

COUNCIL OF THE COUNTY OF MAUI  
**BUDGET AND FINANCE COMMITTEE**

March 16, 2007

**Committee**  
**Report No.**

07-24

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 February 26, 2007, makes reference to County Communication No. 07-32, from Councilmember Joseph Pontanilla, transmitting a copy of the Real Property Tax Board of Review's 2004-2005 and 2005-2006 Annual Reports.

Your Committee notes that Section 3.48.635, Maui County Code (MCC), requires that "Upon completion of its review of the property tax appeals for the current year, the board shall compile and submit to the mayor and the council, and shall file with the director for the use of the public, a copy of a report covering such features of its work as, in the opinion of the board, will be useful in attaining the objectives set forth in this chapter."

At its meeting, your Committee met with the Budget Director; the Director of Finance; the Acting Administrator of the Real Property Tax Division, Department of Finance; the First Deputy Corporation Counsel; and Bruce Erfer, Chair of the Real Property Tax Board of Review.

There was no public testimony.

Mr. Erfer provided a brief overview of the recommendations of the Real Property Tax Board of Review (Board) and commended the Real Property Tax Division for working with the Board in implementing some of their recommendations.

Mr. Erfer stated that the MCC does not afford the Board flexibility to hear any real property tax (RPT) appeals filed after the deadline, even if the Board feels that it would be fair and equitable to hear such appeals. He cited three examples of such appeals, including an appeal by a property owner called to active duty, an appeal by a property owner because of an error made by the County in the property's classification, and an appeal by a property owner as a result of a change in ownership due to a divorce.

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The Director of Finance stated that Section 3.48.140, MCC, allows errors made by the County to be administratively corrected, regardless of whether an appeal was properly filed.

The Director of Finance stated that the Department supports amending the MCC to allow the Board to hear late filed appeals under certain circumstances, such as military deployment and medical hardship; however, providing total digression to the Board would create administrative problems for both the Department of Finance and the Board.

The Director of Finance further stated that the deadline to file appeals to the Board is April 9<sup>th</sup>. The total amount of these appeals is considered in the preparation of the assessment list, which must be made available by April 19<sup>th</sup> pursuant to Section 3.48.135, MCC. He further stated that the Council uses the assessment list to estimate RPT revenues for the County's annual budget.

The Director of Finance further stated that extending the deadline for appeals may affect the accuracy of the assessment list provided to the Council for their deliberations on each fiscal year's budget.

Mr. Erfer further noted that because the classification of a property is established on January 1<sup>st</sup>, which is six months before the start of the fiscal year on July 1<sup>st</sup>, the RPT assessment on the property might not reflect the actual use and classification at the start of the fiscal year. He further stated that once a parcel is classified as Improved Residential as of January 1st, there is no opportunity for the parcel to be reclassified to Homeowner for the upcoming fiscal year, which begins on July 1<sup>st</sup>, if the property becomes owner-occupied.

Mr. Erfer stated that many appeals were filed because the property owner did not understand how the RPT Division determined the assessed value of their property. Providing the property owner with the prorated values for a parcel's land and building, as well as the total assessment, has caused many property owners to appeal the building or land portion of their assessment, even though they agreed with the total assessment of their property.

Mr. Erfer further stated that the Board recommended that only the total assessment be provided on the notice sent to property owners.

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The Acting Administrator stated that in the market approach for valuing property, the total value of a property is established based on comparable sales. The building value is based on the cost of replacement and the age of the structure. The land value is the difference between the total value of the property and the building value.

The Finance Director stated that the MCC allows for separate tax rates for the building and land; however, past Councils have always established identical rates in the County's budget. He further stated that a revision to the MCC to establish a single real property tax rate for a parcel may be required before removing the land and building assessments from the assessment notice.

Mr. Erfer stated that the Board recommended that the Department of Finance continue working with the State to verify that property owners qualifying for the homeowner exemption have filed a State of Hawaii Income Tax Return as a resident. He further stated that stricter enforcement is needed because the tax benefits for homeowners have significantly increased over the past two years.

The Director of Finance provided the current status of the RPT Division's enforcement efforts, stating that the process has been delayed because of the State's concerns regarding the confidential nature of income tax information.

Mr. Erfer stated that in an effort to reduce "frivolous" appeals, a sliding scale based on the amount of the assessment should be considered in lieu of the current \$15 fee for filing an appeal.

Your Committee voted to recommend filing of the communication.

Your Budget and Finance Committee **RECOMMENDS** that County Communication No. 07-32 be **FILED**.

Adoption of this report is respectfully requested.

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**JOSEPH PONTANILLA** **Chair**

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**DANNY A. MATEO** **Member**

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**G. RIKI HOKAMA** **Vice-Chair**

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**BILL KAUAKEA MEDEIROS** **Member**

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**MICHELLE ANDERSON** **Member**

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**MICHAEL J. MOLINA** **Member**

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**GLADYS C. BAISA** **Member**

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**MICHAEL P. VICTORINO** **Member**

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**JO ANNE JOHNSON** **Member**