

**COUNCIL OF THE COUNTY OF MAUI**  
**BUDGET AND FINANCE COMMITTEE**

November 3, 2017

**Committee**  
**Report No. \_\_\_\_\_**

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

Chair and Members:

Your Budget and Finance Committee, having met on October 24, 2017, makes reference to County Communication 17-359, from Councilmember Hokama, relating to amendments to Chapter 3.48, Maui County Code, relating to Real Property Tax.

By correspondence dated October 16, 2017, the Department of the Corporation Counsel transmitted a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY CODE, TO CLASSIFY REAL PROPERTY USED AS SHORT-TERM RENTAL HOMES OR TRANSIENT VACATION RENTALS AS "SHORT-TERM RENTAL" FOR TAX VALUATION PURPOSES."

The purpose of the proposed bill is to (1) classify real property as "Short-Term Rental" for tax valuation purposes, for lodging and dwelling units occupied by transient tenants for periods of less than six consecutive months, including properties granted a short-term rental home permit, transient vacation rental permit, or conditional permit allowing transient vacation rental use, unless classified as "time share," "hotel and resort," or "commercialized residential;" and (2) classify real property as "hotel and resort" for tax valuation purposes, for lodging and dwelling units 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, unless classified as "time share" or "commercialized residential."

A representative from the Department of Finance said the proposed bill would add a classification for short-term rentals and would have no impact on valuation. Furthermore, the tax rates for current short-term rentals would not change until the next fiscal year.

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Your Committee questioned the impact on revenue as a result of the proposed bill. The representative said the change would depend on the rates that are set in the fiscal year budget. The proposed bill does not establish a rate for the proposed classification. Therefore, the representative said an increase, decrease, or no change to the revenue could not be determined at this time.

Your Committee noted the issue of enforcement on illegal short-term rentals. Your Committee also noted enforcement is a planning issue, not a taxation or financial one.

Your Committee questioned moving short-term rentals into their own category rather than putting them with hotels. The representative said this new class would help create uniformity between properties within each real property tax classification. Additionally, many owners feel short-term rentals are not similar to hotels, so this bill includes language to establish the differences.

Your Committee questioned the effects of this new classification on condominium units. The representative said condominium owners currently attest to the actual use for their units and pay the appropriate tax rates. Therefore, condominiums used as short-term rentals would be classified appropriately.

Your Committee voted 6-1 to recommend passage of the proposed bill on first reading and filing of the communication. Committee Chair Hokama and members Atay, Carroll, Crivello, Guzman, and Sugimura voted "aye." Committee Vice-Chair White voted "no." Committee members Cochran and King were excused.

Your Committee is in receipt of a revised proposed bill, approved as to form and legality by the Department of the Corporation Counsel, incorporating nonsubstantive revisions.

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**BUDGET AND FINANCE COMMITTEE**

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**Committee  
Report No.** \_\_\_\_\_

Your Budget and Finance Committee RECOMMENDS the following:

1. That Bill \_\_\_\_\_ (2017), as revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY CODE, TO CLASSIFY REAL PROPERTY USED AS SHORT-TERM RENTAL HOMES OR TRANSIENT VACATION RENTALS AS "SHORT-TERM RENTAL" FOR TAX VALUATION PURPOSES," be PASSED ON FIRST READING and be ORDERED TO PRINT; and
2. That County Communication 17-359 be FILED.

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

  
\_\_\_\_\_  
RIKI HOKAMA, Chair

bf:cr:17079aa:mmy

ORDINANCE NO. \_\_\_\_\_

BILL NO. \_\_\_\_\_ (2017)

A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY CODE, TO CLASSIFY REAL PROPERTY USED AS SHORT-TERM RENTAL HOMES OR TRANSIENT VACATION RENTALS AS "SHORT-TERM RENTAL" FOR TAX VALUATION PURPOSES

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

SECTION 1. The purpose of this ordinance is to classify real property as "Short-Term Rental" for tax valuation purposes, for lodging and dwelling units occupied by transient tenants for periods of less than six consecutive months, including properties granted a short-term rental home permit, transient vacation rental permit, or conditional permit allowing transient vacation rental use, unless classified as "time share," "hotel and resort," or "commercialized residential."

SECTION 2. Section 3.48.305, Maui County Code, is amended to read as follows:

**"3.48.305 Classification of land and building.** A. Except as otherwise provided in subsection 3.48.305(B), land and building shall be classified, upon consideration of the real property's highest and best use, into the following general classes:

1. Residential.
2. Apartment.
3. Hotel and resort.
4. Time share.
5. Commercial.
6. Industrial.
7. Agricultural.
8. Conservation.
9. Homeowner.
10. Commercialized residential.

11. Short-term rental.

B. In assigning land to one of the general classes, the director shall give major consideration to the districting established by the land use commission pursuant to chapter 205[ of the], Hawaii Revised Statutes, the districting established by the County in its general plan and zoning ordinance, use classifications established in the general plan of the State, and such other factors that influence highest and best use, except that:

1. A parcel that is used exclusively as the owner's principal residence and has been granted a home exemption in accordance with sections 3.48.410 and 3.48.475, shall be classified as "homeowner" without regard to its highest and best use[;].

2. A parcel that serves as the owner's primary residence and has been granted a bed and breakfast permit, a transient vacation rental permit, or a conditional permit allowing a transient vacation rental use pursuant to title 19 of this code, shall be classified "commercialized residential" without regard to its highest and best use[;].

3. A parcel that is subject to a time share plan as defined in section 514E-1, Hawaii Revised Statutes, as amended, shall be classified as [~~"time share";~~] "time share."

4. [A] Unless classified as "time share," "hotel and resort," or "commercialized residential," lodging or dwelling units, as defined in title 19 of this code, occupied by transient tenants for periods of less than six consecutive months shall be classified as "short-term rental" including a parcel that does not serve as the owner's primary residence and has been granted a short-term rental home permit, a transient vacation rental permit, or a conditional permit allowing transient vacation rental use pursuant to title 19 of this code shall be classified as ["commercial"] "short-term rental" without regard to its highest and best use[; and].

5. A unit and its appertaining common interest that are part of a planned development where transient vacation rentals are permitted, in accordance with chapter 19.32 of this code, shall be classified in accordance with subsection 3.48.305(C)(2)(a). The planned development shall form an entity that shall annually report to the director on a form prescribed by the director, the actual use of each unit in the planned development along with any information deemed relevant by the director to determine the actual use of each unit. If the required annual report is not filed on or before December 1, the director may classify all units in the planned development in accordance with subsection 3.48.305(A) for the following assessment year. The entity shall report any change in actual use of a unit in the planned development

within thirty days of that change. The director may investigate any unit and, if it is determined by the director that the actual use differs from the use reported, reclassify and reassess the unit.

6. 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 as defined in title 19 of this code, and employ more than twenty full-time persons, shall be classified as “hotel and resort.”

C. When property is subdivided into condominium units, each condominium association or any entity filing a condominium property regime, shall file an annual report with the director of all units in the association, by tax map key number, before December 1 of each calendar year.

1. The director shall prescribe the form of the list and any supporting evidence as necessary. The list shall include whether the unit is vacant, owner occupied, or rented long term or short term, by month.

2. Each unit and its appertaining common interest shall be:

a. Classified upon consideration of its actual use into one of the general classes as follows:

i. Homeowner. Only those units owned and occupied as a principal home and for which a home exemption claim was filed and granted shall be classified as “homeowner.”

ii. Apartment. Only those units occupied by the owner for personal use or by a lessee for a term of six consecutive months or more shall be classified as “apartment.”

iii. Commercial. Only those units occupied by the owner or a lessee for business or mercantile activities[; or those units that do not serve as the owner’s primary residence, and have been granted a short-term rental home permit, a transient vacation rental permit, or a conditional permit allowing transient vacation rental use pursuant to title 19 of this code] shall be classified as “commercial.”

iv. Hotel and resort. [Unless classified as “time share,” “commercial,” or “commercialized residential,” units occupied by transient tenants for periods of less than six consecutive months, excluding properties granted a short-term rental home permit, transient vacation rental permit, conditional permit allowing transient vacation

rental use, or bed and breakfast permit, shall be classified as "hotel and resort." In addition, unless classified as "time share," "commercial," or "commercialized residential," units advertised for occupancy by transient tenants for periods of less than six consecutive months for any period during the course of any assessment year, shall be reclassified to "hotel and resort" and the real property tax shall be adjusted to taxes at the "hotel and resort" tax rate for the applicable tax year.] Unless classified as "time share" or "commercialized residential," properties that are occupied by transient tenants for periods of less than six consecutive months, have eight or more lodging or dwelling units as defined in title 19 of this code, and employ more than twenty full-time persons, shall be classified as "hotel and resort."

v. Time share. Units occupied by transient tenants for periods of less than six consecutive months that are subject to a time share plan as defined in section [514E1,] 514E-1, Hawaii Revised Statutes, as amended, shall be classified as "time share."

vi. Commercialized residential. Units that serve as the owner's primary residence and that have been granted a bed and breakfast permit, a transient vacation rental permit, or a conditional permit allowing transient vacation rental use pursuant to title 19 of this code, shall be classified as "commercialized residential."

vii. Short-term rental. Unless classified as "time share," "hotel and resort," or "commercialized residential," lodging or dwelling units, as defined in title 19 of this code, occupied by transient tenants for periods of less than six consecutive months shall be classified as "short-term rental," including properties granted a short-term rental home permit, transient vacation rental permit, or conditional permit allowing transient vacation rental use.

b. Deemed a parcel and assessed separately from other units.

3. The director may, after investigation, reclassify and reassess any unit in a condominium association found to be in violation of the owner's certification of actual use.

4. A condominium owner[ and/or], the condominium association or any entity filing a condominium

property regime, or both, shall notify the director of any change in a unit's classification within thirty days of that change.

5. If the required annual report is not filed on or before December 1, the director may classify all units in the project in accordance with subsection B for the following assessment year.

D. Notwithstanding the foregoing, a parcel that does not serve as the owner's primary residence and was, prior to May 23, 2012, granted a conditional permit for bed and breakfast or transient vacation rental use pursuant to title 19 of this code, and was classified as "commercialized residential" prior to May 23, 2012, shall retain such "commercialized residential" classification[ until after the Council has otherwise provided, after its review of this section as provided in subsection E].

[E. The Council shall review this section by December 31, 2015.]”

SECTION 3. 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 4. This ordinance shall take effect for the tax year beginning January 1, 2018.

APPROVED AS TO FORM AND LEGALITY:



JEFFREY UEOKA  
Department of the Corporation Counsel  
County of Maui  
2017-0093  
BF-79 2017-10-25 Ordinance