

NOTICE OF PUBLICATION AND NOTICE OF PUBLIC HEARING

RECEIVED

Notice is hereby given that the Kaua'i County Council will hold a public hearing on Wednesday, April 22, 2026, at 8:30 a.m., or soon thereafter, at the Council Chambers, 4396 Rice Street, Room 201, and Meeting Room 106, Historic County Building, Lihu'e, on the following:

Bill No. 2991

A BILL FOR AN ORDINANCE AMENDING CHAPTER 5A, KAUA'I COUNTY CODE 1987, AS AMENDED, RELATING TO REAL PROPERTY TAX
(Tax Credit)

26 MAR 31 AM 11:31

OFFICE OF THE COUNTY CLERK
COUNTY OF KAUA'I

This Bill proposes to amend Kaua'i County Code 1987, as amended, Sections 5A-11.4 and 5A-12.3, to allow certain property owners who did not apply for a Home Exemption by the September 30 deadline because they did not yet own the property to apply for an Owner-Occupied Principal Home Tax Credit after the September 30 deadline relating to the property of their principal home. Successful applicants will receive a tax credit that shall equal the difference between the tax amount based on the classification of the property at the time of application and the tax amount based on taxes that would have been owed if the property were classified as Owner-Occupied or Owner-Occupied Mixed-Use, beginning on the first day of the month following the date the taxpayer commenced occupancy of the property as the taxpayer's principal home. Applications will be accepted starting with the date of assessment, October 1, and ending on June 30 of the following year. The more than two hundred seventy (270) calendar days of occupancy normally required of the Owner-Occupied and Owner-Occupied Mixed-Use tax classes will not apply to this tax credit. Property owners will still need to qualify and apply for the Home Exemption in order to be assigned to the Owner-Occupied or Owner-Occupied Mixed-Use tax classes and to be taxed accordingly for future years.

Any person may testify at the public hearing, and at any Council and Committee Meeting (at which time any Bill may be amended). Meeting notices and full-text Bills are available at least six (6) days in advance at the Office of the County Clerk, Council Services Division and kauai.gov/Government/Council/Webcast-Meetings. Written testimony may be submitted via counciltestimony@kauai.gov, mail, or fax. For further information, please call (808) 241-4188.

CERTIFICATE OF THE COUNTY CLERK

I hereby certify that the Kaua'i County Council passed on first reading and ordered to print Bill No. 2991 during the March 25, 2026 Council Meeting, by the following vote:

AYES:	Bulosan, Carvalho, Cowden, Kaneshiro, Kualii'i, Rapozo	TOTAL – 6,
NOES:	None	TOTAL – 0,
EXCUSED & NOT VOTING:	Holland	TOTAL – 1,
RECUSED & NOT VOTING:	None	TOTAL – 0.

Lihu'e, Hawai'i
March 27, 2026

/s/ Jade K. Fountain-Tanigawa
County Clerk, County of Kaua'i

NOTE: IF YOU NEED AN AUXILIARY AID/SERVICE, OTHER ACCOMMODATION DUE TO A DISABILITY, OR AN INTERPRETER FOR NON-ENGLISH SPEAKING PERSONS, PLEASE CONTACT THE OFFICE OF THE COUNTY CLERK, COUNCIL SERVICES DIVISION AT (808) 241-4188 OR COKCOUNCIL@KAUAI.GOV AS SOON AS POSSIBLE. REQUESTS MADE AS EARLY AS POSSIBLE WILL ALLOW ADEQUATE TIME TO FULFILL YOUR REQUEST.

UPON REQUEST, THIS NOTICE IS AVAILABLE IN ALTERNATE FORMATS SUCH AS LARGE PRINT, BRAILLE, OR ELECTRONIC COPY.

(One publication – The Garden Island – April 3, 2026)

**A BILL FOR AN ORDINANCE AMENDING CHAPTER 5A,
KAUA'I COUNTY CODE 1987, AS AMENDED,
RELATING TO REAL PROPERTY TAX**

BE IT ORDAINED BY THE COUNCIL OF THE COUNTY OF KAUAI, STATE OF HAWAII:

SECTION 1. **Purpose.** The purpose of this Ordinance is to allow certain property owners who did not apply for a Home Exemption by the September 30 deadline because they did not yet own the property to apply for an Owner-Occupied Principal Home Tax Credit after the September 30 deadline relating to the property of their principal home. Successful applicants will receive a tax credit that shall equal the difference between the tax amount based on the classification of the property at the time of application and the tax amount based on taxes that would have been owed if the property were classified as Owner-Occupied or Owner-Occupied Mixed-Use, beginning on the first day of the month following the date the taxpayer commenced occupancy of the property as the taxpayer's principal home. Applications will be accepted starting with the date of assessment, October 1, and ending on June 30 of the following year. The more than two hundred seventy (270) calendar days of occupancy normally required of the Owner-Occupied and Owner-Occupied Mixed-Use tax classes will not apply to this tax credit. Property owners will still need to qualify and apply for the Home Exemption in order to be assigned to the Owner-Occupied or Owner-Occupied Mixed-Use tax classes and to be taxed accordingly for future years.

As an example, for a property classified in the Vacation Rental tax class for tax year and fiscal year 2027-2028 (July 1, 2027 to June 30, 2028; assessment year October 1, 2026 to September 30, 2027) based on the September 30, 2026 exemptions deadline for tax year and fiscal year 2027-2028, a successful Owner-Occupied Principal Home Tax Credit applicant (application period October 1, 2026 through June 30, 2027) will ultimately owe real property taxes at the Owner-Occupied or Owner-Occupied Mixed-Use rates for approximately the number of months the property was owner-occupied. The property owner will still need to pay real property taxes at the Vacation Rental rate during tax year and fiscal year 2027-2028 but will thereafter receive a tax credit to be applied to tax year and fiscal year 2028-2029 billings provided that the taxpayer remains the owner of the property on the assessment date for tax year and fiscal year 2028-2029 (October 1, 2027). Continued property ownership is a requirement because this program is intended to assist genuine owner-occupants.

The Owner-Occupied Principal Home Tax Credit is only available upon property owner request via an application in a form prescribed by the Director of Finance. The Owner-Occupied Principal Home Tax Credit therefore does not provide benefit to property owners who do not timely apply for it; it also does not analyze all properties countywide. The regular Home Exemption deadline continues to be September 30.

The Owner-Occupied Principal Home Tax Credit will not be allowed where the property only qualifies for the Owner-Occupied or Owner-Occupied Mixed-Use classifications due to participation in the Long-Term Affordable Rental Program. Additionally, none of the other Home Exemption-related benefits will be provided to Owner-Occupied Principal Home Tax Credit recipients, including but not limited to those stated in Kaua'i County Code 1987, as amended (KCC), Section 5A-11.4 (Homes) and Section 5A-11A.3 (Assessment Cap for Home Exemption Property and Property Used For Long-Term Affordable Rental). The Owner-Occupied Principal Home Tax Credit application only serves the limited purpose of providing a tax credit relating to the given tax year; to receive the Home Exemption and its benefits for future tax years, the property owner shall also timely submit all required forms and documentation.

SECTION 2. Chapter 5A, Section 5A-11.4 (Homes), Kaua'i County Code 1987, as amended, is hereby amended in part by amending its Subsection 5A-11.4(c) to read as follows:

“(c) As of the date of assessment on October 1, upon application by any individual or individuals, the principal home shall be exempt only to the following extent from property assessment:

(1) Totally exempt where the value of the property is not in excess of two hundred twenty thousand dollars (\$220,000.00);

(2) Where the value of such property is in excess of two hundred twenty thousand dollars (\$220,000.00), the exemption shall be the amount of two hundred twenty thousand dollars (\$220,000.00).

Provided:

(A) That no such exemption shall be allowed to any corporation, copartnership, or company;

(B) That the exemption shall not be allowed on more than one (1) home for any one (1) [taxpayer;] taxpayer, except as provided by Subsection (h);

(C) That where the taxpayer has acquired the taxpayer's home by a deed, the deed shall have been recorded on or before September 30 immediately preceding the year for which the exemption is [claimed;] claimed, except as provided by Subsection (h);

(D) That a husband and wife shall not be permitted exemption of separate homes owned by each of them, unless they are living separate and apart, pursuant to a court issued separation order in which case they

shall be entitled to one-half (1/2) of one (1) exemption, for a maximum period of two (2) years;

(E) That a person living on-premises, a portion of which is used for commercial purposes, shall be placed in the Owner-Occupied Mixed-Use [class.] class; and

(F) That a property transferred for the purpose of conveying real property for the following shall be exempt so long as the real property is owned and occupied as the same owner's principal home:

- (i) Grantor to the grantor's revocable living trust;
- (ii) Grantor's revocable living trust to grantor;
- (iii) Taxpayer and spouse;
- (iv) Surviving spouse who maintains portion of ownership and resides on property, but deceased spouse's interest is transferred to another party;
- (v) Life Estate; or
- (vi) Any other method of property transfer for the purpose of conveying real property which the Director of Finance finds to be similar in nature to those listed in this Section."

SECTION 3. Chapter 5A, Section 5A-11.4 (Homes), Kaua'i County Code 1987, as amended, is hereby amended in part by adding a new Subsection 5A-11.4(h), with existing Subsections 5A-11.4(h)-(k) renumbered as Subsections 5A-11.4(i)-(l), to read as follows:

"(h) Owner-Occupied Principal Home Tax Credit.

(1) Upon proper application, a taxpayer who acquires property after the September 30 deadline for filing a claim for a home exemption shall be entitled to an owner-occupied principal home tax credit pursuant to this Subsection if the taxpayer meets all the requirements for a home exemption under this Section for the applicable tax year, with the exception of:

(A) The September 30 filing deadline set forth in Section 5A-11.1(a);

(B) The September 30 deadline set forth in Subsection (c)(2)(C);

(C) The calendar-day occupancy requirement set forth in Subsection (a)(1); and

(D) The disallowance of an exemption on more than one (1) home for any one (1) taxpayer set forth in Subsection (c)(2)(B).

(2) No credit shall be granted pursuant to this Subsection unless the taxpayer has filed, starting with the date of assessment, October 1, and ending on June 30 of the following year, an application in a form prescribed by the Director. No taxpayer may apply for a credit under this Subsection more than once for any one (1) tax year.

(3) The credit shall equal the difference between the tax amount based on the classification of the property at the time of application and the tax amount based on taxes that would have been owed if the property were classified as Owner-Occupied or Owner-Occupied Mixed-Use, beginning on the first day of the month following the date the taxpayer commenced occupancy of the property as the taxpayer's principal home.

(4) The Director shall apply the credit to the taxes due for the succeeding tax year, provided that the taxpayer remains the owner of the property on the assessment date for that tax year. If the credit exceeds the amount of taxes owed, the Director shall issue the amount of the credit not applied to the taxpayer as a refund. If the taxpayer is no longer the owner of the property on the assessment date for that tax year, the taxpayer shall not be eligible for a credit or refund.

(5) A credit granted under this Subsection shall not constitute a home exemption or confer any benefits beyond those stated herein, including benefits pursuant to Section 5A-11.4 or Section 5A-11A.3.

(6) Notwithstanding the provisions of Article 12 of this Chapter, a taxpayer aggrieved by the disallowance of a credit under this Subsection may appeal to the Board of Review by filing a notice of appeal within thirty (30) days after the date of mailing of the notice of disallowance. The appeal shall be limited to whether the taxpayer meets the requirements of this Subsection for the owner-occupied principal home tax credit.

[(h)] (i) The Director of Finance may adopt rules and prescribe forms to implement this Section, and the Director may adopt by rule the indicia, criteria, or factors and methods of proof to establish whether the applicant's actual occupancy of the real property qualifies for the purposes or exemptions of this Section.

[(i)] (j) In addition to any penalty provision set forth in Article 11, any person who files a fraudulent application or attests to any false statement, with intent to defraud or to evade the payment of taxes or any part thereof, or who in any manner intentionally deceives or attempts to deceive the Department of Finance, shall be fined \$1,000 or imprisoned for not more than one year or both.

~~[(j)]~~ (k) For the purposes of this Section, and counting the days of occupancy, the commencement of the calendar year shall begin on the date of assessment, October 1, and end on September 30 of the following year.

~~[(k)]~~ (l) For the purposes of this Section 5A-11.4 and Section 5A-1.2, “claim” may include the retroactive approval and reinstatement of a home exemption, Owner-Occupied or Owner-Occupied Mixed-Use tax rate, and assessment cap of an owner-occupant that was benefiting from a home exemption, Owner-Occupied or Owner-Occupied Mixed-Use tax rate, and assessment cap of a co-owner-occupant that is now deceased, provided that the owner-occupant would have independently qualified for the home exemption at the time of death. “Claim” may also include the retroactive approval and reinstatement of a home exemption. Owner-Occupied or Owner-Occupied Mixed-Use tax rate, and assessment cap of the spouse or civil union partner of an owner-occupant who is now deceased, provided that the spouse or civil union partner is a successor trustee or beneficiary of the owner-occupant and the spouse or civil union partner would have independently qualified for the home exemption at the time of death, and in such case, the surviving owner-occupant who is a successor trustee or beneficiary is not required to demonstrate that they were an owner of record prior to the death of their spouse or civil union partner. This approval and reinstatement shall only be applied retroactively up to three (3) years.”

SECTION 4. Chapter 5A, Section 5A-12.3 (Grounds of Appeal, Real Property Taxes), Kaua'i County Code 1987, as amended, is hereby amended in part by adding a new Subsection 5A-12.3(f) to read as follows:

“No owner shall be deemed aggrieved by an assessment, nor shall an assessment be lowered, exemption or dedication allowed, or tax rate classification changed, unless there is shown:

(a) Assessment of the property exceeds by more than 15% the assessment of market value used by the Director as the real property tax base, or

(b) Lack of uniformity or inequality, brought about by illegality of the methods used or error in the application of the methods to the property involved, or

(c) Denial of an exemption or dedication to which the owner is entitled and for which he or she has qualified, or

(d) Illegality, on any ground arising under the Constitution or laws of the United States or the laws of the State or the ordinances of the County (in addition to the ground of illegality of the methods used, mentioned in Subsection (b) of this Section), or

(e) The tax rate classification is incorrect according to [Sec.] Section 5A-6.4 or the Real Property Tax Classification [Rules.] Rules, or

(f) Denial of the owner-occupied principal home tax credit to which the owner is entitled and for which he or she has qualified.”

SECTION 5. If any provision of this Ordinance or application thereof to any person or circumstance is held invalid, the invalidity does not affect the other provisions or applications of this Ordinance that can be given effect without the invalid provision or application, and to this end, the provisions of this Ordinance are severable.

SECTION 6. Ordinance material to be repealed is bracketed. New Ordinance material is underscored. When revising, compiling, or printing this Ordinance for inclusion in the Kaua'i County Code 1987, as amended, the brackets, bracketed material, and underscoring shall not be included.

SECTION 7. This Ordinance shall take effect upon its approval (with the first application period ending June 30, 2026 relating to tax year and fiscal year 2026-2027).

Introduced by: /s/ MEL RAPOZO

DATE OF INTRODUCTION:

March 25, 2026

Līhu'e, Kaua'i, Hawai'i

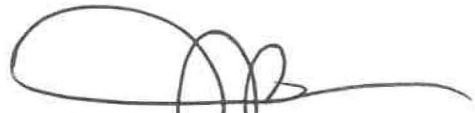
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CERTIFICATE OF THE COUNTY CLERK

I hereby certify that heretofore attached is a true and correct copy of Bill No. 2991, which was passed on first reading and ordered to print by the Council of the County of Kaua'i at its meeting held on March 25, 2026, by the following vote:

FOR PASSAGE:	Bulosan, Carvalho, Cowden, Kaneshiro, Kualii, Rapozo	TOTAL - 6,
AGAINST PASSAGE:	None	TOTAL - 0,
EXCUSED & NOT VOTING:	Holland	TOTAL - 1,
RECUSED & NOT VOTING:	None	TOTAL - 0.

Lihu'e, Hawai'i
March 27, 2026



Jade K. Fountain-Tanigawa
County Clerk, County of Kaua'i