

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

September 1, 2006

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

06-96

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 and August 15, 2006 makes reference to County Communication No. 06-184, from Councilmember Dain P. Kane, transmitting a draft bill entitled "A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.450, MAUI COUNTY CODE, PERTAINING TO REAL PROPERTY TAX HOME EXEMPTION".

The purpose of the draft bill is to permanently establish a \$300,000 real property tax homeowner exemption.

Your Committee notes that Ordinance No. 3285 amended Section 3.48.450, Maui County Code (MCC), by increasing the homeowner exemption from \$110,000 to \$200,000 for tax years ending June 30, 2006 and June 30, 2007.

Your Committee further notes that Ordinance No. 3386 amended Section 3.48.450, MCC, to further increase the homeowner exemption from \$200,000 to \$300,000 for the tax year ending June 30, 2007.

At its meeting of August 1, 2006, your Committee met with the Director of Finance and the First Deputy Corporation Counsel.

Your Committee received public testimony from one individual who supported the concept of the draft bill, but recommended that the exemption amount be increased annually by a percentage based on the average annual increase in land values.

Your Committee questioned whether the increase in the homeowner exemption to \$300,000 has resulted in a reduction of revenues that has negatively impacted the County's ability to maintain services.

The Director of Finance stated that the Council adequately estimated the reduction in revenue attributed to the homeowner exemption during its consideration of the Fiscal Year 2007 Budget. He further stated that the reduction in tax rate from \$3.50

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to \$2.50 per \$1,000 of assessed valuation and the increase in the homeowner exemption to \$300,000 was largely offset by increases in the valuation of properties in other classifications, such as the Time Share and Hotel classifications.

The Director of Finance stated that permanently establishing the \$300,000 homeowner exemption would not jeopardize the revenue stream under the County's current real property tax structure.

Your Committee questioned how the passage of the draft bill would affect Section 3.48.465, MCC, which provides homeowners 60 to 69 years of age with a \$110,000 exemption, and homeowners 70 years of age and over with a \$130,000 exemption. Your Committee further questioned whether Section 3.48.465, MCC, should be repealed since the draft bill would establish a homeowner exemption at \$300,000, which exceeds the homeowner exemption provided in this section.

The First Deputy Corporation Counsel stated that the Department of the Corporation Counsel will review how the draft bill will affect Section 3.48.465, MCC, when the bill is approved as to form and legality.

Your Committee recommended that the Department of the Corporation Counsel approve the draft bill as to form and legality, and deferred consideration of the matter pending further discussion.

By correspondence dated August 7, 2006, the Department of the Corporation Counsel transmitted a proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.450, MAUI COUNTY CODE, PERTAINING TO REAL PROPERTY TAX HOME EXEMPTION", approved as to form and legality. The proposed bill incorporates nonsubstantive revisions recommended by the Department.

At its meeting of August 15, 2006, your Committee met with the Director of Finance and the First Deputy Corporation Counsel.

There was no public testimony.

Your Committee noted that by retaining Section 3.48.465, MCC, relating to homeowner exemptions according to age, elderly homeowners would be assured of the exemptions provided under this section should future Councils decide to reduce the

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homeowner exemption below the \$110,000 exemption for homeowners 60 to 69 years of age, and below the \$130,000 exemption for homeowners 70 years of age and over.

Your Committee voted to recommend passage of the proposed bill and filing of the communication.

Your Budget and Finance Committee RECOMMENDS the following:

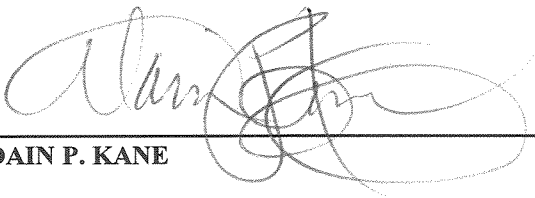
1. That Bill No. \_\_\_\_\_ (2006), revised herein and attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.450, MAUI COUNTY CODE, PERTAINING TO REAL PROPERTY TAX HOME EXEMPTION", be PASSED ON FIRST READING and be ORDERED TO PRINT; and
2. That the County Communication No. 06-184 be FILED.

Adoption of this report is respectfully requested.

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DANNY A. MATEO Member

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G. RIKI HOKAMA Vice-Chair

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CHARMAINE TAVARES Member

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JO ANNE JOHNSON Member

ORDINANCE NO. \_\_\_\_\_

BILL NO. \_\_\_\_\_ (2006)

A BILL FOR AN ORDINANCE AMENDING  
SECTION 3.48.450, MAUI COUNTY CODE,  
PERTAINING TO REAL PROPERTY TAX HOME EXEMPTION

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

SECTION 1. Section 3.48.450, Maui County Code, is amended to read as follows:

**"3.48.450 Homes-- [Standards] standards for valuation.** A. Real property owned and occupied only as a principal home, as of the date of assessment, by an individual or individuals, shall be exempt only to the following extent from property taxes:

1. Totally exempt where the value of the property is not in excess of [~~\$110,000;~~] \$300,000;

2. Where the value of the property is in excess of [~~\$110,000,]~~ \$300,000, the exemption shall be in the amount of [~~\$110,000.]~~ \$300,000.

B. The provisions of subsection A of this section shall apply, provided, as follows:

1. That no such exemption shall be allowed to any corporation, copartnership, or company;

2. That the exemption shall not be allowed on more than one home for any one taxpayer;

3. That where the taxpayer has acquired a home by a deed made on or after July 1, 1951, the deed shall have been recorded on or before December 31 immediately preceding the year for which the exemption is claimed;

4. That a husband and wife shall not be permitted exemption of separate homes owned by each of them, unless they are living separate and apart; in which case they shall be entitled to one exemption, to be apportioned between each of their respective homes in proportion to the value thereof; and

5. That a person living on premises, a portion of which is used for commercial purposes, shall not be entitled to an exemption with respect to such portion, but shall be entitled to an exemption with respect to the portion thereof used exclusively as a home.

[C. Notwithstanding the provisions of subsection A of this section and section 3.48.465, for the tax year

ending June 30, 2006, real property owned and occupied only as a principal home, as of the date of assessment, by an individual or individuals, shall be exempt only to the following extent from property taxes:

1. Totally exempt where the value of the property is not in excess of \$200,000;

2. Where the value of the property is in excess of \$200,000, the exemption shall be in the amount of \$200,000.

D. Notwithstanding the provisions of subsection A of this section and section 3.48.465, for the tax year ending June 30, 2007, real property owned and occupied only as a principal home, as of the date of assessment, by an individual or individuals, shall be exempt only to the following extent from property taxes:

1. Totally exempt where the value of the property is not in excess of \$300,000;

2. Where the value of the property is in excess of \$300,000, the exemption shall be in the amount of \$300,000.]"

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 retroactive to July 1, 2006.

APPROVED AS TO FORM  
AND LEGALITY:



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TRACI FUJITA VILLAROSA  
First Deputy Corporation Counsel  
County of Maui

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