

BILL 46: EMPTY HOMES TAX

SUMMARY - Bill 46 endeavors to tax property owners with a new tax classification—**Residential E**—for properties that are vacant for 6 months or more within the City's fiscal year.

INTENT - To discourage out-of-state investment in hopes of creating inventory for local residents to purchase or to raise tax revenue to spend on affordable housing solutions.

REALITIES, CONCERNS, AND QUESTIONS

INVENTORY - **The idea that Bill 46 will free up inventory for locals to buy just isn't true.** There isn't much vacant inventory in neighborhoods that are considered "affordable" for local residents or in areas where they want to live. If local residents want to live in Waikiki or Kaka'ako, they need only go buy a unit today. Those neighborhoods do not have an inventory problem.

TAXES - **The proposed rate of 3% of the property value is more than double the highest tax rate in Hawai'i (the hotel/resort rate).** It is so onerous that affected owners will find a workaround or sell. Either way, what does the City get from those scenarios – more inventory in Waikiki and Kaka'ako where it isn't needed?

LOSS OF BUSINESS - **Less tourists. Less jobs. Less construction. Less property tax revenue. Less income tax revenue. Lower values.** Is the City turning down investment dollars into our island economy? Have the kinds of properties out-of-state investors purchase been studied? If Japanese, Canadian, and mainland owners sell their existing units on O'ahu, they will cease to visit or come less often, reducing tourist revenue. Local owners are also impacted – Kama'āina who own comparable units in those buildings will lose their equity as they compete with highly motivated sellers with currency advantages. New buyers will not buy into a market that requires a 3% tax, stalling new construction.

NON-RESIDENT OWNERS SUBSIDIZE US – This empty homes tax will kill the goose that lays the golden eggs. Non-resident owners are already subject to our Residential A tax classifications for properties worth over \$1M. Like the gym member who rarely comes to work out but pays every month, **they already pay a disproportional share of the tax revenue and use minimal city services.**

DIFFICULT TO ENFORCE - How does the City determine if a property is vacant? Bill 46 allows the City to access your property. Providing proof also becomes problematic. Someone in the hospital for 6 months would have to show the City their medical records. Homeowners have the right to let family or friends stay in their house, but how does one prove they stayed there? **The City does not have the resources to review 100,000 applications for exemption.** Director of Budget and Fiscal Services **Andrew Kawano testified that administering such a tax "would break the system."**

KUPUNA AND LOCALS WILL BE HARMED – Many local residents missed the deadline when the City first rolled out the Residential A tax classification. Expect the same with another new tax classification. Under Residential E, every property without an owner-occupant exemption will automatically be considered an empty home, requiring the owner to opt out and prove that the home is occupied. How many local residents will be

caught in this net and have to pay this tax for a year until they can file their appeal for the following year?
Can our kupuna, on a fixed income, afford an additional \$40,000 tax on a \$1.5M home in Kaimuki?

WHERE IS THE MONEY GOING? – Bill 46 purports to support affordable housing but **allocates only 20% of the revenue to affordable housing initiatives** via the Office of Housing. Shouldn't the majority of revenue be allocated to that purpose?

WHERE DID THE PREVIOUS FUNDS GO? – **The property tax coffers are full.** In the past two years, property tax revenue jumped over \$111M in 2022 and \$142M in 2023 – an *additional* \$253M in revenue. What did the City do with that money?

LEGAL CHALLENGES – It's uncertain whether Bill 46 would hold up in court due to serious concerns related to the measure's constitutionality. Recently, a similar measure was overturned in San Francisco. **Is the City and County of Honolulu prepared to defend this in court?** Are taxpayers okay with paying the prevailing party's legal fees (like we recently had to pay for the Short-Term Rentals lawsuit that the City lost)?
















KAMA'ĀINA WANT TO RETURN – Also impacted by the empty homes tax are the many Kama'āina who inherited or purchased a property on O'ahu and hope to return home. Those who live on the mainland now for whatever reasons, who come to visit often, and who live in their family home when they're here. These Kama'āina want to retire to their family home eventually. Do we say no to them, or does the City no longer consider them Kama'āina?

REINVENTING THE WHEEL – **We already have an established taxing mechanism for generating additional tax revenue from the intended group of taxpayers - Residential A.** This tax classification went from \$10.50 per thousand to \$11.90 per thousand on all values over \$1M, which generated about \$30M more each year since the increase.

READY, FIRE, AIM! - **Why rush to vote?** First, the City has engaged Ernst and Young to study this issue, a feasibility report costing taxpayers \$500,000. Second, if passed, this law wouldn't go into effect until 2027. The study will tell us the true size of the affected market and the potential outcomes of the empty homes tax. From there, we can establish sensible solutions to generate revenue and determine ways to deploy the funds to help with housing.

Time is ticking - Bill 46 goes to the last full council vote on December 11th. Contact your Councilmember to voice your concerns and opposition to this bill.

CONTACT YOUR COUNCILMEMBER
 Representatives who support/undecided on Bill 46

				
DISTRICT 4, CHAIR Tommy Waters 808-768-5004	DISTRICT 2 Matt Weyer 808-768-5002	DISTRICT 5 Calvin Say 808-768-5005	DISTRICT 6 Tyler Dos Santos-Tam 808-768-5006	DISTRICT 7 Radiant Cordero 808-768-5007
				
				

CONTACT YOUR COUNCILMEMBER
 Representatives who oppose Bill 46

			
DISTRICT 1 Andria Tupola 808-768-5001	DISTRICT 3 Esther Kia'aina 808-768-5003	DISTRICT 8 Val Aquino Okimoto 808-768-5008	DISTRICT 9 Augie Tulba 808-768-5009
			
			

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