

COUNCIL OF THE COUNTY OF MAUI
BUDGET, FINANCE, AND ECONOMIC
DEVELOPMENT COMMITTEE

November 15, 2024

Committee
Report No. _____

Honorable Chair and Members
of the County Council
County of Maui
Wailuku, Maui, Hawaii

Chair and Members:

Your Budget, Finance, and Economic Development Committee, having met on October 29, 2024, makes reference to Bill 147 (2024), entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY CODE, RELATING TO AUGUST 2023 MAUI WILDFIRES REAL PROPERTY TAX RELIEF."

Bill 147's purpose is to extend the August 2023 Maui wildfires Real Property Tax relief through the tax year ending June 30, 2026.

By correspondence dated October 16, 2024, the Director of Finance said the RPT exemption for properties impacted by the wildfires established by Ordinance 5582 cost the County over \$21 million in Fiscal Year 2025. The cost impact to the County for extending the exemption through FY 2026 would be about the same as FY 2025.

The Director further said the \$300,000 tax exemption for properties leased from six to 11 months to wildfire survivors, also established by Ordinance 5582, cost the County about \$2 million in FY 2025. An extension for FY 2026 is anticipated to cost far less because most of the leases have expired.

Your Committee notes properties that received the August 2023 Maui wildfires long-term rental exemption established by Ordinance 5589 were exempt from real property taxes in FY 2025. Under Bill 147, recipients of this exemption who extend their lease to wildfire survivors by six months or longer, will either receive:

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1. A \$200,000 tax exemption and be classified as “long-term rental”; or
2. A \$100,000 tax exemption and be classified as “owner-occupied,” if also qualified for the home exemption.

The Director said there were about 1,400 applicants for the August 2023 wildfires long-term rental exemption, which cost the County about \$12.3 million in FY 2025. Because the recipients are taxed in FY 2026, the County’s cost would decrease.

By correspondence dated October 25, 2024, the Deputy Director of Finance transmitted a revised bill incorporating nonsubstantive and technical revisions. Your Committee supported the revised bill with additional revisions requested by the Director, at the Committee meeting, to clarify that:

1. Recipients of the August 2023 Maui wildfires long-term rental exemption will receive either the “long-term rental” or “owner-occupied” tax classification for the period beginning July 1, 2025, through June 30, 2026; and
2. Applicants may conditionally receive the August 2023 Maui wildfires long-term rental exemption if they received it from the period beginning July 1, 2024, through June 30, 2025.

Your Committee notes without Bill 147, properties impacted by the wildfires would be taxed and the incentive for renting to wildfire survivors would expire. Because of the hardships property owners already face with recovery extending tax relief is appropriate. Furthermore, the need to house wildfire survivors justifies the rental tax incentives.

Your Committee voted 8-0 to recommend passage of Bill 147, CD1 (2024), on first reading. Committee Chair Sugimura, Vice-Chair Kama,

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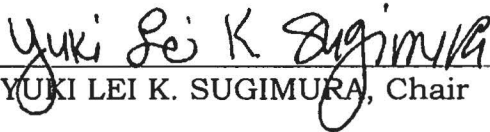
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and members Cook, Lee, Paltin, Rawlins-Fernandez, Sinenci, and U'u-Hodgins voted "aye." Committee member Johnson was excused.

Your Committee is in receipt of Bill 147, CD1 (2024), approved as to form and legality by the Department of the Corporation Counsel, incorporating your Committee's recommended revisions and nonsubstantive revisions.

Your Budget, Finance, and Economic Development Committee RECOMMENDS that Bill 147, CD1 (2024), as revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY CODE, RELATING TO AUGUST 2023 MAUI WILDFIRES REAL PROPERTY TAX RELIEF," be PASSED ON FIRST READING and be ORDERED TO PRINT.

This report is submitted in accordance with Rule 8 of the Rules of the Council.



YUKI LEI K. SUGIMURA, Chair

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ORDINANCE NO. _____

BILL NO. 147, CD1 (2024)

A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48,
MAUI COUNTY CODE, RELATING TO AUGUST 2023
MAUI WILDFIRES REAL PROPERTY TAX RELIEF

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

SECTION 1. This Ordinance's purpose is to extend August 2023 Maui wildfires real property tax relief through the tax year ending June 30, 2026.

SECTION 2. Section 3.48.230, Maui County Code, is amended as follows:

1. By amending subsection B to read:

"B. Real property that was completely destroyed by the August 2023 Maui wildfires, as determined by the director, is exempt from real property taxes, including the minimum real property tax, through June 30, [2025.]2026."

2. By amending subsection D to read:

"D. Real property that [is]was located in a red or yellow reentry zone in Lahaina, as established by the County following the August 2023 Maui wildfires in its reentry map of impacted areas, or for which access was restricted to certain hours by the government, as determined by the director as of January 1, 2024, is exempt from real property taxes, including the minimum real property tax, for the period July 1, 2024, through June 30, [2025.]2026."

SECTION 3. Section 3.48.305, Maui County Code, is amended by amending subsection B to read as follows:

"B. In assigning land to one of the general classes, the director must give major consideration to: the districting established by the land use commission in accordance with chapter 205, Hawai'i Revised Statutes; the districting established by the County in its

general plan and comprehensive zoning ordinance; use classifications established in the Hawai'i state plan; and other factors that influence highest and best use; except that:

1. Real property that is used as the owner's principal residence and has been granted either a home exemption in accordance with sections 3.48.410 and 3.48.450 or an exemption in accordance with sections 3.48.410 and 3.48.475 must be classified as "owner-occupied" without regard to its highest and best use.

2. Real property improved with a dwelling that would not be classified as "owner-occupied", "hotel and resort", "time share", "TVR-STRH", "commercial", "industrial", "commercialized residential", or "long-term rental", must be classified as "non-owner occupied".

3. Multi-dwelling-unit improvements containing five or more dwellings that would not be classified "TVR-STRH" must be classified "apartment".

4. Real property that serves as owner's principal residence and has been granted a bed and breakfast home permit, a short-term rental home permit, or operates as a transient vacation rental, must be classified as "commercialized residential" without regard to its highest and best use, and cannot qualify for a home exemption.

5. Real property that is subject to a time share plan as defined in section 514E-1, Hawai'i Revised Statutes, as amended, must be classified as "time share".

6. Unless classified as "time share", "hotel and resort", or "commercialized residential", lodging or dwelling units occupied by transient tenants for periods of less than six consecutive months, including real property that does not serve as the owner's principal residence and has been granted a short-term rental home permit or a conditional permit allowing transient vacation rental use must be classified as "TVR-STRH" without regard to its highest and best use, and cannot qualify for a home exemption.

7. Unless classified as "time share" or "commercialized residential", properties occupied by transient tenants for periods of less than six consecutive months, have eight or more lodging or dwelling units, and employ more than twenty full-time persons, must be classified as "hotel and resort".

8. Dwelling units occupied by long-term tenants for periods of [twelve]12 consecutive months or more to the same tenant and have been granted a long-term rental exemption in accordance with sections 3.48.410, 3.48.425, and 3.48.466 must be classified as "long-term rental", unless the property

also qualifies for a [homeowner] home exemption in accordance with section 3.48.450, in which case the property must be classified “owner-occupied”. Dwelling units granted an August 2023 Maui wildfires long-term rental exemption under 3.48.551 for the tax year beginning July 1, 2025, and ending June 30, 2026, must be classified as “long-term rental”, unless the property also qualifies for a home exemption in accordance with section 3.48.450, in which case the property must be classified “owner-occupied”. Dwelling units where a portion is used for transient vacation rental, hotel, commercial, or industrial purposes must not be classified as “long-term rental”. Portions of dwelling units not used for residential use must not be classified as “long-term rental”.”

SECTION 4. Section 3.48.466, Maui County Code, is amended by amending subsection B to read as follows:

“B. Real property occupied as a long-term rental and under a signed contract to lease for six or more but less than [twelve]¹² consecutive months to the same tenant, as of January 31, 2024, or January 1, 2025, by an individual who was directly displaced by the August 2023 Maui wildfires, will be exempt to the following extent from property taxes[:] in the subsequent tax year:

1. For tax years beginning on July 1, 2024, and July 1, 2025:
 - a. Totally exempt if the value of the property is not in excess of \$300,000; or
 - b. If the value of the property is in excess of \$300,000, the exemption will be in the amount of \$300,000.”

SECTION 5. Section 3.48.551, Maui County Code, is amended to read as follows:

“3.48.551 August 2023 Maui wildfires long-term rental exemption. A. A dwelling unit or a portion of a dwelling unit that was not occupied as a long-term rental at the time of the August 2023 Maui wildfires and that has since the wildfires been occupied as a long-term rental under a signed contract to lease for a term of at least one year to an individual who was directly displaced by the August 2023 Maui wildfires, without evicting a prior long-term tenant or a tenant with a physical or intellectual and developmental

disability as defined by the American Psychiatric Association, is exempt from taxation, as follows:

1. The exemption from taxation in this section must be allowed from the next tax payment date, February 20, 2024, through June 30, 2025, if the applicant filed a claim with the department of finance on or before January 31, 2024, on a form prescribed by the department and the term of the lease is in effect by February 1, 2024.

2. The exemption from taxation in this section must be allowed from July 1, 2024, through June 30, 2025, if the applicant filed a claim with the department of finance on or before June 30, 2024, on a form prescribed by the department and the term of the lease is in effect by July 1, 2024.

B. Subsection A's provisions are subject to the following conditions:

1. The exemption may be allowed for multiple dwelling units for any one taxpayer if the dwelling units are located on different parcels.

2. If a portion of the real property is not used as an August 2023 Maui wildfires long-term rental as described in subsection A, that portion of the real property is not entitled to the exemption.

3. If the parcel is exclusively occupied by an individual who was directly displaced by the August 2023 Maui wildfires, the parcel is exempt from any real property tax, including the minimum real property tax.

4. The exemption is not allowed if the long-term rental lease is granted to any of the following lessees:

a. A natural person who has an ownership interest in the property, including a natural person who is considered an owner 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. A business, corporation, partnership, or any entity unless the occupant of the dwelling unit is an individual who was directly displaced by the August 2023 Maui wildfires.

5. If the occupant of the dwelling unit maintains a permanent place of abode in addition to the exempt dwelling unit, the exemption is not allowed.

C. A dwelling unit or a portion of a dwelling unit that has since the August 2023 Maui wildfires been occupied as a long-term rental under a signed contract to lease for a term of at least one year to an individual who was directly displaced by the August 2023 Maui

wildfires, without evicting a prior long-term tenant or a tenant with a physical or intellectual and developmental disability as defined by the American Psychiatric Association, that received the exemption for the tax year beginning July 1, 2024, and ending June 30, 2025, and extends their current lease for a term of six months or longer, will be exempt from property taxes as follows:

1. For the tax year beginning on July 1, 2025:

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. The exemption from taxation in this section must be allowed from July 1, 2025, through June 30, 2026, if the applicant filed a claim with the department of finance on or before December 31, 2025, on a form prescribed by the department.

D. Subsection C's provisions are subject to the following conditions:

1. The exemption may be allowed for multiple dwelling units for any one taxpayer if the dwelling units are located on different parcels.

2. If a portion of the real property is not used as an August 2023 Maui wildfires long-term rental as described in subsection B, that portion of the real property is not entitled to the exemption.

3. If the property where a homeowner resides qualifies for a home exemption under section 3.48.450, and a wildfire long-term rental exemption, for the tax year beginning on July 1, 2025:

a. The property is totally exempt if the value of the property is not in excess of \$400,000; or

b. If the value of the property is in excess of \$400,000, the exemption will be in the amount of \$100,000.

4. The exemption is not allowed if the long-term rental lease is granted to any of the following lessees:

a. A natural person who has an ownership interest in the property, including a natural person who is considered an owner 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. A business, corporation, partnership, or any entity unless the occupant of the dwelling unit is

an individual who was directly displaced by the August 2023 Maui wildfires.

5. If the occupant of the dwelling unit maintains a permanent place of abode in addition to the exempt dwelling unit, the exemption is not allowed.

[C.]E. Upon the timely filing of a claim under [subsection A,]subsections A and C, the applicant must provide the director a copy of the signed lease and all required documentation requested by the director to confirm the long-term rental use, including contact information to be used to verify continued qualification for the exemption. Failure to respond to the director's demand within [thirty]30 days will be grounds for denial of a claim for the exemption.

[D.]F. If the director obtains evidence that any use other than the August 2023 Maui wildfires long-term rental use is occurring, the evidence is prima facie proof that the real property does not qualify for the exemption, and the director must provide written notice to the owner by mail that the real property does not qualify for the exemption or continued exemption under this section. The evidence may include evidence that the dwelling unit is being advertised for occupancy by transient tenants for periods of less than six consecutive months for any period during the assessment year.

[E.]G. If during any tax year, the August 2023 Maui wildfires long-term rental exemption for a property is revoked, the taxes for the entire tax year will be recalculated without the exemption.

[F.]H. If, during the assessment year, any portion of the dwelling unit 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.

[G.]I. The real property owner must report any change in use or occupancy within [thirty]30 days of the change. The director may investigate any real property, and, if the director determines that the actual use differs from an August 2023 Maui wildfires long-term rental, may reassess the real property.

[H.]J. The director may adopt rules and prescribe forms to carry out this section.

[I.]K. As used in this section:

“Directly displaced by the August 2023 Maui wildfires” means:

1. The leased property's occupant:
 - a. Maintained a permanent place of abode within the red or yellow reentry zone in Lahaina, as established by the County in its reentry map of impacted areas, or a permanent place of abode for

which access was restricted to certain hours by the government as of November 15, 2023; and

b. Had no other permanent place of abode as of August 8, 2023; or

2. The leased property's occupant maintained a permanent place of abode that was destroyed, damaged, or impacted by the August 2023 Maui wildfires and had no other permanent place of abode as of August 8, 2023.

“Permanent place of abode” means a dwelling unit maintained by the occupant, whether they own it or not, suitable for year-round use.”

SECTION 6. 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 7. This Ordinance takes effect on approval.

APPROVED AS TO FORM AND LEGALITY:



KRISTINA C. TOSHIKIYO
Department of the Corporation Counsel
County of Maui
LF2023-0087 BFED-110 Bill 147, CD1
bfed:misc:110abill01:jgk

INTRODUCED BY:

A handwritten signature in cursive script, appearing to read "James A. Lee". The signature is written in black ink and is positioned above a horizontal line.

Upon the request of the Mayor.