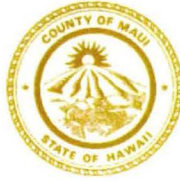


RICHARD T. BISSEN, JR.
Mayor

MARCY MARTIN
Director

MARIA E. ZIELINSKI
Deputy Director



DEPARTMENT OF FINANCE
COUNTY OF MAUI
200 SOUTH HIGH STREET
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September 8, 2025

Honorable Richard T. Bissen, Jr.
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

 9-16-25
Mayor Date

For Transmittal to:

Honorable Alice Lee, Chair
And Members of the Special Committee on Real Property Tax Reform
200 South High Street
Wailuku, Hawaii 96793

Dear Chair Lee:

SUBJECT: Special Committee on Real Property Tax, Questions from Tom Croly

Pursuant to your email dated September 3, 2025, regarding the above-referenced matter, please see the following responses below:

1. I would hope that the committee would consider granting greater powers to the RPT Board of Review to allow them to grant exemptions that the board considers justified, even if they may have been denied for technical reasons, like a late or incomplete filing. When I served on the Board of Review, we often felt that our hands were tied with respect to granting a homeowner exemption even when the property owner met all the criteria, but may have not been aware of the requirement to file for this exemption because of recently purchasing a home or the home ownership changing because the home was put into a trust or an owner died. The difference in tax bill between an owner-occupied property and a non-owner-occupied property has risen to nearly 5 times as much and this is too steep a penalty to bear for a late filing or ignorance of the requirement to file.

Response: The bill for the late home and long-term rental exemptions addresses this issue. For your information, exemptions are usually not removed when property is transferred to a trust. Finally, it is imperative that the Board of Review, and all other county boards and commissions, operate within the confines of Maui County Code. Further, there should not be different sets of code for different branches of government.

2. The task to reassess every property every year and produce accurate assessments every year is too great for the department to produce precisely. Because of the lack of comparable sales each year, many assessments are wildly inaccurate. And even when new assessments are accurate some property owners are shocked by sudden increases in tax bills. To aid the department and produce tax assessments that do not vary as much year to year, I would suggest using a three-year rolling average as the taxable value. Properties would be assessed every year and property owners could appeal any year's given assessment, but the number used for the taxable value would be an average of the past 3 years of assessed values. This would create less variation from year to year in the tax bill resulting from any large changes, either up or down in values for a given year.

Response: The RPAD follows Maui County Code (MCC), as well as appraisal and mass appraisal valuation standards, and therefore is not permitted to produce assessments which are "wildly inaccurate." If an assessment is "wildly inaccurate", the taxpayer may confer with the assessor during the assessment notice period between March 15 and April 9 or file an appeal in the current year and have the value corrected. Further, MCC 3.48.215 Adjustments and refunds allows corrections that are the result of a defined error such as a typo.

For the record, all condominium models contain at least three years of sales. If there are no sales in a non-condominium neighborhood area, the division may go back more than three years. The number of sales and sales period used in an appraisal should not be defined by code but rather should be based upon what is necessary to derive a fair and accurate value that meets industry and statutory standards. If by rolling three-year average, Mr. Croly means an average of three years of values, this would be a significant increase in work as the RPAD would have to maintain multiple years of values and an average. All the values would be subject to appeal which would significantly increase appeal workloads. In addition, CAMA, computer assisted mass appraisal software, does not calculate a three-year average so the value would not be calculated inside of the assessment software package which makes efficient annual valuations possible. Appraisals are as of a specific date. A three-year average would not be a market value appraisal and therefore the value would not be universally defined and transparent. In addition, when real estate prices decrease, assessed values would be overstated. Further, the impacts of revaluations, which typically occur every six years, would be averaged with prior years which would lead to a lack of uniformity. Straight averages are not used in appraisal for a multitude of reasons. The only time a straight average would be used is if three values were given equal weight which would be an appraisal decision, not a math formula that could be used for appraisal purposes. Averages are influenced by high and low values and dispersion which would create a lack of assessment uniformity. Finally, valuing new improvements would be problematic.

The Department of Finance recommends employing assessment best practices which includes revaluing property, at market value, annually by recognized valuation methods and techniques that efficiently produce uniform and accurate assessments. The RPAD has been awarded the Certificate of Excellence in Assessment Administration by the International Association of Assessing Officers which recognizes jurisdictions employing assessment best practices.

3. Tax classification currently can be incorrect for as long as 18 months under the current law. Because classification is set based on use as of January 1 for the tax year beginning in July 1 of the same year, it can create an incorrect classification from January 1 thru June 30 of the following year because of a sale or change of use that could take place before the following January 1. Since the difference between tax bills in different classifications can be as much as 10 times greater, this is too long a period for the taxpayer to be paying the higher, or lower, rate. I believe it is time for a change of classification to be allowed to occur within a given tax year and that change to be reflected as soon as the next tax payment is required. This would reduce the period that the classification is incorrect from 6 to 18 months as is currently the case, down to 0 to 6 months. I recognize that there may have to be some small amounts of revenue adjustments to make twice a year, but this is definitely possible to achieve.

Response: The bill for the late home and long-term rental exemptions addresses this. Adjustments after certification would impact the ability to predict revenue. Adjustments at time of sale for example, will dramatically increase workload and change the nature of appeals as every reassessment is entitled to appeal. No mention is made as to whether adjustments would be made upon application or retroactively to a chosen date. This is important to consider because adjustments would not be only in the taxpayer's favor. For every addition of a tax relief classification, there would likely be a reversal of a tax relief classification. This would make prorating real property taxes at the time of sale difficult likely resulting in the new buyer being left with tax increase. To note, classifications are correct as of the assessment date. If a classification is not correct as of the assessment date, a correction can be made.

Should you have any questions, please feel free to contact me or Deputy Director Maria Zielinski at extension 7722.

Sincerely,



MARCY MARTIN
Director of Finance

RPTR Committee

From: Michelle L. Santos <Michelle.Santos@co.maui.hi.us>
Sent: Tuesday, September 16, 2025 2:54 PM
To: RPTR Committee
Cc: Jasmine K. HueSing-Ammasi; Cynthia E. Sasada; Didi A. Hamai; Erin A. Wade; Josiah K. Nishita; Kelii P. Nahooikaika; Marcy L. Martin; Maria E. Zielinski; Stacey M. Vinoray
Subject: MT#11227 Special Committee on Real Property Tax Questions from Tom Croly
Attachments: MT#11227-RPTR Committee.pdf