# BILL034(24)
# Testimony

**MISC. COMM. 410**

*BUDGET (BUD)

***BUDGET (BUD)  Meeting**

Meeting Date: Aug 19, 2025 @ 09:00 AM

Support: 3

Oppose: 0

I wish to comment: 0

| Name: | Email: | Zip: |
|---|---|---|
| Marc Nissle | kawainui69@yahoo.com | 96734 |
| Representing: | Position: | Submitted: |
| Self | Support | Aug 13, 2025 @ 02:42 PM |

Testimony:

Mahalo for taking the time to hear my concern regarding the misclassification of my primary residence for property tax purposes from 2017 to 2022.

I have been an owner-occupant of my home in Kailua since 2007. Despite this, my property classification was switched to “Residential A” in 2017 without my knowledge, after the assessed value exceeded $1 million. This change doubled my tax rate and resulted in significant overpayment over the years.

At no point was I notified that my classification had changed or that my Home Exemption had been removed. I continued to live in my home and meet all the criteria for the owner-occupant rate. Once I learned of the error in 2023, I immediately applied for the Home Exemption, which was granted. Unfortunately, the Department of Budget and Fiscal Services has denied my request for a refund of the overpaid taxes, stating that it is my responsibility to notice the error — despite the fact that the City caused or allowed the misclassification to occur in the first place.

This situation is both financially and ethically troubling. The City has benefited from my overpayment while acknowledging that I was, in fact, eligible for the lower rate all along. In fairness, I respectfully request the City issue a refund for the overpaid taxes from 2017 through 2022.

I ask for your support in addressing this matter, not just for myself, but for other residents who may also be misclassified without their knowledge. Our tax system should be fair, transparent, and accountable.

Mahalo nui loa for your attention and assistance.

Sincerely,
Marc Nissle
Kailua, HI

| Name: | Email: | Zip: |
|---|---|---|
| Ted Kefalas | tkefalas@grassrootinstitute.org | 96813 |
| Representing: | Position: | Submitted: |
| Grassroot Institute of Hawaii | Support | Aug 18, 2025 @ 12:00 PM |

| Name: | Email: | Zip: |
|---|---|---|
| Suzanne Young | anakama@wik.com | 96813 |

| Representing: | Position: | Submitted: |
| --- | --- | --- |
| Honolulu Board of REALTORS | Support | Aug 18, 2025 @ 02:53 PM |

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Removing barriers to Hawaii's prosperity

Aug. 19, 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 34 (2024) — RELATING TO REAL PROPERTY TAXATION

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

The Grassroot Institute of Hawaii offers **comments** on — and proposes **two amendments** to — Bill 34 (2024), which would adjust the tiers for the residential A, bed and breakfast and transient vacation property tax classes.

Grassroot would prefer that the Council not create additional tiers for each tax class. However, if the Council does decide to create new tiers, Grassroot believes it is critical that any tiers adopted by the Council be adjusted annually to reflect changes in property tax assessments.

Right now, the residential A tax classification includes all residential properties that are valued at more than $1 million and do not have a homeowner exemption. These properties face a tax rate of $4 per $1,000 for the first $1 million of their value and a rate of $11.40 per $1,000 for any value in excess of $1 million.

Bill 34 (2024) would increase the threshold for the residential A tax classification to $1.3 million and add another tier and a separate tax rate for any portion of a property's taxable value that exceeds $3.5 million.

The bill would also add tiers to the bed and breakfast class, with separate tax rates applying to the portions of a property valued up to $1.3 million, between $1.3 million and $3.5 million and more than $3.5 million.

The transient vacation tax class currently has a tier that starts at $800,000, with separate tax rates applying to the portions of a property's taxable value below and above that threshold. This measure would apply the same tiers to the transient vacation tax class as the bed and breakfast tax class — tiers of $1.3 and $3.5 million.

The history of the residential A tax class shows why adjusting tiers to assessed values is critical. First implemented in fiscal year 2016, the class originally applied to just 8,557 properties. That year, the average gross assessed value of homes in the residential and residential A classes was just $658,200.[1] Meanwhile, at that time, the median sales price in Honolulu for single-family homes was $735,000 and for condos $390,000.[2]

Today, there are 30,146 such properties in the residential A class, with the average gross assessed value for the residential and residential A classes is $1.013 million.[3] As of February 2025, the median sales price for single-family home prices was $1.185 million — an all-time high.[4]

If the residential A threshold had kept up with changes in assessed values, it would have been $1.539 million in fiscal 2016 — about 54% higher than it is now.

These ever-increasing sales prices and assessments could be the result of inflation or Hawaii's housing shortage, or both, but the practical effect is that Oahu property owners are constantly being moved into higher-taxed tiers, which not only punishes the property owners but also Oahu tenants.

When a property moves from the residential class to the residential A class, the owner faces a significant increase in tax payments, and these higher tax bills put upward pressure on rents.

As to our first amendment, Grassroot recommends the committee include language that automatically adjusts the value of these thresholds to changes in assessed values. This wording or something similar could be included at the end of Section 3 of the bill:

> (k) Notwithstanding any provision to the contrary, the tiers established in subjection (h) shall be annually adjusted. Before February 1 of each year, the department shall calculate the new tiers by dividing the gross assessed value of the residential and residential A classifications by the number of parcels in the classifications, comparing the result to the average gross value of parcels in these classifications for the previous year, and multiplying the rate of change by the old tiers. The result, rounded to the nearest $100, shall be the new tier for the classification for the next fiscal year.

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[1] "Number Of Records By Land Use Class For Tax Year 2015 - 2016," and "City and County of Honolulu Real Property Tax Valuation for Fiscal Year 2015 - 2016," Technical Branch, Real Property Assessment Division, Department of Budget and Fiscal Services, City and County of Honolulu.
[2] "Median & Average Sales Prices," Honolulu Board of REALTORS, accessed Aug. 15, 2025.
[3] "Number Of Records By Land Use Class For Tax Year 2025 - 2026," and "City and County of Honolulu Real Property Tax Valuation for Fiscal Year 2025 - 2026," Technical Branch, Real Property Assessment Division, Department of Budget and Fiscal Services, City and County of Honolulu, July 2025.
[4] Stephanie Salmons, "Median home prices on O'ahu hit new high," Aloha State Daily, March 10, 2025.

(l) Notwithstanding any provision to the contrary, the tiers established in subsection (i) and subsection (j) shall be annually adjusted. Before February 1 of each year, the department shall calculate the new tiers by dividing the gross taxable value of the classification by the number of parcels in the classification, comparing the result to the average gross value of parcels in the classification for the previous year, and multiplying the rate of change by the old tiers. The result, rounded to the nearest $100, shall be the new tier for the classification for the next fiscal year.

An example of this calculation would be as follows: If the residential A tier were set at $1.3 million and the average gross assessed value of properties in the residential and residential A classes increased by 5%, the tier for the next year would be $1.365 million.

As to our second amendment, Grassroot strongly supports setting the first residential A tier at $1.5 million, instead of $1.3 million — in line with the 54% increase outlined earlier.

Thank you for the opportunity to testify.

Ted Kefalas
Director of Strategic Campaigns
Grassroot Institute of Hawaii

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Testimony by Suzanne Young, CEO
Honolulu Board of REALTORS®

Bill 34 (2024)
Relating to Real Property Taxation

Committee on Budget
Val A. Okimoto, Chair
Scott Y. Nishimoto, Vice Chair

City Council Chamber
Tuesday, August 19, 2025
9:00 A.M.

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

Thank you for the opportunity to provide testimony on Bill 34 (2024). On behalf of our more than 6,800 members, the Honolulu Board of REALTORS® (HBR) and its City Affairs Committee express **support** for Bill 34 (2024), Relating to Real Property Taxation.

HBR believes the proposed amendments represent a much-needed update to property classification thresholds to reflect today's housing market conditions on O‘ahu.

When the Residential A property classification was introduced in 2014, it was designed to target high-value, non-owner-occupied residences. At that time, the median single-family home price on O‘ahu was less than $700,000. Since then, home values have risen sharply, with the median single-family home price now exceeding $1 million. As a result, many modest, multi-generational properties have inadvertently fallen under the Residential A classification—something that was never intended. The Residential A amendments help realign the policy, ensuring that only high-value, investment properties are classified as Residential A, consistent with the original intent.

HBR respectfully encourages the Committee to consider reviewing Residential A thresholds every 3–5 years, or alternatively, tying future adjustments to local real estate market trends. Useful benchmarks could include the UHERO Home Price Index for O‘ahu or DBEDT’s median home sale data. Linking threshold adjustments to such objective data sources will ensure that property tax classifications remain current, equitable, and reflective of market realities.

We appreciate the Committee’s thoughtful consideration of these amendments and stand ready to continue working together to keep policy aligned with the needs and realities of our local community.