

BILL NO. 104
(DRAFT 5)

ORDINANCE NO. _____

AN ORDINANCE AMENDING CHAPTER 19, ARTICLE 1, SECTION 19-2; CHAPTER 19, ARTICLE 7, SECTION 19-53; AND CHAPTER 19, ARTICLE 11, SECTION 19-90, OF THE HAWAI‘I COUNTY CODE 1983 (2016 EDITION, AS AMENDED), RELATING TO THE CREATION OF A LONG-TERM RENTAL CLASS FOR REAL PROPERTY TAXES.

BE IT ORDAINED BY THE COUNCIL OF THE COUNTY OF HAWAI‘I:

SECTION 1. Purpose. The purpose of this ordinance is to provide a voluntary tax incentive to increase available housing stock in the rental market through the creation of a new long-term rental real property tax classification.

SECTION 2. Chapter 19, article 1, section 19-2, of the Hawai‘i County Code 1983 (2016 Edition, as amended), is amended by adding a new definition of “long-term rental” to be appropriately inserted and to read as follows:

““Long-term rental” means property occupied for twelve consecutive months and under a signed lease for six consecutive months or more to the same tenant(s).”

SECTION 3. Chapter 19, article 7, section 19-53, of the Hawai‘i County Code 1983 (2016 Edition, as amended), is amended by amending paragraph 19-53(e)(1) to read as follows:

- “(1) Except as otherwise provided in subsection (e)(2) of this section, land shall be classified, upon consideration of its highest and best use, into the following general classes:
- (A) Residential;
 - (B) Affordable rental housing;
 - (C) Apartment;
 - (D) Hotel and resort;
 - (E) Commercial;
 - (F) Industrial;
 - (G) Agricultural or native forests;
 - (H) Conservation; ~~and~~
 - (I) Homeowner[-]; and
 - (J) Long-term rental.”

SECTION 4. Chapter 19, article 7, section 19-53, of the Hawai'i County Code 1983 (2016 Edition, as amended), is amended by adding new subsections designated (k), (l), and (m), to be appropriately inserted and to read as follows:

“(k) Eligibility for long-term rental class.

- (1) Real property occupied for twelve consecutive months and under a signed lease for six consecutive months or more to the same tenant(s) shall be eligible.
- (2) All dwelling units on long-term rental properties must be leased.
- (3) A long-term rental classification shall not be disallowed or ineligible by sole reason that the owner's principal residence is located on the same property.
- (4) No property in the residential class with a net taxable real property value of \$2,000,000 or more shall be eligible for the long-term rental classification.
- (5) The long-term rental class is exclusively reserved for properties that meet the eligible requirements for this class and have the annual required application timely filed. Real property that is used for commercial or income-producing purposes shall not qualify as “long-term rental,” except:
 - (A) Real property with uses legally permitted as a home occupation in accordance with the zoning code; or
 - (B) Real property with agricultural use pursuant to sections 19-57, 19-59, or 19-60.

(l) Application for long-term rental class.

No long-term rental classification shall be granted unless the claimant shall annually have filed with the department of finance a claim for such classification in such form as shall be prescribed by the department. The claim shall include, but not be limited to, a signed lease or excise tax returns, or both. Claims shall be accepted from January 1 through December 31 for the next applicable tax year.

(m) Breach of long-term rental class.

- (1) Failure of the property owner to maintain a lease for at least six consecutive months to the same tenant(s) shall breach the classification.
- (2) Any use of the property for vacation rental use shall breach the classification.
- (3) Any conveyance of the property or portion of the property subject to conveyance tax under chapter 247, Hawai'i Revised Statutes, as amended, shall breach the classification.
- (4) Upon breach of the classification as stated in this subsection, the tax assessment shall be cancelled retroactive to the date of the classification, but for not more than the current year, and all difference in the amount of taxes that were paid and those that would have been due from the assessment in the higher classification shall be payable with a ten percent penalty.”

SECTION 5. Chapter 19, article 11, section 19-90, of the Hawai‘i County Code 1983 (2016 Edition, as amended), is amended by adding a new subsection designated (g), to be appropriately inserted and to read as follows:

“(g) Long-term rental tax rate.

Notwithstanding any provision to the contrary, the tax rate for a property that is classified as long-term rental shall be one hundred thirty percent of the affordable rental housing tax rate rounded to the nearest five cents for the first program year. For tax years thereafter, the rate shall be determined in the manner otherwise provided in this section.”

SECTION 6. Material to be repealed is bracketed and stricken. New material is underscored. In printing this ordinance, the brackets, bracketed and stricken material, and underscoring need not be included.


SECTION 7. Severability. If any provision of this ordinance, or the application thereof to any person or circumstance, is held invalid, the invalidity does not affect other provisions or applications of the ordinance which can be given effect without the invalid provision or application, and to this end the provisions of this ordinance are severable.

SECTION 8. This ordinance shall take effect on January 1, 2026.

INTRODUCED BY:



COUNCIL MEMBER, COUNTY OF HAWAI‘I



COUNCIL MEMBER, COUNTY OF HAWAI‘I

_____, Hawai‘i
Date of Introduction:
Date of 1st Reading:
Date of 2nd Reading:
Effective Date:

REFERENCE Comm. 600.39