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To: The Honorable Sylvia Luke
and Members of the House Committee on Finance

Date: Tuesday, January 9, 2018
Time: 1:30 P.M.
Place: Conference Room 308, State Capitol

From: Linda Chu Takayama, Director
Department of Taxation

Re: 2018 Legislative Budget Informational Briefing

Chair Luke, Vice Chair Cullen, and Members of the Committee,

Thank you for the opportunity to provide you with information on the Department of Taxation's supplemental budget requests.

Governor Ige appointed me to become the Director of Taxation on December 11, 2017. In past the few weeks, I have met with a lot of the staff and started to become familiar with the operations of the Department. I have also studied the supplemental budget that is before you. I am working with the Governor to modify the request.

The mission of the Department is to "administer the tax laws of the State of Hawaii in a consistent, efficient and fair manner." I feel that it is important to administer laws in a consistent, fair manner. In addition, I feel that we should do so efficiently. We need to process returns and payments quickly and accurately. We need to address taxpayer questions and provide assistance in a timely manner to enable taxpayers to meet their legal obligations. I believe that taxpayers will file and pay their tax obligations if we make it easy for them to do so. Our revised request supports this priority.

The Tax System Modernization (TSM) project is our primary budget request. We are requesting \$16.5 million in Capital Improvement Project (CIP) funds to enable us to complete this project. The project is approximately 60% completed and we are currently working on migrating and integrating Hawaii's second source of revenue, the individual income tax. Technology is an important tool to enable us to fulfill our mission and administer the tax laws consistently, efficiently and fairly. While this project has been the subject of controversy and concern, it is a critical project for the State of Hawaii. I am committed to the success of this project. It is crucial for the Department to have ownership of the project, therefore I will be taking the

following actions. First, I will resume the role of Executive Sponsor for the project. Second, I will work with the Office of Enterprise Technology Services (ETS) to transfer the Project Management Office positions back to the Department. Finally, I will have ETS provide enterprise technical assistance and guidance, as well as, executing a new Independent Verification and Validation contract of the TSM project, which is consistent with other large technical projects in the State.

The TSM project has demonstrated that it can help taxpayers and the Department by speeding up processing times, ensuring greater accuracy, and securing taxpayer information. In the last year, more than 120,000 taxpayers signed up to use Hawaii Tax Online, the online portal for taxpayers. Currently, half of all general excise and transient accommodations taxpayers are signed up to process returns and make payments online. For the rental motor vehicle, tour vehicle, and car-sharing vehicle surcharge, 75 percent of taxpayers are online. In August 2017, Hawaii Tax Online began supporting corporate income, withholding, franchise and public service company taxes. We are presently working on adding individual income, partnership, fiduciary and estate/transfer taxes functionality which will be delivered in November 2018. In addition, we are continuing to refine the functionality and configurations already deployed to maximize the utility of the technologies. We need your help with providing the funding to complete this project.

Technology enables our staff to serve Hawaii taxpayers consistently, efficiently and fairly. In Hawaii's competitive job market, DOTAX has struggled to recruit and retain staff. As of November 30, 2017, we had 55 vacancies, about 10 percent of our authorized position count. We are working to fill our vacancies. Accordingly, we have a modest personnel related request that will improve our ability to recruit and retain staff and provide better taxpayer services:

\$ 0 – Convert thirteen (13) Limited Term (Temporary) Positions to Permanent Positions in the Taxpayer Services and Processing Division. This action will enable us to better recruit and retain staff to support taxpayers.

\$26,478 – Addition of a Management Analyst IV for the Taxpayer Services and Processing Division. This position will enhance our electronic processing team to address the increasing online needs of taxpayers.

In addition, we are asking for funding of positions that will help with taxpayer compliance with the tax laws:

\$84,348 - Provide an additional 6-months of funding for four (4) auditors for Oahu (2), Maui (1) and Kauai (1). These positions were established by the 2017 Legislature. We are still working on filling these positions.

\$43,085 – Additional Special Enforcement Section (SES) Investigator (special funded). This investigator will enable us to better meet Act 204, SLH 2015, requirements related to Transit Accommodations Tax (TAT) and General Excise Tax (GET) compliance. The Tax Administration Special Fund has sufficient funds available to fund this request.

For more information on the Department's supplemental budget request, please see the attached forms and tables requested by your committee. Thank you for the opportunity to testify.

DEPARTMENT OF TAXATION
2018 Legislative Budget Briefing Testimony

Overview

A. Provide your agency's mission statement.

Our 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.

The mission of the Department is to “administer the tax laws of the State of Hawaii in a consistent, efficient and fair manner.” I feel that it is important to administer laws in a consistent, fair manner. In addition, I feel that we should do so efficiently.

We need to process returns and payments quickly and accurately. We need to address taxpayer questions and provide assistance in a timely manner to enable taxpayers to meet their legal obligations. I believe that taxpayers will file and pay their tax obligations if we make it easy for them to do so. Our revised request supports this priority.

The Tax System Modernization (TSM) project is our primary budget request. The project is approximately 60% completed and we are currently working on migrating and integrating Hawaii’s second source of revenue, the individual income tax. Technology is an important tool to enable us to fulfill our mission and administer the tax laws consistently, efficiently and fairly. While this project has been the subject of controversy and concern, it is a critical project for the State of Hawaii. I am committed to the success of this project. It is crucial for the Department to have ownership of the project, therefore I will be taking the following actions. First, I will resume the role of Executive Sponsor for the project. Second, I will work with the Office of Enterprise Technology Services (ETS) to transfer the Project Management Office positions back to the Department. Finally, I will have ETS provide enterprise technical assistance and guidance, as well as, executing a new Independent Verification and Validation contract of the TSM project, which is consistent with other large technical projects in the State.

The TSM project has demonstrated that it can help taxpayers and the Department by speeding up processing times, ensuring greater accuracy, and securing taxpayer information. In the last year, more than 120,000 taxpayers signed up to use Hawaii Tax Online, the online portal for taxpayers. Currently, half of all general excise and transient accommodations

taxpayers are signed up to process returns and make payments online. For the rental motor vehicle, tour vehicle, and car-sharing vehicle surcharge, 75 percent of taxpayers are online. In August 2017, Hawaii Tax Online began supporting corporate income, withholding, franchise and public service company taxes. We are presently working on adding individual income, partnership, fiduciary and estate/transfer taxes functionality which will be delivered in November 2018. In addition, we are continuing to refine the functionality and configurations already deployed to maximize the utility of the technologies. We need your help with providing the funding to complete this project.

Technology enables our staff to serve Hawaii taxpayers consistently, efficiently and fairly. In Hawaii's competitive job market, DOTAX has struggled to recruit and retain staff. As of November 30, 2017, we had 55 vacancies, about 10 percent of our authorized position count. We are working to fill our vacancies

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.

DOTAX 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 visit <https://budget.hawaii.gov/wp-content/uploads/2017/12/TAX-NGF-2018-Leg.pdf>. Additionally, the Department provides the following table of DOTAX funds and trust accounts not reported to the Legislature.

Table: DOTAX Funds and Trust Accounts Not Reported to the Legislature

Fund Name	Fund Type	FY2016 Ending	FY2017 Ending
Est/Adm License and Permit Tobacco and Cigarette	Special	\$43,000	\$43,000
IRS Refund Intercept Account	Trust Account	1,000	1,000
Litigated Claims Fund	Trust	10,307,000	48,379,000
Sales of Assets for Delinquent Taxes - Oahu	Trust Account	3,000	3,000
Special Enforcement Section Collections Trust Account	Trust Account	500,000	500,000
Tax Reserve Fund	Trust	0	0
Taxes-Paid-Under-Protest Accounts	Trust Account	20,000	21,000
Taxes Payable to Counties - Fuel Accounts	Trust Account	1,546,000	1,546,000
Temporary Deposits - Payroll Overpayment Trust Account	Trust Account	1,000	2,000
Undistributed Tax Collections Accounts	Trust Account	(12,644,000)	(5,273,000)
Unemployment Tax Clearance	Special	485,000	485,000
DOTAX Total		\$262,000	\$45,707,000

Budget Request

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

The primary goal during FY18-19 will be to improve taxpayer services with increased depth of information and timely taxpayer inquiry response. This will be accomplished by:

- Ensuring the Tax System Modernization (TSM) project continues without application development disruptions and reducing system risks;
- TSM staff training and application retention to better address taxpayer inquiries and services;
- Expand employee recruitment and retention activities to reduce vacancies.

- 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 personnel requests will improve our ability to recruit and retain staff and provide better taxpayer services:

\$ 0 – Convert thirteen (13) Limited Term (Temporary) Positions to Permanent Positions I in the Taxpayer Services and Processing Division. This action will enable us to better recruit and retain staff to support taxpayers.

\$26,478 – Addition of a Management Analyst IV for the Taxpayer Services and Processing Division. This position will enhance our electronic processing team to address the increasing online needs of taxpayers.

The funding of the following positions will help with taxpayer compliance with the tax laws:

\$84,348 - Provide an additional 6-months of funding for four (4) auditors for Oahu (2), Maui (1) and Kauai (1). These positions were established by the 2017 Legislature. We are still working on filling these positions.

\$43,085 – Additional Special Enforcement Section (SES) Investigator (special funded). This investigator will enable us to better meet Act 204, SLH 2015, requirements related to Transit Accommodations Tax (TAT) and General Excise Tax (GET) compliance. The ___ Tax Administration Special Fund has sufficient funds available to fund this request.

Additional Information

Tables below being submitted on separate file.

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 2018				
Act 49/17 Appropriation	Restriction	Emergency Appropriations	Total FY18	MOF
\$ 27,293,200.00	\$ (2,329,320.00)		\$ 24,963,880.00	A
\$ 1,072,669.00			\$ 1,072,669.00	B
			\$ -	
			\$ -	
			\$ -	
			\$ -	
\$ 28,365,869.00	\$ (2,329,320.00)	\$ -	\$ 26,036,549.00	Total
Fiscal Year 2019				
Act 49/17 Appropriation	Reductions	Additions	Total FY19	MOF
\$ 27,293,200.00	\$ (406,000.00)	\$ 686,518.00	\$ 27,573,718.00	A
\$ 1,072,669.00		\$ 49,558.00	\$ 1,122,227.00	B
			\$ -	
			\$ -	
			\$ -	
			\$ -	
\$ 28,365,869.00	\$ (406,000.00)	\$ 736,076.00	\$ 28,695,945.00	Total

Department of Taxation
Program ID Totals

Table 3

<u>Prog ID</u>	<u>Program Title</u>	<u>MOF</u>	<u>As budgeted in Act 49/17 (FY19)</u>			<u>Governor's Submittal (FY19)</u>			<u>Percent</u>
			<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>	<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>	<u>Change of</u>
									<u>\$\$\$\$</u>
TAX100	Compliance	A	194.00	5.00	\$ 11,148,106	195.00	5.00	\$ 11,278,504	0.011697
TAX105	Tax Services & Processing	A	118.00	120.00	6,747,461	132.00	107.00	6,773,939	0.003924
TAX107	Supporting Services-Rev Collection	A	74.00	12.00	9,397,633	76.00	12.00	9,226,583	-0.0182
TAX107	Supporting Services-Rev Collection	B	0.00	7.00	1,072,669	0.00	8.00	1,115,754	0.040166

Department of Taxation
Budget Decisions

Table 4

Prog ID	Sub-Org	Description of Request	MOF	Initial Department Requests			Budget and Finance Recommendation			Governor's Decisions		
				FY19			FY19			FY19		
				Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$
TAX100	CO	Branch Chief position for a proposed new branch to be established (Revenue Protection Programs Branch).	A	1.00	-	\$ 46,050	-		\$ -	1.00		46,050.00
TAX107	AA	Branch Chief position for a proposed new branch to be established (Revenue Protection Programs Branch). (Transfer from other current expenses to fund payroll)	A									(46,050.00)
TAX107	AA	2 additional investigators for the Special Enforcement Section (SES).	B	-	2.00	\$ 86,170		1.00	\$ 43,085		1.00	\$ 43,085
TAX105	BA	Management Analyst IV to analyze and develop procedures for electronic filing options.	A	1.00	-	\$ 26,478	1.00		\$ 26,478	1.00		26,478.00
TAX107	AC	IT Specialist Band C as an eService specialist	A	1.00	-	\$ 32,238	-		\$ -	1.00		32,238.00
TAX107	AA	IT Specialist Band C as an eService specialist (Transfer from other current expenses to fund payroll)	A									(32,238.00)
TAX107	AA	Tax Information Specialist as a Tax Advocate.	A	1.00	-	\$ 24,474	-		\$ -	1.00		24,474.00
TAX107	AA	Tax Information Specialist as a Tax Advocate. (Transfer from other current expenses to fund payroll).	A									(24,474.00)
TAX100	CO	Additional 6-month salary funding for two (2) positions in Office Audit Branch Oahu	A	-	-	\$ 40,980			\$ 40,980			40,980.00
TAX100	CM	Additional 6-month salary funding for a position in Office Audit Branch Maui	A	-	-	\$ 21,684			\$ 21,684			21,684.00
TAX100	CK	Additional 6-month salary funding for a position in Office Audit Branch Kauai	A	-	-	\$ 21,684			\$ 21,684			21,684.00
TAX105	BA	Transfer out 7.0 FTE(T) Tax Clerks to TAX105BC to reflect current position utilization	A					(7.00)	\$ (222,180)		(7.00)	(222,180.00)
TAX105	BC	Transfer in 7.0 FTE(T) Tax Clerks from TAX105BA to reflect current position utilization	A					7.00	\$ 222,180		7.00	222,180.00
		Additional Requests										
TAX105	BA	Convert (6) Temp to Perm for Tax Services & Processing/Admin	A	6.00	(6.00)		6.00	(6.00)		6.00	(6.00)	
TAX105	BC	Convert (12) Temp to Perm for Tax Services & Processing/Taxpayer Services	A	12.00	(12.00)		7.00	(7.00)		7.00	(7.00)	
TAX107	AA	Convert (1) Temp to Perm for Supporting Services/Office of the Director	A	1.00	(1.00)		-	-		-	-	
TAX107	AA	Convert (4) Temp to Perm for Supporting Services/Rules Office	A	4.00	(4.00)		-	-		-	-	

Department of Taxation
Budget Decisions

Table 4

Prog ID	Sub-Org	Description of Request	MOF	Initial Department Requests			Budget and Finance Recommendation			Governor's Decisions		
				FY19			FY19			FY19		
TAX107	AA	Convert (2) Temp to Perm for Supporting Services/ITSO	A	2.00	(2.00)		-	-		-	-	

Department of Taxation
Proposed Budget Reductions

Table 5

Prog ID	Sub-Org	Description of Reduction	Impact of Reduction	MOF	FY18			FY19			FY18
					Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$	Restriction (Y/N)
TAX107	AA	TSM project operational funds	Reduction is based on projected TSM operating expenses. Reduction may impact funding for unforeseen operational needs.	A			\$ (281,000)			\$ (406,000)	Y

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	FY19		
								Pos (P)	Pos (T)	\$\$\$
TAX107	AA	AI	2	2	1 Additional investigator for the Special Enforcement Section (SES).	SES focuses on civil tax cases including Act 204 compliance relating to GET and TAT. This section, which is specially funded, has consistently exceeded all revenue expectations with a staff of six. For fiscal 2017, SES salary and expenditures were \$585,277 with \$5,268,362 tax revenue collected. This is a highly motivated and efficient branch which can increase Act 204 compliance with an additional position.	B		1.00	43,085
TAX107	AA	OR			Collective Bargaining	EM 17-04 Exhibit 1	B			6,473
TAX107	AA	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			89,745
TAX107	AC	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			43,483
TAX107	AD	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			6,424
TAX105	BA	AI	3	3	Management Analyst IV to analyze and develop procedures for electronic filing options.	With the implementation of the new tax system, TSM, electronic filing has increased exponentially. However, the department is not well positioned to serve our taxpayers for MeF (modernized electronic filing). Currently, one individual is handling eServices for Taxpayer Services part-time and another is handling eServices from the IT side part-time along with their other regular duties. We absolutely need one individual to have ownership of eServices for Taxpayer Services and another position for IT to properly serve our taxpayers as well as the TSM system. These two positions are critical for our operations.	A	1.00		26,478
TAX105	BA	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			68,385

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>
TAX105	BB	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			8,457
TAX105	BC	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			84,693
TAX100	CO	FY	6	6	Additional 6-month salary funding for two (2) positions in Office Audit Branch Oahu.	The two (2) positions were approved in FY16's Supplemental Budget Request and funded for a maximum of six months for the first year (i.e. FY17). They shall be funded for the full year thereafter. Additional six (6) month funding was not approved in the FY17's Biennium Budget Request. Amounts reflected are the additional funding needed for the positions so that they are funded for the full year.	A			40,980
TAX100	CM	FY	7	7	Additional 6-month salary funding for a position in Office Audit Branch Maui.	The position was approved in FY16's Supplemental Budget Request and funded for a maximum of six months for the first year (i.e. FY17). It shall be funded for the full year thereafter. Additional six (6) month funding was not approved in the FY17's Biennium Budget Request. Amount reflected is the additional funding needed for the position so that it is funded for the full year.	A			21,684
TAX100	CK	FY	8	8	Additional 6-month salary funding for a position in Office Audit Branch Kauai.	The position was approved in FY16's Supplemental Budget Request and funded for a maximum of six months for the first year (i.e. FY17). It shall be funded for the full year thereafter. Additional six (6) month funding was not approved in the FY17's Biennium Budget Request. Amount reflected is the additional funding needed for the position so that it is funded for the full year.	A			21,684
TAX100	CH	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			34,450
TAX100	CK	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			13,102
TAX100	CM	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			16,629

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>
TAX100	CO	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			43,118
TAX100	CP	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			60,543
TAX100	EH	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			17,270
TAX100	EK	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			8,175
TAX100	EM	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			15,760
TAX100	EO	OR			Collective Bargaining	EM 17-04 Exhibit 1	A			65,458

Department of Taxation
FY18 Restrictions

Table 7

<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>
TAX100	CH	A	\$ 1,389,228	\$ 65,266	\$ 1,323,962	4.70%	Closer monitoring, department prioritization and justification requirements and delays for large purchases and unbudgeted expenses (i.e. overtime, travel, replacement equipment).
	CK		\$ 890,052	\$ 41,815	\$ 848,237	4.70%	
	CM		\$ 1,204,802	\$ 56,602	\$ 1,148,200	4.70%	
	CO		\$ 2,870,141	\$ 134,840	\$ 2,735,301	4.70%	
	CP		\$ 2,392,135	\$ 112,383	\$ 2,279,752	4.70%	
	EO		\$ 2,401,748	\$ 112,835	\$ 2,288,913	4.70%	
TAX105	BA	A	\$ 3,739,819	\$ 204,282	\$ 3,535,537	5.5%	Closer monitoring, department prioritization and justification requirements and delays for large purchases and unbudgeted expenses (i.e. overtime, travel, replacement equipment).
	BB		\$ 325,484	\$ 17,779	\$ 307,705	5.5%	
	BC		\$ 2,682,158	\$ 146,509	\$ 2,535,649	5.5%	
TAX107	AA	A	\$ 6,591,846	\$ 1,007,971	\$ 5,583,875	15.3%	Closer monitoring, department prioritization and justification requirements and delays for large purchases and unbudgeted expenses (i.e. overtime, travel, replacement equipment).
	AC		\$ 2,333,273	\$ 356,785	\$ 1,976,488	15.3%	
	AD		\$ 472,514	\$ 72,253	\$ 400,261	15.3%	

Department of Taxation
Emergency Appropriation Requests

Table 8

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

Department of Taxation
Expenditures Exceeding Appropriation Ceilings in FY17 and FY18

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				N/A					

Department of Taxation
 Intradepartmental Transfers in FY17 and FY18

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>
7/1/2017	A		7.00	\$ 222,180	TAX105BA	5.9%	TAX105BC	8.3%	Positions and funds were transferred from TAX105BA to TAX105BC to match org chart.	N

Department of Taxation
Vacancy Report as of November 30, 2017

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
TAX100	CO	10/26/2012		120783	Program Specialist IV	N	SR22	03	P	1.00	A	\$51,792.00	\$0.00	Y	Y			14
TAX100	CO	3/1/2016		121108	Tax Returns Examiner I	N	SR13	03	P	1.00	A	\$33,636.00	\$31,236.00	Y	Y	1		38
TAX100	EK	6/30/2016		001461	Delinquent Tax Coll Asst I	N	SR12	03	P	1.00	A	\$39,480.00	\$39,480.00	Y	Y			24
TAX100	CP	10/3/2016		004412	Auditor IV	N	SR22	13	P	1.00	A	\$55,236.00	\$55,236.00	Y	Y	8		11
TAX100	EO	11/16/2016		000166	Office Assistant III	N	SR08	03	P	1.00	A	\$27,672.00	\$26,700.00	Y	Y	2		52
TAX100	CP	12/1/2016	1/1/2018	001538	Criminal Investigator	Y	SR20	13	T	1.00	A	\$55,236.00	\$55,236.00	Y	N			12
TAX100	CH	2/16/2017		122320	Tax Returns Examiner IV	N	SR20	04	P	1.00	A	\$43,368.00	\$0.00	Y	N			21
TAX100	CO	2/27/2017		122316	Tax Returns Examiner III	N	SR17	03	P	1.00	A	\$38,592.00	\$0.00	Y	N			27
TAX100	CO	2/27/2017		122317	Tax Returns Examiner III	N	SR17	03	P	1.00	A	\$38,592.00	\$0.00	Y	N			28
TAX100	CK	2/27/2017		122318	Tax Returns Examiner III	N	SR17	03	P	1.00	A	\$38,592.00	\$0.00	Y	N			29
TAX100	CP	3/30/2017	1/1/2018	001606	Criminal Investigator	Y	SR24	13	T	1.00	A	\$57,432.00	\$57,432.00	Y	Y			9
TAX100	CK	6/21/2017		117461	Tax Returns Examiner III	N	SR15	03	P	1.00	A	\$40,128.00	\$40,128.00	Y	N			23
TAX100	CK	6/23/2017		120791	Tax Clerk	N	SR08	03	P	1.00	A	\$35,676.00	\$35,676.00	Y	Y	1		34
TAX100	CO	7/1/2017		120780	Tax Returns Examiner I	N	SR13	03	P	1.00	A	\$33,636.00	\$32,976.00	Y	N			39
TAX100	CO	7/17/2017		001495	Secretary II	N	SR14	03	P	1.00	A	\$39,360.00	\$39,360.00	Y	Y	2		25
TAX100	CP	8/16/2017		007047	Auditor V	N	SR24	13	P	1.00	A	\$68,196.00	\$68,196.00	Y	N			5
TAX100	CO	9/1/2017		003689	Tax Returns Examiner I	N	SR13	03	P	1.00	A	\$34,944.00	\$34,944.00	Y	N			35
TAX100	EO	9/1/2017		047881	Delinquent Tax Coll Asst I	N	SR15	03	P	1.00	A	\$39,360.00	\$39,360.00	Y	Y	3		26
TAX100	CP	9/29/2017		007046	Auditor IV	N	SR24	13	P	1.00	A	\$81,756.00	\$81,756.00	Y	Y			2
TAX100	CO	10/2/2017		003694	Tax Returns Examiner I	N	SR17	03	P	1.00	A	\$45,996.00	\$45,996.00	Y	N			18
TAX100	CM	10/13/2017		120658	Tax Clerk	N	SR12	03	P	1.00	A	\$32,376.00	\$32,376.00	Y	Y			44
TAX100	EM	11/1/2017		001582	District Tax Manager	N	EM05	35	P	1.00	A	\$90,072.00	\$88,308.00	Y	N			1
TAX100	EM	11/16/2017		001577	Tax Information Technician I	N	SR13	03	P	1.00	A	\$36,384.00	\$36,384.00	Y	N			32
TAX100	CP	11/30/2017		117446	Auditor IV	N	SR22	13	P	1.00	A	\$51,792.00	\$49,800.00	Y	N			15
TAX105	BA	2/16/2017	12/1/2017	118229	Office Assistant III	N	SR08	03	P	1.00	A	\$27,132.00	\$27,132.00	Y	N			55
TAX105	BC	3/24/2017		118244	Tax Clerk	N	SR12	03	T	1.00	A	\$32,976.00	\$32,976.00	Y	N			42
TAX105	BC	4/21/2017		118239	Tax Clerk	N	SR12	03	T	1.00	A	\$32,976.00	\$32,976.00	Y	N			43
TAX105	BA	7/11/2017		046126	Office Assistant III	N	SR08	03	P	1.00	A	\$34,260.00	\$34,260.00	Y	Y			37
TAX105	BC	8/1/2017		118238	Tax Clerk	N	SR12	03	T	1.00	A	\$36,384.00	\$36,384.00	Y	N			33
TAX105	BC	8/1/2017		121086	Tax Clerk	N	SR12	03	T	1.00	A	\$33,636.00	\$33,636.00	Y	N			40
TAX105	BA	8/4/2017		001566	Office Assistant III	N	SR08	03	P	1.00	A	\$37,980.00	\$37,980.00	Y	Y			30
TAX105	BA	8/15/2017		118236	Office Assistant III	N	SR08	03	T	1.00	A	\$27,672.00	\$27,132.00	Y	Y			53
TAX105	BA	8/17/2017		118230	Office Assistant III	N	SR08	03	T	1.00	A	\$27,672.00	\$27,132.00	Y	Y			54
TAX105	BA	9/1/2017		001455	Office Assistant IV	N	SR10	03	P	1.00	A	\$47,868.00	\$47,868.00	Y	N			16
TAX105	BA	9/1/2017		001494	Office Assistant IV	N	SR10	03	P	1.00	A	\$47,868.00	\$47,868.00	Y	N			17
TAX105	BA	9/5/2017		118441	Office Assistant III	N	SR08	03	P	1.00	A	\$28,776.00	\$28,776.00	Y	N			51
TAX105	BA	9/7/2017		001558	Tax Clerk	N	SR13	03	P	1.00	A	\$34,944.00	\$34,944.00	Y	N			36
TAX105	BA	9/15/2017		038687	Office Assistant III	N	SR08	03	P	1.00	A	\$32,376.00	\$32,376.00	Y	N			45
TAX105	BA	10/2/2017		118442	Office Assistant III	N	SR08	03	P	1.00	A	\$32,376.00	\$32,376.00	Y	N			46
TAX105	BC	10/3/2017		039132	Management Analyst III	N	SR20	03	P	1.00	A	\$56,064.00	\$56,064.00	Y	N			10
TAX105	BC	11/1/2017		004408	Tax Clerk	N	SR12	03	P	1.00	A	\$33,636.00	\$33,636.00	Y	N			41
TAX105	BA	11/16/2017		001504	Office Assistant III	N	SR08	03	P	1.00	A	\$32,376.00	\$32,376.00	Y	N			47
TAX105	BA	11/16/2017		001512	Office Assistant IV	N	SR10	03	P	1.00	A	\$42,564.00	\$42,564.00	Y	N			22
TAX105	BA	11/16/2017		026278	Office Assistant IV	N	SR10	03	P	1.00	A	\$44,232.00	\$44,232.00	Y	N			20
TAX105	BA	11/16/2017		041718	Office Assistant IV	N	SR10	03	P	1.00	A	\$37,800.00	\$37,800.00	Y	N			31
TAX107	AC	8/1/2016	1/18/2018	023170	Information Technology Band B	N	SR24	23	P	1.00	A	\$78,624.00	\$78,624.00	Y	Y	1		3
TAX107	AA	11/1/2016	1/18/2018	040345	Human Resources Spclt V	N	SR24	73	P	1.00	A	\$59,736.00	\$59,736.00	Y	N			8
TAX107	AA	12/16/2016		122266	*Reg/Enf/Pub Safety Prof	Y	SRNA	13	P	1.00	B	\$52,800.00	\$22.50/hour	Y	Y	3		13
TAX107	AA	2/16/2017		036733	Management Analyst IV	N	SR22	13	P	1.00	A	\$75,192.00	\$75,192.00	Y	N			4
TAX107	AA	5/23/2017		118035	Administrative Rules Spclt	Y	SRNA	73	T	1.00	A	\$60,828.00	\$60,828.00	Y	N			7

Department of Taxation
Vacancy Report as of November 30, 2017

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>
TAX107	AC	6/23/2017	12/1/2017	120350	Information Technology Band A	N	SR18	03	P	1.00	A	\$45,168.00	\$45,168.00	Y	N			19
TAX107	AD	8/26/2017		011442	Economist VI	N	SR26	13	P	1.00	A	\$63,060.00	\$63,060.00	Y	N			6
TAX107	AA	8/31/2017		016055	Account Clerk I	N	SR11	03	P	1.00	A	\$31,080.00	\$31,080.00	Y	N			48
TAX107	AA	9/19/2017		118524	Human Resources Assistant IV	N	SR12	63	P	1.00	A	\$31,080.00	\$31,080.00	Y	Y	1		49
TAX107	AA	9/30/2017		041009	Account Clerk III	N	SR06	03	P	1.00	A	\$31,080.00	\$25,536.00	Y	N			50

Positions Established by Acts other than the State Budget as of November 30, 2017

<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	FY17 (actual)			FY18 (estimated)			FY19 (budgeted)		
				Base Salary \$\$\$\$	Overtime \$\$\$\$	Overtime Percent	Base Salary \$\$\$\$	Overtime \$\$\$\$	Overtime Percent	Base Salary \$\$\$\$	Overtime \$\$\$\$	Overtime Percent
TAX100	CH	COMPLIANCE DIVISION - AUDIT BRANCH HAWAII	A	\$ 1,395,367	\$ 31,132	2.2%	\$ 1,389,228	\$ 23,474	1.7%	\$ 1,389,228	\$ -	0.0%
TAX100	CK	COMPLIANCE DIVISION - AUDIT BRANCH KAUAI	A	\$ 818,890	\$ 5,699	0.7%	\$ 890,052	\$ 2,986	0.3%	\$ 890,052	\$ -	0.0%
TAX100	CM	COMPLIANCE DIVISION - AUDIT BRANCH MAUI	A	\$ 1,139,545	\$ 47,807	4.2%	\$ 1,204,802	\$ 46,359	3.8%	\$ 1,204,802	\$ -	0.0%
TAX100	CO	COMPLIANCE DIVISION - OFFICE AUDIT	A	\$ 1,559,482	\$ 24,370	1.6%	\$ 1,911,907	\$ 16,577	0.9%	\$ 1,911,907	\$ -	0.0%
TAX100	CP	COMPLIANCE DIVISION - FIELD AUDIT	A	\$ 2,082,547	\$ 845	0.0%	\$ 2,392,135	\$ 3,872	0.2%	\$ 2,392,135	\$ -	0.0%
TAX100	EO	COMPLIANCE DIVISION - COLLECTIONS OAHU	A	\$ 2,122,144	\$ 130,358	6.1%	\$ 2,401,748	\$ 119,581	5.0%	\$ 2,401,748	\$ -	0.0%
TAX105	BA	DOCUMENT PROCESSING BRANCH	A	\$ 2,286,069	\$ 101,963	4.5%	\$ 3,358,019	\$ 67,567	2.0%	\$ 3,358,019	\$ -	0.0%
TAX105	BB	REVENUE ACCOUNTING BRANCH	A	\$ 346,855	\$ 7,711	2.2%	\$ 325,484	\$ 5,715	1.8%	\$ 325,484	\$ -	0.0%
TAX105	BC	TAXPAYER SERVICES BRANCH	A	\$ 2,638,899	\$ 181,036	6.9%	\$ 2,682,158	\$ 141,338	5.3%	\$ 2,682,158	\$ -	0.0%
TAX107	AA	OFFICE OF THE DIRECTOR & STAFF OFFICES	A	\$ 3,352,307	\$ 96,891	2.9%	\$ 2,879,470	\$ 87,477	3.0%	\$ 2,879,470	\$ -	0.0%
TAX107	AC	INFORMATION TECHNOLOGY SERVICES OFFICE	A	\$ 1,314,259	\$ 16,404	1.2%	\$ 2,333,273	\$ 18,993	0.8%	\$ 2,333,273	\$ -	0.0%
TAX107	AD	TAX RESEARCH & PLANNING OFFICE	A	\$ 462,889	\$ 5,999	1.3%	\$ 472,514	\$ 3,235	0.7%	\$ 472,514	\$ -	0.0%
TAX107	AA	SPECIAL ENFORCEMENT SECTION	B	\$ 416,332	\$ -	0.0%	\$ 409,794	\$ -	0.0%	\$ 409,794	\$ -	0.0%

Department of Taxation
Active Contracts as of December 1, 2017

Table 14

Prog ID	MOF	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					
TAX 107	A	\$ 3,090	O	\$ 12,481.67	\$ 9,391.67	8/21/2017	8/21/2017	8/20/2018	Shred-it USA	Shredding services for Oahu	Work order is matched up with invoice received.	N	S
TAX 107	A	\$ 51,780	M	\$ 77,670.12	\$ 25,889.96	4/11/2017	4/11/2017	4/10/2018	DR Fortress, LLC	Co-location data center space for disaster recovery for DoTax.	Verified with our IT section for services rendered.	N	S
TAX 107	A	\$ 3,728	O	\$ 366,461.24	\$ 362,733.26	7/1/2017	7/1/2017	6/30/2018	Hagadone Printing Company, Inc.	Printing and delivering of GE tax booklets and other printing services.	Verification with staff associated with tax forms.	N	G
TAX 107	A	\$ -	O	\$ 108,718.53	\$ 108,718.53	7/1/2017	7/1/2017	6/30/2018	Hagadone Printing Company, Inc.	Printing and delivering of net income tax packets.	Verification with staff associated with tax forms.	N	G
TAX 107	A	\$ -	O	\$ 145,951.00	\$ 145,951.00	9/1/2017	9/1/2017	1/31/2018	Ford Audio-Video Systems, LLC	To install an A/V system for the Director's conference room	The Admin Services Office will be overseeing the project.	N	G
TAX 107	B	\$ 20,142	O	\$ 57,834.00	\$ 37,692.00	7/1/2017	7/1/2017	6/30/2018	Meyercord Revenue Inc.	To provide heat applied cigarette tax stamps.	The invoice is verified with our Taxpayer Services and Processing section.	N	G
TAX 107	A	\$ -	O	\$ 18,794.27	\$ 18,794.27	7/1/2017	7/1/2017	6/30/2018	Pacific Business Forms Inc.	Printing and distribution of Form 1099-G and 1099-INT	Verification with staff associated with tax forms.	N	G
TAX 107	A	\$ -	O	\$ 22,967.23	\$ 22,967.23	7/1/2017	7/1/2017	6/30/2018	Pacific Business Forms Inc.	Printing and delivery of Net Income Miscellaneous 2 and Estimated Income Tax Forms.	Verification with staff associated with tax forms.	N	G
TAX 100	A	\$ -	O	\$ 50,000.00	\$ 50,000.00	7/1/2017	7/1/2017	6/30/2018	Philip Johnson	Provides computer engineering subject matter expertise for audits and potential and actual litigation of Hawaii State tax matters.	The invoice is reviewed with our Field Audit section to verify that the work has been done.	N	S
TAX 100	A	\$ -	O	\$ 30,000.00	\$ 30,000.00	6/1/2017	6/1/2017	5/31/2018	Scott Quintin Turn	Agricultural engineering subject matter expertise for audits, and potential and actual litigation of Hawaii State tax matters.	The invoice is reviewed with our Field Audit section to verify that the work has been done.	N	S
TAX 100	A	\$ -	O	\$ 30,000.00	\$ 30,000.00	6/1/2017	6/1/2017	5/31/2018	Scott Quintin Turn	General engineering subject matter expertise for audits, and potential and actual litigation of Hawaii State tax matters.	The invoice is reviewed with our Field Audit section to verify that the work has been done.	N	S
TAX 107	A	\$ 617	O	\$ 970.83	\$ 353.93	8/3/2017	8/3/2017	8/2/2018	Shred-it USA	Shredding services for Hawaii.	Verified with the Hawaii Office for services rendered.	N	S
TAX 107	A	\$ -	O	\$ 20,831.00	\$ 20,831.00	7/7/2017	7/7/2017	4/20/2018	Alexander Brothers	Furniture for Director's Conference Room.	The Admin Services Office will be overseeing the project.	N	G
TAX 107	A	\$ -	O	\$ 76,798.89	\$ 76,798.89	7/3/2017	7/3/2017	12/29/2017	Alexander Brothers	Convert existing rooms into cash transaction rooms. Additional work as needed inclusive of neighbor island offices.	The Admin Services Office and neighbor island managers will be monitoring the project.	N	G
TAX 107	A	\$ 14,317	M	\$ 113,927.16	\$ 99,610.11	4/3/2017	4/3/2017	4/2/2018	Pacific Courier, Inc.	Security armored car services.	Invoices are reviewed by the Admin Services Office.	N	S
TAX 107	A		M	various		11/15/2015	11/15/2015	12/31/2017	First Hawaiian Bank	Lockbox services.	Invoices are reviewed by our Taxpayers Services and Processing section before payment.	N	S

Department of Taxation
Active Contracts as of December 1, 2017

Table 14

Prog ID	MOF	Amount	Frequency (M/A/O)	Max Value	Outstanding Balance	Date Executed	From	To	Entity	Contract Description	Explanation of How Contract is Monitored	POS Y/N	Category E/L/P/C/G/S
TAX 107	A	\$ -	O	\$ 1,589.57	\$ 1,589.57	9/9/2017	9/9/2017	9/8/2018	Shred-it USA	Shredding services for Maui.	Verified with the Maui Office for services rendered.	N	S
TAX 105	A	\$ -	O	\$ 19,068.06	\$ 19,068.06	8/7/2017	8/7/2017	1/11/2018	Alexander Brothers	Customized brochure racks.	Verify with Taxpayer Services and Processing of goods delivered.	N	G
TAX 107	A	\$ 31,564	M	\$ 77,679.00	\$ 46,115.09	8/1/2017	8/1/2017	7/31/2018	AG	AG's Office to conduct both admin and felony criminal investigations involving employee misconduct (MOU).	Verify with Personnel Office for services rendered.	N	S
TAX 100	A		M	various			Continuous		AG	AG's Office to assist in the collection of DoTax's delinquent tax accounts and to provide legal advice on the collection process (MOU).	Verify with the Collections Section for services rendered.	N	S
TAX 107	A	\$ -	O	\$ 10,000.00	\$ 10,000.00	10/1/2017	10/1/2017	9/30/2018	DLIR	Share building security cost of security services with DLIR.	Admin Services Office to monitor services as billed quarterly.	N	S
TAX 107	A	\$ -	O	CONTINGENCY FEE (7.49%)	CONTINGENCY	7/22/2017	7/22/2017	7/21/2018	Collecto Inc, dba EOS	Collection agency services for delinquent Hawaii State state taxes.	Verify with the Collections Section for services rendered.	N	S
TAX 107 (CIP Funded)	C	\$ 290,000	O	\$ 1,431,000.00	\$ 1,141,000.00	3/20/2017	3/20/2017	3/20/2018	Advantech, LLC	Independent verification and validation of services and technology acquired to assist DoTax in its efforts to implement its Tax System Modernization Program (TSM).	Verified with our IT section for services rendered.	N	S
TAX 107 (CIP Funded)	C	\$ 27,709,027	O	\$ 30,000,000.00	\$ 2,290,973.00	7/15/2015	7/15/2015	7/14/2025	Fast Enterprises, LLC	Goods & services to implement an integrated tax system for DoTax.	Verified with our Tax System Modernization (TSM) team for services rendered.	N	S

Department of Taxation
Capital Improvements Program (CIP) Requests

Table 15

<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>FY18 \$\$\$</u>	<u>FY19 \$\$\$</u>
TAX107	1	1	0	0	Tax System Modernization (TSM), Statewide	C	0	\$ 16,546,000

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			

Program ID	Sub-Or. Code	Name	Objective
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/clinical assistance to the Board of Review.</p>
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/clinical assistance to the Board of Review.</p>
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/clinical assistance to the Board of Review.</p>
TAX100	CO	OAHU OFFICE AUDIT BRANCH	<p>Conducts office examination 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 —————.</p>
TAX100	CP	OAHU FIELD AUDIT BRANCH	<p>Conducts field examinations of all types of tax returns and supporting records of taxpayer 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, revises guidelines and recommendations and provides coordination and assistance in enforcement activities; participates in resolving complex enforcement cases; and recommends goals and objectives; and review objectives and accomplishments with operating —————.</p>
TAX105	BA	DOCUMENT PROCESSING BRANCH	<p>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 EIS/EIS/NET development and changes, and support for growth of DOTAX electronic processing capabilities.</p>
TAX105	BB	REVENUE ACCOUNTING BRANCH	<p>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).</p>
TAX105	BC	TAXPAYER SERVICES BRANCH	<p>Provides centralized services on all laws, 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.</p>
TAX107	AA	OFFICE OF THE DIRECTOR	<p>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 —————.</p>
TAX107	AA	RULES OFFICE	<p>Serves as a resource for complex policy recommendations and complex taxpayer support.</p>
TAX107	AA	ADMINISTRATIVE SERVICES OFFICE	<p>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.</p>
TAX107	AC	INFORMATION TECHNOLOGY SERVICES OFFICE	<p>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.</p>
TAX107	AD	TAX RESEARCH & PLANNING OFFICE	<p>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.</p>

Department of Taxation
Organization Changes

Table 18

Year of Change

FY18/FY19

Description of Change

A Branch Chief position is being requested for a proposed new branch to be established (Revenue Protection Programs Branch). The Branch Chief will oversee all areas that result in incremental tax revenue, i.e., criminal investigation, special enforcement section (SES), tax fraud and discovery leads. All of these areas currently operate independently with no uniform oversight or management resulting in mixed results. Our tax fraud and discovery leads sections are purely ad hoc with virtually no management at all. The branch chief position will ensure there is consistent and uniform management of all areas with greater communication and information sharing among areas resulting in significantly higher tax revenue. This is simply not being efficiently tapped at this time. This position will pay for itself many times over. Appeal Addendum - There is no central management for these very important revenue generating sections. With varying degrees of oversight in some of these areas, we are not interfacing properly or utilizing more proactive initiatives. We need a strong Branch Chief who can oversee and centrally manage these sections.

FY19