

DAVID Y. IGE
GOVERNOR

JOSH GREEN M.D.
LIEUTENANT GOVERNOR



LINDA CHU TAKAYAMA
DIRECTOR

DAMIEN A. ELEFANTE
DEPUTY DIRECTOR

**STATE OF HAWAII
DEPARTMENT OF TAXATION**

830 PUNCHBOWL STREET, ROOM 221
HONOLULU, HAWAII 96813

<http://tax.hawaii.gov/>

Phone: (808) 587-1540 / Fax: (808) 587-1560

Email: Tax.Directors.Office@hawaii.gov

To: The Honorable Sylvia Luke, Chair
and Members of the House Committee on Finance
Date: Friday, January 11, 2019
Time: 9:00 A.M.
Place: Conference Room 308, State Capitol
From: Linda Chu Takayama, Director Department of Taxation

Re: 2019 Legislative Budget Informational Briefing

Mr. Chairman, Vice Chair and Members of the Committee:

My name is Linda Chu Takayama and I am the Director of the Department of Taxation. I am accompanied today by Deputy Director, Damien Elefante; Chief of Tax System Modernization and Technical Services, Rona Suzuki, Chief of the Taxpayer Services and Processing Division, Nicki Thompson and Chief of the Compliance Division, Kevin Wakayama. Several branch managers are also present today, including: Ted Shiraishi, Rules; Seth Colby, Tax Research and Planning; Dean Tsukada, Special Enforcement Section; and Dexter Suzuki, Administrative Services.

We thank you for the opportunity to present our Biennium Request for FY 2020 and 2021 and would like to start by giving you a little background on the activities of the Department over the past year.

FY 2018 in Review

Total State tax collections in FY 2018 were \$7.90 billion, a 7.6% increase from FY 2017 which were \$7.34 billion. The net DOTAX collections were \$7.49 billion in tax revenue in FY 2018, or 95% of all taxes administered by the State.

Enclosed with our testimony are several charts that graphically show the sources, distribution and trends for the funds flowing in and out of the Department.

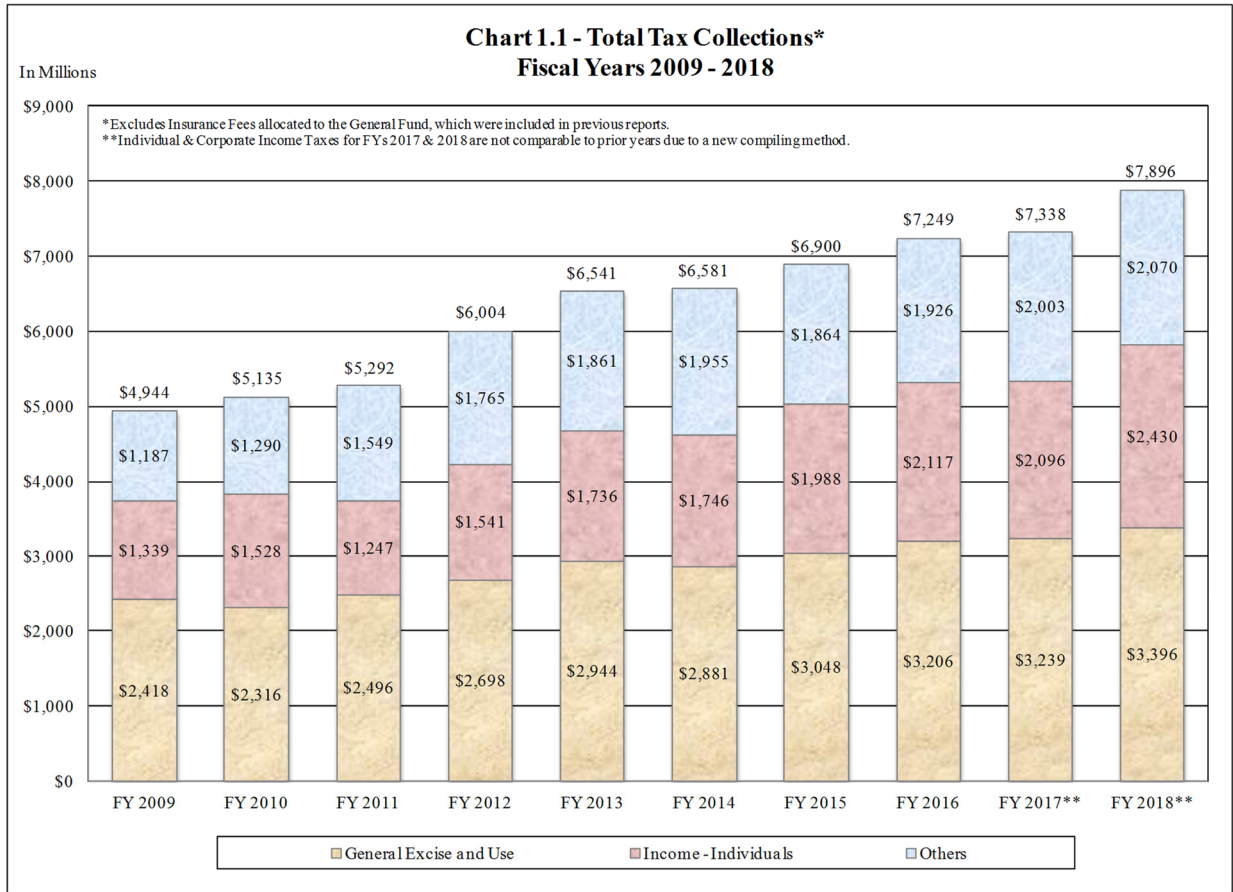
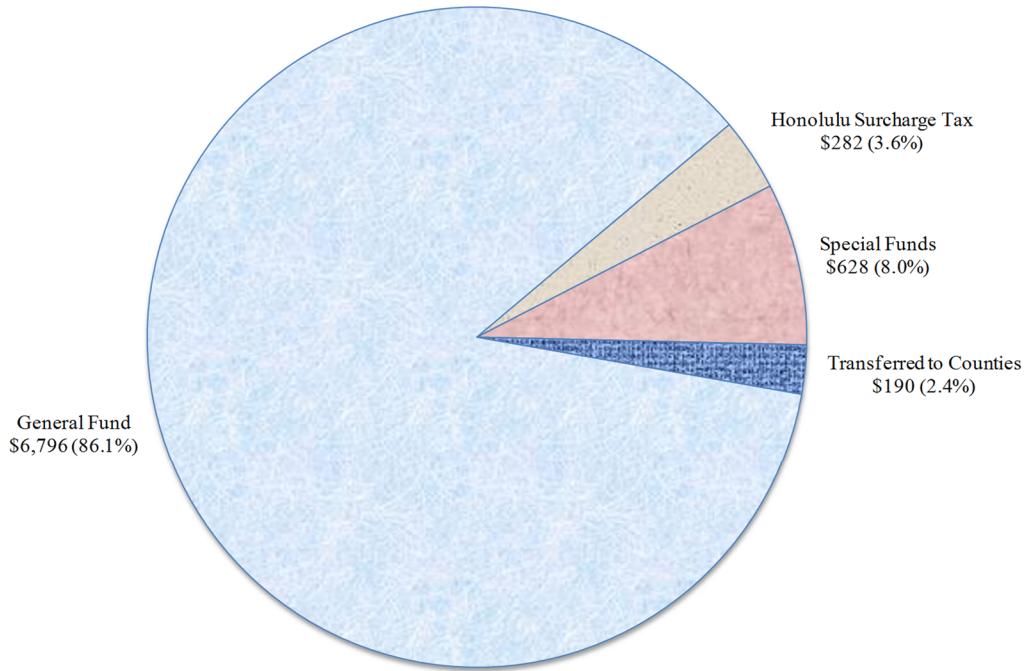


Chart 1.3 - Fiscal Year 2018 Distribution of Tax Revenues*
(In millions of dollars)



*Details may not add to totals due to rounding.

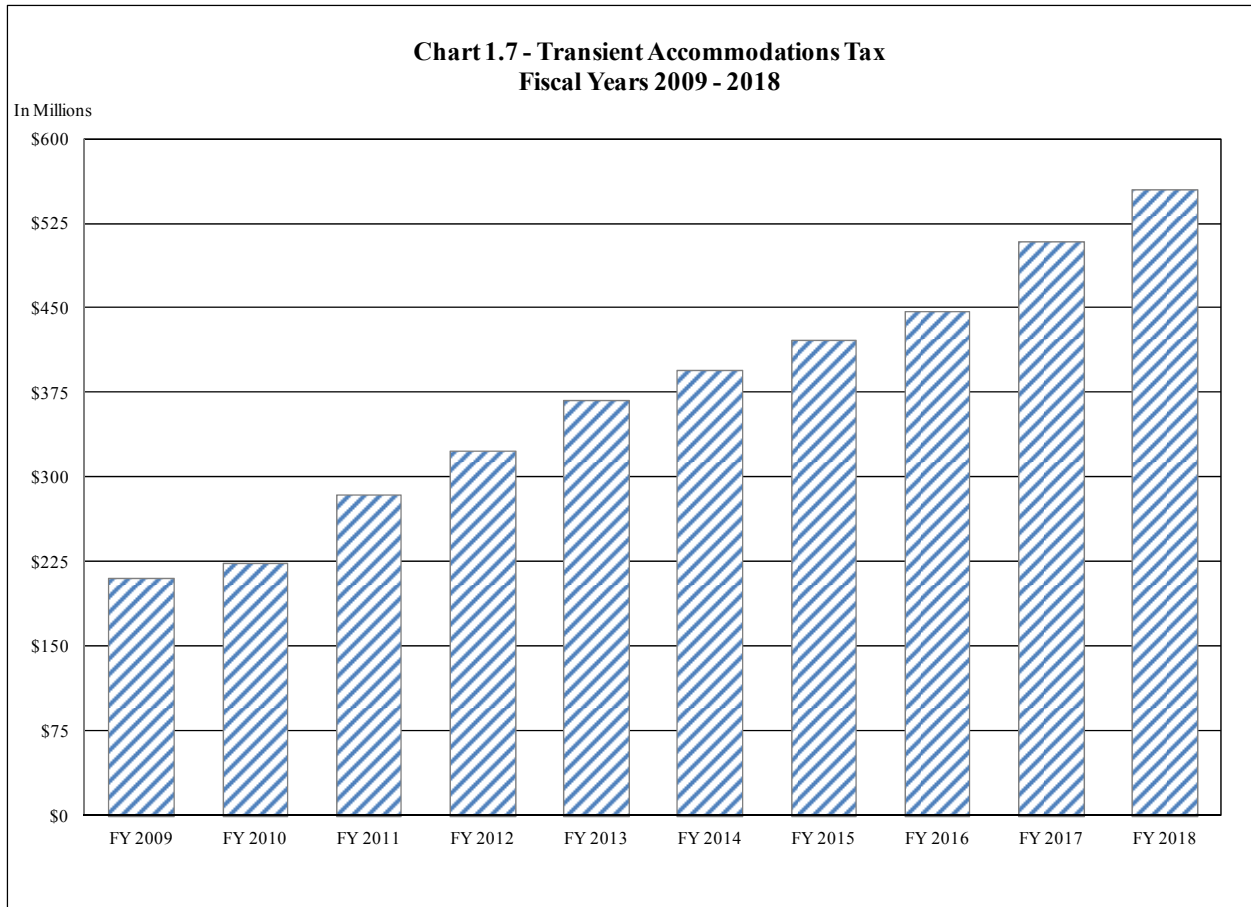


TABLE 1.8 - TAX COLLECTIONS ⁴
 (In Thousands of Dollars)

SOURCE OF REVENUE	FY 2018		FY 2017	
	Amount Collected	% of Total	Amount Collected	% of Total
Banks - Financial Corps.	\$ 15,712	0.20	\$ 11,174	0.15
Conveyance	100,603	1.27	94,537	1.29
Employment Security Contributions	110,885	1.40	104,313	1.42
Fuel & Environmental ³	201,778	2.56	194,761	2.65
General Excise & Use	3,395,566	43.01	3,239,225	44.14
Honolulu County Surcharge	281,589	3.57	248,158	3.38
Income - Corporations	131,119	1.66	173,666	2.37
Income - Individuals	2,430,356	30.78	2,095,898	28.56
Inheritance and Estate	29,351	0.37	18,968	0.26
Insurance Premiums	159,814	2.02	164,688	2.24
Liquor & Permits	51,383	0.65	51,167	0.70
Motor Vehicle Tax ¹	193,241	2.45	186,490	2.54
Public Service Companies	117,641	1.49	122,159	1.66
Tobacco & Licenses	120,522	1.53	124,066	1.69
Trans. Accom. Fees	22	0.00	20	0.00
Trans. Accom. Tax	554,890	7.03	508,357	6.93
All Others ²	1,236	0.02	734	0.01
TOTAL	\$ 7,895,708	100.00	\$ 7,338,382	100.00

¹ Includes motor vehicle weight tax, registration fees, commercial driver's license, periodic motor vehicle inspection fees, rental motor vehicle, tour vehicle and car-sharing vehicle registration fees, and rental motor vehicle, tour vehicle and car-sharing vehicle surcharge tax.

² Includes fuel retail dealer permits, fuel penalty and interest, permitted transfers tax, and general excise fees.

³ Includes amounts totaling \$475 thousand in undistributed fuel tax from previous years that were included in several monthly reports in fiscal year 2018. Fuel tax collections were \$201,303 thousand for fiscal year 2018. Fuel tax collections were \$195,151 thousand for fiscal year 2017. Of the collections, \$390 thousand could not be distributed because the corresponding tax returns were not yet available.

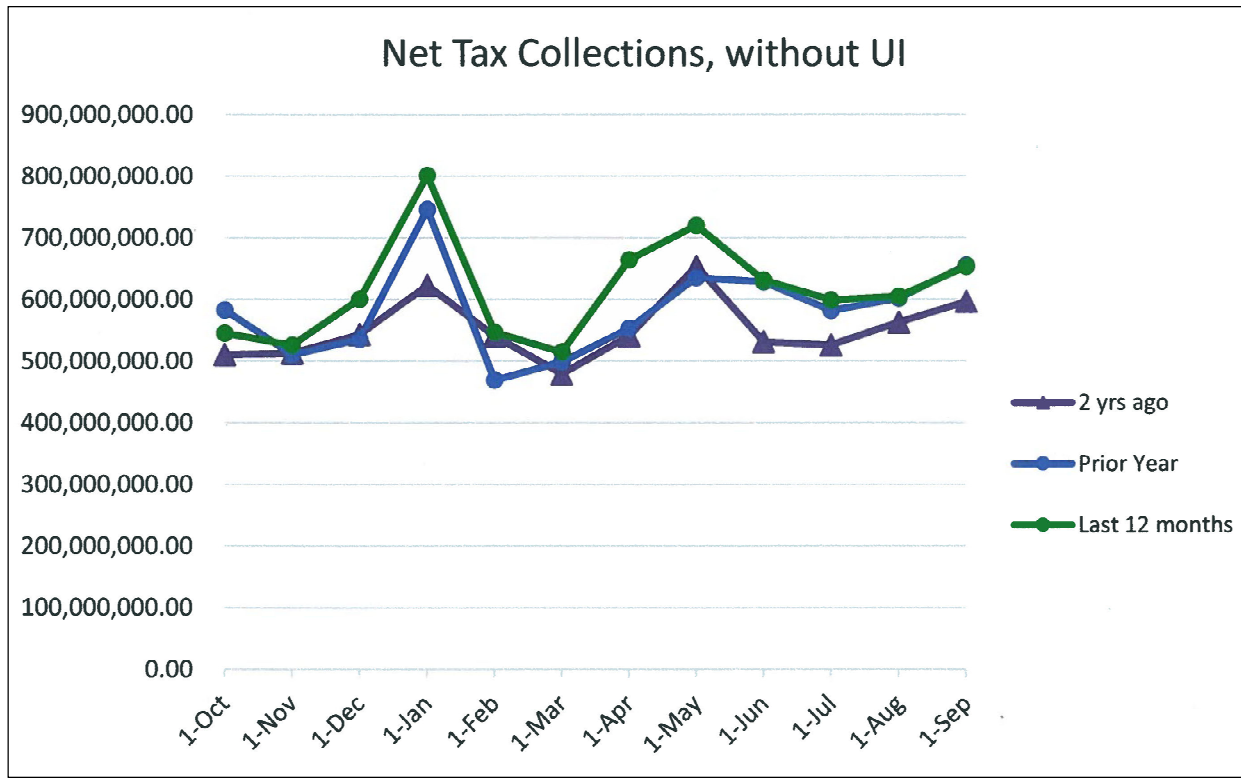
⁴ Individual & corporation income taxes for FYs 2017 & 2018 are not comparable to prior years due to a new compiling method.

NOTE: Due to rounding, details may not add to totals.

TABLE 1.10 - DISTRIBUTION OF COLLECTIONS
 (In Thousands of Dollars)

	FY 2018		FY 2017	
	Amount Distributed	% of Total	Amount Distributed	% of Total
<u>STATE FUND</u>				
State General Fund	\$ 6,796,036	86.07	\$ 6,315,215	86.06
State Highway Fund	276,727	3.50	269,759	3.68
State Airport Fund	2,632	0.03	2,059	0.03
Boating Special Fund	1,722	0.02	1,662	0.02
Environmental Fund	1,291	0.02	1,267	0.02
Cigarette Stamp Admin/Enf. Fund	1,892	0.02	1,947	0.03
Compliance Resolution Fund	2,000	0.03	2,000	0.03
Unemployment Trust Fund	110,885	1.40	104,313	1.42
Election Campaign Fund	195	0.00	164	0.00
Tourism Special Fund	82,000	1.04	82,000	1.12
Rental Housing Fund	38,000	0.48	38,000	0.52
Convention Center Fund	26,500	0.34	26,500	0.36
Public Libraries Fund	75	0.00	68	0.00
School Repairs & Maintenance Fund	80	0.00	74	0.00
Land Conservation Fund	6,800	0.09	6,800	0.09
Domestic Violence/Child Abuse Neglect Fund	170	0.00	155	0.00
Cancer Research Fund	13,917	0.18	14,326	0.20
Trauma System Fund	7,400	0.09	7,400	0.10
Emergency Medical Service Fund	8,700	0.11	8,800	0.12
Community Health Centers Fund	8,700	0.11	8,800	0.12
Energy Security Fund	3,872	0.05	3,801	0.05
Energy Systems Development Fund	2,582	0.03	2,534	0.03
Agricultural Development & Food Security Fund	3,872	0.05	3,801	0.05
Land and Development Fund	3,000	0.04	3,000	0.04
Turtle Bay Conservation Easement Fund	1,500	0.02	1,500	0.02
Mass Transit Special Fund	23,626	0.30	-	-
Subtotal - State	\$ 7,424,174	94.03	\$ 6,905,946	94.11
<u>HONOLULU COUNTY SURCHARGE</u>	\$ 281,589	3.57	\$ 248,158	3.38
<u>REVENUES TRANSFERRED TO COUNTIES</u>				
Other County Revenues				
Fuel Tax	\$ 86,946	1.10	\$ 81,278	1.11
Trans. Accom. Tax	103,000	1.30	103,000	1.40
Subtotal - Counties	\$ 189,946	2.41	\$ 184,278	2.51
TOTAL	\$ 7,895,708	100.00	\$ 7,338,382	100.00

NOTE: Due to rounding, details may not add to totals.



During FY 2018, the Department continued to implement the Tax System Modernization (TSM) project, which began in July 2015. The TSM project is a multi-year project with five rollout phases designed to completely replace the legacy system. The project has expanded electronic services, providing taxpayers with online access to accounts and enabling more electronic filing and payment. The project has also automated many licensing, tax clearance, and compliance processes. Additionally, TSM has provided the Department with critical data capture capabilities, metrics, and cross-check controls that are not available in the legacy system. The Department has been able to increase taxpayer compliance utilizing TSM tools to identify non-filers, industry segment comparisons, and identity theft to name a few. Likewise, TSM increased data availability and improved the analytical capabilities of the Department's research branch. With the implementation of online tax filing and payments, which can be done at no-cost to taxpayers¹, the Department expects to see an increase in electronic filing and payments in future years.

On August 14, 2017, the Department debuted Rollout 3, which delivered functionality for corporate income, franchise, public service, and withholding taxes.

On November 13, 2018, the Department inaugurated Rollout 4, which included individual income, partnerships, fiduciary, and estate & transfer taxes. The next phase, Rollout 5, includes tax categories for liquor, fuel and tobacco. Full implementation of the entire project is expected by the end of calendar year 2019.

The Department processed 5.3 million tax returns in FY 2018, 2,592,896 (49%) paper and 2,701,280 (51%) electronic. More than 50% of general excise and transient accommodation taxpayers registered and used the Hawaii Tax Online web portal.

In the past year, the Department emphasized efforts to improve service to taxpayers and tax practitioners. This is important for maintaining and improving voluntary compliance. The answer rate of incoming calls increased to 74% in FY 2018 from 69% in FY 2017. Now, halfway through FY 2019, the current answer rate is over 90%. A strengthened web mail program provided another avenue to communicate with tax payers.

The Compliance Division assumed significant responsibilities in developing and testing systems for Rollout 4 and will continue to do so until Rollout 5 is finalized. Consequently, the total number of completed audit cases decreased by 2.3% from 17,936 cases in FY2016 to 17,515 cases in FY 2017. Plans for FY 2019 are already underway with changes in audit selection, clearing of backlog, better accountability through more precise metrics, and more aggressive collection activities. The expanded capabilities of TSM will allow greater coordination with IRS programs such as CP2000 which compares individual income tax returns electronically and use of the IRS Treasury Offset Program, which allows the State to recoup taxes owed from Federal returns.

The Special Enforcement Section (SES) continued its efforts to pursue non-compliant taxpayers in special sectors of the economy. In FY 2018, SES launched a new initiative to identify non-

¹ R4 added the N-11 (HI Resident Individual Income Return) to HTO. Taxpayers can file this return without the additional fee through filing software (e.g., Turbo Tax). And, payments made through EFT do not incur the credit card fee charged by HIC.

compliant taxpayers with short-term rentals in the State, and it has already yielded over \$1 million in additional collections. In FY 2019, additional staffing authorized by the Legislature and a staff reorganization will allow the Department to eliminate duplication of fraud efforts and provide more streamlined enforcement.

The Department aggressively recruited to fill vacancies. The total vacancy rate for permanent positions decreased by more than 10% due to expanded use of commercial bulletin boards and upgrading of many positions.

The Department continues to pursue its goals of increased voluntary compliance, improved processing, enhanced productivity, and improved customer service for all stakeholders, empowered with new tools and technological enhancements. Many initiatives are new, and we ask your patience and consideration as we implement them.

Our FY2020-21 total (payroll & non-payroll) budget request is:

	<u>FY20</u>	<u>FY21</u>
General Funds (incl. Collective Bargaining)	\$33,120,592	\$34,280,592
Special Funds (incl. Collective Bargaining)	\$ 3,145,136	\$ 3,145,136

Budget highlights in order of priority are:

TSM: Add professional IT services It became clear over the last year that many adjustments and features that were not contemplated by the original contract needed to be included in the scope of work to optimize the data and revenue generation from this system.	\$3,640,000	\$4,800,000
TSP: Add two (2) existing Management Analyst Positions. Expanded management responsibilities require a higher caliber of full-time staff that are not attracted to a temporary position. In exchange, seven (7) temporary positions will be released at \$143,057 per year.	\$105,912	\$105,912
SES: Add 6-month funding for five (5) new investigators authorized last year. These funds will come from The Special Enforcement Section special fund.	\$215,425	\$215,425

Thank you for the opportunity to make this presentation. We would be pleased to answer any questions you may have.

2019 Legislative Budget Briefing Testimony Instructions

Overview

A. Provide your agency's mission statement.

The Department of Taxation's mission is to administer the tax laws of the State of Hawaii in a consistent, uniform and fair manner.

B. Discuss how current state-wide conditions have affected agency operations and the ability to meet goals. Identify and discuss notable performance measures, expected outcomes, and recent results.

Total State tax collections in FY 2018 were \$7.90 billion, a 7.6% increase from FY 2017 which were \$7.34 billion. The net DOTAX collections were \$7.49 billion in tax revenue in FY 2018, or 95% of all taxes administered by the State.

During FY 2018, the Department continued to implement the Tax System Modernization (TSM) project, which began in July 2015. The TSM project is a multi-year project with five rollout phases designed to completely replace the legacy system. The project has expanded electronic services, providing taxpayers with online access to accounts and enabling more electronic filing and payment. The project has also automated many licensing, tax clearance, and compliance processes. Additionally, TSM has provided the Department with critical data capture capabilities, metrics, and cross-check controls that are not available in the legacy system. The Department has been able to increase taxpayer compliance utilizing TSM tools to identify non-filers, industry segment comparisons, and identity theft to name a few. Likewise, TSM increased data availability and improved the analytical capabilities of the Department's research branch. With the implementation of online tax filing and payments, which can be done at no-cost to taxpayers, the Department expects to see an increase in electronic filing and payments in future years.

On August 14, 2017, the Department debuted Rollout 3, which delivered functionality for corporate income, franchise, public service, and withholding taxes.

On November 13, 2018, the Department inaugurated Rollout 4, which included individual income, partnerships, fiduciary, and estate & transfer taxes. The next phase, Rollout 5, includes tax categories for liquor, fuel and tobacco. Full implementation of the entire project is expected by the end of calendar year 2019.

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In the past year, the Department emphasized efforts to improve service to taxpayers and tax practitioners. This is important for maintaining and improving voluntary compliance. The answer rate of incoming calls increased to 74% in FY 2018 from 69% in FY 2017. Now, halfway through FY 2019, the current answer rate is over 90%. A strengthened web mail program provided another avenue to communicate with tax payers.

The Compliance Division assumed significant responsibilities in developing and testing systems for Rollout 4 and will continue to do so until Rollout 5 is finalized. Consequently, the total number of completed audit cases decreased by 2.3% from 17,936 cases in FY2016 to 17,515 cases in FY 2017. Plans for FY 2019 are already underway with changes in audit selection, clearing of backlog, better accountability through more precise metrics, and more aggressive collection activities. The expanded capabilities of TSM will allow greater coordination with IRS programs such as CP2000 which compares individual income tax returns electronically and use of the IRS Treasury Offset Program, which allows the State to recoup taxes owed from Federal returns.

The Special Enforcement Section (SES) continued its efforts to pursue non-compliant taxpayers in special sectors of the economy. In FY 2018, SES launched a new initiative to identify non-compliant taxpayers with short-term rentals in the State, and it has already yielded over \$1 million in additional collections. In FY 2019, additional staffing authorized by the Legislature and a staff reorganization will allow the Department to eliminate duplication of fraud efforts and provide more streamlined enforcement.

The Department aggressively recruited to fill vacancies. The total vacancy rate for permanent positions decreased by more than 10% due to expanded use of commercial bulletin boards and upgrading of many positions.

The Department continues to pursue its goals of increased voluntary compliance, improved processing, enhanced productivity, and improved customer service for all stakeholders, empowered with new tools and technological enhancements. Many initiatives are new, and we ask your patience and consideration as we implement them.

Federal Funds

- C. Identify programs that have lost or are at risk of losing federal funds. Identify the source of these federal funds by federal award title and CFDA number. Discuss the impact to the public and your planned response, including efforts to supplant any federal fund reductions for the current year (FY18) and the upcoming fiscal year (FY19) with other funds.

The Department of Taxation does not receive any federal funds.

Non-General Funds

- D. Please provide a web link (Url) of the reports to the Legislature on non-general funds under your department pursuant to HRS 37-47.

Please see: <https://budget.hawaii.gov/wp-content/uploads/2018/12/TAX.pdf>

Budget Request

- E. Explain the process used to develop the agency's budget and prioritize requests for budget changes.

The primary goals during FY 20-21 is to continue to pursue increased voluntary compliance, improved processing, enhanced productivity, and improved customer service for all stakeholders, empowered with new tools and technological enhancements. The following budget priorities were developed with the primary goals in mind.

- Optimizing data and revenue generation using the Tax System Modernization Project (TSM) by acquiring professional IT services to add adjustments and features to the statement of work that were not originally contemplated by the original contract.
- Adding two (2) Management Analyst positions to help the Department in identifying and defining the most efficient and effective processes. As the Department moves from to less paper processing and greater information processing, the Department needs these new higher caliber positions to attract and retain staff.
- Six-month funding for five (5) new investigators authorized last year will help in identifying and collecting taxes from non-compliant taxpayers in special sectors of the economy, including from operators of short term rentals.

- F. Identify and discuss significant adjustments contained in the budget request submitted to the legislature. Explain and quantify how significant requests for additional funds are expected to affect outcomes.

The following adjustments will help the department to achieve its goals of increased voluntary compliance, improved processing, enhanced productivity, and improved customer service.

- Tax System Modernization (TSM) Professional Services
\$3,640,000 (FY20), \$4,800,000 (FY21)

The TSM project vendor support will end in July 2019, with limited warranty services (bug fixes) for an additional 12 months. Additional professional services for GenTax (Tax

processing software) and ibml/Captiva (imaging software installed for this project) are needed from contractors to (1) address significant system changes (improvements and re-work) from what was put into production during the project and (2) provide additional knowledge transfer to DOTAX staff. If not funded, this will limit our ability to re-work and refine the configurations put in production use.

- Add Two (2) Management Analyst Positions

\$105,912 (FY20), \$105,912(FY21)

In exchange for a reduction of 7 temporary staff: Reductions of -\$143,057 (FY20), -\$143,057 (FY21)

For the past three fiscal years, due to the implementation of the Tax System Modernization Project (TSM), we have temporarily assigned employees into the roles of a management analyst on a continuous basis. As the Department nears the completion of the implementation of TSM, we are beginning the reorganization of the functions and positions with the Taxation Services Division. As the Department moves from to less paper processing and greater information processing, the Department needs these new roles to enhance the capture and purify of this information. Additionally, these positions would assist with defining the most efficient and effective processes of the division. There is a need to hire a more skilled labor force, which these management analyst positions would satisfy. We will begin decreasing lower level positions, such as Office Assistant III and IV positions and replace with upgraded positions. Additionally, with the decrease in paper processing, the need for Tax Season hires will decrease, starting in this fiscal year of FY19. Our preference is to have the positions budgeted at management Analyst IV, with the ability to hire from I to IV. If the new positions are not funded, the will continue to have difficulties in recruiting and retaining staff and the Department's efficiency and productivity will suffer.

- Six-month funding for five (5) new investigators

\$215,425 (FY20), \$215,425 (FY21)

The five (5) positions were approved in FY18's Supplemental Budget Request and funded for a maximum of six months for the first year (i.e. FY19). Amounts reflected are the additional funding needed for the positions so that they are funded for the full year. If not funded, the Special Enforcement Section will not be able to hire and retain investigators that help to increase revenue by bringing noncompliant taxpayers in the cash economy and transient accommodation sectors into compliance.

Additional Information

Please use the provided spreadsheets to present the following information.

Table 1: Department Functions

Organized by division, please provide a list of all functions performed by your department; a description of the function; a list of the activities associated with the particular function; the program ID(s) where the function is implemented; and the statutory reference (Hawaii Revised Statutes or federal Public Law) mandating the function.

Table 2: Department-Wide Totals

Please provide totals for the department’s (branch of government's for the Judiciary and OHA) FY18 budget inclusive of restrictions and emergency appropriation requests by means of financing (MOF). Please provide the proposed 2019 fiscal year operating budget adjustments by MOF. Beginning with each department's FY19 appropriations under Act 49 SLH 2017, Act 195 SLH 2017, and Act 131 SLH 2017, provide proposed adjustments for all reductions, all additions, and the resultant total for each MOF.

Table 3: Program ID Totals

Please provide a list of all program IDs in your department to include the program ID (the three letters and three numbers) and title; the FTE position amounts, both permanent and temporary, and dollar amounts appropriated for FY19 under Act 49 and requested in the administration's budget submittal by MOF; and the percent change for FY19 in total dollar amount from the FY19 appropriation for each program ID by MOF.

Table 4: Budget Decisions

Please provide a list of all departmental budget requests made to the department of budget and finance, the funding recommendations made by the department of budget and finance to the governor, and the final funding decisions made by the governor. Please provide, by program ID and sub-org, the FTE position amounts, both permanent and temporary, and dollar amounts for FY19 by MOF.

Table 5: Proposed Budget Reductions

Please provide a list of all proposed reductions for FY19. Do not include trade-offs or transfers. Only include those items which will result in a net decrease to your department’s budget. Please use Act 49, 195, or 131, as appropriate, as the base.

For each reduction, please provide the program ID and sub-org of the reductions; a brief description and the impact; the FTE position amounts, both permanent and temporary, and the dollar amount by MOF of the reduction; and indicate whether the reduction is being carried over from a FY18 restriction.

Table 6: Proposed Budget Additions

Please provide a list of all proposed additions for FY19. Do not include trade-offs or transfers. Only include those adjustments which will result in a net increase to your department’s budget. Please use Act 49, 195, or 131, as appropriate, as the base.

For each proposed addition, please provide the program ID and sub-org of the addition; the type of addition by indicating if it relates to fixed costs/entitlement (FC), non-general funds (NG), federal funding (FF), non-recurring items (NR), or additional resources for current programs (AR); the unique priority number of the request within the program ID (1 being the highest priority); the unique priority number of the request within the department (1 being the highest priority); a brief description; justification, including discussion of the amount of resources currently used for the requested purpose; and the FTE position amounts, both permanent and temporary, and the dollar amount by MOF.

Table 7: FY18 Restrictions

For all current year (FY18) restrictions, please provide the program ID and sub-org the restriction is taken from; the dollar amount budgeted by the department for the sub-org; the dollar amount of the restriction taken by the department from the sub-org; the difference between the amount budgeted by the department and amount restricted; the percentage of the difference to the budgeted amount; and the impact of this restriction. Please break down the information by MOF within each listed program ID and sub-org.

Table 8: Emergency Appropriation Requests

Please identify all emergency appropriation requests that your department will be seeking for FY18. If none, please indicate “none.” For each request, please provide the program ID; a brief description of the request and an explanation of why funding the request is an emergency, including discussion of when the shortfall became apparent and the reason; and the FTE position amounts, both permanent and temporary, and the dollar amount by MOF.

Table 9: Expenditures Exceeding or Anticipated to Exceed Appropriation Ceilings in FY17 and FY18

Please provide a list of all instances the department exceeded or is anticipated to exceed the FY17 and FY18 appropriation by program ID and MOF. Please provide the date the appropriated amount was exceeded, the appropriated amount, the amount exceeding the appropriation, the percent the exceeding amount is of the appropriation, the reason, a citation of the legal authority used to exceed the appropriated amount, whether this is recurring, and whether there is any impact to the general fund.

Table 10: Intradepartmental Transfers in FY17 and FY18

Please provide a list of all instances the department transferred positions or funds, or is anticipated to transfer positions or funds, between program IDs in FY17 and FY18. For each transfer, please indicate the date, MOF, the FTE position amount, both permanent and temporary, amount of the transfer, program ID transferred from, program ID transferred to, the reason, and whether this is recurring.

Table 11: Vacancy Report as of November 30, 2017

Please identify all positions vacant as of November 30, 2017. For each position, indicate the program ID and sub-org under which the position is budgeted, date of vacancy, expected fill date, position number, position title, whether exempt, salary range level, bargaining unit code, permanent or temporary, FTE, MOF, annual amount budgeted for the position, annual amount actually last paid for the position and whether the department has authority to hire, whether the position is occupied by an 89 day hire, and if occupied by an 89 day hire, the number of 89 day hire appointments made for the occupant, a description if filled by other means, and a unique priority number indicating preference to retain, one being the most important.

Table 12: Positions Authorized or Established by Acts Other than the State Budget Acts

Please provide a list of all existing positions not authorized by Act 49, SLH 2017, Act 131 SLH 2017, or Act 195 SLH 2017. Please include the program ID and sub-org under which the position is funded; date the position was established; citation of the specific legal authority used to establish the position; position number and title; whether the position is exempt; salary range level; bargaining unit; whether temporary or permanent; MOF; FTE amount; actual current annual salary or salary last paid; whether filled; and whether filled by an 89 day hire.

Table 13: Overtime Expenditure Summary

Please provide amounts actually expended for FY18, estimated in FY19, and the proposed budgeted amount for FY19 for salary and overtime by program ID, sub-org, and MOF. Additionally, please indicate the percent of overtime as a proportion of base salary for each year.

Table 14: Active Contracts as of December 1, 2017

Please provide a list of all contracts awarded for operating costs currently authorized by the department and in effect as of December 1, 2017 by program ID and MOF. For each contract, indicate the amount paid, the frequency of the payment (monthly, annually, or other – please describe), the maximum value of the contract, the outstanding balance of the contract, the date the contract was executed, the dates the contract is in effect, the entity (organization, vendor, lessor, person, etc.) contracted, a description of the contract, an explanation of how the contract is monitored, and whether the contract qualifies as a purchase of service. Additionally, please indicate whether the contract is for a lease of equipment (E), lease of real property, including office space (L), public

relations (P), or for legal counsel or services (C). If the contract does not fit these categories, indicate whether it is for a good (G) or service (S).

Table 15: Capital Improvement Program (CIP) Requests

Please provide a list of all CIP requests. For each capital appropriation request, please provide the program ID; the unique priority number of the request within the program ID, with 1 being the highest priority; the unique priority number of the request within the department, with 1 being the highest priority; the state senate district; the state representative district; the project title; MOF; and amount by fiscal year.

Table 16: CIP Lapses

Please provide a list of proposed lapses. Please include the program ID, act and year of the appropriation, project title, MOF, amount requested for lapse, and the reason for lapsing the appropriation.

If no request is being made, please indicate "none."

Table 17: Program ID Sub-Organizations

For each program ID, please provide a list of all sub-organizations to include the sub-org code, the name of each, and the objective.

Table 18: Organization Changes

Please use table 18 to identify all changes that were made or that are proposed to be made to the organizational charts by providing the description of the change.

Additionally, please provide a web link (url) to a complete set of your departments' functional organization charts for the current fiscal year.

Testimony Submission

The Judiciary, the Office of Hawaiian Affairs, and most executive branch expending agencies should each submit **one** consolidated response in the requested formats. Executive branch attached agencies that are scheduled separately from the agency it is attached to should submit a separate response.

Please use standard 8.5" x 11" paper and 12 point Calibri font. Testimony should be submitted no later than one week prior to your scheduled briefing date in the following manner:

Email a consolidated PDF of your testimony to WAMTestimony@capitol.hawaii.gov, e.conner@capitol.hawaii.gov and to a.vargas@capitol.hawaii.gov. Please also email excel files of the

testimony table attachments to Erin Conner at e.conner@capitol.hawaii.gov and Albert Vargas at a.vargas@capitol.hawaii.gov.

Department of Taxation
Functions

Table 1

<u>Division</u>	<u>Description of Function</u>	<u>Activities</u>	<u>Prog ID(s)</u>	<u>Statutory Reference</u>
Compliance				
	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.		TAX 100	
		Field Audit		Title 14, Chapter 231, 231-3, HRS (generally)
		Office Audit		Title 14, Chapter 231, 231-3, HRS (generally)
		Collections		Title 14, Chapter 231, 231-3, HRS (generally); 231-25 through 231-70, HRS (specifically)
		District Offices		Title 14, Chapter 231, 231-3, HRS (generally); 231-10, HRS (specifically)
		Criminal Investigations		Title 14, Chapter 231, 231-3, HRS (generally); 231-4.3, 231-34 through 231-36, HRS (specifically)
		Special Enforcement		Title 14, Chapter 231, 231-3, HRS (generally); 231-81 through 231-100 (specifically)
Tax Services and Processing				
	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.		TAX 105	
		Document Processing		Title 14, Chapter 231, 231-3, HRS (generally); 231-3, 231-8.5, 231-9.9, HRS (specifically)

Department of Taxation
Functions

Table 1

<u>Division</u>	<u>Description of Function</u>	<u>Activities</u>	<u>Prog ID(s)</u>	<u>Statutory Reference</u>
		Revenue Accounting		Title 14, Chapter 231, 231-3, HRS (generally)
		Taxpayer Services		Title 14, Chapter 231, 231-3, HRS (generally)
Supporting Services-Revenue Collections				
	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.		TAX 107	
		Administrative Services		Title 14, Chapter 231, 231-3, HRS (generally)
		Rules		Title 14, Chapter 231, 231-3, HRS (generally); 231-4.5, HRS (specifically)
		Information Technology Services		Title 14, Chapter 231, 231-3, HRS (generally); 231-8.5, HRS (specifically)
		Tax Research and Planning		Title 14, Chapter 231, 231-3, HRS (generally); 231-3.4, HRS (specifically)
		Council on Revenues		Haw. Const. Art. VII, Sec. 7; Chapter 37 Part VI, HRS (generally)
		Tax Review Commission		Haw. Const. Art. VII, Sec. 3; Chapter 232E, HRS (generally)
		Board of Reviews		Title 14, Chapter 232, HRS (generally)

Department of Taxation
Department-Wide Totals

Table 2

Fiscal Year 2019				
Act 53/18 Appropriation	Restriction	Emergency Appropriations	Total FY19	MOF
\$ 28,099,562.00	\$ (1,204,980.00)		\$ 26,894,582.00	A
\$ 2,914,547.00			\$ 2,914,547.00	B
			\$ -	
			\$ -	
			\$ -	
			\$ -	
\$ 31,014,109.00	\$ (1,204,980.00)	\$ -	\$ 29,809,129.00	Total
Fiscal Year 2020				
Act 53/18 Appropriation	Reductions	Additions	Total FY20	MOF
\$ 28,099,562.00	\$ (143,057.00)	\$ 5,164,087.00	\$ 33,120,592.00	A
\$ 2,914,547.00		\$ 230,589.00	\$ 3,145,136.00	B
			\$ -	
			\$ -	
			\$ -	
			\$ -	
\$ 31,014,109.00	\$ (143,057.00)	\$ 5,394,676.00	\$ 36,265,728.00	Total
Fiscal Year 2021				
Act 53/18 Appropriation	Reductions	Additions	Total FY21	MOF
\$ 28,099,562.00	\$ (143,057.00)	\$ 6,324,087.00	\$ 34,280,592.00	A
\$ 2,914,547.00		\$ 230,589.00	\$ 3,145,136.00	B
			\$ -	
			\$ -	
			\$ -	
			\$ -	
\$ 31,014,109.00	\$ (143,057.00)	\$ 6,554,676.00	\$ 37,425,728.00	Total

Department of Taxation
Program ID Totals

Table 3

Prog ID	Program Title	MOF	As budgeted in Act 53/18 (FY19)			Governor's Submittal (FY20)				Governor's Submittal (FY21)			
			Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$	<u>Percent Change of</u> \$\$\$\$	Pos (P)	Pos (T)	\$\$\$	<u>Percent Change of</u> \$\$\$\$
TAX100	Compliance	A	192.00	5.00	\$ 11,152,990	192.00	5.00	\$ 11,152,990	0%	192.00	5.00	\$ 11,152,990	0%
TAX105	Tax Services & Processing	A	132.00	107.00	\$ 6,773,939	134.00	100.00	\$ 6,736,794	-1%	134.00	100.00	\$ 6,736,794	-1%
TAX107	Supporting Services-Rev Collection	A	74.00	18.00	\$ 10,172,633	74.00	18.00	\$ 13,812,633	36%	74.00	18.00	\$ 14,972,633	47%
TAX107	Supporting Services-Rev Collection	B	-	13.00	\$ 2,914,547	-	13.00	\$ 3,129,972	7%	-	13.00	\$ 3,129,972	7%

Department of Taxation
Budget Decisions

Table 4

Prog ID	Sub-Org	Description of Request	MOF	Initial Department Requests						Budget and Finance Recommendations						Governor's Decision					
				FY20			FY21			FY20			FY21			FY20			FY21		
				Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$
TAX107	AA	Redescribe an Account Clerk II position to an Accountant III position. Additional funding from Other Current Expenses.	A	-	-	\$ 15,972	-	-	\$ 15,972	-	-	\$ 15,972	-	-	\$ 15,972	-	-	\$ 15,972	-	-	\$ 15,972
TAX107	AA	Redescribe an Account Clerk II position to an Accountant III position. Additional funding from Other Current Expenses.	A	-	-	\$ (15,972)	\$ -	\$ -	\$ (15,972)	\$ -	\$ -	\$ (15,972)	\$ -	\$ -	\$ (15,972)	-	-	\$ (15,972)	-	-	\$ (15,972)
TAX107	AA	TSM post warranty maintenance	A	-	-	\$ -	\$ -	\$ -	\$ 2,146,770												
TAX107	AA	TSM professional services	A	-	-	\$ 6,000,000	\$ -	\$ -	\$ 4,800,000							-	-	\$ 3,640,000	-	-	\$ 4,800,000
TAX107	AA	TSM upgrade/maintenance items	A	-	-	\$ 50,500	\$ -	\$ -	\$ 13,000												
TAX107	AA	TSM hardware/software	A	-	-	\$ 300,000	\$ -	\$ -	\$ 300,000												
TAX107	AA	TSM phone expansion	A	-	-	\$ 500,000	\$ -	\$ -	\$ 150,000												
TAX107	AA	To establish a Board of Review and Tax Appeals Court.	A	4.00	-	\$ 212,106	4.00	\$ -	\$ 343,711												
TAX105	BA	Request four (4) permanent Management Analyst IV positions and funds.	A	4.00	-	\$ 211,824	4.00	\$ -	\$ 211,824	2.00	-	\$ 105,912	2.00	-	\$ 105,912	2.00	-	\$ 105,912	2.00	-	\$ 105,912
TAX105	BA	Requesting the reduction of nin (9) temporary positions and funds.	A	-	(9.00)	\$ (211,783)	\$ -	(9.00)	\$ (211,783)	-	(9.00)	\$ (211,783)	-	(9.00)	\$ (211,783)	-	(7.00)	\$ (143,057)	-	(7.00)	\$ (143,057)
TAX107	AA	Additional six-month funding for five (5) positions in the Special Enforcement Section (SES).	B	-	-	\$ 215,425	\$ -	\$ -	\$ 215,425	-	-	\$ 215,425	-	-	\$ 215,425	-	-	\$ 215,425	-	-	\$ 215,425

Department of Taxation
Proposed Budget Reductions

Table 5

Prog ID	Sub-Org	Description of Reduction	Impact of Reduction	MOF	FY20			FY21			FY19 Restriction (Y/N)
					Pos (P)	Pos (T)	\$\$\$\$	Pos (P)	Pos (T)	\$\$\$\$	
TAX105	BA	Requesting the reduction of seven (7) temporary positions and funds.	As DOTAX nears the completion of the Tax System Modernization project (TSM), there will be a need to hire a more skilled labor force.	A	-	(7.00)	\$ (143,057)	-	(7.00)	\$ (143,057)	N

Department of Taxation
Proposed Budget Additions

Table 6

Prog ID	Sub-Org	Addition Type	Prog ID Priority	Dept-Wide Priority	Description of Addition	Justification	MOF	FY20			FY21		
								Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$
TAX107	AA	OR	2	2	TSM professional services	The Tax System Modernization (TSM) project vendor support will end in July 2019, with limited warranty services (bug fixes) for an additional 12 months. Additional professional services for GenTax (Tax processing software) and ibml/Captiva (imaging software installed for this project) are needed from contractors to (1) address significant system changes (improvements and re-work) from what was put into production in the course of the project and (2) provide additional knowledge transfer to DOTAX staff. If not funded, this will limit our ability to re-work and refine the configurations put in production use.	A	-	-	3,640,000	-	-	4,800,000
TAX107	AA	OR			Collective Bargaining	EM 18-04	A	-	-	212,853	-	-	212,853
TAX107	AC	OR			Collective Bargaining	EM 18-04	A	-	-	101,973	-	-	101,973
TAX107	AD	OR			Collective Bargaining	EM 18-04	A	-	-	15,073	-	-	15,073
TAX107	AA	OR	10	10	Additional six-month funding for five (5) positions in the Special Enforcement Section (SES).	The five (5) positions were approved in FY18's Supplemental Budget Request and funded for a maximum of six months for the first year (i.e. FY19). They shall be funded for the full year thereafter. Amounts reflected are the additional funding needed for the positions so that they are funded for the full year.	B	-	-	215,425	-	-	215,425
TAX107	AA	OR			Collective Bargaining	EM 18-04	B	-	-	15,164	-	-	15,164

Department of Taxation
Proposed Budget Additions

Table 6

<u>Prog ID</u>	<u>Sub-Org</u>	<u>Addition Type</u>	<u>Prog ID Priority</u>	<u>Dept-Wide Priority</u>	<u>Description of Addition</u>	<u>Justification</u>	<u>MOF</u>	<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>	<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>
						For the past three fiscal years, due to the implementation of the Tax System Modernization project (TSM), we have temporarily assigned employees into the roles on a continuous basis. As the Department nears the completion of the implementation of TSM, we are beginning the reorganization of the functions and positions with the Taxation Services Division. There is a need to hire a more skilled labor force, which these management analyst positions would satisfy. The functions of the Department are becoming less paper processing and greater information processing. Creating the new roles will enhance the capture and purification of this information. Additionally, these positions would assist with defining the most efficient and effective processes of the division. We will begin decreasing lower level positions, such as Office Assistant III and IV positions and replace with upgraded positions. Additionally, with the decrease in paper processing, the need for Tax Season hires will decrease, starting in this fiscal year of FY19. Our preference is to have the positions budgeted at management Analyst IV, with the ability to hire from I to IV.	A						
TAX105	BA	OR	7	7	Request two (2) permanent Management Analyst IV positions and funds.			2	2	105,912	2	2	105,912
TAX105	BA	OR			Collective Bargaining	EM 18-04	A	-	-	165,468	-	-	165,468
TAX105	BB	OR			Collective Bargaining	EM 18-04	A	-	-	23,991	-	-	23,991
TAX105	BC	OR			Collective Bargaining	EM 18-04	A	-	-	211,751	-	-	211,751
TAX100	CH	OR			Collective Bargaining	EM 18-04	A	-	-	125,723	-	-	125,723
TAX100	CK	OR			Collective Bargaining	EM 18-04	A	-	-	58,064	-	-	58,064
TAX100	CM	OR			Collective Bargaining	EM 18-04	A	-	-	80,478	-	-	80,478
TAX100	CO	OR			Collective Bargaining	EM 18-04	A	-	-	111,154	-	-	111,154
TAX100	CP	OR			Collective Bargaining	EM 18-04	A	-	-	146,577	-	-	146,577
TAX100	EO	OR			Collective Bargaining	EM 18-04	A	-	-	165,070	-	-	165,070

Department of Taxation
 FB 2017 - 2019 Restrictions

Table 7

<u>Fiscal Year</u>	<u>Prog ID</u>	<u>Sub-Org</u>	<u>MOF</u>	<u>Budgeted by Dept</u>	<u>Restriction</u>	<u>Difference Between Budgeted & Restricted</u>	<u>Percent Difference</u>	<u>Impact</u>
19	TAX100	CH	A	1389228	\$ 59,574	\$ 1,329,654	4.29%	Closer monitoring, department prioritization and justification requirements and delays for large purchases and unbudgeted expenses (i.e. overtime, travel, replacement equipment).
19	TAX100	CK	A	911736	\$ 39,098	\$ 872,638	4.29%	
19	TAX100	CM	A	1226486	\$ 52,595	\$ 1,173,891	4.29%	
19	TAX100	CO	A	2911121	\$ 124,836	\$ 2,786,285	4.29%	
19	TAX100	CP	A	2340343	\$ 100,360	\$ 2,239,983	4.29%	
19	TAX100	EO	A	2374076	\$ 101,805	\$ 2,272,271	4.29%	
19	TAX105	BA	A	3766297	\$ 161,508	\$ 3,604,789	4.29%	Closer monitoring, department prioritization and justification requirements and delays for large purchases and unbudgeted expenses (i.e. overtime, travel, replacement equipment).
19	TAX105	BB	A	325484	\$ 13,958	\$ 311,526	4.29%	
19	TAX105	BC	A	2682158	\$ 115,018	\$ 2,567,140	4.29%	
19	TAX107	AA	A	7366846	\$ 315,909	\$ 7,050,937	4.29%	Closer monitoring, department prioritization and justification requirements and delays for large purchases and unbudgeted expenses (i.e. overtime, travel, replacement equipment).
19	TAX107	AC	A	2333273	\$ 100,057	\$ 2,233,216	4.29%	
19	TAX107	AD	A	472514	\$ 20,262	\$ 452,252	4.29%	

Department of Taxation
Emergency Appropriation Requests

Table 8

<u>Prog ID</u>	<u>Description of Request</u>	<u>Explanation of Request</u>	<u>MOE</u>	<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>
NONE						

Department of Taxation
Expenditures Exceeding Appropriation Ceilings in FY18 and FY19

Table 9

<u>Prog ID</u>	<u>MOF</u>	<u>Date</u>	<u>Appropriation</u>	<u>Amount Exceeding Appropriation</u>	<u>Percent Exceeded</u>	<u>Reason for Exceeding Ceiling</u>	<u>Legal Authority</u>	<u>Recurring (Y/N)</u>	<u>GF Impact (Y/N)</u>
NONE									

Department of Taxation
 Intradepartmental Transfers in FY18 and FY19

Table 10

<u>Actual or Anticipated Date of Transfer</u>	<u>MOF</u>	<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>	<u>From Prog ID</u>	<u>Percent of Program ID Appropriation Transferred From</u>	<u>To Prog ID</u>	<u>Percent of Receiving Program ID Appropriation</u>	<u>Reason for Transfer</u>	<u>Recurring (Y/N)</u>
NONE										

Department of Taxation
Vacancy Report as of November 30, 2018

Table 11

Prog ID	Sub-Org	Date of Vacancy	Expected Fill Date	Position Number	Position Title	Exempt (Y/N)	SR Level	BU Code	Perm Temp (P/T)	FTE	MOF	Budgeted Amount	Actual Salary Last Paid	Authority to Hire (Y/N)	Occupied by 89 Day Hire (Y/N)	# of 89 Hire Appts	Describe if Filled by other Means	Priority # to Retain
TAX107	AA	7/2/18		116470	Business Analyst (TSM)	Y	SRNA	13	T	1.00	A	\$150,000.00	\$150,000.00	Y	N			1
TAX107	AA	7/2/18		121602	Business Analyst (TSM)	Y	SRNA	13	T	1.00	A	\$150,000.00	\$150,000.00	Y	N			2
TAX100	CO	12/31/17		015255	Auditor VI	N	SR26	13	P	1.00	A	\$87,996.00	\$89,760.00	Y	N			3
TAX107	AC	5/1/18		026311	Information Technology Band 6	N	SR26	13	P	1.00	A	\$87,996.00	\$93,336.00	Y	N			4
TAX107	AC	9/1/18		035765	Information Technology Band 6	N	SR24	13	P	1.00	A	\$84,612.00	\$88,248.00	Y	N			5
TAX100	CP	7/16/18		038686	Criminal Investigator	Y	SRNA	73	T	1.00	A	\$84,612.00	\$88,248.00	Y	N			6
TAX107	AA	10/6/18		102248	Administrative Rules Specialist	Y	SRNA	73	T	1.00	A	\$79,692.00	\$83,124.00	Y	N			7
TAX107	AA	2/16/17		036733	Management Analyst IV	N	SR22	13	P	1.00	A	\$72,324.00	\$75,192.00	Y	N			8
TAX100	CK	8/1/18		001622	Auditor V	N	SR24	13	P	1.00	A	\$66,864.00	\$69,732.00	Y	N			9
TAX100	CP	8/16/17		007047	Auditor V	N	SR24	13	P	1.00	A	\$66,864.00	\$68,196.00	Y	N			10
TAX107	AA	7/1/18		040345	Human Resources Specialist V	N	SR24	73	P	1.00	A	\$61,824.00	\$59,736.00	Y	N			11
TAX100	CP	12/1/17		026312	Delinquent Tax Collection Assis	N	SR17	03	P	1.00	A	\$61,752.00	\$62,988.00	Y	N			12
TAX107	AC	8/1/16		023170	Information Technology Band 6	N	SR24	23	P	1.00	A	\$57,168.00	\$78,624.00	Y	N			13
TAX107	AA	7/2/18		122696	Special Enforcement Section In	Y	SRNA	73	T	1.00	B	\$53,856.00	\$53,856.00	Y	Y	2		14
TAX107	AA	7/2/18		122701	Special Enforcement Section In	Y	SRNA	73	T	1.00	B	\$53,856.00	\$53,856.00	Y	N			15
TAX105	BC	10/2/17		039132	Management Analyst III	N	SR20	03	P	1.00	A	\$51,852.00	\$56,064.00	Y	N			16
TAX107	AA	8/13/18		047886	Management Analyst IV	N	SR22	13	P	1.00	A	\$50,772.00	\$56,064.00	Y	N			17
TAX100	CP	9/7/18		117445	Auditor IV	N	SR22	13	P	1.00	A	\$48,828.00	\$57,324.00	Y	N			18
TAX107	AA	9/6/18		038768	Tax Information Tech I	N	SR20	13	P	1.00	A	\$46,932.00	\$50,916.00	Y	N			19
TAX100	EH	10/5/18		001598	Supervising Tax Clerk	N	SR17	04	P	1.00	A	\$45,096.00	\$47,748.00	Y	N			20
TAX100	EO	10/17/18		039122	Delinquent Tax Collection Assis	N	SR17	03	P	1.00	A	\$45,096.00	\$49,680.00	Y	Y	1		21
TAX100	EO	10/17/18		011942	Delinquent Tax Collection Assis	N	SR17	03	P	1.00	A	\$43,368.00	\$45,900.00	Y	N			22
TAX100	CO	10/29/18		122317	Tax Returns Examiner III	N	SR17	03	P	1.00	A	\$43,368.00	\$34,908.00	Y	N			23
TAX100	CK	2/27/17		122318	Tax Returns Examiner III	N	SR17	03	P	1.00	A	\$43,368.00	\$38,592.00	Y	N			24
TAX100	CO	6/1/18		001536	Tax Returns Examiner II	N	SR15	03	P	1.00	A	\$41,724.00	\$43,200.00	Y	Y	2		25
TAX105	BA	5/1/18		026777	Cashier II	N	SR12	03	P	1.00	A	\$40,128.00	\$41,544.00	Y	N			26
TAX100	CK	6/20/17		117461	Tax Returns Examiner III	N	SR15	03	P	1.00	A	\$40,128.00	\$40,128.00	Y	N			27
TAX107	AA	10/16/18		121076	Management Analyst I	N	SR16	13	T	1.00	A	\$40,128.00	\$41,856.00	Y	N			28
TAX100	EO	7/17/18		001450	Tax Clerk	N	SR12	03	P	1.00	A	\$38,592.00	\$32,856.00	Y	Y	4		29
TAX100	CH	11/16/18		011514	Tax Returns Examiner II	N	SR15	03	P	1.00	A	\$35,676.00	\$37,752.00	Y	N			30
TAX100	CO	4/16/18		047875	Tax Returns Examiner II	N	SR15	03	P	1.00	A	\$35,676.00	\$35,472.00	Y	Y	2		31
TAX105	BA	7/17/18		046134	Office Assistant III	N	SR08	03	P	1.00	A	\$34,260.00	\$28,728.00	Y	N			32
TAX100	CO	11/1/18		026376	Tax Returns Examiner I	N	SR13	03	P	1.00	A	\$32,976.00	\$36,276.00	Y	N			33
TAX100	CO	10/1/18		120780	Tax Returns Examiner II	N	SR15	03	P	1.00	A	\$32,976.00	\$42,480.00	Y	N			34
TAX105	BA	10/1/18		001504	Office Assistant III	N	SR08	03	P	1.00	A	\$31,740.00	\$28,728.00	Y	N			35
TAX105	BA	6/1/18		001513	Office Assistant III	N	SR08	03	P	1.00	A	\$31,740.00	\$28,092.00	Y	N			36
TAX105	BA	4/10/18		038687	Office Assistant III	N	SR08	03	P	1.00	A	\$31,740.00	\$28,092.00	Y	N			37
TAX100	EH	9/17/18		015252	Office Assistant IV	N	SR10	03	P	1.00	A	\$29,328.00	\$31,548.00	Y	Y	3		38
TAX105	BA	9/18/18		118440	Office Assistant III	N	SR08	03	P	1.00	A	\$29,328.00	\$32,256.00	Y	N			39
TAX105	BA	5/16/18		001492	Office Assistant III	N	SR08	03	P	1.00	A	\$28,212.00	\$28,092.00	Y	N			40
TAX105	BC	8/17/18		046224	Office Assistant III	N	SR08	03	P	1.00	A	\$28,212.00	\$30,372.00	Y	N			41
TAX100	EH	10/1/18		001612	Office Assistant IV	N	SR10	03	P	1.00	A	\$27,132.00	\$31,056.00	Y	N			42
TAX105	BA	6/18/18		028861	Office Assistant III	N	SR08	03	P	1.00	A	\$27,132.00	\$28,728.00	Y	N			43
TAX105	BA	2/1/18		118229	Office Assistant III	N	SR08	03	T	1.00	A	\$27,132.00	\$28,092.00	Y	N			44
TAX105	BA	8/17/17		118230	Office Assistant III	N	SR08	03	T	1.00	A	\$27,132.00	\$27,132.00	Y	N			45
TAX105	BA	2/16/18		118234	Office Assistant III	N	SR08	03	T	1.00	A	\$27,132.00	\$28,092.00	Y	N			46
TAX105	BA	8/15/17		118236	Office Assistant III	N	SR08	03	T	1.00	A	\$27,132.00	\$27,132.00	Y	N			47
TAX107	AA	7/2/18	2/1/19	122700	Special Enforcement Section In	Y	SRNA	73	T	1.00	B	\$53,856.00	\$53,856.00	Y	N			48
TAX107	AA	7/2/18	1/16/19	122699	Special Enforcement Section In	Y	SRNA	73	T	1.00	B	\$53,856.00	\$53,856.00	Y	N			49

Department of Taxation
Vacancy Report as of November 30, 2018

Table 11

<u>Prog ID</u>	<u>Sub-Org</u>	<u>Date of Vacancy</u>	<u>Expected Fill Date</u>	<u>Position Number</u>	<u>Position Title</u>	<u>Exempt (Y/N)</u>	<u>SR Level</u>	<u>BU Code</u>	<u>Perm. Temp (P/T)</u>	<u>FTE</u>	<u>MOF</u>	<u>Budgeted Amount</u>	<u>Actual Salary Last Paid</u>	<u>Authority to Hire (Y/N)</u>	<u>Occupied by 89 Day Hire (Y/N)</u>	<u># of 89 Hire Appts</u>	<u>Describe if Filled by other Means</u>	<u>Priority # to Retain</u>
TAX105	BA	2/16/18	1/16/19	028864	Office Assistant III	N	SR08	03	P	1.00	A	\$28,212.00	\$29,208.00	Y	N			50
TAX107	AA	6/1/18	1/2/19	001466	Departmental Human Resource	Y	EM03	35	P	1.00	A	\$80,076.00	\$82,656.00	Y	N			51
TAX107	AA	9/1/17	12/17/18	016055	Account Clerk III	N	SR13	03	P	1.00	A	\$48,948.00	\$31,080.00	Y	Y	3		52
TAX100	EO	7/17/18	12/17/18	016056	Office Assistant III	N	SR08	03	P	1.00	A	\$43,368.00	\$28,092.00	Y	N			53
TAX100	EO	10/26/12	12/16/18	120783	Program Specialist IV	N	SR22	03	P	1.00	A	\$50,772.00	\$16,032.00	Y	N			54
TAX100	EK	7/18/17	12/3/18	047882	Delinquent Tax Collection Assis	N	SR15	03	P	1.00	A	\$37,056.00	\$37,800.00	Y	N			55
TAX100	CP	10/3/16	12/1/18	001606	Criminal Investigator	Y	SRNA	13	T	1.00	A	\$59,448.00	\$57,432.00	Y	N			56
TAX100	CP	10/3/16	12/1/18	001538	Criminal Investigator	Y	SRNA	13	T	1.00	A	\$57,168.00	\$69,732.00	Y	N			57

Positions Established by Acts other than the State Budget as of November 30, 2018

<u>Prog ID</u>	<u>Sub-Org</u>	<u>Date Established</u>	<u>Legal Authority</u>	<u>Position Number</u>	<u>Position Title</u>	<u>Exempt (Y/N)</u>	<u>SR Level</u>	<u>BU Code</u>	<u>T/P</u>	<u>MOF</u>	<u>FTE</u>	<u>Annual Salary</u>	<u>Filled (Y/N)</u>	<u>Occupied by 89 Day Hire (Y/N)</u>
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NONE

Department of Taxation
Overtime Expenditure Summary

Table 13

Prog ID	Sub-Org	Program Title	MOF	FY18 (actual)			FY19 (estimated)			FY20 (budgeted)			FY21 (budgeted)		
				Base Salary \$\$\$\$	Overtime \$\$\$\$	Overtime Percent	Base Salary \$\$\$\$	Overtime \$\$\$\$	Overtime Percent	Base Salary \$\$\$\$	Overtime \$\$\$\$	Overtime Percent	Base Salary \$\$\$\$	Overtime \$\$\$\$	Overtime Percent
TAX100	CH	COMPLIANCE DIVISION - AUDIT BRANCH HAWAII	A	\$ 1,398,509	\$ 11,294	0.8%	\$ 1,444,691	\$ 14,500	1.0%	\$ 1,467,648	\$ 14,500	1.0%	\$ 1,472,536	\$ 14,500	1.0%
TAX100	CK	COMPLIANCE DIVISION - AUDIT BRANCH KAUAI	A	\$ 918,038	\$ 1,914	0.2%	\$ 958,233	\$ 3,000	0.3%	\$ 971,595	\$ 3,000	0.3%	\$ 973,404	\$ 3,000	0.3%
TAX100	CM	COMPLIANCE DIVISION - AUDIT BRANCH MAUI	A	\$ 1,238,925	\$ 27,409	2.2%	\$ 1,302,070	\$ 33,000	2.5%	\$ 1,326,101	\$ 33,000	2.5%	\$ 1,334,496	\$ 33,000	2.5%
TAX100	CO	COMPLIANCE DIVISION - OFFICE AUDIT	A	\$ 1,963,970	\$ 6,998	0.4%	\$ 2,028,798	\$ 31,000	1.5%	\$ 2,051,728	\$ 31,000	1.5%	\$ 2,067,732	\$ 31,000	1.5%
TAX100	CP	COMPLIANCE DIVISION - FIELD AUDIT	A	\$ 2,490,735	\$ 5,593	0.2%	\$ 2,544,614	\$ 6,000	0.2%	\$ 2,563,026	\$ 6,000	0.2%	\$ 2,581,102	\$ 6,000	0.2%
TAX100	EO	COMPLIANCE DIVISION - COLLECTIONS OAHU	A	\$ 2,357,129	\$ 71,575	3.0%	\$ 2,443,438	\$ 72,536	3.0%	\$ 2,490,910	\$ 72,536	2.9%	\$ 2,500,596	\$ 72,536	2.9%
TAX105	BA	DOCUMENT PROCESSING BRANCH	A	\$ 4,473,046	\$ 84,991	1.9%	\$ 4,645,459	\$ 57,200	1.2%	\$ 4,736,747	\$ 57,200	1.2%	\$ 4,746,540	\$ 57,200	1.2%
TAX105	BB	REVENUE ACCOUNTING BRANCH	A	\$ 399,840	\$ 1,127	0.3%	\$ 412,028	\$ 800	0.2%	\$ 418,176	\$ 800	0.2%	\$ 421,176	\$ 800	0.2%
TAX105	BC	TAXPAYER SERVICES BRANCH	A	\$ 3,413,705	\$ 108,288	3.2%	\$ 3,575,976	\$ 72,000	2.0%	\$ 3,648,496	\$ 72,000	2.0%	\$ 3,664,642	\$ 72,000	2.0%
TAX107	AA	OFFICE OF THE DIRECTOR/ADMIN SVCS/RULES/FUNCTIONAL SUPPORT	A	\$ 3,801,901	\$ 82,337	2.2%	\$ 3,950,356	\$ 28,997	0.7%	\$ 3,977,713	\$ 28,997	0.7%	\$ 3,999,284	\$ 28,997	0.7%
TAX107	AC	INFORMATION TECHNOLOGY SERVICES OFFICE	A	\$ 1,594,744	\$ 26,539	1.7%	\$ 1,591,369	\$ 67,127	4.2%	\$ 1,611,578	\$ 67,127	4.2%	\$ 1,623,044	\$ 67,127	4.1%
TAX107	AD	TAX RESEARCH & PLANNING OFFICE	A	\$ 535,737	\$ -	0.0%	\$ 582,644	\$ -	0.0%	\$ 586,227	\$ -	0.0%	\$ 588,972	\$ -	0.0%
TAX107	AA	SPECIAL ENFORCEMENT SECTION	B	\$ 373,488	\$ -	0.0%	\$ 394,098	\$ -	0.0%	\$ 394,098	\$ -	0.0%	\$ 394,098	\$ -	0.0%

Department of Taxation
Active Contracts as of December 1, 2018

Table 14

Prog ID	MOE	Amount	Frequency (M/A/O)	Max Value	Outstanding Balance	Term of Contract			Entity	Contract Description	Explanation of How Contract is Monitored	POS Y/N	Category E/L/P/C/G/S
						Date Executed	From	To					
TAX100	A	\$ 125,236	M	\$300,000 annually	\$ 174,764.00	Ongoing			AG	Collection of DOTAX's delinquent tax accounts.	Collections branch receives monthly reports from the AG.	N	S
TAX107	A	\$ 11,087	M	\$27,600 annually	\$ 16,513.00	Ongoing			AG	Conduct Admin and felony criminal investigations involving misconduct and other issues involving DOTAX.	Personnel section to monitor cases with the AG.	N	S
TAX107	A	\$ 182,000	M	\$210,000 5 yr lease	\$ 28,000.00	9/5/2014	9/5/2014	9/4/2019	Xerox	High volume printing machine on lease for DOTAX's printshop.	Admin Svcs Office monitors activity.	N	S
TAX107	B	\$ 12,852	M	\$ 57,834.00	\$ 44,982.00	7/1/2018	7/1/2018	6/30/2019	Meyercord Revenue	To provide heat applied cigarette tax stamps.	The invoice is verified with our Taxpayer Services and Processing section.	N	G
TAX100	A	\$ 259	O	\$ 1,118.00	\$ 859.00	8/3/2018	8/3/2018	8/2/2019	Shred-it USA	Shredding services for Hawaii only.	Verified with the Hawaii Office for services rendered.	N	S
TAX107	A	\$ 12,078	S	\$ 113,927.00	\$ 101,849.00	4/3/2018	4/3/2018	4/2/2019	Pacific Courier, Inc.	Security armored car svcs for DOTAX.	Invoices are reviewed by the Admin Services Office.	N	S
TAX107	A	\$ -	O	\$ 1,177.00	\$ 1,177.00	6/12/2018	6/12/2018	6/11/2019	Shred-it USA	Shredding services for Kauai.	Verified with the Kauai Office for services rendered.	N	S
TAX107	A	\$ 65,585	M	\$ 102,600.00	\$ 37,015.00	4/11/2018	4/11/2018	3/31/2019	DR Fortress	Colocation data center space for disaster recovery.	Verified with our IT section for services rendered.	N	S
TAX107 (funded with both CIP and General funds)	C, A	\$ 33,648,528	O	\$ 50,007,028.00	\$ 16,358,500.00	7/15/2015	7/15/2015	7/14/2025	Fast Enterprises, LLC	Goods and services to implement an integrated tax system for DOTAX.	Verified with our Tax System Modernization (TSM) team for services rendered.	N	S
TAX100/105/107	A	\$ 2,500	O	\$10,000 annually	\$ 7,500.00	Ongoing			DLIR	Share building security cost of security services with DLIR.	Admin Services Office to monitor services as billed quarterly.	N	S
TAX107	A	\$ 8,560	O	\$96,000 annually	\$ 87,440.00	Ongoing			Public Safety	Security services	Admin Services Office to monitor services as billed.	N	S
TAX107	A	\$ -	O	\$ 160,000.00	\$ 160,000.00	9/1/2018	9/1/2018	8/31/2019	Accuity, LLP	Independent validation and verification (IV&V) for DOTAX's Tax System Modernization (TSM) project.	Verified with our Tax System Modernization (TSM) team for services rendered.	N	S
TAX107	A	\$ -	O	\$ 16,317.00	\$ 16,317.00	12/4/2018	12/4/2018	12/3/2019	EMSS, Inc.	For the printing and distribution of tax form 1099.	Verification with staff associated with tax forms.	N	G

Department of Taxation
 Capital Improvements Program (CIP) Requests

<u>Prog ID</u>	<u>Prog ID</u> <u>Priority</u>	<u>Dept- Wide</u> <u>Priority</u>	<u>Senate</u> <u>District</u>	<u>Rep.</u> <u>District</u>	<u>Project Title</u>	<u>MOF</u>	<u>FY20 \$\$\$</u>	<u>FY21 \$\$\$</u>
NONE								

Department of Taxation
CIP Lapses

Table 16

<u>Prog ID</u>	<u>Act/Year of Appropriation</u>	<u>Project Title</u>	<u>MOF</u>	<u>Lapse Amount</u> \$\$\$\$	<u>Reason</u>
NONE					

Department of Taxation
Program ID Sub-Organizations

Table 17

<u>Program ID</u>	<u>Sub-Org Code</u>	<u>Name</u>	<u>Objective</u>
TAX100	CH	COMPLIANCE DIVISION - AUDIT BRANCH HAWAII	<p>Responsible for administrative matters of the Branch; performs personnel and fiscal activities and housekeeping functions of the Branch.</p> <p>Provides assistance, information, and services on all taxes administered by the Department to taxpayers who walk-in, call-in, or correspond.</p> <p>Conducts office and field examinations of all tax returns filed for general excise, income, miscellaneous, and transient accommodation taxes on the Neighbor Islands. Prepares tax assessments, following established rules.</p> <p>Conducts/enforces collection of delinquent taxes by appropriate collection procedures.</p> <p>Conducts office examinations of tax returns filed for general excise, income, miscellaneous, and transient accommodations taxes. Prepares tax assessments, following established rules.</p> <p>Represents the Department in appeals to the Board of Review for their respective districts. Provides administrative/clerical assistance to the Board of Review.</p>

Program ID Sub-Organizations

TAX100	CK	COMPLIANCE DIVISION - AUDIT BRANCH KAUAI	<p>Responsible for administrative matters of the Branch; performs personnel and fiscal activities and housekeeping functions of the Branch.</p> <p>Provides assistance, information, and services on all taxes administered by the Department to taxpayers who walk-in, call-in, or correspond.</p> <p>Conducts office and field examinations of all tax returns filed for general excise, income, miscellaneous, and transient accommodation taxes on the Neighbor Islands. Prepares tax assessments, following established rules.</p> <p>Conducts/enforces collection of delinquent taxes by appropriate collection procedures.</p> <p>Conducts office examinations of tax returns filed for general excise, income, miscellaneous, and transient accommodations taxes. Prepares tax assessments, following established rules.</p> <p>Represents the Department in appeals to the Board of Review for their respective districts. Provides administrative/clerical assistance to the Board of Review.</p>
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Department of Taxation
 Program ID Sub-Organizations

Table 17

TAX100	CM	COMPLIANCE DIVISION - AUDIT BRANCH MAUI	<p>Responsible for administrative matters of the Branch; performs personnel and fiscal activities and housekeeping functions of the Branch.</p> <p>Provides assistance, information, and services on all taxes administered by the Department to taxpayers who walk-in, call-in, or correspond.</p> <p>Conducts office and field examinations of all tax returns filed for general excise, income, miscellaneous, and transient accommodation taxes on the Neighbor Islands. Prepares tax assessments, following established rules.</p> <p>Conducts/enforces collection of delinquent taxes by appropriate collection procedures.</p> <p>Conducts office examinations of tax returns filed for general excise, income, miscellaneous, and transient accommodations taxes. Prepares tax assessments, following established rules.</p> <p>Represents the Department in appeals to the Board of Review for their respective districts. Provides administrative/clerical assistance to the Board of Review.</p>
TAX100	CO	OAHU OFFICE AUDIT BRANCH	<p>Conducts office examinations of all tax returns filed for general excise, income, miscellaneous, and transient accommodation taxes on Oahu.</p> <p>Represents the Department in appeals to the Board of Review for cases originating or transferred to the Oahu District.</p> <p>Disseminates information through audit contact or taxpayer inquiry about the proper reporting methods or Departmental positions on tax and related matters.</p> <p>Reviews for approval/disapproval request for waiver for the withholding of income tax on the disposition of Hawaii real property by non-resident.</p>

Department of Taxation
Program ID Sub-Organizations

Table 17

TAX100	CP	OAHU FIELD AUDIT BRANCH	<p>Conducts field examinations of all types of tax returns and supporting records of larger taxpayers involving complex records and transactions.</p> <p>Represents the Department in appeals to the Board of Review for cases originating or transferred to the Oahu District.</p> <p>Disseminates information through audit contact or taxpayer inquiry about the proper reporting methods or Departmental positions on tax and related matters.</p> <p>Responsible for administrative matters of the Branch; performs personnel and fiscal activities and housekeeping functions for the Branch.</p>
TAX100	EO	OAHU COLLECTION BRANCH	<p>Conducts/enforces collection of delinquent taxes by appropriate collection procedures; secures non-filed returns from taxpayers; and conducts investigations to determine compliance with state tax laws.</p> <p>Develops policies and procedures, renders guidelines and recommendations and provides coordination and assistance in enforcement activities; participates in resolving complex enforcement cases; and recommends goals and objective; and reviews objectives and accomplishments with operating personnel.</p>

Department of Taxation
Program ID Sub-Organizations

Table 17

TAX105	BA	DOCUMENT PROCESSING BRANCH	Plans, directs and coordinates a comprehensive, centralized system of receiving and processing of tax information and payments (paper documents or electronic data) for the Department of Taxation. Establishes initial control over monies and documents and provides for a system for the rapid update of taxpayer accounts. Provides for a centralized statewide filing system for paper tax returns. Coordinates and oversees electronic processing activities, updates, testing, and new initiatives. Provides support for ongoing ELF/JELF/EFT development and changes, and support for growth of DOTAX electronic processing capabilities.
TAX105	BB	REVENUE ACCOUNTING BRANCH	Responsible for the maintenance of the revenue control and subsidiary ledgers, the control and accounting for all refunds, regardless of tax type, which are created by either overpayment or adjustment, the maintenance of the accounting system for protested payments and tax appeals, the preparation of the statement of tax operations and related reports, and processing and accounting activities statewide of all Miscellaneous taxes (except Estate & Transfer tax).
TAX105	BC	TAXPAYER SERVICES BRANCH	Provides centralized services on all taxes, licenses, and permits administered by the department to all customers who walk-in, call-in, correspond, or E-mail. Also provides computer-based error correction activities in order to post returns to system.
TAX107	AA	OFFICE OF THE DIRECTOR	Under general direction of the Governor of the State of Hawaii, plans, directs and coordinates the various activities of the department within the scope of laws and established policies and regulations.
TAX107	AA	RULES OFFICE	Serves as a resource for complex policy recommendations and complex taxpayer support.

Department of Taxation
Program ID Sub-Organizations

Table 17

TAX107	AA	ADMINISTRATIVE SERVICES OFFICE	Provides general internal fiscal and personnel management assistance to the Director in exercising responsibilities as executive of the department. Advises and provides staff services in the area of program budgeting and planning, management of available resources and facilities management.
TAX107	AC	INFORMATION TECHNOLOGY SERVICES OFFICE	Advises the Director on all matters pertaining to computerization and automation, formulating associated policies and procedures. To enhance the Department of Taxation's program effectiveness and efficiency by automating major program functions deemed feasible.
TAX107	AD	TAX RESEARCH & PLANNING OFFICE	Plans, organizes, directs and coordinates a tax research and tax planning program for the department. Provides the department with statistical information and projections as to tax yields, tax impacts, and economic conditions affecting taxes.

Department of Taxation
 Organization Changes

Table 18

<u>Year of Change</u> <u>FY20/FY21</u>	<u>Description of Change</u>
FY20	Establish a Board of Review and Tax Appeals Court. The Board of Review (BOR) will hear appeals duly filed by taxpayers. The proposal centralizes the Boards of Review into a single board comprised of members who shall devote full time to their duties. Amends the grounds upon which an appeal to the administrative appeals and dispute resolution program may be made by disallowing appeals of proposed assessments.
	The current appeals system includes voluntary boards of review in every county. The system does not work uniformly, and has resulted in some boards failing to meet for lack of quorum for as long as 3 years. Consequently, there is a backlog of 184 cases representing amounts in controversy of nearly \$52 million. Establishment of a single board, staffed by 3 state employees to serve all islands, would ensure a stable appeals process for all taxpayers. This appeals structure is modeled after the Labor Relations Board and the Labor and Industrial Relations Board which effectively conduct appeals under DLIR.

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