

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

November 17, 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, and October 31, 2017, makes reference to a Miscellaneous Communication dated May 22, 2017, from the County Clerk, relating to possible amendments to Chapter 3.48, Article XIII, Maui County Code, Circuit Breaker Tax Credit, including the phasing schedule for eligible percentage of circuit breaker tax credit set forth in Section 3.48.810.

By correspondence dated September 12, 2017, Council Chair Mike White transmitted a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY CODE, RELATING TO THE CIRCUIT BREAKER TAX CREDIT."

The purpose of the proposed bill is to amend the phase-out schedule of the circuit breaker tax credit by increasing the homeowner's gross building assessed values by \$100,000 and to delete expired references to 2015 tax appeal deadlines.

Your Committee notes the circuit breaker tax credit is to provide real property tax relief to Maui County residents who qualify for the home exemption. The credit will limit the real property tax of homeowners to a percentage of the total income of the household, providing relief to full-time Maui County residents whose properties have been affected by significant valuation increases over the past years.

Your Committee noted the circuit breaker tax credit program is one component of the real property tax structure that is reviewed on an annual basis. However, changes to the program may not occur after every review.

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Your Committee noted as house values increase, homeowners may be unable to claim the circuit breaker tax credit because the building value is more than the applicable threshold. While the proposed bill increases the building assessed values, there may be times when it would be appropriate to decrease the values depending on the fiscal needs of the County.

Your Committee noted the bill allows owners to claim percentages of the circuit breaker tax credit in the proposed phase-out schedule.

A representative from the Department of Finance said he is unable to estimate the number of qualified applicants or the impact upon revenue until the filing period is closed. However, he does not anticipate a significant change to the subsidy for the program with the proposed increase of \$100,000.

He said previous amendments to the circuit breaker ordinance introduced controls such as limiting the credit to \$5,000 and placing a cap on household income not to exceed \$100,000.

Your Committee noted additional restrictions include the homeowner must have received the homeowner exemption five times within the past six years and must be in compliance with Section 3.48.820, Maui County Code.

The representative informed your Committee homeowners must file the application and provide the necessary documentation for next year's credit by December 31, 2017.

The representative mentioned the necessity of certain tax filings for the credit. To qualify for the homeowner exemption residents must file a State income tax return. Furthermore, residents must file a Federal income tax return showing their adjusted gross income, which is required for the circuit breaker tax credit application.

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The representative said the Real Property Tax Assessment Division intends to work with the credit unions, Office on Aging, and Kaunoha Senior Services to assist the elderly in filing their tax returns.

Your Committee voted 8-0 to recommend passage of the proposed bill on first reading and filing of the communication. Committee Chair Hokama, Vice-Chair White, and members Atay, Carroll, Cochran, Crivello, Guzman, and Sugimura voted "aye." Committee member King was excused.

Your Budget and Finance Committee RECOMMENDS the following:

1. That Bill _____ (2017), attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY CODE, RELATING TO THE CIRCUIT BREAKER TAX CREDIT," be PASSED ON FIRST READING and be ORDERED TO PRINT; and
2. That the Miscellaneous Communication be FILED.

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



RIKI HOKAMA, Chair

ORDINANCE NO. _____

BILL NO. _____ (2017)

A BILL FOR AN ORDINANCE AMENDING CHAPTER 3.48, MAUI COUNTY
CODE, RELATING TO THE CIRCUIT BREAKER TAX CREDIT

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

SECTION 1. The purpose of this ordinance is to amend the phase-out schedule of the circuit breaker tax credit by increasing the homeowner's gross building assessed values by \$100,000 and to delete expired references to 2015 tax appeal deadlines.

SECTION 2. Section 3.48.595, Maui County Code, is amended to read as follows:

“3.48.595 Generally. In the case of a real property tax appeal, a taxpayer shall first appeal to the County board of review, pursuant to section 232-16, Hawaii Revised Statutes. Appeals to the County board of review shall be on grounds as provided in sections 3.48.605.A, 3.48.605.B, 3.48.605.C, 3.48.605.D, and 3.48.605.E. Appeals to the County board of review shall be filed on or before April 9 preceding the tax year[; provided that for the tax year ending June 30, 2015, appeals to the County board of review based on section 3.48.605.D shall be filed on or before November 30, 2014]. Where such an appeal is based upon grounds that the assessed value of the real property for tax purposes is excessive, the valuation claimed by the taxpayer in the appeal shall be admissible in evidence in any subsequent condemnation action involving the property, as an admission that the fair market value of the real property, as of the date of assessment, is no more than the value arrived at when the assessed value from which the taxpayer appealed is adjusted to one hundred percent fair market value; provided, that such evidence shall not in any way affect the right of the taxpayer to any severance damages to which the taxpayer may be entitled. Any taxpayer aggrieved by a County board of review final decision may file an appeal for judicial review to the tax appeal

court pursuant to sections 91-12 and 91-14, Hawaii Revised Statutes.”

SECTION 3. Section 3.48.810, Maui County Code, is amended to read as follows:

“3.48.810 Circuit breaker tax credit established. Upon proper application, a homeowner shall be entitled to a credit, not to exceed \$5,000, equal to the amount by which the real property taxes calculated for the homeowner property for the prior tax year exceeds two [per cent] percent of household income, provided:

- A. The homeowner has been granted a home exemption for at least five out of the prior six tax years[;].
- B. Household income does not exceed \$100,000[;].
- C. The homeowner is in compliance with section 3.48.820;
- D. The credit shall only apply for the succeeding tax year, with no carryover credit allowed[;].
- E. The amount of the circuit breaker tax credit is based on the homeowner’s gross building assessed value and shall be phased out using the following schedule:

Homeowner’s gross building assessed value	Eligible percentage of circuit breaker tax credit
Up to <u>[\$400,000]</u> <u>\$500,000</u>	100%
<u>[\$400,001 to \$412,500]</u> <u>\$500,001 to \$512,500</u>	80%
<u>[\$412,501 to \$425,000]</u> <u>\$512,501 to \$525,000</u>	60%
<u>[\$425,001 to \$437,500]</u> <u>\$525,001 to \$537,500</u>	40%
<u>[\$437,501 to \$450,000]</u> <u>\$537,501 to \$550,000</u>	20%
<u>[\$450,001]</u> <u>\$550,001</u> or more	0%

[; and]

F. Taxes on the property are not delinquent from the date the application is filed and throughout the tax year for which the credit applies.”

SECTION 4. Section 3.48.815, Maui County Code, is amended to read as follows:

“3.48.815 Application for circuit breaker tax credit. The application for circuit breaker tax credit shall be in a form prescribed by the director. The homeowner shall file the application during the application period beginning August 1 and ending December 31 immediately preceding the tax year for which the circuit breaker tax credit is claimed, for a credit upon taxes due in the immediately succeeding tax year. [For the tax year ending June 30, 2015, the homeowner shall file the application by September 15, 2014.] The homeowner shall certify that:

A. The requirements of section 3.48.810 have been read and understood[;].

B. The homeowner property shall continue to qualify for the home exemption throughout the succeeding tax year[; provided that for the tax year ending June 30, 2015, the homeowner property shall qualify for the home exemption for the entire tax year; and].

C. Any information provided in support of the application is true and correct.”

SECTION 5. Section 3.48.820, Maui County Code, is amended to read as follows:

“3.48.820 Administration. A. The director shall determine whether the homeowner qualifies for the circuit breaker tax credit upon review and verification of each completed application. To verify information in the application, the director shall require proof of household income, as defined in section 3.48.805. The director may require that each member of the household provide copies of:

(1) A tax return transcript from the Internal Revenue Service[;].

(2) A tax account transcript, if applicable, from the Internal Revenue Service[; and].

(3) Any accompanying forms and schedules as the director may require to verify the transcripts.

The applicant may refuse to provide the information or authorization required by the director. Failure to provide such information or authorization shall result in the denial of the application. Notwithstanding any provision to the contrary, there shall be no appeal from the director’s decision to deny an application as a result of the applicant’s failure to provide the required information or authorization.

B. The director shall determine if the homeowner qualifies for the circuit breaker tax credit. If the homeowner does not qualify for the circuit breaker tax credit, the director shall notify the homeowner on or before March 1 preceding the tax year. [For the tax year ending June 30, 2015, the director shall notify the homeowner on or before October 31, 2014.]

C. If an application for the circuit breaker tax credit is granted, the director shall apply the credit to the real property tax bills issued pursuant to sections 3.48.190 and 3.48.195, apportioned in equal parts between the two installments.

D. A circuit breaker tax credit shall not be transferable to another person or property.

E. The director may adopt rules and prescribe forms to implement this article.”

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 shall take effect upon its approval and shall apply beginning with the tax year ending June 30, 2018.

APPROVED AS TO FORM AND
LEGALITY:



JEFFREY UEOKA
Department of the Corporation Counsel
County of Maui
2017-1088
2017-09-11 Ordinance