

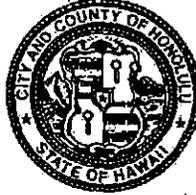
**HB 1532, HD2**

DEPARTMENT OF BUDGET AND FISCAL SERVICES

**CITY AND COUNTY OF HONOLULU**

REAL PROPERTY ASSESSMENT DIVISION  
842 BETHEL STREET, 2<sup>ND</sup> FLOOR \* HONOLULU, HAWAII 96813  
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PETER B. CARLISLE  
MAYOR



MICHAEL R. HANSEN  
DIRECTOR

GARY T. KUROKAWA  
ADMINISTRATOR

March 21, 2011

Honorable Senator Will Espero, Chair  
Senator Michelle Kidani, Vice Chair  
Public Safety, Government Operations, and Military Affairs  
State Senate  
Hawaii State Capitol, Room 231  
415 South Beretania Street  
Honolulu, Hawaii 96813

RE: HB1532 HD2 - RELATING TO REAL PROPERTY TAX APPEALS

The City and County of Honolulu supports HB1532 HD2. This amendment will provide each county the option of requiring real property tax appellants to first obtain a decision from an administrative body prior to appealing to the Tax Appeal Court via each county's property tax ordinances.

Under the Revised Ordinances of Honolulu ("ROH"), real property tax appellants have the option to file an appeal to the Boards of Review or Tax Appeal Court (including small claims court). One of the grounds for appeal refers to the 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 city in addition to the ground of illegality of the methods used. ROH, Section 8-12.9(c) states that the board of review does not have the power to hear or determine objections involving the Constitution or laws of the United States.

Should an appellant file an appeal claiming a constitutional violation, the appellant should have the option to file directly to the Tax Appeal Court.

For reasons stated above, we urge you to pass this measure and allow the flexibility at the county level to impose appropriate requirements. Thank you for the opportunity to testify on this important matter.

Respectfully Submitted,

  
Gary T. Kurokawa, Administrator  
Real Property Assessment Division  
City and County of Honolulu

ALAN M. ARAKAWA  
Mayor



DANILO F. AGSALOG  
Director of Finance

JEREMIAH L. SAVAGE  
Deputy Director of Finance

SCOTT K. TERUYA  
Administrator

GERY MADRIAGA  
Assistant Administrator

COUNTY OF MAUI  
DEPARTMENT OF FINANCE  
**REAL PROPERTY TAX DIVISION**  
70 E. KAAHUMANU AVENUE, SUITE A-16, KAHULUI, MAUI, HAWAII 96732  
Assessment: (808) 270-7297 | Billing and Collection: (808) 270-7697 | Fax: (808) 270-7884  
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March 21, 2011

Testimony of Scott K. Teruya, Real Property Tax Division Administrator, County of Maui  
on HB 1532, HD2  
Relating to Real Property Tax Appeals

To the Senate committee on Public Safety, Government Operations, and Military Affairs  
March 22, 2011, 3:00 p.m., Room 224

Honorable Chair Will Espero and Committee Members:

The County of Maui Real Property Tax Division and Honorable Mayor Alan M. Arakawa are testifying in support of HB 1532, HD2, Relating to Real Property Tax Appeals.

The proposed amendment would require persons challenging real property tax assessments to first appeal to the applicable county's board of review prior to lodging an appeal with the State Tax Appeal Court (TAC). Currently, taxpayers have the option of appealing either to the TAC or the local boards.

The procedures before the boards are generally less complicated than court procedures thereby enabling a quicker adjudication of the appeals. Moreover, each County has at least one board of review whereas the judiciary has only one judge hearing tax appeals. Current trial dates for cases filed at TAC are approximately eighteen months from the filing date.

Until appeals are resolved, the amount of taxes in dispute must be set aside and cannot be used for county programs. The bypassing of county boards of review ties up significant resources for the counties. For instance, in 2010 alone, Maui County had 680 cases filed directly to TAC with \$6,500,000 in real property taxes frozen until the cases are resolved. In past history, most cases filed with TAC are eventually settled just prior to trial. We believe that such resolutions can be accomplished by filing at the local board of review level. In doing so, the counties can free up badly needed resources and alleviate the workload at the Hawaii State Judiciary.

We urge you to pass this important measure and give the Counties the opportunity to adjudicate the case at the local level. Thank you for the opportunity to testify on this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott K. Teruya".

Scott K. Teruya  
Real Property Tax Division Administrator

Council Chair  
Danny A. Mateo

Vice-Chair  
Joseph Pontanilla

Council Members  
Gladys C. Baisa  
Robert Carroll  
Elle Cochran  
Donald G. Couch, Jr.  
G. Riki Hokama  
Michael P. Victorino  
Mike White



Director of Council Services  
Ken Fukuoka

**COUNTY COUNCIL**  
COUNTY OF MAUI  
200 S. HIGH STREET  
WAILUKU, MAUI, HAWAII 96793  
[www.maui-county.gov/council](http://www.maui-county.gov/council)

March 21, 2011

TO: Honorable Will Espero, Chair  
Senate Committee on Public Safety, Government Operations, and Military Affairs

FROM: Joseph Pontanilla, Council Vice-Chair *Joseph Pontanilla*

DATE: Tuesday March 22, 2011

SUBJECT: **TESTIMONY IN SUPPORT OF HB 1532 HD2, RELATING TO REAL PROPERTY TAX APPEALS**

Thank you for the opportunity to testify in support of HB 1532 HD2 Relating to Real Property Tax Appeals. The purpose of the legislation requires real property tax appellants to first obtain a decision from an administration body established by county ordinance prior to appealing to the Tax Appeal Court. I provide this testimony as an individual member of the Maui County Council.

I support HB 1532 HD2 for the following:

1. Each county has one or more local review boards commissioned for the hearing of real property tax appeals. Local boards operate under less complicated procedures than formal court review fostering a quicker adjudication of appeal cases.
2. Disputed tax amounts under appeal are set aside and unavailable until resolution of an appeal as resource to the counties. The State Tax Appeal Court, under limited operating means, is currently unable to promptly hear tax appeal cases. Bypassing the county boards of review process suspends for greater duration a county's ability to access much needed revenue resources.
3. Successful resolution of appeals at a county level will alleviate burden and workload at the Hawaii State Judiciary.

I respectfully urge you to support this measure that allows for greater efficiency in the tax appeals process.

# TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

**SUBJECT:** TAX APPEALS, Real property tax appeals

**BILL NUMBER:** HB 1532, HD-2

**INTRODUCED BY:** House Committee on Finance

**BRIEF SUMMARY:** Amends HRS section 232-16 to require a taxpayer appealing a real property tax assessment to first obtain a decision from an administrative body established by county ordinance before appealing to the Tax Appeal Court. Where county law requires a taxpayer appealing a real property tax assessment to first obtain a decision from an administrative body established by county ordinance prior to appealing to the Tax Appeal Court, the notice of appeal shall be accompanied by a copy of the decision from the administrative body.

**EFFECTIVE DATE:** Upon approval

**STAFF COMMENTS:** Currently a taxpayer may appeal a real property tax assessment to: (1) a real property tax board of review; or (2) the Tax Appeal Court or the small claims procedure of the Tax Appeal Court for disputes under \$1,000. This measure would require a taxpayer to obtain a decision by the real property assessment division of the respective county prior to appealing any assessment to the Tax Appeal Court. It appears that this measure proposes to alleviate unnecessary appeals to the Tax Appeal Court, some of which may have been attributable to errors on the property assessment made by the respective county's real property tax office. On the other hand, the adoption of this measure would prohibit the filing of an appeal of a real property assessment directly with the Tax Appeal Court and this may be a denial of a taxpayer's due process.

It should be noted that while the real property taxing powers have been transferred to the respective counties, the proposed measure, which encroaches on the county's real property taxing powers, may be construed to be unconstitutional.

Digested 3/21/11