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DEPARTMENT OF BUDGET AND FISCAL SERVICES
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CITY AND COUNTY OF HONOLULU

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August 10, 2026

The Honorable Tommy Waters
Chair and Presiding Officer
and Members
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawai'i 96813

Dear Chair Waters and Councilmembers:

SUBJECT: Testimony in Opposition to Bill 68 (2025) – Relating to Real Property Taxation: Amending the Definition of Income in ROH § 8-13.1

The Department of Budget and Fiscal Services ("BFS") strongly opposes Bill 68(2025), which proposes to amend the definition of income in ROH § 8-13.1. Specifically, the bill seeks to clarify that only the titleholder's income (and not the income of a non-titleholder who is included on a joint income tax return) will be considered when calculating income eligibility for the Real Property Tax Credit Program for Homeowners ("RPTC").

Currently, our RPTC includes all income reported on a joint return, regardless of whether joint filers are titleholders to the property. This approach simplifies processing and minimizes the need for additional documentation to separate and exclude income of the non-titleholder/spouse. If the bill is enacted as written, we would need to exclude the non-titleholder spouse's income – mainly income reported on IRS Form W-2 and all 1099s. While this may expand eligibility for some households, it would also introduce significant operational challenges and an administrative burden.

This may increase taxpayers' difficulty in providing timely and correct paperwork, therefore burdening our Tax Relief Section ("TRS") in the follow-up of missing supporting documents during the application review period of roughly two months after the deadline for the RPTC application. This added layer of complexity and busy work will increase the review and processing time, leading to more taxpayer correspondence and strain our capacity to deliver timely service unless additional staff resources are secured.

We anticipate confusion among taxpayers, particularly those who previously qualified under the existing rules. The majority of our applicants are elderly homeowners who rely on this tax credit due to their fixed incomes. They may not understand why their joint income is now

being treated differently, especially if they have filed the same way for years. This change will lead to frustration and a loss of trust in the program. We expect a significant increase in inquiries, appeals (due to frustration and confusion), and requests for assistance, which would further strain our limited resources. Further, Bill 68 (2025) could result in abuse (by refiling the lower income spouse in the real property assessment system) and further eroding our real property tax base.

Effective on July 1, 2024 [Ord. 23-22/Bill 37(2022) CD1], the program's income limit was increased from $60,000 to $80,000 and the Treasury Division encountered significant operational challenges and financial costs due to inadequate lead time, revised application forms, updated informational brochures, adjusted printing and mailing processes, and required responses to a surge in taxpayer inquiries. BFS' implementation effort required significant staffing hours and vendor support, straining internal resources. In comparison, the proposed Bill 68 (2025) will result in much more taxpayer work, confusion, frustration and mistrust, and a greater administrative burden on our TRS personnel versus our past experience related to Ord. 23-22/Bill 37(2022) CD1.

Since BFS is in strong opposition to Bill 68 (2025), we respectfully recommend that the Committee on Budget consider the taxpayer and administrative impacts and explore alternative approaches that could achieve the same goal with less disruption.

Thank you for the opportunity to provide testimony on this bill. If you have any questions, please call me at (808) 768-3901.

Sincerely,

Andrew T. Kawano
Director

APPROVED:

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