

COUNCIL OF THE COUNTY OF MAUI
BUDGET, FINANCE, AND ECONOMIC
DEVELOPMENT COMMITTEE

October 21, 2022

Committee
Report No. _____

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

Chair and Members:

Your Budget, Finance, and Economic Development Committee, having met on August 4, 2022, and October 5, 2022, makes reference to Bill 102 (2022), entitled "A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.305(B), MAUI COUNTY CODE, PROHIBITING PROPERTIES WITH TRANSIENT VACATION RENTALS FROM RECEIVING THE HOME EXEMPTION."

Bill 102's purpose is to amend Section 3.48.305(B), Maui County Code, to prohibit properties with transient vacation rentals from receiving the home exemption.

Your Committee notes Bill 102 would close a loophole in the current tax legislation affecting a homeowner who operates a transient vacation rental on the property and who continues to reside on the property. This loophole enables the homeowner to remain classified as Owner-Occupied and qualify for the home exemption. If Bill 102 is enacted, the property would be reclassified as Commercialized Residential and taxed accordingly.

The Director of Finance said a homeowner of a reclassified property would receive an amended real property tax assessment notice and an opportunity to appeal.

The Director also said the policies in the bill align with general tax policies on fairness and expressed his support.

COUNCIL OF THE COUNTY OF MAUI
BUDGET, FINANCE, AND ECONOMIC
DEVELOPMENT COMMITTEE

Page 2

Committee
Report No. _____

A representative from the Department said properties that offer rentals are monitored. The Department also works closely with the Department of Planning to assist with compliance efforts.

Your Committee agreed to amend the bill to remove the words “in any capacity” from the proposed language.

Your Committee voted 5-0 to recommend passage of Bill 102, CD1 (2022) on first reading. Committee Chair Rawlins-Fernandez, Vice-Chair Paltin, and members Molina, Sinenci, and Sugimura voted “aye.” Committee members Johnson, Kama, King, and Lee were excused.

Your Committee is in receipt of Bill 102, CD1 (2022), entitled “A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.305.B, MAUI COUNTY CODE, PROHIBITING PROPERTIES WITH TRANSIENT VACATION RENTALS FROM RECEIVING THE HOME EXEMPTION,” approved as to form and legality by the Department of the Corporation Counsel, incorporating your Committee’s recommended revisions and nonsubstantive revisions.

Your Budget, Finance, and Economic Development Committee RECOMMENDS that Bill 102, CD1 (2022), as revised herein and attached hereto, entitled “A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.305.B, MAUI COUNTY CODE, PROHIBITING PROPERTIES WITH TRANSIENT VACATION RENTALS FROM RECEIVING THE HOME EXEMPTION,” be PASSED ON FIRST READING and be ORDERED TO PRINT.

COUNCIL OF THE COUNTY OF MAUI
**BUDGET, FINANCE, AND ECONOMIC
DEVELOPMENT COMMITTEE**

Page 3

**Committee
Report No.** _____

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



KEANI N.W. RAWLINS-FERNANDEZ, Chair

bfed:cr:22110aa:lpcm

ORDINANCE NO. _____

BILL NO. 102, CD1 (2022)

A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.305.B,
MAUI COUNTY CODE, PROHIBITING PROPERTIES WITH TRANSIENT
VACATION RENTALS FROM RECEIVING THE HOME EXEMPTION

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

SECTION 1. Section 3.48.305 is amended by amending subsection B as follows:

“B. In assigning land to one of the general classes, the director must give major consideration to: the districting established by the land use commission in accordance with chapter 205, Hawaii Revised Statutes; the districting established by the County in its general plan and comprehensive zoning ordinance; use classifications established in the Hawaii state plan; and other factors that influence highest and best use; except that:

1. Real property that is used as the owner's principal residence and has been granted either a home exemption in accordance with sections 3.48.410 and 3.48.450 or an exemption in accordance with sections 3.48.410 and 3.48.475 must be classified as “owner-occupied” without regard to its highest and best use.

2. Real property improved with a dwelling, as defined in the comprehensive zoning ordinance, that would not be classified as “owner-occupied,” “hotel and resort,” “time share,” “short-term rental,” “commercial,” “industrial,” “commercialized residential,” or “long-term rental,” must be classified as “non-owner-occupied.”

3. Multi-dwelling-unit improvements containing five or more dwellings that would not be classified “short-term rental” must be classified “apartment.”

4. Real property that serves as the owner's principal residence and has been granted a bed and breakfast home permit, a short-term rental home permit, or [a conditional permit allowing a transient vacation rental use in accordance with the comprehensive zoning ordinance,] operates as a transient vacation rental, must be classified “commercialized

residential" without regard to its highest and best use, and cannot qualify for a home exemption.

5. Real property that is subject to a time share plan as defined in section 514E-1, Hawaii Revised Statutes, as amended, must be classified as "time share."

6. Unless classified as "time share," "hotel and resort," or "commercialized residential," lodging or dwelling units, as defined in the comprehensive zoning ordinance, occupied by transient tenants for periods of less than six consecutive months, including real property that does not serve as the owner's principal residence and has been granted a short-term rental home permit or a conditional permit allowing transient vacation rental use in accordance with the comprehensive zoning ordinance, must be classified as "short-term rental" without regard to its highest and best use, and cannot qualify for a home exemption.

7. 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 the comprehensive zoning ordinance, and employ more than twenty full-time persons, must be classified as "hotel and resort."

8. Lodging or dwelling units as defined in the comprehensive zoning ordinance occupied by long-term tenants for periods of twelve consecutive months or more to the same tenant and have been granted a long-term rental exemption in accordance with sections 3.48.410, 3.48.425 , and 3.48.466 must be classified as "long-term rental," unless the property also qualifies for a homeowner exemption [pursuant to] in accordance with section 3.48.450, in which case the property must be classified "homeowner." The real property owner must report any change in actual use of a property with a long-term rental exemption within thirty days of that change. The director may investigate any real property and, if the director determines that the actual use differs from a long-term rental, the director may reclassify and reassess the real property."

SECTION 2. 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 3. This Ordinance takes effect on approval.

APPROVED AS TO FORM AND LEGALITY:

A handwritten signature in black ink, appearing to read "Kristina C. Toshiaki", is written over a horizontal line.

KRISTINA C. TOSHIKIYO
Department of the corporation Counsel
County of Maui

bfed:misc:110abill01:ljam

LF221-0012

BFED-110 2022-10-11 Bill 102 CD1 Amd 3 48 305 B

INTRODUCED BY:

Tamara M. Paltin

TAMARA PALTIN