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

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July 10, 2026

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

Dear Chair Okimoto and Councilmembers:

SUBJECT: Testimony on Bill 45 (2026) - Relating to Real Property Tax Home Exemption

Bill 45 proposes to increase the home exemption amount for taxpayers under age 65. The Department of Budget and Fiscal Services ("BFS") would like to provide comments and the current fiscal impact assessment.

Bill 50(2025)/Ord 25-043, effective July 1, 2027, which increased the home exemption by $20,000, for the same taxpayers targeted in Bill 45, has not yet been applied and has not affected the City's budget process. However, this proposal prematurely increases tax relief by another $20,000 for those under age 65, bringing the total exemption amount to $160,000, effective July 1, 2028.

When this proposal is coupled with Bill 50 (2025)/Ord 25-043, the net increase in the home exemption amount is 33.3%. This percentage increase is significantly disproportionate to recent increases in residential assessed values. 2024 residential values increased by 1.09%; 2025 by 1.68%; and 2026 by 0.89%.

Our records indicate approximately 70,700 home exemption claims, or 46% of the total count of 152,800, are for those under age 65. This represents an estimated loss of $4.95 million from Bill 50/Ord 25-043 and the same amount applicable under this proposal, for a cumulative estimated revenue loss of $9.9 million to the City, should tax rates and the number of claims remain the same in subsequent tax years. Any revenue loss is difficult to bear as the City's financial obligations continue to grow to cover

essential services, and significant collective bargaining unit pay and fringe increases projected at more than $50 million per year (on a compounding basis) from FY26 through FY29.

We urge the City Council to consider establishing a permitted interaction group to consider matters relating to real property taxation. Tax ordinance changes are best evaluated in unison with other active bills to avoid unintended consequences that could lead to fiscal impacts and administrative burdens.

If you have any questions, please feel free to call me at (808) 768-3901.

Sincerely,

Andrew T. Kawano
Director

APPROVED:

Krishna F. Jayaram, Managing Director Designate
Office of the Managing Director