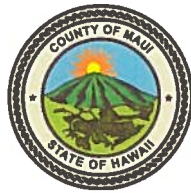


RECEIVED AUG 11 2017

ALAN M. ARAKAWA
Mayor



DANILO F. AGSALOG
Director

MARK R. WALKER
Deputy Director

RECEIVED

2017 AUG -9 PM 2:37

OFFICE OF THE MAYOR

SCANNED


COUNTY OF MAUI
DEPARTMENT OF FINANCE
200 S. HIGH STREET
WAILUKU, MAUI, HAWAII 96793

August 9, 2017

Honorable Alan M. Arakawa
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

For Transmittal to:

Honorable Mike White, Chair
Maui County Council
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

Mayor 8/10/17
Date

Dear Chair White:

**SUBJECT: AMENDMENT TO CIRCUIT BREAKER TAX CREDIT
QUALIFICATIONS**

This is in response to your letter dated July 26, 2017 in which you request information regarding Maui County Code, Section 3.48.810, relating to the Circuit Breaker Tax Credit. Our response to your inquiry is as follows:

- 1. Number of homeowners who qualify for the Credit, the total value of the Credit, and average Credit amount for Fiscal Year 2018.**

For Fiscal Year 2018, there are 433 homeowners who qualified with the total Credit amounting to \$346,825 and an average Credit of \$801.

- 2. Based upon current and past years data, provide the anticipated number of homeowners who would qualify for the Credit, the total Credit amount, and the average Credit, if the gross building assessed values were raised across the board by the following amounts:**
 - a. \$25,000**
 - b. \$50,000**
 - c. \$75,000**
 - d. \$100,000**

RECEIVED AT BF MEETING ON 10-31-2017
Submitted by Council Chair (BF-50)

Real Property Assessment Division (RPAD) cannot predict the anticipated number of homeowners who would qualify for the Credit, the total Credit amount and the average Credit if the building assessed value were raised across the board by the amounts as stated above. However, RPAD can provide the following information:

- Currently there is a sliding scale from \$400,000 getting 100% of the credit to \$450,000 getting 20% of the credit. There are 1,608 homeowner properties with building values between these figures. There were 47 Credit recipients with building values in this range with a credit total of \$33,992 and an average Credit of \$723.
- There are 547 homeowner properties with gross building values between \$450,000 and \$474,900.
- There are 476 homeowner properties with gross building values between \$475,000 and \$499,900.
- There are 453 homeowner properties with gross building values between \$500,000 and \$524,900.
- There are 355 homeowner properties with gross building values between \$525,000 and \$549,900.
- If 3% of the 1,831 (or 55) of these properties qualified for circuit breaker and received an average credit of \$750 the additional circuit breaker credit amount would be \$41,250.

3. Share any market data or insights since the revised credit requirements were adopted in 2014 that may help in making an informed decision on an appropriate increase of the gross building assessed value.

Since the adoption of the revised credit requirements in 2014, the number of qualified applicants has decreased significantly.

| FISCAL YEAR | NUMBER QUALIFIED | TOTAL TAX CREDIT | AVERAGE CREDIT |
|-------------|------------------|------------------|----------------|
| 08-09 | 1,288 | \$1,221,832 | \$949 |
| 09-10 | 1,410 | \$1,362,229 | \$966 |
| 10-11 | 1,069 | \$1,105,524 | \$1,034 |
| 11-12 | 1,082 | \$1,161,159 | \$1,073 |
| 12-13 | 995 | \$979,010 | \$984 |
| 13-14 | 1,039 | \$1,220,420 | \$1,175 |
| 14-15 | 572 | \$318,186 | \$556 |
| 15-16 | 412 | \$360,846 | \$876 |
| 16-17 | 478 | \$373,138 | \$781 |
| 17-18 | 433 | \$346,825 | \$801 |

Below is an analysis of Homeowner class by value:

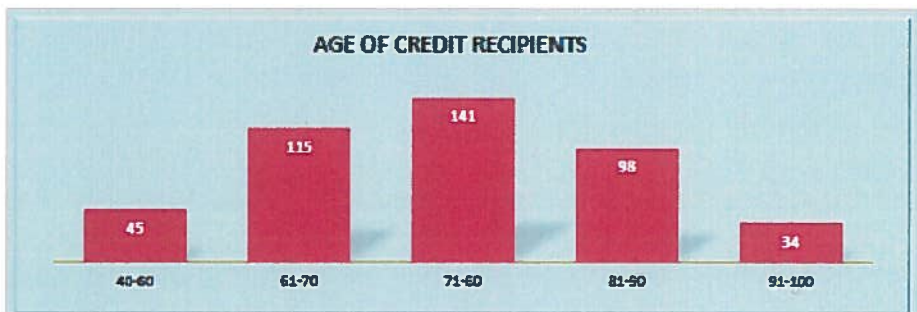
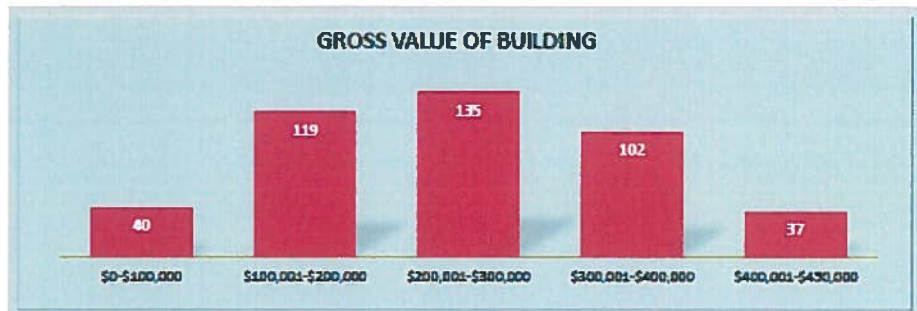
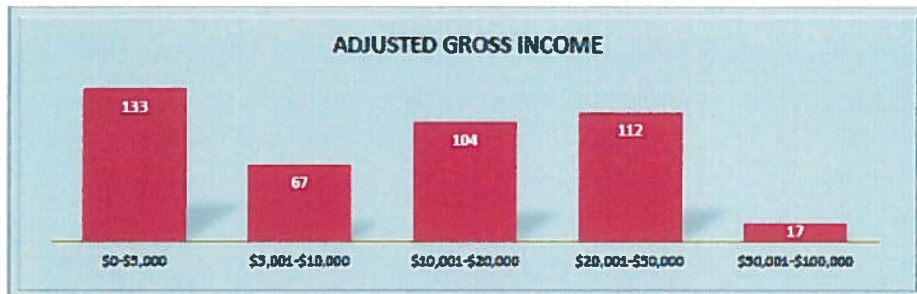
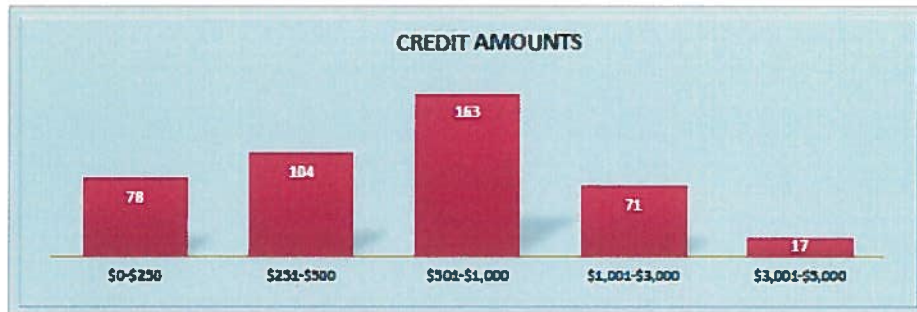
COUNTY OF MAUI REAL PROPERTY ASSESSMENT DIVISION
HOMEOWNER CLASS BY VALUE
 Assessment Year 2017 – Fiscal Year 2018



| Net Taxable Value Range | Parcel Count | Number of Circuit Breaker Applicants | Percent Applying for CB Credits | Tax Range for \$2.86 Rate (not including CB Credits) | Percent of Total | Running Total Percent |
|-----------------------------|---------------|--------------------------------------|---------------------------------|--|------------------|-----------------------|
| \$0 to \$140,000 | 4,772 | 13 | 0.27% | Min. Tax \$400 | 18.30% | 18.30% |
| \$140,100 to \$249,900 | 4,470 | 84 | 1.88% | to \$715 | 17.14% | 35.44% |
| \$250,000 to \$499,900 | 10,478 | 206 | 1.97% | to \$1,430 | 40.18% | 75.61% |
| \$500,000 to \$699,900 | 3,330 | 84 | 2.52% | to \$2,002 | 12.77% | 88.38% |
| \$700,000 to \$999,900 | 1,772 | 22 | 1.24% | to \$2,860 | 6.79% | 95.18% |
| \$1,000,000 to \$1,999,900 | 960 | 10 | 1.04% | to \$5,720 | 3.68% | 98.86% |
| \$2,000,000 to \$17,051,100 | 298 | 14 | 4.70% | to \$48,897 | 1.14% | 100.00% |
| Total | 26,080 | 433 | 1.66% | | 100.00% | |

Below are statistics that were provided at FY 2017 – 2018 Certification:

COUNTY OF MAUI REAL PROPERTY ASSESSMENT DIVISION
CIRCUIT BREAKER TAX CREDIT STATISTICS
FISCAL YEAR 2017-2018



If the maximum gross building value were increased to \$1,000,000 with a sliding scale starting at \$750,100, it is estimated that the Credit total would increase to almost \$550,000. This is a rough estimate based upon the following study.

| Minimum improvement value | Maximum improvement value | Average improvement value | Average land value | Home exemption properties | Percent of HO Class | Average Tax | Proposed % for CB (sliding scale) | Ave. Credit with \$100,000 Income and CB | Ave. Credit with 0 Income and CB | Possible credit total using 3% application rate for new categories |
|---------------------------|---------------------------|---------------------------|--------------------|---------------------------|---------------------|-------------|-----------------------------------|--|----------------------------------|--|
| \$12,500 | \$7,452,700 | \$333,500 | \$276,100 | 26,080 | 100% | \$1,216 | 100% | \$997 | \$861 | \$350,000 |
| \$12,500 | \$450,000 | \$242,334 | \$247,096 | 21,325 | 82% | \$883 | 100% | \$741 | \$599 | \$350,000 |
| \$450,100 | \$750,000 | \$559,111 | \$332,647 | 3,465 | 13% | \$1,969 | 100% | \$514 | \$1,527 | \$508,736 |
| \$750,100 | \$850,000 | \$798,543 | \$403,915 | 324 | 1.2% | \$2,851 | 75% | \$639 | \$1,792 | \$526,150 |
| \$850,100 | \$950,000 | \$901,187 | \$435,090 | 221 | 0.8% | \$3,215 | 50% | \$605 | \$1,389 | \$535,359 |
| \$950,100 | \$1,000,000 | \$973,670 | \$543,478 | 83 | 0.3% | \$3,755 | 25% | \$401 | \$801 | \$537,354 |
| \$1,000,100 | \$10,000,000 | \$1,593,843 | \$767,053 | 662 | 3% | \$6,236 | 0% | \$0 | \$0 | \$537,354 |

Below are pictures of buildings whose assessments were close to \$1,000,000:



Assessed Gross Building Value

\$973,800

Honorable Mike White, Chair
and Members of Maui County Council
August 9, 2017
Page 6



Assessed Gross Building Value

\$927,100

Thank you for the opportunity to provide information regarding this matter. Should you have any additional questions, please feel free to contact me at extension no. 7475.

Sincerely,

DF **DANILO F. AGSALOG**
Director of Finance

cc: Scott K. Teruya, Real Property Tax Administrator
May-Anne A. Alibin, Treasurer