

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

December 16, 2016

**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 September 1, 2015, and November 29, 2016, makes reference to a Miscellaneous Communication, dated May 28, 2015, from the County Clerk, referring the matter relating to penalties for violations of home exemption requirements.

The Director of Finance said beneficiaries of the home exemption program are required to comply with strict guidelines.

A representative from the Department of Finance said the penalty for violating the home exemption requirement was raised from \$100 to \$200 in 2007. Your Committee noted the nominal amount should be reviewed and the Council should consider an increase to the penalty. He said the \$200 penalty is assessed on property owners who fail to report they no longer qualify for the home exemption. The property owner must notify the Real Property Tax Division within 30 days of the change in status. He estimated \$7,000 in revenue from the penalties. He said in addition to the penalty, there is a reassessment of the property and recalculation of taxes from the date of disqualification of home exemption benefits.

Your Committee notes that the benefit of the home exemption far outweighs the penalty of violating the requirement of filing an annual income tax return.

The representative stated proof of filing of a State resident income tax return was enacted on the program in 2012. He said since then, an effort has been made to ensure compliance of home exemptions. Over the five-year period, over 2,000 parcels were removed from the home exemption program, totaling over \$5 million in additional real property tax revenue.

**COUNCIL OF THE COUNTY OF MAUI**

# **BUDGET AND FINANCE COMMITTEE**

Page 2

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

He further said in Fiscal Year 2016, two expansion positions were authorized in the budget for compliance officers. An additional position was added in FY 2017. Since the hiring of the two officers in January 2016, 429 home exemptions were removed for over \$1 million in unbudgeted revenue.

He informed your Committee the Department is currently processing notices to homeowners who have not filed a State resident income tax return and may be in jeopardy of losing the home exemption. He estimates about 1,000 letters will be mailed to those who have not filed their 2015 State of Hawaii Resident income tax. He said the deadline to meet the requirement to receive the home exemption for 2017 is December 31, 2016.

The representative further informed your Committee the Department tries to educate the public that it is a requirement to file a State income tax return to continue to receive the home exemption benefit. He stated residents earning below the income filing requirement may be motivated to file a tax return to claim the refundable food and excise tax credit. The maximum amount of the credit is \$85 for head of household or joint filers.

Your Committee was concerned that many of the residents in jeopardy of losing the home exemption are senior citizens who may have difficulty in completing the income tax forms. The Director of Housing and Human Concerns said Kaunoa Senior Center offers referrals to agencies to assist residents with free tax preparation services. Further, the representative from the Department of Finance recognized Maui Economic Opportunity, Inc. and AARP, Inc. also provide free tax services.

Your Committee voted 5-0 to recommend filing of the communication. Committee Chair Hokama and members Baisa, Carroll, Cochran, and Couch voted "aye." Committee Vice-Chair White and members Crivello, Guzman, and Victorino were excused.

Your Budget and Finance Committee **RECOMMENDS** that the Miscellaneous Communication be **FILED**.

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

Page 3

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

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

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

bf:cr:16040aa:mmmy