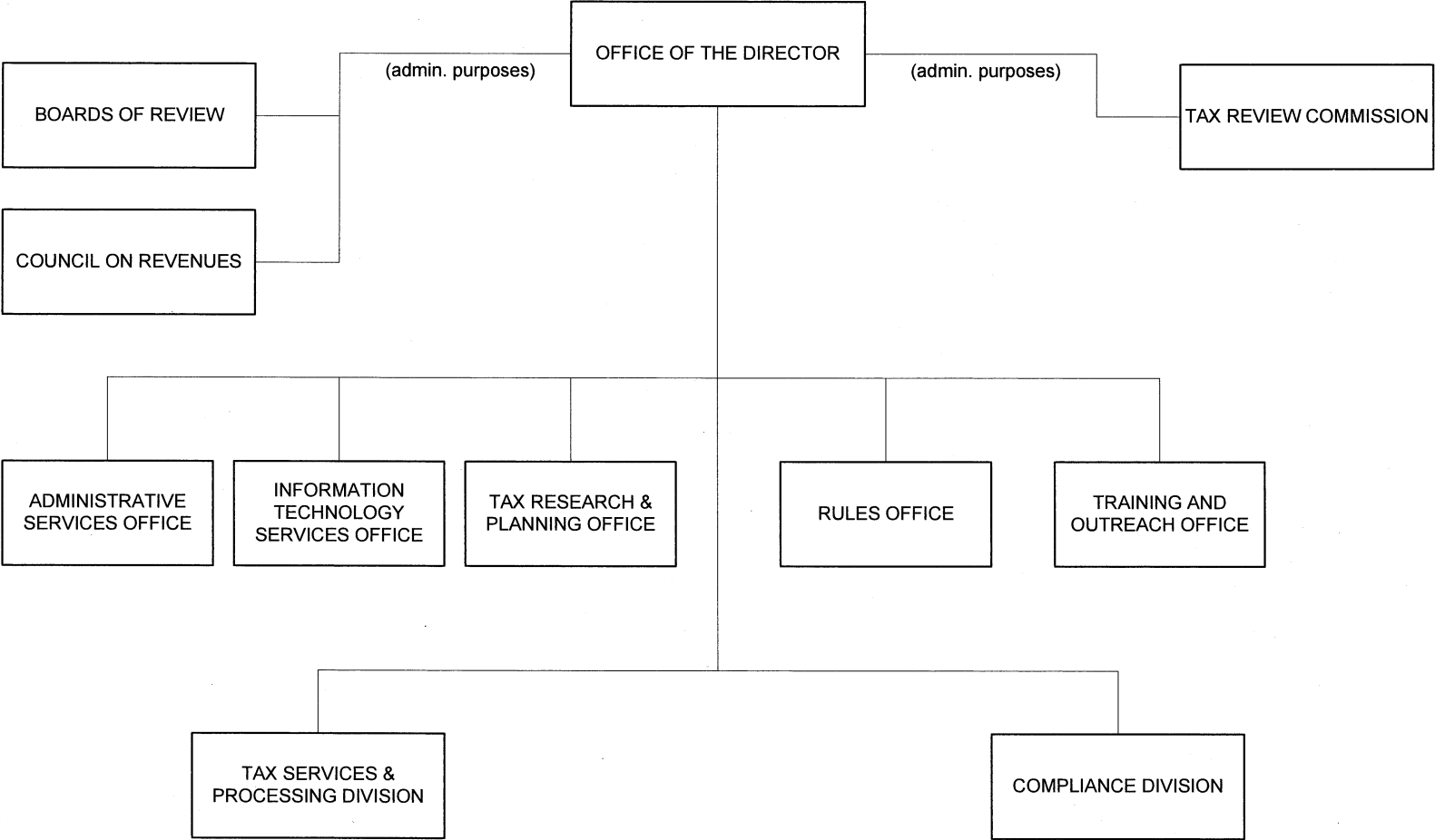




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## **Department of Taxation**

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.

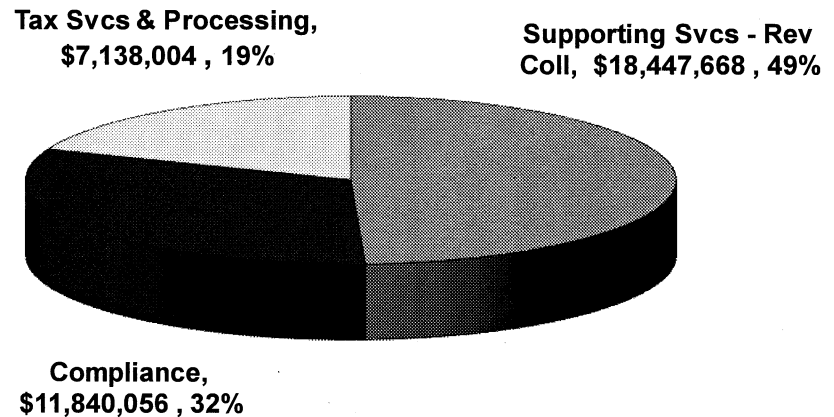
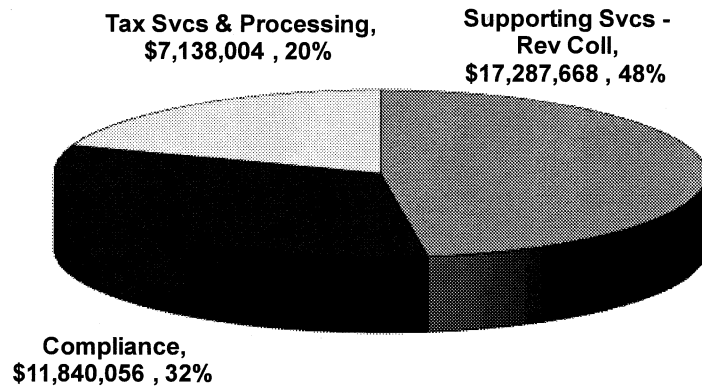
***Department Goals***

To provide complete customer service; to increase collection capabilities through efficient allocation of resources; to simplify taxpayer 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; and to permit more flexibility in accommodating tax law changes and initiatives to improve tax administration.

***Significant Measures of Effectiveness***

	<u>FY 2020</u>	<u>FY 2021</u>
1. Average annual percentage call answer rate	75	75
2. Percent of tax returns audited resulting in adjustments	53	53
3. Average business days to deposit checks received from taxpayers	8	8

### FB 2019-2021 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 complete 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 Collection

**Department of Taxation  
(Operating Budget)**

		Budget Base FY 2020	Budget Base FY 2021	FY 2020	FY 2021
<b>Funding Sources:</b>	Perm Positions	398.00	398.00	400.00	400.00
	Temp Positions	130.00	130.00	123.00	123.00
General Funds	\$	29,517,737	29,517,737	33,120,592	34,280,592
Special Funds	Perm Positions	-	-	-	-
	Temp Positions	13.00	13.00	13.00	13.00
Special Funds	\$	2,929,711	2,929,711	3,145,136	3,145,136
		398.00	398.00	400.00	400.00
		143.00	143.00	136.00	136.00
<b>Total Requirements</b>		<b>32,447,448</b>	<b>32,447,448</b>	<b>36,265,728</b>	<b>37,425,728</b>

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

1. Adds \$3,640,000 in FY 20 and \$4,800,000 in FY 21 for professional services for the Tax System Modernization project.
2. Adds 2.00 permanent Management Analyst IV positions and \$105,912 in both FY 20 and FY 21, and reduces 7.00 temporary positions and \$143,057 in both FY 20 and FY 21 for the Document Processing Branch.
3. Adds \$215,425 in special funds in both FY 20 and FY 21 to fully fund positions authorized in Act 53/SLH 2018.

## OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

PROGRAM ID:  
PROGRAM STRUCTURE NO:  
PROGRAM TITLE:

**DEPARTMENT OF TAXATION**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
OPERATING COST	386.00*	398.00*	400.00*	400.00*	400.0*	400.0*	400.0*	400.0*
	144.00**	143.00**	136.00**	136.00**	136.0**	136.0**	136.0**	136.0**
PERSONAL SERVICES	22,650,584	24,123,824	25,751,415	25,751,415	25,751	25,751	25,751	25,751
OTHER CURRENT EXPENSES	5,715,285	6,890,285	10,514,313	11,674,313	6,875	6,875	6,875	6,875
<b>TOTAL OPERATING COST</b>	<b>28,365,869</b>	<b>31,014,109</b>	<b>36,265,728</b>	<b>37,425,728</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>
<b>BY MEANS OF FINANCING</b>								
	386.00*	398.00*	400.00*	400.00*	400.0*	400.0*	400.0*	400.0*
	137.00**	130.00**	123.00**	123.00**	123.0**	123.0**	123.0**	123.0**
GENERAL FUND	27,293,200	28,099,562	33,120,592	34,280,592	29,481	29,481	29,481	29,481
	*	*	*	*	*	*	*	*
SPECIAL FUND	7.00**	13.00**	13.00**	13.00**	13.0**	13.0**	13.0**	13.0**
	1,072,669	2,914,547	3,145,136	3,145,136	3,145	3,145	3,145	3,145
<b>CAPITAL IMPROVEMENT COSTS</b>								
DESIGN	20,000							
CONSTRUCTION	9,931,000	7,868,000	3,847,000	4,831,000				
EQUIPMENT	120,000							
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>10,071,000</b>	<b>7,868,000</b>	<b>3,847,000</b>	<b>4,831,000</b>				
<b>BY MEANS OF FINANCING</b>								
G.O. BONDS	10,071,000	7,868,000	3,847,000	4,831,000				
<b>TOTAL PERM POSITIONS</b>	<b>386.00*</b>	<b>398.00*</b>	<b>400.00*</b>	<b>400.00*</b>	<b>400.0*</b>	<b>400.0*</b>	<b>400.0*</b>	<b>400.0*</b>
<b>TOTAL TEMP POSITIONS</b>	<b>144.00**</b>	<b>143.00**</b>	<b>136.00**</b>	<b>136.00**</b>	<b>136.0**</b>	<b>136.0**</b>	<b>136.0**</b>	<b>136.0**</b>
<b>TOTAL PROGRAM COST</b>	<b>38,436,869</b>	<b>38,882,109</b>	<b>40,112,728</b>	<b>42,256,728</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>

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

	<u>FY 2020</u>	<u>FY 2021</u>
<b>Funding Sources:</b>		
General Obligation Bonds	-	-
Federal Funds	-	-
<b>Total Requirements</b>	-	-

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

1. None.

STATE OF HAWAII  
 PROGRAM ID:  
 PROGRAM STRUCTURE NO:  
 PROGRAM TITLE:

TAX  
 DEPARTMENT OF TAXATION

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

REPORT B78  
 362 of 365

PROJECT NUMBER	PRIORITY NUMBER	LOC NUMBER	SCOPE ELEMENT/MOF	PROJECT TITLE					BUDGET PERIOD					SUCCEED YEARS
				PROJECT TOTAL	PRIOR YRS	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23	FY 23-24	FY 24-25	
			DESIGN	16,021	16,001	20								
			CONSTRUCTION	33,379	16,473	360	16,546							
			EQUIPMENT	120		120								
			TOTAL	49,520	32,474	500	16,546							
			G.O. BONDS	49,520	32,474	500	16,546							





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## **Operating Budget Details**

**OPERATING AND CAPITAL EXPENDITURES**

REPORT: P61-A

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
OPERATING COST	386.00*	398.00*	400.00*	400.00*	400.0*	400.0*	400.0*	400.0*
	144.00**	143.00**	136.00**	136.00**	136.0**	136.0**	136.0**	136.0**
PERSONAL SERVICES	22,650,584	24,123,824	25,751,415	25,751,415	25,751	25,751	25,751	25,751
OTHER CURRENT EXPENSES	5,715,285	6,890,285	10,514,313	11,674,313	6,875	6,875	6,875	6,875
<b>TOTAL OPERATING COST</b>	<b>28,365,869</b>	<b>31,014,109</b>	<b>36,265,728</b>	<b>37,425,728</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>
BY MEANS OF FINANCING								
	386.00*	398.00*	400.00*	400.00*	400.0*	400.0*	400.0*	400.0*
	137.00**	130.00**	123.00**	123.00**	123.0**	123.0**	123.0**	123.0**
GENERAL FUND	27,293,200	28,099,562	33,120,592	34,280,592	29,481	29,481	29,481	29,481
	*	*	*	*	*	*	*	*
SPECIAL FUND	7.00**	13.00**	13.00**	13.00**	13.0**	13.0**	13.0**	13.0**
	1,072,669	2,914,547	3,145,136	3,145,136	3,145	3,145	3,145	3,145
CAPITAL IMPROVEMENT COSTS								
DESIGN	20,000							
CONSTRUCTION	9,931,000	7,868,000	3,847,000	4,831,000				
EQUIPMENT	120,000							
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>10,071,000</b>	<b>7,868,000</b>	<b>3,847,000</b>	<b>4,831,000</b>				
BY MEANS OF FINANCING								
G.O. BONDS	10,071,000	7,868,000	3,847,000	4,831,000				
TOTAL PERM POSITIONS	386.00*	398.00*	400.00*	400.00*	400.0*	400.0*	400.0*	400.0*
TOTAL TEMP POSITIONS	144.00**	143.00**	136.00**	136.00**	136.0**	136.0**	136.0**	136.0**
<b>TOTAL PROGRAM COST</b>	<b>38,436,869</b>	<b>38,882,109</b>	<b>40,112,728</b>	<b>42,256,728</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>

**OPERATING AND CAPITAL EXPENDITURES**

REPORT: P61-A

PROGRAM ID:  
 PROGRAM STRUCTURE NO: 1102  
 PROGRAM TITLE: FISCAL MANAGEMENT

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
OPERATING COST	386.00*	398.00*	400.00*	400.00*	400.0*	400.0*	400.0*	400.0*
	144.00**	143.00**	136.00**	136.00**	136.0**	136.0**	136.0**	136.0**
PERSONAL SERVICES	22,650,584	24,123,824	25,751,415	25,751,415	25,751	25,751	25,751	25,751
OTHER CURRENT EXPENSES	5,715,285	6,890,285	10,514,313	11,674,313	6,875	6,875	6,875	6,875
<b>TOTAL OPERATING COST</b>	<b>28,365,869</b>	<b>31,014,109</b>	<b>36,265,728</b>	<b>37,425,728</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>
BY MEANS OF FINANCING								
	386.00*	398.00*	400.00*	400.00*	400.0*	400.0*	400.0*	400.0*
	137.00**	130.00**	123.00**	123.00**	123.0**	123.0**	123.0**	123.0**
GENERAL FUND	27,293,200	28,099,562	33,120,592	34,280,592	29,481	29,481	29,481	29,481
	*	*	*	*	*	*	*	*
SPECIAL FUND	7.00**	13.00**	13.00**	13.00**	13.0**	13.0**	13.0**	13.0**
	1,072,669	2,914,547	3,145,136	3,145,136	3,145	3,145	3,145	3,145
CAPITAL IMPROVEMENT COSTS								
DESIGN	20,000							
CONSTRUCTION	9,931,000	7,868,000	3,847,000	4,831,000				
EQUIPMENT	120,000							
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>10,071,000</b>	<b>7,868,000</b>	<b>3,847,000</b>	<b>4,831,000</b>				
BY MEANS OF FINANCING								
G.O. BONDS	10,071,000	7,868,000	3,847,000	4,831,000				
TOTAL PERM POSITIONS	386.00*	398.00*	400.00*	400.00*	400.0*	400.0*	400.0*	400.0*
TOTAL TEMP POSITIONS	144.00**	143.00**	136.00**	136.00**	136.0**	136.0**	136.0**	136.0**
<b>TOTAL PROGRAM COST</b>	<b>38,436,869</b>	<b>38,882,109</b>	<b>40,112,728</b>	<b>42,256,728</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>

**OPERATING AND CAPITAL EXPENDITURES**

REPORT: P61-A

PROGRAM ID:  
PROGRAM STRUCTURE NO: 110201  
PROGRAM TITLE: REVENUE COLLECTION

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
OPERATING COST	386.00*	398.00*	400.00*	400.00*	400.0*	400.0*	400.0*	400.0*
	144.00**	143.00**	136.00**	136.00**	136.0**	136.0**	136.0**	136.0**
PERSONAL SERVICES	22,650,584	24,123,824	25,751,415	25,751,415	25,751	25,751	25,751	25,751
OTHER CURRENT EXPENSES	5,715,285	6,890,285	10,514,313	11,674,313	6,875	6,875	6,875	6,875
<b>TOTAL OPERATING COST</b>	<b>28,365,869</b>	<b>31,014,109</b>	<b>36,265,728</b>	<b>37,425,728</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>
BY MEANS OF FINANCING								
	386.00*	398.00*	400.00*	400.00*	400.0*	400.0*	400.0*	400.0*
	137.00**	130.00**	123.00**	123.00**	123.0**	123.0**	123.0**	123.0**
GENERAL FUND	27,293,200	28,099,562	33,120,592	34,280,592	29,481	29,481	29,481	29,481
	*	*	*	*	*	*	*	*
SPECIAL FUND	7.00**	13.00**	13.00**	13.00**	13.0**	13.0**	13.0**	13.0**
	1,072,669	2,914,547	3,145,136	3,145,136	3,145	3,145	3,145	3,145
CAPITAL IMPROVEMENT COSTS								
DESIGN	20,000							
CONSTRUCTION	9,931,000	7,868,000	3,847,000	4,831,000				
EQUIPMENT	120,000							
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>10,071,000</b>	<b>7,868,000</b>	<b>3,847,000</b>	<b>4,831,000</b>				
BY MEANS OF FINANCING								
G.O. BONDS	10,071,000	7,868,000	3,847,000	4,831,000				
TOTAL PERM POSITIONS	386.00*	398.00*	400.00*	400.00*	400.0*	400.0*	400.0*	400.0*
TOTAL TEMP POSITIONS	144.00**	143.00**	136.00**	136.00**	136.0**	136.0**	136.0**	136.0**
<b>TOTAL PROGRAM COST</b>	<b>38,436,869</b>	<b>38,882,109</b>	<b>40,112,728</b>	<b>42,256,728</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>	<b>32,626</b>

## OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
OPERATING COST	194.00*	192.00*	192.00*	192.00*	192.0*	192.0*	192.0*	192.0*
	5.00**	5.00**	5.00**	5.00**	5.0**	5.0**	5.0**	5.0**
PERSONAL SERVICES	10,189,872	10,194,756	10,881,822	10,881,822	10,882	10,882	10,882	10,882
OTHER CURRENT EXPENSES	958,234	958,234	958,234	958,234	958	958	958	958
TOTAL OPERATING COST	11,148,106	11,152,990	11,840,056	11,840,056	11,840	11,840	11,840	11,840
BY MEANS OF FINANCING								
	194.00*	192.00*	192.00*	192.00*	192.0*	192.0*	192.0*	192.0*
	5.00**	5.00**	5.00**	5.00**	5.0**	5.0**	5.0**	5.0**
GENERAL FUND	11,148,106	11,152,990	11,840,056	11,840,056	11,840	11,840	11,840	11,840
TOTAL PERM POSITIONS	194.00*	192.00*	192.00*	192.00*	192.0*	192.0*	192.0*	192.0*
TOTAL TEMP POSITIONS	5.00**	5.00**	5.00**	5.00**	5.0**	5.0**	5.0**	5.0**
TOTAL PROGRAM COST	11,148,106	11,152,990	11,840,056	11,840,056	11,840	11,840	11,840	11,840

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

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<b>MEASURES OF EFFECTIVENESS</b>								
1. % OF RETURNS AUDITED AS % OF RETURNS FILED	2.1	2.7	2.7	2.7	2.7	2.7	2.7	2.7
2. % OF RETURNS AUDITED RESULTING IN ADJUSTMENTS	68.6	70.83	53	53	53	53	53	53
3. % INCR/DECR IN TOTAL DELINQUENT TAXES OUTSTANDING	14.9	7.8	4	4	4	4	4	4
<b>PROGRAM TARGET GROUPS</b>								
1. NO. OF ACTIVE BUSINESS LICENSES DURING FISCAL YEAR	543345	489010	625000	625000	625000	625000	625000	625000
2. TOTAL DELINQUENT TAXES OUTSTANDING DURING THE FY	480	518	518	518	518	518	518	518
<b>PROGRAM ACTIVITIES</b>								
1. NUMBER OF RETURNS AUDITED	23758	24000	24000	24000	24000	24000	24000	24000
2. NUMBER OF ASSESSMENTS MADE	16291	17000	17000	17000	17000	17000	17000	17000
3. TOTAL AMOUNT OF COLLECTION MADE WITH ASSESSMENTS	16	16	16	16	16	16	16	16
4. AMOUNT OF DELINQUENT TAXES COLLECTED	222	247	200	200	200	200	200	200
5. NUMBER OF TAX LIENS FILED	1720	400	3500	3500	3500	3500	3500	3500
6. NUMBER OF LEVIES PROCESSED	14769	16000	16000	16000	16000	16000	16000	16000

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

## Program Plan Narrative

**TAX100: COMPLIANCE**

**11 02 01 01**

### **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)**

None.

### **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/consistency in applying tax laws so that each taxpayer bears their fair share of taxes, the agency must have sufficient resources for audit/collection enforcement programs. Additional resources to improve audit and collection activities will increase revenues, reduce delinquent taxes, and encourage voluntary taxpayer compliance.

## Program Plan Narrative

**TAX100: COMPLIANCE**

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**11 02 01 01**

### **H. Discussion of Program Revenues**

None.

### **I. Summary of Analysis Performed**

None.

### **J. Further Considerations**

None.



## OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
OPERATING COST	118.00*	132.00*	134.00*	134.00*	134.0*	134.0*	134.0*	134.0*
	120.00**	107.00**	100.00**	100.00**	100.0**	100.0**	100.0**	100.0**
PERSONAL SERVICES	6,365,661	6,392,139	6,756,204	6,756,204	6,756	6,756	6,756	6,756
OTHER CURRENT EXPENSES	381,800	381,800	381,800	381,800	382	382	382	382
<b>TOTAL OPERATING COST</b>	<b>6,747,461</b>	<b>6,773,939</b>	<b>7,138,004</b>	<b>7,138,004</b>	<b>7,138</b>	<b>7,138</b>	<b>7,138</b>	<b>7,138</b>
<b>BY MEANS OF FINANCING</b>								
	118.00*	132.00*	134.00*	134.00*	134.0*	134.0*	134.0*	134.0*
	120.00**	107.00**	100.00**	100.00**	100.0**	100.0**	100.0**	100.0**
GENERAL FUND	6,747,461	6,773,939	7,138,004	7,138,004	7,138	7,138	7,138	7,138
<b>TOTAL PERM POSITIONS</b>	<b>118.00*</b>	<b>132.00*</b>	<b>134.00*</b>	<b>134.00*</b>	<b>134.0*</b>	<b>134.0*</b>	<b>134.0*</b>	<b>134.0*</b>
<b>TOTAL TEMP POSITIONS</b>	<b>120.00**</b>	<b>107.00**</b>	<b>100.00**</b>	<b>100.00**</b>	<b>100.0**</b>	<b>100.0**</b>	<b>100.0**</b>	<b>100.0**</b>
<b>TOTAL PROGRAM COST</b>	<b>6,747,461</b>	<b>6,773,939</b>	<b>7,138,004</b>	<b>7,138,004</b>	<b>7,138</b>	<b>7,138</b>	<b>7,138</b>	<b>7,138</b>

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

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<b>MEASURES OF EFFECTIVENESS</b>								
1. AVE BUSINESS DAYS TO DEPOSIT CHECKS FROM TAXPAYERS	8	8	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	74	90	90	90	90	90	90	90
4. AVE CAL DAYS TO RESPOND TO PAPR/ELEC CORRESPNDNCE	30	10	10	10	10	10	10	10
5. % INC/DEC ELECTRONIC FILINGS OVER PRIOR FISCAL YR	31	10	10	10	10	10	10	10
<b>PROGRAM TARGET GROUPS</b>								
1. NUMBER OF TAXPAYERS FILING SELECTED KEY RETURNS	1122196	1100000	1100000	1100000	1100000	1100000	1100000	1100000
2. NUMBER OF CALLERS REQUESTING PERSONAL ASSISTANCE	116697	120000	270000	270000	270000	270000	270000	270000
3. NO. OF PAPER & ELECTRONIC CORRESPONDENCE RECEIVED	58194	30000	28000	28000	28000	28000	28000	28000
<b>PROGRAM ACTIVITIES</b>								
1. NUMBER OF TAX RETURNS FILED	1122196	1100000	1100000	1100000	1100000	1100000	1100000	1100000
2. NO. TELEPHONE CALLS SERVICED BY CUSTOMER SVC REP	116697	125000	125000	125000	125000	125000	125000	125000
3. NO. OF PAPER & ELECTRONIC CORRESPONDENCE RECEIVED	58194	30000	27000	27000	27000	27000	27000	27000

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

## Program Plan Narrative

**TAX105: TAX SERVICES AND PROCESSING**

**11 02 01 03**

### **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)**

With the implementation of the Tax System Modernization upgrades, the job functions of DOTAX is evolving from paper management to online information processing. Therefore this budget request is to establish two Management Analyst (MA) positions with information management experience and skills to oversee the capture and purification of taxpayer information and recommend on-going processing efficiencies. To help fund the two permanent MA IV positions, DOTAX will reduce current staff by five (5) temporary Office Assistant positions and (2) temporary Management Analyst positions.

### **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.

### **D. Statement of Key Policies Pursued**

The key policies pursued by this program 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.

## Program Plan Narrative

**TAX105: TAX SERVICES AND PROCESSING**

**11 02 01 03**

### **E. Identification of Important Program Relationships**

The program 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.

### **I. Summary of Analysis Performed**

None.

### **J. Further Considerations**

None.

**OPERATING AND CAPITAL EXPENDITURES**

REPORT: P61-A

PROGRAM ID:  
PROGRAM STRUCTURE NO:  
PROGRAM TITLE:

**TAX107**  
**11020104**  
**SUPPORTING SERVICES - REVENUE COLLECTION**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
OPERATING COST	74.00*	74.00*	74.00*	74.00*	74.0*	74.0*	74.0*	74.0*
	19.00**	31.00**	31.00**	31.00**	31.0**	31.0**	31.0**	31.0**
PERSONAL SERVICES	6,095,051	7,536,929	8,113,389	8,113,389	8,113	8,113	8,113	8,113
OTHER CURRENT EXPENSES	4,375,251	5,550,251	9,174,279	10,334,279	5,535	5,535	5,535	5,535
<b>TOTAL OPERATING COST</b>	<b>10,470,302</b>	<b>13,087,180</b>	<b>17,287,668</b>	<b>18,447,668</b>	<b>13,648</b>	<b>13,648</b>	<b>13,648</b>	<b>13,648</b>
BY MEANS OF FINANCING								
	74.00*	74.00*	74.00*	74.00*	74.0*	74.0*	74.0*	74.0*
	12.00**	18.00**	18.00**	18.00**	18.0**	18.0**	18.0**	18.0**
GENERAL FUND	9,397,633	10,172,633	14,142,532	15,302,532	10,503	10,503	10,503	10,503
	*	*	*	*	*	*	*	*
SPECIAL FUND	7.00**	13.00**	13.00**	13.00**	13.0**	13.0**	13.0**	13.0**
	1,072,669	2,914,547	3,145,136	3,145,136	3,145	3,145	3,145	3,145
CAPITAL IMPROVEMENT COSTS								
DESIGN	20,000							
CONSTRUCTION	9,931,000	7,868,000	3,847,000	4,831,000				
EQUIPMENT	120,000							
<b>TOTAL CAPITAL EXPENDITURES</b>	<b>10,071,000</b>	<b>7,868,000</b>	<b>3,847,000</b>	<b>4,831,000</b>				
BY MEANS OF FINANCING								
G.O. BONDS	10,071,000	7,868,000	3,847,000	4,831,000				
TOTAL PERM POSITIONS	74.00*	74.00*	74.00*	74.00*	74.0*	74.0*	74.0*	74.0*
TOTAL TEMP POSITIONS	19.00**	31.00**	31.00**	31.00**	31.0**	31.0**	31.0**	31.0**
<b>TOTAL PROGRAM COST</b>	<b>20,541,302</b>	<b>20,955,180</b>	<b>21,134,668</b>	<b>23,278,668</b>	<b>13,648</b>	<b>13,648</b>	<b>13,648</b>	<b>13,648</b>

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

	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
<b>MEASURES OF EFFECTIVENESS</b>								
1. MEDIAN # OF DAYS FROM DATE OF VACANCY TO FILL DATE	141	141	141	141	141	141	141	141
<b>PROGRAM TARGET GROUPS</b>								
1. # OF TAX PROGRAMS	3	3	3	3	3	3	3	3
<b>PROGRAM ACTIVITIES</b>								
1. NUMBER OF TAX LAW CHANGES	18	15	12	12	12	12	12	12
<b>PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)</b>								
TAXES	6,530,127	6,860,058	7,135,570	7,421,843	7,719,520	8,028,837	8,342,234	8,342,234
LICENSES, PERMITS, AND FEES	16,273	16,277	16,274	16,270	16,266	16,260	16,254	16,254
REVENUE FROM OTHER AGENCIES: FEDERAL	15	15	15	15	15	15	15	15
CHARGES FOR CURRENT SERVICES	8,010	4,124	5,024	5,524	5,524	5,524	5,524	5,524
NON-REVENUE RECEIPTS	4,300	4,300	4,300	4,300	4,300	4,300	4,300	4,300
TOTAL PROGRAM REVENUES	6,558,725	6,884,774	7,161,183	7,447,952	7,745,625	8,054,936	8,368,327	8,368,327
<b>PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS)</b>								
GENERAL FUNDS	6,546,222	6,876,122	7,151,631	7,437,900	7,735,573	8,044,884	8,358,275	8,358,275
SPECIAL FUNDS	12,503	8,652	9,552	10,052	10,052	10,052	10,052	10,052
TOTAL PROGRAM REVENUES	6,558,725	6,884,774	7,161,183	7,447,952	7,745,625	8,054,936	8,368,327	8,368,327

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

## Program Plan Narrative

**TAX107: SUPPORTING SERVICES - REVENUE COLLECTION**

**11 02 01 04**

### **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)**

1. The Tax System Modernization project vendor support will end in July 2019, with limited warranty services (bug fixes) for an additional 12 months. Additional professional services for GenTax (Tax processing software) and IBML/Captiva (imaging software installed for this project) are needed to (1) address significant system changes (improvements and re-work) from what was put into production in the course of the project and (2) provide additional training for DOTAX staff.
2. Additional six months funding for 5 investigator positions in DOTAX's Special Enforcement Section. These positions were authorized in Act 53, SLH 2018.
3. To vary an Account Clerk II position to an Accountant III position in the Fiscal section to assist with new tasks and growing complexity of duties.

### **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.

### **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 program 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

## Program Plan Narrative

**TAX107: SUPPORTING SERVICES - REVENUE COLLECTION**

**11 02 01 04**

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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.

### **J. Further Considerations**

None.





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## **Capital Budget Details**

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

PROJECT NUMBER	PRIORITY NUMBER	LOC NUMBER	SCOPE	PROJECT TITLE	BUDGET PERIOD								SUCCEED YEARS	
					PROJECT TOTAL	PRIOR YRS	FY 17-18	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23		FY 23-24
3	1		NEW	TAX SYSTEM MODERNIZATION (TSM), STATEWIDE										
			DESIGN		16,001	16,001								
			CONSTRUCTION		32,547	16,001		16,546						
			TOTAL		48,548	32,002		16,546						
			G.O. BONDS		48,548	32,002		16,546						
6	2		NEW	INFRASTRUCTURE AND EQUIPMENT FOR THE SAFETY AND SECURITY OF DOTAX, STATEWIDE										
			DESIGN		20		20							
			CONSTRUCTION		360		360							
			EQUIPMENT		120		120							
			TOTAL		500		500							
			G.O. BONDS		500		500							
PROGRAM TOTALS														
			DESIGN		16,021	16,001	20							
			CONSTRUCTION		33,379	16,473	360	16,546						
			EQUIPMENT		120		120							
			TOTAL		49,520	32,474	500	16,546						
			G.O. BONDS		49,520	32,474	500	16,546						