



Maui Community News

Real Estate

Real News for the Informed Owner

Issue 2006-1

West Maui News

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The West Maui Taxpayers Association (808-280-9682, email: wmta@maui.net, website: www.westmaui.org) includes the following projects as its goals for West Maui:

- The West Maui 24-hour Acute Care Hospital facility on 14.9 acres near the Lahaina Civic Center. They expect to submit the required Certificate of need to the State in Spring 2006.
- The Lahaina By-Pass Phase 1a, connecting Ikena St. and Keawe St. (below the Lahaina Intermediate School), is slated for construction beginning this Winter 2006.

• \$750,000 has been approved for the design of the Lahaina By-Pass Phase 1b that will run from Launiupoko to Lahainaluna Road.

- Billarjo Development LLC's Lahaina Gateway shopping center, currently under construction across from the Lahaina Cannery Mall announced that Cost Plus World Market will occupy 18,500 sq. ft.
- The Maui Preparatory Academy opened in Fall 2005 with grades 6, 7 & 8. The 9th grade class will be enrolled in Fall 2006.



Lahaina Harbor & Pioneer Inn

- The venerable Kapalua Bay Hotel is slated for demolition in Spring 2006. It will be replaced by a \$300 million hotel/condominium/time-share with an oceanside spa and beach club.

Central and South Maui News

- The Maui Economic Development Board's new 35,000 sq. ft. building in the Maui Research and Technology Park

Kahului & Wailuku



was completed and occupied in early 2006.

- Maui Memorial Medical Center's Phase I of its Master Plan will be completed in Fall 2006 adding 75,000 sq. ft. of additional space and will increase the total count to 231 beds, provide for 16 additional

ICU/CCU beds, a new 24-bed medical/surgery wing. An additional \$4.2 million for an ED/Urgent Care expansion is set to start in the latter half of 2006.

- A&B Properties and Maui Land & Pineapple Co. held a public meeting recently to present Haliimaile Town, an Upcountry project for building an undetermined number of homes on 650

acres.

- The 125-year old Hawaiian Commercial & Sugar Co. is transforming its 37,000 acre sugar plantation in to an energy farm producing ethanol and biodiesel. Two State laws should help: One requires 10% ethanol use in gasoline by 2020; and the other, mandates that 20% of the State's power will come from renewable sources.

The 2006-07 real property tax rates per one thousand dollars of net taxable assessed valuation—

	New	Old
Homeowner	\$2.50	\$3.50
Agricultural	\$4.50	\$4.93
Conservation Improved	\$4.75	\$4.93
Residential	\$5.00	\$5.86
Apartment	\$5.00	\$5.86
Unimproved Residential	\$5.86	\$5.86
Commercial	\$6.00	\$6.75
Industrial	\$6.50	\$6.75
Hotel/Resort	\$8.20	\$8.30
Time Share	\$14.00	\$14.00

2006-07 Maui County Real Property Tax Rates

The Maui County Council has approved the real property tax rates for the fiscal year beginning July 1, 2006. It provides for substantial reductions in nearly all categories. See side bar.

Revenues from real property taxes alone for the 2006-07 fiscal year is projected to be \$192,838,436. This represents an increase of \$31,137,375 over the prior year.

Although the rates have

decreased, expect to see increases in your property tax bills which are due in February 20th and August 20th of each year. The reason is the substantial increases in property values.

If you feel that you are being over-assessed, you can file an appeal with the Board of Review by depositing \$15.00 with the Real Property Tax Division. The deadline for filing is April 9. Appeals can only be filed if your values vary by more than 20% from the assessed valuation.

The simplest way to file an appeal is to go on-line at <http://www.co.maui.hi.us/departments/Finance/realProperty.htm>, and follow the instructions.

It should be noted that the property tax rates in Hawaii are substantially lower than comparable rates on the U.S. mainland. Property taxes on the mainland are used to finance public education. In Hawaii, public schools are financed from the State's general fund, and not from the property taxes.

General Excise Tax and Transient Accommodations Tax

The State of Hawaii imposes a General Excise Tax on all rental activities, whether long-term or vacation rental. The GET is not a sales tax, that is assessed to the consumer. It is a tax imposed on the business owner. Hawaii is only one of two States with a GET. The current rate is 4% of the gross receipts.

For example, if your rent is \$1,000 and you pass on the maximum GET tax to the tenant of 4.166%, you would

collect \$1,041.66. In turn, you need to pay the State 4% of the \$1,041.66.

If you are also renting your unit on a short-term or vacation rental basis, the State also imposes a Transient Accommodations Tax, or "hotel room tax" of 7.25%.

"We have seen GET assessments go back as far as 10 years. There is no statute of limitations, since the return was never filed"

Many owners who reside outside of Hawaii are ignorant of these taxes or simply choose not to pay it. Well, it seems that your tax-free days may soon be over as the State is upgrading their computer systems.

We have seen GET assessments go back as far as 10 years. There

is no statute of limitations, since the return was never filed.

This is no small matter. For example, a \$30,000 annual vacation rental income would result in more than \$3,300 in GET and TAT taxes, multiplied by 10 years equals over \$33,000 in taxes, not to mention the interest and penalties.

You can apply for the GET and TAT on Form BB-1 at: <http://www.state.hi.us/tax/tax.html>. There is a 1-time fee of \$20.00.

Filing the Hawaii Non-Resident Income Tax Return

Many non-residents that own property in Hawaii feel that

since they have no taxable income in Hawaii, they do not need to file a Hawaii Non-Resident Income Tax Return, Form N-15. This is not correct. A non-resident owner of rental property needs to file an income tax return because:

• The Hawaii State law requires it, as do all other

States.

- The net rental losses, are considered passive losses, and can be carried forward indefinitely and used to offset any gain when the property is sold. This is a good thing.
- The Non-Resident return is fairly simple to fill-out in that all of the information comes from the federal Form 1040.

If you or your tax preparer needs assistance, please contact our sister company: Ronald A. Kawahara & Co., CPA's, Inc. at (808) 244-5531 or email at cpa@maucpa.net. They have been in the tax preparation business for over 35 years and prepare more than 100 non-resident returns each year..

Maui Real Estate Sales Showing Signs of Slowing

Consider the following facts from the Realtors® Association of Maui's Multiple Listing Service, comparing the 3 month period 1/1/05 to 3/31/05 to the same period this year—

- Single family home sales declined from 302 to 249 units (a decrease of 18%), and condominium sales declined from 430 to 383 units (a decrease of 11%).
- The number of days on the market needed to sell a unit increased from 123 to 128 days for single family homes and

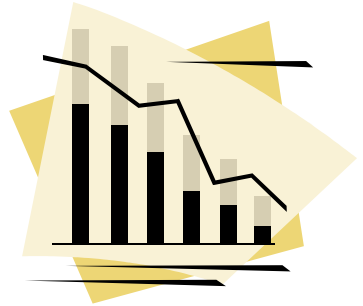
from 104 to 124 days for condominiums.

- The total dollar volume of sales declined from \$274,865,833 to \$241,881,601 for single-family homes (a decrease of 12%) and from \$222,279,211 to \$247,672,245 for condos (a decrease of 11%).
- Long-term mortgage rates are climbing to an average of nearly 6.5%. Some experts see it rising as high as 7% within a year.

- In addition, anecdotal comments from Realtors® and mortgage brokers tell the same story—sales are harder to come by and mortgage applications are declining.

If history is any guide, it tells us that real estate prices in Hawaii never stays high and never stays low—it is cyclical. A 20-year timeline indicates that real estate prices generally rise an average of about 3-5% a year. However, there may be as much as six cycles of ups and downs over that period of time.

The lesson right now is that if you're considering selling, now is the time; if you're buying, wait a while.



Rental Rates Remain Strong

In spite of the declining real estate market, long-term rental rates remain strong.

In West Maui, monthly rental rates for a standard 1-Bedroom apartment ranges from \$950 to \$1,300. In South Maui, the rates range from \$800 to \$1,200. Single-family homes rent for

well over \$2,200. The wide disparity in rental rates reflect the location, furnished or unfurnished, type and condition of the unit.

Destination Maui, Inc. is a full-service real estate company that can assist you in renting or selling your unit with Integrity, Quality of Service and Experience.

The single biggest factor affecting the rental rate is the hotel occupancy. The tourist market is the engine that drives the Maui economy. When there are more visitors, more

hotel workers are need. This “multiplier-effect” ripples throughout the Maui economy. The lack of affordable housing is resulting in a political fallout. The Maui County Council may now required as much as 50% of any major development to contain affordable housing.

Hawaii's Residential Landlord-Tenant Law

Here are some highlights of Hawaii's Residential Landlord-Tenant Code:

- Owners who do not reside on the island where the rental property is located must designate on the rental agreement an agent residing on the island.

- Security deposits cannot be for more than one month's rent. This includes the security deposit, deposits for keys, pets or anything else.
- The Owner/Agent can access a unit by giving the tenant at least two days notice and must be during reasonable business hours.
- The full amount of the security deposit must be returned if the Owner/Agent waits more than 14 days after the rental term expires.
- Failure to return the security deposit within the prescribed time period may lead to damages of three times the amount of the security deposit .
- The landlord must be give 2 days notice of intent to enter the rental unit.
- On a month-to-month lease, the tenant must give 30-days written notice and the landlord must give 45-days written notice to terminate.

- Whether the rental agreement is written or oral, the landlord must, prior to occupancy, make a written inventory detailing the condition of the premises and furnishings.
- Non-emergency repairs must be commenced within 12 business days after written notification by the tenant.
- More information can be obtained from the State's website at: http://www.hawaii.gov/dcca/areas/ocp/landlord_tenant/



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Destination Maui, Inc. is the best choice when it comes to handling your real estate needs—from property management of condominium associations to long-term rentals and real estate sales. In our 30+ years of business we have a well-established reputation for integrity and quality work.

DMI manages nearly 30 condominium associations and 200 long-term rental of condominium and single-family units.

DMI is the only Maui based property management company to hold the coveted Accredited Management Organization® designation issued by the Institute of Real Estate Management as well as the Accredited Association Management Company® designation issued by the Community Associations Institute.

New Real Estate Developments

Here are some of the developments that are currently in planning, construction or have held public hearings—

- West Maui Breakers, a 114-unit condominium development in Honokowai, is currently under construction.
- Maui Land and Pineapple's Pulelehua project with 1,100 units of which 50% are designated affordable housing, and over 125 rental units, in this all inclusive community. Currently, in the planning and development stage.
- Amfac/JMB's Kaanapali 2020 proposed 400 acre, 750 unit project is also in the planning phase. Plans are for 51% designated as affordable and 40% open space.
- Honua Kai Resorts is under construction on 40 acres adding 700 condominiums ranging in size from 500 to 2,600 s.f. Priced from \$500,000 to \$3.5+ million.
- At the height of luxury is the Plantation Estates surrounding the Kapalua Course which consists of 52 lots that range in size from 2 to 7 acres.
- Sterling Kim's 240 acre Hale Mua subdivision plans to offer 238 affordable house-lot packages, 209 market priced lots, 19 large lots and 3 parks.
- Towne Development Hawaii, Inc. is developing 2 areas in Kihei: Ke Alii Ocean Villas, off Piilani Hwy., is a 95-home subdivision, and Kilohana Ridge, near Wailea, will offer 73-homes.
- Betsill Brothers has started grading for their 92-home Kamalii Alayna on South Kihei Road.
- Betsill Brothers is nearing completion of the Maui Highlands, a 68-unit condominium built on 12 acres adjacent to the Elleair Golf Course.
- Construction will soon begin on the 32-unit 2 & 3 BR condominiums at Villas at Cove Beach on Kanani Road.
- On the drawing board is the 42-unit Kalama Retirement Village. This is a luxury condominium project aimed at residents 55 and older.
- A&B Properties is developing a small business-oriented hotel close to the Kahului Airport across from Costco.

