



Real Property Tax **HOMEOWNER EXEMPTION**

Rev. January 2023

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Q1: What is the difference between a homeowner exemption and a homeowner tax classification?

A1: A **homeowner exemption** is applied to the assessed value of a property to reduce the net taxable value. The net taxable value is multiplied with the tax rate to determine the real property taxes to be paid. The amount of the home exemption applied is dependent on the age of the applicant and the assessed value of the property:

- The basic home exemption for homeowners under the age of 60 is \$50,000.
- The basic home exemption for homeowners 60 to 64 years of age is \$85,000.
- The basic home exemption for homeowners 65 to 69 years of age is \$90,000.
- The basic home exemption for homeowners 70 to 74 years of age is \$105,000.
- The basic home exemption for homeowners 75 years of age and over is \$110,000.

In addition to the basic exemption amount, an additional exemption of 20 percent of the assessed value of the property is also applied to reduce the net taxable value. The amount of the additional exemption is not to exceed \$100,000.

*Note: These amounts are not applicable until the July 1, 2023 to 2024 tax year.

You would also need to have turned 60, 65, 70 or 75 by January 1, preceding the tax year to receive the increased exemption amounts, if not, it will be received the following tax year. The age benefit is automatic **IF** your age was supplied and verified at the time of application.

A property **IS** eligible for a home exemption if:

- The owner or lessee (recorded lease with a term of 10 years or more) has filed a claim for home exemption on or before the filing deadline of December 31 or June 30 of the preceding tax year.
- The owner has no other home exemption or principal home in any other jurisdiction.
- The owner maintains and physically occupies the principal home within the County for at least 200 days in each calendar year.
- The owner has filed a Hawai'i state income tax return as a full time resident or a conditional waiver of this requirement.

A property **IS NOT** eligible for a home exemption if:

- The **ENTIRE** home is rented out (even on occasion) as a Transient Accommodation Rental or long-term rental.
- The home has an approved Short-Term Vacation Rental (STVR) certificate with the Planning Department as this approval is for non-hosted rentals only.
- The owner has a home exemption or principle home in another jurisdiction.
- The owner has **NOT** filed a Hawai'i state income tax return as a full time resident or filed a conditional waiver of this requirement.

A property may be eligible for a portion of the home exemption when:

- A portion of the property is used exclusively as a home and the other portion used for commercial purposes (except portions used for any agricultural use or use legally permitted as a home occupation in accordance with the zoning code). Only the portion used exclusively as a home shall be entitled to the home exemption.

The homeowner tax classification is the tax rate at which your net taxable value is multiplied with to determine the real property taxes to be paid. This is a separate component to the homeowner's exemption and also provides for a limitation in which the assessed value shall not increase more than three percent per tax year after the first full year in the program. If the home exemption has been granted, it is generally eligible for the homeowners tax classification (rate) with the following exceptions:

- The property is used for commercial or income-producing purposes, except uses which are legally permitted as a home occupation in accordance with the zoning code.
- Any portion of the home is rented out as a Transient Accommodation Rental (less than 180 days).
- A long-term rental for a period of six months or more on the property that is a second dwelling, duplex or accessory structure and not part of the main residence
- The property is valued according to its nondedicated agricultural use pursuant to section 19-57.

- The property is dedicated to an agricultural use or native forest use. The use of a portion of any real property, building or structure for the purpose of any agricultural use permitted pursuant to section 205-2(d) or 205-4.5 Hawaii Revised Statutes.

Q2: Can I get the homeowner exemption and/or classification if I rent my ENTIRE home as a Transient Accommodation Rental (less than 180 days)?

A2: No, you are not entitled to the homeowner tax classification or exemption.

Q3: What if I rent only a portion of the home I live in or a second dwelling, duplex or accessory structure as a Transient Accommodation Rental (less than 180 days)?

A3: *You will not be entitled to the homeowner tax classification. The homeowner tax classification will not be prorated.* You can receive a homeowner exemption only on the portion of your home that is not utilized as a Transient Accommodation Rental (less than 180 days) (advertising is prima facie evidence of a rental) provided that principal residency in Hawaii County is established and maintained.

Q4: Can I get the homeowner classification and exemption if I live in and rent a room or portion of my principal residence long-term?

A4: You may qualify for the homeowner tax classification and homeowner exemption if the rental term is six months or longer and the rental is not a second dwelling, duplex or accessory structure not part of the main residence provided that principal residency in Hawaii County is established and maintained.

Q5: What if I reside in one dwelling and long-term rent a second dwelling, duplex or accessory structure that is participating in the affordable rental housing program?

A5: You will be entitled to the homeowner tax classification and exemption provided that the long-term rental meets the requirements of the affordable rental housing program.

Q6: I am participating in the non-dedicated, dedicated, or native forest preferential agricultural use benefit program and have filed a claim for home exemption. How will this affect my homeowner exemption and homeowner tax classification (rate)?

A6: The property's participation in the **non-dedicated, dedicated, or native forest agricultural use benefit program** allows the property to receive a preferential assessment which reduces the assessed land value only.

Assuming the property meets the requirements of the home exemption, the basic exemption will be applied to reduce the net taxable value of the property. As a portion of the property is valued according to its **non-dedicated, dedicated or native forest preferential agricultural use**, it is not eligible to receive the homeowner tax classification (rate) and will receive the Agricultural tax classification (rate). This rate is applied to both the assessed land and building after the home exemption has been applied to reduce the assessed value.

As the homeowners tax classification (rate) may be lower than the agricultural tax classification (rate), under some circumstances, a property's receipt of a preferential agricultural use benefit

and home exemption may result in a higher tax liability than if the property only received a home exemption with no participation in an agricultural use program.

It should also be noted that the homeowner tax classification (rate) provides for a limitation in which the assessed value shall not increase more than three percent per tax year (i.e., 3% cap). The property's receipt of a preferential agricultural use benefit and home exemption excludes the property from receiving this limitation and the tax implications over the long-term should be considered.

Q7: What if I move or change the current use of the property?

A7: A property owner has the legal duty of reporting any change in the status, ownership, or use of the property to the real property tax office (e.g., owner was living on property and is now renting, moved away, vacated). Failure to notify the real property tax office of the change in the exemption status within 30 days of the change will result in disqualification and penalty.