

# DEPARTMENT OF TAXATION Department Summary

#### Mission Statement

To administer the tax laws of the State of Hawaii in a consistent, uniform and fair manner.

#### **Department Goals**

Tax Svcs & Processing

To provide one-stop customer service; to increase collection capabilities through efficient allocation of resources; to simplify filings, provide a more user-friendly interface with the public, and expedite delinquent referrals; to automate tax filings, billings and collections; to expand capacity for research and revenue analysis; to permit more flexibility in law changes and initiatives to improve tax

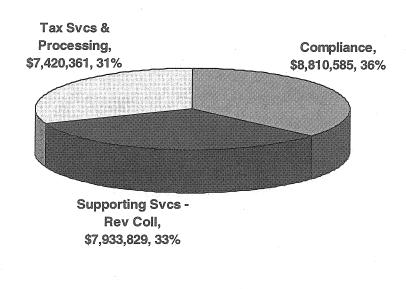
Supporting Svcs - Rev Coll

# FY 2013 Supplemental Operating Budget Adjustments by Major Program

# \$1,210,740

Compliance

# FY 2013 Supplemental Operating Budget



# DEPARTMENT OF TAXATION MAJOR FUNCTIONS

- Administers and enforces the tax laws of Hawaii and the collection of taxes and other payments.
- Coordinates a centralized system for receiving and processing of all tax returns, payments and documents.
- Provides one-stop customer service, assistance and information on all taxes administered by the department to customers who walk in, call-in, correspond or e-mail.
- Administers a comprehensive and uniform compliance program based on self-assessment and voluntary compliance.

- Conducts audits and investigations of all types of tax returns.
- Conducts and enforces collection of delinquent taxes by appropriate collection procedures.
- Plans, organizes and coordinates a tax research and tax planning program.
- Provides administrative and research support to the Council on Revenues which prepares revenue estimates for the State on a quarterly basis.

#### **MAJOR PROGRAM AREAS**

The Department of Taxation has a program in the following major program area:

#### **Government-Wide Support**

TAX 100 Compliance

TAX 105 Tax Services and Processing

TAX 107 Supporting Services – Revenue Collections

# Department of Taxation Operating Budget

|                           |               | Act 164/2011<br>FY 2012 | Act 164/2011<br>FY 2013 | FY 2013<br>Adjustments | Total<br>FY 2013 |
|---------------------------|---------------|-------------------------|-------------------------|------------------------|------------------|
| Funding Sources:          | Positions Per | m 373.00                | 373.00                  | 10.00                  | 383.00           |
|                           | Tem           | p 128.00                | 128.00                  | 4.00                   | 132.00           |
| General Funds             |               | \$ 22,336,212           | 22,027,042              | 1,084,106              | 23,111,148       |
|                           | Per           | m 0.00                  | 0.00                    | 0.00                   | 0.00             |
|                           | Tem           | p 6.00                  | 6.00                    | 0.00                   | 6.00             |
| Special Funds             |               | \$1,057,875_            | 1,057,875               | -4,248                 | 1,053,627        |
|                           | Peri          | m 373.00                | 373.00                  | 10.00                  | 383.00           |
|                           | Tem           | p 134.00                | 134.00                  | 4.00                   | 138.00           |
| <b>Total Requirements</b> |               | \$23,394,087            | 23,084,917              | 1,079,858              | 24,164,775       |

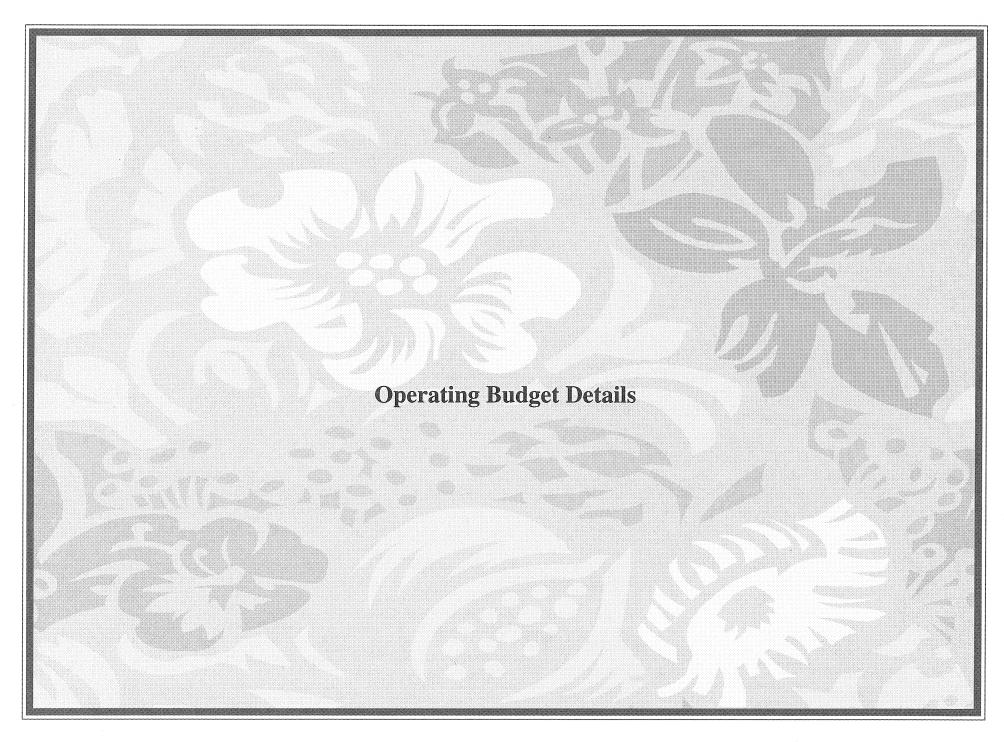
Comments: (general funds unless otherwise noted)

- 1. Reduces \$619,300 and \$4,248 in special funds for labor savings pursuant to collective bargaining agreements and Section 96 of Act 164, SLH 2011.
- 2. Adds \$1,400,000 to expand the electronic filing program.
- 3. Adds 10.0 permanent and 4.0 temporary positions and \$303,406 for the Compliance Division.

# Department of Taxation Capital Improvements Budget

|                          | Act 164/2011<br>FY 2012 | Act 164/2011<br>FY 2013 |   | FY 2013<br>Adjustments |   | Total<br>FY 2012 | Total<br>FY 2013 |   |
|--------------------------|-------------------------|-------------------------|---|------------------------|---|------------------|------------------|---|
| Funding Sources:         | 000.000                 | ·                       | _ |                        | _ |                  |                  | _ |
| General Obligation Bonds | 333,000                 |                         | 0 |                        | 0 | 333,000          |                  | 0 |
| Total Requirements       | 333,000                 |                         | 0 |                        | 0 | 333,000          |                  | 0 |

Comments on Dept CIP Budget Request: (general obligation bonds unless otherwise noted)
None.



# EXECUTIVE SUPPLEMENTAL BUDGET (IN DOLLARS)

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PROGRAM ID:

TAX-

PROGRAM STRUCTURE NO: 11

PROGRAM TITLE:

GOVERNMENT-WIDE SUPPORT

|  | COURS AND DOOR SELECTIONS SAVE SHOW SHOW SHOW SHOW AND SHOW HAVE SAVE SAVE SAVE | FY 2012    |  | THE REAL PRINCIPAL STATE WHITE WHITE STATE SAME SAME SHAPE SHAPE SAME SAME SAME SAME SAME SAME SAME SAM | FY 2013                                   |  | BIENNIU             | JM TOTALS                                |                   |
|--|---|------------|--|---|---|--|---------------------|--|-------------------|
| PROGRAM COSTS  | CURRENT<br>APPRN  | ADJUSTMENT | RECOMMEND APPRN                                    | CURRENT<br>Apprn  | ADJUSTMENT                                | RECOMMEND APPRN                              | CURRENT<br>BIENNIUM | RECOMMEND<br>BIENNIUM                    | PERCENT<br>CHANGE |
| OPERATING PERSONAL SERVICES OTH CURRENT EXPENSES EQUIPMENT | 373.00* 19,363,926 3,892,161 138,000  | *          | 373.00* <br>19,363,926  <br>3,892,161  <br>138,000 | 373.00* 19,363,926 3,690,991 30,000   | 10.00*<br>410,044-<br>1,473,102<br>16,800 | 383.00*<br>18,953,882<br>5,164,093<br>46,800 |                     | **<br>38,317,808<br>9,056,254<br>184,800 | *                 |
| TOTAL OPERATING COST                                       | 23,394,087  |            | 23,394,087   | 23,084,917  | 1,079,858                                 | 24,164,775                                   | 46,479,004          | 47,558,862                               | 2.32              |
| BY MEANS OF FINANCING                                      |   |            | <b>'</b>   |   |   | · .  |                     |  |                   |
|  | 373.00*   | *          | 373.00*  | 373.00*   | 10.00*                                    | 383.00*                                      | *                   | *  | *                 |
| GENERAL FUND   | 22,336,212  |            | 22,336,212   | 22,027,042  | 1,084,106                                 | 23,111,148                                   | 44,363,254          | 45,447,360                               |                   |
| SPECIAL FUND   | 1,057,875   | *          | 1,057,875  | 1,057,875   | *<br>4,248-                               | 1,053,627                                    | 2,115,750           | 2,111,502                                | *                 |
| CAPITAL INVESTMENT   |   |            |  |   |   |  |                     |  |                   |
| DESIGN   | 33,000  |            | 33,000   |   |   | Į<br>į                                       | 33,000              | 33,000                                   |                   |
| CONSTRUCTION   | 300,000   |            | 300,000  |   |   |  | 300,000             | 300,000                                  |                   |
| TOTAL CAPITAL COSTS  | 333,000   |            | 333,000  |   |   |  | 333,000             | 333,000                                  |                   |
| BY MEANS OF FINANCING                                      |   |            |  |   |   | ,  |                     |  |                   |
| G.O. BONDS   | 333,000   |            | 333,000  |   |   | 1  | 333,000             | 333,000                                  |                   |
| TOTAL POSITIONS  | 373.00*   | *          | 373.00*  | 373.00*   | 10.00*                                    | 383.00*                                      |                     |  |                   |
| TOTAL PROGRAM COST   | 23,727,087  |            | 23,727,087   | 23,084,917  | 1,079,858                                 | 24,164,775                                   | 46,812,004          | 47,891,862                               | 2.31              |

#### EXECUTIVE SUPPLEMENTAL BUDGET (IN DOLLARS)

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PROGRAM ID:

TAX-100

PROGRAM STRUCTURE NO: 11020101

PROGRAM TITLE:

COMPLIANCE

|                       |                  | FY 2012 FY 20 |                    |                  |            |                    | BIENNIU             |                       |                   |
|-----------------------|------------------|---------------|--------------------|------------------|------------|--------------------|---------------------|-----------------------|-------------------|
| PROGRAM COSTS         | CURRENT<br>APPRN | ADJUSTMENT    | RECOMMEND<br>APPRN | CURRENT<br>APPRN | ADJUSTMENT | RECOMMEND<br>APPRN | CURRENT<br>BIENNIUM | RECOMMEND<br>BIENNIUM | PERCENT<br>CHANGE |
| CURR LEASE PAYMENTS   |                  |               |                    |                  |            |                    |                     |                       |                   |
|                       |                  |               |                    |                  |            | •                  |                     |                       |                   |
|                       |                  |               |                    |                  |            |                    |                     |                       |                   |
| OPERATING             | 179.00*          | *             | 179.00*            | 179.00*          | 10.00*     | 189.00*            | *                   | *                     | *                 |
| PERSONAL SERVICES     | 8,454,865        |               | 8,454,865          | 8,454,865        | 66,182-    | 8,388,683          | 16,909,730          | 16,843,548            |                   |
| OTH CURRENT EXPENSES  | 327,000          |               | 327,000            | 327,000          | 73,102     | 400,102            | 654,000             | 727,102               |                   |
| EQUIPMENT             | 5,000            |               | 5,000              | 5,000            | 16,800     | 21,800             | 10,000              | 26,800                |                   |
| TOTAL OPERATING COST  | 8,786,865        |               | 8,786,865          | 8,786,865        | 23,720     | 8,810,585          | 17,573,730          | 17,597,450            | .13               |
| BY MEANS OF FINANCING |                  |               |                    |                  |            |                    |                     |                       |                   |
|                       | 179.00*          | *             | 179.00*            | 179.00*          | 10.00*     |                    | *                   | *                     | *                 |
| GENERAL FUND          | 8,786,865        |               | 8,786,865          | 8,786,865        | 23,720     | 8,810,585          | 17,573,730          | 17,597,450            |                   |
| TOTAL POSITIONS       | 179.00*          | *             | 179.00*            | 179.00*          | 10.00*     | 189.00*            |                     |                       |                   |
| TOTAL PROGRAM COST    | 8,786,865        |               | 8,786,865          | 8,786,865        | 23,720     | 8,810,585          | 17,573,730          | 17,597,450            | .13               |
|                       |                  |               |                    |                  |            |                    |                     |                       |                   |

### Narrative for Supplemental Budget Requests FY 2013

Program ID: TAX 100

Program Structure Level: 11 02 01 01

Program Title: Compliance

#### A. Program Objective

To promote and maintain a tax system based on self-assessment and voluntary compliance by taxpayers through the consistent and fair application of all State tax laws administered by the Department. To reduce the amount of outstanding taxes owed to the State.

#### B. Description of Request

- 1. Labor Savings Adjustments Request a reduction of \$279,686 for labor savings pursuant to collective bargaining agreements and Section 96 of Act 164, SLH 2011.
- 2. Compliance requests \$303,406 for FY 2013 and \$486,000 thereafter to fund 10.0 permanent positions and 4.0 temporary positions and expenses including training, interstate travel (for audits), subject matter expert fees, and other current expenses. Positions requested include 6.0 permanent and 1.0 temporary positions on Oahu, 3.0 permanent and 1.0 temporary positions for Maui, 1.0 temporary position for Hawaii, and 1.0 permanent and 1.0 temporary positions for Kauai.

#### C. Reasons for Request

 The labor savings reduction is necessary to reflect payroll costs under current collective bargaining agreements and to restore a portion of the \$88.2 million in general funds cut from BUF 741, Retirement Benefits -State, in FY 13. 2. Of the 10.0 permanent positions requested, 7.0 (6.0 Tax Return Examiners for Oahu and 1.0 Delinquent Tax Collections Assistant for Maui) are direct revenue generating positions. The other three permanent positions are taxpayer services positions (2.0 for Maui and 1.0 for Kauai). The four temporary positions are temporary tax season positions (1.0 for Oahu, 1.0 for Maui, 1.0 for Hawaii and 1.0 for Kauai).

The taxpayer services sections on the neighbor islands and Collections support services have been short staffed. These shortages required the help of direct revenue producing positions in Office Audit, Field Audit and Collections, reducing their productivity.

Training, out-of-state travel for audits, and subject matter expert fees are required for Field Audit to enhance their productivity.

#### D. Significant Changes to Measures of Effectiveness and Program Size

None

## EXECUTIVE SUPPLEMENTAL BUDGET (IN DOLLARS)

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PROGRAM ID:

TAX-105

PROGRAM STRUCTURE NO: 11020103

PROGRAM TITLE:

TAX SERVICES AND PROCESSING

|                       |                  | FY 2012                                 |                    |                  | FY 2013    | ! -                | BIENNIU             | IENNIUM TOTALS        |                   |  |  |
|-----------------------|------------------|---|--------------------|------------------|------------|--------------------|---------------------|-----------------------|-------------------|--|--|
| PROGRAM COSTS         | CURRENT<br>APPRN | ADJUSTMENT                              | RECOMMEND<br>APPRN | CURRENT<br>APPRN | ADJUSTMENT | RECOMMEND<br>APPRN | CURRENT<br>BIENNIUM | RECOMMEND<br>BIENNIUM | PERCENT<br>CHANGE |  |  |
| CURR LEASE PAYMENTS   |                  |   | <u> </u>           |                  |            |                    |                     |                       |                   |  |  |
|                       |                  |   |                    |                  |            |                    |                     |                       |                   |  |  |
| OPERATING             | 122.00*          | *                                       | 122.00*            | 122.00*          | *          | 122.00*            | *                   | *                     | * *               |  |  |
| PERSONAL SERVICES     | 5,822,821        |   | 5,822,821          | 5,822,821        | 189,260-   | 5,633,561          | 11,645,642          | 11,456,382            |                   |  |  |
| OTH CURRENT EXPENSES  | 381,800          |   | 381,800            | 381,800          | 1,400,000  | 1,781,800          | 763,600             | 2,163,600             |                   |  |  |
| EQUIPMENT             | 5,000            |   | 5,000              | 5,000            |            | 5,000              | 10,000              | 10,000                |                   |  |  |
| TOTAL OPERATING COST  | 6,209,621        | *************************************** | 6,209,621          | 6,209,621        | 1,210,740  | 7,420,361          | 12,419,242          | 13,629,982            | 9.75              |  |  |
| BY MEANS OF FINANCING |                  |   |                    |                  |            | •                  |                     |                       |                   |  |  |
|                       | 122.00*          | *                                       | 122.00*            | 122.00*          | *          | 122.00*            | *                   | *                     | *                 |  |  |
| GENERAL FUND          | 6,209,621        |   | 6,209,621 ¦        | 6,209,621        | 1,210,740  | 7,420,361          | 12,419,242          | 13,629,982            |                   |  |  |
| TOTAL POSITIONS       | 122.00*          | *                                       | 122.00*            | 122.00*          | *          | 122.00*            |                     |                       |                   |  |  |
| TOTAL PROGRAM COST    | 6,209,621        |   | 6,209,621          | 6,209,621        | 1,210,740  | 7,420,361          | 12,419,242          | 13,629,982            | 9.75              |  |  |
|                       |                  |   | i                  |                  |            | ; -                |                     | ==========            |                   |  |  |

## Narrative for Supplemental Budget Requests FY 2013

Program ID: TAX 105

Program Structure Level: 11 02 01 03 Program Title: Tax Services and Processing

#### A. Program Objective

To process all tax documents received in the most efficient and expeditious manner possible; to maintain accurate accounting records for all tax programs; and promote voluntary taxpayer compliance through timely delivery of information, forms, and responses to questions and inquiries.

#### B. Description of Request

- 1. Labor Savings Adjustments Request a reduction of \$189,260 for labor savings pursuant to collective bargaining agreements and Section 96 of Act 164, SLH 2011.
- 2. Request \$1.4M to expand the electronic filing program. Funding will enable electronic filing and payment at no cost to the taxpayer for forms that are currently available electronically.

#### C. Reasons for Request

- The labor savings reduction is necessary to reflect payroll costs under current collective bargaining agreements and to restore a portion of the \$88.2 million in general funds cut from BUF 741, Retirement Benefits -State, in FY 13.
- 2. The current \$1 fee per electronic payment serves as a deterrent for some taxpayers, and does not support the Department of Taxation's

goal of achieving more efficiency in its filing processes and providing better customer service to taxpayers. Increasing electronic filing and payment will enable the Department to expedite the tax filing process and deposit of funds.

D. Significant Changes to Measures of Effectiveness and Program Size

None

## EXECUTIVE SUPPLEMENTAL BUDGET (IN DOLLARS)

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PROGRAM ID:

TAX-107

PROGRAM STRUCTURE NO: 11020104

PROGRAM TITLE:

SUPPORTING SERVICES - REVENUE COLLECTION

|                       |                  | FY 2012    |                                       |                  | FY 2013      |                    | BIENNI              | UM TOTALS             |                   |
|-----------------------|------------------|------------|---------------------------------------|------------------|--------------|--------------------|---------------------|-----------------------|-------------------|
| PROGRAM COSTS         | CURRENT<br>APPRN | ADJUSTMENT | RECOMMEND<br>APPRN                    | CURRENT<br>APPRN | · ADJUSTMENT | RECOMMEND<br>APPRN | CURRENT<br>BIENNIUM | RECOMMEND<br>BIENNIUM | PERCENT<br>CHANGE |
| CURR LEASE PAYMENTS   |                  | · · ·      | i,                                    |                  |              | i                  |                     |                       |                   |
|                       |                  |            |                                       |                  |              |                    |                     |                       |                   |
| OPERATING             | 72.00*           | *          | 72.00*                                | 72.00*           |              | 72.00*             | *                   | *                     | *                 |
| PERSONAL SERVICES     | 5,086,240        |            | 5,086,240                             | 5,086,240        | 154,602-     | 4,931,638          | 10,172,480          | 10,017,878            |                   |
| OTH CURRENT EXPENSES  | 3,183,361        |            | 3,183,361                             | 2,982,191        |              | 2,982,191          | 6,165,552           | 6,165,552             |                   |
| EQUIPMENT             | 128,000          |            | 128,000                               | 20,000           |              | 20,000             | 148,000             | 148,000               |                   |
| TOTAL OPERATING COST  | 8,397,601        |            | 8,397,601                             | 8,088,431        | 154,602-     | 7,933,829          | 16,486,032          | 16,331,430            | .94-              |
| BY MEANS OF FINANCING |                  |            |                                       |                  |              |                    |                     |                       |                   |
| DI HEARD OF FINANCING | 72.00*           | *          | 72.00*                                | 72.00*           | *            | 72.00*             | *                   | *                     | *                 |
| GENERAL FUND          | 7,339,726        |            | 7,339,726                             | 7,030,556        | 150,354-     | 6,880,202          | 14,370,282          | 14,219,928            |                   |
|                       | *                | *          | *                                     | *                | *            | *                  | *                   | *                     | *                 |
| SPECIAL FUND          | 1,057,875        |            | 1,057,875                             | 1,057,875        | 4,248-       | 1,053,627          | 2,115,750           | 2,111,502             |                   |
| CAPITAL INVESTMENT    |                  |            |                                       |                  |              |                    |                     |                       |                   |
| DESIGN                | 33,000           |            | 33,000                                |                  |              | !                  | 33,000              | 33,000                |                   |
| CONSTRUCTION          | 300,000          |            | 300,000                               |                  |              | İ                  | 300,000             | 300,000               |                   |
| TOTAL CAPITAL COSTS   | 333,000          |            | 333,000                               |                  |              |                    | 333,000             | 333,000               |                   |
|                       |                  |            |                                       |                  |              |                    |                     |                       |                   |
| BY MEANS OF FINANCING |                  |            |                                       |                  |              |                    |                     |                       |                   |
| G.O. BONDS            | 333,000          |            | 333,000                               |                  |              | 1                  | 333,000             | 333,000               |                   |
| TOTAL POSITIONS       | 72.00*           | *          | 72.00*!                               | 72.00*           | *            | 72.00*             |                     |                       |                   |
| TOTAL PROGRAM COST    | 8,730,601        |            | 8,730,601                             | 8,088,431        | 154,602-     | 7,933,829          | 16,819,032          | 16,664,430            | .92-              |
|                       |                  |            | · · · · · · · · · · · · · · · · · · · | , ,              | •            |                    |                     | , ,                   |                   |

## Narrative for Supplemental Budget Requests FY 2013

Program ID: TAX 107

Program Structure Level: 11 02 01 04

Program Title: Supporting Services – Revenue Collection

#### A. Program Objective

To enhance the Department's effectiveness and efficiency in implementing tax programs for formulating policies, allocating resources and providing direction to operations; and to improve the State's policy and decision-making process by providing timely and accurate tax data and interpretive information.

#### **B.** Description of Request

Labor Savings Adjustments – Request a reduction of \$150,354 for labor savings pursuant to collective bargaining agreements and Section 96 of Act 164, SLH 2011.

#### C. Reasons for Request

The labor savings reduction is necessary to reflect payroll costs under current collective bargaining agreements and to restore a portion of the \$88.2 million in general funds cut from BUF 741, Retirement Benefits - State, in FY 13.

#### D. Significant Changes to Measures of Effectiveness and Program Size

None