

Each year Kaua'i residents make an investment in their County when they pay their real property taxes. Every dollar is returned in the form of vital services we often take for granted; services such as fire and police protection, civil defense, road maintenance, street lighting, sewer treatment, refuse collection, transportation, maintenance of parks and recreational facilities, housing projects, and elderly services and activities.

While many of these services are partially financed through a variety of other revenue sources including federal and state grants, sewer fees, fuel taxes, motor vehicle weight taxes, transient accommodations taxes, and golf fees, slightly more than 80% of the County's general fund revenue comes from real property taxes.

### REAL PROPERTY TAX POWERS

Hawaii's four counties were given the real property tax system in 1981 after voters approved a constitutional amendment transferring the responsibility for property valuation, exemptions, and tax collection from the State to the counties.

### ASSESSMENTS AT FULL VALUE

The need to insure "truth in taxation" brought about a major change in the way property has been assessed beginning in 1983. Prior to 1983, properties had been assessed at 60% of the fair market value. Beginning in 1983, however, real property began to be assessed at 100% of fee simple fair market value, making it easier for homeowners to see what their property is actually worth.

### FAIR MARKET VALUE

Locating, identifying, classifying and appraising your property at fair market value and approval of exemptions are the responsibility of the Real Property Assessment Division of the Department of Finance. Market value, or the price most people will pay for your property, is the standard used to measure equity in assessments.

Over the years great strides have been made to improve the methods used to assess property in a uniform and fair manner. Property owners are encouraged to visit the Real Property Assessment Division located at 4444 Rice Street, Lihue, HI. You can inspect your records at the front counter or ask to speak to an appraiser regarding your assessment.

### APPRAISING YOUR PROPERTY

Because our County has only a limited number of appraisers for approximately 35,000 taxable parcels, a personal inspection of your property is normally undertaken only at the time of construction or remodeling and then about every 3-5 years, according to the International Association of Assessing Officers Standards. "Mass Methodology" and "Market Modeling" are used to annually update your property value.

The appraisal process continues throughout the year, but the values established by the Real Property Assessment Division as of **October 1** constitute the values which will be used during the following fiscal year, which begins July 1.

### HOMEOWNERS EXEMPTIONS

As a property owner you should be aware that there are homeowners exemptions which can reduce your net taxable value providing you occupy the property as your principal residence on **September 30** preceding the tax year. These home exemptions are:

#### \*BASIC HOME EXEMPTION

Homeowners or lessees, defined as Homeowners under Chapter 5.A-11.4 (a) and up until 60 years of age, will be eligible for a home use exemption of **\$160,000**.

#### \*ADDITIONAL AGE EXEMPTION

Homeowners between the ages of 60 and 70 years of age are eligible for an additional exemption amount, increasing the Basic to **\$180,000** and increasing the Basic to **\$200,000** for homeowners age 70 and over. **NOTE:** You are required to contact the Real Property Assessment office should you change your status, such as moving, renting and/or using any portion of your residence as a business within 30 days.

#### ADDITIONAL HOME EXEMPTION BASED ON INCOME

Properties receiving the Basic Home Exemption and/or Additional Age Exemption may also be eligible for an additional **\$120,000** exemption for Low-Income provided the gross household income does not exceed 80% of the Kaua'i Median Household Income as published annually by the Kaua'i Housing Agency. **YOU MUST APPLY ANNUALLY FOR THIS ADDITIONAL EXEMPTION.** For properties that do qualify for the low-income exemption, the minimum tax shall be \$75.00.

#### VERY LOW INCOME TAX CREDIT

Homeowners with household incomes that do not exceed 50% of the Kaua'i Median Household Income published by the Kaua'i Housing Agency for the calendar year preceding the application, shall be entitled to a credit equal to the difference between the calculated market taxes and 3% of the combined gross household income. Owners must have a current home exemption, taxes must be current, and the amount of the credit cannot result in lowering the annual property taxes below the minimum tax. **ANNUAL FILING REQUIRED.**

#### HOME PRESERVATION LIMIT

A homeowner who meets the criteria in Subsection 5A-11A.2 (c) shall pay real property taxes at the **higher** of an amount equal to 3% of the combined gross income of all owners or \$500.00. The Home Preservation Limit Application must be filed annually on or before September 30.

### ASSESSMENT CAP:

Starting in 2017, properties that have been classified as Homestead or Commercialized Home Use for two consecutive years, have retained the same ownership, and not initiated any property characteristic changes shall have their assessed values limited to increases or decreases of 3%.

### DISABILITY EXEMPTION

Special exemptions of up to \$50,000 are also available for property owners who are totally disabled, blind, deaf, or who are Hansen's disease sufferers. This special exemption is in addition to the basic and multiple home exemptions.

### TOTALLY DISABLED VETERAN EXEMPTION

If you are a totally disabled veteran due to injuries received while on active duty with the U.S. Armed Forces, your home is exempted from all real property taxes, except the minimum tax of \$150. Qualified Additional Income Exemptions filings are eligible for the discounted minimum tax of \$75. Veterans must file a claim on Form P-6 on or before **September 30**.

The home exemption will be valid as long as the veteran claiming the exemption remains totally disabled or the widow or widower of the totally disabled veteran remains unmarried and resides on the subject property as their principal residence.

#### \*PLEASE NOTE:

Real Property Assessment does not **automatically grant homeowner exemptions**. Completing a Use Survey does not mean you will get the homeowner exemption or the Homestead tax rate. To be eligible, you must file your exemption claim on or before September 30 for consideration. If approved, you do not need to annually reapply, and the additional exemption for age will occur when eldest exemption applicant reaches the exemption age milestones.

### TAX MAP KEY IS IMPORTANT

Homeowners should know their tax map key number, which is also referred to as Parcel ID number. Real property is mapped and indexed numerically according to a tax map key system which identifies your property. To expedite customer service, all matters concerning your property should be made in reference to the tax map key number.

### ASSESSMENT NOTICES

Another important time frame is the period when assessment notices are mailed to property owners.

**These notices are mailed each year by December 1.** You have until December 31 to appeal your assessment.

When you receive your notice, study it carefully. It lists your tax classification, property value, exemptions and net taxable value. If you find an error or have questions on your assessment, contact Real Property Assessment.

## APPEAL PROCESS

Should you want to appeal, you will find the process is quite simple and requires no legal counsel. Appeals are heard by a five-member Board of Review composed of property owners like you. The taxpayer is asked to state their case and then the appraiser explains how the assessment was determined. **There is a \$25.00 fee to appeal for qualified owner occupants and \$75.00 for all other property owners.**

Property owners may also appeal directly to the Tax Appeal Court, which could require legal assistance if you choose not to follow the small claims procedure or file your appeal with the Board of Review. An appraiser will be happy to explain the appeal process and your rights under the law. You must serve the Real Property Assessor with a Tax Court Appeal filing or be disqualified.

Many property owners regretfully do not question their assessment until they receive their tax bill. The first half of the year's bill is mailed on July 20 and payment is due on August 20. The second half is mailed the following January 20 and payment is due on February 20. **You should remember that tax assessment appeals can only be made between December 1st and December 31st prior to the mailing of your tax bill.** There is no avenue for appeal after you have received your bill.

## CALCULATION OF TAXES

The formula for real property tax is: **(Assessed Value – Exemptions) x Tax Rate = Taxes.** After the assessment of the property has been made, and any exemptions subtracted from the assessed value, the remaining value is known as the net taxable value. This is the starting point for the calculation of taxes.

As part of the budget-making process every year, the County Council sets the tax rates. The tax rates are set separately for each class of property. **The improved property classes are: Residential, Commercialized Home Use, Vacation Rental, Commercial, Industrial, Agriculture, Conservation, Hotel/Resort, Residential Investor and Homestead.** The tax classes are based on the property's actual use, which may or may not be the same as the zoning. **Rates based on zoning will still apply on vacant or partially improved properties.**

The Homestead class is comprised of properties used **exclusively** as the owner's principal residence or properties where all living units have been granted Long-Term Affordable rental status or a combination of both. Owner-occupied farms are also included in the Homestead class.

**The tax rate is the amount of taxes on the property for each \$1,000 of net taxable value. For example, if the tax rate is \$8.00 and the net taxable value is \$100,000, the taxes would be \$800.00.**

## IMPORTANT DATES

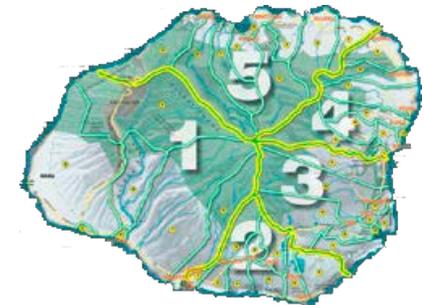
The fiscal year begins on July 1 and extends until the following June 30. Below are the important dates to remember:

- Sept 30** Deadline for filing exemption claims and recordation of ownership documents  
Deadline for applying for additional home exemptions based on income
- Oct 1** Date of Assessment for upcoming tax year
- Dec 1** Assessment notices mailed
- Dec 31** Deadline for assessment appeals
- Jan 20** Second half year tax bills mailed
- Feb 20** Second half tax year payments due
- Mar 31** Certified assessment roll to County Council
- June 20** Tax Rate set by County Council
- July 1** Tax year commences  
Deadline for filing dedication petitions
- July 20** First half year tax bills mailed
- Aug 20** First half tax payments due



# UNDERSTANDING YOUR REAL PROPERTY TAXES

DEREK S. K. KAWAKAMI  
Mayor  
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