An Analysis of Real Property Tax in Hawaii

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Executive Summary

Real property tax plays and important role in government finance, cost of living, real estate investment, housing supply and demand, as well as tourism. Various studies focusing on real property tax show that the tax is a relatively stable income source, difficult to avoid, and easy to collect. Furthermore, the impact of the property tax on local residents can be dampened by payments from out-of-state property owners and also reduce resident's federal tax burden.

This report examines the current status of real property tax in the State of Hawaii with regards to its role in government finance and residency of property owners. The report examines sources of property tax payments across classifications and counties. Scenarios related to property tax increases are also presented. It is important to note that the impacts of real property tax on real estate investment, housing supply and demand, and the welfare of home owners and renters are not addressed in this report. Furthermore, it is important to note that the term "resident" refers to an individual or entity that resides in a certain area. A summary of the current report is as follows:

A few facts about Hawaii's Real Property Taxes

- Hawaii is one of the 14 states in the United States where property taxes are not levied at the state level, only the county level.
- Nearly one third (32.3 percent) of the property taxes were paid by property owners residing out-of-state.
- The growth of Hawaii's real property tax base (valuations) is correlated with the general economic cycle; the growth of tax base slowed when unemployment rates were high and vice versa.
- Property taxes are paid by all income groups. The home ownership rate by household income group ranges from 35.1 percent of households with household income less than $25,000 to 85.7 percent of households with $200,000 or more.

State and Local Government Fiscal Analysis

State and local government revenue and expenditure estimates are based on the 2014 data compiled from the U.S. Census Bureau's Annual Survey of State and Local Government Finances (released in December 2016).

- Hawaii's state government share of general revenue from own sources (combined state and local government) is 74.7 percent, which is above the U.S. average of 55.2 percent and ranks Hawaii 5th highest among the 50 states.
- Hawaii's state government share of combined state and local government expenditure (current operations) is 79.8 percent, which is above the U.S. average of 43.7 percent and ranks Hawaii as the highest state in the nation.
- Hawaii's sales tax (GET) share of general revenue from own sources (combined state and local government) is 37.8 percent, which is above the U.S. average of 24.0 percent and ranks Hawaii as the 3rd highest state in the nation.
- Hawaii's individual income tax share of general revenue from own sources (combined state and local government) is 15.3 percent, which is slightly below the U.S. average of 15.8 percent and ranks Hawaii 28th in the nation.
- Hawaii's property tax share of general revenue from own sources (combined state and local government) is 12.2 percent, which is substantially below the U.S. average of 21.6 percent and ranks Hawaii 45th in the nation.
- Approximately 61 percent or $11.4 billion of total revenue in Hawaii comes from the general revenue from own sources. Taxes contribute about 71.3 percent, while various charges and fees contribute about 29 percent to the general revenue from own sources.
- Hawaii's education expenditure, as a share of combined state and local government expenditure (current operations), is 27.3 percent, which is below the U.S. average of 37.2 percent and ranks Hawaii as the lowest in the nation
- In terms of per capita state and local government spending, Hawaii ranked 12th in the nation at $11,221 per resident versus $10,229 per resident in the nation in 2014.
- In terms of per capita real property tax, Hawaii ranked 35th in the nation at $980 per person in 2014.

Property Class Analysis

The real property tax estimates are based on data provided by each respective county for 2016. In order to compare real property tax across counties, this report uses four standardized property tax categories: Residential and Related, Hotel/Resort and Tourism Related, Commercial/Industrial and Public Service, and Agriculture, Conservation, and Preservation.

- Of the total number of properties (TMKs) in the state, the report estimated that 75.1 percent are Residential and Related, 15.8 percent are Agriculture, Conservation, and Preservation, 5.6 percent are Hotel/Resort and Tourism Related, and 3.5 percent are Commercial/Industrial and Public Service.
- The estimates for property tax collection in the state showed that 53.2 percent of total property tax are collected from Residential and Related, 23.2 percent from Commercial/Industrial and Public Service, 18.2 percent from Hotel/Resort and Tourism Related, and 5.4 percent from Agriculture, Conservation, and Preservation.

Property Ownership Analysis - Statewide

- For the state overall, it was estimated that 87.5 percent of the Residential & Related properties were owned or managed by Hawaii residents. 10.8 percent were owned or managed by U.S. mainland residents, 1.1 percent were owned or managed by foreign resident or entities, and 0.6 percent of the residential properties were jointly owned by Hawaii and out-of-state residents.
- For the Hotel/Resort & Tourism Related category, it was estimated that 59.1 percent were owned or managed by the U.S. mainland residents, 31.8 percent by Hawaii residents, 7.9 percent by foreign residents, and 1.2 percent were jointly owned by Hawaii and non-Hawaii residents.
- For the Commercial/Industrial and Public Service category, it was estimated that 84.8 percent were owned or managed by Hawaii residents, 12.3 percent by mainland residents, 0.3 percent by foreigners, and 2.6 percent were jointly owned by Hawaii and out-of-state residents.
- For the Agriculture, Conservation, and Preservation category, it was estimated that 59.8 percent were owned by Hawaii residents or entities, 35.2 percent by mainlanders, 2.6 by foreigners, and 2.3 percent were jointly owned by Hawaii and out-of-state residents.

Property Tax Contribution Analysis

This report also estimated the contribution of property taxes paid by Hawaii in-state, out-of-state, and foreign residents. In the case of multiple mailing addresses for one TMK, the portion of property taxes paid was allocated using equal shares for each location. For example, if one owner lives in Hawaii and the other lives on the U.S. mainland, 50 percent was allocated to Hawaii and

50 percent was allocated to the mainland. The estimates for property tax contribution by resident location were as follows:

- Including all tax classes, it was estimated that Hawaii residents contributed 67.8 percent of the total real property taxes collected; U.S. mainlanders contributed 29.9 percent and foreigners contributed 2.4 percent of property tax collections.
- For the Residential and Related category, Hawaii residents contributed a majority at 76.5 percent of total real property tax collected; U.S. mainlanders contributed 21.1 percent and foreigners 2.3 percent property tax collections.
- For the Hotel/Resort & Tourism Related category, U.S. mainlanders contributed over half of real property taxes paid at 52.0 percent; Hawaii residents contributed 42.8 percent and foreigners contributed 5.3 percent of real property taxes paid.
- For the Commercial/Industrial and Public Service category, Hawaii residents contributed 68.0 percent, mainlanders contributed 31.9 percent, and foreigners contributed 0.2 percent of real property taxes paid.
- For the Agriculture, Conservation, and Preservation category, Hawaii residents contributed 64.3 percent, mainlanders contributed 33.3 percent, and foreigners contributed 2.4 percent of total property taxes paid.

Effective Property Tax Rates for Residential Properties

This report also estimated effective average tax rates for in-state versus out-of-state residential property owners. The analysis showed that the effective average residential property tax rates for in-state owners are approximately half of the effective average rate for out-of-state owners. This is mostly due to homeowner and other exemptions that in-state residents qualify for, which out-of-state residents, generally, do not qualify for. The exemptions reduce the taxable property value for in-state residential property owners, thus reducing their effective residential rate as compared with out-of-state owners as follows:

- The effective average rates for in-state-owners were 0.43 percent for the state overall, 0.38 percent for Honolulu County, 0.9 percent for Hawaii County, 0.56 percent for Maui County, and 0.49 percent for Kauai County.

- The effective average rates for out-of-state-owners were 0.83 percent for the state overall, 0.46 percent for Honolulu County, 2.22 percent for Hawaii County, 1.05 percent for Maui County, and 1.01 percent for Kauai County.

Scenarios to Generate Greater Property Tax Revenues

Three scenarios are presented for the possibilities to minimize the impact of property tax increases on local residents:

1. *Increase residential property tax rate for all home owners and reduce the individual income tax rate*
   For a $100 million additional property tax revenue, the average effective property tax rate would increase from 0.43% to 0.613% for all the residential property owners (residents and non-residents), Hawaii residents would see a reduction in the state's effective average income tax rate from 5.25% to 3.88%.
2. *Increase residential property tax rate for non-resident home owners only*
   For a $100 million additional property tax revenue, non-resident home homers would see an increase in effective average property tax rate from 0.83% to 1.21% while Hawaii residents would be indifferent.
3. *Increase residential property tax for all home owners and increase resident home owner exemption to offset the increase*
   For a $100 million additional property tax revenue, the exemption amount would need to increase by 75% from the average of $120,989 per owner occupied home in 2016 to $211,730 per owner occupied home.

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I. Introduction

The purpose of this report is to analyze the current contributions of the real property tax to the state and local government revenue and the relative contributions by resident status. This study also attempts to estimate the impacts on tax rates and amount of exemptions with hypothetical scenarios of increasing residential property tax rates.

As a background for this report, this section will give an overview of Hawaii's tax structure in comparison with other states, especially the division of revenue and expenses between state and local governments.

Hawaii's tax structure is unique compared with other states; the percentage of local taxes as a percentage of the state's income from own sources (a combined total of state and local taxes and fees) was one of the lowest of the 50 states (Table 1a). In 2014, Hawaii's percentage of local taxes, as a percentage of the combined total of state and local taxes, was 25.3 percent, and this was significantly below the average of all states, which was 44.8 percent (U.S. Census Bureau, 2016).

Hawaii's tax structure results in the state funding services that may be funded at a local level in other states. One example is education, where Hawaii is ranked at the top for education funding by the state, rather than at the local level (Kenyon, 2007).

Property taxation is an important component of revenue for both state and local governments. The property tax share of the state's revenue from own sources has a wide variation among states, with a high of 46.5 percent in New Hampshire and a low of 9.0 percent in North Dakota (U.S. Census Survey of State and Local Government Finances for 2014, 2016). Hawaii's property tax share of state total revenue was near the bottom at 12.2 percent.

Property taxation is considered to be an efficient tax with less opportunity for distortion compared with other taxes. A recent study found that property tax, followed by a value-added tax, was the most pro-growth and least harmful type of tax (OECD, 2010). The study cited the following general characteristics for real property tax compared with other taxes:

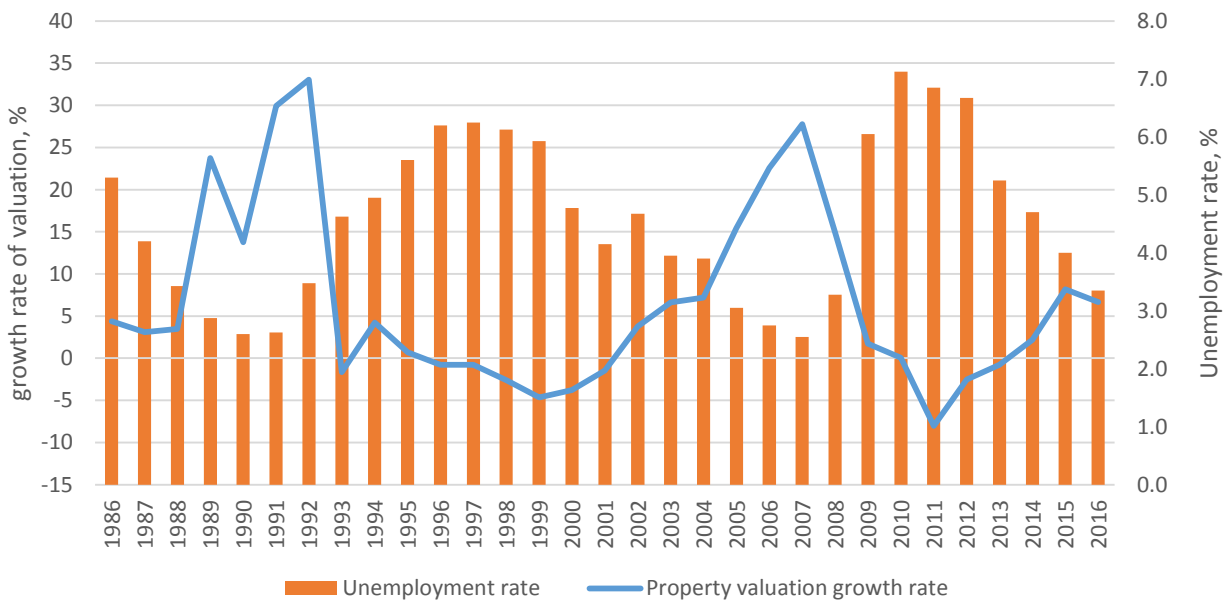
- Property taxation does not distort supply;
- Property taxation encourages people to make the most efficient use of the land;
- Real property is an asset that cannot be transferred to another state;

- Property taxation is relatively simpler than other forms of taxes;
- And, property taxation is a more stable form of revenue than some other taxes (such as income taxes or sales taxes, which are based on flows).

In addition, since about 20.0 percent of all real properties in Hawaii are owned by non-residents and 12.5 percent of residential properties by non-residents (table 13), the state has a capacity to shift a portion of the property tax burden to out-of-state homeowners. Furthermore, property tax can reduce Hawaii resident's federal taxable income due to the ability to write off property tax against personal income on federal tax return forms.

The real property tax base generally follows economic trends. As shown in Figure 1, the growth rate of real property valuations moved in the opposite direction of the unemployment rate over the 30-year period of 1986 through 2016. Due to the fact that assessed property values are determined by property sales of the previous year, there is often a time lag between assessed property values and the current economic conditions. This is a unique feature of real property tax, compared with income tax and general excise tax.

Figure 1. Real Property Valuations and Unemployment Rate



Source: Hawaii State Department of Business, Economic Development and Tourism, 2015 State of Hawaii Data Book.

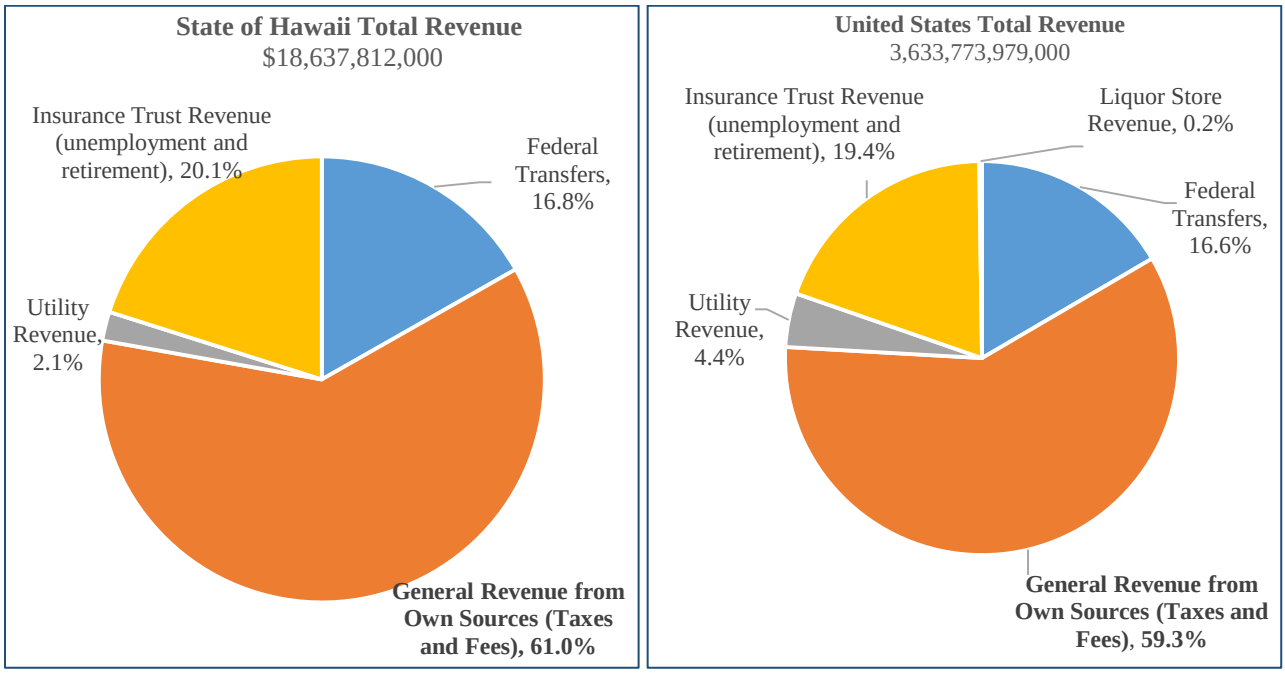
While Hawaii's property tax rates are relatively low, other taxes including the General Excise Tax (GET) and the individual income tax, increase the overall tax burden for Hawaii's households. According to the Tax Foundation, Hawaii's total tax burden is ranked relatively high compared with

other states, coming in the 14th place among the 50 states in 2016 (Tax Foundation, 2016). Therefore, it is important to examine Hawaii's property tax within the overall framework of Hawaii's tax structure, rather than conduct a simple property tax comparison to other states.

A 50 State Overview of Revenue and Spending in State Budgets

Hawaii's total revenue composition is fairly similar to the U.S. average (Figure 2). The U.S. overall is slightly lower than Hawaii for general revenue from own sources (taxes and fees), while Hawaii's revenue from the utilities is lower than the U.S. average.

Figure 2. Main Components of Total Revenue in Hawaii and in the United States (state and local government combined), 2014



Source: U.S. Census Survey of State and Local Government Finances

It is important to distinguish between revenue streams the state and local governments control directly and those that are controlled by other sources. Revenue from own sources, including taxes and fees collected by state and local governments, are generally within the control of state and local governments. On the other hand, revenue from other sources such as federal transfers and insurance trusts may be outside of the state and local government control.

Table 1a and 1b compare Hawaii's state ranking for local and state revenue as a share of combined state and local revenue from own sources. It also shows state and local spending for current operations.

Table 1a: Local and State Revenue Share of the State's Revenue from Own Sources, 2014

Local Revenue Share of State's Revenue from Own Sources			*State Revenue Share of State's Revenue from Own Sources*		
1	New York	54.6%	1	Vermont	82.1%
2	Florida	53.1%	2	North Dakota	79.4%
3	Colorado	51.8%	3	Delaware	78.4%
4	Georgia	51.6%	4	Arkansas	75.6%
5	New Hampshire	50.3%	**5**	**Hawaii**	**74.7%**
	United States Average	***44.8%***		***United States Average***	***55.2%***
45	New Mexico	27.7%	45	Nebraska	50.3%
46	**Hawaii**	**25.3%**	46	New Hampshire	49.7%
47	Arkansas	24.4%	47	Georgia	48.4%
48	Delaware	21.6%	48	Colorado	48.2%
49	North Dakota	20.6%	49	Florida	46.9%
50	Vermont	17.9%	50	New York	45.4%

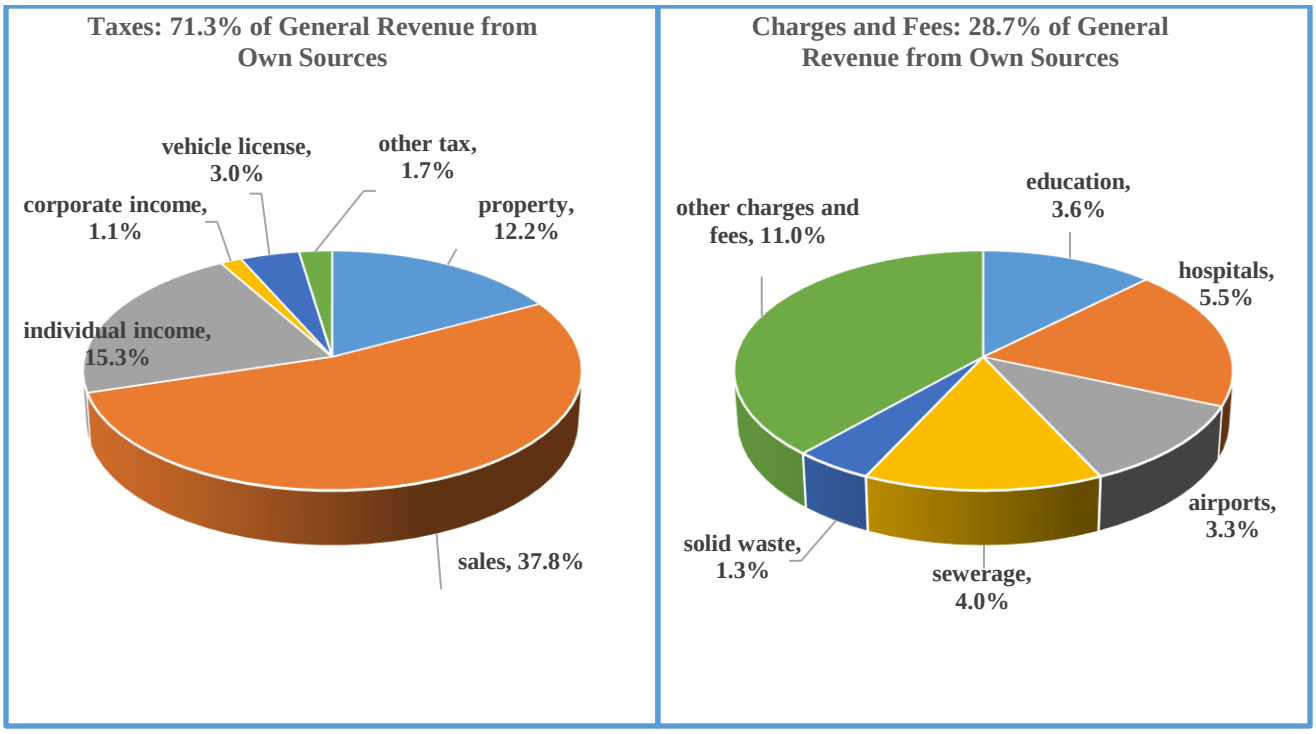
Table 1b: State and Local Spending Share on Current Operations, 2014

Local Spending Share on Current Operations			*State Spending Share on Current Operations*		
1	Nevada	64.8%	**1**	**Hawaii**	**79.8%**
2	California	63.3%	2	Delaware	65.0%
3	New York	63.0%	3	Alaska	64.0%
4	Nebraska	63.0%	4	Vermont	61.9%
5	Florida	62.7%	5	Kentucky	61.1%
	United States Average	***56.3%***		***United States Average***	***43.7%***
45	West Virginia	39.2%	45	Illinois	39.3%
46	Kentucky	38.9%	46	Florida	37.3%
47	Vermont	38.1%	47	Nebraska	37.0%
48	Alaska	36.0%	48	New York	37.0%
49	Delaware	35.0%	49	California	36.7%
50	**Hawaii**	**20.2%**	50	Nevada	35.2%

Source: U.S. Census Survey of State and Local Government Finances

G***eneral revenue from own sources*** (61% of total revenue, Figure 2) is composed of taxes and fees. Figure 3 highlights contribution to the budget; the left chart is composed of taxes and the right chart is composed of charges and fees. The left side of the chart shows that total taxes in the state contribute 71.3 percent to the general revenue from own sources, while fees contribute 28.7 percent (the total of charges and fees) to the general revenue from own sources in Hawaii.

Figure 3. Composition of the General Revenue from Own Sources in Hawaii - Taxes and Fees (state and local government combined), 2014



Source: U.S. Census Survey of State and Local Government Finances

The largest portion of Hawaii's revenue from own sources is generated from the sales tax (for Hawaii, GET – general excise tax). This comprises 37.8 percent of Hawaii's government revenue from own sources (U.S. Census Bureau, 2016).

It is important to note that states with more tourism revenue such as Hawaii, Nevada, and Florida, also have a significant share of their state's total revenue generated by various types of sales taxes. The table below shows states' sales tax revenue as a share of total government revenue in the state.

Table 2: Sales Tax Share of General Revenue from Own Sources by State, 2014 (state and local government combined)

Rank	State	*Sales and Gross Receipts Taxes*
1	Nevada	43.6%
2	Washington	39.3%
3	**Hawaii**	**37.8%**
4	Tennessee	36.8%
5	South Dakota	35.6%
	United States Average	24.0%
45	Massachusetts	15.3%
46	New Hampshire	10.8%
47	Montana	9.7%
48	Oregon	7.2%
49	Delaware	7.0%
50	Alaska	5.1%

Source: U.S. Census Survey of State and Local Government Finances

Additionally, a significant amount of revenue comes from government fees. For example, in 2014, total fees (such as education, sewerage, other fees) collected by the state and counties alone accounted for just under 29 percent of the state's general revenue from own sources (see Figure 3 above, outer rim). Hawaii ranked third highest in the nation for sewerage fees collected in the state (behind Washington and Indiana). It is important to note that fees such as sewerage are mandatory for every property served by the public sewerage lines, regardless of the property's tax status.

When comparing government fees and property taxes, an important consideration is the ability to write off state taxes paid on federal personal income tax returns, which reduces federal taxable income for state residents. For example, if property taxes were raised to cover sewage infrastructure improvements, this portion could be written off against federal income tax for Hawaii residents, thus reducing their taxable income at the federal level. On the other hand, generally, sewage fees paid by residents cannot be written off against federal income taxes and, therefore, this write-off portion is lost for Hawaii-resident taxpayers. This is one advantage of covering property-related public services through a property tax, rather than fees.

Compared with sales tax (GET), Hawaii's largest revenue source, ***individual income tax and real property tax*** contribute less to Hawaii's general revenue from own sources. In 2014, individual income tax contributed about 15.3 percent of Hawaii's general revenue from own sources, just below the average of all states of 15.8 percent, and real property tax accounted for 12.2 percent, which was below the U.S. average of 21.6 percent. Other states have a tax structure, which is the reverse of

Hawaii, in that they have a higher proportion of property tax revenue and a lower proportion of sales tax revenue, for example New Hampshire.

All property taxes in Hawaii are collected at the local government level. However, many states across the nation have both the state and local governments collecting property taxes. In some states, properties are taxed by each of the government levels separately: state, county, and city. The state's portion of total property tax revenue, levied at all levels of government, varies between the two high states Vermont (67.2 percent) and Arkansas (53.8 percent) to a low of zero percent for states where property tax is only collected at the local government level (including Hawaii). The next table compares Hawaii with the top and the bottom states for individual income and property taxation.

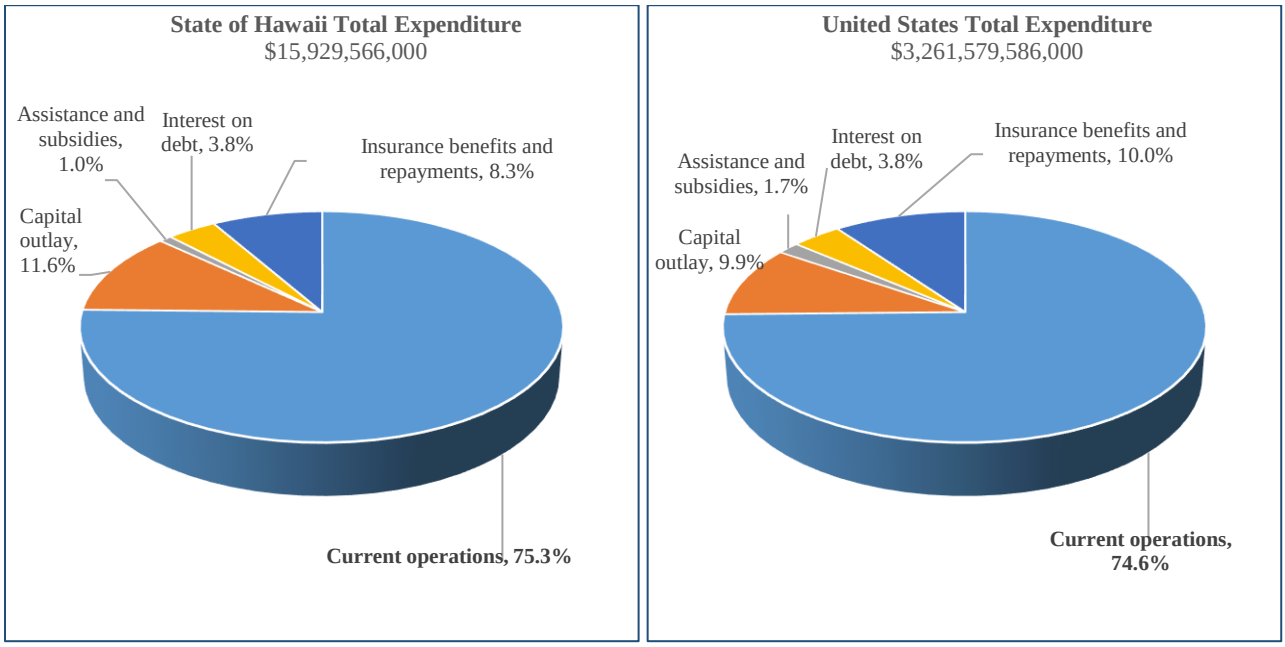
Table 3: Individual Income and Property Tax Share of State General Revenue from Own Sources, 2014 (state and local government combined)

Property Tax Share of General Revenue from Own Sources			*Individual Income Tax Share of General Revenue from Own Sources*		
1	New Hampshire	46.5%	1	Maryland	28.5%
2	New Jersey	36.4%	2	Oregon	25.3%
3	Connecticut	32.0%	3	Connecticut	24.9%
4	Rhode Island	31.9%	4	New York	24.7%
5	Vermont	31.4%	5	Massachusetts	24.5%
	United States Total	***21.6%***		***United States Total***	***15.8%***
			28	**Hawaii**	**15.3%**
45	**Hawaii**	**12.2%**	45	Alaska	0.0%
46	Delaware	11.0%	46	Florida	0.0%
47	Oklahoma	11.0%	47	Nevada	0.0%
48	New Mexico	11.0%	48	South Dakota	0.0%
49	Alabama	9.9%	49	Texas	0.0%
50	North Dakota	9.0%	50	Washington	0.0%

Source: U.S. Census Survey of State and Local Government Finances

Typically, the level of government where taxes are raised (state or local) determines revenue allocation. In the case of Hawaii, many expenditures related to education, health, hospitals, and corrections are covered at the state government level, where as in other states, these may be covered at the local level. In looking at the expenditure categories, Figure 4 shows that Hawaii is similar to the U.S. average. The main difference is that Hawaii spends more on capital outlays (new construction and maintenance of the existing facilities) and less on insurance benefits and assistance and subsidies, compared with the average of the U.S. overall.

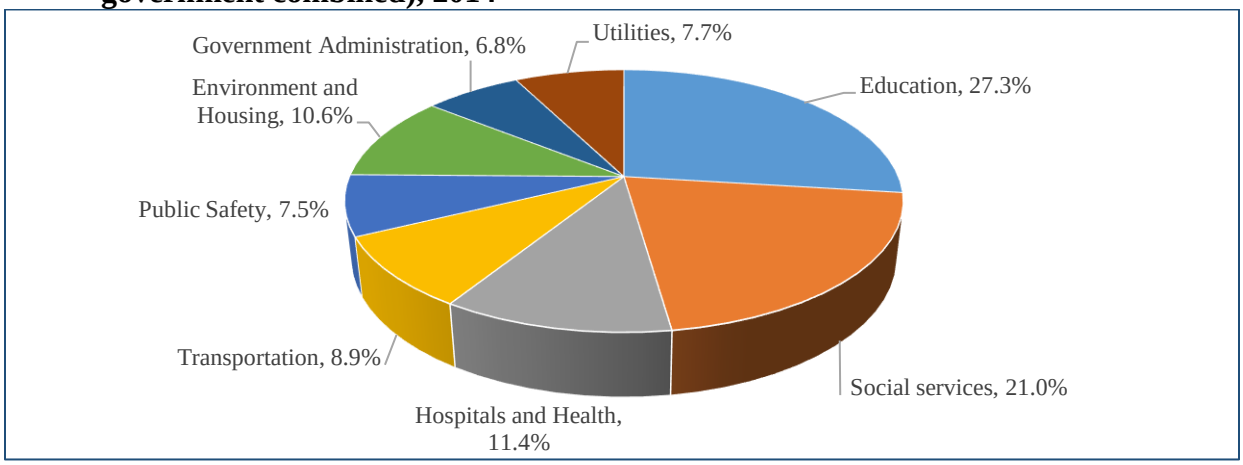
Figure 4. Total Expenditure in Hawaii and in the United States, 2014



Source: U.S. Census Survey of State and Local Government Finances

In addition, looking at how expenditures on current operations are structured, helps to better understand the composition and nature of these expenses. Figure 5 shows the main components of spending in the State of Hawaii on current operations. Current operations spending in Hawaii accounts for 75.3 percent of total expenditure.

Figure 5. Main Components of Current Operations in Hawaii (state and local government combined), 2014



Source: U.S. Census Survey of State and Local Government Finances

The table below lists comparisons with the top and bottom states in the nation ***for total education spending.*** The column on the right lists specific expenditures for primary and secondary education (K-12). As a share of the state's spending on current operations, Hawaii's education expenditure level is lower than every other state in the nation (Table 4).

Table 4: Education Expenditure Share of Current Operations Spending 2014 (state and local government combined)

Education Share of State's Current Operations Spending			*Elementary and Secondary Education Share of State's Current Operations Spending*		
1	Texas	45.0%	1	New Jersey	33.2%
2	New Jersey	43.4%	2	New Hampshire	29.6%
3	North Dakota	43.2%	3	Georgia	29.0%
4	Utah	42.9%	4	Connecticut	28.3%
5	Iowa	42.5%	5	Texas	27.8%
	United States Average	***37.2%***		***United States Average***	***24.1%***
45	New York	32.8%	45	Tennessee	20.3%
46	Maine	31.8%	46	Arizona	20.2%
47	Florida	30.9%	47	Mississippi	20.1%
48	Tennessee	30.9%	48	North Carolina	19.4%
49	Alaska	29.2%	49	Oregon	19.2%
50	**Hawaii**	**27.3%**	**50**	**Hawaii**	**17.8%**

Source: U.S. Census Survey of State and Local Government Finances

In addition to education, another area where spending is determined at the state level is ***health and hospitals expenditure***. Table 5 compares Hawaii's spending with the other states for health and hospital expenditure. In contrast to education, Hawaii's state share of health and hospital expenditure are both above the U.S. average.

Table 5: Health and Hospital Expenditure Share of Current Operations Spending 2014 (state and local government combined)

Hospital Expenditures as a Share of State's Current Operations Spending			*Health Expenditure as a Share of State's Current Operations Spending*		
1	South Carolina	16.9%	1	Michigan	6.3%
2	Mississippi	16.2%	2	Delaware	5.6%
3	Alabama	14.9%	3	Arizona	5.5%
4	Wyoming	14.5%	4	Vermont	5.4%
5	North Carolina	13.6%	5	North Carolina	5.4%
21	**Hawaii**	**6.9%**	**12**	**Hawaii**	**4.5%**
	United States Average	***6.8%***		***United States Average***	***3.7%***
45	Maryland	1.1%	45	Massachusetts	2.0%
46	North Dakota	0.9%	46	Louisiana	2.0%
47	Rhode Island	0.8%	47	Mississippi	1.9%
48	New Hampshire	0.6%	48	Arkansas	1.8%
49	Delaware	0.5%	49	Iowa	1.7%
50	Vermont	0.0%	50	New Hampshire	1.5%

Source: U.S. Census Survey of State and Local Government Finances

In looking at ***public safety*** services as a share of the state's spending on current operations, Hawaii is below the national average for ***police and fire safety*** and ***corrections*** (where it ranks last in the nation, along with Iowa and New Hampshire). The table below compares Hawaii's spending with that of other states in the nation (top and bottom five) compared with the national average.

Table 6: Police, Fire Safety and Corrections Expenditure Share of Current Operations Spending 2014 (state and local government combined)

Police Expenditure as a Share of State's Current Operations Spending			*Fire Protection Expenditure Share of State's Current Operations Spending*			*Corrections Expenditure Share of State's Current Operations Spending*		
1	Nevada	6.9%	1	Rhode Island	3.4%	1	California	4.2%
2	Florida	5.8%	2	Nevada	3.1%	2	Nevada	4.2%
3	Illinois	5.2%	3	Florida	2.8%	3	Arizona	4.2%
4	Maryland	5.2%	4	Arizona	2.7%	4	New Mexico	4.0%
5	Arizona	5.0%	5	Illinois	2.5%	5	Virginia	3.9%
	United States Average	***4.2%***		***United States Average***	***1.8%***		***United States Average***	***3.1%***
29	**Hawaii**	**3.8%**	**25**	**Hawaii**	**1.6%**			
45	Iowa	3.0%	45	Minnesota	1.0%	45	Minnesota	2.0%
46	Indiana	2.9%	46	West Virginia	0.9%	46	Massachusetts	2.0%
47	West Virginia	2.8%	47	North Dakota	0.9%	47	Maine	1.9%
48	Nebraska	2.5%	48	Vermont	0.8%	48	New Hampshire	1.8%
49	Kentucky	2.5%	49	Pennsylvania	0.7%	49	Iowa	1.8%
50	Maine	2.5%	50	Delaware	0.4%	**50**	**Hawaii**	1.8%

Source: U.S. Census Survey of State and Local Government Finances

50-State Property Tax Comparison Study

A recent report ***50-State Property Tax Comparison Study for Taxes Paid in 2016,*** published by the Lincoln Institute of Land Policy, compared property taxes for metropolitan areas across the nation and calculated their respective effective tax rates, defined as the total tax bill as a percent of a property's market value. While the report title includes the phrase "50-State", the report itself focuses on local government property tax, rather than overall state tax policy due to the local nature of property taxes.

Property tax comparison across cities. The report notes that it is difficult to compare property taxes across cities due to variations in property tax rules and exemptions. Therefore, it provides standardized effective property tax rates, comparable across localities, and an analysis of what drives the property tax rates for each respective locality.

Why tax property? The report also outlines three strengths of property tax as a revenue source for local governments: 1) it is the most stable tax source (limited fluctuation with business cycles); 2) it is more progressive than other revenue streams such as sales tax (does not disproportionately affect the lower income population); 3) it promotes local autonomy (it is an immobile tax base, taxing people who live in a certain location).

How municipalities set property tax rates. The report finds that many of the cities with high property tax rates have relatively low sales and income taxes. Homeowners are, generally, willing to pay higher property taxes to have a better quality of life – better public schools and safer neighborhoods.

An important conclusion of the report is that property tax rates are set differently than other tax rates, reflecting annual budgets for local government spending. According to the report, since income and sales tax rates are fairly constant year-to-year, "property tax rates are usually established *after* the local government budget is determined" in order to reach a targeted revenue level.

It is important to note that, although the report refers to "cities", these are references to the property locations rather than the taxing authority.

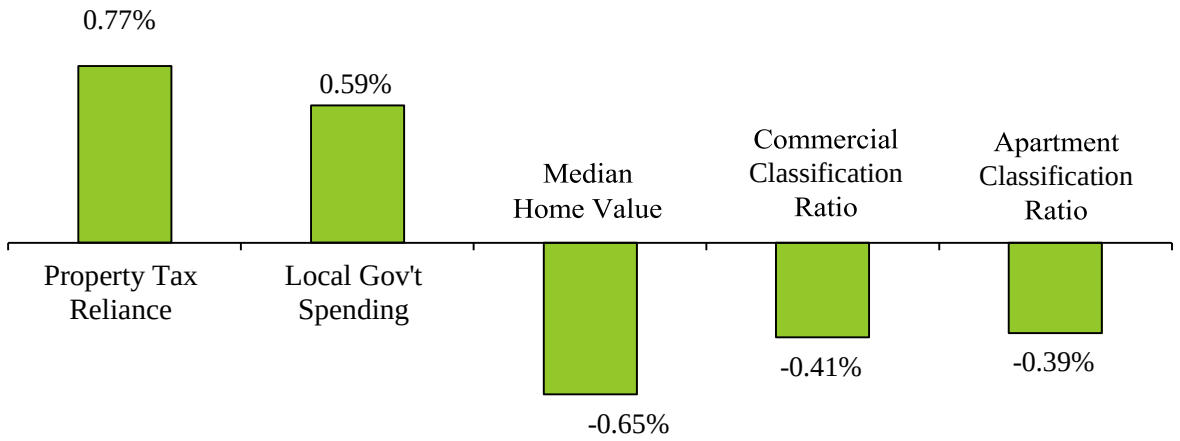
Why Property Tax Rates Vary Across Cities

There are ***four key factors*** in the report that explain nearly three-quarters of the variation in property tax rates across the U.S. cities analyzed. The two factors that explain a majority of variation are the

respective city's reliance on property taxes (as opposed to other revenue sources), and the level of property values in each jurisdiction. Two additional factors are local government spending and whether cities tax homesteads at lower rates than other types of property (referred to as "classification").

Figure 6: Key Factors Explaining Differences in Property Tax Rates

Percent Change in Effective Tax Rate on Median Valued Home
from 1 Percent Increase in Each Variable



Source: 50-State Property Tax Comparison Study for Taxes Paid in 2016 (Lincoln Institute of Land Policy, 2017)

Property Tax Reliance

Locations with high local sales or income taxes do not require as much revenue from property taxes. Figure 6 shows that a 1 percent increase in the share of revenue raised by local governments from the property tax is associated with a 0.77 percent increase in the effective tax rate on a median valued home. The report gives an example of two cities: Bridgeport, CT and Birmingham, AL. Even though Bridgeport has the highest effective tax rate on a median valued home and Birmingham has the seventh lowest effective tax rate on a median valued home, total local taxes are considerably higher in Birmingham ($2,560 vs. $2,010 per capita). This is due to various additional local taxes and surcharges paid in addition to property tax in Birmingham, as opposed to Bridgeport where everything is already included in one property tax bill.

The results of the study show that 37 percent of the variation in effective tax rates is explained by median home values, 26 percent by property tax reliance, 7 percent by local government spending, 8

percent by the commercial-homestead classification ratio (preferential treatment of the home owner occupied properties at the expense of commercial properties), and 3 percent by the apartment-homestead classification ratios (also preferential treatment of the home owner occupied properties, at the expense of renters).

Property Values

As noted above, property values are a major factor explaining differences in property tax rates among regions. Cities with high property values can impose a lower tax rate and still raise enough property tax revenue as a city with low property values. For example, San Francisco and Detroit have the highest and lowest median home values in 2016 —$941,400 and $42,600, respectively. The effective tax rate on a median valued home is 4.5 times higher in Detroit than San Francisco (3.15% vs. 0.70%). In spite of their lower property tax rate, San Francisco collects nearly five times more in property taxes from a median-valued home due to high property values ($6,571 vs. $1,341).

Local Government Spending

Generally, cities with higher public local spending will require higher property tax revenue. The report finds that local spending is higher in cities with greater revenue capacity, since cities with larger tax bases can raise more revenue without requiring higher tax rates. As Figure 6 shows, a 1 percent increase in local government spending per capita is associated with a 0.59 percent increase in the effective tax rate on a median valued home. Wages and cost of living are also important factors. Cities with a higher cost of living or higher wages will need to pay higher salaries to attract qualified teachers, police, and other local government employees.

Classification and Preferential Treatment of Homestead Properties

Property tax classification is the fourth factor that explains differences across cities for property tax rates. Under classified property tax systems, states and cities build preferences into their tax systems that result in lower effective tax rates for certain classes of property. For example, homeowner exemptions benefit homeowners by reducing their effective property tax rate.

The “classification ratio” compares the effective tax rate for two types of property. An increase in the classification ratio means a decrease in the tax rate of homestead properties. In other words, homeowners are collectively bearing a smaller share of the property tax burden, while businesses

and/or renters pay more. A 1.0 percent increase in the commercial-homestead classification ratio is associated with a 0.41 percent decrease in the effective tax rate on a median valued home, and a 1.0 percent increase in the apartment-homestead classification ratio is associated with a 0.39 percent decrease.

Other Factors

Two variables that could affect property tax rates are amounts in state and federal aid to cities and the share of total state and local government spending. Higher state aid allows local governments to rely less on property taxes, resulting in lower rates. Research shows that the impact of state aid on local property taxes is ambiguous and depends on how state aid is structured. Some state aid formulas can limit local spending, thereby reducing property taxes. The report mentions Hawaii as an example of a state that covers public service expenses that are usually covered by local governments in other states.

Table 7: Factors Correlated with Homestead Property Tax Rates in Large U.S. Cities
(Effective Tax Rate for Median Valued Home, with Assessment Limits)

		Tax Rate		**Property Tax Reliance**		**Median Home Value**		**Local Gov't Spending**		**Classification Ratio**		
State	**City**	Rank (1-73)	Tax Rate	Rank (1-73)	Impact on Tax Rate	Rank (1-73)	Impact on Tax Rate	Rank (1-73)	Impact on Tax Rate	Commercial	Apartments	Impact on Tax Rate
CT	Bridgeport	1	3.81	1	1.22	44	0.15	41	-0.06	65	57	0.20
IL	Aurora	2	3.72	4	0.98	43	0.13	61	-0.22	96	34	0.19
NJ	Newark	3	3.20	2	1.18	24	-0.16	46	-0.09	71	55	0.24
MI	Detroit	4	3.15	62	-0.45	73	1.38	35	0.01	44	20	0.10
WI	Milwaukee	5	2.67	17	0.25	67	0.49	42	-0.06	46	39	0.16
CO	Denver	69	0.62	69	-0.54	13	-0.43	7	0.35	2	65	-0.47
MA	Boston	70	0.61	3	1.09	11	-0.75	31	0.03	5	8	-0.59
NY	New York City	71	0.59	51	-0.29	7	-0.91	3	0.84	4	1	-1.76
CO	Colorado Springs	72	0.45	71	-0.60	25	-0.14	25	0.08	3	66	-0.47
HI	***Honolulu***	***73***	***0.31***	***20***	***0.24***	***3***	***-1.07***	***73***	***-0.44***	***6***	***32***	***-0.35***

Source: 50-State Property Tax Comparison Study for Taxes Paid in 2016 (Lincoln Institute of Land Policy, 2017)

In Table 7, the columns labeled "Impact on Tax Rate" show how each respective factor impacts the city's tax rate relative to a scenario with an average value for that variable. In other words, a positive value means that the respective factor increases the city's tax rate, while a negative value means that that factor decreases the city's tax rate.

Honolulu has the 20th highest property tax reliance, which is predicted to increase the city's tax rate on a median valued home by 0.24 percentage points relative to a city with an average property tax

reliance. For example, if Honolulu had an average property tax reliance and all other characteristics of the city were held constant (home values, government spending, etc.), then the city's tax rate would be 0.24 percentage points higher than the average. With an effective tax rate of 0.54 percent, Honolulu would still be the second lowest in the nation.

Honolulu has the 3rd highest median home value, which is expected to decrease the tax rate by 1.07 percentage points relative to a city with an average home value. In spite of having the lowest property tax rate in the nation, Honolulu still raises significantly more revenue per property than an average city with a higher property tax rate due to high property values. In other words, the lower tax rates are offset by higher property values.

Honolulu ranks the lowest of all cities for local government spending per capita. As shown in the previous table, this is expected to decrease the city's tax rate by 0.44 percentage points relative to a city with average spending.

Finally, Honolulu has significantly higher tax rates for commercial properties and apartments than for homestead properties. The classification ratio is 6th highest for commercial properties and 32nd highest for apartments. As noted in Table 7, the ratios measure the difference in effective rates for commercial and apartment properties as opposed to residential owner occupied after exemptions. Honolulu stands out for its generous homeowner exemptions. If Honolulu had homeowner exemptions similar to an average city, Honolulu's effective average tax rate would have been 0.35 percentage points higher in order to achieve the same effective tax rate.

Homestead Property Taxes

Tax rates vary widely across the 53 cities. The three cities at the top of the chart – Detroit, Bridgeport (CT), and Aurora (IL) – have effective tax rates that are roughly 2.5 times higher than the average for the 53 cities. In five other cities, the effective property tax rate on a median valued home is 1.5 to about 2 times the average. The bottom six cities – Honolulu, Boston, Denver, Cheyenne (WY), Birmingham (AL), and Washington (DC) – all have effective tax rates that are less than half of the city average.

Under homestead exemption programs, the percentage reduction in taxable value falls as home values rise. For example, a $20,000 exemption provides a 20 percent reduction in taxable value for a

$100,000 home, a 10 percent reduction on a $200,000 home, and a 5 percent reduction on a $400,000 home. Additionally, there are other tax structures that could achieve similar results. For example, Minnesota uses a tiered assessment system where up to $500,000 of a home's assessed value is taxed at a 1.0 percent rate and above $500,000 is taxed at a 1.5 percent rate.

According to the report, Boston had the highest homestead exemption value in 2016, which was equal to the lesser of $178,325 or 90 percent of a property's assessed value. The other two cities noted for substantial homestead exemptions were Honolulu ($80,000 exemption) and Atlanta ($75,000 of assessed value).

Table 8: Property Taxes on Median Valued Home for Largest City in Each State (2016)

Rank (tax rate rank, tax bill rank)	**City/State**	**Effective Tax Rate, %**
Highest 5		
1, 45	Detroit, MI	3.82
2, 4	Bridgeport, CT	3.81
3, 5	Aurora, IL	3.72
4, 2	Newark, NJ	3.20
5,16	Milwaukee, WI	2.67
Lowest 5		
49, 53	Birmingham, AL	0.67
50, 50	Cheyenne, WY	0.65
51, 34	Denver, CO	0.62
52, 20	Boston, MA	0.61
53, 35	***Honolulu, HI***	***0.31***

Source: 50-State Property Tax Comparison Study for Taxes Paid in 2016 (Lincoln Institute of Land Policy, 2017)

Commercial and Industrial Property Taxes

The average effective tax rate on commercial properties for the 53 cities is 2.097 percent. A property worth $1 million with $200,000 in fixtures would owe $25,166 in property taxes (2.097% x $1.2m).

Commercial and industrial property tax rates vary widely across the 53 cities. The top five cities are Detroit, New York City, Chicago, Providence, and Bridgeport, and all have effective tax rates that are at least two-thirds higher than the average for these cities. The bottom six cities are Virginia Beach, Billings, Fargo, Honolulu, Seattle, and Cheyenne (WY), and all have tax rates that are less than half of the combined city average. A few of the cities had significant changes to their effective tax rates from 2015 to 2016. The cities with the largest declines in their tax rates were Boston and Fargo.

Generally, effective tax rates for commercial properties do not vary by property value. This is in contrast to homestead properties, where exemptions or other tax relief programs often create significantly lower rates for lower-valued properties. Only 11 of the 53 cities have effective tax rates that vary based on their value.

Table 9: Commercial Property Taxes for Largest City in Each State (2016)
Effective Tax Rate for $1-Million Valued Property (plus $200k in Fixtures)

Rank (tax rate rank)	City/State	Effective Tax Rate, %
Highest 5		
1	Detroit, MI	4.09
2	New York City, NY	3.93
3	Chicago, IL	3.86
4	Bridgeport, CT	3.81
5	Providence, RI	3.71
Lowest 5		
49	Billings, MT	1.03
50	Fargo, ND	1.00
51	***Honolulu, HI***	***0.91***
52	Seattle, WA	0.89
53	Cheyenne, WY	0.66

Source: 50-State Property Tax Comparison Study for Taxes Paid in 2016 (Lincoln Institute of Land Policy, 2017)

The report has a separate section on industrial properties and ranks the cities based on the value of industrial property (valued at $1 million) including $1 million in personal property (such as industrial equipment). There is a slight difference in the rankings based on the inclusion of personal property, which affects the effective tax rate. For the industrial ranking, Honolulu was in the 52nd position nationwide (versus 51st in commercial), and this was likely due to the inclusion of personal property.

Apartment Property Taxes

The average effective tax rate on apartment properties for the 53 cities is 1.866 percent. A property worth $600,000 with $30,000 in personal property would owe $11,196 in property taxes (1.866% x $630,000 total parcel value).

Tax rates vary widely across the 53 cities. The top two cities of New York City and Detroit have effective tax rates that are more than 2.5 times higher than the average of the cities. The next three cities (Aurora, IL; Bridgeport, CT; and Des Moines, IA) have effective tax rates that are roughly

double the average. Conversely, there are eight cities where tax rates on apartments are less than half the average, with the lowest rates in Honolulu, Cheyenne, Denver, Washington (DC), and Salt Lake City.

Table 10: Apartment Property Taxes for Largest City in Each State (2016)
Effective Tax Rate for $600,000 Valued Property (plus $30,000 of Fixtures)

Rank (tax rate rank)	City/State	Effective Tax Rate, %
Highest 5		
1	New York City, NY	5.47
2	Detroit, MI	4.79
3	Aurora, IL	3.93
4	Bridgeport, CT	3.81
5	Des Moines, IA	3.59
Lowest 5		
49	Salt Lake City, UT	0.76
50	Washington, DC	0.75
51	Denver, CO	0.70
52	Cheyenne, WY	0.61
53	***Honolulu, HI***	***0.33***

Source: 50-State Property Tax Comparison Study for Taxes Paid in 2016 (Lincoln Institute of Land Policy, 2017)

Classification and Preferential Treatment of Homestead Properties

Many cities have lower effective tax rates for certain classes of property, usually designed to benefit homeowners. As noted earlier, the "classification ratio" describes these preferences by comparing the effective tax rate for two types of property. For example, if a city has a 3.0 percent effective tax rate on commercial properties and a 1.5 percent effective tax rate on homestead properties, then the commercial-homestead classification ratio is 2.0 (3.0% divided by 1.5%).

In a property tax system that treats all properties similarly, the classification ratio would be 1.0, because the effective rates on all properties would be the same. In other words, the c*lassification ratio provides a summary measure of the degree to which one type of property subsidizes lower property taxes on another class of properties.*

Table 11: Commercial-Homestead and Apartment-Homestead Classification Ratios for Largest City in Each State (2016)

Commercial-Homestead Ratio			Apartment-Homestead Ratio		
Rank (tax rate rank)	**City/State**	**Ratio**	Rank (tax rate rank)	**City/State**	**Ratio**
Highest 5			***Highest 5***		
1	New York City, NY	4.08	1	New York City, NY	4.97
2	Boston, MA	3.77	2	Columbia, SC	3.71
3	Columbia, SC	3.71	3	Indianapolis, IN	2.59
4	Denver, CO	3.62	4	Birmingham, AL	2.17
5	***Honolulu, HI***	***3.58***	5	Charleston, WV	2.12
Average for the US Cities		**1.67**	**Average for the US Cities**		1.35
			24	***Honolulu, HI***	1.12
Lowest 5			***Lowest 5***		
49	Manchester, NH	1.00	49	Salt Lake City, UT	0.97
50	Bridgeport, CT	1.00	50	Louisville, KY	0.97
51	Charlotte, NC	1.00	51	Cheyenne, WY	0.94
52	Louisville, KY	0.97	52	Virginia Beach, VA	0.88
53	Wilmington, DE	0.96	53	Chicago, IL	0.83

Source: 50-State Property Tax Comparison Study for Taxes Paid in 2016 (Lincoln Institute of Land Policy, 2017)

Effective property tax rates vary by class of property due to four primary reasons: the assessment ratio (which is the percentage of market value used to determine taxable values, where a $100,000 commercial property would be taxed on its full market value, but a $100,000 residential property would be taxed as if it were worth $70,000); the nominal tax rate (which is the tax rate applied to the taxable value to determine the tax bill); exemptions and credits (most common are homestead exemptions, for example, a $50,000 homestead exemption would mean a $200,000 home would be taxed as if it were worth $150,000, in a 100% assessment ratio); and, the sales ratio (when the sales ratio for homesteads is 95 percent, then a home worth $100,000 would be "on the books" as if it were worth $95,000).

Property Tax Assessment Limits

Property tax assessment limitations became popular in the late 1970s, and this increased during the late 1990s and early 2000s as property values appreciated. Under this system, tax savings are greatest for homeowners who have owned their homes longer and whose home values have appreciated faster than the average. States with parcel specific assessment limits include Arizona, Arkansas, California, Florida, Illinois (Cook County only), Michigan, New Mexico, New York City, Oklahoma, Oregon, South Carolina, and Texas.

Structure of the rest of the report. Following this section, introduction, Section II analyzes county property tax assessment data provided by each respective county. The data were analyzed to examine the following research topics:

- The proportion of homes owned by Hawaii residents as estimated from property tax mailing addresses;
- A revenue analysis of three different scenarios for raising property taxes.

Section III of the report analyzes the relationship between household income and their homeownership and home values.

Regarding the following sections, it is important to note that this report presents a ***limited framework*** for considering the issue of taxation in Hawaii. The analysis focuses on potential scenarios related to property tax increases offset by individual income tax decreases. This report does not include scenarios related to other forms of taxation and, therefore, should not be considered a comprehensive analysis of the state's taxation framework. The scope is limited to potential scenarios related to income tax and property tax. In summary, it provides a base that future research could expand upon.

II. Property Tax Analysis and Revenue Scenarios

A. Data Analysis

Methodology

This report provides a property tax analysis for the state and each respective county based on 2016 property tax records. The first goal of the study was to estimate the percentage of property owners who reside outside the State of Hawaii. From a data perspective, this presents a challenge, because declaring owner or entity location of residence is not required for real estate transactions. In other words, property tax records do not include the location of the property owner or entities' location of residence. However, property tax records do include mailing addresses for property tax notices and, therefore, these were used as a proxy for location of residence. It is important to note that, although mailing addresses provide a barometer for estimating out-of-state residence with property in Hawaii, it is only a very rough measure. There are reasons other than ownership for out-of-state mailing addresses including notices being sent to property managers, accountants, lawyers, or family members. Therefore, the information provided in this report should be interpreted as a reference, rather than an exact measure for non-resident property owners.

The second goal of the report was to analyze property tax by property tax class across counties. While the property tax classes among counties were similar, each county varied slightly in their property tax classes. Some examples of county-specific property tax classes were Residential A (Honolulu), Affordable Rental (Hawaii), Residential Investor (Kauai), and Time Share (Maui). Thus, in order to compare counties, the property tax classes were combined into four standardized categories based on taxation: Residential & Related, Hotel/Resort & Tourism Related, Commercial and Industrial, and Agriculture, Conservation, and Preservation (Table 12).

The unit of measure for the analysis was Tax Map Key (TMK) by mailing addresses for property tax notifications as a proxy for the location of the property owner/manager. Property tax assessment is based on a TMK number, which is associated with a property lot. For a majority of the cases, there was one mailing address per TMK. However, for TMKs with multiple property owners, there were multiple mailing addresses, and this was further complicated by the fact that some TMKs had both in-state and out-of-state mailing addresses for the same TMK. In this case, the portion of property taxes paid was allocated using equal shares for each location. For example, if there was a TMK with two mailing addresses, one in Hawaii and one in California, half of the taxes paid was allocated to Hawaii

and the other half was allocated to the Other U.S. category. A further explanation is included in the appendix.

A final caveat to the methodology was regarding residential property that was classified under a non-residential property tax class. For example, a house that was located on land classified under an agricultural related property tax class; this example was especially true for Hawaii County where the agriculture related property tax class comprises approximately 50 percent of the mailing addresses. Since the analysis was based on property tax class rather than actual use, the residential related properties do not necessarily reflect the actual use or quantity of housing stock.

Table 12. Classification Categories Based on Property Tax Class

	Residential & Related	Commercial/Ind. & Public Service	Hotel/Resort & Tourism Related	Agriculture, Conservation, & Preservation
Affordable Rental	X			
Residential	X			
Residential A	X			
Apartment	X			
Homeowner	X			
Homestead	X			
Residential Investor	X			
Commercialized Residential	X			
Commercialized Home Use	X			
Commercial		X		
Industrial		X		
Public Service		X		
Hotel/Resort			X	
Vacation Rental			X	
Time Share			X	
Agricultural/Native Forest				X
Vacant Agricultural				X
Conservation/Preservation				X

Property Ownership and Tax Contribution

This section analyzed property tax by property tax class and the mailing location address as a proxy for the resident location of the property owner or manager. The first section gives an overview at the state level, followed by an analysis of each individual county.

State of Hawaii

For the state overall, the Residential and Related category had the highest share of taxes paid at 53.2 percent, with a 75.1 percent share of properties (TMKs). This was followed by the Commercial and Industrial category, which comprised 23.2 percent of property taxes paid and 3.5 percent of properties. The Hotel/Resort and Tourism Related category was third, at 18.2 percent of property taxes paid and 5.6 percent of properties. The category with the least amount of taxes paid was the Agriculture, Conservation, and Preservation category with 5.4 percent of taxes paid and 15.8 percent of properties.

Figure 7. State: Number of Properties (TMKs) by Tax Class for 2016

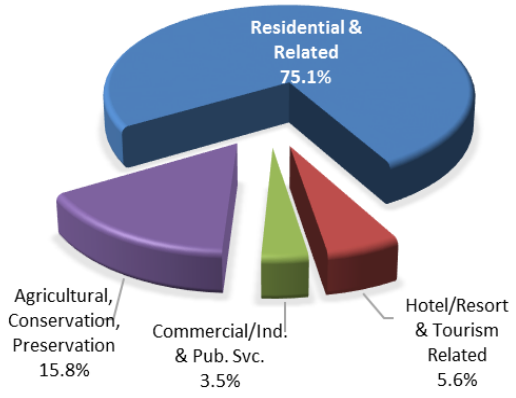
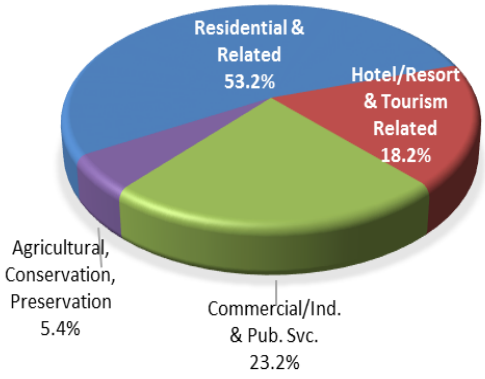


Figure 8. State: Share of Taxes Paid by Tax Class for 2016



Source: Respective counties' property assessment division and DBEDT calculation

Table 13 breaks down the amount of taxes paid by the location of the mailing address as a rough proxy for owner/manager location. The Residential and Related category had 87.5 percent of property taxes paid by residents with in-state mailing addresses, the highest of all categories. This was followed by Commercial and Industrial (84.8 percent), Agriculture, Conservation, and Preservation (59.8 percent), and Hotel/Resort and Tourism Related (31.8 percent).

Table 13. Number and Percentage of Properties (TMKs) by Owner/Manager's Mailing Address, State Total (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of TMK	%	# of TMK	%	# of TMK	%	# of TMK	%	# of TMK	%
Hawaii Only	351,684	87.5	9,589	31.8	15,967	84.8	50,719	59.8	427,959	79.9
Other U.S. Only	43,500	10.8	17,796	59.1	2,314	12.3	29,853	35.2	93,463	17.4
Foreign Only	4,432	1.1	2,371	7.9	62	0.3	2,211	2.6	9,076	1.7
Hawaii & Other Mixed	2,312	0.6	356	1.2	486	2.6	1,953	2.3	5,107	1.0
Other U.S. & Foreign Mixed	32	0	14	0	0	0	41	0	87	0.0
Total	401,960	100	30,126	100	18,829	100	84,777	100	535,692	100.0

*A property may have multiple tax classes such as Residential & Related and Commercial & Industrial, therefore, there is some double counting across tax classes. For the mailing address column, each property is counted only once even if there are multiple mailing addresses for property owners/managers.
Source: County Real Property Assessment Divisions and DBEDT calculations

Table 14 shows the amount of taxes paid by the location of the mailing address for the state overall in 2016. The Residential and Related category had the highest percentage of taxes paid by in-state mailing addresses at 76.5 percent. Residential and Related was followed by Commercial and Industrial (68.0 percent), Agriculture, Conservation, and Preservation (64.3 percent), and Hotel/Resort and Tourism Related (42.8 percent). In looking at taxes paid by out-of-state U.S. addresses, the highest share was the Hotel/Resort and Tourism Related category at 52.0 percent; followed by Agriculture, Conservation, and Preservation (33.3 percent), Commercial/ Industrial and Public Service (31.9 percent), and Residential and Related (21.1 percent). The highest category for foreign mailing addresses was the Hotel/Resort and Related category at 5.3 percent.

Table 14. Amount and Percentage of Property Taxes Paid by Owner/Manager's Mailing Address, State Total (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%
Hawaii	715,130	76.5	136,329	42.8	275,682	68	61,383	64.3	1,188,524	67.8
Other U.S.	197,423	21.1	165,704	52	129,234	31.9	31,838	33.3	524,200	29.9
Foreign	21,725	2.3	16,738	5.3	689	0.2	2,312	2.4	41,464	2.4
Total	934,278	100	318,771	100	405,605	100	95,533	100	1,754,187	100.0

*For TMKs with multiple address locations, property tax paid was allocated using equal shares for each location.
Source: County Real Property Assessment Divisions and DBEDT calculations

Honolulu County

For Honolulu County, the Residential and Related category had the highest share of taxes paid at 55.6 percent, with a 91.9 percent share of the mailing properties (Figures 9 and 10). This was followed by the Commercial/Industrial and Public Service category at 30.3 percent of property taxes paid, with only 3.7 percent of properties due to the relative high value of each property. The Hotel/Resort and Tourism Related category had 13.3 percent of taxes paid with 3.1 percent of properties. Compared with the other counties, Honolulu County had the smallest share for the Agriculture, Conservation, and Preservation category, with a mere 0.8 percent of taxes paid and 1.3 percent of properties.

Figure 9. Honolulu County: Number of Properties (TMKs) by Tax Class for 2016

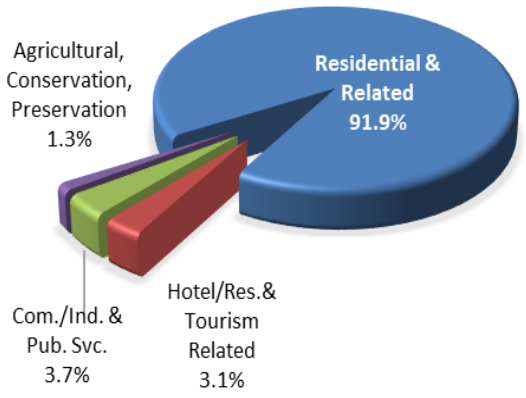
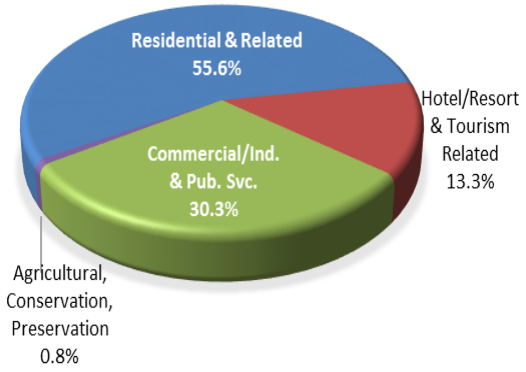


Figure 10. Honolulu County: Share of Property Taxes Paid by Tax Class for 2016



Source: City and County of Honolulu Real Property Assessment Division and DBEDT calculations

Table 15 shows Honolulu County's number and share of property owners/managers by location of the mailing address. For the Residential and Related category, the vast majority had in-state mailing addresses at 91.4 percent. This was followed by the Agriculture, Conservation, and Preservation category at 88.4 percent; although, the amount of property taxes paid was minimal. The following categories were Commercial and Industrial at 84.9 percent and Hotel/Resort and Tourism Related at 51.5 percent. The Hotel/Resort and Tourism Related category stood out as having the highest share of both out-of-state U.S. (37.3 percent) and foreign (10.6 percent) mailing addresses.

Table 15. Number and Percentage of Properties (TMKs) by Owner/Manager's Mailing Address, Honolulu County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of TMK	%	# of TMK	%	# of TMK	%	# of TMK	%	# of TMK	%
Hawaii Only	242,640	91.4	4,662	51.5	9,212	84.9	3,218	88.4	259,732	89.9
Other U.S. Only	19,699	7.4	3,381	37.3	1,235	11.4	332	9.1	24,647	8.5
Foreign Only	2,278	0.9	956	10.6	47	0.4	14	0.4	3,295	1.1
Hawaii & Other Mixed	817	0.3	55	0.6	356	3.3	76	2.1	1,304	0.5
Other U.S. & Foreign Mixed	8	0	2	0	0	0	1	0	11	0.0
Total	265,442	100	9,056	100	10,850	100	3,641	100	288,989	100.0

*A property may have multiple tax classes such as Residential & Related and Commercial & Industrial, therefore, there is some double counting across tax classes. For the mailing address column, each property is counted only once, even if there are multiple mailing addresses for property owners/managers.
Source: City and County of Honolulu Real Property Assessment Division and DBEDT calculations

Table 16 shows the amount of taxes paid by the location of the mailing address for Honolulu County in 2016. The Residential and Related category had 89.6 percent of property taxes paid by residents with in-state mailing addresses and this was the highest of all counties. Residential was followed by Agriculture, Conservation, and Preservation (85.8 percent), Commercial and Industrial (67.7 percent), and Hotel/Resort and Tourism Related (59.5 percent). Compared with the other categories, the Hotel/Resort and Tourism Related category and the Commercial and Industrial category had higher shares of property taxes paid by entities with mainland addresses (other U.S. category), at 34.7 percent and 32.2 percent respectively. Overall, the foreign mailing address share of property taxes paid was minimal, with the highest share in the Hotel/Resort and Tourism Related at 5.8 percent.

Table 16. Amount and Percentage of Property Taxes Paid by Owner/Manager's Mailing Address for Properties (TMKs), Honolulu County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%
Hawaii	543,208	89.6	86,507	59.5	223,555	67.7	7,523	85.8	860,792	78.9
Other U.S.	54,247	8.9	50,496	34.7	106,334	32.2	1,215	13.9	212,292	19.5
Foreign	9,044	1.5	8,448	5.8	524	0.2	25	0.3	18,041	1.7
Total	606,500	100	145,451	100	330,413	100	8,763	100	1,091,125	100.0

Source: City and County of Honolulu Real Property Assessment Division and DBEDT calculations

Maui County

The figures below show Maui County had a relatively high share of property taxes paid by the Hotel/Resort and Tourism Related category at 40.1 percent; however, the share of properties was lower at 18.9 percent of properties due to the high value of each property. The Residential and Related category had the second highest share of property taxes paid at 37.0 percent; however, it was the largest category for share of the number of properties at 62.9 percent. The Commercial/Industrial and Public Service category had 13.5 percent of taxes paid and 4.6 percent of properties. The category that had the least amount of property taxes paid was the Agriculture, Conservation, and Preservation category, with 9.4 of property taxes paid and 13.6 percent of properties.

Figure 11. Maui County: Share of Properties (TMKs) by Tax Class for 2016

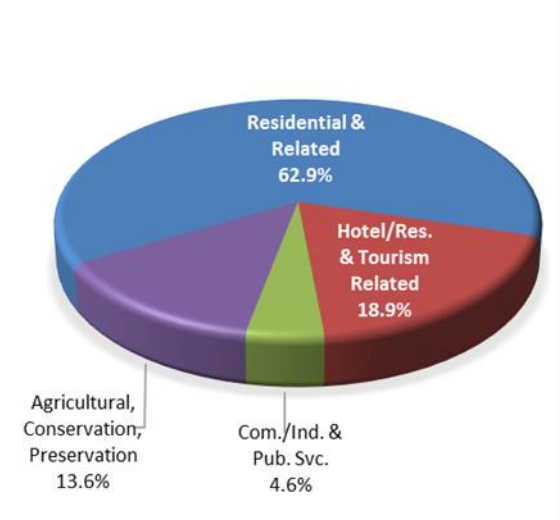
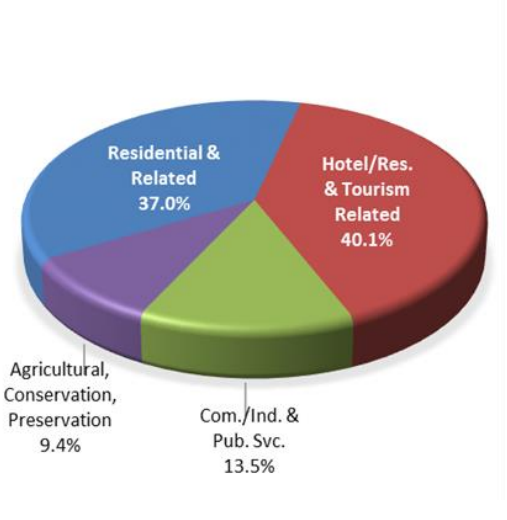


Figure 12. Maui County: Share of Property Taxes Paid by Tax Class for 2016



Source: County of Maui Real Property Assessment Division and DBEDT calculations

For Maui County's location of mailing addresses, the top two categories for in-state mailing addresses were Commercial and Industrial and Residential and Related, with 82.4 percent and 81.1 percent respectively (Table 17). These were followed by Agriculture, Conservation at 69.9 percent in-state and Hotel/Resort & Tourism Related at 15.2 percent in-state. As noted above, Maui had a relatively high representation for out-of-state mailing addresses in the Hotel/Resort & Tourism Related category at 74.8 percent. Maui County had the second highest percentage of foreign mailing addresses for the Hotel/Resort and Related category at 9.4 percent.

Table 17. Number and Percentage of Properties (TMKs) by Owner/Manager's Mailing Address, Maui County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of TMK	%	# of TMK	%	# of TMK	%	# of TMK	%	# of TMK	%
Hawaii Only	36,838	81.1	2,068	15.2	2,708	82.4	6,836	69.9	48,450	67.2
Other U.S. Only	7,297	16.1	10,197	74.8	528	16.1	2,276	23.3	20,298	28.1
Foreign Only	856	1.9	1,279	9.4	9	0.3	144	1.5	2,288	3.2
Hawaii & Other Mixed	443	1	80	0.6	40	1.2	524	5.4	1,087	1.5
Other U.S. & Foreign Mixed	3	0	7	0.1	0	0	3	0	13	0.0
Total	45,437	100	13,631	100	3,285	100	9,783	100	72,136	100.0

*A property may have multiple tax classes such as Residential & Related and Commercial & Industrial, therefore, there is some double counting across tax classes. For the mailing address column, each property is counted only once even if there are multiple mailing addresses for property owners/managers.
Source: Maui County Real Property Assessment Division and DBEDT calculations

In looking at Maui County's share of property taxes paid by in-state mailing addresses, the Commercial/Industrial and Public Service category had the highest share at 61.5 percent (Table 18). This was followed by Residential and Related (55.4 percent), Agriculture, Conservation, and Preservation (53.2 percent), and Hotel/Resort & Tourism Related (17.6 percent). The Hotel/Resort & Tourism Related category for Maui County had a high share of property taxes paid by entities with out-of-state U.S. mailing addresses at 75.6 percent, the highest of all counties.

Table 18. Amount and Percentage of Property Taxes Paid by Owner/Manager's Mailing Address for Properties (TMKs), Maui County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%
Hawaii	56,765	55.4	19,589	17.6	22,947	61.5	13,894	53.2	113,195	40.9
Other U.S.	39,696	38.7	83,959	75.6	14,206	38.1	11,128	42.6	148,989	53.8
Foreign	5,985	5.8	7,571	6.8	147	0.4	1,091	4.2	14,793	5.3
Total	102,446	100	111,119	100	37,300	100	26,113	100	276,977	100.0

Source: Maui County Real Property Assessment Division and DBEDT calculations

Hawaii County

As shown in the figures below, Hawaii County's Residential & Related category was the top category for the share of taxes paid at 65.2 percent, with a 48.4 percent share of properties. Hawaii County was the highest of all counties for the Agriculture, Conservation, and Preservation category, with property taxes paid at 20.3 percent and properties at 48.8 percent. The Commercial/Industrial & Public Service category had 9.5 percent of property taxes paid and 2.4 percent of properties. Hawaii County was also unique in that it had a comparatively low share of both taxes paid and properties in the Hotel/Resort & Tourism Related category, at 5.0 percent and 0.4 percent respectively.

Figure 13. Hawaii County: Number of Properties (TMKs) by Tax Class for 2016

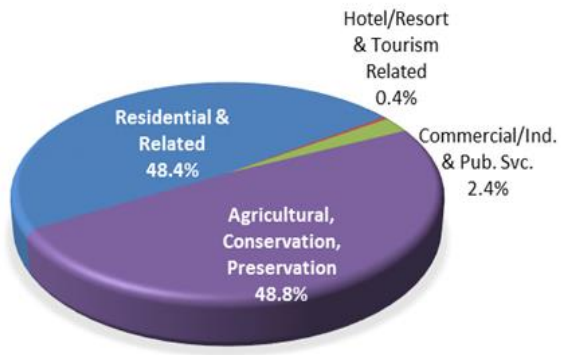
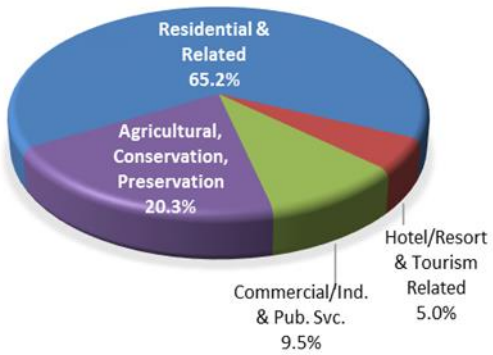


Figure 14. Hawaii County: Share of Property Taxes Paid by Tax Class for 2016



Source: County of Hawaii Real Property Tax Office and DBEDT calculations

For Hawaii County's share of the number of in-state mailing addresses, the top two categories were the Commercial/ Industrial and Public Service category at 86.9 percent and the Residential and Related category at 77.8 percent (Table 19). These were followed by the Agriculture, Conservation, and Preservation at 56.5 percent and the Hotel/Resort and Tourism Related category at 52.3 percent. While Hawaii County had a relatively high share of taxes paid by out-of-state mailing addresses, the share of the total number of properties was relatively small, indicating a higher value per property. This was especially true for the Residential and Related category.

Table 19. Number and Percentage of Properties (TMKs) by Owner/Manager's Mailing Address, Hawaii County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of TMK	%	# of TMK	%	# of TMK	%	# of TMK	%	# of TMK	%
Hawaii Only	52,918	77.8	271	52.3	2,893	86.9	38,794	56.5	94,876	67.5
Other U.S. Only	13,078	19.2	213	41.1	363	10.9	26,495	38.6	40,149	28.6
Foreign Only	1,196	1.8	1	0.2	5	0.2	2,047	3	3,249	2.3
Hawaii & Other Mixed	848	1.2	33	6.4	70	2.1	1,289	1.9	2,240	1.6
Other U.S. & Foreign Mixed	19	0	0	0	0	0	37	0.1	56	0.0
Total	68,059	100	518	100	3,331	100	68,662	100	140,570	100.0

*A property may have multiple tax classes such as Residential & Related and Commercial & Industrial, therefore, there is some double counting across tax classes. For the mailing address column, each property is counted only once even if there are multiple mailing addresses for property owners/managers.
Source: Hawaii County Real Property Assessment Division and DBEDT calculations

For the share of taxes paid by in-state mailing addresses, the top two categories for Hawaii County were the Hotel/Resort and Tourism Related and the Commercial/ Industrial and Public Service categories, at 77.5 percent and 75.1 percent, respectively. This was followed by the Agriculture, Conservation, and Preservation at 66.1 percent and the Residential and Related category at 46.2 percent of property taxes paid by in-state addresses. Hawaii County's Residential and Related category had a relatively high share of taxes paid by out-of-state mailing addresses at 50.3 percent for the mainland and 3.5 percent for foreign addresses.

Table 20. Amount and Percentage of Property Taxes Paid by Mailing Owner/Manager's Address for Properties (TMKs), Hawaii County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%
Hawaii	80,100	46.2	10,277	77.5	19,019	75.1	35,769	66.1	145,165	54.6
Other U.S.	87,109	50.3	2,964	22.4	6,276	24.8	17,188	31.8	113,537	42.7
Foreign	6,113	3.5	15	0.1	17	0.1	1,164	2.2	7,310	2.7
Total	173,322	100	13,257	100	25,313	100	54,121	100	266,012	100.0

Source: Hawaii County Real Property Assessment Division and DBEDT calculations

Kauai County

For Kauai County, the Residential and Related category had the highest share of property taxes paid at 43.3 percent. This category also had the highest share of number of properties at 67.7 percent. The next highest for share of taxes paid was the Hotel/Resort and Related category, with 40.7 percent of the taxes paid. However, due to the high value of each property, the share of the number of properties was relatively low at 20.4 percent. The Commercial/ Industrial & Public Service had 10.6 percent of taxes paid and 4.0 percent of properties. The lowest category for both taxes paid and properties was the Agriculture, Conservation, and Preservation category, with 5.4 percent for value of taxes paid and 7.9 percent of properties.

Figure 15. Kauai County: Number of Properties (TMKs) by Tax Class for 2016

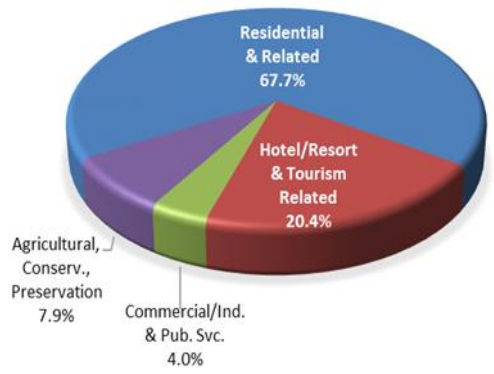
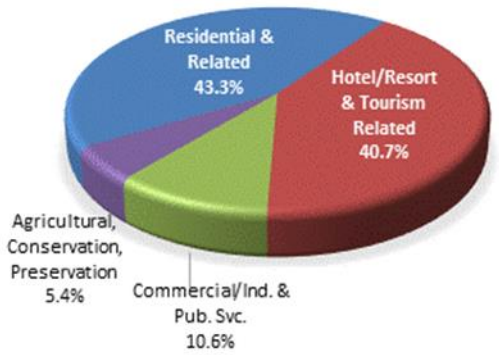


Figure 16. Kauai County: Share of Property Taxes Paid by Tax Class for 2016



Source: County of Kauai Real Property Assessment Division and DBEDT calculations

The top two categories for Kauai County's share of the total number of properties were the Commercial and Industrial category at 84.7 percent and the Residential and Related category at 83.8 percent; followed by Agriculture, Conservation, and Preservation at 69.6 percent and Hotel/Resort and Tourism Related at 37.4 percent (Table 21). Kauai County had a relatively high share of out-of-state mailing addresses for the Hotel/Resort and Tourism Related category, with 57.9 percent mainland and 2.0 percent foreign.

Table 21. Number and Percentage of Properties (TMKs) by Owner/Manager's Mailing Address, Kauai County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of TMK	%	# of TMK	%	# of TMK	%	# of TMK	%	# of TMK	%
Hawaii Only	19,288	83.8	2,588	37.4	1,154	84.7	1,871	69.5	24,901	73.2
Other U.S. Only	3,426	14.9	4,005	57.9	188	13.8	750	27.9	8,369	24.6
Foreign Only	102	0.4	135	2	1	0.1	6	0.2	244	0.7
Hawaii & Other Mixed	204	0.9	188	2.7	20	1.5	64	2.4	476	1.4
Other U.S. & Foreign Mixed	2	0	5	0.1	0	0	0	0	7	0.0
Total	23,022	100	6,921	100	1,363	100	2,691	100	33,997	100.0

*A property may have multiple tax classes such as Residential & Related and Commercial & Industrial, therefore, there is some double counting across tax classes. For the mailing address column, each property is counted only once even if there are multiple mailing addresses for property owners/managers.
Source: Kauai County Real Property Assessment Division and DBEDT calculations

Table 22 shows the amount of taxes paid by the location of mailing addresses for Kauai County. The Commercial/ Industrial and Public Service had the highest share of taxes paid by in-state mailing addresses at 80.8 percent. The Residential and Related category and the Agriculture, Conservation, and Preservation category followed with similar values, at 67.4 percent and 64.2 percent respectively. The category with the lowest share of property taxes paid from in-state addresses was the Hotel/Resort and Tourism Related category at 40.8 percent. For out-of-state addresses, 41.1 percent of the total was paid by out-of-state U.S. addresses and 1.1 percent was paid by foreign addresses.

Table 22. Amount and Percentage of Property Taxes Paid by Mailing Owner/Manager's Address for Properties (TMKs), Kauai County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%	Amount ($1,000)	%
Hawaii	35,057	67.4	19,957	40.8	10,161	80.8	4,197	64.2	69,371	57.8
Other U.S.	16,371	31.5	28,284	57.8	2,419	19.2	2,308	35.3	49,382	41.1
Foreign	582	1.1	704	1.4	1	0	32	0.5	1,319	1.1
Total	52,010	100	48,945	100	12,580	100	6,537	100	120,072	100.0

Source: Kauai County Real Property Assessment Division and DBEDT calculations

B. Scenarios to Generate Greater Property Revenue From Residential & Related Properties

Hawaii's property values are influenced to a significant extent by out-of-state ownership. A study examining the link between foreign purchases of Singapore residential property and the impact on residential property prices identified a ripple effect from the central city that expanded out to the suburbs (Wen-Chi et al., 2015). The study found that the impact on prices spread beyond the city to the suburbs, where foreign buyers did not tend to purchase property, and this had a negative impact on the affordability of homes for residents.

The high percentage of out-of-state owners presents a housing affordability challenge for Hawaii residents. In addition to housing costs, properties owned by out-of-state residents are often vacant and this reduces housing supply available to local residents. One region that has enacted policy to reduce non-resident pressure on housing affordability is Vancouver, British Columbia (Frank, 2016). As of August 2016, British Columbia imposed a 15 percent tax on foreign property buyers in the metropolitan Vancouver area, and this appears to have dampened prices. Similar policies have been enacted in Hong Kong and Singapore. Furthermore, the Vancouver City Council voted to enact a 1 percent tax on homes that are not primary residences and are empty for more than six months per year (Kassam, 2016).

There are three scenarios presented below that present possibilities to mitigate housing pressure for local residents. Table 23 presents the first scenario, which increases property tax rates to generate an additional $50 million, $100 million and $200 million. These increases are then offset with lower individual income taxes for Hawaii residents. It shows an average property tax rate increase for the state and each respective county in order to achieve each of the respective revenue scenarios. The right side of the table highlights the individual income tax decrease required to offset the property tax increases. Since only Hawaii residents would qualify for a reduction in income taxes, the targeted additional property tax revenue of $50, $100, and $200 million would come from the non-resident Hawaii property owners.

Table 23: Scenario 1. Residential Property Tax Increase Offset by an Income Taxes Decrease for Residents

Additional Net Property Tax Revenue	Property Tax Increase						Income Tax Decrease	
		Aggregate Tax Rate - Property					Current Rate	Residential Income Tax Collected, 2013
	Current Residential Tax Raised	*Current Effective Average Rates*					*Statewide Average*	*State Total*
	$934,278,386	**Statewide Average**	**HI County**	**HNL**	**Maui**	**Kauai**	**5.25%**	**$1,631,874,000**
		0.43%	0.90%	0.38%	0.56%	0.49%		
	New Total Residential Tax Raised	*New Effective Average Rates:*					*New Rate:*	*Reduction in Tax Collected:*
+$50 million	**$1,147,688,440**	0.517%	1.07%	0.45%	0.67%	0.58%	**4.56%**	**-$213,408,780**
+$100 million	**$1,361,125,654**	0.613%	1.27%	0.53%	0.80%	0.69%	**3.88%**	**-$426,845,993**
+$200 million	**$1,787,903,786**	0.805%	1.67%	0.70%	1.05%	0.91%	**2.50%**	**-$853,624,125**

Source: Hawaii Department of Taxation (DoTax); Each Respective County Assessor's Division; and DBEDT calculations

Table 24 presents the second scenario, which examines increasing property taxes on out-of-state owners only, in order to reach revenue goals of $50 million, $100 million, and $200 million respectively. In the case of Hawaii County, out-of-state residents usually purchase higher value properties, therefore, the revenue generated from rate increases on out-of-state owners is proportionally higher than local residents. Similarly, in Kauai and Maui Counties, the higher rate reflects higher-valued properties and their higher share of total residential property tax raised. In contrast, for Honolulu County, the out-of-state owner property tax rate would not need to be adjusted much higher than the average.

Table 24: Scenario 2: Out-of-State Owner of Residential Property Tax Increase Scenario - What would the Out-Of-State Owner Tax Rate Be to Generate Additional Revenue?

Property Tax Raised: $934,278,386	Aggregate Tax Rate - Property					
	current rates					
	Out-of-State Owner Contribution to Statewide Property Tax Raised	Current out-of-state Owner Effective Average Rates:	**HI County**	**HNL**	**Maui**	**Kauai**
	23.46%	**0.83%**	2.22%	0.46%	1.05%	1.01%
	Current Contribution- **$219,148,110**					
Additional Net Property Tax Revenue, $	*new rates*					
+$50 million	**$269,148,110**	**1.02%**	2.73%	0.57%	1.29%	1.24%
+$100 million	**$319,148,110**	**1.21%**	3.23%	0.68%	1.53%	1.47%
+$200 million	**$419,148,110**	**1.58%**	4.25%	0.89%	2.01%	1.93%

Source: Respective County Assessor's Office and DBEDT Calculations

Finally, the third scenario examines increasing the home-owner exemption amount for in-state residents. The purpose of this is to reduce the impact of property taxes on Hawaii residents since it is typically owner-occupied residents who qualify for the exemption. While this analysis focuses on home-owner exemptions, it is important to note there are alternative methods for mitigating the impact of property taxes on residents. For example, assessment limits prevent a property's assessed value from increasing above a fixed percentage and circuit breaker programs provide property tax mitigation measures if the property tax amount increases above a fixed percentage of income (Urban Institute, 2012). For the purpose of this analysis home-owner exemptions are used as a method to mitigate the impact property taxes on Hawaii residents; specifically, how much would a home-owner exemption need to be adjusted in order to generate extra $50 million, $100 million, and $200 million of net property tax revenue?

This scenario examines the impact of raising the homeowner exemption value, so that owners living in their homes would pay less in property taxes. Consequently, those who are not living in their homes full-time, would face a higher effective property tax rate due to not receiving the exemption.

This measure, however, would negatively impact local owners of multiple properties who rent their properties for income (Hawaii resident investors). In order to mitigate this impact, additional changes

would need to be implemented, such as perhaps a special tax rate for residential property investors (similar to Kauai County). Table 25 shows the increased exemption scenario, where the value of properties with exemptions would be effectively decreased, which in turn would increase revenue from non-exempt properties.

Table 25: Scenario 3: Homeowner Exemption Increase Scenario - What Would Hawaii Homeowner Exemption Have to Be to Generate Additional Revenue?

Revenue			Taxes Raised, Property Values, and Effective Average Tax Rates:		Total Statewide Adjusted Homeowner Exemption Value*	Average Exemption	
			With Exemptions	*Without Exemptions*			
Current Property Tax Raised:		*Effective Average Tax Rate:*	**0.43%**		**$25,804,055,800**	**$120,989**	
$934,278,386		Amount Raised by Taxation:	**$499,005,440**	**$435,272,946**			
		Property Value After Exemptions	$133,589,370,351	$116,527,464,649			
Extra Property Tax Revenue Raised							
						average exemption raised by:	average exemption value:
+$50 million	**$981,451,656**	*Effective Average Tax Rate:*	**0.47%**		$38,706,083,700	50.0%	**$181,483**
		New Tax Raised:	**$474,601,395**	**$509,676,991**			
		Property Value After Exemptions:	$120,601,854,634	$129,514,980,366			
+$100 million	**$1,031,451,656**	*Effective Average Tax Rate:*	**0.50%**		$45,157,097,650	75.0%	**$211,730**
		New Tax Raised:	**$471,768,515**	**$562,314,527**			
		Property Value After Exemptions:	$114,108,096,776	$136,008,738,224			
+$200 million	**$1,131,451,656**	*Effective Average Tax Rate:*	**0.57%**		$51,608,111,600	100%	**$241,977**
		New Tax Raised:	**$488,030,399**	**$646,247,987**			
		Property Value After Exemptions:	**$107,614,338,918**	**$142,502,496,082**			

*Net exemption does not include disability, veterans, non-profit and other not typical homeowner exemption

Source: Respective County Assessor's Office and DBEDT Calculations

III. Household income, home ownership and values

Household income is a strong indicator of home ownership and home values. Table 26 shows that home ownership monotonically increases as household income goes up in the Hawaii State. By contrast, the proportion of renters decreases as households become richer. Home ownership rate is up to 85.7% for household with income above $200,000, while it is only 35.1% for household with income below $25,000. This pattern is also true for the Honolulu County (Table 27) and the Maui, Kalawao and Kauai County (Table 28).

Table 26. Home Ownership Status: State (Average of 2011-2015)

Household income	Number of households	Own	Rent	No pay	Total
Less than $25,000	77,184	35.1%	59.2%	5.7%	100%
$25,000 to $34,999	34,481	41.7%	55.0%	3.3%	100%
$35,000 to $49,999	51,950	47.5%	49.6%	2.9%	100%
$50,000 to $74,999	84,199	51.7%	45.4%	2.9%	100%
$75,000 to $99,999	63,263	61.4%	36.1%	2.5%	100%
$100,000 to $149,999	79,204	71.3%	27.4%	1.4%	100%
$150,000 to $199,999	31,869	79.6%	19.6%	0.9%	100%
$200,000 or more	28,420	85.7%	13.7%	0.6%	100%
Total	450,570	56.5%	40.7%	2.8%	100%

Source: U.S. Census Bureau, 2011-2015 American Community Survey Public Use Microdata Sample (PUMS); calculations by the Hawaii State Department of Business, Economic Development & Tourism.

Table 27. Home Ownership Status: Honolulu County (Average of 2011-2015)

Household income	Number of households	Own	Rent	No pay	Total
Less than $25,000	45,974	28.91%	66.40%	4.69%	100.00%
$25,000 to $34,999	21,260	36.46%	60.81%	2.73%	100.00%
$35,000 to $49,999	34,918	40.55%	57.08%	2.37%	100.00%
$50,000 to $74,999	57,027	46.44%	51.42%	2.14%	100.00%
$75,000 to $99,999	43,966	58.77%	39.29%	1.94%	100.00%
$100,000 to $149,999	59,826	70.06%	28.65%	1.29%	100.00%
$150,000 to $199,999	24,405	78.49%	20.81%	0.70%	100.00%
$200,000 or more	22,222	84.46%	15.00%	0.54%	100.00%
Total	309,598	54.06%	43.78%	2.16%	100.00%

Source: U.S. Census Bureau, 2011-2015 American Community Survey Public Use Microdata Sample (PUMS); calculations by the Hawaii State Department of Business, Economic Development & Tourism.

Table 28. Home Ownership Status: Maui, Kalawao and Kauai County (Average of 2011-2015)

Household income	Number of households	Own	Rent	No pay	Total
Less than $25,000	12,731	39.13%	56.45%	4.41%	100.00%
$25,000 to $34,999	6,593	41.56%	54.28%	4.16%	100.00%
$35,000 to $49,999	9,033	54.78%	41.94%	3.29%	100.00%
$50,000 to $74,999	15,459	55.31%	39.09%	5.60%	100.00%
$75,000 to $99,999	11,617	65.04%	31.10%	3.86%	100.00%
$100,000 to $149,999	11,534	71.77%	27.00%	1.23%	100.00%
$150,000 to $199,999	5,004	82.63%	15.67%	1.70%	100.00%
$200,000 or more	3,953	89.40%	9.49%	1.11%	100.00%
Total	75,924	58.90%	37.52%	3.58%	100.00%

Source: U.S. Census Bureau, 2011-2015 American Community Survey Public Use Microdata Sample (PUMS); calculations by the Hawaii State Department of Business, Economic Development & Tourism.

As shown in table 29, the home ownership of Hawaii County's household is higher than those in other counties in every income level and the ownership rate generally increases as income level.

Table 29. Home Ownership Status: Hawaii County (Average of 2011-2015)

Household income	Number of households	Own	Rent	No pay	Total
Less than $25,000	18,479	47.68%	43.07%	9.26%	100.00%
$25,000 to $34,999	6,628	58.89%	36.93%	4.18%	100.00%
$35,000 to $49,999	7,999	69.65%	25.82%	4.54%	100.00%
$50,000 to $74,999	11,713	72.46%	24.15%	3.39%	100.00%
$75,000 to $99,999	7,680	70.83%	25.44%	3.72%	100.00%
$100,000 to $149,999	7,844	80.05%	17.94%	2.01%	100.00%
$150,000 to $199,999	2,460	84.15%	15.00%	0.85%	100.00%
$200,000 or more	2,245	90.87%	8.37%	0.76%	100.00%
Total	65,048	65.49%	29.54%	4.97%	100.00%

Source: U.S. Census Bureau, 2011-2015 American Community Survey Public Use Microdata Sample (PUMS); calculations by the Hawaii State Department of Business, Economic Development & Tourism.

As for families with annual income below $50,000, their home ownership rates are higher among those above 65 years old, or most of the time, retirees; on the contrary, for families with annual income above $50,000, the home ownership rates of younger people are much higher than those above 65 years old (Table 30).

Table 30. Home Owners by Age Group (Average of 2011-2015)

	Under 65 years of age		65 years and over		State total	
Less than $25,000	13,074	48.3%	14,008	51.7%	27,082	100.0%
$25,000 to $49,999	19,333	49.5%	19,740	50.5%	39,073	100.0%
$50,000 to $99,999	54,304	65.9%	28,053	34.1%	82,357	100.0%
$100,000 or more	77,457	73.0%	28,716	27.0%	106,173	100.0%
Total	164,168	64.5%	90,517	35.5%	254,685	100.0%

Source: U.S. Census Bureau, 2011-2015 American Community Survey Public Use Microdata Sample (PUMS); calculations by the Hawaii State Department of Business, Economic Development & Tourism.

Table 31 shows the relationship between household income and home values. At the state level, median home values increase as household becomes richer. This is generally true for each county.

Table 31. Homeowner's Median and Mean Home Value

Household income	State total		Honolulu County		Maui, Kalawao and Kauai County		Hawaii County	
	Median	Mean	Median	Mean	Median	Mean	Median	Mean
Less than $25,000	350,000	461,015	450,000	*574,165*	*425,000*	*529,800*	194,000	251,429
$25,000 to $34,999	400,000	524,992	490,000	*573,569*	400,000	*600,184*	250,000	375,724
$35,000 to $49,999	400,000	467,964	*480,000*	515,020	429,000	491,186	300,000	327,745
$50,000 to $74,999	400,000	502,675	500,000	545,405	450,000	529,122	*280,000*	342,687
$75,000 to $99,999	450,000	521,203	500,000	550,294	450,000	526,407	325,000	375,796
$100,000 to $149,999	525,000	603,740	575,000	631,289	500,000	613,806	350,000	406,576
$150,000 to $199,999	600,000	690,598	650,000	702,406	550,000	649,331	450,000	663,762
$200,000 or more	800,000	972,006	800,000	985,261	700,000	947,914	505,000	891,800
Total	500,000	584,947	550,000	635,981	475,000	588,777	300,000	380,429

Source: U.S. Census Bureau, 2011-2015 American Community Survey Public Use Microdata Sample (PUMS); calculations by the Hawaii State Department of Business, Economic Development & Tourism.

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Appendix I: Data and Assumptions used to derive the Scenarios

	State Total	HNL	HI County	KAUAI	MAUI
Total Value:	**$213,562,696,000**	**$160,405,591,000**	**$19,265,496,000**	**$10,644,425,000**	**$23,247,354,000**
Share of Homes Owned by Out-of-state Owners:	12.40%	8.50%	21.80%	15.80%	18.70%
Out-of-state Owner Value:	**$26,481,774,304**	**$13,634,475,235**	**$4,199,878,128**	**$1,681,819,150**	**$4,347,255,198**
Out-of-state Tax Paid:	**$219,148,110**	$63,291,821	$93,222,090	$16,953,325	$45,680,873
Out-of-state Tax Rate:	0.83%	0.46%	2.22%	1.01%	1.05%
		Out-of-state Taxes Paid under Scenario - Share of the Total by County:			
		28.88%	**42.54%**	**7.74%**	**20.84%**
	$269,148,110	$77,732,242	$114,491,288	$20,821,331	$56,103,247
	$319,148,110	$92,172,664	$135,760,486	$24,689,337	$66,525,622
	$419,148,110	$121,053,506	$178,298,881	$32,425,350	$87,370,371

Appendix II: TMKs with Mailing Addresses from Multiple Regions

As noted in the methodology section, in some cases there were multiple mailing addresses for one TMK and some of these had both in-state and out-of-state mailing addresses. In this case, the proportion of property taxes paid was allocated using equal shares for each location. As an example, if a certain TMK had one mailing address in Hawaii and one in California, 50 percent of the taxes paid was allocated to Hawaii and the other 50 percent was allocated to the Other U.S. category. The tables below break down the counts of TMKs with multiple region mailing addresses. It is important to note that the number of cases with multiple region mailing addresses was extremely small compared to the total number of TMKs.

Table A1. Number and Percentage of Addresses for Properties (TMKs) that are Jointly Owned or Managed by Hawaii Residents and Non-Residents, State Total (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of Address	%	# of Address	%	# of Address	%	# of Address	%	# of Address	%
Hawaii	3,259	55.9	497	55.0	644	55.4	5,123	66.2	9,523	60.9
Other U.S.	2,436	41.8	382	42.3	518	44.5	2,523	32.6	5,859	37.5
Foreign	138	2.4	24	2.7	1	0.1	87	1.1	250	1.6
Total	5,833	100.0	903	100.0	1,163	100.0	7,733	100.0	15,632	100.0

Source: Real Property Assessment Divisions for Respective Counties and DBEDT calculation

Table A2. Number and Percentage of Addresses for Properties (TMKs) that are Jointly Owned or Managed by Other U.S. and Foreign Residents, State Total (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of Address	%	# of Address	%	# of Address	%	# of Address	%	# of Address	%
Other U.S.	42	56.8	22	61.1	0	NA	45	51.1	109	55.1
Foreign	32	43.2	14	38.9	0	NA	43	48.9	89	44.9
Total	74	100.0	36	100.0	0	NA	88	100.0	198	100.0

Source: Real Property Assessment Divisions for Respective Counties and DBEDT calculation

Table B1. Number and Percentage of Addresses for Properties (TMKs) that are Jointly Owned or Managed by Hawaii Residents and Non-Residents, Honolulu County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of Address	%	# of Address	%	# of Address	%	# of Address	%	# of Addres	%
Hawaii	1,035	54.4	69	53.5	406	51.9	200	69.7	1,710	55.1
Other U.S.	795	41.8	56	43.4	375	48.0	86	30.0	1,312	42.3
Foreign	74	3.9	4	3.1	1	0.1	1	0.3	80	2.6
Total	1,904	100.0	129	100.0	782	100.0	287	100.0	3,102	100.0

Source: City and County of Honolulu Real Property Assessment Division and DBEDT calculation

Table B2. Number and Percentage of Addresses for Properties (TMKs) that are Jointly Owned or Managed by Other U.S. and Foreign Residents, Honolulu County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of Address	%	# of Address	%	# of Address	%	# of Address	%	# of Addres	%
Other U.S.	9	52.9	2	50.0	0	NA	1	50.0	12	52.2
Foreign	8	47.1	2	50.0	0	NA	1	50.0	11	47.8
Total	17	100.0	4	100.0	0	NA	2	100.0	23	100.0

Source: City and County of Honolulu Real Property Assessment Division and DBEDT calculation

Table C1. Number and Percentage of Addresses for Properties (TMKs) that are Jointly Owned or Managed by Hawaii Residents and Non-Residents, Maui County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of Address	%	# of Address	%	# of Address	%	# of Address	%	# of Addres	%
Hawaii	984	63.9	84	43.3	112	68.3	2,436	74.0	3,616	69.7
Other U.S.	541	35.1	95	49.0	52	31.7	827	25.1	1,515	29.2
Foreign	15	1.0	15	7.7	0	0.0	28	0.9	58	1.1
Total	1,540	100.0	194	100.0	164	100.0	3,291	100.0	5,189	100.0

Source: Maui County Real Property Assessment Division and DBEDT calculation

Table C2. Number and Percentage of Addresses for Properties (TMKs) that are Jointly Owned or Managed by Other U.S. and Foreign Residents, Maui County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of Address	%	# of Address	%	# of Address	%	# of Address	%	# of Addres	%
Other U.S.	3	50.0	10	58.8	0	NA	3	50.0	16	55.2
Foreign	3	50.0	7	41.2	0	NA	3	50.0	13	44.8
Total	6	100.0	17	100.0	0	NA	6	100.0	29	100.0

Source: Maui County Real Property Assessment Division and DBEDT calculation

Table D1. Number and Percentage of Addresses for Properties (TMKs) that are Jointly Owned or Managed by Hawaii Residents and Non-Residents, Hawaii County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of Address	%	# of Address	%	# of Address	%	# of Address	%	# of Addres	%
Hawaii	950	51.4	45	50.6	100	58.5	2,340	59.9	3,435	57.1
Other U.S.	854	46.2	43	48.3	71	41.5	1,512	38.7	2,480	41.2
Foreign	45	2.4	1	1.1	0	0.0	57	1.5	103	1.7
Total	1,849	100.0	89	100.0	171	100.0	3,909	100.0	6,018	100.0

Source: Hawaii County Real Property Assessment Division and DBEDT calculation

Table D2. Number and Percentage of Addresses for Properties (TMKs) that are Jointly Owned or Managed by Other U.S. and Foreign Residents, Hawaii County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of Address	%	# of Address	%	# of Address	%	# of Address	%	# of Addres	%
Other U.S.	26	57.8	0	NA	0	NA	41	51.3	67	53.6
Foreign	19	42.2	0	NA	0	NA	39	48.8	58	46.4
Total	45	100.0	0	NA	0	NA	80	100.0	125	100.0

Source: Hawaii County Real Property Assessment Division and DBEDT calculation

Table E1. Number and Percentage of Addresses for Properties (TMKs) that are Jointly Owned or Managed by Hawaii Residents and Non-Residents, Kauai County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of Address	%	# of Address	%	# of Address	%	# of Address	%	# of Addres	%
Hawaii	290	53.7	299	60.9	26	56.5	147	59.8	762	57.6
Other U.S.	246	45.6	188	38.3	20	43.5	98	39.8	552	41.7
Foreign	4	0.7	4	0.8	0	0.0	1	0.4	9	0.7
Total	540	100.0	491	100.0	46	100.0	246	100.0	1,323	100.0

Source: Kauai County Real Property Assessment Division and DBEDT calculation

Table E2. Number and Percentage of Addresses for Properties (TMKs) that are Jointly Owned or Managed by Other U.S. and Foreign Residents, Kauai County (2016)

Mailing Address Location	Property Tax Class									
	Residential & Related		Hotel/Resort & Tourism Related		Commercial/ Ind. & Pub. Svc.		Agriculture, Conservation, & Preservation		Total	
	# of Address	%	# of Address	%	# of Address	%	# of Address	%	# of Addres	%
Other U.S.	4	66.7	10	66.7	0	NA	0	NA	14	66.7
Foreign	2	33.3	5	33.3	0	NA	0	NA	7	33.3
Total	6	100.0	15	100.0	0	NA	0	NA	21	100.0

Source: Kauai County Real Property Assessment Division and DBEDT calculation

Appendix III: State and Local Government Finances of Hawaii

Table F1: State and Local Government Finances of Hawaii, 2014

	State & local government amount ($1,000)	State government amount ($1,000)	Local government amount ($1,000)
Revenue	**18,637,812**	**15,055,561**	**3,812,189**
General revenue	14,498,394	11,304,424	3,423,908
Intergovernmental revenue	3,127,142	2,810,537	546,543
From Federal Government	3,127,142	2,804,017	323,125
From State government	0	0	223,418
From local governments	0	6,520	0
General revenue from own sources	11,371,252	8,493,887	2,877,365
Taxes	8,102,950	6,033,331	2,069,619
Property	1,391,717	0	1,391,717
Sales and gross receipts	4,300,286	3,847,662	452,624
General sales	3,043,432	2,825,041	218,391
Selective sales	1,256,854	1,022,621	234,233
Motor fuel	167,590	93,598	73,992
Alcoholic beverage	48,305	48,305	0
Tobacco products	107,685	107,685	0
Public utilities	326,420	166,179	160,241
Other selective sales	606,854	606,854	0
Individual income	1,745,461	1,745,461	0
Corporate income	126,045	126,045	0
Motor vehicle license	345,828	168,980	176,848
Other taxes	193,613	145,183	48,430
Charges and miscellaneous general revenue	3,268,302	2,460,556	807,746

	State & local government amount ($1,000)	State government amount ($1,000)	Local government amount ($1,000)
Current charges	2,353,981	1,664,748	689,233
Education	409,828	409,828	0
Institutions of higher education	378,077	378,077	0
School lunch sales (gross)	23,492	23,492	0
Hospitals	621,720	621,720	0
Highways	25,304	0	25,304
Air transportation (airports)	374,591	374,591	0
Parking facilities	11,618	2,844	8,774
Sea and inland port facilities	118,340	118,340	0
Natural resources	20,713	20,713	0
Parks and recreation	42,699	11,458	31,241
Housing and community development	20,862	19,316	1,546
Sewerage	456,106	0	456,106
Solid waste management	150,315	0	150,315
Other charges	101,885	85,938	15,947
Miscellaneous general revenue	914,321	795,808	118,513
Interest earnings	47,107	38,383	8,724
Special assessments	35,923	3,102	32,821
Sale of property	15,115	495	14,620
Other general revenue	816,176	753,828	62,348
Utility revenue	388,281	0	388,281
Water supply	325,358	0	325,358
Electric power	0	0	0
Gas supply	0	0	0
Transit	62,923	0	62,923

	State & local government amount ($1,000)	State government amount ($1,000)	Local government amount ($1,000)
Liquor store revenue	0	0	0
Insurance trust revenue	3,751,137	3,751,137	0
Unemployment compensation	371,399	371,399	0
Employee retirement	3,379,738	3,379,738	0
Workers' compensation	0	0	0
Other insurance trust revenue	0	0	0
Expenditure	**15,929,566**	**12,548,539**	**3,636,526**
By character and object:			
Intergovernmental expenditure	386	255,885	0
Direct expenditure	15,929,180	12,292,654	3,636,526
Current operations	11,999,703	9,576,856	2,422,847
Capital outlay	1,848,812	852,098	996,714
Construction	1,596,005	668,209	927,796
Other capital outlay	252,807	183,889	68,918
Assistance and subsidies	151,888	151,888	0
Interest on debt	600,189	383,224	216,965
Insurance benefits and repayments	1,328,588	1,328,588	0
Exhibit: Salaries and wages	4,028,656	3,072,843	955,813
Direct expenditure by function	15,929,180	12,292,654	3,636,526
Direct general expenditure	13,681,594	10,958,915	2,722,679
Capital outlay	1,453,513	849,543	603,970
Other direct general expenditure	12,228,081	10,109,372	2,118,709
Education services:			
Education	3,388,604	3,388,553	51
Capital outlay	401,659	401,659	0

	State & local government amount ($1,000)	State government amount ($1,000)	Local government amount ($1,000)
Higher education	1,133,626	1,133,575	51
Capital outlay	184,096	184,096	0
Elementary & secondary	2,139,147	2,139,147	0
Capital outlay	216,940	216,940	0
Other education	115,831	115,831	0
Libraries	42,910	42,910	0
Social services and income maintenance:			
Public welfare	2,619,061	2,584,894	34,167
Cash assistance payments	46,788	46,788	0
Vendor payments	2,244,212	2,236,345	7,867
Other public welfare	328,061	301,761	26,300
Hospitals	821,973	821,973	0
Capital outlay	48,798	48,798	0
Health	541,995	515,435	26,560
Employment security administration	4,939	4,939	0
Veterans' services	0	0	0
Transportation:			
Highways	717,381	422,348	295,033
Capital outlay	281,447	101,837	179,610
Air transportation (airports)	355,178	355,178	0
Parking facilities	3,594	2,958	636
Sea and inland port facilities	68,443	68,443	0
Public safety:			
Police protection	452,670	36,941	415,729
Fire protection	192,267	0	192,267

	State & local government amount ($1,000)	State government amount ($1,000)	Local government amount ($1,000)
Correction	216,708	216,708	0
Capital outlay	1,406	1,406	0
Protective inspection and regulation	43,032	38,254	4,778
Environment and housing:			
Natural resources	120,298	114,638	5,660
Capital outlay	17,387	12,212	5,175
Parks and recreation	280,132	92,808	187,324
Capital outlay	44,775	14,137	30,638
Housing and community development	280,345	181,411	98,934
Sewerage	358,771	20	358,751
Capital outlay	206,788	0	206,788
Solid waste management	232,753	0	232,753
Capital outlay	23,612	0	23,612
Governmental administration:			
Financial administration	196,148	136,040	60,108
Judicial and legal	310,097	258,345	51,752
General public buildings	161,312	71,856	89,456
Other governmental administration	146,693	30,005	116,688
Interest on general debt	585,813	383,224	202,589
General expenditure, n.e.c.:			
Miscellaneous commercial activities	371	0	371
Other and unallocable	1,540,106	1,191,034	349,072

	State & local government amount ($1,000)	State government amount ($1,000)	Local government amount ($1,000)
Utility expenditure	918,998	5,151	913,847
Capital outlay	395,299	2,555	392,744
Water supply	313,872	5,151	308,721
Electric power	0	0	0
Gas supply	0	0	0
Transit	605,126	0	605,126
Liquor store expenditure	0	0	0
Insurance trust expenditure	1,328,588	1,328,588	0
Unemployment compensation	241,699	241,699	0
Employee retirement	1,086,889	1,086,889	0
Workers' compensation	0	0	0
Other insurance trust	0	0	0
Debt outstanding	**14,296,400**	**8,426,573**	**5,869,827**
Short-term	85,517	0	85,517
Long-term	14,210,883	8,426,573	5,784,310
Public debt for private purposes	432,612	389,339	43,273
Long-term debt issued	1,050,212	946,198	104,014
Long-term debt retired	1,109,026	838,028	270,998
Cash and security holdings	**22,035,187**	**19,176,589**	**2,858,598**
Insurance trust funds	13,019,218	13,019,218	0
Unemployment compensation	358,556	358,556	0
Employee retirement	12,660,662	12,660,662	0
Workers' compensation	0	0	0
Miscellaneous	0	0	0

	State & local government amount ($1,000)	State government amount ($1,000)	Local government amount ($1,000)
Other than insurance trust funds	9,015,969	6,157,371	2,858,598
By purpose:			
Offsets to debt	911,168	804,125	107,043
Bond funds	374,041	189,496	184,545
Other	7,730,760	5,163,750	2,567,010

Source: U.S. Census Bureau, 2014 Annual Surveys of State and Local Government Finances.

Appendix IV: Rankings of Per Capita Government Spending and Per Capita Real Property Tax

Table F2: Ranking of Per Capita State and Local Government Spending, 2014

Ranking		Total state & local government spending ($1,000)	Population	Per Capita Spending ($)
	United States Total	**3,261,579,586**	**318,857,056**	**10,229**
1	District of Columbia	15,349,269	658,893	23,296
2	Alaska	16,773,713	736,732	22,768
3	New York	308,860,808	19,746,227	15,642
4	Wyoming	8,793,881	584,153	15,054
5	North Dakota	9,107,358	739,482	12,316
6	California	473,515,694	38,802,500	12,203
7	Massachusetts	82,164,376	6,745,408	12,181
8	Vermont	7,441,876	626,562	11,877
9	Connecticut	42,673,529	3,596,677	11,865
10	New Jersey	105,424,502	8,938,175	11,795
11	Delaware	10,905,635	935,614	11,656
12	**Hawaii**	**15,929,566**	**1,419,561**	**11,221**
13	Nebraska	20,900,603	1,881,503	11,108
14	Minnesota	59,993,853	5,457,173	10,994
15	Washington	77,626,574	7,061,530	10,993
16	Rhode Island	11,570,934	1,055,173	10,966
17	Oregon	42,974,229	3,970,239	10,824
18	Illinois	137,446,107	12,880,580	10,671
19	Maryland	63,622,217	5,976,407	10,646
20	Iowa	32,741,280	3,107,126	10,537
21	New Mexico	21,710,145	2,085,572	10,410
22	Pennsylvania	131,870,456	12,787,209	10,313
23	Louisiana	47,216,752	4,649,676	10,155
24	Ohio	117,213,881	11,594,163	10,110
25	Colorado	53,459,785	5,355,866	9,982

Ranking		Total state & local government spending ($1,000)	Population	Per Capita Spending ($)
26	Wisconsin	57,429,497	5,757,564	9,975
27	Maine	12,760,354	1,330,089	9,594
28	Montana	9,687,716	1,023,579	9,465
29	Kansas	27,300,292	2,904,021	9,401
30	Mississippi	27,841,610	2,994,079	9,299
31	South Carolina	43,891,697	4,832,482	9,083
32	Virginia	75,615,115	8,326,289	9,081
33	West Virginia	16,757,409	1,850,326	9,056
34	Michigan	89,217,627	9,909,877	9,003
35	Kentucky	39,630,707	4,413,457	8,980
36	Alabama	42,869,408	4,849,377	8,840
37	New Hampshire	11,461,915	1,326,813	8,639
38	Texas	231,603,961	26,956,958	8,592
39	Tennessee	56,125,069	6,549,352	8,570
40	Utah	25,202,134	2,942,902	8,564
41	Oklahoma	33,210,365	3,878,051	8,564
42	South Dakota	7,261,303	853,175	8,511
43	Arkansas	25,137,369	2,966,369	8,474
44	North Carolina	83,435,442	9,943,964	8,391
45	Missouri	50,587,347	6,063,589	8,343
46	Indiana	53,625,320	6,596,855	8,129
47	Florida	159,918,989	19,893,297	8,039
48	Arizona	52,969,802	6,731,484	7,869
49	Nevada	22,247,082	2,839,099	7,836
50	Georgia	78,805,741	10,097,343	7,805
51	Idaho	11,699,292	1,634,464	7,158

Source: U.S. Census Bureau, 2014 Annual Surveys of State and Local Government Finances.

Table F3: Ranking of Per Capita Real Property Tax, 2014

Ranking		Total real property tax ($1,000)	Population	Per capita real property tax ($)
	United States Total	**466,391,552**	**318,857,056**	**1,462.70**
1	District of Columbia	2,070,974	658,893	3,143.11
2	New Jersey	27,394,531	8,938,175	3,064.89
3	New Hampshire	3,798,843	1,326,813	2,863.13
4	Connecticut	9,970,863	3,596,677	2,772.24
5	Alaska	1,945,407	736,732	2,640.59
6	New York	50,981,214	19,746,227	2,581.82
7	Vermont	1,465,891	626,562	2,339.58
8	Rhode Island	2,433,767	1,055,173	2,306.51
9	Massachusetts	14,732,296	6,745,408	2,184.05
10	Wyoming	1,232,157	584,153	2,109.31
11	Illinois	25,851,113	12,880,580	2,006.98
12	Maine	2,551,889	1,330,089	1,918.59
13	Nebraska	3,308,337	1,881,503	1,758.35
14	Wisconsin	9,544,083	5,757,564	1,657.66
15	Texas	44,108,867	26,956,958	1,636.27
16	Iowa	4,743,125	3,107,126	1,526.53
17	Maryland	8,911,048	5,976,407	1,491.04
18	Montana	1,499,299	1,023,579	1,464.76
19	Virginia	12,132,829	8,326,289	1,457.17
20	Kansas	4,165,885	2,904,021	1,434.52
21	Minnesota	7,699,536	5,457,173	1,410.90
22	Pennsylvania	17,971,292	12,787,209	1,405.41
23	California	53,731,027	38,802,500	1,384.73
24	Colorado	7,310,674	5,355,866	1,364.98
25	Washington	9,633,480	7,061,530	1,364.22
26	Oregon	5,359,978	3,970,239	1,350.04
27	Michigan	13,241,325	9,909,877	1,336.17

Ranking		Total real property tax ($1,000)	Population	Per capita real property tax ($)
28	South Dakota	1,110,503	853,175	1,301.61
29	Ohio	13,954,377	11,594,163	1,203.57
30	Florida	23,577,987	19,893,297	1,185.22
31	North Dakota	829,738	739,482	1,122.05
32	Georgia	10,980,226	10,097,343	1,087.44
33	South Carolina	5,215,064	4,832,482	1,079.17
34	Arizona	6,635,169	6,731,484	985.69
35	**Hawaii**	**1,391,717**	**1,419,561**	**980.39**
36	Indiana	6,401,317	6,596,855	970.36
37	Utah	2,853,123	2,942,902	969.49
38	Missouri	5,822,222	6,063,589	960.19
39	Nevada	2,703,774	2,839,099	952.34
40	North Carolina	9,457,263	9,943,964	951.06
41	Idaho	1,516,715	1,634,464	927.96
42	Mississippi	2,743,182	2,994,079	916.20
43	West Virginia	1,575,658	1,850,326	851.56
44	Louisiana	3,898,282	4,649,676	838.40
45	Tennessee	5,432,791	6,549,352	829.52
46	Delaware	775,062	935,614	828.40
47	Kentucky	3,253,092	4,413,457	737.08
48	New Mexico	1,525,273	2,085,572	731.35
49	Arkansas	2,001,147	2,966,369	674.61
50	Oklahoma	2,418,249	3,878,051	623.57
51	Alabama	2,529,891	4,849,377	521.69

Source: U.S. Census Bureau, 2014 Annual Surveys of State and Local Government Finances.

Appendix V: Real Property Tax Related Data

Table G1: Real property tax valuations: 1986 to 2016

[In thousands of dollars. For fiscal year ending June 30. Government parcels assessed at $1, 1985-1987, and at 100 percent thereafter]

Year	Assessor's gross valuation			Valuation for tax rate purposes
	Total	Land	Improvement	
1986	51,231,020	25,507,708	25,723,312	43,581,421
1987	52,814,463	26,442,872	26,371,591	45,222,885
1988	54,655,038	27,396,477	27,258,561	46,629,959
1989	67,628,063	36,730,370	30,897,693	50,219,249
1990	76,926,745	42,778,927	34,147,818	57,526,564
1991	99,942,540	61,554,968	38,387,572	71,080,524
1992	132,952,299	88,359,248	44,593,051	95,943,417
1993	130,733,131	84,299,686	46,433,445	111,593,106
1994	136,239,310	87,785,946	48,453,364	115,954,097
1995	137,202,083	86,552,575	50,649,508	116,389,670
1996	136,153,769	84,102,966	52,050,803	115,115,001
1997	135,073,354	82,035,301	53,038,053	114,303,125
1998	131,536,224	78,049,699	53,486,525	110,955,447
1999	125,412,154	72,253,741	53,158,413	105,184,585
2000	120,687,029	67,673,347	53,013,682	100,906,373
2001	118,929,005	65,241,123	53,687,882	98,984,387
2002	123,394,937	66,563,433	56,831,504	103,313,817
2003	131,562,028	69,116,128	62,445,900	110,384,134
2004	141,029,581	73,014,576	68,015,005	119,254,215
2005	162,787,538	-	-	138,383,238
2006	199,525,855	-	-	171,105,210
2007	254,954,333	-	-	220,731,778
2008	292,830,383	-	-	253,358,852
2009	297,908,333	-	-	257,714,285
2010	298,084,580	-	-	255,749,570
2011	274,149,769	-	-	232,482,952
2012	267,181,978	-	-	226,552,118
2013	265,105,539	-	-	226,611,749
2014	270,900,638	-	-	231,756,610
2015	293,088,510	-	-	251,793,531
2016	312,643,577	-	-	270,329,448

Source: Hawaii State Department of Business, Economic Development and Tourism, 2015 State of Hawaii Data Book: Table 9.42. http://files.hawaii.gov/dbedt/economic/databook/2015-individual/09/094215.pdf

Table G2: Real property tax valuation for the state, 2013 to 2016, and by county, 2016

[In thousands of dollars. For fiscal year ending June 30. Gross valuations exclude nontaxable (government) properties]

Subject	2013	2014	2015	2016
Assessor's gross valuation	265,105,539	270,900,638	293,088,510	314,906,372
Land				
Improvement				
Exemption	37,104,305	37,697,576	39,744,628	41,157,593
Assessor's net taxable valuation	228,001,234	233,203,062	253,343,881	273,748,781
Half of valuation on appeal	1,389,485	1,446,451	1,550,351	1,666,887
Number of appeals	2,541	2,452	3,141	3,991
Valuation for tax rate purposes	226,611,749	231,756,610	251,793,531	272,081,895
Land				
Improvement				
Amount to be raised by taxation	1,300,905	1,365,637	1,506,478	1,615,518
2016, by county	**Honolulu**	**Maui**	**Hawaii**	**Kauai**
Assessor's gross valuation	214,888,197	47,554,054	32,043,859	20,420,263
Land		20,355,876	13,482,811	
Improvement		27,198,178	18,561,048	
Exemptions	26,253,925	6,279,830	5,596,890	3,026,948
Assessor's net taxable valuation	188,634,272	41,274,225	26,446,969	17,393,315
Half of valuation on appeal	915,437	562,504	54,122	134,822
Number of appeals	2,071	1,254	224	442
Valuation for tax rate purposes	187,718,834	40,711,720	26,392,847	17,258,493
Land		18,776,916	12,581,423	
Improvement		21,934,807	13,811,424	
Amount to be raised by taxation	1,005,871	254,111	242,717	112,819

Source: Hawaii State Department of Business, Economic Development and Tourism, 2015 State of Hawaii Data Book: Table 9.43. http://files.hawaii.gov/dbedt/economic/databook/2015-individual/09/094315.pdf

Table G3: Real property tax exemptions, by type: 2015 and 2016

[For fiscal year ending June 30]

Type of exemption	2015 Number	2015 Amount ($1,000)	2016 Number	2016 Amount ($1,000)
All exemptions, Statewide	263,638	71,675,408	263,432	74,963,484
Federal government	611	6,648,520	621	7,205,554
State government	8,346	16,348,326	8,498	17,540,094
County government	3,956	6,038,609	3,977	6,426,054
Government leases - total	139	122,447	142	125,200
Government leases - portion	121	55,417	130	55,504
Hawaiian Homes Commission	2,043	968,253	1,961	1,004,464
Hawaiian Homes Land - basic	1,215	197,810	1,300	223,535
Hawaiian Homes Land - multiple	635	120,203	699	135,561
Hawaiian Homes Land - total land	5,573	1,698,095	6,019	2,004,546
Hawaiian Homes Land - vacant land	256	26	250	25
Hawaiian Homes - 7 year	987	424,380	572	233,614
Homes - fee (basic)	147,993	16,102,217	150,356	16,466,276
Homes - fee (multiple)	61,808	8,393,411	60,452	8,255,278
Homes - leasehold (basic)	3,376	348,766	3,354	353,850
Homes - leasehold (multiple)	1,625	239,707	1,527	228,479
In lieu of home ex - fee	2,209	381,197	1,678	291,404
In lieu of home ex - lease	97	16,515	72	12,562
Additional home exemption	1,310	145,560	1,604	184,088
Blind	394	10,899	353	9,998
Deaf	3,189	99,000	2,213	80,494
Leprosy	4	75	4	100
Totally disabled	3,052	82,153	2,949	81,018
Totally disabled veterans	1,955	957,789	2,057	1,073,112
Cemeteries	110	53,297	110	56,611
Charitable organizations	1,473	2,624,784	1,529	2,678,297
Childcare	18	900	18	900
Child care center, non-profit	4	17,853	5	18,803
Child care center, for-profit	7	12,535	8	15,047
Churches	1,551	2,379,061	1,546	2,529,364
Civil - condemnation	28	38,352	24	25,097
Credit unions	138	218,928	126	224,740
Crop shelters	32	3,165	33	3,912
Enterprize Zone	1	532	1	518
Foreign consulates	30	41,582	31	47,272

Continued on next page.

Type of exemption	2015 Number	2015 Amount ($1,000)	2016 Number	2016 Amount ($1,000)
Forest reserve	5	6,651	5	6,674
Historic residential properties	302	416,005	311	472,262
Historic commercial properties	7	27,150	7	21,034
Kuleana	138	74,238	142	80,307
Hospitals	114	799,172	126	903,063
Landscaping, open-space	28	27,274	24	21,433
Low-moderate income housing	340	2,030,102	345	2,216,218
Public utilities	822	1,880,604	809	1,941,199
Roadways and waterways	7,042	39,532	7,049	41,900
Safe room	49	1,960	52	2,080
Schools	237	1,185,863	250	1,270,494
Setbacks	1	298	1	316
Slaughterhouse	1	2,583	1	2,591
Taro	55	459	52	88
Tree farm	15	24,334	16	31,042
Miscellaneous	10	2,049	10	2,242
Alternate energy	8	348,687	8	348,686
Commercial alternative energy	3	2,122	4	9,478
Commercial alter. energy - in lieu	-	-	1	1,007
Mult. bldg. pcl. income exemption	175	15,964	-	-

Source: Hawaii State Department of Business, Economic Development and Tourism, 2015 State of Hawaii Data Book: Table 9.44. http://files.hawaii.gov/dbedt/economic/databook/2015-individual/09/094415.pdf

Table G4: Real property tax valuation, by land use class: 2015 and 2016

[In thousands of dollars. For fiscal year ending June 30. Assessed value for 2015 as of January 31, 2014 for Honolulu; February 20, 2014 for Kauai; April 19, 2014, for Maui; and April 21, 2014 for Hawaii County; and for 2016, as of January 29, 2015 for Honolulu; February 13, 2015 for Kauai; April 19, 2015, for Maui; and April 21, 2015 for Hawaii County. All counties use the land use class unless footnoted]

Land use class	Gross valuation	Net valuation	Valuation for tax rate	To be raised by taxation
2015 - All classes	293,088,510	253,343,881	251,793,531	1,506,478
Affordable rental	172,625	170,940	170,940	1,051
Residential	168,452,331	146,397,284	146,103,125	582,803
Residential A	13,853,970	13,283,828	13,202,440	79,215
Apartment	9,123,590	8,937,117	8,925,889	73,047
Commercial	22,562,609	19,872,105	19,586,724	224,094
Industrial	12,022,616	11,216,646	11,059,465	125,028
Agricultural/native forest	10,975,145	10,010,518	9,905,831	74,460
Vacant agricultural	80,561	80,561	79,546	676
Conservation/preservation	1,406,709	1,290,682	1,192,077	8,460
Hotel and resort	21,074,239	21,013,838	20,517,628	223,988
Homeowner	22,615,059	13,242,336	13,233,905	55,303
Homestead	5,536,964	3,491,771	3,489,095	10,642
Public service	820,217	-	-	-
Time share	1,595,127	1,595,127	1,591,353	23,982
Commercialized resid.	109,353	109,353	109,353	488
Vacation rental	2,687,393	2,631,776	2,626,161	23,242
2016 - All classes	314,906,372	273,748,781	272,081,895	1,615,518
Affordable rental	207,900	206,019	206,019	1,267
Residential	178,264,515	155,898,320	155,638,444	617,825
Residential A	15,373,451	14,789,620	14,634,916	87,809
Apartment	10,072,046	9,875,500	9,840,510	78,673
Commercial	24,359,663	21,461,926	20,999,621	236,460
Industrial	12,611,254	11,769,965	11,628,561	130,609
Agricultural/native forest	11,346,265	10,360,899	10,247,525	76,842
Vacant agricultural	62,140	62,140	60,689	516
Conservation/preservation	1,460,007	1,323,646	1,236,114	8,700
Hotel and resort	22,713,274	22,646,347	22,342,228	243,997
Homeowner	24,329,955	14,769,147	14,757,370	59,941
Homestead	6,300,273	4,176,046	4,173,953	12,731
Public service	888,389	1	1	-
Time share	120,166	120,166	120,166	523
Commercialized resid.	1,773,726	1,773,726	1,693,560	24,641
Vacation rental	1,215,341	853,491	853,279	4,309
Vacation rental	2,760,555	2,754,556	2,749,770	24,335
Residential investor	1,047,454	907,267	899,168	6,339

Source: Hawaii State Department of Business, Economic Development and Tourism, 2015 State of Hawaii Data Book: Table 9.45. http://files.hawaii.gov/dbedt/economic/databook/2015-individual/09/094415.pdf

Table G5: Major real property taxpayers, for the city and county of Honolulu: 2012

[For fiscal year ending June 30]

Rank	Taxpayer	Original debit (dollars)	Land area (acres)	Gross assessed value (dollars)
	Top 20 real property taxpayers	112,299,603	52,289.12	11,665,147,300
1	Kyo-Ya Company	12,703,336	23.64	1,007,129,300
2	Bishop Estate	12,437,203	39,967.02	1,339,214,700
3	Hilton Hawaiian Village	11,076,557	20.14	908,020,100
4	Outrigger Hotels Hawaii	7,243,937	9.22	593,277,800
5	First Hawaiian Bank	5,841,875	48.02	472,437,400
6	Ko Olina Hotel	5,609,593	407.48	449,340,300
7	Irongate	5,078,491	0.00	401,600
8	United States of America	5,050,302	7,302.72	2,837,089,800
9	DEG, LLC	4,834,423	59.67	537,956,600
10	Reynolds/Shidler	4,696,132	44.68	415,607,500
11	General Growth Properties	4,685,639	37.36	385,412,400
12	Weinberg, Harry & Jeanette Foundation, Inc.	4,613,637	1,817.53	407,263,500
13	Marriott Ownership Resorts	4,324,131	33.85	348,699,500
14	Hawaii MMGD, LLC	3,886,633	154.73	264,858,700
15	James Campbell Estate	3,855,500	2,124.48	354,719,500
16	Bank of Hawaii	3,519,072	111.36	302,667,300
17	Wal-Mart	3,394,548	73.18	273,681,700
18	W2007 WKH Owner, LLC	3,375,022	4.02	272,179,200
19	Watercress Associates	3,084,690	44.63	253,405,300
20	Halekulani Corp.	2,988,883	5.39	241,785,100

Source: Hawaii State Department of Business, Economic Development and Tourism, 2015 State of Hawaii Data Book: Table 9.46. http://files.hawaii.gov/dbedt/economic/databook/2015-individual/09/094416.pdf

Table G6: Residential property tax rates in Honolulu and the median of 51 major cities: 1985 to 2014

Year	Effective tax rate per $100 1/			Nominal tax rate per $100	Assessment level (percent)
	Median 2/	Honolulu	Rank 3/		
1985	(NA)	0.61	50	1.06	61.2
1986	(NA)	0.60	51	0.66	90.8
1987	(NA)	0.59	51	0.66	89.0
1988	(NA)	0.59	51	0.66	89.0
1989	(NA)	0.64	48	0.64	100.0
1990	(NA)	0.48	51	0.48	100.0
1991	(NA)	0.37	51	0.37	100.0
1992	1.49	0.30	51	0.35	84.3
1993	-	-	-	-	-
1994	1.60	0.33	51	0.35	93.4
1995	1.59	0.33	51	0.35	93.4
1996	1.54	0.33	51	0.35	95.0
1997	1.42	0.39	51	0.39	100.0
1998	1.41	0.46	51	0.46	100.0
1999	1.55	0.37	51	0.37	100.0
2000	1.52	0.37	51	0.37	100.0
2001	1.50	0.37	51	0.37	100.0
2002	1.54	0.37	51	0.37	100.0
2003	1.50	0.38	51	0.38	100.0
2004	1.54	0.38	51	0.38	100.0
2005	1.50	0.38	51	0.38	100.0
2006	1.50	0.36	51	0.36	100.0
2007	1.39	0.33	51	0.33	100.0
2008	1.32	0.33	51	0.33	100.0
2009	1.40	0.34	51	0.34	100.0
2010	1.67	0.34	51	0.34	100.0
2011	1.71	0.35	51	0.35	100.0
2012	1.56	0.35	50	0.35	100.0
2013	1.40	0.35	48	0.35	100.0
2014	1.40	0.35	50	0.35	100.0

Source: Hawaii State Department of Business, Economic Development and Tourism, 2015 State of Hawaii Data Book: Table 9.47. http://files.hawaii.gov/dbedt/economic/databook/2015-individual/09/094417.pdf

Table G7: Real property tax rates, by county: 2016

[In dollars per $1,000 net taxable value. As of June 23, 2015. For fiscal year ending June 30]

Class	Honolulu	Kauai
Property		
Residential	3.50	6.05
Vacation rental	(X)	8.85
Commercial	12.40	8.10
Industrial	12.40	8.10
Agricultural	5.70	6.75
Preservation	5.70	(X)
Conservation	(X)	6.75
Hotel and resort	12.90	10.85
Public service	0.00	(X)
Vacant agricultural	8.50	(X)
Homestead	(X)	3.05
Residential A	6.00	(X)
Residential investor	(X)	7.05
Commercilized home use	(X)	5.05

Class	Maui	Hawaii
Building and land		
Residential	5.40	10.05
Apartment	6.00	10.85
Commercial	6.60	10.05
Industrial	6.85	10.05
Agricultural	5.75	9.25
Conservation	5.90	10.85
Hotel and resort	8.85	10.85
Homestead	(X)	(X)
Homeowner	2.75	6.15
Time share	14.55	(X)
Commercialized residential	4.35	(X)
Affordable rental housing	(X)	6.15

Source: Hawaii State Department of Business, Economic Development and Tourism, 2015 State of Hawaii Data Book: Table 9.48. http://files.hawaii.gov/dbedt/economic/databook/2015-individual/09/094418.pdf