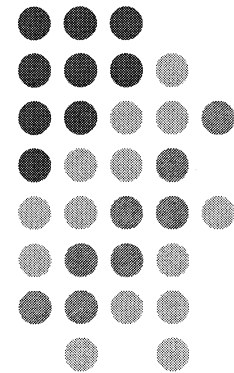
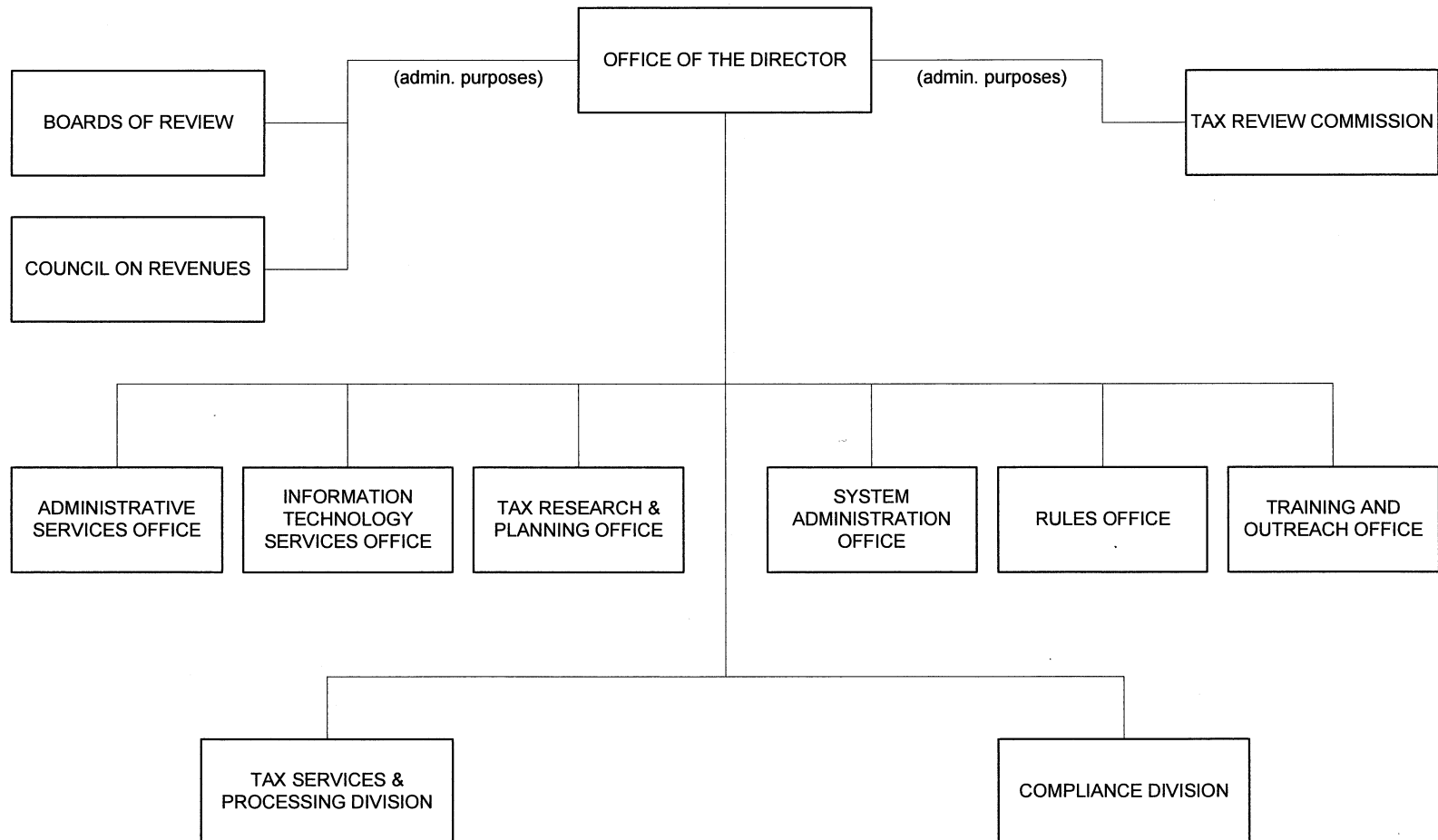

Department of Taxation



STATE OF HAWAII
DEPARTMENT OF TAXATION
ORGANIZATION CHART



DEPARTMENT OF TAXATION

Department Summary

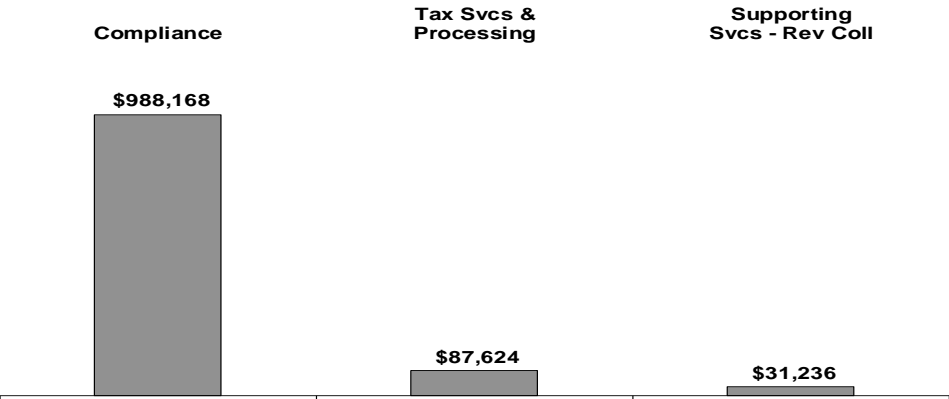
Mission Statement

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

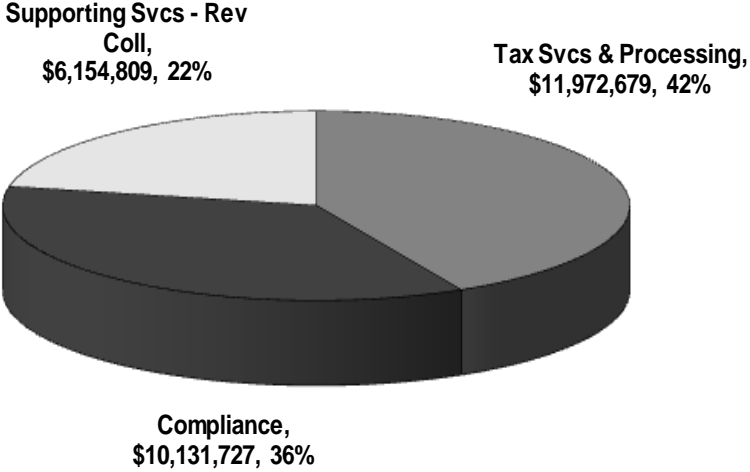
Department Goals

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 law changes and initiatives to improve tax administration.

FY 2015 Supplemental Operating Budget Adjustments by Major Program



FY 2015 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 134/2013 FY 2014	Act 134/2013 FY 2015	FY 2014 Adjustments	FY 2015 Adjustments	Total FY 2014	Total FY 2015
Funding Sources:	Positions	Perm	382.00	382.00	-	12.00	382.00	394.00
		Temp	143.00	143.00	-	2.00	143.00	145.00
General Funds		\$	23,502,342	26,104,312	-	1,107,028	23,502,342	27,211,340
		Perm	-	-	-	-	-	-
		Temp	6.00	6.00	-	-	6.00	6.00
Special Funds		\$	1,047,875	1,047,875	-	-	1,047,875	1,047,875
		Perm	382.00	382.00	-	12.00	382.00	394.00
		Temp	149.00	149.00	-	2.00	149.00	151.00
Total Requirements		\$	24,550,217	27,152,187	-	1,107,028	24,550,217	28,259,215

Comments: (general funds and FY 15 unless otherwise noted)

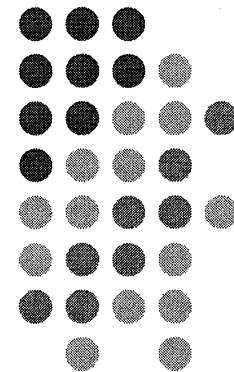
1. Adds 12.00 permanent and 2.00 temporary positions and \$1,107,028 for statewide staff support to increase tax collections and processing of claims.

**Department of Taxation
Capital Improvements Budget**

	Act 134/2013 FY 2014	Act 134/2013 FY 2015	FY 2014 Adjustments	FY 2015 Adjustments	Total FY 2014	Total FY 2015
Funding Sources:						
General Funds	-	-	-	-	-	-
General Obligation Bonds	16,001,000	16,001,000	-	-	16,001,000	16,001,000
Federal Funds	-	-	-	-	-	-
Total Requirements	16,001,000	16,001,000	-	-	16,001,000	16,001,000

Comments on Dept CIP Budget Request: (general obligation bonds and FY 15 unless otherwise noted)
None.

Operating Budget Details



**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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PROGRAM ID: **TAX-**
PROGRAM STRUCTURE NO: **11**
PROGRAM TITLE: **GOVERNMENT-WIDE SUPPORT**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	382.00*	*	382.00*	382.00*	12.00*	394.00*	*	*	*
PERSONAL SERVICES	19,684,192		19,684,192	20,267,762	535,742	20,803,504	39,951,954	40,487,696	
OTH CURRENT EXPENSES	4,806,025		4,806,025	6,884,425	501,182	7,385,607	11,690,450	12,191,632	
EQUIPMENT	60,000		60,000		70,104	70,104	60,000	130,104	
TOTAL OPERATING COST	24,550,217		24,550,217	27,152,187	1,107,028	28,259,215	51,702,404	52,809,432	2.14
BY MEANS OF FINANCING	382.00*	*	382.00*	382.00*	12.00*	394.00*	*	*	*
GENERAL FUND	23,502,342		23,502,342	26,104,312	1,107,028	27,211,340	49,606,654	50,713,682	
SPECIAL FUND	1,047,875		1,047,875	1,047,875		1,047,875	2,095,750	2,095,750	
CAPITAL INVESTMENT									
DESIGN	16,000,000		16,000,000	1,000		1,000	16,001,000	16,001,000	
CONSTRUCTION	1,000		1,000	16,000,000		16,000,000	16,001,000	16,001,000	
TOTAL CAPITAL COSTS	16,001,000		16,001,000	16,001,000		16,001,000	32,002,000	32,002,000	
BY MEANS OF FINANCING									
G.O. BONDS	16,001,000		16,001,000	16,001,000		16,001,000	32,002,000	32,002,000	
TOTAL POSITIONS	382.00*	*	382.00*	382.00*	12.00*	394.00*			
TOTAL PROGRAM COST	40,551,217		40,551,217	43,153,187	1,107,028	44,260,215	83,704,404	84,811,432	1.32

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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PROGRAM ID: **TAX-**
PROGRAM STRUCTURE NO: **1102**
PROGRAM TITLE: **FISCAL MANAGEMENT**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	382.00*	*	382.00*	382.00*	12.00*	394.00*	*	*	*
PERSONAL SERVICES	19,684,192		19,684,192	20,267,762	535,742	20,803,504	39,951,954	40,487,696	
OTH CURRENT EXPENSES	4,806,025		4,806,025	6,884,425	501,182	7,385,607	11,690,450	12,191,632	
EQUIPMENT	60,000		60,000		70,104	70,104	60,000	130,104	
TOTAL OPERATING COST	24,550,217		24,550,217	27,152,187	1,107,028	28,259,215	51,702,404	52,809,432	2.14
BY MEANS OF FINANCING	382.00*	*	382.00*	382.00*	12.00*	394.00*	*	*	*
GENERAL FUND	23,502,342		23,502,342	26,104,312	1,107,028	27,211,340	49,606,654	50,713,682	
SPECIAL FUND	1,047,875		1,047,875	1,047,875		1,047,875	2,095,750	2,095,750	
CAPITAL INVESTMENT									
DESIGN	16,000,000		16,000,000	1,000		1,000	16,001,000	16,001,000	
CONSTRUCTION	1,000		1,000	16,000,000		16,000,000	16,001,000	16,001,000	
TOTAL CAPITAL COSTS	16,001,000		16,001,000	16,001,000		16,001,000	32,002,000	32,002,000	
BY MEANS OF FINANCING									
G.O. BONDS	16,001,000		16,001,000	16,001,000		16,001,000	32,002,000	32,002,000	
TOTAL POSITIONS	382.00*	*	382.00*	382.00*	12.00*	394.00*			
TOTAL PROGRAM COST	40,551,217		40,551,217	43,153,187	1,107,028	44,260,215	83,704,404	84,811,432	1.32

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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PROGRAM ID: **TAX-**
PROGRAM STRUCTURE NO: **110201**
PROGRAM TITLE: **REVENUE COLLECTION**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	382.00*	*	382.00*	382.00*	12.00*	394.00*	*	*	*
PERSONAL SERVICES	19,684,192		19,684,192	20,267,762	535,742	20,803,504	39,951,954	40,487,696	
OTH CURRENT EXPENSES	4,806,025		4,806,025	6,884,425	501,182	7,385,607	11,690,450	12,191,632	
EQUIPMENT	60,000		60,000		70,104	70,104	60,000	130,104	
TOTAL OPERATING COST	24,550,217		24,550,217	27,152,187	1,107,028	28,259,215	51,702,404	52,809,432	2.14
BY MEANS OF FINANCING									
GENERAL FUND	382.00*	*	382.00*	382.00*	12.00*	394.00*	*	*	*
	23,502,342		23,502,342	26,104,312	1,107,028	27,211,340	49,606,654	50,713,682	
SPECIAL FUND	1,047,875		1,047,875	1,047,875		1,047,875	2,095,750	2,095,750	
CAPITAL INVESTMENT									
DESIGN	16,000,000		16,000,000	1,000		1,000	16,001,000	16,001,000	
CONSTRUCTION	1,000		1,000	16,000,000		16,000,000	16,001,000	16,001,000	
TOTAL CAPITAL COSTS	16,001,000		16,001,000	16,001,000		16,001,000	32,002,000	32,002,000	
BY MEANS OF FINANCING									
G.O. BONDS	16,001,000		16,001,000	16,001,000		16,001,000	32,002,000	32,002,000	
TOTAL POSITIONS	382.00*	*	382.00*	382.00*	12.00*	394.00*			
TOTAL PROGRAM COST	40,551,217		40,551,217	43,153,187	1,107,028	44,260,215	83,704,404	84,811,432	1.32

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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PROGRAM ID: **TAX-100**
PROGRAM STRUCTURE NO: **11020101**
PROGRAM TITLE: **COMPLIANCE**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	189.00*	*	189.00*	189.00*	10.00*	199.00*	*	*	*
PERSONAL SERVICES	8,540,935		8,540,935	8,625,325	429,506	9,054,831	17,166,260	17,595,766	
OTH CURRENT EXPENSES	514,834		514,834	518,234	495,182	1,013,416	1,033,068	1,528,250	
EQUIPMENT	7,500		7,500		63,480	63,480	7,500	70,980	
TOTAL OPERATING COST	9,063,269		9,063,269	9,143,559	988,168	10,131,727	18,206,828	19,194,996	5.43
BY MEANS OF FINANCING									
GENERAL FUND	189.00*	*	189.00*	189.00*	10.00*	199.00*	*	*	*
	9,063,269		9,063,269	9,143,559	988,168	10,131,727	18,206,828	19,194,996	
TOTAL POSITIONS	189.00*	*	189.00*	189.00*	10.00*	199.00*			
TOTAL PROGRAM COST	9,063,269		9,063,269	9,143,559	988,168	10,131,727	18,206,828	19,194,996	5.43

Narrative for Supplemental Budget Requests
FY 15

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

The division requests additional funding for 14 permanent positions that were previously authorized but full-year funding for FY 15 and the out-years were inadvertently not requested. The division also requests funding to transfer to the Department of the Attorney General for support in collections litigation. In addition, the division requests 11 positions and funds: two for the Hawaii District Office; three for the Kauai District Office; and six for the Oahu District Office to increase revenue collection.

C. Reasons for Request

The division had 14 new positions authorized for FY 13, with six months funding for salaries. The division inadvertently did not request for full-year funding in FY 2013-15 and the out-years. This request will fund the positions for the full year without impacting existing funding which must be utilized to supplement the positions and not for their intended expenditure. Revenue collection involves utilizing appropriate collection tools to secure payments. Providing appropriate representation in bankruptcy proceedings to ensure the State claims against delinquent taxpayers are timely filed, recorded and properly resolved.

D. Significant Changes to Measures of Effectiveness and Program Size

Tax returns decreased by more than 200,000, while audits and examinations increased - especially examinations of the Renewable Energy Credit filings in addition to the Special Enforcement Section commencing assessments.

In addition, the overall reduction in staff over these many years caused by the state of our economy and the conditions of our national economy has left us understaffed. The effort to fill vacancies has increased the number of new and inexperienced collectors. Also, the adjustments we made to the posting of payments to assessed taxes; i.e., electronic filing payments applied to assessed taxes to a degree are no longer counted as delinquent accounts.

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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PROGRAM ID: **TAX-105**
 PROGRAM STRUCTURE NO: **11020103**
 PROGRAM TITLE: **TAX SERVICES AND PROCESSING**

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	118.00*	*	118.00*	118.00*	2.00*	120.00*	*	*	*
PERSONAL SERVICES	5,666,683		5,666,683	5,741,773	31,236	5,773,009	11,408,456	11,439,692	
OTH CURRENT EXPENSES	381,800		381,800	381,800		381,800	763,600	763,600	
EQUIPMENT	7,500		7,500				7,500	7,500	
TOTAL OPERATING COST	6,055,983		6,055,983	6,123,573	31,236	6,154,809	12,179,556	12,210,792	.26
BY MEANS OF FINANCING									
GENERAL FUND	118.00*	*	118.00*	118.00*	2.00*	120.00*	*	*	*
	6,055,983		6,055,983	6,123,573	31,236	6,154,809	12,179,556	12,210,792	
TOTAL POSITIONS	118.00*	*	118.00*	118.00*	2.00*	120.00*			
TOTAL PROGRAM COST	6,055,983		6,055,983	6,123,573	31,236	6,154,809	12,179,556	12,210,792	.26

Narrative for Supplemental Budget Requests
FY 15

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; maintain accurate accounting records for all tax programs; and promote voluntary compliance through the timely delivery of information, forms and responses to questions and inquiries.

B. Description of Request

Request two additional Cashier II, SR-12 positions and funds to assist in the processing of payments in the Monetary Control Section of the Document Processing Branch.

C. Reasons for Request

Currently there are five cashier positions, and after research and analysis, we have concluded that this number of authorized cashier positions is insufficient to man the three cashier windows for 8 hours a day/5 days a week. When taking into consideration vacancies and personnel taking vacation or sick leave, the current staffing level is unable to provide an adequate level of customer support.

D. Significant Changes to Measures of Effectiveness and Program Size

Staffing shortages throughout the Document Processing Branch significantly contributed to the increase in the number of business days to deposit taxpayers' checks. There was a 67% increase in the number of days to deposit checks because the staff level in the Document Processing Branch in FY 13 could not supplement the Monetary Control Section with additional personnel when required.

Staffing shortages in the Document Processing Branch, compounded by an increase in paper returns filed in FY 13, resulted in significant processing delays and affected the issuance of refunds in FY 13.

Lack of sufficient staff resulted in an increase from 5 days in FY 12 to 12 days in FY 13 to respond to paper and electronic correspondences.

Changes to the Internal Revenue Service electronic filing program during the 2013 tax filing season caused a decline in electronic filings from FY 12 to FY 13.

**EXECUTIVE SUPPLEMENTAL BUDGET
(IN DOLLARS)**

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

PROGRAM COSTS	FY 2014			FY 2015			BIENNIUM TOTALS		
	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT APPRN	ADJUSTMENT	RECOMMEND APPRN	CURRENT BIENNIUM	RECOMMEND BIENNIUM	PERCENT CHANGE
OPERATING	75.00*	*	75.00*	75.00*	*	75.00*	*	*	*
PERSONAL SERVICES	5,476,574		5,476,574	5,900,664	75,000	5,975,664	11,377,238	11,452,238	
OTH CURRENT EXPENSES	3,909,391		3,909,391	5,984,391	6,000	5,990,391	9,893,782	9,899,782	
EQUIPMENT	45,000		45,000		6,624	6,624	45,000	51,624	
TOTAL OPERATING COST	9,430,965		9,430,965	11,885,055	87,624	11,972,679	21,316,020	21,403,644	.41
BY MEANS OF FINANCING	75.00*	*	75.00*	75.00*	*	75.00*	*	*	*
GENERAL FUND	8,383,090		8,383,090	10,837,180	87,624	10,924,804	19,220,270	19,307,894	
SPECIAL FUND	1,047,875		1,047,875	1,047,875		1,047,875	2,095,750	2,095,750	
CAPITAL INVESTMENT									
DESIGN	16,000,000		16,000,000	1,000		1,000	16,001,000	16,001,000	
CONSTRUCTION	1,000		1,000	16,000,000		16,000,000	16,001,000	16,001,000	
TOTAL CAPITAL COSTS	16,001,000		16,001,000	16,001,000		16,001,000	32,002,000	32,002,000	
BY MEANS OF FINANCING									
G.O. BONDS	16,001,000		16,001,000	16,001,000		16,001,000	32,002,000	32,002,000	
TOTAL POSITIONS	75.00*	*	75.00*	75.00*	*	75.00*			
TOTAL PROGRAM COST	25,431,965		25,431,965	27,886,055	87,624	27,973,679	53,318,020	53,405,644	.16

Narrative for Supplemental Budget Requests
FY 15

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

Request for one Administrative Rules Specialist and funds to serve as a project manager and help with the implementation of the Tax System Modernization project.

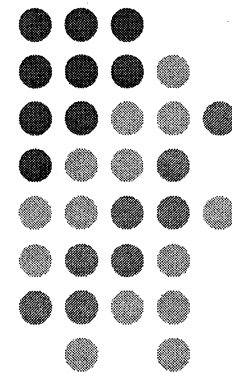
C. Reasons for Request

The modernization effort will assist in transforming the department into a more efficient and effective enterprise through technological transformations in hardware, software, data capture, analytics, integration and reporting. This will result in significant increases of revenue to the State (hundreds of millions of dollars).

D. Significant Changes to Measures of Effectiveness and Program Size

None.

Capital Budget Details



REQUIRED CAPITAL APPROPRIATIONS - BY CAPITAL PROJECT

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

PROJECT NUMBER	PRIORITY NUMBER	LOCATION	PROJECT TITLE	COST ELEMENT/MOF	FY 2014		FY 2015	
					CURRENT APPRN	ADJUSTMENT	RECOM APPRN	CURRENT APPRN
3	1		TAX SYSTEM MODERNIZATION (TSM), STATEWIDE					
			DESIGN	16,000	16,000		1	1
			CONSTRUCTION	1	1	16,000		16,000
			TOTAL	16,001	16,001	16,001		16,001
			G.O. BONDS	16,001	16,001	16,001		16,001
PROGRAM TOTALS								
			DESIGN	16,000	16,000		1	1
			CONSTRUCTION	1	1	16,000		16,000
			TOTAL	16,001	16,001	16,001		16,001
			G.O. BONDS	16,001	16,001	16,001		16,001