

**OAHU REAL PROPERTY TAX ADVISORY COMMISSION  
RECOMMENDATION TO PROVIDE EXEMPTION FOR RESIDENTIAL PROPERTIES WITH  
LONG-TERM LEASES**

**THURSDAY, NOVEMBER 21, 2019**

**By Commissioner Natalie Iwasa**

According to the 2018 Hawaii Data Book, of the 311,451 total housing units in Honolulu that were occupied, 138,209 or 44.4% were renter occupied.<sup>1</sup>

According to data from the U.S. Census Bureau's American Community Survey of Financial Characteristics for 2013 – 2017, significantly more renters pay 30% or more of their household income for housing costs than owners do -- 54% for renters compared to 30% for owners across all income levels. For the \$35,000 - \$49,999 income bracket, the percentages are even less favorable for renters, with approximately 78% paying 30% or more of their income toward housing compared to 50% for owners.

Residential properties occupied by homeowners currently have an exemption of either \$80,000 or \$120,000. Effective with tax years beginning July 1, 2020, the exemption amounts increase to \$100,000 and \$140,000 respectively. These exemptions are not allowed for owners who rent their properties.

At current tax rates of \$3.50/\$1,000, starting with fiscal years beginning July 1, 2020, property owners who lease out their properties will pay \$350 to \$490 per year more than homeowner-occupants. If the property falls into the Residential A classification, which also includes parcels that have two single-family dwelling units, the disparity is greater – an additional \$1/\$1,000 for assessed values up to \$1 million and \$7/\$1,000 for assessed values of \$1 million or more.

One other benefit provided to homeowner-occupants that is not available to renters or their landlords is a credit for low-income owners. This credit limits their tax to 3% of the titleholders combined gross income.

**RECOMMENDATION**

In recognition of this disparity in treatment between residential properties, the Commission recommends the following:

Homeowners who lease out their residential properties for one year or more be granted an exemption in the same amounts offered to homeowner occupants.

The Commission further recommends that properties with such an exemption be excluded from the Residential A classification.

<sup>1</sup> Table 21.17 – Summary Housing Characteristics, by County: 2013 – 2017.