RICHARD T. BISSEN, JR.
Mayor

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Acting Director

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DEPARTMENT OF FINANCE
COUNTY OF MAUI
200 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAIʻI 96793
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July 21, 2025

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

APPROVED FOR TRANSMITTAL

7-22-25

Acting Mayor Date

For Transmittal to:

Honorable Tasha Kama, Chair
and Members of the Housing and Land Use Committee
200 South High Street
Wailuku, Hawaii 96793

Dear Chair Kama:

SUBJECT: BILL 9 (2025), AMENDING CHAPTERS 19.12, 19.32, AND 19.37, MAUI COUNTY CODE, RELATING TO TRANSIENT VACATION RENTALS IN APARTMENT DISTRICTS (HLU-4)

Pursuant to your letter dated July 9, 2025, regarding the above-referenced matter, below are the responses to the following questions:

1. The Administration estimates that Bill 9 may result in an approximately $61 million decrease in the County's Real Property Tax revenue. The Economic Research Organization at the University of Hawaiʻi estimates that the County's General Excise Tax and Transient Accommodations Tax revenue collectively would be reduced by about $15 million annually.

   a. Please explain how the Administration proposes to account for the revenue reduction.

Response: After the amortization period, the administration, in collaboration with the council, will implement a budget strategy that includes controlled spending and real property tax revenue adjustments. Given that this is a few years into the future, it is not possible to provide budget strategy specifics as there are many variables. However, using historic revenue and budget data as a reference, we believe the $76 million can be reasonably absorbed. $76 million represents 5% of the budgeted FY 25-26 total estimated revenues of $1,558.4 million. This percentage is reasonable given that the expense is being used to address costly social and financial pressures tied to housing instability.

For example, the County has allocated $207 million to the Affordable Housing Fund over the past five years representing about 8% of real property tax revenues which exceeds the statutory requirement of 3%. Further, the county has a diverse and high value real property tax base. Real property taxes increased $73 million in FY 25-26 demonstrating the willingness and ability of the county to adjust taxes when necessary.

Finally, the County Council used the strategy of controlled spending coupled with real property tax revenue adjustments to add $46 million to the Mayor's FY 25-26 proposed budget. This strategy is one of the reasons the County's strong bond ratings were recently reaffirmed by the three credit rating agencies which considered the impacts of Bill 9.

b. If the Administration proposes raising Real Property Taxes, provide the Real Property Tax classifications that would be affected and the proposed tiers and rates.

Response: As stated in slide 11 of the June 9, 2025 presentation from the administration, real property tax rates and tiers can be adjusted each fiscal year to meet budgetary needs. Increasing tax rates in the non-owner-occupied class can incentivize all vacant/second homes to convert to long-term residential use while also offsetting estimated real property tax reductions in the TVR-STRH class. Because tax rate and tier adjustments will be coupled *with controlled spending, assessed value, and revenue changes, it is not possible to propose specific tiers and rates at this time. However, as an example, the effective tax rate for the non-owner-occupied class increased 10% in FY 25-26. This was coupled with assessed value increases which resulted in an additional $32.4 million. Overall, real property taxes increased about $73 million in FY 25-26.*

2. If a property owner in the Apartment District both lives on their property and uses that same property as a transient vacation rental, please explain what the property's tax classification would be. If the property does not qualify for the Owner-occupied classification, explain why.

   Response: Per Maui County Code (MCC) 3.48.305 B (4), if a property owner in the Apartment District both lives on their property and uses that same property as a legal transient vacation rental, the tax classification would be commercialized residential provided they apply for the classification and meet the criteria of being an owner occupant per MCC 3.48.450. The property does not qualify for the owner-occupied classification because MCC 3.48.305 B (4) requires that the property be classified as commercialized residential.

   If the property is occupied by the owner full time, qualifies for the homeowner exemption, and is not rented to transient tenants, the property is eligible for the owner-occupied classification regardless of Bill 9. If the property owner resides in the property and uses the property as a transient vacation rental, and does not qualify for the home exemption, the property would be classified as TVR-STRH. If Bill 9 (2025) passes, properties that do not qualify for the home exemption will be classified as non-owner-occupied.

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

Sincerely,

MARCY MARTIN
Director of Finance

HLU Committee

From: Michelle L. Santos <Michelle.Santos@co.maui.hi.us>
Sent: Tuesday, July 22, 2025 10:03 AM
To: HLU Committee
Cc: Cynthia E. Sasada; Erin A. Wade; Josiah K. Nishita; Kelii P. Nahooikaika; Marcy L. Martin; Maria E. Zielinski; Stacey M. Vinoray
Subject: MT#11138 Bill 9
Attachments: MT#11138-HLU Committee.pdf