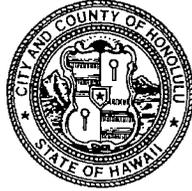


DEPARTMENT OF BUDGET AND FISCAL SERVICES
CITY AND COUNTY OF HONOLULU
530 SOUTH KING STREET, ROOM 208 • HONOLULU, HAWAII 96813
PHONE: (808) 768-3900 • FAX: (808) 768-3179 • INTERNET: www.honolulu.gov

2016 MAR 18 PM 4:30

KIRK CALDWELL
MAYOR



NELSON H. KOYANAGI, JR.
DIRECTOR

GARY KUROKAWA
DEPUTY DIRECTOR

March 18, 2016

The Honorable Ann H. Kobayashi, Chair
and Members
Committee on Budget
Honolulu City Council
530 South King Street, Room 202
Honolulu, Hawaii 96813

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CITY COUNCIL
HONOLULU, HAWAII

Dear Chair Kobayashi and Councilmembers:

SUBJECT: Budget Communication No. 4
Request for Additional Information Relating to Real Property Tax Revenue

In response to your request, dated March 14, 2016, attached is information on real property tax revenue collected for exempt real property made taxable under the provisions of Section 8-10.16, ROH for Fiscal Year 2013, 2014 and 2015 as well as the estimated revenue for FY 2016.

Should you have any questions regarding this information please contact me at 768-3901.

Sincerely,


Nelson H. Koyanagi, Jr., Director
Budget and Fiscal Services

Attachment

APPROVED:


Roy K. Amemiya, Jr.
Managing Director

Attachment

Question: I am respectfully requesting real property tax revenue collected for exempt real property made taxable under the provisions of Section 8-10.16, ROH for Fiscal Years 2013, 2014 and 2015 as well as the estimated revenue for FY 2016.

Answer: Although the question asks about exempt real property made taxable under the provisions of the Revised Ordinances of Honolulu (ROH) Section 8-10.16, the question appears to be related to Section 8-10.18, consistent with references elsewhere in the budget communication. Section 8-10.18 requires the use and occupancy of real property which is exempt from taxation to be assessed and taxed when the property is leased to and used or occupied by a private person related to a for-profit business. The assessed values of these properties are not included in the assessed values of real property for the purpose of taxation, according to Section 8-10.18 (c) of Revised Ordinance of Honolulu (ROH), which states "The assessment of the use or occupancy of real property made under this section shall not be included in the aggregate value of taxable realty for the purposes of Section 8-11.1 but the council, at the time that it is furnished with information as to the value of taxable real property, shall also be furnished with information as to the assessments made under this section, similarly determined but separately stated." Assessments of exempt property are not included in the aggregate value of taxable realty for purposes of setting tax rates because the collectability of such taxes is uncertain. Such taxes cannot become a lien against exempt property upon which the City can foreclose. Because one cannot rely on revenue in the form of taxes from exempt property, (or because a certain source of funds is necessary for budgetary purposes,) these assessments should not be commingled with assessments of real property owned by private persons.

The amounts of real property tax revenue collected for exempt real property made taxable under the provisions of ROH Section 8-10.18 for fiscal year 2015 was \$1,277,448. Additional time is needed to review the amounts collected for FY 2013 and 2014. These amounts will be provided as soon as possible. Because the collectability of these taxes is uncertain, we do not budget the revenues from taxes on exempt properties, including estimated revenues for FY 2016.