

COUNCIL OF THE COUNTY OF MAUI

BUDGET AND FINANCE COMMITTEE

November 5, 2004

Committee
Report No.

04-187

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 October 12, 2004, makes reference to County Communication No. 04-153, from the Chair of your Budget and Finance Committee, referring the matter relating to real property classifications.

By correspondence dated July 20, 2004, Andrew Koller provided comments and research relating to short-term rentals and transient use of residential and agricultural properties in two areas of Maui: North Shore (Spreckelsville, Paia, Haiku) and Upcountry (Makawao, Pukalani, Kula).

By correspondence dated July 22, 2004, Andrew Koller provided comments and suggestions for improvements to real property tax classifications.

By correspondence dated October 6, 2004, the Chair of your Budget and Finance Committee transmitted a draft bill entitled "A BILL FOR AN ORDINANCE ESTABLISHING A REAL PROPERTY TAX CLASSIFICATION FOR TIME SHARES". The purpose of the draft bill is to add a new "Time Share" real property tax classification.

At its meeting, your Committee met with the Director of Finance, the Real Property Tax Administrator from the Department of Finance, and the First Deputy Corporation Counsel.

There was no public testimony.

Your Committee notes that the draft bill removes Time Share properties from the Hotel and Resort real property tax classification, and establishes a new classification for Time Share properties. The Council will consider real property tax rates for this new classification during the Fiscal Year 2006 budget session. Your Committee further notes that Time Share properties are transient units subject to a time share plan under Section 514E-1, Hawaii Revised Statutes (HRS).

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Your Committee recognized that the application of the Transient Accommodations Tax (TAT) under HRS Chapter 237D is different for Hotel and Resort properties and Time Share properties. The TAT for Time Share properties is 7.25 percent of the unit's fair market rental value. Under HRS Section 237D-1, "fair market rental value means an amount equal to one-half the gross daily maintenance fees that are paid by the owner . . ." The TAT for Hotel and Resort properties is 7.25 percent of the gross rental proceeds. With the application of these formulas, Time Share properties generate considerably less TAT revenue per unit than Hotel and Resort properties do.

The Director of Finance stated that he supports the establishment of a real property tax classification for Time Share properties.

Your Committee requested that the Department of the Corporation Counsel review the draft bill as to form and legality.

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

Your Committee is in receipt of a revised proposed bill entitled "A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.305, MAUI COUNTY CODE, PERTAINING TO THE REAL PROPERTY TAX CLASSIFICATION OF TIME SHARES", approved as to form and legality, by the Department of the Corporation Counsel, incorporating nonsubstantive revisions.

Your Budget and Finance Committee RECOMMENDS the following:

1. That Bill No. _____ (2004), attached hereto, entitled "A BILL FOR AN ORDINANCE AMENDING SECTION 3.48.305, MAUI COUNTY CODE, PERTAINING TO THE REAL PROPERTY TAX CLASSIFICATION OF TIME SHARES", be PASSED ON FIRST READING and be ORDERED TO PRINT; and
2. That County Communication No. 04-153 be FILED.

Adoption of this report is respectfully requested.

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