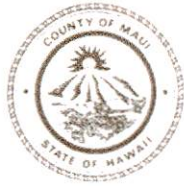


MICHAEL P. VICTORINO
Mayor

SCOTT K. TERUYA
Director

MAY-ANNE A. ALIBIN
Deputy Director



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

April 9, 2020

Honorable Michael P. Victorino
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

Michael P Victor 4/14/20
Mayor Date

For Transmittal to:

Honorable Alice L. Lee, Chair
and Members of the Maui County Council
200 S. High St.
Wailuku, Hawaii 96793

**SUBJECT: A PROPOSED BILL FOR AN ORDINANCE AMENDING SECTION 3.48.810,
MAUI COUNTY CODE, RELATING TO THE CIRCUIT BREAKER TAX
CREDIT**

Dear Chair Lee and Members:

Transmitted herewith is a proposed bill entitled, "A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.810, MAUI COUNTY CODE, RELATING TO THE CIRCUIT BREAKER TAX CREDIT."

The purpose of this proposed bill is to amend the tax breaker credit as follows:

1. By increasing the maximum amount of the credit from up to \$5,000 to \$6,500;
2. By increasing the amount of household income from \$100,000 to \$130,000;
3. Clarifying that the credit does not supersede the minimum tax due, and;
4. By increasing the amounts of the homeowner's gross building assessed values at which the credit is phased out as follows:
 - a. 100% of eligible tax credit, from \$500,000 to \$750,000;
 - b. 80% of eligible tax credit, from \$500,001 - \$512,500 to \$750,001-\$762,500;
 - c. 60% of eligible tax credit, from \$512,501-\$525,000 to \$762,501-\$775,000;

COUNTY COMMUNICATION NO. 20-261

RECEIVED

2020 APR 13 PM 8:42

OFFICE OF THE MAYOR

RECEIVED

2020 APR 14 PM 1:20

OFFICE OF THE
COUNTY CLERK

- d. 40% of eligible tax credit, from \$525,001-\$537,500 to \$775,001-\$787,500;
- e. 20% of eligible tax credit, from \$537,501-\$550,000 to \$787,501-\$800,000, and;
- f. 0% of eligible tax credit, from \$550,001 or more to \$800,0001 or more.


The qualification criteria are being proposed to be changed in response to public testimony made at the Temporary Investigative Group hearings on real property tax changes in late 2019. Several members of the community asked that the circuit breaker program be reviewed as values have increased and since it was last reviewed in 2014 and 2015. The Real Property Assessment Division found that since January 1, 2015, the net taxable values have increased about 35%. Net taxable values in the owner-occupied classification have increased 45% since the January 1, 2015 assessment. In comparison to other classifications, the values for the owner-occupied class have increased a little more, due to the exemption deduction. As a result of these value changes, the Department of Finance is proposing to increase the fixed qualifying criteria as indicated above. Below is a table showing the summary of the amount and percent changes:

	Current	Proposed	Change
Maximum credit	\$5,000	\$6,500	30%
Household income	\$100,000	\$130,000	30%
Maximum building value	\$550,000	\$800,000	45%

Furthermore, clarifying that the credit does not supersede the minimum tax is being suggested to make credit estimation easier for taxpayers.

Thank you for the opportunity to respond. Should you have any questions, please feel free to contact me at extension 7474.

Sincerely,


SCOTT K. TERUYA
Director of Finance

ORDINANCE NO. _____

BILL NO. _____ (2020)

A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.810, 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 circuit breaker tax credit by increasing the maximum amount of the credit, increasing the qualifying household income, increasing the amounts of the homeowner's gross building assessed values at which the credit is phased out, and clarifying that the credit does not supersede the minimum tax due.

SECTION 2. 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,] \$6,500, equal to the amount by which the real property taxes calculated for the homeowner property for the prior tax year exceeds: two percent of household income, or the minimum tax as established in the annual budget ordinance, whichever is greater, 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.] \$130,000.

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>[\$500,000]</u> <u>\$750,000</u>	100%
<u>[\$500,001 to \$512,500]</u> <u>\$750,001 to \$762,500</u>	80%
<u>[\$512,501 to \$525,000]</u> <u>\$762,501 to \$775,000</u>	60%
<u>[\$525,001 to \$537,500]</u> <u>\$775,001 to \$787,500</u>	40%
<u>[\$537,501 to \$550,000]</u> <u>\$787,501 to \$800,000</u>	20%
<u>[\$550,001]</u> <u>\$800,001</u> or more	0%

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 3. 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 4. This ordinance shall take effect beginning July 31, 2020.

APPROVED AS TO FORM AND
LEGALITY:


DAVID A. GALAZIN
Deputy Corporation Counsel
County of Maui
2020-0447
Ord amending 3 48 800 et seq (2020-4-9)

Real Property Proposed Changes 2/24/2020

Article XIII. - Circuit Breaker Tax Credit

3.48.800 - Purpose.

The council finds that tax relief for the citizenry of Maui County is a compelling County interest. The purpose of 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. (Ord. No. 4028, § 2, 2013)

3.48.805 - Definitions.

Wherever used in this article, the following definitions shall apply:

"Circuit breaker tax credit" means the tax credit established pursuant to section 3.48.810.

"Homeowner" means a person who has been granted a home exemption claim under section 3.48.450.

"Homeowner property" means the property with regard to which a homeowner filed and was granted a home exemption claim under section 3.48.450, and:

- (1) the entire tax map key parcel the property is located on;
- (2) the principal home of the homeowner located on such parcel; and
- (3) all other buildings, structures, fences, and improvements located on such parcel.

"Household" means a homeowner, spouse of the homeowner, and any titleholders living on the homeowner property.

"Household income" means the adjusted gross income, as defined by the Internal Revenue Service, of a household for the year preceding the tax year in which an application for circuit breaker tax credit is filed.

"Titleholder" means any person or entity listed on the deed or other legal instrument of record establishing an ownership interest in the property. The term includes corporations and other business entities, but does not include mortgage lenders. (Ord. No. 4136, § 4, 2014; Ord. No. 4028, § 2, 2013)

3.48.810 - Circuit breaker tax credit established.

Upon proper application, a homeowner shall be entitled to a credit, not to exceed \$6,500[5,000], equal to the amount by which the real property taxes calculated for the homeowner property for the prior tax year exceeds two percent of household income or minimum tax, whichever is greater, 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 \$130[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
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Up to \$750[500],000	100%
\$750[500],001 to \$762[512],500	80%
\$762[512],501 to \$775[525],000	60%
\$775[525],001 to \$787[537],500	40%
\$787[537],501 to \$800[550],000	20%
\$800[550],001 or more	0%

- 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.

([Ord. No. 4789, § 3, 2017](#); Ord. No. 4136, § 5, 2014; Ord. No. 4091, § 2, 2013; Ord. No. 4028, § 2, 2013)

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

([Ord. No. 4789, § 4, 2017](#); Ord. No. 4136, § 6, 2014; Ord. No. 4091, § 3, 2013; Ord. No. 4028, § 2, 2013)

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.
 - (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.
- 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.

([Ord. No. 4789, § 5, 2017](#); Ord. No. 4136, § 7, 2014; Ord. No. 4091, § 4, 2013; Ord. No. 4028, § 2, 2013)

3.48.825 - Penalties and revocation of credit.

- A. A person shall be subject to a fine of not more than \$2,000 and be liable for any outstanding real property taxes, interest, and penalties, pursuant to section 3.48.220, if that person:
 - 1. Files a fraudulent application for circuit breaker tax credit or attests to any false statement in connection with that application, with the intent to defraud the County or evade the payment of real property taxes; or
 - 2. In any manner intentionally deceives or attempts to deceive the County in obtaining the circuit breaker tax credit.
- B. The circuit breaker tax credit shall be revoked if, during any tax year for which the homeowner has been granted the credit:
 - 1. Title to the property is transferred to a new owner by gift, sale, devise, operation of law, or otherwise, except when title is transferred to a qualified surviving spouse; or
 - 2. The requirements of section 3.48.810 are no longer satisfied.
- C. The homeowner shall be subject to a fine of \$200 when the credit is revoked pursuant to subsection 3.48.825(B)(2) and the homeowner failed to notify the County within thirty days that the requirements of section 3.48.810 are no longer satisfied.

(Ord. No. 4028, § 2, 2013)

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 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 \$500,000	100%
\$500,001 to \$512,500	80%
\$512,501 to \$525,000	60%
\$525,001 to \$537,500	40%
\$537,501 to \$550,000	20%
\$550,001 or more	0%

- 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.

(Ord. No. 4789, § 3, 2017; Ord. No. 4136, § 5, 2014; Ord. No. 4091, § 2, 2013; Ord. No. 4028, § 2, 2013)