The Subcommittee on Rates and Classifications was formed to review current real property tax rates, classifications and legislation affecting these areas. It was requested that the Subcommittee review the Residential A Property Tax Classification, as well as Bill 55 – Relating to Real Property Taxation, which is currently pending before the Honolulu City Council. The Subcommittee's recommendations are as follows:

Residential A Property Tax Classification

The Subcommittee heard testimony from Honolulu residents on the fairness of the Residential A Property Tax assessment and rate structure and recommends keeping the Residential A Property Tax Classification as it currently stands. The Residential A Property Tax is levied on properties that are not primary residences and the subcommittee believes that the current tax rate is fair and justifiable.

Bill 55 – Relating to Real Property Taxation

Bill 55 (2019) CD1 proposes to create a real property tax classification for properties used for bed and breakfast home purposes and clarify the classification of transient vacation units. Bill 55 states "Real property operating as a "bed and breakfast home," as such term is defined in Section 21-10.1, under a valid nonconforming use certificate or as otherwise permitted under Chapter 21, must be classified as bed and breakfast home."

The subcommittee supports the concept that bed and breakfast homes have their own real property tax classification, which would fall somewhere between the residential property tax rate of $3.50 for every $1000 of value and the hotel and resort tax rate of $13.90 per $1000 of assessed value. The subcommittee believes that the residential property tax rate should not apply to bed and breakfast properties since the property is income producing and that applying the hotel and resort rate to bed and breakfast properties is not justifiable, since these properties also function as a primary residence.

Bill 55 (2019) CD1 also states "Real property operating as a transient vacation unit under a valid nonconforming use certificate or as otherwise permitted under Chapter 21 must be classified as hotel and resort. For purposes of this subsection, "transient vacation unit" means the same as defined in Section 21-10.1." The subcommittee is in support of taxing short term transient vacation units at the hotel and resort rate because these properties are whole home rentals operating and providing the same services as a hotel or resort.