

BFED Committee

From: Marcy Martin <Marcy.Martin@co.maui.hi.us>
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To: BFED Committee
Subject: Comments from Department of Finance Bill 95
Attachments: bill95_comments_RPAD_11.7.23.docx

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See attached comments from the Department of Finance.

The chart below illustrates various long-term rental exemption scenarios.

| Value of TVR property: | Lease term in months | Class | Exemption amount | Taxes b4 exemption | Taxes after Exemption | Savings | Percent break |
|------------------------|----------------------|-------|------------------|--------------------|-----------------------|----------|---------------|
| 400,000 | 6 | TVR | 300,000 | \$4,740 | \$1,185 | \$3,555 | 75% |
| 400,000 | 6 | TVR | 400,000 | \$4,740 | \$350 | \$4,390 | 93% |
| 400,000 | 12 | TVR | 200,000 | \$4,740 | \$600 | \$4,140 | 87% |
| 400,000 | 6 | NOO | 300,000 | \$2,340 | \$585 | \$1,755 | 75% |
| 400,000 | 6 | NOO | 400,000 | \$2,340 | \$350 | \$1,990 | 85% |
| 800,000 | 6 | TVR | 300,000 | \$9,480 | \$5,925 | \$3,555 | 38% |
| 800,000 | 6 | TVR | 400,000 | \$9,480 | \$4,740 | \$4,740 | 50% |
| 800,000 | 12 | TVR | 200,000 | \$9,480 | \$1,800 | \$7,680 | 81% |
| 800,000 | 6 | NOO | 300,000 | \$4,680 | \$2,925 | \$1,755 | 38% |
| 800,000 | 6 | NOO | 400,000 | \$4,680 | \$2,340 | \$2,340 | 50% |
| 1,200,000 | 6 | TVR | 300,000 | \$14,220 | \$10,665 | \$3,555 | 25% |
| 1,200,000 | 6 | TVR | 400,000 | \$14,220 | \$9,480 | \$4,740 | 33% |
| 1,200,000 | 12 | TVR | 200,000 | \$14,220 | \$3,000 | \$11,220 | 79% |
| 1,200,000 | 6 | NOO | 300,000 | \$7,450 | \$5,265 | \$2,185 | 29% |
| 1,200,000 | 6 | NOO | 400,000 | \$7,450 | \$4,680 | \$2,770 | 37% |
| 1,600,000 | 6 | TVR | 300,000 | \$18,960 | \$15,405 | \$3,555 | 19% |
| 1,600,000 | 6 | TVR | 400,000 | \$18,960 | \$14,220 | \$4,740 | 25% |
| 1,600,000 | 12 | TVR | 200,000 | \$18,960 | \$5,000 | \$13,960 | 74% |
| 1,600,000 | 6 | NOO | 300,000 | \$10,650 | \$8,250 | \$2,400 | 23% |
| 1,600,000 | 6 | NOO | 400,000 | \$10,650 | \$7,450 | \$3,200 | 30% |
| 2,000,000 | 6 | TVR | 300,000 | \$23,700 | \$20,145 | \$3,555 | 15% |
| 2,000,000 | 6 | TVR | 400,000 | \$23,700 | \$18,960 | \$4,740 | 20% |
| 2,000,000 | 12 | TVR | 200,000 | \$23,700 | \$7,000 | \$16,700 | 70% |
| 2,000,000 | 6 | NOO | 300,000 | \$13,850 | \$11,450 | \$2,400 | 17% |
| 2,000,000 | 6 | NOO | 400,000 | \$13,850 | \$10,650 | \$3,200 | 23% |

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*Have you heard about the new **long-term rental exemption**? Check it out at Mauipropertytax.com under the forms link.*

ORDINANCE NO. _____

BILL NO. _____ (2023)

A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY CODE, RELATING TO THE AUGUST 2023 FIRES DISASTER EXEMPTION

BE IT ORDAINED BY THE PEOPLE OF THE COUNTY OF MAUI:

SECTION 1. Section 3.48.450, Maui County Code, is amended to read as follows:

“3.48.450 Homes—standards for valuation. A.

Real property owned and occupied only as a principal home, as of the date of assessment, by an individual or individuals, will be exempt only to the following extent from property taxes:

1. For tax year ending June 30, 2023:
 - a. Totally exempt where the value of the property is not in excess of \$200,000; or
 - b. Where the value of the property is in excess of \$200,000, the exemption will be in the amount of \$200,000.
2. For tax years beginning on or after July 1, 2023:
 - a. Totally exempt where the value of the property is not in excess of \$300,000; or
 - b. Where the value of the property is in excess of \$300,000, the exemption will be in the amount of \$300,000.

B. The provisions of subsection A will apply[, provided, as follows:] subject to the following conditions:

1. That no such exemption will be allowed to any corporation, copartnership, or company.
2. That the exemption will not be allowed on more than one home for any one taxpayer.
3. That where the taxpayer has acquired a home by a deed made on or after July 1, 1951, the deed must have been recorded on or before December 31 immediately preceding the year for which the exemption is claimed.
4. That married persons will not be permitted an exemption of separate homes, unless they are living

separate and apart, and provide a copy of a decree of separation from the appropriate court having jurisdiction that is in effect prior to the effective date of the exemption; and each file a separate income tax return as a resident of the State of Hawaii with a reported address in the County the year prior to the effective date of the exemption; in which case they will be entitled to one exemption, to be apportioned equally between each of their respective homes.

5. That a person living on premises, a portion of which is used for commercial purposes, will not be entitled to an exemption [with respect to such] for that portion, but will be entitled to an exemption [with respect to] for the portion [thereof] used exclusively as a home.

6. That no such exemption will be allowed for any real property that is classified as “commercialized residential” or “short-term rental.”

C. Upon proper application, a taxpayer [shall be] is entitled to a home exemption[, provided] if the taxpayer:

1. Occupies the home in the County for which the exemption is being filed for more than two hundred seventy calendar days of a calendar year, does not rent the entire premises for any portion of the year, and files an income tax return as a resident of the State of Hawaii with a reported address in the County the year prior to the effective date of the exemption. Non-resident and part-year resident State of Hawaii income tax returns do not qualify for the home exemption; or

2. Is stationed in the County under military orders of the United States.

D. The director may demand documentary evidence such as a tax clearance from the State of Hawaii indicating that the taxpayer filed an income tax return as a full-time resident for the year prior to the effective date of the exemption, from a property owner applying for an exemption or from an owner as evidence of continued qualification for an exemption. Failure to respond to the director's demand in thirty days [shall be] is grounds for denial of a claim for an exemption.

E. [In the event] If the director obtains evidence that an individual resides in a home outside the County, [such] the evidence [shall serve as] is prima facie proof that the individual does not own and occupy real property in the County as a principal home, and the director [shall] must provide written notice to the individual by mail that the individual [shall] is not [be] qualified for an exemption or continued exemption under this section. [Such evidence shall]

Evidence may include[, but not be limited to,] documentation that homes that are being advertised for occupancy by transient tenants for periods of less than six consecutive months for any period during the course of any assessment year.

F. If during the course of any tax year, the home exemption of a property is revoked, the taxes for the entire tax year [shall] must be recalculated without the exemption.

G. No home exemption is allowed if taxes on the property are delinquent for a period of more than one year; except a home exemption is allowed for those tracts leased under section 207 of the Hawaiian Homes Commission Act, 1920, as amended, regardless of delinquency status.

SECTION 2. Section 3.48.415, Maui County Code, is amended to read as follows:

3.48.415 Claims—effect.

A. Except for child care facilities exemptions as set forth in section 3.48.558, a claim for exemption once allowed shall have continuing effect until:

[A]1. The exemption is disallowed;

[B]2. The assessor voids the claim after first giving notice, either to the claimant or to all claimants in the manner provided for by ordinance, that the claim or claims on file will be voided on a certain date, not less than thirty days after such notice;

[C]3. The five-year period for exemption, as allowed in section 3.48.500, expires; or

[D]4. The claimant makes the report required by section 3.48.425.

B. Exemptions that were in effect for the 2024 tax year, where improvements were destroyed, damaged or made inaccessible by the August 2023 wildfires, must remain in effect through December 31, 2024 provided:

1. The parcel does not sell as an arm's length transaction.

2. The applicant of an exemption under sections 3.48.450 and 3.48.475 does not apply for another owner occupant exemption on any permanent place of abode.

3. The parcel qualified for the exemption between January 1, 2023 and August 8, 2023.

4. The exemption is not subject to disallowance per section 3.48.430.

SECTION 3. Section 3.48.466, Maui County Code, is amended to read as follows:

3.48.466 Long-term rentals—standards for valuation.

- A. Dwelling units occupied as a long-term rental and under signed contract to lease for twelve consecutive months or more to the same tenant, as of the date of assessment, by a natural person with no other place of residence, will be exempt only to the following extent from property taxes:
1. For tax years beginning on or after July 1, 2022:
 - a. Totally exempt where the value of the property is not in excess of \$200,000; or
 - b. Where the value of the property is in excess of \$200,000, the exemption will be in the amount of \$200,000.
- B. Real property occupied as a long-term rental and under signed contract to lease for six or more months and less than twelve consecutive months to the same tenant, as of the date of assessment, by an individual or individuals who were displaced by the August 2023 Wildfires, will be exempt to the following extent from property taxes:
1. For tax years beginning on July 1, 2024 and July 1, 2025:
 - a. Totally exempt where the value of the property is not in excess of \$300,000; or
 - b. Where the value of the property is in excess of \$300,000, the exemption will be in the amount of \$300,000.
- [B]C. The provisions of subsection A are subject to the following conditions:
1. That long-term rental exemptions may be allowed on more than one home for any one taxpayer if the homes are located on different parcels.
 2. That where a homeowner resides and in accordance with the requirements of section 3.48.450 qualifies for a homeowner exemption, and a long-term rental exemption, for tax years beginning on or after July 1, 2023:
 - a. Totally exempt where the value of the property is not in excess of \$400,000; or
 - b. Where the value of the property is in excess of the \$400,000, the exemption will be in the amount of \$100,000.

3. That if a portion of the structure is used for commercial purposes, that portion of the structure will not be entitled to an exemption, but will be entitled to an exemption.
4. That the exemption will not be allowed for any real property that is classified as "commercialized residential" or as a "TVR-STRH."
5. That if the term of the lease is greater than one year, one year of the exemption will be granted. After the initial year of the exemption, no exemption will be allowed unless the lease terminates after September 30 of any later assessment year.
6. That if the long-term rental lease is granted to any of the following lessees, the exemption must not be allowed:
 - a. A natural person who has an ownership interest in the property including natural persons who are considered as owners under section 3.48.150.
 - b. An officer or member of a corporation that has an ownership interest in the property.
 - c. A partner in a partnership that has an ownership interest in the property.
 - d. Business, corporation, partnership, or any entity other than a natural person.
7. That if the tenant of the long-term lease maintains a permanent place of abode in addition to the dwelling unit, the exemption must not be allowed.

D. The provisions of subsection B will apply, provided, as follows:

1. That long-term rental exemptions may be allowed on more than one home for any one taxpayer, provided however, that the homes are located on different parcels.
2. That where a homeowner resides and in accordance with the requirements of section 3.48.450 qualifies for a homeowner exemption, and a long-term rental exemption, for tax years beginning on or after July 1, 2024:
 - a. Totally exempt where the value of the property is not in excess of \$400,000; or
 - b. Where the value of the property is in excess of the \$400,000, the exemption will be in the amount of \$100,000.
3. That if a portion of the premises is used for commercial purposes, such portion of the premises will not be entitled to an exemption, but will be entitled to an exemption with respect to the portion thereof used exclusively as a long-term rental.

[C]E. Upon proper application, a taxpayer will be entitled to a long-term rental exemption, if the taxpayer provides the director a copy of the

signed lease and all required documentation requested by the director in order to confirm the long-term rental occupation, including contact information for the renter as evidence of continued qualification for an exemption. Failure to respond to the director's demand in thirty days will be grounds for denial of a claim for an exemption.

[D]F. If the director obtains evidence that any use other than long-term rental use is occurring, such evidence will serve as prima facie proof that the individual does not qualify for a long-term rental exemption, and the director must provide written notice to the individual by mail that the individual does not qualify for an exemption or continued exemption under this section. Such evidence may include, but is not limited to, homes that are being advertised for occupancy by transient tenants for periods of less than six consecutive months for any period during the course of any assessment year.

[E]G. If during the course of any tax year, the exemption of a property is revoked, the taxes for the entire tax year will be recalculated without the exemption.

[F]H. No long-term exemption will be allowed if taxes on the property are delinquent for more than one year.

[G]I. If, during the course of the assessment year, any portion of the dwelling is used as a transient vacation rental or short-term rental home, the exemption must be revoked and the taxes for the entire year recalculated without the exemption.

[H]J. The real property owner must report any change in use or occupancy of a property with a long-term rental exemption within the thirty days of the at change. The director may investigate any real property and, if the director determines that the actual use differs from a long-term rental, may reclassify and reassess the real property.

[I]K. The director may adopt rules and prescribe forms to implement this chapter.

SECTION 4. Section 3.48.410, Maui County Code, is amended to read as follows:

3.48.410 Claims—filing required.

None of the exemptions from taxation granted in sections 3.48.450 through 3.48.466, 3.48.475 through 3.48.500, 3.48.552, 3.48.554, 3.48.557, and 3.48.558 will be allowed in any case, unless the claimant has filed with the department of finance, on or before December 31 preceding the tax year for which such exemption is claimed, a claim for

exemption in such form as is prescribed by the department. The exemption from taxation granted in section 3.48.556 must not be allowed in any case, unless the claimant has filed with the department of finance, on or before June 30 of the tax year for which such exemption is claimed, a claim for exemption in such form as is prescribed by the department. Except that the exemption from taxation granted in section 3.48.466B must not be allowed in any case, unless the claimant has filed with the department of finance, on or before January 31, 2024 for tax year 2025, a claim for exemption in such form as is prescribed by the department.

SECTION 5. Material to be repealed is bracketed. New material is underscored. In printing this bill, the County Clerk need not include the brackets, the bracketed material, or the underscoring.

SECTION 6. This Ordinance takes effect on approval.