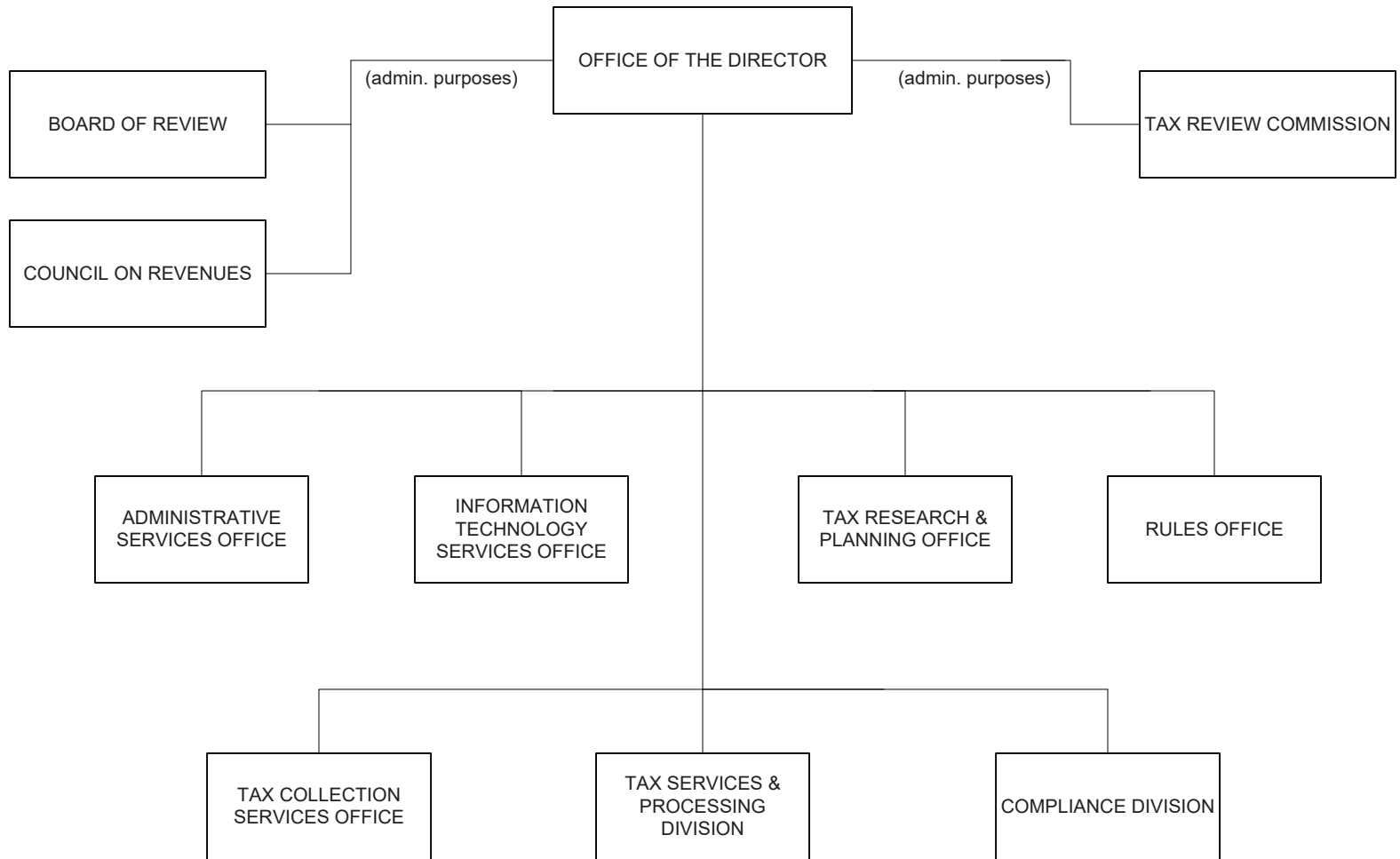




Department of Taxation

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.

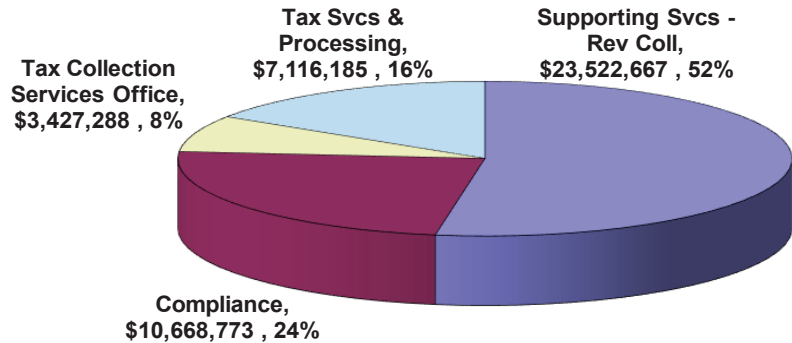
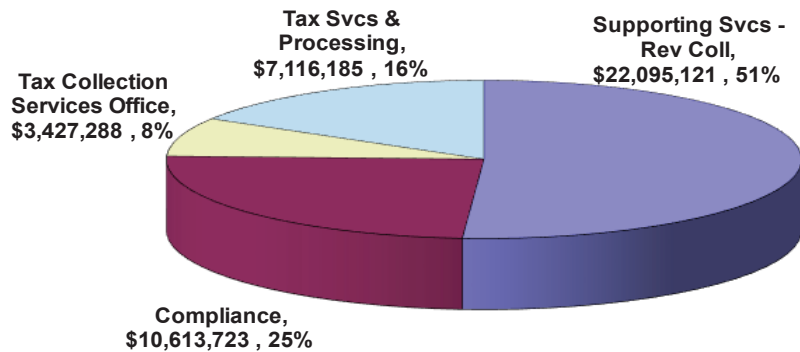
Department Goals

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 2026</u>	<u>FY 2027</u>
1. Average annual percentage call answer rate	90	90
2. Percent of tax returns audited resulting in adjustments	90	90
3. Average business days to deposit checks received from taxpayers	7	7

FB 2025-2027 Operating Budget by Major Program Area
FY 2026 FY 2027



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 programs 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 2026	Budget Base FY 2027	FY 2026	FY 2027
Funding Sources:	Perm Positions	415.00	415.00	412.00	413.00
	Temp Positions	86.00	86.00	9.00	9.00
General Funds	\$	38,963,519	38,963,519	39,622,691	41,105,287
Special Funds	Perm Positions	-			
	Temp Positions	13.00	13.00	15.00	15.00
	\$	3,629,626	3,629,626	3,629,626	3,629,626
		415.00	415.00	412.00	413.00
		99.00	99.00	24.00	24.00
Total Requirements		42,593,145	42,593,145	43,252,317	44,734,913

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

1. Adds \$338,150 for FY 26 and \$1,343,400 for FY 27 for consultant services to maintain Tax System Modernization (TSM) projects.
2. Adds 6.00 permanent positions and \$294,796 for FY 26 and 7.00 permanent positions and \$664,592 for FY 27 to establish a TSM Office and integrate the Internal Revenue Services' Direct File Project with TSM.
3. Adds 1.00 permanent position and \$52,500 for FY 26 and \$105,000 for FY 27 for a Data Privacy Officer.
4. Adds 2.00 permanent positions and \$55,050 for FY 26 and \$110,100 for FY 27 for the Tax Compliance Division's Kaua'i District Office.
5. Adds 2.00 temporary positions and transfers \$108,240 in special funds from other current expenses to personal services for FY 26 and \$216,480 in special funds from other current expenses to personal services for FY 27 for the Special Enforcement Section.

OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

PROGRAM ID:
PROGRAM STRUCTURE NO:
PROGRAM TITLE:

DEPARTMENT OF TAXATION

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
OPERATING COST	412.00*	415.00*	412.00*	413.00*	413.0*	413.0*	413.0*	413.0*
	99.00**	99.00**	24.00**	24.00**	24.0**	24.0**	24.0**	24.0**
PERSONAL SERVICES	27,025,062	28,429,791	29,054,719	29,640,305	29,642	29,642	29,642	29,642
OTHER CURRENT EXPENSES	17,968,057	14,142,688	14,197,598	14,344,608	14,344	14,344	14,344	14,344
EQUIPMENT				750,000				
TOTAL OPERATING COST	44,993,119	42,572,479	43,252,317	44,734,913	43,986	43,986	43,986	43,986
BY MEANS OF FINANCING								
	412.00*	415.00*	412.00*	413.00*	413.0*	413.0*	413.0*	413.0*
	86.00**	86.00**	9.00**	9.00**	9.0**	9.0**	9.0**	9.0**
GENERAL FUND	41,389,717	38,944,859	39,622,691	41,105,287	40,356	40,356	40,356	40,356
	*	*	*	*	*	*	*	*
SPECIAL FUND	13.00**	13.00**	15.00**	15.00**	15.0**	15.0**	15.0**	15.0**
	3,603,402	3,627,620	3,629,626	3,629,626	3,630	3,630	3,630	3,630
TOTAL PERM POSITIONS	412.00*	415.00*	412.00*	413.00*	413.0*	413.0*	413.0*	413.0*
TOTAL TEMP POSITIONS	99.00**	99.00**	24.00**	24.00**	24.0**	24.0**	24.0**	24.0**
TOTAL PROGRAM COST	44,993,119	42,572,479	43,252,317	44,734,913	43,986	43,986	43,986	43,986

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

	<u>FY 2026</u>	<u>FY 2027</u>
Funding Sources:		
General Obligation Bonds	-	
Federal Funds	-	
	<hr/>	
Total Requirements	-	
	<hr/> <hr/>	

Highlights of the Executive CIP Budget Request: (general obligation bonds unless noted)
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 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
OPERATING COST	412.00*	415.00*	412.00*	413.00*	413.0*	413.0*	413.0*	413.0*
	99.00**	99.00**	24.00**	24.00**	24.0**	24.0**	24.0**	24.0**
PERSONAL SERVICES	27,025,062	28,429,791	29,054,719	29,640,305	29,642	29,642	29,642	29,642
OTHER CURRENT EXPENSES	17,968,057	14,142,688	14,197,598	14,344,608	14,344	14,344	14,344	14,344
EQUIPMENT				750,000				
TOTAL OPERATING COST	44,993,119	42,572,479	43,252,317	44,734,913	43,986	43,986	43,986	43,986
BY MEANS OF FINANCING								
	412.00*	415.00*	412.00*	413.00*	413.0*	413.0*	413.0*	413.0*
	86.00**	86.00**	9.00**	9.00**	9.0**	9.0**	9.0**	9.0**
GENERAL FUND	41,389,717	38,944,859	39,622,691	41,105,287	40,356	40,356	40,356	40,356
	*	*	*	*	*	*	*	*
SPECIAL FUND	13.00**	13.00**	15.00**	15.00**	15.0**	15.0**	15.0**	15.0**
	3,603,402	3,627,620	3,629,626	3,629,626	3,630	3,630	3,630	3,630
TOTAL PERM POSITIONS	412.00*	415.00*	412.00*	413.00*	413.0*	413.0*	413.0*	413.0*
TOTAL TEMP POSITIONS	99.00**	99.00**	24.00**	24.00**	24.0**	24.0**	24.0**	24.0**
TOTAL PROGRAM COST	44,993,119	42,572,479	43,252,317	44,734,913	43,986	43,986	43,986	43,986

OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
OPERATING COST	412.00*	415.00*	412.00*	413.00*	413.0*	413.0*	413.0*	413.0*
	99.00**	99.00**	24.00**	24.00**	24.0**	24.0**	24.0**	24.0**
PERSONAL SERVICES	27,025,062	28,429,791	29,054,719	29,640,305	29,642	29,642	29,642	29,642
OTHER CURRENT EXPENSES	17,968,057	14,142,688	14,197,598	14,344,608	14,344	14,344	14,344	14,344
EQUIPMENT				750,000				
TOTAL OPERATING COST	44,993,119	42,572,479	43,252,317	44,734,913	43,986	43,986	43,986	43,986
BY MEANS OF FINANCING								
	412.00*	415.00*	412.00*	413.00*	413.0*	413.0*	413.0*	413.0*
	86.00**	86.00**	9.00**	9.00**	9.0**	9.0**	9.0**	9.0**
GENERAL FUND	41,389,717	38,944,859	39,622,691	41,105,287	40,356	40,356	40,356	40,356
	*	*	*	*	*	*	*	*
SPECIAL FUND	13.00**	13.00**	15.00**	15.00**	15.0**	15.0**	15.0**	15.0**
	3,603,402	3,627,620	3,629,626	3,629,626	3,630	3,630	3,630	3,630
TOTAL PERM POSITIONS	412.00*	415.00*	412.00*	413.00*	413.0*	413.0*	413.0*	413.0*
TOTAL TEMP POSITIONS	99.00**	99.00**	24.00**	24.00**	24.0**	24.0**	24.0**	24.0**
TOTAL PROGRAM COST	44,993,119	42,572,479	43,252,317	44,734,913	43,986	43,986	43,986	43,986

OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
OPERATING COST	412.00*	415.00*	412.00*	413.00*	413.0*	413.0*	413.0*	413.0*
	99.00**	99.00**	24.00**	24.00**	24.0**	24.0**	24.0**	24.0**
PERSONAL SERVICES	27,025,062	28,429,791	29,054,719	29,640,305	29,642	29,642	29,642	29,642
OTHER CURRENT EXPENSES	17,968,057	14,142,688	14,197,598	14,344,608	14,344	14,344	14,344	14,344
EQUIPMENT				750,000				
TOTAL OPERATING COST	44,993,119	42,572,479	43,252,317	44,734,913	43,986	43,986	43,986	43,986
BY MEANS OF FINANCING	412.00*	415.00*	412.00*	413.00*	413.0*	413.0*	413.0*	413.0*
	86.00**	86.00**	9.00**	9.00**	9.0**	9.0**	9.0**	9.0**
GENERAL FUND	41,389,717	38,944,859	39,622,691	41,105,287	40,356	40,356	40,356	40,356
	*	*	*	*	*	*	*	*
SPECIAL FUND	13.00**	13.00**	15.00**	15.00**	15.0**	15.0**	15.0**	15.0**
	3,603,402	3,627,620	3,629,626	3,629,626	3,630	3,630	3,630	3,630
TOTAL PERM POSITIONS	412.00*	415.00*	412.00*	413.00*	413.0*	413.0*	413.0*	413.0*
TOTAL TEMP POSITIONS	99.00**	99.00**	24.00**	24.00**	24.0**	24.0**	24.0**	24.0**
TOTAL PROGRAM COST	44,993,119	42,572,479	43,252,317	44,734,913	43,986	43,986	43,986	43,986

OPERATING AND CAPITAL EXPENDITURES

REPORT: P61-A

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

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
OPERATING COST	145.00*	148.00*	149.00*	149.00*	149.0*	149.0*	149.0*	149.0*
	0.00**	1.00**	0.00**	0.00**	0.0**	0.0**	0.0**	0.0**
PERSONAL SERVICES	9,006,872	9,744,455	9,833,199	9,888,249	9,889	9,889	9,889	9,889
OTHER CURRENT EXPENSES	688,554	800,524	780,524	780,524	781	781	781	781
TOTAL OPERATING COST	9,695,426	10,544,979	10,613,723	10,668,773	10,670	10,670	10,670	10,670
BY MEANS OF FINANCING								
	145.00*	148.00*	149.00*	149.00*	149.0*	149.0*	149.0*	149.0*
	**	1.00**	**	**	**	**	**	**
GENERAL FUND	9,695,426	10,544,979	10,613,723	10,668,773	10,670	10,670	10,670	10,670
TOTAL PERM POSITIONS	145.00*	148.00*	149.00*	149.00*	149.0*	149.0*	149.0*	149.0*
TOTAL TEMP POSITIONS	**	1.00**	**	**	**	**	**	**
TOTAL PROGRAM COST	9,695,426	10,544,979	10,613,723	10,668,773	10,670	10,670	10,670	10,670

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

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
MEASURES OF EFFECTIVENESS								
1. % OF RETURNS AUDITED AS % OF RETURNS FILED	2.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
2. % OF RETURNS AUDITED RESULTING IN ADJUSTMENTS	58	90	90	90	90	90	90	90
3. % INCR/DECR IN TOTAL DELINQUENT TAXES OUTSTANDING		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	350000	475000	475000	475000	475000	475000	475000	475000
2. TOTAL DELINQUENT TAXES OUTSTANDING DURING THE FY		258	258	258	258	258	258	258
PROGRAM ACTIVITIES								
1. NUMBER OF RETURNS AUDITED	28000	20500	20500	20500	20500	20500	20500	20500
2. NUMBER OF ASSESSMENTS MADE	23000	18000	18000	18000	18000	18000	18000	18000
3. TOTAL AMOUNT OF COLLECTION MADE WITH ASSESSMENTS	73	50	50	50	50	50	50	50
4. AMOUNT OF DELINQUENT TAXES COLLECTED		60	60	60	60	60	60	60
5. NUMBER OF TAX LIENS FILED		4400	4400	4400	4400	4400	4400	4400
6. NUMBER OF LEVIES PROCESSED		20000	20000	20000	20000	20000	20000	20000

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)

The Compliance Program (Program) has the following requests:

Trades-off \$12,660 in FY 26 and FY 27 in general funds in personal services funds from the Kauai Office to the Oahu Office to re-describe 1.00 position.

Adds 2.00 permanent positions and \$52,050 in FY 26 and \$110,110 in FY 27 in general funds for the Kauai District Office.

Deletes 1.00 unfunded permanent position count in FY 26 and in FY 27 for a long-term vacancy.

Deletes 1.00 unfunded temporary position count in FY 26 and in FY 27 for housekeeping purposes.

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 the Program 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 and the Departments of the Attorney General, Commerce and Consumer Affairs and 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 Program 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: TAX103
 PROGRAM STRUCTURE NO: 11020102
 PROGRAM TITLE: TAX COLLECTION SERVICES OFFICE

PROGRAM EXPENDITURES	IN DOLLARS				IN THOUSANDS			
	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
OPERATING COST	47.00*	47.00*	43.00*	43.00*	43.0*	43.0*	43.0*	43.0*
	1.00**	1.00**	1.00**	1.00**	1.0**	1.0**	1.0**	1.0**
PERSONAL SERVICES	2,457,071	2,550,369	2,559,188	2,559,188	2,559	2,559	2,559	2,559
OTHER CURRENT EXPENSES	378,900	868,100	868,100	868,100	868	868	868	868
TOTAL OPERATING COST	2,835,971	3,418,469	3,427,288	3,427,288	3,427	3,427	3,427	3,427
BY MEANS OF FINANCING								
	47.00*	47.00*	43.00*	43.00*	43.0*	43.0*	43.0*	43.0*
	1.00**	1.00**	1.00**	1.00**	1.0**	1.0**	1.0**	1.0**
GENERAL FUND	2,835,971	3,418,469	3,427,288	3,427,288	3,427	3,427	3,427	3,427
TOTAL PERM POSITIONS	47.00*	47.00*	43.00*	43.00*	43.0*	43.0*	43.0*	43.0*
TOTAL TEMP POSITIONS	1.00**	1.00**	1.00**	1.00**	1.0**	1.0**	1.0**	1.0**
TOTAL PROGRAM COST	2,835,971	3,418,469	3,427,288	3,427,288	3,427	3,427	3,427	3,427

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

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
<u>MEASURES OF EFFECTIVENESS</u>								
1. % INCR/DECR IN TOTAL DELINQUENT TAXES OUTSTANDING	3.1	3.1	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	552	552
<u>PROGRAM ACTIVITIES</u>								
1. AMOUNT OF DELINQUENT TAXES COLLECTED	231	231	231	231	231	231	231	231
2. NUMBER OF TAX LIENS FILED	3200	3200	3200	3200	3200	3200	3200	3200
3. NUMBER OF LEVIES PROCESSED	18000	18000	18000	18000	18000	18000	18000	18000

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)

The Tax Collection Services Office Program (Program) has the following request:

Deletes 4.00 permanent unfunded position counts in FY 26 and FY 27 for long-term vacancies.

C. Description of Activities Performed

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

1. Communicating with taxpayers, their representatives, certified public accountants and tax attorneys to address problems, request supporting documentation, and resolve cases involving delinquent taxes.
2. Performing field collection work.
3. Gathering and analyzing data.
4. Reviewing documents and procedures.
5. Investigating tax delinquencies in adherence to State and federal laws.
6. Collecting overdue tax dollars.
7. Remaining well-versed in tax code.
8. Imposing payment deadlines on delinquent taxpayers and monitor payment to ensure the deadlines are met.

9. Determining appropriate methods of debt settlement, such as offers of compromise, wage garnishment, or seizure and sale of property.

10. Initiating legal action (liens, levies, etc.) when appropriate.

11. Providing over the counter and telephone information and assistance to the public.

D. Statement of Key Policies Pursued

The key policies of the Program 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 and the Departments of the Attorney General, Commerce and Consumer Affairs and 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.

Program Plan Narrative

TAX103: TAX COLLECTION SERVICES OFFICE

11 02 01 02

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 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
OPERATING COST	133.00*	133.00*	129.00*	129.00*	129.0*	129.0*	129.0*	129.0*
	76.00**	76.00**	0.00**	0.00**	0.0**	0.0**	0.0**	0.0**
PERSONAL SERVICES	6,580,816	6,842,050	6,784,385	6,784,385	6,785	6,785	6,785	6,785
OTHER CURRENT EXPENSES	181,800	331,800	331,800	331,800	331	331	331	331
TOTAL OPERATING COST	6,762,616	7,173,850	7,116,185	7,116,185	7,116	7,116	7,116	7,116
BY MEANS OF FINANCING								
	133.00*	133.00*	129.00*	129.00*	129.0*	129.0*	129.0*	129.0*
	76.00**	76.00**	**	**	**	**	**	**
GENERAL FUND	6,762,616	7,173,850	7,116,185	7,116,185	7,116	7,116	7,116	7,116
TOTAL PERM POSITIONS	133.00*	133.00*	129.00*	129.00*	129.0*	129.0*	129.0*	129.0*
TOTAL TEMP POSITIONS	76.00**	76.00**	**	**	**	**	**	**
TOTAL PROGRAM COST	6,762,616	7,173,850	7,116,185	7,116,185	7,116	7,116	7,116	7,116

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

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
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 CORRESPDNCE	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
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

Program Plan Narrative

TAX105: TAX SERVICES AND PROCESSING

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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)

The Tax Services and Processing Program (Program) has the following requests:

Deletes 4.00 permanent position counts, 1.00 temporary position count, and \$81,324 in FY 26 and FY 27 in general funds for long-term vacant positions.

Deletes 75.00 unfunded temporary position counts in FY 26 and FY 27 in general funds for housekeeping purposes.

C. Description of Activities Performed

The Program performs the following activities:

1. Providing centralized customer service, assistance, and information on all taxes administered by the Department of Taxation (TAX), including: 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: 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, including: 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, including: opening, sorting, and distributing incoming mail; preparing and delivering outgoing mail; batching documents by tax type; and editing the documents.

5. Processing documents, including: 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, including: 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, including: gathering, compiling, analyzing, and preparing tax operation statements and reports.

8. Providing support services, including: 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,

Program Plan Narrative

TAX105: TAX SERVICES AND PROCESSING

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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 TAX, 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 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
OPERATING COST	87.00*	87.00*	91.00*	92.00*	92.0*	92.0*	92.0*	92.0*
	22.00**	21.00**	23.00**	23.00**	23.0**	23.0**	23.0**	23.0**
PERSONAL SERVICES	8,980,303	9,292,917	9,877,947	10,408,483	10,409	10,409	10,409	10,409
OTHER CURRENT EXPENSES	16,718,803	12,142,264	12,217,174	12,364,184	12,364	12,364	12,364	12,364
EQUIPMENT				750,000				
TOTAL OPERATING COST	25,699,106	21,435,181	22,095,121	23,522,667	22,773	22,773	22,773	22,773
BY MEANS OF FINANCING								
	87.00*	87.00*	91.00*	92.00*	92.0*	92.0*	92.0*	92.0*
	9.00**	8.00**	8.00**	8.00**	8.0**	8.0**	8.0**	8.0**
GENERAL FUND	22,095,704	17,807,561	18,465,495	19,893,041	19,143	19,143	19,143	19,143
	*	*	*	*	*	*	*	*
SPECIAL FUND	13.00**	13.00**	15.00**	15.00**	15.0**	15.0**	15.0**	15.0**
	3,603,402	3,627,620	3,629,626	3,629,626	3,630	3,630	3,630	3,630
TOTAL PERM POSITIONS	87.00*	87.00*	91.00*	92.00*	92.0*	92.0*	92.0*	92.0*
TOTAL TEMP POSITIONS	22.00**	21.00**	23.00**	23.00**	23.0**	23.0**	23.0**	23.0**
TOTAL PROGRAM COST	25,699,106	21,435,181	22,095,121	23,522,667	22,773	22,773	22,773	22,773

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

	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30	FY 2030-31
MEASURES OF EFFECTIVENESS								
1. MEDIAN # OF DAYS FROM DATE OF VACANCY TO FILL DATE	365	365	365	365	365	365	365	365
2. MEAN VACANCY RATE		25	25	25	25	25	25	25
3. MEAN ATTRITION RATE		15	15	15	15	15	15	15
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	9,207,546	9,677,020	10,125,194	10,539,980	10,909,803	11,301,845	11,692,868	11,692,868
LICENSES, PERMITS, AND FEES	24,180	25,548	26,989	28,509	30,116	31,813	33,607	33,607
REVENUE FROM OTHER AGENCIES: FEDERAL	15	15	15	15	15	15	15	15
CHARGES FOR CURRENT SERVICES	59,338	62,067	64,502	66,839	67,112	67,416	67,653	67,653
NON-REVENUE RECEIPTS	48,016	54,000	56,000	58,000	58,000	58,000	58,000	58,000
TOTAL PROGRAM REVENUES	9,339,095	9,818,650	10,272,700	10,693,343	11,065,046	11,459,089	11,852,143	11,852,143
PROGRAM REVENUES BY FUND (IN THOUSANDS of DOLLARS)								
GENERAL FUNDS	9,236,524	9,708,398	10,158,448	10,575,091	10,946,794	11,340,837	11,733,891	11,733,891
SPECIAL FUNDS	102,571	110,252	114,252	118,252	118,252	118,252	118,252	118,252
TOTAL PROGRAM REVENUES	9,339,095	9,818,650	10,272,700	10,693,343	11,065,046	11,459,089	11,852,143	11,852,143

Program Plan Narrative

TAX107: SUPPORTING SERVICES - REVENUE COLLECTION

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A. Statement of Program Objectives

To enhance the department's effectiveness and efficiency in implementing tax programs for formulating policies, allocating resources and providing direction to operations; and to improve the State's policy and decision-making process by providing timely and accurate tax data and interpretive information.

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

The Supporting Services - Revenue Collection Program (Program) has the following requests:

Adds \$338,150 in FY 26 and \$1,343,000 in FY 27 in general funds for additional funding to maintain the Tax System Modernization (TSM) Project.

Adds 6.00 permanent positions and \$294,796 in FY 26 and 7.00 permanent positions and \$664,592 in FY 27 in general funds to establish a TSM Office and integrate systems with the Internal Revenue Services' Direct-File Program.

Adds 1.00 permanent position and \$52,500 in FY 26 and \$105,000 in FY 27 in general funds to establish an exempt Data Privacy Officer.

Adds 2.00 temporary positions and trades-off \$108,240 in FY 26 and \$216,480 in FY 27 from other current expenses to personal services in special funds for the Special Enforcement Section.

Deletes 3.00 unfunded permanent positions in FY 26 and FY 27 for long-term vacant positions.

C. Description of Activities Performed

The Program consists of the following offices:

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 (IT) Services Office: Provides technical support and formulates associated policies and procedures for the department regarding effective IT solutions. Provides maintenance support for current computer systems and assistance in planning for the department's IT 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: 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. 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. 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.

Program Plan Narrative

TAX107: SUPPORTING SERVICES - REVENUE COLLECTION

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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 the 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.