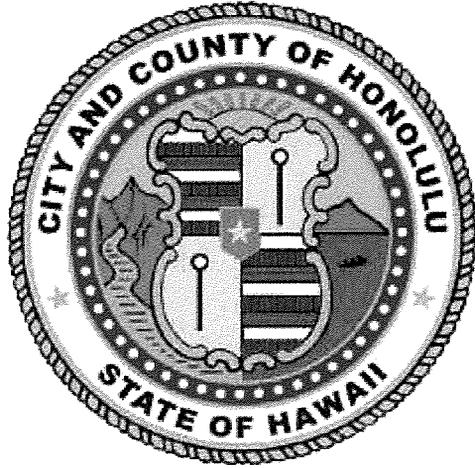


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**Preliminary Report of the Real Property Tax  
Advisory Commission**

**December 2011**

At the request of the City council, seven citizens were requested to undertake an objective review of the City & County of Honolulu's real property tax system. More specifically, the Council directed that "the commission shall conduct a systematic review of the City's real property tax system's classes, exemptions, credits and minimum property tax, using such standards as equity and efficiency and starting with an initial review of exemptions."

### *Prologue*

The Commission wishes to make it known that it took its charge seriously and without bias to any special interest. While some members, no doubt, represent specific special interests, all were asked to put those interests aside in the Commission's attempt to understand the genesis and rationale for the plethora of exemptions which riddle the Honolulu Real Property Tax ordinance. The Commission recognized that many of the current exemptions came about as a result of political pressure and constituency dissatisfaction in bearing the real property tax burden.

The Commission received numerous comments from the public all of which are attached as a part of this report. Recognizing that many of its members gave of time from their already busy schedules, the Commission's meetings were kept within promised time limits and in many cases adjourned with discussions left incomplete. However, with the limited window of opportunity for open and candid discussion and allowing for ample input from the staff whose task it is to execute the policies established by prior state laws and Councils, the Commission believes that its review has been objective and evenhanded. While the Commission recognizes that many of its recommendations may not be politically popular or acceptable to various special interests, it believes that the sum of its recommendations makes the real property tax system far more fair and equitable as well as transparent.

With no preset or hidden agenda other than to take its charge from the Council's resolution to heart in its quest for equity and efficiency, the Commission consistently measured each exemption or deduction it discussed against the six principles of good tax policy outlined in its report. The Commission also recognized that the real property tax is indeed an ad valorem tax, that is a tax based on the value of the real property of the owner. The tax itself is the product of this value multiplied by the rate set each year by the City Council.

The Commission recognizes that rising property values are a matter of market forces and that with a finite source of urbanized land, values in Hawaii, especially in Honolulu, will continue to rise. While this is an often-heard complaint of long-time homeowners, they nonetheless have the ability to leverage that appreciated value or dispose of the appreciated value and reap the benefits of that appreciation. The Commission also notes the concern of some members that the recent failure of the Congressional "Super Committee" to adopt a reduction in federal spending will trigger automatic cuts to federal spending beginning in 2013. With Hawaii's heavy dependence on defense expenditures and with a large presence of federal and civilian personnel, such reductions in federal expenditures could have a substantial impact on the real estate values in Honolulu should demand for housing by those federal employees disappear.

On the other side is the argument that many long-time homeowners have no intention to divest their property in return for the unrealized gains their appreciated property represents. Many of these property owners are elderly and argue that because of their age or disability or fixed income they should be entitled to a bigger tax break. However, the same argument could be made for those who are just beginning their tenure in a home, because of their young age, they have rather limited earning capability, do not have other assets, or may have other indebtedness that the elderly no longer have. To that end, one of the Commission's more controversial recommendations raises the issue of what blanket exemptions attempt to achieve.

Critics of the repeal of the home exemption and the multiple, age-based home exemption need to ask the same question that Commission members asked and that is whether or not there is a direct correlation between physical condition and the need for tax relief. The Commission believes that critics must take an objective view of whom the taxpayer is and not base their assumptions on a quid pro quo that just because one is elderly or disabled that the person is necessarily poor. The Commission was made aware of several past examples of persons who were disabled, for example, who were subject to more lenient treatment under other State tax laws had, in fact, substantial wealth and income that was then granted preferential treatment. Unless critics can prove that there is a direct link between age or physical condition and the need for additional tax relief, those exemptions cannot be justified.

The other point that the Commission would like to reiterate is that when such blanket exemptions are granted, those who are beneficiaries come to assume that the City can continue to provide the same level of services without cost to anyone. That is just not true. Someone must pay for the services that are provided to beneficiaries of the blanket exemptions. Taxpayers who are not so favored with a blanket exemption must pick up the cost of providing those services.

Thus, one of the misconceptions that such blanket exemptions create is the assumption that more City services can be provided because it is not costing a particular beneficiary group anything or very little for these City services. Thus, the accountability relationship between those who pay for those services and those who benefit is lost.

The Commission acknowledges that many who have been granted preferences (exemptions) under the current law will resist any attempt to reduce or eliminate those preferences; however, those beneficiaries must also acknowledge that they are also beneficiaries of City services. Those services must still be paid for out of what resources the City has collected from those not so favored. Thus, if many of these preferences are not curtailed or constrained and the cost of providing City services continues to rise, the burden of paying for those services must be shifted to all real property taxpayers who don't enjoy similar preferences. Thus, reducing or eliminating many of these exemptions will help to spread the cost out over all those who benefit from the services provided by the City and paid out of real property taxes. That being said, the Commission also wants to go on record that its recommendations to bring fairness and efficiency to the real property tax system should not provide license to elected officials to realize a windfall of new revenues while providing little or no tax relief to those who have been paying the tab all these years as Councils, both past and present, increased the number of exemptions. In other words, broadening the base of the real property tax should be utilized to

either reduce real property tax rates on current taxpayers or minimize any increase in rates for currently taxable property.

While it was not within the purview of the Commission's charge, the Commission notes that County expenditures must also be constrained and reined in as well. It was not the Commission's task to merely find ways to raise more money but to bring efficiency and equity to the real property tax system. Thus, the Commission believes that it is the Council's responsibility to address the spending side of the ledger.

Finally, the Commission wants to extend its appreciation to the Department of Budget and Fiscal services, in particular to Director Mike Hansen and his staff of the Real Property Assessment Division, its chief, Gary Kurokawa, Robin Freitas, and Bob Magota for all of the technical support and information they provided to the Commission. The Commission also extends its appreciation to the Office of Council Services who provided staff support and coordination for the Commission's meetings.

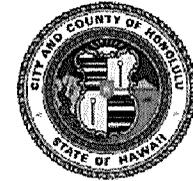
## **THE MISSION AND THE SETTING**

Charged with the goals of returning equity and efficiency to the system, the Commission recognized that after many years of amendment and political pressure the system had been riddled with numerous exemptions, exclusions, and dedications which had eroded the tax base and shifted the burden of taxation to categories of property that had not been so favored. As a result, accountability and transparency had been lost to the extent that many taxpayers do not know where their real property taxes were being spent. Others assumed that since they paid little or no real property taxes they could expect more and more in City services and facilities.

In an effort to place all members of the Commission on the same page, the members initially spent several sessions learning about the real property tax system as it exists currently. With the assistance of the Director of Budget and Fiscal Services and the head of the Real Property Assessment Division, Commission members had the opportunity to learn about the sources of the City's revenues, the large role that real property tax plays in the revenue picture and where those revenues are spent. The real property tax accounts for just over 68% of the City's general fund revenue (see Table #1). At the same time, the Commission also learned about the services that the real property tax revenues help to underwrite for the City (see Table #2).

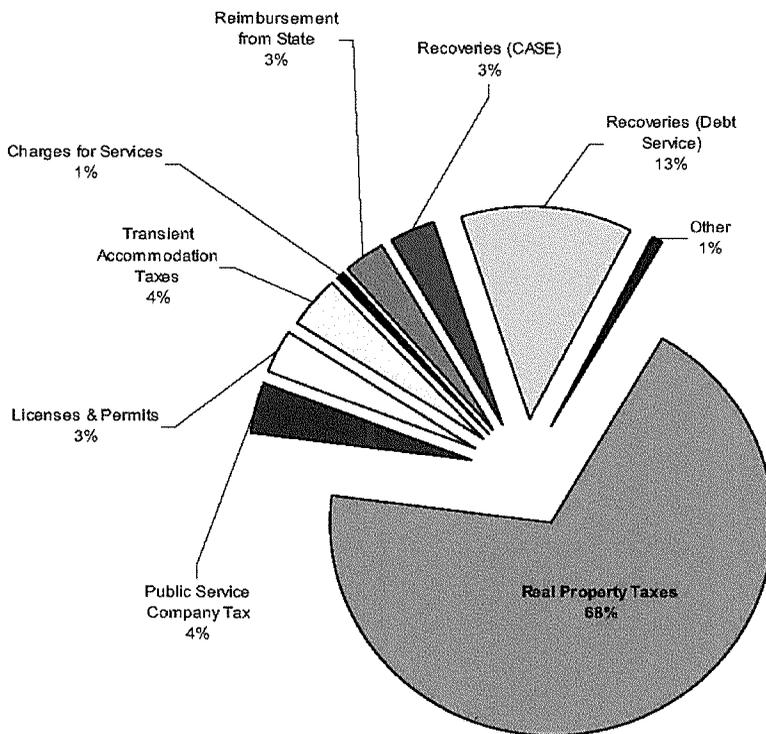
The Commission learned about the numerous exemptions under the law, the estimated financial impact of foregone revenue as a result of those exemptions (See Table #3). In doing so, the Commission also learned about those exemptions that were inherited from the state when the real property tax was transferred from the state to the counties as a result of the change in the state constitution that turned over the responsibilities for the tax at the 1978 Constitutional Convention and those which have been added since the County took over the complete responsibility for the real property tax.

Table 1



# Real Property Tax Revenue

General Fund Revenue (FY2012)



- ❖ Primary source of General Fund revenue
- ❖ 68% of the City's General Fund revenue derived from real property taxes
- ❖ In FY2012, the City expects nearly \$800 million in real property tax revenue

Source: FY2012 Budget

Table 2

**Where the City Spends Its Dollars**  
**FY 2012 Operating Appropriations**  
**General Fund Only**  
**\$1,085,483,963**

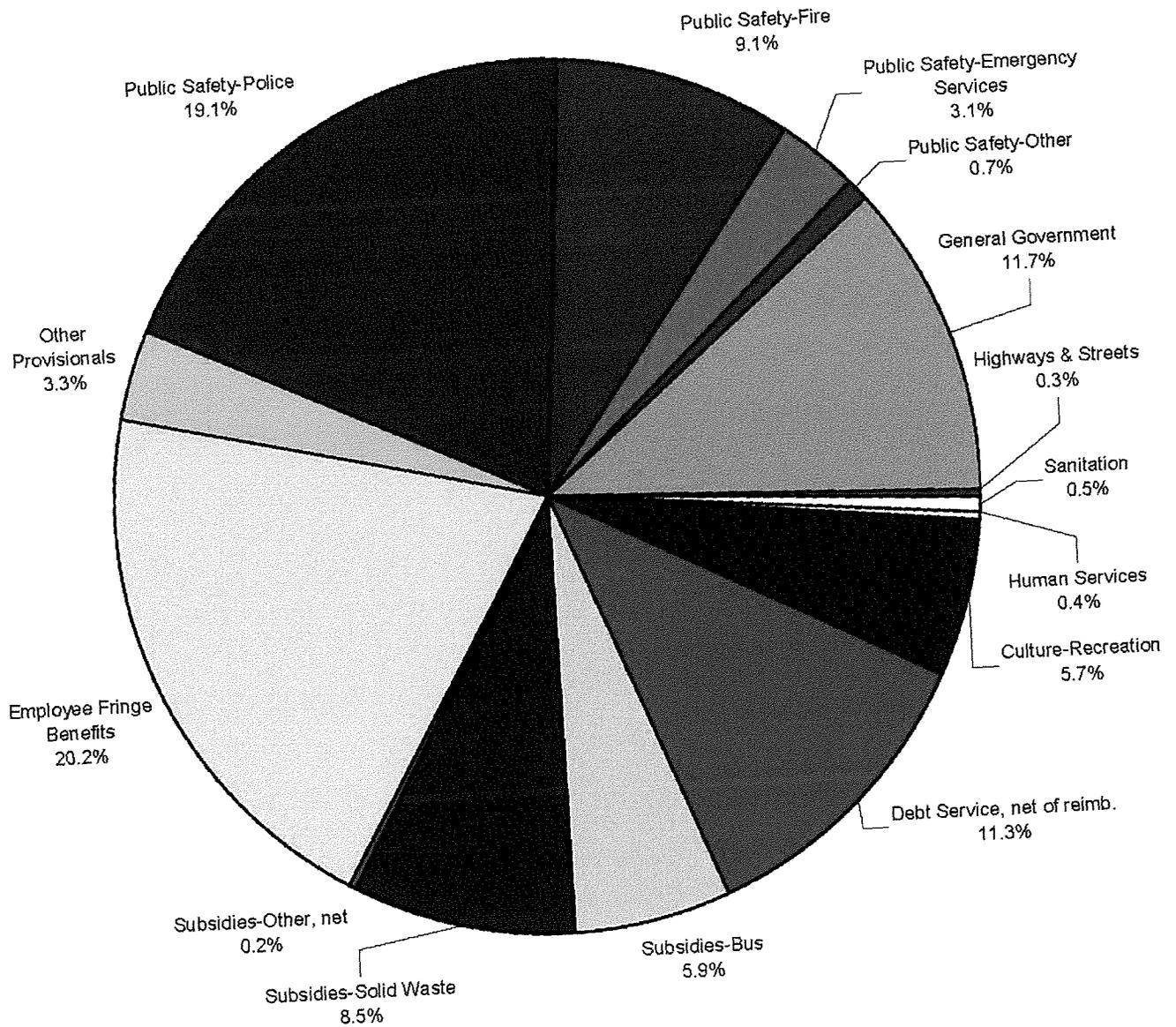


Table 3

(In Thousands of Dollars)

ROH Section	Type of Exemption	Count	Total Exempted Valuation	Tax Benefit
<b>Taxable:</b>				
8-10.4	Homes	144,092	\$14,093,897	\$49,329
8-10.6	Homes of totally disabled veterans	940	\$515,002	\$1,804
8-10.7	Persons affected with leprosy	3,271	\$81,831	\$290
8-10.8	Persons with impaired sight or hearing and persons totally disabled			
8-10.9	Nonprofit medical, hospital indemnity association	77	\$673,680	\$7,646
8-10.10	Charitable purposes	1,709	\$4,013,464	\$25,919
8-10.12	Crop Shelters	23	\$2,968	\$17
8-10.13	Dedication ( Dedicated lands in urban districts)	16	\$29,986	\$175
8-10.20	Low-income rental housing	273	\$1,583,272	\$6,617
8-10.22	Dedication (Historic - Residential)	255	\$282,947	\$990
8-10.23	Other exemptions (Hawaiian Home Land Lease)	2,978	\$1,333,795	\$4,682
8-10.24	Credit Union	77	\$118,894	\$1,473
8-10.25	Slaughterhouses	1	\$2,787	\$16
8-10.26	Qualifying construction work	15	\$62,406	\$774
8-10.27	Public service (Public utilities)	496	\$789,452	\$13
8-10.30	Dedication (Historic - Commercial)	5	\$24,644	\$305
8-10.32	Kuleana land	37	\$23,775	\$91
8-10.33	For-Profit Child Care Center	3	\$4,436	\$55
<b>Subtotal (Taxable)</b>		<b>154,268</b>	<b>\$23,637,236</b>	<b>\$100,196</b>
<b>Non-Taxable:</b>				
8-10.17	Exemption - Public property (Federal - Fee)	403	\$6,069,179	\$40,041
8-10.17	Exemption - Public property (State - Fee)	3,252	\$11,408,598	\$98,743
8-10.17	Exemption - Public property (County - Fee)	2,138	\$4,873,719	\$34,485
8-10.17	Exemption - Public property (Civil - Condemnation)	26	\$30,837	\$296
8-10.17	Exemption - Public property (Roadway & Waterway)	3,043	\$10,954	\$49
8-10.17	Exemption - Public property (Setback)	12	\$108	\$0
8-10.17	Exemption - Public property (Consulates)	29	\$38,139	\$134
8-10.23	Other exemptions (Hawaiian Home Land - Fee)	865	\$982,081	\$3,597
8-10.23	Other exemptions (Hawaiian Home Lease -7 years)	329	\$171,983	\$598
<b>Subtotal (Non-Taxable)</b>		<b>10,097</b>	<b>\$23,585,598</b>	<b>\$177,943</b>
<b>Total - Exemptions</b>		<b>164,365</b>	<b>\$47,222,834</b>	<b>\$278,139</b>

The Commission also learned about how the law directs that all real property be assessed at its highest and best use which in many cases provides the impetus for many of the exemptions or preferential assessment approaches available under the law. It also learned that some of the exemptions which came over from the state have not been altered since they were transferred from the state law. It also learned that as a result of a provision in the state constitution, many of those exemptions were prohibited from being altered for a period of eleven years after the transfer of the tax from state jurisdiction to county control. As a result, little, if no, attention has been devoted to a review of those exemptions since the transfer of the tax laws. As a result, the relevance of these exemptions has never been questioned until now.

Finally, as a result of the Congressional "Super Committee's" failure to come to terms on how to reduce the federal government's spending, automatic reductions in federal expenditures to the tune of \$1.3 trillion will be initiated beginning January 1, 2013. With Hawaii's heavy dependence on federal defense expenditures, there will, no doubt, be severe effects for Hawaii's economy. One possibility will be a reduction in the presence of federal defense personnel in Hawaii. That being the case, there will, no doubt, be a reduction in demand for civilian housing despite the fact that many military families live on military reservations. But even as those units are vacated, those families who rented or owned in the civilian market will take the opportunity to relocate to military reservations, especially if subsidies for civilian rentals are reduced or eliminated.

Similarly, the Commission also acknowledges that federal subsidies for housing such as the Section 8 program will reduce the attractiveness of rentals at market rates, thereby reducing the potential value of those properties. That being the case, the Commission anticipates a possible decline in real property values in the worst case scenario or at the very least, instability in the real estate market.

This gives the Commission rise for concern about the stability of the real property tax over the next few years and should provide an impetus for the Council to seriously consider the recommendations the Commission makes below in an attempt to stabilize the revenues from the real property tax by spreading the cost of operating the City over a broader base that will allow lower rates for all taxpayers.

## **GOOD TAX POLICY**

After learning of the exemptions and other preferences granted to certain real property taxpayers, Commissioners believed that they needed some standard by which to measure the efficacy of each of the current exemptions. Commissioners looked for generally accepted standards of what constitutes good tax policy. Noting that the 1989 Tax Review Commission had established criteria which are generally accepted measurements of what constitutes good tax policy, the criteria was discussed by the Commission and accepted as the criteria by which to measure whether or not many of the exemptions and other preferences of the real property tax law meet these standards. These standards or criteria include:

- **Equity.** The tax burden should be fairly shared. Fairness is understood to mean that taxes should be borne: (1) by the person who receives the benefit of a government service (the benefit principle) or; (2) by those with the means (the ability-to-pay concept). Taxpayers in similar circumstances should be taxed alike (horizontal equity), and taxpayers in unequal circumstances should be taxed on the basis of their ability to pay (vertical equity).

Income is the most commonly used measure of ability to pay. A tax structure is said to be “progressive” when the tax burden varies directly with income (borne to a greater extent by higher income taxpayers), “regressive” when the burden is inversely related to income (disproportionately borne by lower income taxpayers), and “proportional” when there is no change in burden as income changes.

- **Adequacy.** The tax system should generate sufficient tax revenues to meet government obligations and to fund spending plans. The other side of the adequacy standard is that, after allowing for normal fluctuations, the system should not produce tax revenues in excess of what is needed.
- **Stability.** The tax system should provide a stable and predictable flow of tax revenues. It should minimize the need for frequent or radical adjustments as economic conditions change and allow the government and taxpayers to make their plans with some certainty as to the impact of taxes. Unlike the State where rates are rarely changed, the City council annually sets the rates for the various categories of real property, rising or falling with the change in real property valuations and the demands of the spending programs of the City. Given this process, few changes should be made on an on-going basis to the structure of the real property tax as frequent change merely creates uncertainty for taxpayers and instability to the structure insofar as the sources of revenues.
- **Economic Neutrality (Efficiency).** The tax system should not interfere with private economic decisions. Taxpayers should not be inclined to structure their activities for the purpose of avoiding a tax or gaining a tax advantage. They should be able to compete on a “level playing field” where taxes do not confer an advantage on one party over another. Creating preferential treatment, as do many of the current exemptions only encourages property owners to devise ways to reduce their exposure to the tax creating inefficiencies in the use of the property.
- **Simplicity.** The tax system should not be unduly difficult for taxpayers to comply with or for the government to administer. The cost of compliance and administration should not be out of proportion to the means at hand or the amount of tax involved. However, this does not prevent the law from requiring those who receive preferential tax treatment under the law to provide information justifying the preferential treatment.
- **Competitiveness.** The real property tax system of the City & County of Honolulu should compare favorably with the tax systems of other counties so that it does not discourage people from living in this county as opposed to other counties in the State or for that

matter in other jurisdictions where real property taxes are an economic and financial consideration for living in that jurisdiction or conducting business here.

Utilizing these guiding principles of good tax policy, the Commission undertook a review of the nearly three-dozen exemption and dedication provisions of the County's real property tax ordinance and arrived at some overall conclusions.

## **WHO SHOULD PAY?**

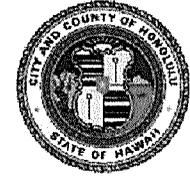
- Given that all taxpayers - be they individuals, businesses, or organizations - benefit from any variety of services provided by the City & County of Honolulu, all owners of real property should pay for the cost of these services based on their ability to pay or on their providing a public good that benefits the community at large.
- Preferences under the real property tax law should not be conferred merely because a property falls into a certain category of use or the property owner bears a certain characteristic be it a physical disability, age, or type of use of the real property.
- The Commission recognizes that certain preferences exist because of superior law which mandates that special consideration be given to these types of properties. Obviously federal and state properties are exempt because of superior law, but the Commission also recognizes that other laws override the County's ability to tax these properties. Among these is the first seven years of a Hawaiian Homes lease or where another tax is levied in lieu of the real property tax such as the Public Service Company tax which is levied in lieu of the real property tax on the gross income of public utilities, and foreign consulate real property.
- On the other hand, numerous exemptions and preferences were inherited from the state statute prior to the transfer of the responsibilities for the real property tax in 1978. Since many of these provisions had to be retained for an eleven-year period following the transfer of responsibilities for the tax, many of these were not subject to review over the years. The Commission finds that many of these preferences are obsolete and should be repealed. Among them is the exemption for the manufacture of pulp and paper products and the exemption for manufacturing facilities and equipment.
- Similarly, the Commission questioned the provisions which seem to confer preferences on facilities or structures that might otherwise be considered personal property. Among these provisions are those for alternate energy improvements and pollution control facilities. While it is understandable that these facilities might be considered real property, the Commission believes that a clarification of what constitutes real property as opposed to personal property might help assessors in determining what should be included for the purpose of the tax. It would appear that anything that is integral to the structure or the improvement should be considered real property as opposed to elements which, if removed, would not jeopardize the integrity of the facility or structure.

- Finally, the Commission believes that tax relief should be provided to those who truly do not have the ability to pay their fair share of the real property tax burden. The Commission recognizes that many real property owners have encumbered liabilities as a result of increases in valuation of surrounding properties through no fault of their own. While some may argue that if such property owners no longer can afford the rising tax bills as a result of increasing values, they can divest themselves of the property. While that may be an option for nonresidential properties, those who are homeowners may not find that as an option, especially the elderly who may have occupied the property for the majority of their life. To that end, the Commission notes that the City & County already has a mechanism to provide relief to homeowners based on their ability to pay. Although the tax credit has its challenges, insofar as recognizing the need for tax relief, it is far superior to the blanket home exemption which is afforded regardless of an indication of the need for relief.

While the Commission raises the question of “who should pay” in its review of exemptions extended under the real property tax, the Commission would also like to note that over the years the shift in the tax burden with respect to who should pay has also affected the various categories of taxable real property. In a review of Table #4, the Council will note that while residential property accounts for more than 80% of the net assessed value of real property in the County, it contributes just over half of the actual tax dollars collected. Thus, the burden of paying for county services is shifted from residential to non-residential categories of property. Similarly, broad exemptions like those that will be discussed below shift the burden of paying for county services from those who are beneficiaries of the exemption to those who are not so favored.

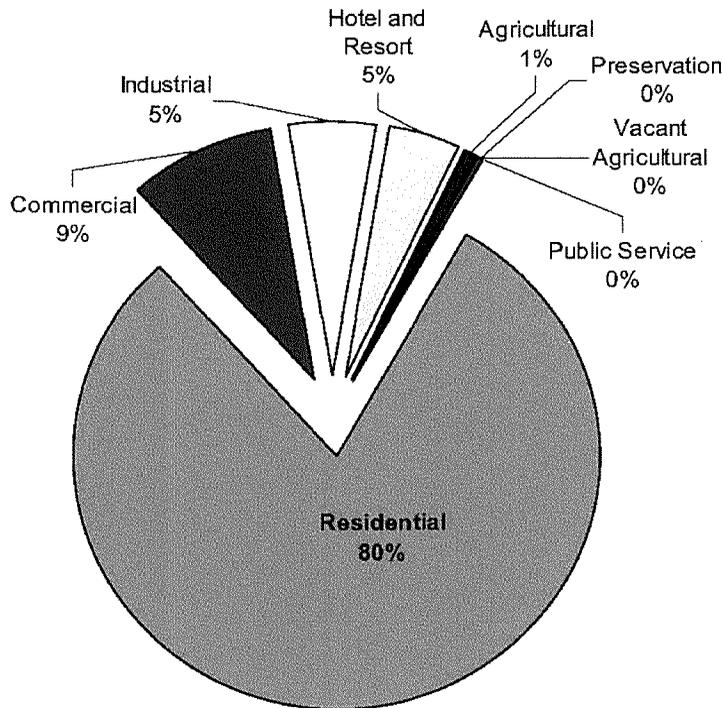
With the foregoing as a frame of reference, the Commission would like to review some of its observations and make recommendations to the City Council to consider in reforming the real property tax system for the City & County of Honolulu. The Commission attaches an exhibit of all real property tax exemptions across all four counties as a reference of what preferences have been granted to which group of taxpayers (see Table #5).

Table 4

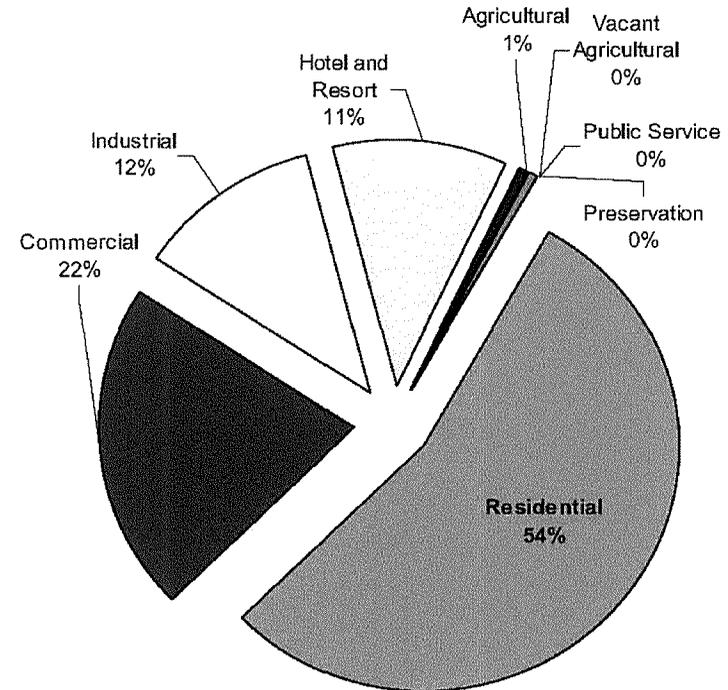


# Net Valuation and Taxes Raised by Class

Net Valuation by Class (FY2012)



Taxes Raised by Class (FY2012)



12

Resolution 07-060, CD1: policy to set real property tax rates based on percentage of net revenue (55% residential and 45% non-residential excluding agricultural, vacant agricultural, preservation and public service)

Table 5

NUMBER and AMOUNT of EXEMPTION by TYPE and COUNTY for FISCAL YEAR 2011-12										
(Amounts in Thousands)										
Type of Exemption	HONOLULU C&C		MAUI COUNTY		HAWAII COUNTY		KAUAI COUNTY		STATEWIDE	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Federal Government	403	6,069,179	83	44,361	99	169,941	38	49,157	623	6,332,638
State Government	3,252	11,408,597	1,282	1,812,919	2,548	1,614,596	1,160	898,311	8,242	15,734,423
County Government	2,138	4,873,719	489	412,104	902	255,454	343	359,818	3,872	5,901,095
Government Leases - Total	0	0	89	79,166	45	25,791	18	11,215	152	116,172
Government Leases - Portion	0	0	52	16,406	74	34,718	16	7,259	142	58,383
Hawaiian Homes Commission	865	982,081	297	16,540	646	222,340	209	110,719	2,017	1,331,680
Hawn Homes Land - Basic	0	0	528	78,351	625	103,219	0	0	1,153	181,570
Hawn Homes Land - Multiple	0	0	137	20,467	430	82,309	0	0	567	102,776
Hawn Homes Land - Total Land	2,978	1,333,795	310	43	754	78,161	414	146,217	4,456	1,558,216
Hawn Homes Land - Vacant Land	0	0	192	456		0	0	0	192	456
Hawaiian Homes - 7 Year	329	171,983	350	61,105	123	28,251	130	38,263	932	299,602
Homes - Fee - (Basic)	80,150	6,417,134	19,072	5,231,579	18,787	1,586,522	7,867	482,887	125,876	13,718,122
Homes - Fee - (Multiple)	57,186	6,864,162	6,129	1,683,225	19,284	2,431,729	4,216	478,034	86,815	11,457,150
Homes - Leasehold - (Basic)	2,348	187,665	221	52,306	51	3,498	33	2,818	2,653	246,287
Homes - Leasehold - (Multiple)	2,361	280,863	585	159,581	139	15,251	178	20,284	3,263	475,979
In Lieu of Home Ex - Fee	1,964	330,126	0	0		0	0	0	1,964	330,126
In Lieu of Home Ex - Lease	83	13,947	0	0		0	0	0	83	13,947
Additional Home Exemption	0	0	0	0		0	1,481	80,630	1,481	80,630
Additional Income Exemption	0	0	0	0		0	0	0	0	0
Blind	295	7,398	27	658	99	2,916	11	515	432	11,487
Deaf	101	2,525	9	77	52	1,565	4	200	166	4,367
Leprosy	3	75	1	0	1	32	1	50	6	157
Totally Disabled	2,872	71,833	406	7,958	3,140	89,654	374	18,576	6,792	188,021
Totally Disabled Veterans	940	515,002	221	101,081	403	102,766	88	38,389	1,652	757,238
Cemeteries	43	38,226	7	951	47	4,527	13	7,387	110	51,091
Charitable Organizations	650	1,633,639	243	274,016	320	187,620	139	132,626	1,352	2,227,901
Childcare	0	0	22	1,100		0	0	0	22	1,100
Non-Profit Child Care Center	3	5,943	0	0		0	0	0	3	5,943
For-Profit Child Care Center	3	4,436	0	0		0	0	0	3	4,436
Churches	861	1,700,820	229	292,430	289	161,550	152	115,571	1,531	2,270,371
Civil - Condemnation	26	30,837	0	0		0	0	0	26	30,837
Combat Zone	0	0	0	0		0	0	0	0	0
Credit Unions	77	118,894	13	12,782	19	27,990	12	18,222	121	177,888
Crop Shelters	23	2,969	0	0		0	12	337	35	3,306
Enterprize Zone	0	0	0	0	4	3,218	0	0	4	3,218
Foreign Consulates	29	38,139	0	0	1	23	0	0	30	38,162
Forest Reserve	0	0	4	77	1	370	1	1,157	6	1,604
Historic Residential Properties	255	282,947	8	10,763	18	11,638	8	24,266	289	329,614
Historic Commercial Properties	5	24,644	0	0		0	0	0	5	24,644
Kuleana	37	23,775	15	2,856	17	4,318	20	14,216	89	45,165
Hospitals	77	673,680	11	43,159	2	14,133	4	14,173	94	745,145
Landscaping, Open-Space	16	29,987	1	10	17	2,022	0	0	34	32,019
Low-Moderate Income Housing	273	1,583,272	42	157,654	34	43,216	20	54,412	369	1,838,554
New Construction	15	62,406	0	0		0	0	0	15	62,406
Public Utilities	496	789,452	76	71,206	168	595,226	67	448,237	807	1,904,121
Roadways and Waterways	3,043	10,954	1,569	4,388	1,867	5,193	411	17,067	6,890	37,602
Safe Room	0	0	0	0		0	44	1,760	44	1,760
Schools	146	629,144	10	72,898	59	83,454	3	21,837	218	807,333
Setbacks	12	108	0	0	0	0	0	0	12	108
Slaughterhouse	1	2,787	0	0		0	0	0	1	2,787
Taro	0	0	46	12	0	0	0	0	46	12
Tree Farm	0	0	0	0	0	0	114	56,005	114	56,005
Miscellaneous	6	5,692	4	355	5	1,963	3	698	18	8,708
Military (Deployed)	0	0	6	2,724		0	0	0	6	2,724
<b>TOTAL</b>	<b>164,365</b>	<b>47,222,835</b>	<b>32,786</b>	<b>10,725,764</b>	<b>51,070</b>	<b>7,995,174</b>	<b>17,604</b>	<b>3,671,313</b>	<b>265,825</b>	<b>69,615,086</b>

Note: Amount includes government parcels at actual value and exemptions on federal leases, if any

## THE HOME EXEMPTION

By far the largest financial impact and the most numerous of exemptions claimed are those claimed for owner-occupied residential property, otherwise known as the home exemption.

However, also included in this category are special provisions if the homeowner is disabled be it if the homeowner is blind, deaf, or otherwise disabled as a result of Hansen's disease. It should be noted that these latter exemptions because of disability are afforded an additional exemption of \$25,000 on any property, while disabled veterans or their widows are afforded a complete exemption of their homes. These additional exemptions are in addition to the basic or multiple home exemptions granted to all homeowners. Further, because none of these latter additional exemptions have been altered since the real property tax was turned over to the County, the amount of the exemption amounts to less than a \$100 annual reduction in the affected taxpayer's liability under the County's current rate scheme of \$3.50 per thousand dollars of valuation. While state lawmakers may have had compassion for this group of disabled real property homeowners, physical impairment is by no means an indication of a taxpayer's ability to pay his or her fair share of the real property tax burden.

While the repeal of the complete exemption granted to disabled veterans may be seen as unpatriotic, the question should be whether or not tax relief is required. Providing a blanket exemption merely because of past military service and a disability is by no means an indication that all other taxpayers should be asked to subsidize the cost of providing County services to the favored individuals. If the intent of this archaic provision was to reward disabled veterans, then one must ask why wasn't the preference extended to all veterans or on the flip side, why is the complete exemption extended to all disabled homeowners rather than the mere \$25,000 additional exemption currently provided to the disabled.

Again, the Commission notes that there is a mechanism available to those homeowners who cannot afford their fair share of the real property tax burden. In that respect, the real property tax credit process needs to be reviewed and streamlined, making the application process more user friendly.

***It is therefore the Commission's recommendation that these additional home exemptions for the disabled be repealed in favor of providing tax relief on the inability to pay through the County's real property tax credit program.***

The bigger fish to fry in this discussion is the broader home exemption granted to all taxpayers who own and occupy their own shelter. According to the Real Property Assessment Division, there are more than 142,000 parcels that qualify for this exemption which had a gross impact of revenue forgone of more than \$49 million during fiscal year 2012.

The Commission recognizes that the home exemption has its genesis in the 1930's when families displaced by the droughts of the Midwest wandered from town to town as they moved West. As an incentive to encourage these wandering families to set down roots and contribute to a growing community, the home exemption was offered to attract these families to settle. There

was no rationale behind the home exemption other than it was a financial incentive to stabilize what would otherwise have been a transient community with the incentive that those that benefit would receive county services at a discount. Since then the home exemption has become an “entitlement” for being a homeowner. What it does ignore is that for those who cannot afford to purchase their own shelter or choose to rent, no such financial incentive is available to them. Thus, either renters pay the full bill for county services or the landlord assumes a larger share of the cost for County services if the burden of the real property tax cannot be passed on to the renter.

While the Commission does recognize the difficult political challenge that a repeal of the home exemption may pose for elected officials, it nevertheless believes that by doing away with the home exemption, equity and transparency will be restored to the real property tax system. When eliminating the home exemption, Commissioners believe that this action be undertaken with an overall reduction in real property rates so as to maintain revenue neutrality. The opportunity that this action can contribute to revenue neutrality should be extended across the board to both residential and nonresidential classes of real property.

For those homeowners who might experience financial hardship with the loss of the home exemption or the multiple home exemption which is based on advanced age, the Commission believes that the real property tax credit currently available under County ordinance can provide more effective tax relief to those who need help. In fact, more homeowners may now qualify for the tax credit relief as a result of the loss of the home exemption or multiple home exemptions.

The Commission poses the philosophical question, “Is the home exemption the appropriate means of tax relief for shelter?” The Commission recognizes that the home exemption is granted regardless of a person’s ability to pay because it is granted to rich people and to poor people. The home exemption is granted only to people who own their shelter and not to those who rent their shelter. Since the Commission subscribes to the idea that the homeowner’s exemption is not an efficient means of tax relief, it supports the repeal of the home exemption.

***The Commission recommends that the home exemption, the multiple home exemption, and the “in lieu of” home exemption be repealed. In place of these exemptions, the Commission recommends that the real property tax credit be utilized to provide tax relief to those who do not have the ability to pay their fair share of the real property tax burden.***

## **REAL PROPERTY TAX CREDIT VERSUS IN LIEU OF EXEMPTION**

The county currently has two programs to provide relief to low-income homeowner occupants – the real property tax credit and the in lieu of exemption. Both programs require submission of an application with related documents. The in lieu of exemption, however, is available only to those homeowners who are 75 or older. The exemption is good for up to five years. In order to be eligible for the in lieu of exemption, total household income must be less than 80% of the median income for the county as determined by the U.S. Department of Housing

and Urban Development. The Real Property Assessment Division processes the in lieu of applications.

The real property tax credit is available to homeowner occupants whose combined titleholder income does not exceed \$50,000. (If a titleholder is married and files a joint return, however, the spouse's income is also included.) Applications for real property tax credit are processed by the Treasury Division and are good for one year. Many elderly who apply for the in lieu of exemption also apply for the credit. Since the requirements and applications are similar, seniors are often confused. This results in phone calls to the wrong division as well as frustration on the part of the applicant. In addition, staffing and other resources are used inefficiently as two sets of employees are required to process basically the same information.

***The Commission therefore recommends that council repeal the in lieu of exemption and offer only the real property tax credit, which is available to a broader base of low-income homeowners.***

## **NONPROFIT ORGANIZATIONS**

Another controversial exemption is that which is granted to charitable organizations "and others," an exemption that was also inherited from the state statute and which for an eleven-year period after the transfer of the tax from the state to the counties could not be touched. As the Commission learned, the term "and other" has forced the administrative staff to apply an uneven interpretation as to what "and other" charitable organization means when it comes to the application of this exemption.

For those members of the Commission who regularly work with charitable organizations either as volunteers or as tax practitioners, the bright line definition is that by the Internal Revenue Code as Section 501(c)(3) organizations on which the Service has conferred tax exempt status with respect to income realized by the charity for its exempt purposes. By utilizing the reference to the federal Code that defines such organizations, the Commission believes that administrators will have much more clarity in applying the preferential tax treatment to such organizations. The Commission notes that Section 501(c)(3) organizations include those that are religious, charitable, educational, and scientific organizations that meet the standards established by the Internal Revenue Code. Thus, requiring organizations applying for this real property tax preference to provide evidence of the letter of determination from the Internal Revenue Service will help to mitigate any administrative problems encountered in the past when determining what "charitable" organizations qualify.

***Therefore, it is the recommendation of the Commission that the ordinance be amended to define "nonprofit charitable" organizations as those that have been determined to qualify under the federal Code Section 501(c)(3).***

This amendment would not only be in the interest of expediency and clarity, but it would bring consistency and uniformity in the application of this tax preference. In doing so, the Commission believes that this provision of the law can be consolidated and streamlined.

Conversely, the Commission notes that there are several other “nonprofit” organizations that while designated under the Internal Revenue Code Section 501 (c) are not (c)(3) organizations but are qualified under other subsections of that Section including labor unions and governmental employee organizations under subsection (c)(4), some cemeteries under subsection (c)(13) and patriotic societies under subsection (c)(19).

That being said, your Commission continues to believe that all real property owners should pay their fair share for the benefits provided by the County. Your Commission notes that the most obvious public benefits provided by the County include police and fire protection and health and sanitation. At the same time, your Commission acknowledges the benefits provided by many of these nonprofit organizations and, therefore, does not believe that such organizations should be asked to pay their full share of the real property tax burden. However, these nonprofit organizations must acknowledge that other taxpayers are subsidizing the cost of the benefits they receive from County government.

As noted earlier in this report, the Commission believes that all property owners should pay something for the benefits they receive from the County. Totally relieving a property owner of sharing in the cost of County services and benefits violates the accountability relationship between those who must pay for those benefits and those who enjoy those benefits. Complete exemption from the real property tax for such organizations shifts the burden to all other taxpayers, some of whom may or may not subscribe to the type of services such nonprofit organizations provide. To wit, members of a religious organization who may ardently defend the tax-exempt status of their institution may not necessarily support an organization which advocates for planned parenthood. Thus, in the interest of equity and fairness, consideration should be given to asking all nonprofit organizations to contribute something to the provision of County services.

Council members will ask how then can such organizations be asked to contribute something toward the cost of providing City services. Given that the real property tax is based on the valuation of the real property owned or utilized, the Commission believes that each nonprofit organization’s contribution to the cost of paying for County services should be based on the value of the real property used for the exempt activity. While those real property owners not so favored with a tax preference pay on the basis of 100% of the fair market value of the property they own, the Commission believes that such nonprofit organizations should be asked to pay their fair share of the real property tax burden based on a percentage of the assessed value of the property that is utilized for the exempt purpose.

This means smaller nonprofit organizations which utilize little, if any, real property probably will continue to pay the minimum tax while larger organizations with substantial real property will pay more than the minimum tax. Known as an assessment ratio, it is not uncommon to find such assessment ratios on the mainland where tax relief is extended to certain types or classes of property by basing the real property owner’s real property tax liability on a percentage of the value of the real property being taxed. Although the Commission is not prepared to make a recommendation on the exact percentage of market value on which such

nonprofit organization should be taxed, the Commission wants to make it explicitly clear that the assessment ratio be greater than zero but not more than 100% of fair market value. Should the Council believe that other “nonprofit” organizations deserve some sort of tax preference insofar as paying their fair share of the real property tax burden, then consideration should be given to setting the smallest assessment ratio for recognized nonprofits as determined by the Internal Revenue Service as section 501(c)(3) organizations and those other nonprofits with other determinations at a higher assessment ratio.

***Regardless, the Commission recommends that those entities which currently are totally exempt because they tend to be nonprofit in nature be subject to a levy of the real property tax albeit at a percentage less than full market value in recognition of the community benefit they provide. Such impost should be based on a percentage of the fair market value utilized for the exempt activities.***

The Commission recognizes that inasmuch as these properties have been exempt for many years, accurate valuations have not been made on a contemporary basis, as there was little return on investment given the fact that such exempt properties produced no income to the City to justify expending resources on obtaining up-to-date and current valuations.

Again, should the Council wish to afford nonprofits other than those holding a section 501(c)(3) designation some sort of property tax relief, consideration should be given to a higher assessment ratio than that afforded Section 501(c)(3) organizations.

Some commission members supported no change to the current tax rate (\$300 minimum tax rate) for 501(c)(3) entities. Among their concerns were:

- Nonprofit 501(c)(3) organizations require tax exemption on real property because they provide necessary programs and services that the government sector is not willing or able to provide.
- The amounts being charged through increased taxation end up being a small contribution to local government budget but with adverse impact to the nonprofit budget. Nonprofits must cut seriously to pay this bill. The ownership of real property does not reflect an organization’s ability to pay the real property tax. If these programs and services cease to exist because of increased taxation, those in need will either not receive the service or will turn to government agencies to provide these services. It will be more costly for government to provide these services.
- The public wants their charitable contributions to nonprofits to go toward community services, not taxes. Taxing these organizations has the effect of discouraging giving and volunteering. Our community needs more of what these organizations and volunteers do, not less.

- Increasing the real property tax rate for nonprofit 501(c)(3) organizations fundamentally undermines the ability of nonprofit organizations to deliver on their charitable missions and challenges their IRS tax-exempt status.

## CREDIT UNIONS

Although credit unions are organized and established under Section 501 of the Internal Revenue Code - more specifically under Section 501(a) - and are recognized as instrumentalities of the federal government, the federal law provides that credit unions may be subject to taxation of their real property. While exempt from taxation on income earned and on purchases of personal property for consumption by the credit union, the federal law is explicit about the ability of local governments to tax the real property of credit unions.

In the Commission's review of the credit union exemption the Commission learned that while credit unions are exempt by federal law from the taxation of income and purchases of personal property, the law is specific that local jurisdictions may impose their real property tax on these entities. Therefore, the real property tax exemption was specifically enacted to provide the credit unions such an exemption. Given that the Commission is of the belief that all real property owners who benefit from County services should pay something for those services, the Commission believes that, like the exemptions for charitable organizations, credit unions real property should be subject to the property tax based on an assessment ratio of the fair market value of the credit union's real property.

The Commission received numerous communications from various credit unions imploring the Commission not to repeal the current exemption citing the fact that these organizations provide financial services to their memberships which normally cannot be accessed at traditional financial institutions. Others cited as a result of being granted the exemption, they are able to enhance the earnings of their members and reduce the cost of loans made to their members. In other words, real property taxpayers are being asked to subsidize the benefits credit unions afford their members such as paying higher interest rates on deposits and extending lower interest rates on it loans to members.

***Thus, the Commission questions the validity of this exemption and recommends that the Council consider complete repeal of the exemption.***

The Commission notes that on one hand those that have a limited field of membership only serve that defined field of membership and not the community at large. Conversely, the Commission notes that for those credit unions that have a field of membership that is community based, one has to question whether or not those institutions maintain a competitive advantage over traditional financial institutions. Should the Council determine that this repeal may be politically unacceptable, consideration should be given to applying an assessment ratio as recommended above for other nonprofit organizations, albeit at a higher ratio than that granted to Section 501(c)(3) organizations.

## **KULEANA LANDS**

This is a rather recent exemption adopted at the behest of a number of Hawaiian organizations led primarily by the Office of Hawaiian Affairs (OHA). This provision of the law provides a complete exemption to Hawaiians who were beneficiaries of the division of lands implemented by the Great Mahele under King Kamehameha III and as authorized by the L 1850, p. 202 as amended by L 1851, p.98. These lands must have remained in the same family(ies) since that time in residential or agricultural use.

The Commission questions the underlying rationale - that is what these lands distributed by the King and remaining in the same family since that time - has to do with the benefits provided by the County. If the argument is that by not providing the exemption, these families would be displaced as a result of the real property tax burden, the Commission again notes that there are mechanisms in place that recognize the ability or inability of a property owner to pay his or her fair share of the cost of County services provided to these land owners. To maintain a complete exemption for these lands while their owners' benefit from County services means that other real property taxpayers are subsidizing the cost of the benefits enjoyed by the owners of Kuleana lands.

To reiterate a point made earlier, the Commission believes that everyone who benefits from the County's array of services should have a part in paying for those services. Not only do such broad exemptions grant relief where none may be needed, but they also assure that the burden for paying for those services is shifted to another class of property owners who are not so favored.

*Therefore, the Commission recommends that the Council consider repealing the exemption for Kuleana lands and in its place direct these property owners to the tax credit mechanism to provide relief to those Kuleana property owners who truly cannot afford to pay their fair share of the cost of County services.*

## **HISTORIC RESIDENTIAL EXEMPTIONS**

No doubt a major impetus for the creation of this Commission was the controversy generated by the blanket exemption granted to historic residential real property. This measure was adopted as an incentive to encourage homeowners and prospective homeowners to protect and preserve historic residential properties. Inasmuch as there are no laws that prohibit the destruction or removal of such properties, the Council was encouraged years ago to adopt such a blanket exemption for properties which meet the qualifications as specified by ordinance.

However, as the media expose revealed, this exemption was subjected to rampant abuse as the guidelines governing this exemption lacked clarity while at the same time the department lacked sufficient resources to monitor compliance with the requirements of the exemption. Since that time, the City Council has adopted provisions that substantially clarify the requirements of the exemption and give enforcement tools to the department to insure that these standards are

met. However, the Council refrained from making changes to the benefits afforded under this exemption in anticipation that this Commission will make a recommendation.

Like the exemption for nonprofit organizations, Commission members believe that these historic residential properties should pay something for the City services they enjoy. However, characteristics of these properties vary substantially and a flat exemption amount would be unfair to larger properties where there is substantial valuation (such as a historical colonial home in Manoa or Nuuanu) in favor of a smaller and more modest plantation home in historic Ewa villages.

Commissioners looked to the provisions extended to historic commercial properties and believe that a similar approach could be applied to historic residential properties. The Commission notes that commercial historical properties that are also listed on the historic register are afforded a 50% reduction in their property tax liability provided they meet certain requirements including recording a maintenance agreement in the Bureau of Conveyances. The 50% reduction in real property tax liability amounts to the same thing as if the property had been assessed at a 50% assessment ratio.

The Commission notes its earlier recommendation that in order to recognize the differences between property characteristics and size of properties utilized by nonprofit organizations that relief be provided by way of a reduced assessment ratio for residential historic properties. While the Commission is not prepared to make a recommendation as to what that ratio would be, it would nonetheless be more than zero (fully exempt) and less than 100% (or full market value).

It was brought to the attention of the Commission that some historic residential properties are not necessarily owner occupied. Some were used as rentals while others were used for an assortment of commercial activities such as banquets or weddings. While some may not agree that such historic residences should be used for commercial activities or not be owner occupied, the Commission is sensitive to the fact that many of these historic properties are costly to renovate or maintain and in many cases these properties have been inherited from older generations where the current generation of owners do not have the resources to upkeep those residences. Thus, these current owners are caught between selling the property to someone who may not be interested in preserving and maintaining the historic structure or perhaps demolish the historic structure and put the parcel to a higher and better use, an alternative that would certainly be a loss to the community.

The Commission is reminded that there have been numerous examples where these hard choices had to be made and more often than not it meant the loss of the historical residence. Such was the case of the Katuski home which stood in the path of progress with the construction of the H-1 freeway as it crossed Keeaumoku Street. Although the fate of this historic residence befell the ravages of fire before a decision could be made, the alternatives faced by the owner's widow and two children were limited as they did not have the resources to either move the structure or if it had been moved by the state, the resources to maintain this grand old Victorian structure.

Another example is the grand Cooke mansion on Nehoa Street where the family was faced with the settlement of the estate. The huge blue rock mansion was, no doubt, a maintenance challenge that none of the beneficiaries could afford to undertake. Thus, the decision was made to demolish the structure and subdivide the parcel on which it stood. Unfortunately, that historic structure also befell the ravages of fire before any decision could be made to preserve it.

The Commission also is aware that in Europe many noble families which inherited large manors and estates have resorted to opening their historic homes to visitors as a way to afford those visitors the opportunity see how their ancestors lived and as a way to generate income to maintain and preserve these historic homes. Therefore, it does seem unreasonable to allow owners of such historical residential properties to utilize the properties to generate resources that would assist in the cost of maintaining and preserving the historic structure.

Recognizing that this would create two categories of historical residential real property that would be afforded a preference as an incentive to preserve and maintain such structures, the Commission again reiterates that different assessment ratios could be set depending on how the historical residential structure is used. For example, those historic residential structures that are not owner occupied and used for commercial activities could be assessed at a 50% assessment ratio, as could commercial historical properties while those which are owner occupied could then be assessed at a lesser ratio. There still would be an advantage between historical residential properties and historical commercial properties if the Council continues to tax residential and commercial properties at different rates

Finally, the Commission notes again that historic commercial properties must record a maintenance agreement in the Bureau of Conveyances in order to qualify for the preferential treatment under the real property tax ordinance. While such an agreement may not be appropriate for historic residential real property, consideration might be given to allowing owners of historical residential real property to offset their real property tax liability with the amount of qualified expenditures - as certified by the state historic preservation officer. Inasmuch as the intent of the preference is to encourage not only the preservation of the historic property but also the maintenance of it as well, it would seem only reasonable that such an offset would insure the maintenance of the property. Again, there would be some reasonable nexus between the amount of tax relief afforded and the amount the homeowner expends to upkeep the property in its historic condition.

***Thus, to summarize, the Commission believes that historic residential real property should be afforded relief by applying an assessment ratio that results in a valuation that is less than fair market value and that actual qualified maintenance expenses be allowed to offset any resulting real property tax liability but no less than the minimum tax.***

## AGRICULTURAL LANDS

The Commission regrets that it did not have sufficient time to fully appreciate and understand the provisions relating to agricultural lands, including the dedication provisions and qualifying agricultural improvements for dedicated vacant agricultural lands.

It is the Commission's understanding that the agricultural dedication provisions were inherited from the state where the dedication provisions were established with the intent of encouraging the preservation of land used in agricultural and came to a zenith during the mid-1970's when the provision was enhanced to encourage the preservation of agricultural lands used in the production of sugar and pineapple. Just prior to the 1978 Constitutional Convention, that transferred the administration and policy setting of the real property tax to the counties, recapture provisions were added to impose a recapture of the taxes that would have otherwise been due as if the land had been in highest and best use plus a 10% penalty.

Ironically, it was during the 1978 Constitutional Convention that a provision was added for the designation of "important agricultural lands" in an attempt to insure the preservation of important agricultural lands. While it took nearly 30 years and various studies of land evaluation and assessments, the state legislature finally adopted incentives to land owners to set aside agricultural lands as "important agricultural lands." In the meantime a Council-created task force convened for the purpose of addressing the issue of alleviating the burden of the real property tax on agricultural activities and out of its recommendations the current provisions which provide that any incremental increase in the value of the real property due to improvements shall be exempt from real property taxes for a period of seven (7) years after the construction of these improvements.

Given the new enacted state law to encourage the designation of "important agricultural lands" which provides a variety of incentives including tax credits for agricultural improvements made to the designated properties, the Commission believes that a more comprehensive review of the current real property tax provisions as they complement or conflict with the new state law governing "important agricultural lands" is necessary.

***Therefore, the Commission recommends that the real property tax provisions with respect to the incentives to promote agricultural activity should be a priority agenda item for the next Commission. In the meantime, the staff of the Department of Budget and Fiscal Services should be directed to analyze how the County provisions and the new state law comport. The Commission also notes that there is another Council Task force charged with the implementation of the Important Agricultural Lands law and believes it might be appropriate to refer the real property tax provisions to that Task Force.***

## **SPECIFIC EXEMPTIONS**

While the Commission has referenced a number of more specific exemptions such as those for alternate energy improvements and air pollution control facilities and others which have not been previously mention such as crop shelters and slaughterhouses, the rationale for these exemptions is not inherently clear.

Given the changing environment, the Commission questions the need for some of these exemptions. For example, as a result of rising costs for traditional energy sources, consumer demand is moving in the direction of alternate energy production. Should this trend continue, what was at one time considered the unusual will become the common. With the proliferation of solar and photovoltaic farms, will the current exemption sap the potential resources of the real property tax? Similarly, as a result of federal mandates with respect to air quality will incentives for air pollution control facilities be necessary?

On the other hand, the Commission recognizes the challenges of agricultural property owners in recent years; however, the Commission did not have the opportunity to learn more about the rationale for the exemptions provided for slaughterhouses and crop shelters, as well as the exemptions provided for other nonprofits not covered in ROH Section 8-10.10 such as charitable nonprofit medical indemnity or hospital service associations and nonprofit organization thrift shops.

The Commission also notes that both nonprofit childcare centers designated under Code Section 501(k), as well as for profit childcare centers, enjoy exemptions from the real property tax. While all of these organizations may serve the public good, they should not be afforded the same dispensation as the pure nonprofit organizations with the (c)(3) determination.

***To better understand the reason for these exemptions, the Commission recommends that these exemptions be scheduled for repeal and that the City Council hold hearings in an effort to gather information and justification for the continuation of these exemptions.***

## **ACCURACY OF INFORMATION**

In its review of the various real property tax exemptions, the Commission learned that not all properties are assessed annually as the Real Property Assessment Division's resources are devoted to properties for which taxes would be higher than the minimum tax and little was to be gained by assessing properties that were exempt. Given that not all properties are assessed annually, information provided to the Commission regarding the amount of foregone revenue is inaccurate, making it difficult to determine the amount subsidized by other taxpayers. Under Section 8-7.1(a) of the Revised Ordinances of Honolulu, all taxable properties are required to be assessed annually.

A representative from Real Property Assessment Division informed the Commission that they currently rely on self-reporting and complaints to determine when property owners no longer qualify for particular exemptions or dedications. A Commission member pointed out that

outside sources are available to help the administration determine when certain changes in property ownership or usage may occur and therefore may impact tax assessments. For example, the Internal Revenue Service (IRS) regularly updates its list of nonprofit organizations that have lost their exempt status. The IRS publishes the list at [www.irs.gov](http://www.irs.gov) and makes it available in Acrobat or Excel format for easy downloading and searching. Other resources available for review and comparison are as follows:

- Homeowner data from other counties – to reduce claims of multiple homeowner exemptions within the state;
- Homeowner data from other states from sources such as LexisNexis.com – to reduce claims of multiple exemptions by out-of-state homeowners; and
- Foreclosure records – to reduce claims of homeowner exemptions by owners who are not eligible for such exemptions.

In light of this information, some Commission members believe that that adequate resources should be allocated to the Real Property Assessment Division to allow the annual assessment of all taxable properties as required by law and that the Division take advantage of the outside sources listed above to increase compliance with the real property tax law and rules. This will allow for a more accurate assessment of the impact of real property tax policies such as those which govern exempt properties.

#### **TRANSPARENCY, ACCOUNTABILITY, EFFICIENCY AND FAIRNESS**

The Commission wishes to extend its appreciation to the City Council to have had this opportunity to review the numerous exemptions which were inherited from the state and which were added by previous Councils over the years since the County assumed complete control of the real property tax exemptions in 1989. This has been the first such review of those exemptions since they were enacted or inherited and we trust that the Commission's review has been fair and objective.

As required by the enabling resolution establishing your Commission, its members stand ready to discuss, explain and otherwise clarify its recommendations and will dissolve as of June 30, 2012.

ATTACH:

Written Testimony Received through 12/7/11

11/14/11 Perez Star Advertiser Article

11/22/11 Star Advertiser Editorial

date? – Hansen Letter to the editor response

12/4/11 Kalapa Hawaii Free Press Article

Other

Report Addendum  
WRITTEN comments received during comment period from  
December 9, 2011 through January 9, 2012.