

COUNCIL OF THE COUNTY OF MAUI
BUDGET AND FINANCE COMMITTEE

August 22, 2006

**Committee
Report No.**

06-95

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 August 1, 2006, makes reference to County Communication No. 06-78, from the Director of Finance, transmitting a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.780, MAUI COUNTY CODE, PERTAINING TO THE REAL PROPERTY TAX CIRCUIT BREAKER CREDIT".

The purpose of the proposed bill is to lower the percentage threshold for household income, from 3 percent to 2½ percent for the tax year beginning July 1, 2007, in order to be eligible for the real property tax Circuit Breaker Credit program.

By correspondence dated July 13, 2006, the Chair of your Committee requested that the Department of the Corporation Counsel revise the proposed bill to further reduce the percentage threshold for household income for the real property tax Circuit Breaker Credit program from 2½ percent to 2 percent for the tax years beginning July 1, 2009 and thereafter.

By correspondence dated July 17, 2006, the Department of the Corporation Counsel transmitted a revised proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.780, MAUI COUNTY CODE, PERTAINING TO THE REAL PROPERTY TAX CIRCUIT BREAKER CREDIT". The purpose of the revised proposed bill is to lower the percentage threshold for household income for the real property tax Circuit Breaker Credit program from 3 percent to 2½ percent for the tax years beginning July 1, 2007 and July 1, 2008, and then from 2½ percent to 2 percent for the tax years beginning July 1, 2009 and thereafter.

At its meeting, your Committee met with the Director of Finance and the First Deputy Corporation Counsel.

Your Committee received public testimony from one individual who supported lowering the percentage threshold for household income as a temporary measure, but proposed that full-time, single-family homeowners should not pay any real property tax.

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The Director of Finance submitted correspondence charting the “Maximum Tax Bill Before Credit Based on Circuit Breaker Percentage” and “Homeowner Tax Bill Based on Assessed Valuation”.

The Director of Finance stated that the benefits of the Circuit Breaker Credit program has been largely mitigated by the increase in the homeowner exemption to \$300,000 and a reduction in the Homeowner real property tax rate for Fiscal Year (FY) 2007 to \$2.50 per \$1,000 of assessed valuation. He further stated that the median price for a single-family home in the County of Maui is approximately \$600,000, and at that price, homeowners are paying \$750 per year for real property taxes, the lowest real property taxes charged by any county in the State of Hawaii.

The Director of Finance stated that the reduction in the percentage of household income will expand the Circuit Breaker Credit program to a broader range of homeowners. He further stated that the Administration has no objection to revising the bill to lower the percentage threshold for household income to 2 percent for the tax year beginning July 1, 2009 and thereafter.

Your Committee asked the Director of Finance for the estimated number of households that would qualify for the Circuit Breaker Credit program and the corresponding decrease in real property tax revenues.

The Director of Finance stated that for FY 2007, the Department of Finance received 1,246 applications, of which 1,142 were deemed qualified. He further stated that it is difficult to estimate the effects that a reduction in the percentage of household income would have on real property tax revenues because applicants for the Circuit Breaker Credit program must apply every year.

The Director of Finance stated that the Circuit Breaker Credit program targets homeowners with lower adjusted gross incomes, and that based on the FY 2007 homeowner exemption and real property tax rate, passage of this bill would not significantly affect real property tax revenues.

Your Committee voted to recommend passage of the revised proposed bill on first reading and filing of the communication.

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Your Budget and Finance Committee RECOMMENDS the following:

1. That Bill No. _____ (2006), as revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.780, MAUI COUNTY CODE, PERTAINING TO THE REAL PROPERTY TAX CIRCUIT BREAKER CREDIT", be PASSED ON FIRST READING and be ORDERED TO PRINT; and

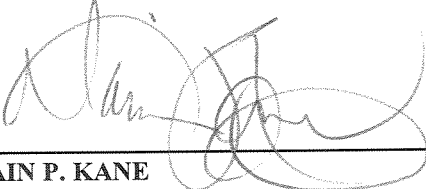
2. That County Communication No. 06-78 be FILED.

Adoption of this report is respectfully requested.

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DAIN P. KANE Chair



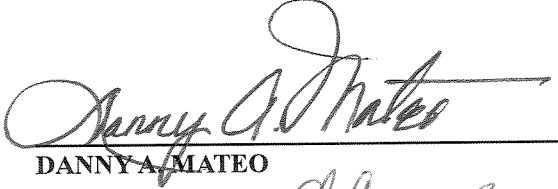
G. RIKI HOKAMA Vice-Chair

MICHELLE ANDERSON Member



ROBERT CARROLL Member

JO ANNE JOHNSON Member



DANNY A. MATEO Member



MICHAEL J. MOLINA Member



JOSEPH PONTANILLA Member



CHARMAINE TAVARES Member

ORDINANCE NO. _____

BILL NO. _____ (2006)

A BILL FOR AN ORDINANCE AMENDING
SECTION 3.48.780, MAUI COUNTY CODE, PERTAINING
TO THE REAL PROPERTY TAX CIRCUIT BREAKER CREDIT

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

SECTION 1. Section 3.48.780, Maui County Code, is amended by
amending subsection B to read as follows:

"B. Upon proper application, a homeowner shall be entitled to a credit in the amount that the real property tax assessed on the homeowner property exceeds [three] two and one-half percent of household income. For the tax year beginning July 1, 2009 and thereafter, a homeowner shall be entitled to a credit in the amount that the real property tax assessed on the homeowner property exceeds two percent of household income. The credit shall be applied in equal pro rata amounts against each tax payment due for the tax year following the year in which an application for credit is submitted and granted. No credits shall be applied if taxes on the property are delinquent."

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 shall take effect upon approval.

APPROVED AS TO FORM
AND LEGALITY:


TRACI FUJITA VILLAROSA
First Deputy Corporation Counsel
County of Maui