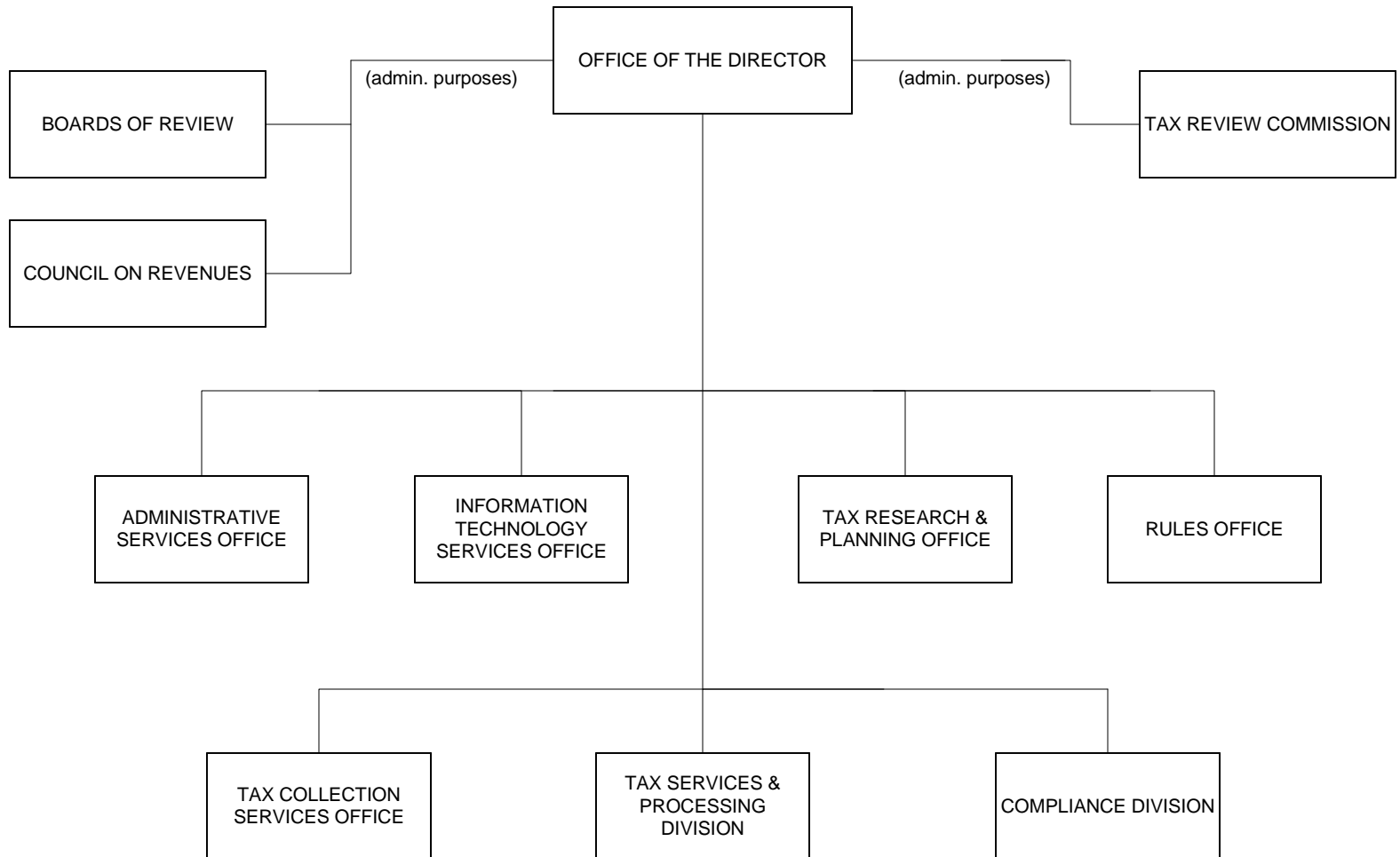




Department of Taxation

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

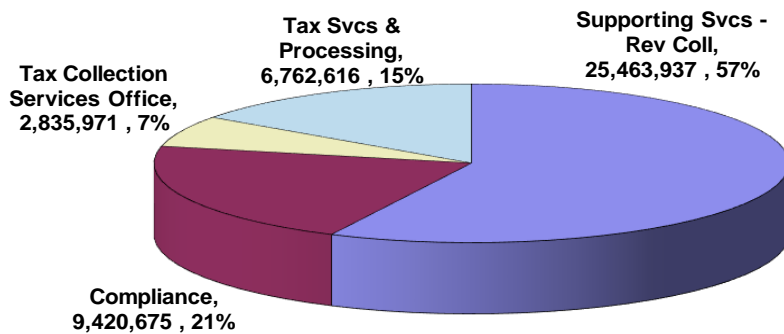
To provide complete customer service; to increase collection capabilities through efficient allocation of resources; to simplify taxpayer filings, provide a more user-friendly interface with the public, and expedite delinquent referrals; to automate tax filings, billings and collections; to expand capacity 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

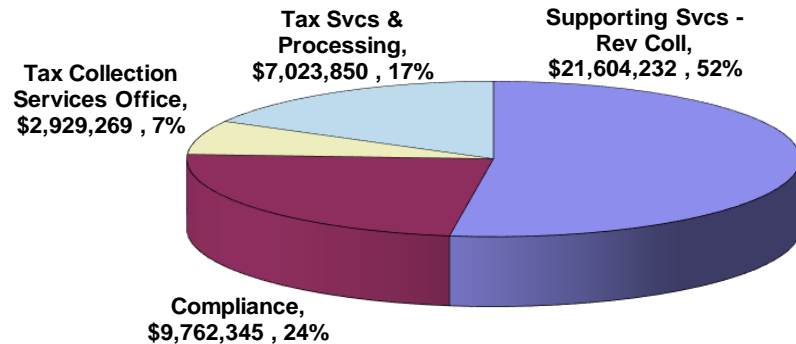
	<u>FY 2024</u>	<u>FY 2025</u>
1. Average annual percentage call answer rate	90	90
2. Percent of tax returns audited resulting in adjustments	58	58
3. Average business days to deposit checks received from taxpayers	7	7

FB 2023-2025 Operating Budget by Major Program Area

FY 2024



FY 2025



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 103	Tax Collection Services Office
TAX 105	Tax Services and Processing
TAX 107	Supporting Services – Revenue Collection

**Department of Taxation
(Operating Budget)**

		Budget Base FY 2024	Budget Base FY 2025	FY 2024	FY 2025
Funding Sources:	Perm Positions	397.00	397.00	405.00	405.00
	Temp Positions	88.00	88.00	87.00	87.00
General Funds	\$	28,534,980	29,467,959	40,879,797	37,692,076
Special Funds	Perm Positions	-	-	-	-
	Temp Positions	13.00	13.00	13.00	13.00
	\$	3,603,402	3,627,620	3,603,402	3,627,620
		397.00	397.00	405.00	405.00
		101.00	101.00	100.00	100.00
Total Requirements		32,138,382	33,095,579	44,483,199	41,319,696

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

1. Adds \$129,636 in FY 24 and \$148,332 in FY 25 to provide full-year funding for half-year funded positions authorized in Act 248, SLH 2022.
2. Adds \$3,342,309 in FY 24 and FY 25 to effectuate a transfer of funds for maintenance costs for the Tax System Modernization (TSM) project that was appropriated to the Office of Enterprise Technology Services in Act 248, SLH 2022.
3. Adds \$8,017,617 in FY 24 and \$3,855,721 in FY 25 for professional services and upgrades for TSM.
4. Adds \$165,048 to restore funding for the department's Deputy Director position.
5. Adds 2.00 permanent positions and \$160,368 in FY 24 and \$166,128 in FY 25 to fold in Auditor positions authorized via Act 217, SLH 2022.
6. Adds 5.00 permanent positions and \$533,859 in FY 24 and \$546,579 in FY 25 to fold in positions and funding for the Tax Review Board authorized via Act 218, SLH 2022, which converted the board into a paid board rather than a volunteer one.

OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

PROGRAM ID:
PROGRAM STRUCTURE NO:
PROGRAM TITLE:

DEPARTMENT OF TAXATION

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
OPERATING COST	401.00*	397.00*	405.00*	405.00*	405.0*	405.0*	405.0*	405.0*
	130.00**	101.00**	100.00**	100.00**	100.0**	100.0**	100.0**	100.0**
PERSONAL SERVICES	18,747,318	24,264,039	27,228,262	28,226,655	28,225	28,225	28,225	28,225
OTHER CURRENT EXPENSES	4,420,464	6,273,911	17,254,937	13,093,041	13,093	13,093	13,093	13,093
TOTAL OPERATING COST	23,167,782	30,537,950	44,483,199	41,319,696	41,318	41,318	41,318	41,318
<hr/>								
BY MEANS OF FINANCING	401.00*	397.00*	405.00*	405.00*	405.0*	405.0*	405.0*	405.0*
	117.00**	88.00**	87.00**	87.00**	87.0**	87.0**	87.0**	87.0**
GENERAL FUND	22,153,456	26,970,834	40,879,797	37,692,076	37,690	37,690	37,690	37,690
	*	*	*	*	*	*	*	*
SPECIAL FUND	13.00**	13.00**	13.00**	13.00**	13.0**	13.0**	13.0**	13.0**
	1,014,326	3,567,116	3,603,402	3,627,620	3,628	3,628	3,628	3,628
<hr/>								
CAPITAL IMPROVEMENT COSTS								
PLANS	1,000							
DESIGN	1,000							
CONSTRUCTION	498,000							
TOTAL CAPITAL EXPENDITURES	500,000							
<hr/>								
BY MEANS OF FINANCING								
G.O. BONDS	500,000							
<hr/>								
TOTAL PERM POSITIONS	401.00*	397.00*	405.00*	405.00*	405.0*	405.0*	405.0*	405.0*
TOTAL TEMP POSITIONS	130.00**	101.00**	100.00**	100.00**	100.0**	100.0**	100.0**	100.0**
TOTAL PROGRAM COST	23,667,782	30,537,950	44,483,199	41,319,696	41,318	41,318	41,318	41,318

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

	<u>FY 2024</u>	<u>FY 2025</u>
Funding Sources:		
General Funds		
General Obligation Bonds		
Total Requirements	-	-

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

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
 2 of 2

PROJECT NUMBER	PRIORITY NUMBER	SCOPE COST ELEMENT/MOF	PROJECT TITLE			BUDGET PERIOD						SUCCEED YEARS	
			PROJECT TOTAL	PRIOR YRS	FY 21-22	FY 22-23	FY 23-24	FY 24-25	FY 25-26	FY 26-27	FY 27-28		FY 28-29
		PLANS	1		1								
		DESIGN	16,022	16,021	1								
		CONSTRUCTION	33,877	33,379	498								
		EQUIPMENT	120	120									
		TOTAL	50,020	49,520	500								
		G.O. BONDS	50,020	49,520	500								



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 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
OPERATING COST	401.00*	397.00*	405.00*	405.00*	405.0*	405.0*	405.0*	405.0*
	130.00**	101.00**	100.00**	100.00**	100.0**	100.0**	100.0**	100.0**
PERSONAL SERVICES	18,747,318	24,264,039	27,228,262	28,226,655	28,225	28,225	28,225	28,225
OTHER CURRENT EXPENSES	4,420,464	6,273,911	17,254,937	13,093,041	13,093	13,093	13,093	13,093
TOTAL OPERATING COST	23,167,782	30,537,950	44,483,199	41,319,696	41,318	41,318	41,318	41,318
BY MEANS OF FINANCING	401.00*	397.00*	405.00*	405.00*	405.0*	405.0*	405.0*	405.0*
	117.00**	88.00**	87.00**	87.00**	87.0**	87.0**	87.0**	87.0**
GENERAL FUND	22,153,456	26,970,834	40,879,797	37,692,076	37,690	37,690	37,690	37,690
	*	*	*	*	*	*	*	*
SPECIAL FUND	13.00**	13.00**	13.00**	13.00**	13.0**	13.0**	13.0**	13.0**
	1,014,326	3,567,116	3,603,402	3,627,620	3,628	3,628	3,628	3,628
CAPITAL IMPROVEMENT COSTS								
PLANS	1,000							
DESIGN	1,000							
CONSTRUCTION	498,000							
TOTAL CAPITAL EXPENDITURES	500,000							
BY MEANS OF FINANCING								
G.O. BONDS	500,000							
TOTAL PERM POSITIONS	401.00*	397.00*	405.00*	405.00*	405.0*	405.0*	405.0*	405.0*
TOTAL TEMP POSITIONS	130.00**	101.00**	100.00**	100.00**	100.0**	100.0**	100.0**	100.0**
TOTAL PROGRAM COST	23,667,782	30,537,950	44,483,199	41,319,696	41,318	41,318	41,318	41,318

OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
OPERATING COST	401.00*	397.00*	405.00*	405.00*	405.0*	405.0*	405.0*	405.0*
	130.00**	101.00**	100.00**	100.00**	100.0**	100.0**	100.0**	100.0**
PERSONAL SERVICES	18,747,318	24,264,039	27,228,262	28,226,655	28,225	28,225	28,225	28,225
OTHER CURRENT EXPENSES	4,420,464	6,273,911	17,254,937	13,093,041	13,093	13,093	13,093	13,093
TOTAL OPERATING COST	23,167,782	30,537,950	44,483,199	41,319,696	41,318	41,318	41,318	41,318
BY MEANS OF FINANCING								
	401.00*	397.00*	405.00*	405.00*	405.0*	405.0*	405.0*	405.0*
	117.00**	88.00**	87.00**	87.00**	87.0**	87.0**	87.0**	87.0**
GENERAL FUND	22,153,456	26,970,834	40,879,797	37,692,076	37,690	37,690	37,690	37,690
	*	*	*	*	*	*	*	*
SPECIAL FUND	13.00**	13.00**	13.00**	13.00**	13.0**	13.0**	13.0**	13.0**
	1,014,326	3,567,116	3,603,402	3,627,620	3,628	3,628	3,628	3,628
CAPITAL IMPROVEMENT COSTS								
PLANS	1,000							
DESIGN	1,000							
CONSTRUCTION	498,000							
TOTAL CAPITAL EXPENDITURES	500,000							
BY MEANS OF FINANCING								
G.O. BONDS	500,000							
TOTAL PERM POSITIONS	401.00*	397.00*	405.00*	405.00*	405.0*	405.0*	405.0*	405.0*
TOTAL TEMP POSITIONS	130.00**	101.00**	100.00**	100.00**	100.0**	100.0**	100.0**	100.0**
TOTAL PROGRAM COST	23,667,782	30,537,950	44,483,199	41,319,696	41,318	41,318	41,318	41,318

OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
OPERATING COST	401.00*	397.00*	405.00*	405.00*	405.0*	405.0*	405.0*	405.0*
	130.00**	101.00**	100.00**	100.00**	100.0**	100.0**	100.0**	100.0**
PERSONAL SERVICES	18,747,318	24,264,039	27,228,262	28,226,655	28,225	28,225	28,225	28,225
OTHER CURRENT EXPENSES	4,420,464	6,273,911	17,254,937	13,093,041	13,093	13,093	13,093	13,093
TOTAL OPERATING COST	23,167,782	30,537,950	44,483,199	41,319,696	41,318	41,318	41,318	41,318
BY MEANS OF FINANCING								
	401.00*	397.00*	405.00*	405.00*	405.0*	405.0*	405.0*	405.0*
	117.00**	88.00**	87.00**	87.00**	87.0**	87.0**	87.0**	87.0**
GENERAL FUND	22,153,456	26,970,834	40,879,797	37,692,076	37,690	37,690	37,690	37,690
	*	*	*	*	*	*	*	*
SPECIAL FUND	13.00**	13.00**	13.00**	13.00**	13.0**	13.0**	13.0**	13.0**
	1,014,326	3,567,116	3,603,402	3,627,620	3,628	3,628	3,628	3,628
CAPITAL IMPROVEMENT COSTS								
PLANS	1,000							
DESIGN	1,000							
CONSTRUCTION	498,000							
TOTAL CAPITAL EXPENDITURES	500,000							
BY MEANS OF FINANCING								
G.O. BONDS	500,000							
TOTAL PERM POSITIONS	401.00*	397.00*	405.00*	405.00*	405.0*	405.0*	405.0*	405.0*
TOTAL TEMP POSITIONS	130.00**	101.00**	100.00**	100.00**	100.0**	100.0**	100.0**	100.0**
TOTAL PROGRAM COST	23,667,782	30,537,950	44,483,199	41,319,696	41,318	41,318	41,318	41,318

OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
OPERATING COST	192.00*	182.00*	137.00*	137.00*	137.0*	137.0*	137.0*	137.0*
	5.00**	3.00**	2.00**	2.00**	2.0**	2.0**	2.0**	2.0**
PERSONAL SERVICES	7,987,088	10,320,183	8,841,341	9,183,011	9,182	9,182	9,182	9,182
OTHER CURRENT EXPENSES	1,248,729	958,234	579,334	579,334	579	579	579	579
TOTAL OPERATING COST	9,235,817	11,278,417	9,420,675	9,762,345	9,761	9,761	9,761	9,761
BY MEANS OF FINANCING	192.00*	182.00*	137.00*	137.00*	137.0*	137.0*	137.0*	137.0*
	5.00**	3.00**	2.00**	2.00**	2.0**	2.0**	2.0**	2.0**
GENERAL FUND	9,235,817	11,278,417	9,420,675	9,762,345	9,761	9,761	9,761	9,761
TOTAL PERM POSITIONS	192.00*	182.00*	137.00*	137.00*	137.0*	137.0*	137.0*	137.0*
TOTAL TEMP POSITIONS	5.00**	3.00**	2.00**	2.00**	2.0**	2.0**	2.0**	2.0**
TOTAL PROGRAM COST	9,235,817	11,278,417	9,420,675	9,762,345	9,761	9,761	9,761	9,761

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

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
MEASURES OF EFFECTIVENESS								
1. % OF RETURNS AUDITED AS % OF RETURNS FILED	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8
2. % OF RETURNS AUDITED RESULTING IN ADJUSTMENTS	58	58	58	58	58	58	58	58
3. % INCR/DECR IN TOTAL DELINQUENT TAXES OUTSTANDING	3.1	3.1						
PROGRAM TARGET GROUPS								
1. NO. OF ACTIVE BUSINESS LICENSES DURING FISCAL YEAR	350000	350000	350000	350000	350000	350000	350000	350000
2. TOTAL DELINQUENT TAXES OUTSTANDING DURING THE FY	552	552						
PROGRAM ACTIVITIES								
1. NUMBER OF RETURNS AUDITED	28000	28000	28000	28000	28000	28000	28000	28000
2. NUMBER OF ASSESSMENTS MADE	23000	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	231	231						
5. NUMBER OF TAX LIENS FILED	3200	3200						
6. NUMBER OF LEVIES PROCESSED	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 out positions and funds from the Oahu Collections Branch, Compliance Division, to TAX 103, Tax Collection Services Office; 2) fully fund 5.00 partially funded positions authorized in Act 248, SLH 2022; and 3) add 2.00 permanent positions and funds for two Auditors to effectuate Act 217, SLH 2022.

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. 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

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: **TAX103**
 PROGRAM STRUCTURE NO: **11020102**
 PROGRAM TITLE: **TAX COLLECTION SERVICES OFFICE**

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
OPERATING COST	0.00*	0.00*	47.00*	47.00*	47.0*	47.0*	47.0*	47.0*
PERSONAL SERVICES	0.00**	0.00**	1.00**	1.00**	1.0**	1.0**	1.0**	1.0**
TOTAL OPERATING COST	0	0	2,835,971	2,929,269	2,929	2,929	2,929	2,929
BY MEANS OF FINANCING								
GENERAL FUND	*	*	47.00*	47.00*	47.0*	47.0*	47.0*	47.0*
	**	**	1.00**	1.00**	1.0**	1.0**	1.0**	1.0**
TOTAL PERM POSITIONS	*	*	47.00*	47.00*	47.0*	47.0*	47.0*	47.0*
TOTAL TEMP POSITIONS	**	**	1.00**	1.00**	1.0**	1.0**	1.0**	1.0**
TOTAL PROGRAM COST			2,835,971	2,929,269	2,929	2,929	2,929	2,929

PROGRAM ID: **TAX103**
PROGRAM STRUCTURE: **11020102**
PROGRAM TITLE: **TAX COLLECTION SERVICES OFFICE**

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
<u>MEASURES OF EFFECTIVENESS</u>								
1. NEW PROGRAM ESTABLISHED THROUGH A.D. 19-02								
2. % INCR/DECR IN TOTAL DELINQUENT TAXES OUTSTANDING			3.1	3.1	3.1	3.1	3.1	3.1
<u>PROGRAM TARGET GROUPS</u>								
1. TOTAL DELINQUENT TAXES OUTSTANDING DURING THE FY			552	552	552	552	552	552
<u>PROGRAM ACTIVITIES</u>								
1. AMOUNT OF DELINQUENT TAXES COLLECTED			231	231	231	231	231	231
2. NUMBER OF TAX LIENS FILED			3200	3200	3200	3200	3200	3200
3. NUMBER OF LEVIES PROCESSED			18000	18000	18000	18000	18000	18000

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

Program Plan Narrative

TAX103: TAX COLLECTION SERVICES OFFICE

11 02 01 02

A. Statement of Program Objectives

To provide revenues to support quality public service in the State of Hawaii through the collection of delinquent taxes in accordance with prescribed laws and regulations.

B. Description of Request and Compliance with Section 37-68(1)(A)(B)

Operating requests are being submitted to transfer out positions and funds from the Oahu Collections Branch, Compliance Division, to TAX 103, Tax Collection Services Office.

C. Description of Activities Performed

Ensure that businesses and individuals comply with their tax obligations by:

- Communicating with taxpayers, their representatives, certified public accountants and tax attorneys to address problems, request supporting documentation, and resolve cases involving delinquent taxes.
- Performing field collection work.
- Gathering and analyzing data.
- Reviewing documents and procedures.
- Investigating tax delinquencies in adherence to State and federal laws.
- Collecting overdue tax dollars.
- Remaining well-versed in tax code.
- Imposing payment deadlines on delinquent taxpayers and monitor payments to ensure the deadlines are met.
- Determining appropriate methods of debt settlement, such as offers of compromise, wage garnishment, or seizure and sale of property.
- Initiating legal action (liens, levies, etc.) when appropriate.
- Providing over the counter and telephone information and assistance to the public.

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; and increasing voluntary compliance with timely filing and payment requirements.

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. Under the Multi-State Tax Compact, Hawaii exchanges tax information with other member states as well. 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 collection enforcement programs. Additional resources to improve collection activities will increase revenues, reduce delinquent taxes, and discourage taxpayer non-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 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
OPERATING COST	128.00*	136.00*	133.00*	133.00*	133.0*	133.0*	133.0*	133.0*
	100.00**	76.00**	76.00**	76.00**	76.0**	76.0**	76.0**	76.0**
PERSONAL SERVICES	5,081,654	6,295,867	6,580,816	6,842,050	6,842	6,842	6,842	6,842
OTHER CURRENT EXPENSES	304,277	181,800	181,800	181,800	182	182	182	182
TOTAL OPERATING COST	5,385,931	6,477,667	6,762,616	7,023,850	7,024	7,024	7,024	7,024
BY MEANS OF FINANCING								
	128.00*	136.00*	133.00*	133.00*	133.0*	133.0*	133.0*	133.0*
	100.00**	76.00**	76.00**	76.00**	76.0**	76.0**	76.0**	76.0**
GENERAL FUND	5,385,931	6,477,667	6,762,616	7,023,850	7,024	7,024	7,024	7,024
TOTAL PERM POSITIONS	128.00*	136.00*	133.00*	133.00*	133.0*	133.0*	133.0*	133.0*
TOTAL TEMP POSITIONS	100.00**	76.00**	76.00**	76.00**	76.0**	76.0**	76.0**	76.0**
TOTAL PROGRAM COST	5,385,931	6,477,667	6,762,616	7,023,850	7,024	7,024	7,024	7,024

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

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
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	90	90	90	90	90	90	90	90
4. AVE CAL DAYS TO RESPOND TO PAPR/ELEC CORRESPNDNCE	10	10	10	10	10	10	10	10
5. % INC/DEC ELECTRONIC FILINGS OVER PRIOR FISCAL YR	10	10	10	10	10	10	10	10
PROGRAM TARGET GROUPS								
1. NUMBER OF TAXPAYERS FILING SELECTED KEY RETURNS	1100000	1100000	1100000	1100000	1100000	1100000	1100000	1100000
2. NUMBER OF CALLERS REQUESTING PERSONAL ASSISTANCE	125000	125000	125000	125000	125000	125000	125000	125000
3. NO. OF PAPER & ELECTRONIC CORRESPONDENCE RECEIVED	30000	30000	30000	30000	30000	30000	30000	30000
PROGRAM ACTIVITIES								
1. NUMBER OF TAX RETURNS FILED	1000000	1000000	1000000	1000000	1000000	1000000	1000000	1000000
2. NO. TELEPHONE CALLS SERVICED BY CUSTOMER SVC REP	125000	125000	125000	125000	125000	125000	125000	125000
3. NO. OF PAPER & ELECTRONIC CORRESPONDENCE RECEIVED	30000	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 transfer out 3.00 positions and funds to the Information Technology Services Office.

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 applications 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 within the Department, tax practitioners and preparers, and taxpayers.

Program Plan Narrative

TAX105: TAX SERVICES AND PROCESSING

11 02 01 03

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 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
OPERATING COST	81.00*	79.00*	88.00*	88.00*	88.0*	88.0*	88.0*	88.0*
	25.00**	22.00**	21.00**	21.00**	21.0**	21.0**	21.0**	21.0**
PERSONAL SERVICES	5,678,576	7,647,989	8,970,134	9,272,325	9,272	9,272	9,272	9,272
OTHER CURRENT EXPENSES	2,867,458	5,133,877	16,493,803	12,331,907	12,332	12,332	12,332	12,332
TOTAL OPERATING COST	8,546,034	12,781,866	25,463,937	21,604,232	21,604	21,604	21,604	21,604
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BY MEANS OF FINANCING								
	81.00*	79.00*	88.00*	88.00*	88.0*	88.0*	88.0*	88.0*
	12.00**	9.00**	8.00**	8.00**	8.0**	8.0**	8.0**	8.0**
GENERAL FUND	7,531,708	9,214,750	21,860,535	17,976,612	17,976	17,976	17,976	17,976
	*	*	*	*	*	*	*	*
SPECIAL FUND	13.00**	13.00**	13.00**	13.00**	13.0**	13.0**	13.0**	13.0**
	1,014,326	3,567,116	3,603,402	3,627,620	3,628	3,628	3,628	3,628
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CAPITAL IMPROVEMENT COSTS								
PLANS	1,000							
DESIGN	1,000							
CONSTRUCTION	498,000							
TOTAL CAPITAL EXPENDITURES	500,000							
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BY MEANS OF FINANCING								
G.O. BONDS	500,000							
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TOTAL PERM POSITIONS	81.00*	79.00*	88.00*	88.00*	88.0*	88.0*	88.0*	88.0*
TOTAL TEMP POSITIONS	25.00**	22.00**	21.00**	21.00**	21.0**	21.0**	21.0**	21.0**
TOTAL PROGRAM COST	9,046,034	12,781,866	25,463,937	21,604,232	21,604	21,604	21,604	21,604

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

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29
MEASURES OF EFFECTIVENESS								
1. MEDIAN # OF DAYS FROM DATE OF VACANCY TO FILL DATE	365	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	15	15	15	15	15	15	15	15
PROGRAM REVENUES BY TYPE (IN THOUSANDS of DOLLARS)								
TAXES	9,010,880	9,522,026	9,941,018	10,187,209	10,643,998	10,919,099	11,444,598	11,444,598
LICENSES, PERMITS, AND FEES	20,190	20,243	20,289	20,327	20,361	20,393	20,427	20,427
REVENUE FROM OTHER AGENCIES: FEDERAL	15	15	15	15	15	15	15	15
CHARGES FOR CURRENT SERVICES	44,028	42,472	45,899	49,324	49,900	49,154	50,021	50,021
NON-REVENUE RECEIPTS	15,740	36,000	39,000	43,000	43,000	43,000	43,000	43,000
TOTAL PROGRAM REVENUES	9,090,853	9,620,756	10,046,221	10,299,875	10,757,274	11,031,661	11,558,061	11,558,061
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS)								
GENERAL FUNDS	9,034,822	9,546,504	9,965,969	10,211,623	10,669,022	10,943,409	11,469,809	11,469,809
SPECIAL FUNDS	56,031	74,252	80,252	88,252	88,252	88,252	88,252	88,252
TOTAL PROGRAM REVENUES	9,090,853	9,620,756	10,046,221	10,299,875	10,757,274	11,031,661	11,558,061	11,558,061

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) transfer in 3.00 positions and funds to the Information Technology Services Office from Tax Services and Processing; 2) add \$8,017,617 in general funds in FY 24 and \$3,855,721 in general funds in FY 25 to finance various services for the Tax System Modernization (TSM) project; 3) transfer in \$3,342,309 in both FY 24 and FY 25 from the Office of Enterprise Technology Services for TSM-related expenditures; 4) restore funding for the Deputy Director positions; and 5) fold in positions and funding for the Taxation Board of Review that were authorized in Act 218, SLH 2022.

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.