to this bill.

- The definition of long-term residential rental does not include properties that are leased between a property manager and tenant.
- Evidence of long-term residential rental is “any . . . as the director may deem pertinent.” The city has gone overboard in requesting evidence on other issues. For example, I was told the low-income rental dedication requires that an owner submit their Schedule E from their 1040. Schedule E includes information about partnership and S-corp income as well as other rental properties. This information is none of the city’s business and doesn’t have anything to do with the low-income rental property. (I asked to have this requirement removed, and COR indicated it was necessary documentation.)
- If leases are to be required as evidence for this dedication, the landlord should be required to obtain permission from the tenant(s) before releasing the lease to the city.
- A purchaser of the home who intends on living in it is penalized with retroactive taxes to the date of dedication as well as a 10% penalty on the payments that would have been due. This is **extremely unfair and disincentivizes home ownership**.
- The bill requires the rental to be for compensation, so if parents want to rent out a home to their child’s family free-of-charge, it’s not covered.

A better solution would be to get rid of the Residential A classification altogether. Barring that, an increase in the threshold to at least \$1.5 million (\$2 million would be better) would help soften the blow of the higher tax.

The city should also eliminate exemptions on labor unions, credit unions, business leagues and others. These exemptions cost us millions of dollars in lost tax revenue annually.