

Real Property Assessment Division

Department of Budget and Fiscal Services

City and County of Honolulu

Locations Hawaii

February 13, 2024

PRESENTATION OVERVIEW



City and County of Honolulu Department of Budget and Fiscal Services Real Property Assessment Division (“RPAD”)

-Steven Takara, Administrator

-Stuart Peterson, Assistant Administrator

-Background of Real Property Assessment Division

-Timeline/Important Dates

-Distribution of Real Property Tax Responsibilities

-Residential-A Classification

-Aron Kubo, Real Property Appraisal Officer

-Tax Relief

-ROH SEC. 8-7.5 CERTAIN PROPERTY DEDICATED FOR RESIDENTIAL USE

REVISED ORDINANCES OF HONOLULU (ROH) CHAPTER 8



ROH § 8-7.1(a) *The director of budget and fiscal services shall cause the fair market value of all taxable real property to be determined and annually assessed by the **market data and cost approaches** to value using appropriate systematic methods suitable for mass valuation of real property for taxation purposes, so selected and applied to obtain, as far as possible, uniform and equalized assessments throughout the county.*

ROH § 8-6.3 (a) *Real property shall be assessed in its **entirety** to the owner thereof,...to the lessee or the lessee's successor in interest holding the land..."*



DISTRIBUTION OF REAL PROPERTY TAX RESPONSIBILITIES

**PARCEL
VALUE**

x

**TAX
RATE**

=

**REAL
PROPERTY
TAX**

**Real Property
Assessment Division**
Determines valuation of
parcel. Administers
exemptions & dedications.

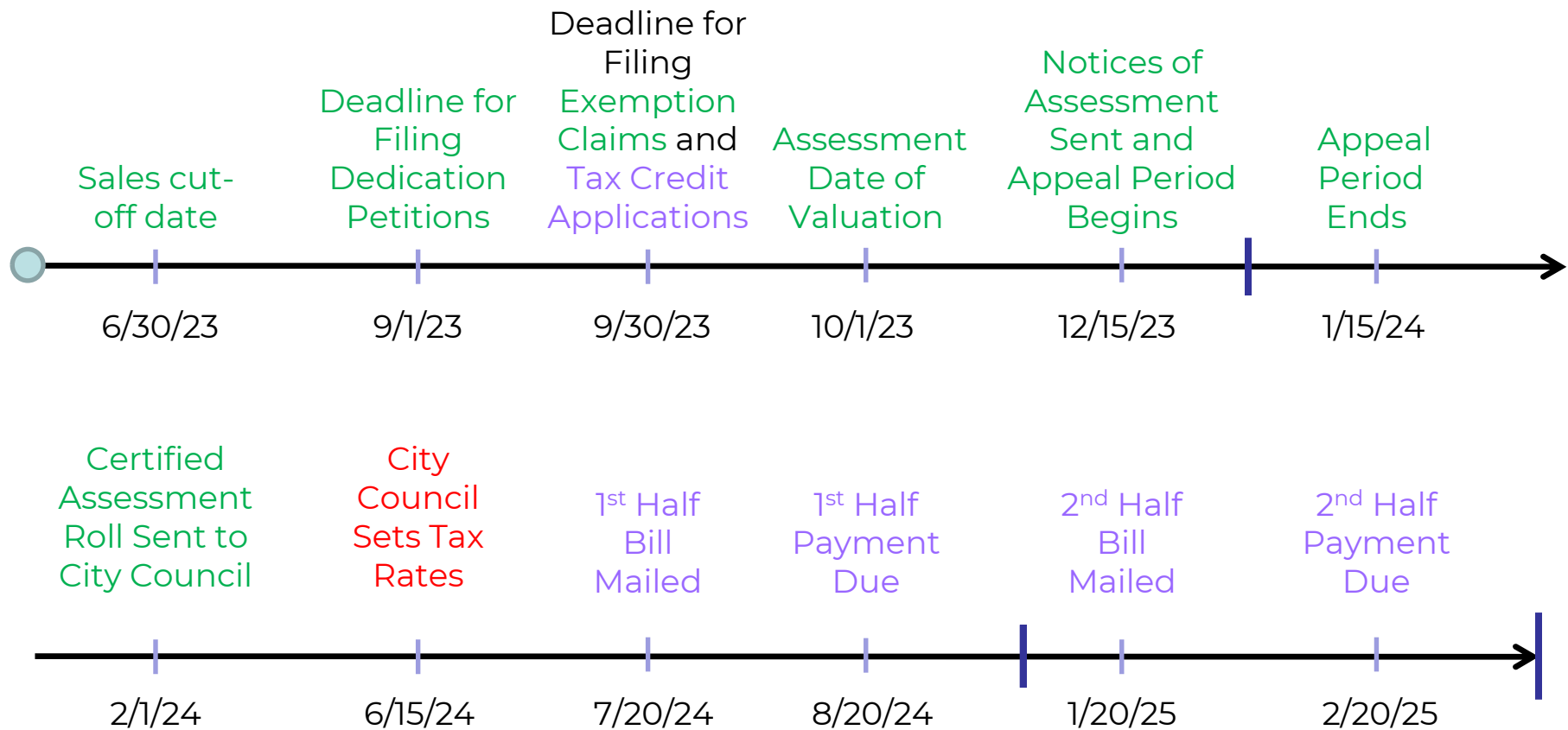
**Mayor proposes &
City Council adopts**
Sets tax rates
annually.

Treasury Division
Computes the taxes, then
bills and collects tax
payments.
Administers tax credits.



REAL PROPERTY TAX TIMELINE AND IMPORTANT DATES

For Tax Year from July 1, 2024 – June 30, 2025



RESIDENTIAL-A CLASSIFICATION



ROH 8-7.1(c)(4)

1) What is it and when does it apply?

(4) “Residential A” means a parcel, or portion thereof, which:

(A) Is improved with no more than two single-family dwelling units; and

(i) Has an assessed value of \$1,000,000 or more;

(ii) Does not have a home exemption; and

(iii) Is zoned R-3.5, R-5, R-7.5, R-10, or R-20 or is dedicated for residential use;

(B) Is vacant land zoned R-3.5, R-5, R-7.5, R-10, or R-20 and has an assessed value of \$1,000,000 or more; or

(C) Is a condominium unit with an assessed valuation of \$1,000,000 or more and does not have a home exemption.

Residential A excludes any parcel, or portion thereof, improved with military housing located on or outside of a military base. 6

RESIDENTIAL-A CLASSIFICATION



ROH 8-7.1(c)(4)

2) How do the Residential-A tiers work?

The first million of value is taxed at \$4.00 per thousand of value. The amount over \$1M is taxed at \$11.40 per thousand of assessed value.

3) Does Res A apply to all zones? Are there any exceptions?

Res-A applies only to zones R-3.5, R-5, R-7.5, R-10, or R-20, or properties dedicated for residential use (within an apartment, apartment mixed use, resort, business, business mixed use, industrial, or industrial mixed use district; or if it is in the Waikiki special district, is zoned apartment mixed use sub-precinct, resort mixed use precinct, or resort-commercial precinct; or is in a transit-oriented development special district pursuant to § 21-9.100

TAX RATES FOR TAX YEAR 2023-24



(July 1, 2023 to June 30, 2024)

applied to per \$1,000 of net taxable

Residential:	\$3.50	Hotel and Resort:	\$13.90
Residential A		Vacant Agricultural:	\$8.50
Tier 1 (up to \$1M):	\$4.00	Agricultural:	\$5.70
Tier 2 (> \$1M):	\$11.40	Preservation:	\$5.70
Commercial:	\$12.40	Public Service:	\$0.00
Industrial:	\$12.40		
B & B Home	\$6.50		

*Changes approved by City Council via Resolution 23-33

REAL PROPERTY TAX CALCULATIONS



Example 1, with home exemption

Total Assessed Value: \$1,600,000
Home Exemption: \$120,000
Classification: Residential
Tax Rate: \$3.50 per \$1,000 net taxable

$$\begin{array}{rcc} \text{Total} & & \text{Net} \\ \text{Value} & \text{Exemption} & \text{Taxable} \\ \$1,600,000 & - \$120,000 & = \$1,480,000 \end{array}$$

$$\$1,480,000 \div \$1,000 = \$1,480 \times \$3.50 = \mathbf{\$5,180.00 \text{ Taxes}}$$

Value of a Home Exemption

$$\$120,000 \div \$1,000 = \$120 \times \$3.50 = \$420.00$$

$$\$160,000 \div \$1,000 = \$160 \times \$3.50 = \$560.00$$

REAL PROPERTY TAX CALCULATIONS



Example 2, without home exemption

Total Assessed Value: \$1,600,000
Home Exemption: **\$0**
Classification: **Residential A**
Tax Rate:
Tier 1 (up to \$1M): \$4.00 per \$1,000 net taxable
Tier 2 (> \$1M): \$11.40 per \$1,000 net taxable

<u>Total Value</u>	<u>Exemption</u>	<u>Net Taxable</u>
\$1,600,000 -	\$0	= \$1,600,000

$$\$1,000,000 \div \$1,000 = \$1,000 \times \$4.00 = \$4,000.00$$

$$\$600,000 \div \$1,000 = \$600 \times \$11.40 = \$6,840.00$$

$$\$4,500.00 + \$6,840.00 = \mathbf{\$10,840.00 \text{ Taxes}}$$

Difference of \$5,660.00 in Taxes (109%)

TAX CREDITS, EXEMPTIONS, & DEDICATIONS



- Tax credits, Exemptions, and Dedications are all forms of tax relief.
- Tax credits such as the \$350 one-time tax credit recently passed in Bill 14 and the Automatic sprinkler tax credit are handled by the Treasury Division.
- Exemptions and Dedications are handled by the Real Property Assessment Division (“RPAD”). We feel realtors should be familiar with both, how to look them up, and how to explain them to their clients.
 - **Exemptions** are something a taxpayer/owner may qualify for, which reduces the taxable value of a property. One example, the home exemption, will reduce the taxable value of a home by \$120k for those who qualify and will increase if you are 65 years of age or older. The deadline to file is September 30 preceding the tax year.
 - **Dedications** are essentially a promise by the owner to use their property in a certain way for a set amount of years in order to receive tax relief. The most common Dedication is the Residential Use Dedication, which there are about 2,700 approved for TY:2024.

ROH SEC. 8-7.5 CERTAIN PROPERTY DEDICATED FOR RESIDENTIAL USE



1) What is a Residential Dedication? How long has this benefit been available? How does it benefit the subject property owner? What are the restrictions for the Residential Dedication?

The Residential Use Dedication Program has been around for over 50 years. It benefits the property owner by allowing the property to be taxed at the residential or residential A tax rate, which is usually lower than the rate of the underlying zoning. (i.e. commercial, industrial, hotel etc....)

The owner of a parcel may dedicate the parcel for residential use and have the property classified as residential and assessed at its value in residential use, provided that the property:

- (1) Is within an apartment, apartment mixed use, resort, business, business mixed use, industrial, or industrial mixed use district; or if it is in the Waikiki special district, is zoned apartment mixed use sub-precinct, resort mixed use precinct, or resort-commercial precinct; or is in a transit-oriented development special district pursuant to § 21-9.100;
- (2) Is used exclusively for residential use, except that a portion of the property may be used for nonprofit purposes pursuant to § 8-10.9; and
- (3) The parcel is improved with one or more detached dwellings, as defined in § 21-10.1 or with one or more apartment buildings or with both dwellings and apartment buildings or is a condominium unit that is legally permitted multiple uses including residential use and is actually and exclusively used as a residence; or
- (4) A condominium parking unit or a condominium storage unit that is used in conjunction with a unit in residential use within the project.

ROH SEC. 8-7.5 CERTAIN PROPERTY DEDICATED FOR RESIDENTIAL USE



2) How does the homeowner apply? When is the application due?
When will the reduced taxes take effect?

One may file a petition to dedicate their property on by mail, or in person. The dedication form is available online at www.realpropertyhonolulu.com. The filing deadline is September 1st of the year preceding the tax year.

Example: If an owner files by September 1, 2024 and is granted the dedication, they will see it on their Notice of Assessment issued in December, 2024 for the 2025 tax year starting July 1, 2025.

ROH SEC. 8-7.5 CERTAIN PROPERTY DEDICATED FOR RESIDENTIAL USE



3) How long does the dedication last? Will I receive a renewal form/reminder, or does it automatically renew?

The approval of the petition by the director to dedicate shall constitute a forfeiture on the part of the owner of any right to change the use of such person's property for a minimum period of five years, automatically renewable thereafter for additional periods of five years subject to cancellation by either the owner or the director.

ROH SEC. 8-7.5 CERTAIN PROPERTY DEDICATED FOR RESIDENTIAL USE



4) What happens when I sell the property? Does the dedication transfer to the new owner?

Upon sale or transfer of the dedicated property, the dedication shall continue for the remainder of the five-year dedication or latest five-year renewal subject to all restrictions and penalties. Upon expiration of the fifth year the dedication will not automatically renew and will be canceled by the director.

ROH SEC. 8-7.5 CERTAIN PROPERTY DEDICATED FOR RESIDENTIAL USE



5) If the new owner submits an application upon closing the purchase, will the existing 5-year period “refresh” for the new owner OR will the new application/dedication go into effect after existing dedication expires?

A new five-year period will begin with the new filing reflecting the new owner.

6) Will my tax bill/notice reflect the dedication **and** the expiration of the dedication?

No, the tax bill will not reflect if or when the dedication expires, however if approved, it will reflect the new classification of the property granted under the dedication. For specific expiration end year, please contact our office at 808-768-3799.

ROH SEC. 8-7.5 CERTAIN PROPERTY DEDICATED FOR RESIDENTIAL USE



7) I just purchased a property with a residential dedication which expires in 3 years. I plan to use the property as a short-term rental; what are the penalties for violating the restrictions on use? (please use a chart to show the penalties that will be charged)

Failure of the owner to observe the restrictions on the use of such person's property shall cancel the dedication retroactive to the tax year preceding the tax year in which the breach of the dedication occurs, and all differences in the amount of taxes that were paid and those that would have been due from assessment in the higher use shall be payable with a 10 percent per year penalty retroactive to the tax year preceding the tax year in which the breach of the dedication occurs.



ROH SEC. 8-7.5 CERTAIN PROPERTY DEDICATED FOR RESIDENTIAL USE

Example if breach of dedication occurs on March 1, 2024, tax year 2023.				
	2022	2023		Amended*
				2024
Value	\$750,000	\$800,000		\$850,000
Residential Rate	\$3.50	\$3.50		\$3.50
Taxes	\$2,625	\$2,800		\$2,975
Value	\$750,000	\$800,000		\$850,000
Commercial Rate	\$12.40	\$12.40		\$12.40
Taxes	\$9,300	\$9,920		\$10,540
Difference	\$6,675	\$7,120		\$7,565
10% Penalty	\$668	\$712		\$0.00
TOTAL	\$7,343	\$7,832	\$15,175	\$7,565
Tax year is July 1-June 30			*if tax rates remain the same	
Tax year 2023 = 7/1/2023 - 6/30/2024				

ROH SEC. 8-7.5 CERTAIN PROPERTY DEDICATED FOR RESIDENTIAL USE



8) I just purchased a property, and I did not know there was a residential use dedication attached until I received my tax bill. Will an appeal help me by waiving all or a portion of the tax increase since the seller did not disclose the dedication?

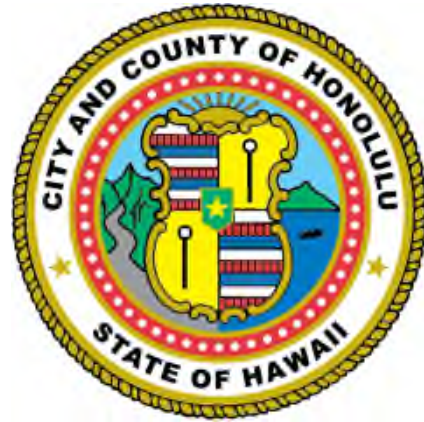
RPAD cannot comment for the Board of Review as they are a separate and neutral third-party. This issue is between the buyer and the seller, and there are no provisions under the ROH that allow RPAD to waive taxes due to the above circumstances.

ROH SEC. 8-7.5 CERTAIN PROPERTY DEDICATED FOR RESIDENTIAL USE



9) What is the difference between the two lists on the Tax website:
1) Buildings Impacted by Ord. 17-13 and 2) Residential Dedication List 2024?

The list of buildings impacted by 17-13, shows the condominium projects which would NOT be classified as residential or residential A without a Dedication. The 2nd list: "2024 Residential Dedication List", shows all properties in the County of Honolulu which applied for and were granted a Residential Use dedication. These properties will be classified as Residential or Residential A rather than their default highest and best use.



Real Property Assessment Division

Department of Budget and Fiscal Services

City and County of Honolulu

Mahalo!

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Recently **Refreshed** Website:

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