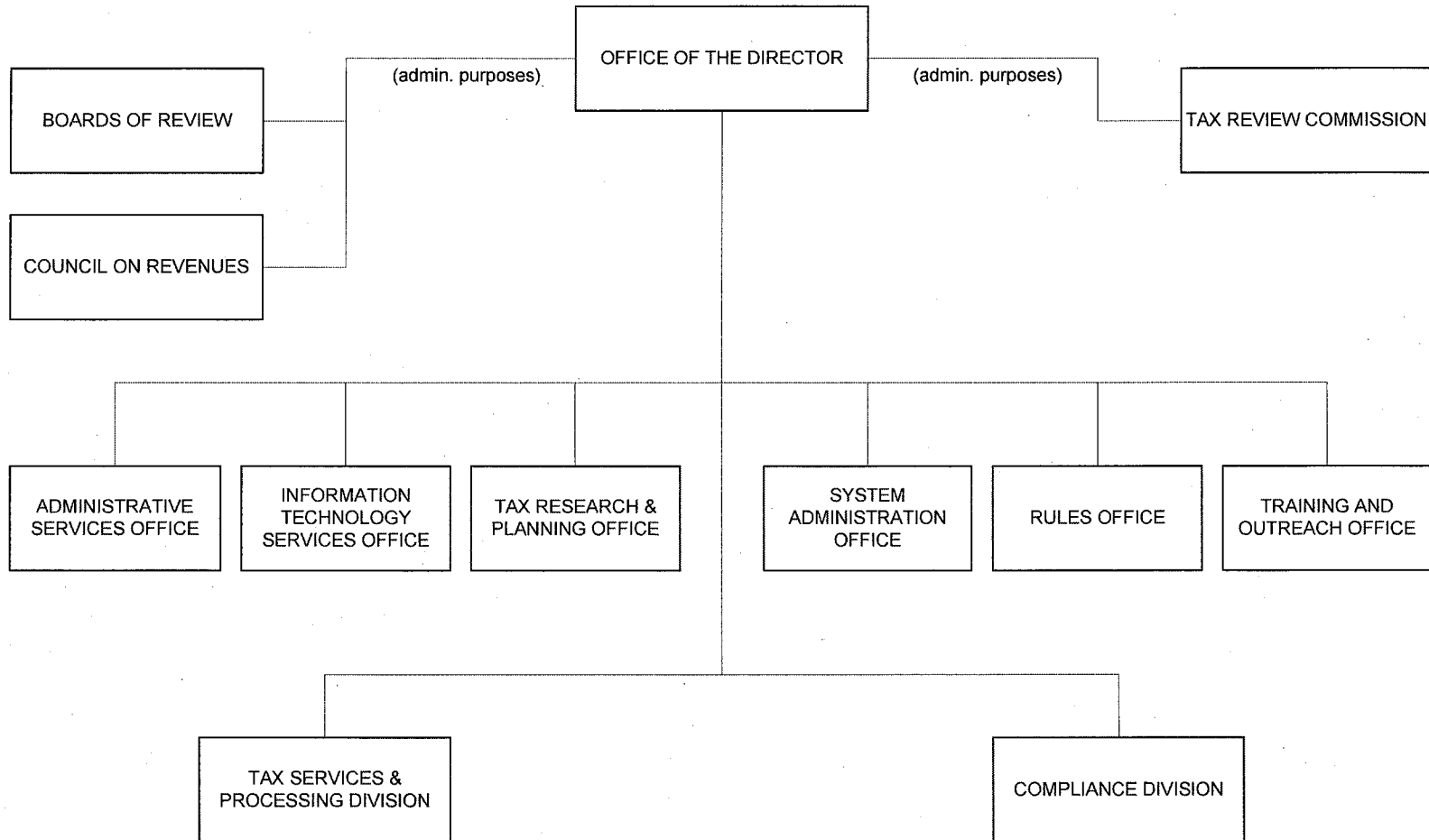




Department of Taxation

STATE OF HAWAII
DEPARTMENT OF TAXATION
ORGANIZATION CHART



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

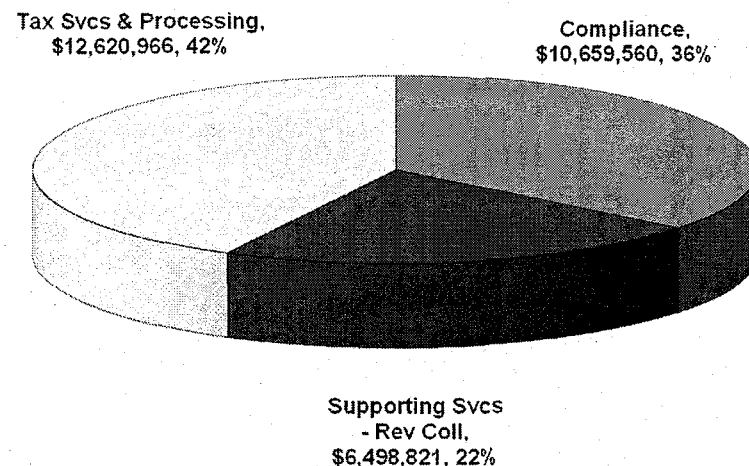
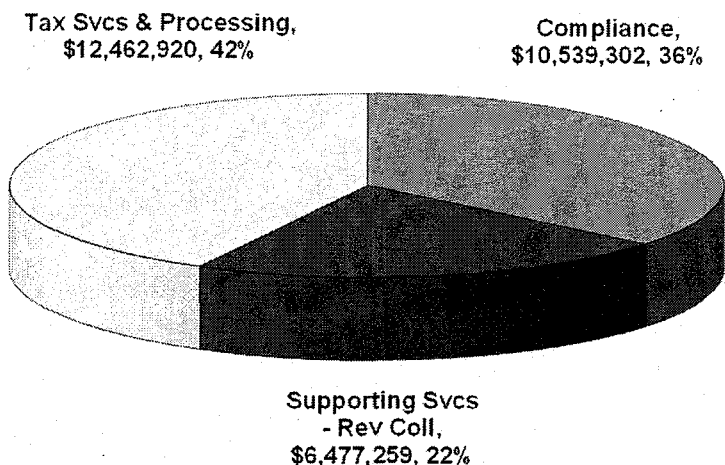
To provide one-stop customer service; to increase collection capabilities through efficient allocation of resources; to simplify filings, provide a more user-friendly interface with the public, and expedite delinquent referrals; to automate tax filings, billings and collections; to expand capacity for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

Significant Measures of Effectiveness

1. Average annual percentage call answer rate
2. Percent of tax returns audited resulting in adjustments
3. Average business days to deposit checks received from taxpayers

| <u>FY 2016</u> | <u>FY 2017</u> |
|----------------|----------------|
| 55 | 55 |
| 53 | 53 |
| 8 | 8 |

FB 2015-2017 Operating Budget by Major Program Area



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)**

| | | Budget Base FY 2016 | Budget Base FY 2017 | FY 2016 | FY 2017 |
|---------------------------|-----------|------------------------|------------------------|------------|------------|
| Funding Sources: | Positions | 384.00 | 384.00 | 384.00 | 384.00 |
| General Funds | \$ | 28,416,377 | 28,710,250 | 28,416,377 | 28,710,250 |
| Special Funds | | 1,063,104 | 1,069,097 | 1,063,104 | 1,069,097 |
| | | 384.00 | 384.00 | 384.00 | 384.00 |
| Total Requirements | | 29,479,481 | 29,779,347 | 29,479,481 | 29,779,347 |

Major Adjustments in the Executive Budget Request: (general funds unless noted)

1. Trade-off/transfer requests to realign the budget and reflect approved reorganizations for various programs.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID:
 PROGRAM STRUCTURE NO.
 PROGRAM TITLE: DEPARTMENT OF TAXATION

| PROGRAM EXPENDITURES | IN DOLLARS | | | | IN THOUSANDS | | | |
|-----------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|------------------|------------------|------------------|------------------|
| | FY2013-14 | FY2014-15 | FY2015-16 | FY2016-17 | FY2017-18 | FY2018-19 | FY2019-20 | FY2020-21 |
| OPERATING COST | 382.00* | 384.00* | 384.00* | 384.00* | 384.0* | 384.0* | 384.0* | 384.0* |
| PERSONAL SERVICES | 17,225,411 | 19,148,682 | 22,149,056 | 22,448,922 | 22,450 | 22,450 | 22,450 | 22,450 |
| OTHER CURRENT EXPENSES | 4,891,854 | 7,330,425 | 7,330,425 | 7,330,425 | 7,331 | 7,331 | 7,331 | 7,331 |
| EQUIPMENT | 399,062 | 6,624 | | | | | | |
| TOTAL OPERATING COST | 22,516,327 | 26,485,731 | 29,479,481 | 29,779,347 | 29,781 | 29,781 | 29,781 | 29,781 |
| BY MEANS OF FINANCING | | | | | | | | |
| GENERAL FUND | 382.00* 21,935,886 | 384.00* 25,426,909 | 384.00* 28,416,377 | 384.00* 28,710,250 | 384.0* 28,712 | 384.0* 28,712 | 384.0* 28,712 | 384.0* 28,712 |
| SPECIAL FUND | 580,441 | 1,058,822 | 1,063,104 | 1,069,097 | 1,069 | 1,069 | 1,069 | 1,069 |
| CAPITAL INVESTMENT APPROPRIATIONS | | | | | | | | |
| DESIGN | 16,000,000 | 1,000 | | | | | | |
| CONSTRUCTION | 1,000 | 16,000,000 | | | | | | |
| TOTAL CAPITAL APPROPRIATIONS | 16,001,000 | 16,001,000 | | | | | | |
| BY MEANS OF FINANCING | | | | | | | | |
| G.O. BONDS | 16,001,000 | 16,001,000 | | | | | | |
| TOTAL POSITIONS | 382.00* | 384.00* | 384.00* | 384.00* | 384.00* | 384.00* | 384.00* | 384.00* |
| TOTAL PROGRAM COST | 38,517,327 | 42,486,731 | 29,479,481 | 29,779,347 | 29,781 | 29,781 | 29,781 | 29,781 |

**Department of Taxation
(Capital Improvements Budget)**

| | <u>FY 2016</u> | <u>FY 2017</u> |
|---------------------------|----------------|----------------|
| Funding Sources: | | |
| General Obligation Bonds | - | - |
| Federal Funds | - | - |
| Total Requirements | - | - |

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)

1. None.

STATE OF HAWAII
PROGRAM ID
PROGRAM STRUCTURE NO.
PROGRAM TITLE

**REQUIRED CAPITAL APPROPRIATIONS - BY CAPITAL PROJECT
IN THOUSANDS OF DOLLARS**

REPORT B78
PAGE 281

DEPARTMENT OF TAXATION

| PROJECT NUMBER | PRIORITY NUMBER | LOC | SCOPE COST ELEMENT/MOF | PROJECT TITLE | | BUDGET PERIOD | | | | | | SUCCEED YEARS | | |
|----------------|-----------------|-----|---------------------------|---------------|-----------|---------------|----------|----------|----------|----------|----------|---------------|----------|----------|
| | | | | PROJECT TOTAL | PRIOR YRS | FY 13-14 | FY 14-15 | FY 15-16 | FY 16-17 | FY 17-18 | FY 18-19 | | FY 19-20 | FY 20-21 |
| | | | DESIGN | 16,001 | | 16,000 | 1 | | | | | | | |
| | | | CONSTRUCTION | 16,001 | | 1 | 16,000 | | | | | | | |
| | | | TOTAL | 32,002 | | 16,001 | 16,001 | | | | | | | |
| | | | G.O. BONDS | 32,002 | | 16,001 | 16,001 | | | | | | | |



Operating Budget Details

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID:

PROGRAM STRUCTURE NO. 11

PROGRAM TITLE: GOVERNMENT-WIDE SUPPORT

| PROGRAM EXPENDITURES | IN DOLLARS | | | | IN THOUSANDS | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------|---------------|---------------|---------------|
| | FY2013-14 | FY2014-15 | FY2015-16 | FY2016-17 | FY2017-18 | FY2018-19 | FY2019-20 | FY2020-21 |
| OPERATING COST | 382.00* | 384.00* | 384.00* | 384.00* | 384.0* | 384.0* | 384.0* | 384.0* |
| PERSONAL SERVICES | 17,225,411 | 19,148,682 | 22,149,056 | 22,448,922 | 22,450 | 22,450 | 22,450 | 22,450 |
| OTHER CURRENT EXPENSES | 4,891,854 | 7,330,425 | 7,330,425 | 7,330,425 | 7,331 | 7,331 | 7,331 | 7,331 |
| EQUIPMENT | 399,062 | 6,624 | | | | | | |
| TOTAL OPERATING COST | 22,516,327 | 26,485,731 | 29,479,481 | 29,779,347 | 29,781 | 29,781 | 29,781 | 29,781 |
| BY MEANS OF FINANCING | | | | | | | | |
| GENERAL FUND | 382.00* | 384.00* | 384.00* | 384.00* | 384.0* | 384.0* | 384.0* | 384.0* |
| | 21,935,886 | 25,426,909 | 28,416,377 | 28,710,250 | 28,712 | 28,712 | 28,712 | 28,712 |
| SPECIAL FUND | 580,441 | 1,058,822 | 1,063,104 | 1,069,097 | 1,069 | 1,069 | 1,069 | 1,069 |
| CAPITAL INVESTMENT APPROPRIATIONS | | | | | | | | |
| DESIGN | 16,000,000 | 1,000 | | | | | | |
| CONSTRUCTION | 1,000 | 16,000,000 | | | | | | |
| TOTAL CAPITAL APPROPRIATIONS | 16,001,000 | 16,001,000 | | | | | | |
| BY MEANS OF FINANCING | | | | | | | | |
| G.O. BONDS | 16,001,000 | 16,001,000 | | | | | | |
| TOTAL POSITIONS | 382.00* | 384.00* | 384.00* | 384.00* | 384.00* | 384.00* | 384.00* | 384.00* |
| TOTAL PROGRAM COST | 38,517,327 | 42,486,731 | 29,479,481 | 29,779,347 | 29,781 | 29,781 | 29,781 | 29,781 |

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: TAX100
 PROGRAM STRUCTURE NO. 11020101
 PROGRAM TITLE: COMPLIANCE

| PROGRAM EXPENDITURES | IN DOLLARS | | | | IN THOUSANDS | | | |
|------------------------|------------|-----------|------------|------------|--------------|-----------|-----------|-----------|
| | FY2013-14 | FY2014-15 | FY2015-16 | FY2016-17 | FY2017-18 | FY2018-19 | FY2019-20 | FY2020-21 |
| OPERATING COST | 189.00* | 191.00* | 185.00* | 185.00* | 185.0* | 185.0* | 185.0* | 185.0* |
| PERSONAL SERVICES | 7,716,430 | 8,460,943 | 9,161,104 | 9,279,310 | 9,280 | 9,280 | 9,280 | 9,280 |
| OTHER CURRENT EXPENSES | 854,952 | 958,234 | 938,434 | 938,434 | 939 | 939 | 939 | 939 |
| EQUIPMENT | 228,688 | | | | | | | |
| TOTAL OPERATING COST | 8,800,070 | 9,419,177 | 10,099,538 | 10,217,744 | 10,219 | 10,219 | 10,219 | 10,219 |
| BY MEANS OF FINANCING | | | | | | | | |
| GENERAL FUND | 189.00* | 191.00* | 185.00* | 185.00* | 185.0* | 185.0* | 185.0* | 185.0* |
| | 8,800,070 | 9,419,177 | 10,099,538 | 10,217,744 | 10,219 | 10,219 | 10,219 | 10,219 |
| TOTAL POSITIONS | 189.00* | 191.00* | 185.00* | 185.00* | 185.00* | 185.00* | 185.00* | 185.00* |
| TOTAL PROGRAM COST | 8,800,070 | 9,419,177 | 10,099,538 | 10,217,744 | 10,219 | 10,219 | 10,219 | 10,219 |

PROGRAM ID: TAX100
 PROGRAM STRUCTURE: 11020101
 PROGRAM TITLE: COMPLIANCE

| | FY 2013-14 | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| MEASURES OF EFFECTIVENESS | | | | | | | | |
| 1. % OF RETURNS AUDITED AS % OF RETURNS FILED | 1.01 | 1.01 | 2.60 | 2.60 | 2.60 | 2.60 | 2.60 | 2.60 |
| 2. % OF RETURNS AUDITED RESULTING IN ADJUSTMENTS | 65 | 65 | 50 | 50 | 50 | 50 | 50 | 50 |
| 3. % INCR/DECR IN TOTAL DELINQUENT TAXES OUTSTANDING | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| PROGRAM TARGET GROUPS | | | | | | | | |
| 1. NO. OF ACTIVE BUSINESS LICENSES DURING FISCAL YEAR | 575000 | 575000 | 625000 | 625000 | 625000 | 625000 | 625000 | 625000 |
| 2. TOTAL DELINQUENT TAXES OUTSTANDING DURING THE FY | 478 | 478 | 430 | 430 | 430 | 430 | 430 | 430 |
| PROGRAM ACTIVITIES | | | | | | | | |
| 1. NUMBER OF RETURNS AUDITED | 12700 | 12700 | 21700 | 21700 | 21700 | 21700 | 21700 | 21700 |
| 2. NUMBER OF ASSESSMENTS MADE | 9000 | 9000 | 11200 | 11200 | 11200 | 11200 | 11200 | 11200 |
| 3. TOTAL AMOUNT OF COLLECTION MADE WITH ASSESSMENTS | 21 | 21 | 16 | 16 | 16 | 16 | 16 | 16 |
| 4. AMOUNT OF DELINQUENT TAXES COLLECTED | 200 | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| 5. NUMBER OF TAX LIENS FILED | 7000 | 7000 | 3500 | 3500 | 3500 | 3500 | 3500 | 3500 |
| 6. NUMBER OF LEVIES PROCESSED | 15000 | 15000 | 16000 | 16000 | 16000 | 16000 | 16000 | 16000 |

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

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 and Compliance with Section 37-68(1)(A)(B)

The division requests the transfer-out of six (6) positions and funding for the Criminal Investigation Section to the Director's Office because of the confidential nature of the criminal investigations. The division also requests the transfer-out of one (1) position and funding to the Administrative Services Office (ASO) to resolve ASO's overworked and staffing-shortage issues.

There are also three transfers of positions and funding within the division. The first one is the transfer of one (1) position from the Office Audit Branch to the Collection Branch. The position will provide professional and managerial support to the Tax Collector for program planning and confronting as many existing delinquencies. The other two (2) transfers are due to the reorganization of the Compliance Division.

C. Description of Activities Performed

1. Field Audits – Field audits involve the examination of taxpayers' accounting records, books, and financial statements to ensure appropriate compliance with State tax laws, proper classification of revenues, and acceptable documentation for expenses claimed. The scope of activities for field examinations encompasses examination and assessment of out-of-state taxpayers.

2. Office Audits – Office audits involve the in-depth review of a wide variety of tax returns to ensure accuracy of math computations, proper reporting of revenues, and reasonableness for expenses claimed.
3. Collections - Collection of delinquent taxes involves utilizing the appropriate collection tools to secure payment from delinquent taxpayers; providing appropriate representation in bankruptcy proceedings to ensure that the State's claims against bankrupt delinquent taxpayers are timely filed, appropriately recorded, and properly resolved in the bankruptcy proceedings.
4. In the neighbor island district offices, the program provides taxpayer assistance and services for a range of functions. Taxpayers are assisted over the counter (walk-ins), and through telephone inquiries and correspondence. The types of services provided include assistance in preparing returns, providing technical information, issuing tax forms and instructions, acceptance of tax returns and payments, and providing public speakers. Each district office also performs field audit, office audit, and collections activities.

D. Statement of Key Policies Pursued

The key policies of this Division are: uniform and equitable administration and application of all appropriate State tax laws to all taxpayers; maximum dissemination of tax information to ensure an effective self-assessment program; increasing voluntary compliance with statutory registration and filing requirements, maintaining auditing and collections programs to ensure compliance with tax laws; and proper staff training to ensure sufficient competence to realize uniformity of applications and equity to taxpayers.

E. Identification of Important Program Relationships

The Department of Taxation and the Internal Revenue Service exchange tax information under an agreement signed by the state and federal governments in 1965. Since the income tax laws of both agencies are similar, income tax audits made by one agency are generally applicable to the other resulting in broader audit coverage and additional revenues from deficiency assessments. Under the Multi-State Tax Compact, Hawaii exchanges tax information with other member states and utilizes the services of the multi-state tax auditors in the audit of multi-state corporations. The program has also established relationships with the Federal Bankruptcy Court, the Department of the Attorney General, the Department of Commerce and Consumer Affairs and the Department of Accounting and General Services.

F. Description of Major External Trends Affecting the Program

The statewide population trends, business activities, economic condition, taxpayer filing patterns, and legislative changes are the major external trends that affect this program.

G. Discussion of Cost, Effectiveness, and Program Size Data

To ensure uniformity and consistency in the application of tax laws so that each taxpayer bears his fair share of taxes, the Department must have sufficient resources for audit and collection enforcement programs. Additional resources to improve audit and collection activities will increase revenues, reduce delinquent taxes, and encourage voluntary taxpayer compliance.

H. Discussion of Program Revenues

None.

I. Summary of Analysis Performed

None.

J. Further Considerations

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: TAX105
 PROGRAM STRUCTURE NO. 11020103
 PROGRAM TITLE: TAX SERVICES AND PROCESSING

| PROGRAM EXPENDITURES | IN DOLLARS | | | | IN THOUSANDS | | | |
|-----------------------------|------------------|------------------|------------------|------------------|--------------|--------------|--------------|--------------|
| | FY2013-14 | FY2014-15 | FY2015-16 | FY2016-17 | FY2017-18 | FY2018-19 | FY2019-20 | FY2020-21 |
| OPERATING COST | 118.00* | 118.00* | 118.00* | 118.00* | 118.0* | 118.0* | 118.0* | 118.0* |
| PERSONAL SERVICES | 4,681,639 | 5,430,208 | 6,095,459 | 6,117,021 | 6,117 | 6,117 | 6,117 | 6,117 |
| OTHER CURRENT EXPENSES | 576,362 | 381,800 | 381,800 | 381,800 | 382 | 382 | 382 | 382 |
| EQUIPMENT | 66,240 | | | | | | | |
| TOTAL OPERATING COST | 5,324,241 | 5,812,008 | 6,477,259 | 6,498,821 | 6,499 | 6,499 | 6,499 | 6,499 |
| | | | | | | | | |
| BY MEANS OF FINANCING | | | | | | | | |
| GENERAL FUND | 118.00* | 118.00* | 118.00* | 118.00* | 118.0* | 118.0* | 118.0* | 118.0* |
| | 5,324,241 | 5,812,008 | 6,477,259 | 6,498,821 | 6,499 | 6,499 | 6,499 | 6,499 |
| | | | | | | | | |
| TOTAL POSITIONS | 118.00* | 118.00* | 118.00* | 118.00* | 118.00* | 118.00* | 118.00* | 118.00* |
| TOTAL PROGRAM COST | 5,324,241 | 5,812,008 | 6,477,259 | 6,498,821 | 6,499 | 6,499 | 6,499 | 6,499 |

PROGRAM ID: TAX105
 PROGRAM STRUCTURE: 11020103
 PROGRAM TITLE: TAX SERVICES AND PROCESSING

| | FY 2013-14 | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <u>MEASURES OF EFFECTIVENESS</u> | | | | | | | | |
| 1. AVE BUSINESS DAYS TO DEPOSIT CHECKS FROM TAXPAYERS | 6 | 6 | 8 | 8 | 8 | 8 | 8 | 8 |
| 2. % NON-WORKLISTED REFUNDS COMPLETED IN 45 BUS DAYS | 90 | 90 | 90 | 90 | 90 | 90 | 90 | 90 |
| 3. AVERAGE CALL ANSWER RATE | 60 | 60 | 55 | 55 | 55 | 55 | 55 | 55 |
| 4. AVE CAL DAYS TO RESPOND TO PAPR/ELEC CORRESPDNCE | 5 | 5 | 7 | 7 | 7 | 7 | 7 | 7 |
| 5. % INC/DEC ELECTRONIC FILINGS OVER PRIOR FISCAL YR | 8 | 8 | 10 | 10 | 10 | 10 | 10 | 10 |
| <u>PROGRAM TARGET GROUPS</u> | | | | | | | | |
| 1. NUMBER OF TAXPAYERS FILING SELECTED KEY RETURNS | 1040000 | 1040000 | 1100000 | 1100000 | 1100000 | 1100000 | 1100000 | 1100000 |
| 2. NUMBER OF CALLERS REQUESTING PERSONAL ASSISTANCE | 250000 | 250000 | 270000 | 270000 | 270000 | 270000 | 270000 | 270000 |
| 3. NO. OF PAPER & ELECTRONIC CORRESPONDENCE RECEIVED | 28000 | 28000 | 28000 | 28000 | 28000 | 28000 | 28000 | 28000 |
| <u>PROGRAM ACTIVITIES</u> | | | | | | | | |
| 1. NUMBER OF TAX RETURNS FILED | 700000 | 700000 | 750000 | 750000 | 750000 | 750000 | 750000 | 750000 |
| 2. NO. TELEPHONE CALLS SERVICED BY CUSTOMER SVC REP | 150000 | 150000 | 125000 | 125000 | 125000 | 125000 | 125000 | 125000 |
| 3. NO. OF PAPER & ELECTRONIC CORRESPONDENCE RECEIVED | 26500 | 26500 | 27000 | 27000 | 27000 | 27000 | 27000 | 27000 |

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

To process all tax documents received in the most efficient and expeditious manner possible; 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 and Compliance with Section 37-68(1)(A)(B)

None.

C. Description of Activities Performed

1. Providing Centralized Customer Service, Assistance, and Information on all taxes administered by the Department – these functions include responding to general questions relating to income, business, and miscellaneous taxes and procedures; analyzing taxpayers' questions, research, interpretation of law, and development of appropriate correspondences; providing assistance to taxpayers in filing their general excise/use, withholding, transient accommodations, and rental motor vehicle and tour vehicle surcharge tax returns; initiating online changes and corrections to accounting period data and accounts; responding to billing and tax return adjustment inquiries; processing and issuing tax clearances; and receiving and processing requests for tax forms.
2. Issuing Tax Licenses – these functions include assisting taxpayers applying for new or renewed tax licenses, permits, and identification numbers on a statewide basis as they relate to the general excise, withholding, transient accommodations, rental motor vehicle and tour vehicle surcharge, tobacco, liquor, or fuel taxes; processing miscellaneous tax registration and renewals on a statewide basis; and

approving and monitoring applications to purchase cigarette tax stamps.

3. Account Management – this function includes providing computer-based correction activities to the demographic and financial information on a taxpayer's account in order to process, post, or update net income, general excise, use, withholding, transient accommodation, rental motor vehicle and tour vehicle surcharge tax returns; and preparing letters to taxpayers as it relates to correction adjustments.
4. Receiving and Preparing Documents for Cashiering – these functions include opening, sorting, and distributing incoming mail; preparing and delivering outgoing mail; batching documents by tax type; and editing the documents.
5. Processing Documents – these functions include the cashiering and depositing of all monies received; processing of returns and payments received from paper and electronic channels; entering of data into a machine print media; and maintenance and control of documents in the central filing system.
6. Revenue Accounting – these functions include the control and accounting for all tax revenues collected, adjusted, and refunded; maintenance of revenue control and subsidiary ledgers; maintenance of the accounting system for protested payments and tax appeals; and statewide processing and accounting activities of all miscellaneous taxes (except estate and transfer tax).
7. Preparing Statements and Reports of Tax Operations – this function includes gathering, compiling, analyzing, and preparing tax operation statements and reports.

8. Providing Support Services – these functions include duplicating services of tax documents and providing internal mail service and messenger service to other State agencies for the Department.

I. Summary of Analysis Performed

None.

D. Statement of Key Policies Pursued

The key policies pursued by this Division are: rapid deposit of monies, efficient processing of tax returns, accurate and uniform accounting practices statewide, expedient processing of business license application and error-corrections of tax returns and other filings on-line, prompt and courteous service to the public, and fair and equitable treatment of all taxpayers.

J. Further Considerations

None.

E. Identification of Important Program Relationships

The Division has important relationships with the legislature, financial institutions, government (federal, state, county) agencies, branches within the Department, tax practitioners and preparers, and taxpayers.

F. Description of Major External Trends Affecting the Program

The statewide population trends, business activities, economic conditions, taxpayer filing patterns, Internal Revenue Service, and legislative changes are major external trends that affect this program.

G. Discussion of Cost, Effectiveness, and Program Size Data

In carrying out its functions, the program relies heavily on the expertise of its staff, broadly applied cutting-edge technology, and effective partnerships.

H. Discussion of Program Revenues

None.

OPERATING AND CAPITAL APPROPRIATIONS

REPORT P61-A

PROGRAM ID: TAX107
 PROGRAM STRUCTURE NO. 11020104
 PROGRAM TITLE: SUPPORTING SERVICES - REVENUE COLLECTION

| PROGRAM EXPENDITURES | IN DOLLARS | | | | IN THOUSANDS | | | |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|---------------|---------------|---------------|---------------|
| | FY2013-14 | FY2014-15 | FY2015-16 | FY2016-17 | FY2017-18 | FY2018-19 | FY2019-20 | FY2020-21 |
| OPERATING COST | 75.00* | 75.00* | 81.00* | 81.00* | 81.0* | 81.0* | 81.0* | 81.0* |
| PERSONAL SERVICES | 4,827,342 | 5,257,531 | 6,892,493 | 7,052,591 | 7,053 | 7,053 | 7,053 | 7,053 |
| OTHER CURRENT EXPENSES | 3,460,540 | 5,990,391 | 6,010,191 | 6,010,191 | 6,010 | 6,010 | 6,010 | 6,010 |
| EQUIPMENT | 104,134 | 6,624 | | | | | | |
| TOTAL OPERATING COST | 8,392,016 | 11,254,546 | 12,902,684 | 13,062,782 | 13,063 | 13,063 | 13,063 | 13,063 |
| BY MEANS OF FINANCING | | | | | | | | |
| GENERAL FUND | 75.00* | 75.00* | 81.00* | 81.00* | 81.0* | 81.0* | 81.0* | 81.0* |
| | 7,811,575 | 10,195,724 | 11,839,580 | 11,993,685 | 11,994 | 11,994 | 11,994 | 11,994 |
| SPECIAL FUND | 580,441 | 1,058,822 | 1,063,104 | 1,069,097 | 1,069 | 1,069 | 1,069 | 1,069 |
| CAPITAL INVESTMENT APPROPRIATIONS | | | | | | | | |
| DESIGN | 16,000,000 | 1,000 | | | | | | |
| CONSTRUCTION | 1,000 | 16,000,000 | | | | | | |
| TOTAL CAPITAL APPROPRIATIONS | 16,001,000 | 16,001,000 | | | | | | |
| BY MEANS OF FINANCING | | | | | | | | |
| G.O. BONDS | 16,001,000 | 16,001,000 | | | | | | |
| TOTAL POSITIONS | 75.00* | 75.00* | 81.00* | 81.00* | 81.00* | 81.00* | 81.00* | 81.00* |
| TOTAL PROGRAM COST | 24,393,016 | 27,255,546 | 12,902,684 | 13,062,782 | 13,063 | 13,063 | 13,063 | 13,063 |

PROGRAM ID: TAX107
 PROGRAM STRUCTURE: 11020104
 PROGRAM TITLE: SUPPORTING SERVICES - REVENUE COLLECTIONS

| | FY 2013-14 | FY 2014-15 | FY 2015-16 | FY 2016-17 | FY 2017-18 | FY 2018-19 | FY 2019-20 | FY 2020-21 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| MEASURES OF EFFECTIVENESS | | | | | | | | |
| 1. NO MEASURES HAVE BEEN ESTABLISHED FOR THIS PROG | | | | | | | | |
| PROGRAM ACTIVITIES | | | | | | | | |
| 1. NUMBER OF TAX LAW CHANGES | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS) | | | | | | | | |
| TAXES | 5,270,273 | 5,563,969 | 5,864,268 | 6,205,842 | 6,592,750 | 6,950,070 | 7,326,989 | 7,326,989 |
| LICENSES, PERMITS, AND FEES | 18,659 | 18,655 | 652 | 649 | 645 | 641 | 637 | 637 |
| REVENUE FROM OTHER AGENCIES: FEDERAL | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| CHARGES FOR CURRENT SERVICES | 524 | 524 | 524 | 524 | 524 | 524 | 524 | 524 |
| TOTAL PROGRAM REVENUES | 5,289,471 | 5,583,163 | 5,865,459 | 6,207,030 | 6,593,934 | 6,951,250 | 7,328,165 | 7,328,165 |
| PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS) | | | | | | | | |
| GENERAL FUNDS | 5,288,719 | 5,582,411 | 5,864,707 | 6,206,278 | 6,593,182 | 6,950,498 | 7,327,413 | 7,327,413 |
| SPECIAL FUNDS | 752 | 752 | 752 | 752 | 752 | 752 | 752 | 752 |
| TOTAL PROGRAM REVENUES | 5,289,471 | 5,583,163 | 5,865,459 | 6,207,030 | 6,593,934 | 6,951,250 | 7,328,165 | 7,328,165 |

NOTE: PROGRAM REVENUES BY TYPE AND FUND MAY NOT BE ACCURATE DUE TO SYSTEM ERROR.

A. Statement of Program Objectives

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 and Compliance with Section 37-68(1)(A)(B)

The division requests the transfer in of six (6) positions and funding for the Criminal Investigation Section to the Director's Office because of the confidential nature of the criminal investigations. The division also requests the transfer in of one (1) position and funding to the Administrative Services Office (ASO) to resolve ASO's overworked and staffing shortage issues.

There are also three transfers of position and funding within the division. The first one is the transfer of one (1) position from the Information Technology Services Office to the Personnel Office. The position is needed in the Personnel Office due to the increased workload in all areas of personnel management and in anticipation of major projects and reorganizations. The other two are the transfers of two (2) positions from the System Administration Office to the Tax Research & Planning Office. These two (2) positions will help provide revenue estimates for legislative proposals and produce reports on Hawaii income patterns of individuals and businesses, etc.

C. Description of Activities Performed

1. Director's Office – Provides administrative direction in implementing the Department's tax programs so as to achieve efficiency and effectiveness. Coordinates Department activities with other

government agencies and private enterprises in areas of mutual interest and responsibility.

2. Administrative Services Office – Provides administrative and personnel management support and services to the Department's operating units. Facilitates resource allocation decisions through the timely filling of vacancies and proper budgeting of expenditures. Prepares biennium and supplemental budgets based on the goals and objectives set by the Director of Taxation.
3. Information Technology Services Office – Provides technical support and formulates associated policies and procedures for the Department regarding effective information technology solutions. Provides maintenance support for current computer systems and assistance in planning for the Department's information technology requirements.
4. Rules Office – Develops tax interpretations, including rules and regulations, technical memoranda, tax information releases, tax precedents, and basic principles for uniform application of the State tax laws for statewide use. Prepares appropriate tax legislative proposals and written testimonies on all tax measures before the legislature. Develops and coordinates training programs in matters relating to the income and miscellaneous tax laws.
5. Tax Research and Planning Office – (1) Tax Planning. Develops pertinent and timely tax data to assist in the on-going review of the State tax structure. Reviews the revenue and economic impact of all proposed revisions to the tax system. Reviews and incorporates in the pertinent tax plans, all legislative proposals and enactments to meet administrative goals and financial requirements. (2) Revenue Projections. Evaluates and revises the tax revenue forecasts for the state and county general and special funds. Develops and updates various forecasting models and databases for tax revenues and

personal income. (3) Council on Revenues. Provides general fund estimates for a seven-year period and projects the total state personal income for the calendar year in progress. Reviews general fund estimates quarterly and total state personal income semiannually.

J. Further Considerations

None.

D. Statement of Key Policies Pursued

To maximize the State's income within the limits of established revenue policies and tax laws by administering an equitable system of tax assessment and efficient revenue collection.

E. Identification of Important Program Relationships

The Department continues to maintain an important relationship with the legislature, Internal Revenue Service, and tax practitioners.

F. Description of Major External Trends Affecting the Program

The statewide population trends, business activities, economic condition, taxpayer filing patterns, and legislative changes are the major external trends that affect this Department.

G. Discussion of Cost, Effectiveness, and Program Size Data

None.

H. Discussion of Program Revenues

None.

I. Summary of Analysis Performed

None.



Capital Budget Details

STATE OF HAWAII

REQUIRED CAPITAL APPROPRIATIONS - BY CAPITAL PROJECT
IN THOUSANDS OF DOLLARS

REPORT B78

PROGRAM ID TAX-107
PROGRAM STRUCTURE NO. 11020104
PROGRAM TITLE SUPPORTING SERVICES - REVENUE COLLECTION

PAGE 174

| PROJECT NUMBER | PRIORITY NUMBER | LOC | SCOPE | PROJECT TITLE | | BUDGET PERIOD | | | | | | SUCCEED YEARS | | |
|----------------|-----------------|-----|--------------|------------------|---|---------------|----------|----------|----------|----------|----------|---------------|----------|----------|
| | | | | COST ELEMENT/MOF | PROJECT TOTAL | PRIOR YRS | FY 13-14 | FY 14-15 | FY 15-16 | FY 16-17 | FY 17-18 | | FY 18-19 | FY 19-20 |
| 3 | 1 | | NEW | | TAX SYSTEM MODERNIZATION (TSM), STATEWIDE | | | | | | | | | |
| | | | DESIGN | 16,001 | | | 16,000 | 1 | | | | | | |
| | | | CONSTRUCTION | 16,001 | | | 1 | 16,000 | | | | | | |
| | | | TOTAL | 32,002 | | | 16,001 | 16,001 | | | | | | |
| | | | G.O. BONDS | 32,002 | | | 16,001 | 16,001 | | | | | | |
| PROGRAM TOTALS | | | | | | | | | | | | | | |
| | | | DESIGN | 16,001 | | | 16,000 | 1 | | | | | | |
| | | | CONSTRUCTION | 16,001 | | | 1 | 16,000 | | | | | | |
| | | | TOTAL | 32,002 | | | 16,001 | 16,001 | | | | | | |
| | | | G.O. BONDS | 32,002 | | | 16,001 | 16,001 | | | | | | |