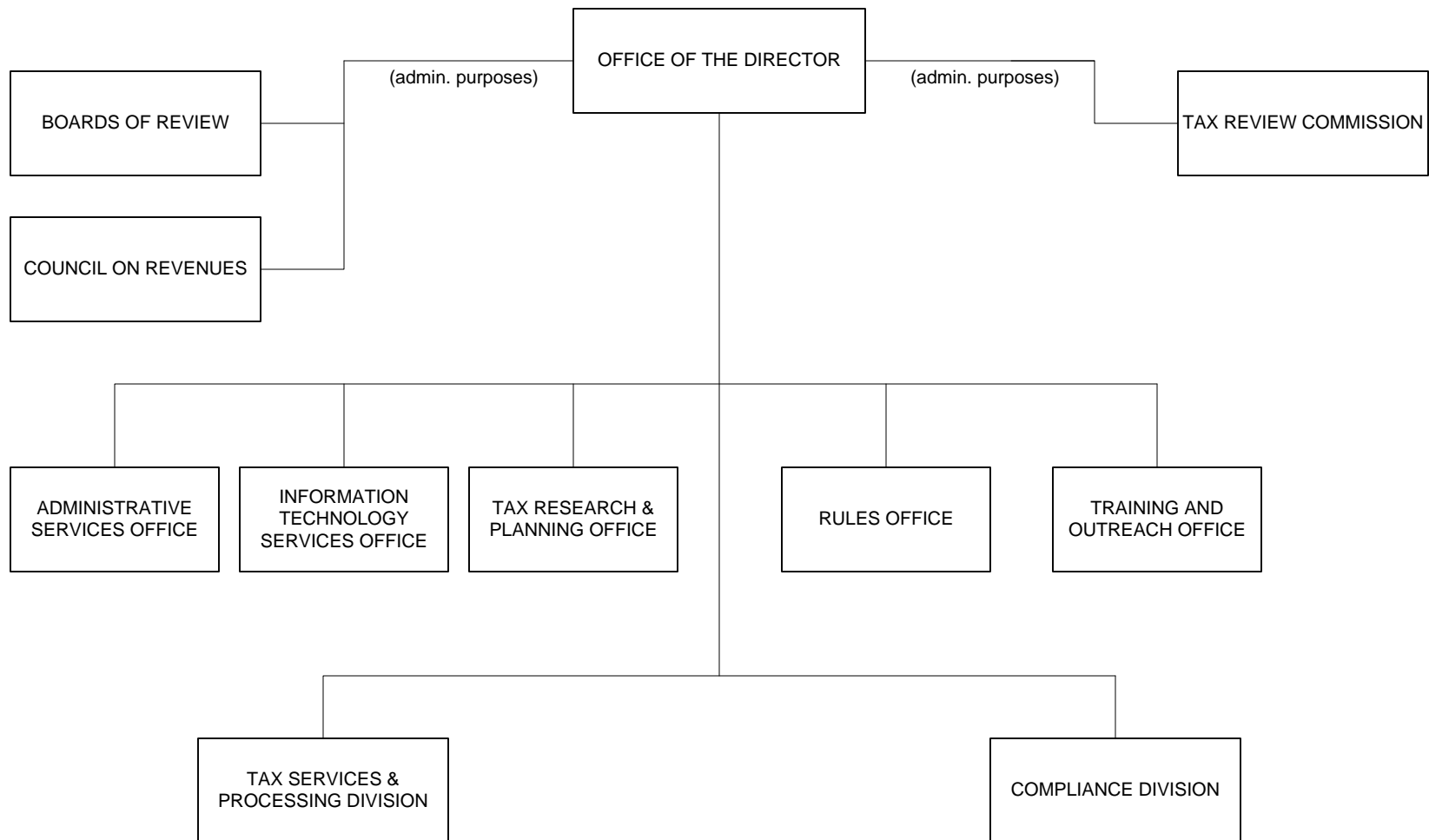




Department of Taxation

**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.

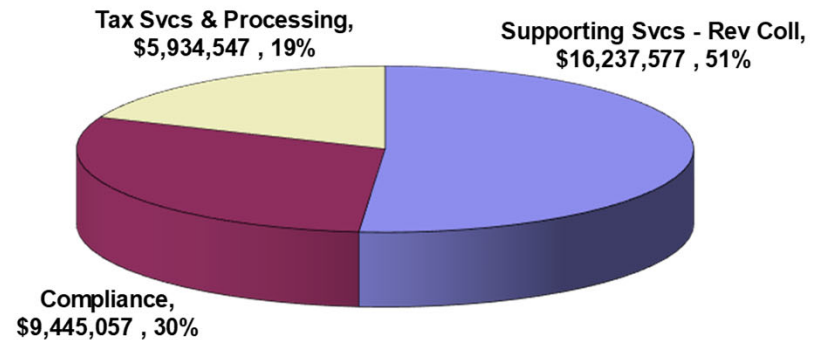
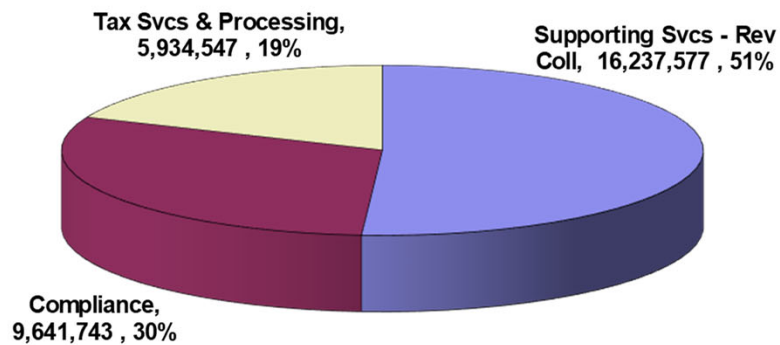
Significant Measures of Effectiveness

	<u>FY 2022</u>	<u>FY 2023</u>
1. Average annual percentage call answer rate	90	90
2. Percent of tax returns audited resulting in adjustments	58	58
3. Average business days to deposit checks received from taxpayers	7	7

FB 2021-2023 Operating Budget by Major Program Area

FY 2022

FY 2023



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 2022	Budget Base FY 2023	FY 2022	FY 2023
Funding Sources:	Perm Positions	401.00	401.00	330.00	330.00
	Temp Positions	117.00	117.00	5.00	5.00
General Funds	\$	26,690,196	26,690,196	26,252,446	26,055,760
	Perm Positions	-	-	5.00	5.00
	Temp Positions	13.00	13.00	21.00	21.00
Special Funds	\$	3,567,116	3,567,116	5,561,421	5,561,421
		401.00	401.00	335.00	335.00
		130.00	130.00	26.00	26.00
Total Requirements		30,257,312	30,257,312	31,813,867	31,617,181

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

1. Converts positions from general to special funds by reducing 5.00 permanent positions, 8.00 temporary positions and \$1,320,730 in both FY 22 and FY 23; and adding 5.00 permanent positions, 8.00 temporary positions and \$1,994,305 in special funds from the Tax Administration Special Fund in both FY 22 and FY 23.
2. Adds 6.00 permanent positions in both FY 22 and FY 23 to offset a legislative error in Act 5, SLH 2019, as amended by Act 9, SLH 2020.
3. Adds \$3,033,382 in both FY 22 and FY 23 for maintenance and support for the Tax Modernization System.
4. Reduces 60.00 permanent positions, 104.00 temporary positions and \$2,150,850 in FY 22, and 60.00 permanent positions, 104.00 temporary positions and \$2,347,536 in FY 23, in various programs.

OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

PROGRAM ID:
PROGRAM STRUCTURE NO:
PROGRAM TITLE:

DEPARTMENT OF TAXATION

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
OPERATING COST	401.00*	401.00*	335.00*	335.00*	335.0*	335.0*	335.0*	335.0*
	130.00**	130.00**	26.00**	26.00**	26.0**	26.0**	26.0**	26.0**
PERSONAL SERVICES	25,767,178	20,949,574	22,751,626	22,554,940	22,556	22,556	22,556	22,556
OTHER CURRENT EXPENSES	10,920,313	12,480,313	9,062,241	9,062,241	9,061	9,061	9,061	9,061
TOTAL OPERATING COST	36,687,491	33,429,887	31,813,867	31,617,181	31,617	31,617	31,617	31,617
<hr/>								
BY MEANS OF FINANCING	401.00*	401.00*	330.00*	330.00*	330.0*	330.0*	330.0*	330.0*
	117.00**	117.00**	5.00**	5.00**	5.0**	5.0**	5.0**	5.0**
GENERAL FUND	33,542,355	29,884,751	26,252,446	26,055,760	26,056	26,056	26,056	26,056
	*	*	5.00*	5.00*	5.0*	5.0*	5.0*	5.0*
SPECIAL FUND	3,145,136	3,545,136	5,561,421	5,561,421	5,561	5,561	5,561	5,561
<hr/>								
CAPITAL IMPROVEMENT COSTS								
CONSTRUCTION	3,847,000	4,831,000						
TOTAL CAPITAL EXPENDITURES	3,847,000	4,831,000						
<hr/>								
BY MEANS OF FINANCING								
G.O. BONDS	3,847,000	4,831,000						
<hr/>								
TOTAL PERM POSITIONS	401.00*	401.00*	335.00*	335.00*	335.0*	335.0*	335.0*	335.0*
TOTAL TEMP POSITIONS	130.00**	130.00**	26.00**	26.00**	26.0**	26.0**	26.0**	26.0**
TOTAL PROGRAM COST	40,534,491	38,260,887	31,813,867	31,617,181	31,617	31,617	31,617	31,617

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

	<u>FY 2022</u>	<u>FY 2023</u>
Funding Sources:		
General Obligation Bonds	-	-
Federal Funds	-	-
Total Requirements	-	-

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

1. None



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 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
OPERATING COST	401.00*	401.00*	335.00*	335.00*	335.0*	335.0*	335.0*	335.0*
	130.00**	130.00**	26.00**	26.00**	26.0**	26.0**	26.0**	26.0**
PERSONAL SERVICES	25,767,178	20,949,574	22,751,626	22,554,940	22,556	22,556	22,556	22,556
OTHER CURRENT EXPENSES	10,920,313	12,480,313	9,062,241	9,062,241	9,061	9,061	9,061	9,061
TOTAL OPERATING COST	36,687,491	33,429,887	31,813,867	31,617,181	31,617	31,617	31,617	31,617
<hr/>								
BY MEANS OF FINANCING								
	401.00*	401.00*	330.00*	330.00*	330.0*	330.0*	330.0*	330.0*
	117.00**	117.00**	5.00**	5.00**	5.0**	5.0**	5.0**	5.0**
GENERAL FUND	33,542,355	29,884,751	26,252,446	26,055,760	26,056	26,056	26,056	26,056
	*	*	5.00*	5.00*	5.0*	5.0*	5.0*	5.0*
SPECIAL FUND	13.00**	13.00**	21.00**	21.00**	21.0**	21.0**	21.0**	21.0**
	3,145,136	3,545,136	5,561,421	5,561,421	5,561	5,561	5,561	5,561
<hr/>								
CAPITAL IMPROVEMENT COSTS								
CONSTRUCTION	3,847,000	4,831,000						
TOTAL CAPITAL EXPENDITURES	3,847,000	4,831,000						
<hr/>								
BY MEANS OF FINANCING								
G.O. BONDS	3,847,000	4,831,000						
<hr/>								
TOTAL PERM POSITIONS	401.00*	401.00*	335.00*	335.00*	335.0*	335.0*	335.0*	335.0*
TOTAL TEMP POSITIONS	130.00**	130.00**	26.00**	26.00**	26.0**	26.0**	26.0**	26.0**
TOTAL PROGRAM COST	40,534,491	38,260,887	31,813,867	31,617,181	31,617	31,617	31,617	31,617

OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
OPERATING COST	401.00*	401.00*	335.00*	335.00*	335.0*	335.0*	335.0*	335.0*
	130.00**	130.00**	26.00**	26.00**	26.0**	26.0**	26.0**	26.0**
PERSONAL SERVICES	25,767,178	20,949,574	22,751,626	22,554,940	22,556	22,556	22,556	22,556
OTHER CURRENT EXPENSES	10,920,313	12,480,313	9,062,241	9,062,241	9,061	9,061	9,061	9,061
TOTAL OPERATING COST	36,687,491	33,429,887	31,813,867	31,617,181	31,617	31,617	31,617	31,617
BY MEANS OF FINANCING								
	401.00*	401.00*	330.00*	330.00*	330.0*	330.0*	330.0*	330.0*
	117.00**	117.00**	5.00**	5.00**	5.0**	5.0**	5.0**	5.0**
GENERAL FUND	33,542,355	29,884,751	26,252,446	26,055,760	26,056	26,056	26,056	26,056
	*	*	5.00*	5.00*	5.0*	5.0*	5.0*	5.0*
SPECIAL FUND	3,145,136	3,545,136	5,561,421	5,561,421	5,561	5,561	5,561	5,561
CAPITAL IMPROVEMENT COSTS								
CONSTRUCTION	3,847,000	4,831,000						
TOTAL CAPITAL EXPENDITURES	3,847,000	4,831,000						
BY MEANS OF FINANCING								
G.O. BONDS	3,847,000	4,831,000						
TOTAL PERM POSITIONS	401.00*	401.00*	335.00*	335.00*	335.0*	335.0*	335.0*	335.0*
TOTAL TEMP POSITIONS	130.00**	130.00**	26.00**	26.00**	26.0**	26.0**	26.0**	26.0**
TOTAL PROGRAM COST	40,534,491	38,260,887	31,813,867	31,617,181	31,617	31,617	31,617	31,617

OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
OPERATING COST	401.00*	401.00*	335.00*	335.00*	335.0*	335.0*	335.0*	335.0*
	130.00**	130.00**	26.00**	26.00**	26.0**	26.0**	26.0**	26.0**
PERSONAL SERVICES	25,767,178	20,949,574	22,751,626	22,554,940	22,556	22,556	22,556	22,556
OTHER CURRENT EXPENSES	10,920,313	12,480,313	9,062,241	9,062,241	9,061	9,061	9,061	9,061
TOTAL OPERATING COST	36,687,491	33,429,887	31,813,867	31,617,181	31,617	31,617	31,617	31,617
BY MEANS OF FINANCING								
	401.00*	401.00*	330.00*	330.00*	330.0*	330.0*	330.0*	330.0*
	117.00**	117.00**	5.00**	5.00**	5.0**	5.0**	5.0**	5.0**
GENERAL FUND	33,542,355	29,884,751	26,252,446	26,055,760	26,056	26,056	26,056	26,056
	*	*	5.00*	5.00*	5.0*	5.0*	5.0*	5.0*
SPECIAL FUND	3,145,136	3,545,136	5,561,421	5,561,421	5,561	5,561	5,561	5,561
CAPITAL IMPROVEMENT COSTS								
CONSTRUCTION	3,847,000	4,831,000						
TOTAL CAPITAL EXPENDITURES	3,847,000	4,831,000						
BY MEANS OF FINANCING								
G.O. BONDS	3,847,000	4,831,000						
TOTAL PERM POSITIONS	401.00*	401.00*	335.00*	335.00*	335.0*	335.0*	335.0*	335.0*
TOTAL TEMP POSITIONS	130.00**	130.00**	26.00**	26.00**	26.0**	26.0**	26.0**	26.0**
TOTAL PROGRAM COST	40,534,491	38,260,887	31,813,867	31,617,181	31,617	31,617	31,617	31,617

OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
OPERATING COST	192.00*	192.00*	147.00*	147.00*	147.0*	147.0*	147.0*	147.0*
	5.00**	5.00**	1.00**	1.00**	1.0**	1.0**	1.0**	1.0**
PERSONAL SERVICES	10,881,822	8,648,022	8,938,621	8,741,935	8,742	8,742	8,742	8,742
OTHER CURRENT EXPENSES	958,234	958,234	703,122	703,122	703	703	703	703
TOTAL OPERATING COST	11,840,056	9,606,256	9,641,743	9,445,057	9,445	9,445	9,445	9,445
BY MEANS OF FINANCING	192.00*	192.00*	147.00*	147.00*	147.0*	147.0*	147.0*	147.0*
	5.00**	5.00**	1.00**	1.00**	1.0**	1.0**	1.0**	1.0**
GENERAL FUND	11,840,056	9,606,256	9,641,743	9,445,057	9,445	9,445	9,445	9,445
TOTAL PERM POSITIONS	192.00*	192.00*	147.00*	147.00*	147.0*	147.0*	147.0*	147.0*
TOTAL TEMP POSITIONS	5.00**	5.00**	1.00**	1.00**	1.0**	1.0**	1.0**	1.0**
TOTAL PROGRAM COST	11,840,056	9,606,256	9,641,743	9,445,057	9,445	9,445	9,445	9,445

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

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
MEASURES OF EFFECTIVENESS								
1. % OF RETURNS AUDITED AS % OF RETURNS FILED	2.6	2.8	2.8	2.8	2.8	2.8	2.8	2.8
2. % OF RETURNS AUDITED RESULTING IN ADJUSTMENTS	84	58	58	58	58	58	58	58
3. % INCR/DECR IN TOTAL DELINQUENT TAXES OUTSTANDING	1.9	3.1	3.1	3.1	3.1	3.1	3.1	3.1
PROGRAM TARGET GROUPS								
1. NO. OF ACTIVE BUSINESS LICENSES DURING FISCAL YEAR	352660	350000	350000	350000	350000	350000	350000	350000
2. TOTAL DELINQUENT TAXES OUTSTANDING DURING THE FY	526	552	552	552	552	552	552	552
PROGRAM ACTIVITIES								
1. NUMBER OF RETURNS AUDITED	27491	28000	28000	28000	28000	28000	28000	28000
2. NUMBER OF ASSESSMENTS MADE	23005	23000	23000	23000	23000	23000	23000	23000
3. TOTAL AMOUNT OF COLLECTION MADE WITH ASSESSMENTS	73	73	73	73	73	73	73	73
4. AMOUNT OF DELINQUENT TAXES COLLECTED	220	231	231	231	231	231	231	231
5. NUMBER OF TAX LIENS FILED	2817	3200	3200	3200	3200	3200	3200	3200
6. NUMBER OF LEVIES PROCESSED	16837	18000	18000	18000	18000	18000	18000	18000

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)

Operating requests are being submitted to: 1) transfer funds to fund a Tax Collector, Tax Compliance Coordinator and four Auditor positions; 2) delete positions that were unfunded in Act 9, SLH 2020; 3) reduce FTE and funding for positions that were recently vacated; 4) reduce FTE and funding for eight positions to downsize the Kauai District Office; and 5) reduce funding in other current expenses.

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

Program Plan Narrative

TAX100: COMPLIANCE

11 02 01 01

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.

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 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
OPERATING COST	128.00*	128.00*	118.00*	118.00*	118.0*	118.0*	118.0*	118.0*
	100.00**	100.00**	4.00**	4.00**	4.0**	4.0**	4.0**	4.0**
PERSONAL SERVICES	6,771,967	5,554,135	5,752,747	5,752,747	5,753	5,753	5,753	5,753
OTHER CURRENT EXPENSES	381,800	381,800	181,800	181,800	181	181	181	181
TOTAL OPERATING COST	7,153,767	5,935,935	5,934,547	5,934,547	5,934	5,934	5,934	5,934
BY MEANS OF FINANCING								
	128.00*	128.00*	118.00*	118.00*	118.0*	118.0*	118.0*	118.0*
	100.00**	100.00**	4.00**	4.00**	4.0**	4.0**	4.0**	4.0**
GENERAL FUND	7,153,767	5,935,935	5,934,547	5,934,547	5,934	5,934	5,934	5,934
TOTAL PERM POSITIONS	128.00*	128.00*	118.00*	118.00*	118.0*	118.0*	118.0*	118.0*
TOTAL TEMP POSITIONS	100.00**	100.00**	4.00**	4.00**	4.0**	4.0**	4.0**	4.0**
TOTAL PROGRAM COST	7,153,767	5,935,935	5,934,547	5,934,547	5,934	5,934	5,934	5,934

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

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
MEASURES OF EFFECTIVENESS								
1. AVE BUSINESS DAYS TO DEPOSIT CHECKS FROM TAXPAYERS	7	7	7	7	7	7	7	7
2. % NON-WORKLISTED REFUNDS COMPLETED IN 45 BUS DAYS	90	90	90	90	90	90	90	90
3. AVERAGE CALL ANSWER RATE	82	90	90	90	90	90	90	90
4. AVE CAL DAYS TO RESPOND TO PAPR/ELEC CORRESPNDNCE	12	10	10	10	10	10	10	10
5. % INC/DEC ELECTRONIC FILINGS OVER PRIOR FISCAL YR	11	10	10	10	10	10	10	10
PROGRAM TARGET GROUPS								
1. NUMBER OF TAXPAYERS FILING SELECTED KEY RETURNS	1048884	1100000	1100000	1100000	1100000	1100000	1100000	1100000
2. NUMBER OF CALLERS REQUESTING PERSONAL ASSISTANCE	123000	125000	125000	125000	125000	125000	125000	125000
3. NO. OF PAPER & ELECTRONIC CORRESPONDENCE RECEIVED	70222	30000	30000	30000	30000	30000	30000	30000
PROGRAM ACTIVITIES								
1. NUMBER OF TAX RETURNS FILED	1048884	1000000	1000000	1000000	1000000	1000000	1000000	1000000
2. NO. TELEPHONE CALLS SERVICED BY CUSTOMER SVC REP	123000	125000	125000	125000	125000	125000	125000	125000
3. NO. OF PAPER & ELECTRONIC CORRESPONDENCE RECEIVED	70222	30000	30000	30000	30000	30000	30000	30000

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)

Operating requests are being submitted to: 1) transfer funds to fund three Tax Clerks and one Tax Information Technician; 2) reduce FTE for positions unfunded in Act 9, SLH 2020; 3) reduce FTE and funding for recently funded positions; and 4) reduce funds in other current expenses.

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.

E. Identification of Important Program Relationships

The program has important relationships with the Legislature, financial institutions, government (federal, State, county) agencies, branches

Program Plan Narrative

TAX105: TAX SERVICES AND PROCESSING

11 02 01 03

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
OPERATING COST	81.00*	81.00*	70.00*	70.00*	70.0*	70.0*	70.0*	70.0*
	25.00**	25.00**	21.00**	21.00**	21.0**	21.0**	21.0**	21.0**
PERSONAL SERVICES	8,113,389	6,747,417	8,060,258	8,060,258	8,061	8,061	8,061	8,061
OTHER CURRENT EXPENSES	9,580,279	11,140,279	8,177,319	8,177,319	8,177	8,177	8,177	8,177
TOTAL OPERATING COST	17,693,668	17,887,696	16,237,577	16,237,577	16,238	16,238	16,238	16,238
BY MEANS OF FINANCING								
	81.00*	81.00*	65.00*	65.00*	65.0*	65.0*	65.0*	65.0*
	12.00**	12.00**	**	**	**	**	**	**
GENERAL FUND	14,548,532	14,342,560	10,676,156	10,676,156	10,677	10,677	10,677	10,677
	*	*	5.00*	5.00*	5.0*	5.0*	5.0*	5.0*
SPECIAL FUND	3,145,136	3,545,136	5,561,421	5,561,421	5,561	5,561	5,561	5,561
CAPITAL IMPROVEMENT COSTS								
CONSTRUCTION	3,847,000	4,831,000						
TOTAL CAPITAL EXPENDITURES	3,847,000	4,831,000						
BY MEANS OF FINANCING								
G.O. BONDS	3,847,000	4,831,000						
TOTAL PERM POSITIONS	81.00*	81.00*	70.00*	70.00*	70.0*	70.0*	70.0*	70.0*
TOTAL TEMP POSITIONS	25.00**	25.00**	21.00**	21.00**	21.0**	21.0**	21.0**	21.0**
TOTAL PROGRAM COST	21,540,668	22,718,696	16,237,577	16,237,577	16,238	16,238	16,238	16,238

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

	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27
MEASURES OF EFFECTIVENESS								
1. MEDIAN # OF DAYS FROM DATE OF VACANCY TO FILL DATE	141	365	365	365	365	365	365	365
PROGRAM TARGET GROUPS								
1. # OF TAX PROGRAMS	3	3	3	3	3	3	3	3
PROGRAM ACTIVITIES								
1. NUMBER OF TAX LAW CHANGES	2	15	15	15	15	15	15	15
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
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
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS)								
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)

Operating requests are being submitted to: 1) add \$3,033,832 in general funds for maintenance and support costs for the Tax Modernization System (TSM); 2) transfer funds to fund the Administrative Services Officer, IT Band D, Management Analyst V and Private Secretary positions; 3) transfer positions and funds to effectuate the re-organization of the Quality Control Office; 4) reduce FTE for positions unfunded in Act 9, SLH 2020; 5) reduce FTE and funding for recently vacated positions; 6) convert seven positions from general to special funds; and 7) reduce funds in other current expenses.

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 trends that affect this Department.

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

None.

Program Plan Narrative

TAX107: SUPPORTING SERVICES - REVENUE COLLECTION

11 02 01 04

H. Discussion of Program Revenues

None.

I. Summary of Analysis Performed

None.

J. Further Considerations

None.