

COMMITTEE ON WAYS AND MEANS

Senator Rosalyn H. Baker, Chair
Senator Shan S. Tsutsui, Vice Chair

Testimony Index

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Department of Taxation

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Program ID and Title: TAX 100 Compliance

I. Introduction:

A. SUMMARY OF PROGRAM OBJECTIVES

The objectives of the Compliance Program are to encourage the maximum compliance with State tax laws; promote fairness; uniformity and integrity in the application of such tax laws; collect delinquent taxes effectively, efficiently, and on a timely basis; maximize voluntary taxpayer compliance with statutory filing and payment requirements; administer and enforce our state tax laws and regulations relating to delinquent taxes; and to educate the public on the importance of voluntary compliance with Hawaii's tax laws.

B. DESCRIPTION OF PROGRAM OBJECTIVES

Compliance Division

The Compliance Division's objectives are to maximize voluntary taxpayer compliance with State tax laws; promote fairness, uniformity and integrity in the application of such tax laws; collect delinquent taxes effectively, efficiently, and on a timely basis and to serve neighbor island taxpayers by providing convenient and accessible taxpayer services, audit, and collection coverage. The Compliance Division consists Oahu, Maui, Kauai and Hawaii District Offices. Within these District Offices compliance has the Field and Office Audit Branch/Section, Collection Branch/Section in addition Maui, Kauai, and Hawaii District Offices also have a taxpayer service section. Its primary activities are as follows:

Field Audit

Field Audit's primary activities are to maximize voluntary taxpayer compliance with State tax laws and promote fairness, uniformity and integrity in the application of such tax laws are:

- Conducting field examinations of tax returns and supporting records of larger taxpayers involving complex records and transactions. Such examinations include but are not limited to:
 - Examining taxpayers' accounting records and financial statements to ensure compliance with tax laws.
 - Audits of multinational and local Corporations with tax issues relating to nexus, gross excise, income, tobacco, fuel, transient accommodation, as well as other taxes.

- Preparing tax assessments.
 - Whenever possible collecting payment upon assessment.
- Representing the Department in appeals to the Board of Review.
- Disseminating information through audit contact or taxpayer inquiry about the proper reporting methods or Departmental positions on tax and related matters.
- The Criminal Section's activities involve audits and investigations of taxpayers to determine compliance with Hawaii tax laws, and enforce tax provisions relating to criminal tax penalties.

Office Audit

Office Audit's primary activities are to maximize voluntary taxpayer compliance with State tax laws and promote fairness, uniformity and integrity in the application of such tax laws are:

- Conducting office examinations of all tax returns filed for general excise, income, miscellaneous, and transient accommodation taxes. Such examinations include but are not limited to:
 - Examining taxpayers' accounting records and financial statements to ensure compliance with tax laws.
 - Preparing tax assessments.
 - Whenever possible collecting payment upon assessment.
- Representing the Department in appeals to the Board of Review.
- Disseminating information through audit contact or taxpayer inquiry about the proper reporting methods or Departmental positions on tax and related matters.
- Reviewing for approval/disapproval request for waiver for the withholding of income tax on the disposition of Hawaii real property by non-resident.

Collection Branch

The Collection Branch's primary activities to collect delinquent taxes effectively, efficiently, and on a timely basis are:

- Conducting/enforcing collection of delinquent taxes through field contacts, correspondence, telephone and personal contacts in the office.
- Conducting investigation and examination of taxpayers' records and financial capabilities and recommending partial-payment agreements or appropriate legal actions to liquidate delinquent tax liabilities.
- Recommending appropriate legal actions such as filing liens, judgments, seizures, etc. when the taxpayer fails to comply with an agreement to liquidate tax liability.
- Preparing documentation for Bankruptcy cases and appearing in Bankruptcy Court to protect the collection position of the Department.
- Securing non-filed returns from taxpayers who have not filed returns on a timely basis.

Hawaii, Maui, and Kauai District Offices

In order to serve taxpayers on the neighbor islands by providing convenient and accessible taxpayer services, audit, and collection coverage, each District Office is comprised of Field and Office Audit, Collection and Taxpayer Services Sections. The Hawaii District is comprised of offices in Hilo and Kona. The Maui District is comprised of offices in Kahului and Molokai.

C. EXPLAIN HOW PROGRAM INTENDS TO MEET ITS OBJECTIVES IN THE UPCOMING FISCAL BIENNIUM

Compliance Division

Field Audit and Office Audit

Both Field Audit and Office Audit will audit a wide cross-section of taxpayers using the audit modeling system (IAMS), which automates and improves the selection of audit candidates through the use of federal and state data. Possible audit candidates will be selected from taxpayers that are required to be licensed to practice a trade within Hawaii. (Example: The offices select possible audit candidates by matching the Federal Schedule C, E and F filings to General Excise filings, for contractors as well as subcontracts, etc.) The offices will also use information from federal revenue audit reports, other IRS information, as well as leads from the MultiState Tax Commission, Federation of Tax Administrators, and other state agencies. The offices are also re-evaluating the budget and the effectiveness, efficiency, and timeliness of audits.

The criminal section plans to increase their community outreach program through schools, educational fairs and public forums. In addition to working with the Returns Classifying Officer, this section will work closely with the audit and collection areas to identify potential cases for criminal investigation.

Collection

The Collection Branch revised its procedures and has established clear timetables and specific collection actions that must be initiated. The integrated computer system, via the collection program (ICS), provides tools to improve delinquent detection and collection efforts, management control and reporting, and flexibility in revising collection strategies.

II. Program Performance Results:

A. DISCUSS THE PERFORMANCE RESULTS ACHIEVED BY EACH PROGRAM IN FY 2007

Compliance Division

Field Audit and Office Audit

For the FY ending June 30, 2007, office audits amounted to 12,447 cases, which resulted in \$33.4 million in assessments, while field audits amounted to 318 cases resulting in \$125.7 million in assessments. The audit branches collected a combined \$36.7 million at the closing of their audits cases during this period.

The Criminal Section filed indictments and complaints against 40 individuals during the Fiscal Year ending June 30, 2007. These actions resulted in tax assessments totaling \$2.5 million. Judicial fines of \$235,000 were assessed against those convicted taxpayers. Delinquent collections on all criminal cases totaled \$2.0 million (taxes, penalties, interest, and fines) since program inception.

Collection

For FY 2007, the Department collected approximately \$206.9 million in cash, representing a 11.4% increase over FY 2006. At the end of FY 2007, the statewide total for outstanding delinquent taxes amounted to \$343.8 million. The increase in the total delinquent tax balance amounted to \$24.1 million or a 7.5% increase from the prior fiscal year. Over \$381.9 million in delinquent taxes were referred to the Collection Program.

Hawaii, Maui and Kauai District Offices

For FY 2007, the neighbor island district offices continued to provide basic taxpayer services to their respective populations. Over 129,376 telephones and over the counter inquiries were responded to; 8,329 taxpayers were provided assistance via correspondence and email; and 3,336 tax clearances were issued. Over the counter assistance included the preparation of basic tax returns. The neighbor island district offices also provided speakers on a range of tax related topics for various outreach programs.

B. EXPLAIN HOW THE RESULTS RELATE TO THE PROGRAM'S OBJECTIVES AND DEPARTMENT MISSION

Compliance Division

Field Audit and Office Audit

The audit assessment and criminal unit programs provide the enforcement activities necessary to ensure maximum compliance with our self-assessment tax system and to deter tax violations and noncompliance. In addition, these functions use various forms of taxpayer contact that result in taxpayers and practitioners having a better understanding of the tax laws, and thereby the filing of more timely and accurate tax returns.

The measures of effectiveness address the program objective of encouraging the maximum possible level of voluntary compliance through taxpayer education and contact. Within the operating philosophy is the concept that every contact with the taxpayer is an opportunity to educate and build taxpayer confidence that the Department administers the tax laws of Hawaii in a consistent, uniform and fair manner.

Collection

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C. EXPLAIN HOW THE EFFECTIVENESS OF THE PROGRAM IS MEASURED (i.e.: OUTCOME, MEASURES OF EFFECTIVENESS, BENCHMARKS, ETC.) AND DISCUSS THE PERFORMANCE RESULTS ACHIEVED DURING THE PAST TWO YEARS

Compliance Division

Field Audit and Office Audit

Measures of program effectiveness for the year were as follows:

Measure of Effectiveness	FY 06-07 Planned	FY 06-07 Actual	FY 07-08 Estimated
% of returns audited as a % of returns filed	0.4%	0.1%	0.1%
% of returns audited resulting in adjustments	85	90	85

The change in % of returns audited as a % of returns filed is due to a change in reporting methodology. The number of returns audited now represents the number of audit cases completed.

Collection

The Collection Program's effectiveness is measured as follows:

Measure of Effectiveness	FY 06-07 Planned	FY 06-07 Actual	FY 07-08 Estimated
% incr/decr in total delinquent taxes outstanding	19	0.8	10

The improvement in delinquent taxes outstanding is due to an underestimation of the economy and the ability of the taxpayer to pay their liabilities timely.

D. DISCUSS ACTIONS TAKEN BY EACH PROGRAM TO IMPROVE ITS PERFORMANCE RESULTS

Compliance Division

Field Audit and Office Audit

Auditors conducted research on-line using the Internet and have electronic access to real property tax records, business registration information, driver's license information, CD-ROM tax and credit reporting services. There continues to be close coordination with the Multistate Tax Commission on large multi-state audits. In addition, auditors meet weekly to discuss common and new audit issues. Limited scope audits are used to allow the auditors to focus on major issues and to complete the audits on a more timely and efficient basis. Potential collection problems are identified sooner to increase collections of the assessed taxes. Compliance has also begun the use of subpoenas to encourage taxpayers to provide the proper records in a timely manner as requested by the audit branches/sections. The Criminal Section works closely with the Attorney General's office and with our Compliance audit and collection areas to identify potential tax violators.

Collection

Collection has intensified its collection training program and developed uniform collection procedures for both its senior and junior collectors. Collectors are expected to aggressively use the collection tools available to them and supervisors are required to regularly monitor the collectors' progress on large dollar delinquent accounts.

E. PLEASE IDENTIFY ALL MODIFICATIONS TO YOUR PROGRAM'S PERFORMANCE MEASURES AND DISCUSS THE RATIONALE FOR THESE MODIFICATIONS.

Performance measures have been consolidated, as approved by the Executive Branch, to focus on measures of greatest significance and impact to the public.

III. Problems and Issues:

A. DISCUSSION OF PROBLEMS OR ISSUES ENCOUNTERED

Compliance Division

Field Audit and Office Audit

The growing global economy continues to erode traditional geographical boundaries regarding the source of income subject to tax, apportionment of income to Hawaii, and transactions subject to tax. International business activities touching Hawaii raise numerous technical issues and complicate audits.

Collection

The issues for the Collection Branch are customers requiring real time debt information, the inability to establish payment plans via the telephone and internet, and the inability to allow payments via credit cards other than the Discovery Card. This results in Taxpayer Services' as well as collections inability to provide faster responses to tax clearance requests.

B. PROGRAM CHANGE RECOMMENDATIONS TO REMEDY PROBLEMS

Compliance Division

Field Audit and Office Audit

Continued ongoing streamlining efforts will improve the overall audit operations. The following program changes have been recommended to try to remedy compliance problems:

- Improve audit modeling to help identify underreported income streams and non-filers, thereby increasing fairness.
- Improve audit data sources through capture of K-1 data, 1099 and W-2 information.
- Improve non-filer notification and assessment processes.
- Aggressively impose civil penalties.

Collection

The following initiatives would assist the program in addressing issues in the areas of collection:

- Allow the taxpayers to be able to view their account in order to validate their tax liability and payments to the state.
- Develop collection modeling that will help predict which taxpayers will automatically pay their debt, which would allow the collectors to pursue more critical accounts

- Allow taxpayers various methods to pay their outstanding debt.

C. IDENTIFY ANY PROGRAM ISSUES OR PROBLEMS THAT HAVE AFFECTED OR WILL AFFECT THE IMPLEMENTATION OF THE PROGRAM, AND THE CORRECTIVE MEASURES OR REMEDIES ESTABLISHED OR PLANNED.

None.

IV. Expenditures for Fiscal Year 2008:

	<u>Appropriation Budget Act 213/07</u>	<u>Collective Bargaining</u>	<u>Transfer In/(Out)</u>	<u>Restrictions</u>	<u>Available Resources</u>	<u>Estimated Total Expenditure</u>
(Pos. Counts)	(195.50)				(195.50)	(195.50)
Personnel Svcs	8,770,908	307,073			9,077,981	9,077,981
Current Expense	562,487				562,487	562,487
Equipment	24,000				24,000	24,000
Motor Vehicle	-				-	-
Total	9,357,395	307,073	-	-	9,664,468	9,664,468
(Pos. Counts)	(195.50)	-	-	-	(195.50)	(195.50)
General Funds	9,357,395	307,073	-	-	9,664,468	9,664,468
Special Fund	-					-
Total	9,357,395	307,073	-	-	9,664,468	9,664,468

A. EXPLAIN ALL TRANSFERS WITHIN THE PROGRAM I.D. AND ITS IMPACT ON THE PROGRAM

None

B. EXPLAIN ALL TRANSFERS BETWEEN PROGRAM I.D.'S AND ITS IMPACT ON THE PROGRAM

None

C. EXPLAIN ALL RESTRICTIONS AND ITS IMPACT ON THE PROGRAM

None

V. Supplemental Budget Requests for FY 2009:

Fiscal Year 2009 (excluding CB):

	<u>Appropriation Budget</u>		
	<u>Act 213/07</u>	<u>Budget Request</u>	<u>Budget Requirement</u>
(Pos. Counts)	(195.50)		(195.50)
Personnel Svcs	8,772,536		8,772,536
Current Expense	568,795		568,795
Equipment	24,000		24,000
Motor Vehicle			-
Total	9,365,331	-	9,365,331
(Pos. Counts)	(195.50)	-	(195.50)
General Funds	9,365,331	-	9,365,331

A. WORKLOAD OR PROGRAM REQUEST

None

B. POSITION COUNT REDUCTIONS

None

VI. Program Restrictions:

None

VII. Capital Improvement Request for Fiscal Year 2006-2007:

None

VIII. Proposed Lapses of Capital Improvements Program Projects:

None

Program ID and Title: TAX 105 - Tax Services and Processing

I. Introduction:

A. SUMMARY OF PROGRAM OBJECTIVES

Tax Services and Processing oversees three branches: Taxpayer Services, Documents Processing, and Revenue Accounting. Taxpayer Services ("TPS") and Documents Processing ("DPB") are two vital intake areas for the Department of Taxation ("The Department"). The Tax Services and Processing Division TAX 105's objectives are to process all tax documents received in the most efficient and expeditious manner possible to maximize State tax revenues and to minimize interest payments on late issued refunds; to maintain accurate accounting records for all tax programs; to provide efficient customer assistance and information to all taxpayers who seek assistance through workshops, forums, publications, correspondence, telephone, and/or personal contact on tax matters on all taxes administered by the department, to perform expedient computer-based error correction activities to allow for the processing, posting or updating of tax returns, payments, and other documents, and to process, issue and update all license and permits issued by the Department in a timely and efficient manner.

B. DESCRIPTION OF PROGRAM OBJECTIVES

Tax Services and Processing Division

The Tax Services and Processing Division's objectives are to process all tax documents received in the most efficient and expeditious manner possible to maximize State tax revenues and to minimize interest payments on late issued refunds; to maintain accurate accounting records for all tax programs; to provide efficient customer services and information to all taxpayers who seek assistance, to perform expedient computer-based error correction activities and to process, issue and update all license and permits issued by the Department in a timely and efficient manner.

Tax Services and Processing oversees the Documents Processing, Revenue Accounting, and Taxpayer Services Branches. Its primary activities to support the above-mentioned objectives are as follows:

Document Processing

Document Processing's primary activities are:

- Receiving and preparing documents for cashiering to maximize State revenues and to provide the Department with updated information on a timely basis including:
 - Opening, sorting and distributing of incoming mail and preparing and delivering of outgoing mail.
 - Batching of documents by tax and document types, by means of processing, and editing of the documents.
- Processing documents to maximize State revenues, return monies owed to taxpayers as soon as possible, and to provide the Department with updated information on a timely basis including:
 - Cashiering and depositing of all tax monies received.
 - Imaging and data capturing selected, high volume, tax returns and payments that have been integrated within the Integrated Tax Information Management System (ITIMS).
 - Keying of data into a machine processing medium for all other tax returns that are not imaged/data captured.
 - Controlling of hardcopy documents in a central filing system to provide timely delivery to requestors of documents.

Revenue Accounting

Revenue Accounting's primary activities are:

- Maintaining accounting records for tax programs – This function includes the posting of tax revenues collected, adjusted, and refunded in appropriate accounting journals and ledgers.
- Preparing Statements and Reports of Tax Operations – This function includes the gathering, compiling, analyzing, and preparing of tax operations statements and reports within ten working days after the close of the month.

Taxpayer Services

Taxpayer Services' primary activities are:

- Processing, issuing and updating all business tax licenses and liquor, fuel and tobacco permits (retailers, wholesalers, and dealers), processing tax clearances, and providing tax forms and tax information and other related services to promote voluntary compliance with the tax laws of Hawaii:

- Assisting taxpayers applying for business tax licenses and permits, updating licensing information, and processing license cancellations.
 - Processing tax clearance applications (submitted by mail, fax, via the Internet or in person).
 - Making available tax forms and instructions through various channels for taxpayer and public convenience, and receiving and processing requests for mailing all tax forms.
- Assisting taxpayers in preparation of tax returns as part of taxpayer education and also to reduce filing and reporting errors – this function includes assisting taxpayers on-site in filing their General Excise/Withholding/Transient Accommodations/Rental Motor Vehicle and Tour Vehicle Surcharge tax returns.
 - Providing information pertaining to tax laws and tax administration – this function includes the answering of telephone queries; servicing of walk-in inquiries, and responding to tax correspondence received via mail, fax, or e-mail.
 - Performing on-line computer-based error corrections on tax returns, payments, and other documents that "worklisted" or removed from the processing cycle due to critical errors by verifying information on hard copy or image of tax document filed, analyzing account information, updating data, creating line adjustments when applicable, etc. to allow these documents to properly process and post to computer system.
 - Providing assistance to taxpayers regarding automatic billing notices received on delinquencies by analyzing account information, validating debts or posting adjustments when applicable, and resolving discrepancies.

C. EXPLAIN HOW PROGRAM INTENDS TO MEET ITS OBJECTIVES IN THE UPCOMING FISCAL BIENNIUM

Tax Services and Processing Division

Tax Services and Processing has been and will continue to be evolving and dynamic. The utilization of technological innovations to meet the needs of the people and businesses of Hawaii will continue to be pursued. We will continue to automate current manual processes within ITIMS and strive to fully maximize the potential of the ITIMS IIS and ITIMS Cashiering System. In addition, we will continue to enhance our telephony system through integration with ITIMS and an automated interactive voice response system. We will continue the Joint Electronic Filing Program with IRS (JELF) for filing of individual income tax

returns, the electronic filing (ELF) program and seek innovative ways to increase the electronic filing/payment taxpayer's base. We will continue exploring venues that will maximize the effectiveness of the State's internet portal and provide a user-friendly experience externally and internally for all respective parties.

As issues and problems are identified, the ability to work within our existing budget and staffing resources will be paramount. Tax Services and Processing continues to analyze policies and procedures, and where applicable, revise its procedures to streamline operations for increased efficiencies and effectiveness. We will continue to explore the latest trends, technology, and best practices that could be implemented within the Department and to collaborate with other state agencies to determine various strategies that may help to mitigate known high-volume deadlines that occur due to the various tax filings, tax clearances, licenses, and permit renewals.

II. Program Performance Results:

A. DISCUSS THE PERFORMANCE RESULTS ACHIEVED BY EACH PROGRAM IN FY 2007

Tax Services and Processing Division

In FY 2007, a grand total of 3,462,868 returns and payments were processed for all tax types, which represents a decrease of 3% over FY 2006 (3,561,519). The decrease is attributable to the change in processing of the payments. Payments on business returns are now processed with the returns instead of being processed separately from the return.

Document Processing

For returns that needed to be opened, prepped, batched, and input into the system, the Program experienced a 15% increase over FY 2006 in the number of returns and payments needing to be processed (2,828,208 in FY207 vs. 2,697,649 in FY 2006). In FY 2007, 18.2% of the returns were processed electronically vs. 19.8% in FY 2006, a decrease of .2%. The paper filings contributed to 81.8% in FY 2007 versus 80.2% in FY 2006. Paper return requires a very manual, labor-intensive, process of opening, sorting, batching, and processing the returns into the ITIMS system. Nationwide, the primary strategy to get away from this manual paper processing is through the promotion of electronic filing.

In FY 2007, 547,929 refunds were processed for all tax types, with 63% (346,144) requested via paper returns as opposed to 37% (201,785) requested electronically, primarily via the IRS website (JELF). A slight increase of electronically filed returns was experienced in FY 2007 over FY 2006, as 513,370 refunds were issued for all tax types, with 67% (344,967) requested via paper returns as opposed to 33% (168,403) requested electronically in FY 2006.

Revenue Accounting

Deadlines for accounting and statistical reports were met 100% of the time in FY2007.

Taxpayer Services

The level at which telephone calls and correspondence are answered on a timely basis is affected by and directly related to the volume received and the availability of staff for response. Major tax law changes, and changes to tax forms and procedures, etc., affect the volume of taxpayer contact.

In FY 2005, the Taxpayer Services Branch received 475,511 telephone inquiries in which they were able to answer 161,198 phone calls (11.4 FTE) for an annualized call pickup rate of 33.90%. In FY 2006, 421,617 telephone inquiries were received with 213,338 calls answered for an annualized call pickup rate of 50.60% (15.4 FTE).

The Account Management Section (*e.g., error resolution*) had 187,623 returns and payments for all tax types worklisted in FY 2005 and they corrected 181,941 of this workload in FY 2005 or 97%. In FY 2006, 164,965 returns and payments were worklisted (*an overall decrease of 12% for worklisted returns over FY 2005*) with 145,051 being corrected in FY 2006 or 88%. The decrease in the number of documents that could be corrected can partially be attributed to a 7% increase (17% vs. 10% in FY 2005) of documents that are beyond 180 days, as these require some type of taxpayer response in order to post. In FY 2006, 15% of all worklisted documents were corrected within 13 days as compared to 10% in FY 2005.

The new Licensing Section has processed over 32,000 Basic Business Applications and over 17,000 cancellations during FY 2006.

B. EXPLAIN HOW THE RESULTS RELATE TO THE PROGRAM'S OBJECTIVES AND DEPARTMENT MISSION

Tax Services and Processing Division

Document Processing

The processing of mail, documents, and the deposit of tax collection are measures of the Department's performance-based objectives and the program's goal to process all documents received in the most efficient and expeditious manner possible to maximize State revenue.

Revenue Accounting

Accounting and statistical reports are necessary to distribute tax revenue to the General and Special Funds and to the counties. The Council on Revenues also uses the reports.

Taxpayer Services

Improved service to taxpayers is measured in part by the ability to meet requests for service by telephone, correspondence or in person.

The number of taxpayers requesting service is an indicator of the effectiveness of the entire Department. The types of requests also indicate areas to address internally and/or in future outreach and information programs. The target is to improve service to taxpayers, utilizing automation to provide a wider variety of services and to minimize the need for personal services that can only be provided during regular work hours.

Improved service to many taxpayers is indicated by how long it takes to process a refund claim and often measured against how long it takes the Internal Revenue Service to perform that same function. Time to process refunds varies according to the time of the year and the volume received which may be affected by such things as changes in withholding rates and pending legislative changes. The same limited staffing resources also compete with the timely processing of tax remittances to the State of Hawaii, with a targeted 50/50 processing of refund versus remit being pursued.

As with any business, an indicator of improved customer service is the favorable feedback received by the Department from the taxpayers serviced. Our "One Stop Service" has been active since October 2003 and the Department continues to receive high praises and positive comments from the taxpayer community on improved customer service received.

C. EXPLAIN HOW THE EFFECTIVENESS OF THE PROGRAM IS MEASURED (i.e.: OUTCOME, MEASURES OF EFFECTIVENESS, BENCHMARKS, ETC.) AND DISCUSS THE PERFORMANCE RESULTS ACHIEVED DURING THE PAST TWO YEARS

Tax Services and Processing

Document Processing

Over the last two years, the processing effectiveness was measured via the following measures:

Measures of Effectiveness	FY:06-07 Planned	FY:06-07 Actual	FY:07-08 Estimated
Ave business days to deposit checks from taxpayers	75	17	17
% non-worklisted refunds completed in 45 business days	56%	61%	83%

The significant decrease in average business days to deposit checks from taxpayers was attributable to additional Document Processing staff funded by the

County Surcharge Emergency Appropriation. The increase in Document Processing staff was necessary to process returns concurrently with deposits in order to isolate and remit the County's portion of collections on a timely basis. With the additional positions Document Processing received in the Biennium Budget, the Department projects that we will be able to maintain this improved processing time.

In addition, the ITIMS Imaging System (IIS) technology provided 3 to 6 time increase in processing efficiencies.

Revenue Accounting

The measure of effectiveness for timeliness of accounting and statistical reports continues to be the percentage of time deadlines is met. Deadlines have been met 100% of the time for the past two Fiscal Years.

Taxpayer Services

The effectiveness of taxpayer services was measured in the average number of:

Measures of Effectiveness	FY:06-07 Planned	FY:06-07 Actual	FY:07-08 Estimated
Average call answer rate	56%	63%	80%
Average calendar days to respond to paper/electronic correspondence	16	15	15

Electronic filing initiatives were measured as follows:

Measures of Effectiveness	FY: 06-07 Planned	FY:06-07 Actual	FY:07-08 Estimated
% inc/dec electronic filings over prior fiscal year	5	21	15

Additional temporary staff in the Taxpayer Services Telephone Unit (e.g. call center) as a result of the County Surcharge project substantially improved the average call answer rate. The improvement in the percentage of electronic filing is due to the Form N-15 (non-resident form) being accepted for the full year for the first time in the JELF program.

D. DISCUSS ACTIONS TAKEN BY EACH PROGRAM TO IMPROVE ITS PERFORMANCE RESULTS

Tax Services and Processing Division

Document Processing

- ITIMS Imaging System (IIS) – automated the process for selected, high-volume returns by not having to manually data enter tax return documents into a third-party application twice (*verification purposes*) in order to get

the information into the ITIMS. Implemented in FY 2006, the G-45, G-49, HW-14, N-11 and N-15 are now data captured, imaged, and stored online for easy and immediate retrieval. In FY 2007 (to date), the N-1 (estimated income tax payments) and Consolidated Bill Vouchers (CBV) are being scanned, data captured, and stored online. Additionally, the new revised G-45 and G-49 processed has been implemented to capture the County Surcharge Tax. The ITIMS system was recognized with the award for the Best Customer Service solution for the implementation of the IBM FileNet in the IIS.

- Backscanning prior year returns - for online retrieval purposes and to free up valuable floor space. To date, all 2004, 2005 and 2006 images of N-11, N-12, N-13, N-15, N029, N-30, N-35 and N-40 returns are now online. Imaging of the conveyance tax certificates beginning with year 2002, along with other various miscellaneous income tax forms are currently ongoing as of this write up.

Taxpayer Services

- Consolidated Bill Voucher (CBV) – was integrated into IIS to further expand upon the vast potential of this new technology. This represents yet another move away from manual processing, whereby, a copy of the imaged voucher, check, and payment entry is now available online within ITIMS.
- Automated Business Registration – provides the ability to automatically process BB1 registrations from the State's Internet Portal directly into ITIMS for new business account registrations. Registration payments made online for new accounts are now directly uploaded from the Portal Manager to eliminate the previous manual entry for all new accounts filed via the BB1 form.
- Automated portions of the Retail Tobacco Permit Process – providing the ability to register and manage multiple permit locations, generate notices, and create permit related extracts.
- Preclearance Pilot Program For Liquor and Contractors License Renewal - working collaboratively with other State Agencies, the ability to pre-clear tax clearance applicants became a reality, allowing Taxpayer Services to mitigate the high volume peaks experienced during the respective filing deadlines.
- Online tax refund search capabilities - allows individual Hawaii taxpayers the ability to review the status of their current tax year refund either via the IVR or online at www.hawaii.gov/tax.
- New Telephony System – A new telephony system installed in FY 2007 provides the position number in queue, estimated wait time, and music to

taxpayers requesting assistance from a customer representative. In addition, a new automated feature allows callers to check on the status of General Excise and County Surcharge related tax payments or the respective return for the last twelve-month period.

- Internet Portal - discussions have pursued exploring ways to move beyond the current fee structure arrangement of the State's Internet Portal, which is seen by many voluntary taxpayers as a hindrance to filing electronically as opposed to the free "paper" filing venue.
- Modifications to Policies and Procedures has been made to improve access to services and convenience to taxpayers in complying with the tax laws.

E. PLEASE IDENTIFY ALL MODIFICATIONS TO YOUR PROGRAM'S PERFORMANCE MEASURES AND DISCUSS THE RATIONALE FOR THESE MODIFICATIONS.

Performance measures have been consolidated, as approved by the Executive Branch, to focus on measures of greatest significance and impact to the public.

III. Problems and Issues:

A. DISCUSSION OF PROBLEMS OR ISSUES ENCOUNTERED

Tax Services and Processing Division

Fluctuations in population and the state of the economy are the two major external factors affecting the filing patterns and workload of TSP. A strong economy and increased revenue collections have a direct correlation to the number of returns that are received and it is essential that adequate staffing is provided to timely process the various tax returns and payments. Educating tax practitioners, the tax-filing public, providing easily accessible and easy-to-comprehend information will help to promote compliance with all State tax laws, and reduce the number of errors the department must correct or resolve. Up-to-date, accurate and easy-to-comprehend information on the Department of Taxation website will assist taxpayers. In addition, electronic filing and paying channels provide the optimal mitigation step by encompassing technology solutions to provide up front information validation steps and eliminating the manual-processing step associated with a paper return.

Other external factors also affect the Program, such as changes at the federal level in tax policy and procedures. Federal tax law changes that occur annually internally affect the Department due to Hawaii's conformity to the Internal Revenue Code and on-going efforts to provide joint or one-stop service to taxpayers.

Postage is a significant part of the operating expenses. Changes in postage rates have a significant impact to operations due to the number and size of mailings by the Department. Providing a responsive, user-friendly, electronic filing venue will lower the risk to the Department in this area as well as mitigate future staffing requirements should more returns be filed electronically.

As legislative and judicial matters affecting electronic process evolve and change, so too must the Department of Taxation. The Department must take the necessary steps to assure that they are compliant with this evolving body of State and Federal law and seek innovative ways to attract taxpayers to file electronically.

We continue to strive to refine the "One Stop Service" philosophy (active since October 2003) and the statewide centralization of the mailroom and file maintenance (October 2004), by utilizing technological innovations and the tremendous team spirit that exists within the TSP Division. As with any dynamic organization, unforeseen problems will arise partly as a result of new and additional duties being assigned to the respective branch, as well as tax law changes that affect filing and other requirements. It will be critical for the Tax Services and Processing Division to have the appropriate resources to effectively resolve these problems as they evolve.

B. PROGRAM CHANGE RECOMMENDATIONS TO REMEDY PROBLEMS

Tax Services and Processing Division

The Tax Services and Processing Division has been and will continue to be an evolving, dynamic program. The issues and problems identified will affect the program by stretching the limited current budget resources available. This program has set priorities on these problems and issues based on the funding available.

The challenges of manual processes can best be addressed by enhanced Internet registration and filing capabilities that would increase customer service and reduce manual processing efforts. Expedited updates to the ITIMS worklist rules and other enhancements would reduce the number of cases being sent to Account Management for manual error resolution. The continued expansion of the ITIMS IIS would further automate an otherwise very manual and labor-intensive Documents Processing Branch and provide additional automation (e.g., increased online retrieval of imaged returns and payments, correspondences, etc.) to the rest of the Department.

In order to promote proper compliance with the robust and highly effective ITIMS billing notices, internal offsets by and between an integrated income and business tax applications, and to support the new changes in the Department, Tax Services and Processing will need the flexibility and resources to make necessary changes and improvements.

C. IDENTIFY ANY PROGRAM ISSUES OR PROBLEMS THAT HAVE AFFECTED OR WILL AFFECT THE IMPLEMENTATION OF THE PROGRAM, AND THE CORRECTIVE MEASURES OR REMEDIES ESTABLISHED OR PLANNED.

None.

IV. Expenditures for Fiscal Year 2008:

	<u>Appropriation Budget</u> <u>Act 213/07</u>	<u>Collective</u> <u>Bargaining</u>	<u>Transfer</u> <u>In/(Out)</u>	<u>Restrictions</u>	<u>Available</u> <u>Resources</u>	<u>Estimated Total</u> <u>Expenditure</u>
(Pos. Counts)	(138.00)				(138.00)	(138.00)
Personnel Svcs	6,280,502	218,725			6,499,227	6,499,227
Current Expense	1,824,860				1,824,860	1,824,860
Equipment	170,000				170,000	170,000
Motor Vehicle	-				-	-
Total	8,275,362	218,725	-	-	8,494,087	8,494,087
(Pos. Counts)	(138.00)	-	-	-	(138.00)	(138.00)
General Funds	8,275,362	218,725	-	-	8,494,087	8,494,087
Special Fund	-					-
Total	8,275,362	218,725	-	-	8,494,087	8,494,087

A. EXPLAIN ALL TRANSFERS WITHIN THE PROGRAM I.D. AND ITS IMPACT ON THE PROGRAM

None

B. EXPLAIN ALL TRANSFERS BETWEEN PROGRAM I.D.'S AND ITS IMPACT ON THE PROGRAM

None

C. EXPLAIN ALL RESTRICTIONS AND ITS IMPACT ON THE PROGRAM

None

V. Supplemental Budget Requests for FY 2009 (excluding CB):

	<u>Appropriation Budget</u> <u>Act 213/07</u>	<u>Budget Request</u>	<u>Budget Requirement</u>
(Pos. Counts)	(138.00)		(138.00)
Personnel Svcs	6,330,368		6,330,368
Current Expense	1,654,367	(535,000)	1,119,367
Equipment			-
Motor Vehicle			-
Total	7,984,735	(535,000)	7,449,735
(Pos. Counts)	(138.00)	-	(138.00)
General Funds	7,984,735	(535,000)	7,449,735

A. WORKLOAD OR PROGRAM REQUEST

For each program package or item within the Program I.D., provide the following (if no request is being made, indicate "none").

- i. A description of the request, the reasons for the request, and the desired outcomes or the objectives to be accomplished by the proposed program.

The Department requests transfer of the \$535,000 annual postage budget from Program ID TAX 105 Tax Services and Processing to Program ID TAX 107 Supporting Services – Revenue Collections. The objective and desired outcome of this request is to address universal department needs and increase efficiency.

- ii. A listing /description of the positions requested, and funding requirements by cost category and source of funding.

This request is for the transfer of \$535,000 in other current expenses, general funds. This request does not include any positions.

- iii. For all lump sum requests, please provide a detailed breakout indicating specific purposes for all planned expenditures

Not applicable.

B. POSITION COUNT REDUCTIONS

None

VI. Program Restrictions:

None

VII. Capital Improvement Request for Fiscal Year 2006-2007:

None

VIII. Proposed Lapses of Capital Improvements Program Projects:

None

Program ID and Title: TAX 107 - Supporting Services – Revenue Collections

I. Introduction:

A. SUMMARY OF PROGRAM OBJECTIVES

The objective of the Supporting Services--Revenue Collection program is to enhance the Department's effectiveness and efficiency in implementing tax programs by formulating policies; allocating resources and providing direction to operations; and improving the State's policy and decision-making process by providing timely and accurate tax data and interpretive information.

B. DESCRIPTION OF PROGRAM OBJECTIVES

Supporting Services -- Revenue Collection

Supporting Services--Revenue Collection's objective is to enhance the Department's effectiveness and efficiency in implementing tax programs by formulating policies; allocating resources and providing direction to operations; and improving the State's policy and decision-making process by providing timely and accurate tax data and interpretive information.

Supporting Services -- Revenue Collection includes the Director's Office, Administrative Services Office, Rules Office, Information Technology Services Office, External Training and Outreach, Systems Administration, and Tax Research and Planning. In order to achieve its objectives, Supporting Services -- Revenue Collections performs the following activities:

Director's Office

The Director's Office primary activities are:

- Planning, directing and coordinating the various activities of the department within the scope of laws and established policies and regulations.
- Recommending administrative rules, regulations and procedures governing the conduct of Department activities.
- Recommending Departmental policies and organization for approval of the Governor and after approval, directing their implementation.

- Exercising leadership, guidance and control of the efforts of employees toward the achievement of Department objectives.
- Directing and maintaining program planning, evaluation activities and managing improved services.
- Representing the Department before Legislature and community and public groups.
- Providing support for the Department's administratively attached agencies – the Council on Revenues, Tax Review Commission and the Board of Review.

Administrative Services Office

The Administrative Services Office's primary activities are:

Fiscal staff:

- Initiating and preparing annual operating budgets in cooperation with operating units and summarizing them with appropriate recommendations for presentation to the Director. Installing and maintaining budgetary controls.
- Performing fiscal functions including procurement and contracts, payroll and processing purchase orders, summary warrant vouchers, treasury deposit receipts and inventory records.
- Providing Staff Services in the areas of capital improvements, facilities management and renovations, risk management, printing and reproduction services, document archive and asset disposal and removal.
- Functioning as the Department's ADA Coordinator, Energy Policy Coordinator and Civil Defense Coordinator.

Personnel staff:

- Providing services in personnel management functions including classification, job evaluation, employee relations, employee training and development, labor relations, Civil Rights (EEO/AA), safety and personnel transactions.
- Advising the Director, supervisors and other employees regarding application of appropriate personnel management practices and of existing personnel laws, rules and collective bargaining agreements.
- Conducting job analyses and preparing or reviewing proposed job descriptions.
- Providing technical assistance to management in organizational matters.

Rules Office

The Rules Office's primary activities are:

Rules Staff:

- Serving as the advisory arm to the Director on tax policy.
- Preparing appropriate tax legislative proposals and written testimony on all tax measures before the legislature. Appearing before the legislature at hearings.
- Developing tax interpretations including rules and regulations, technical memoranda, tax information releases, tax precedents, and basic principles for uniform application of the State tax law.
- Studying provisions of other tax laws and recommending revisions and changes to the Director of Taxation.
- Acting as the principal source on technical questions relating to the development of tax policy.
- Preparing the annual digest of all new and amendatory laws for use by employees and the public.
- Certifying high technology business investment credit and research credits.

Technical Staff:

- Responding to highly complex taxpayer inquiries, analyzing taxpayer questions, researching and interpreting the law based on established policy.
- Providing assistance to internal customers who provide one-stop services to taxpayers.
- Reviewing and updating all tax return forms and related instructions. Initiating and developing new forms.
- Reviewing requests for exemption from the general excise tax and the conveyance tax.
- Writing Administrative Rules.

Information Technology Services Office

The Information Technology Services Office (ITSO) advises the Director on all matters pertaining to information technology; sets overall IT strategy and policies, short and long-term planning; manages, maintains, enhances and supports ITIMS and other applications and is responsible for systems security and infrastructure.

The Information Technology Services Office is comprised of Applications Development Staff, Data Management Staff and Systems Networking Staff.

Applications Development Staff:

- Developing, maintaining and supporting all Department computer and application systems.
- Formulating and maintaining/updating application development plans that will serve the needs of the organization over future time horizons; assisting operating units in system acceptance testing and related activities, implementing approved systems and developing procedures and methods.
- Ensuring that the application development plans are consistent with business requirements and what is possible and practical for the size of the installation and employee skill levels.

Data Management Staff:

- Performing all operational and administrative activities related to the design, development, testing, implementation and maintenance for optimal performance of systems for the acquisitions, storage and retrieval of data.
- Establishing, maintaining and controlling the accuracy/validity of data sources, data repositories and data dictionaries.
- Developing, testing and maintaining database support tools and backup and recovery processes.
- Planning, analyzing, and designing data capacity of disk storage space requirements, specifications, and data flow and diagrams using appropriate relational and hierarchical methods.

Systems Network Staff:

- Planning, analyzing, designing, developing, implementing, operating, evaluating, maintaining, administering and/or enhancing computer networks including Local Area Network/Wide Area Network (LAN/WAN), Internet, Intranet, protocols, connectivity, and other networking infrastructure.
- Planning, analyzing, designing, developing, implementing, operating, evaluating, maintaining and/or enhancing voice/data/video communication, data entry, cashiering, and other hardware/software devices. This also includes procurement and warranty/maintenance of computer hardware, software and related services.

- Developing and administering policies that facilitate the security of data and network access, and the Department's information and network infrastructure and assets by use of standards, practices and procedures.

External Training and Outreach Office

The External Training and Outreach Office's primary activities are:

- Overseeing and coordinating public affairs/media program activities. Speaking on behalf of the Department on public interest issues and reactions. Responding to media inquiries and providing information as directed by the Administration through the use of various media available.
- Developing and conducting educational and training programs (e.g., workshops, practitioner forums for the general public, practitioners, and other special interest groups, providing qualified speakers and instructional materials). Developing informational publications for taxpayers to ensure that tax laws are interpreted with consistency and equity for taxpayers.
- Planning, organizing, directing and coordinating technical training and development programs for the Department's line operations. Conducting and coordinating intensive and substantive auditing, examination, collection and taxpayer services training for the operating programs throughout the Department.
- Coordinating with all Staff Offices in training programs relevant to maintaining the highest level of technical proficiency; assisting with generalized training by assisting with technical training techniques, training aids and presentations.

Systems Administration Office

The Systems Administration Office's primary activities are:

- Serving in a liaison capacity for all levels of the organization, from executive management to the system user committee to:
 - Coordinate and facilitate ITIMS related decisions made across operating divisions, facilitate cross-process operational issues related to ITIMS technology and support, and facilitate prioritization of change requests and systems enhancements.
 - Oversee implementation of systems administration changes across operational divisions.
 - Oversee and coordinate implementation of the tax law changes process.

- Providing input for the development of policy for ITIMS system and for business changes to the processing areas' operations.
- Providing training on the ITIMS system to new user staff.
- Developing and revising system related procedures and maintaining procedures and training materials for ITIMS.

Tax Research and Planning Office

The Tax Research and Planning Office's primary activities are:

- Assisting the Director in developing proposed changes in tax legislation, and amendment to existing tax laws; gathering and analyzing tax data and preparing reports for use by the legislature as requested. Developing data needed to support requests for legislative change.
- Developing, assembling, reviewing and interpreting tax collection data required in revenue estimating. Working in conjunction with private and other public officials in studies which will result in a more effective and refined revenue estimating technique.
- Developing pertinent and timely tax data to assist in the annual review of the State tax structure.
- Updating forecasts quarterly for general fund taxes and twice annually for total personal income.
- Conducting research projects from tax data for use in analyzing and interpreting business and economic trends in the State.
- Providing administrative and technical support to the Council on Revenues, which evaluates and makes official general fund tax estimates for a seven-year period and total state personal income estimate for the current and subsequent calendar years.
- Providing data, analyses, and administrative and technical assistance to the Tax Review Commission to help the Commission achieve its legislative mandate, which is to provide a comprehensive study of the State's tax structure. The Commission is reconstituted every five years and conducts a two-year review.

C. EXPLAIN HOW PROGRAM INTENDS TO MEET ITS OBJECTIVES IN THE UPCOMING FISCAL BIENNIUM

Supporting Services -- Revenue Collection

Supporting Services -- Revenue Collection consists of programs that have been and will be ongoing. The issues and problems identified will affect the programs by stretching the limited budget resources available. While the program will continue to prioritize services and seek efficiencies, it is important to ensure support functions are adequately equipped to improve revenue collections and services to taxpayers.

II. Program Performance Results:

A. DISCUSS THE PERFORMANCE RESULTS ACHIEVED BY EACH PROGRAM IN FY 2007

Supporting Services -- Revenue Collection

The Department continues its efforts to provide timely and constructive information on proposed revisions to ITIMS. ITSO worked on program fixes and application enhancements for ITIMS, and adding more forms for electronic processing and providing support for new cashiering and imaging systems. ITSO continuously supports the recently implemented business taxes application; production support, including after-hours; and helpdesk user support.

B. EXPLAIN HOW THE RESULTS RELATE TO THE PROGRAM'S OBJECTIVES AND DEPARTMENT MISSION

Supporting Services -- Revenue Collections

The program provides administrative leadership, technical support services, and staff development to enhance the Department's effectiveness and efficiency in administering an equitable system of tax assessment and revenue collection.

The integrated tax system enhances the Department's ability to enforce tax law and provide better service to taxpayers. ITIMS also provides automation/restoration of computer services to the Department's staff and taxpayers.

C. EXPLAIN HOW THE EFFECTIVENESS OF THE PROGRAM IS MEASURED (i.e.: OUTCOME, MEASURES OF EFFECTIVENESS, BENCHMARKS, ETC.) AND DISCUSS THE PERFORMANCE RESULTS ACHIEVED DURING THE PAST TWO YEARS

Supporting Services -- Revenue Collection

The performance measure for the Supporting Services-Revenue Collection program is:

Measure of Effectiveness	FY 06-07 Planned	FY 06-07 Actual	FY 07-08 Estimated
Maximum percentage error in forecasting general fund revenues	3	2.5	3

Overall, Supporting Services – Revenue Collections performance has been and is projected to meet plan.

D. DISCUSS ACTIONS TAKEN BY EACH PROGRAM TO IMPROVE ITS PERFORMANCE RESULTS

Supporting Services – Revenue Collections

Numerous tax law changes have been accommodated through different team approaches adopted by our information technology group. Training has been sought and provided as needed. Process improvements have also been implemented (e.g. production migration process).

E. PLEASE IDENTIFY ALL MODIFICATIONS TO YOUR PROGRAM'S PERFORMANCE MEASURES AND DISCUSS THE RATIONALE FOR THESE MODIFICATIONS.

Performance measures have been consolidated, as approved by the Executive Branch, to focus on measures of greatest significance and impact to the public.

III. Problems and Issues:

A. DISCUSSION OF PROBLEMS OR ISSUES ENCOUNTERED

Supporting Services -- Revenue Collections

Increase in business activities, administration of qualified high technology tax incentives, conforming legislation to meet changes in the Internal Revenue Code, a reduction in taxpayer services on the federal level, and taxpayer-filing patterns are the major trends affecting this program, particularly in technical assistance.

B. PROGRAM CHANGE RECOMMENDATIONS TO REMEDY PROBLEMS

Supporting Services -- Revenue Collection

The Department completed the warranty phase of its ITIMS System. On-going production support and workforce development will improve services to taxpayers; maximize revenue collections, and increase effectiveness and efficiency of program operations. The Department is seeking to promote

continuity and training for its staff to resolve the increasingly complex tax law issues.

C. IDENTIFY ANY PROGRAM ISSUES OR PROBLEMS THAT HAVE AFFECTED OR WILL AFFECT THE IMPLEMENTATION OF THE PROGRAM, AND THE CORRECTIVE MEASURES OR REMEDIES ESTABLISHED OR PLANNED.

None.

IV. Expenditures for Fiscal Year 2008:

	<u>Appropriation Budget Act 213/07</u>	<u>Collective Bargaining</u>	<u>Transfer In/(Out)</u>	<u>Restrictions</u>	<u>Available Resources</u>	<u>Estimated Total Expenditure</u>
(Pos. Counts)	(71.00)				(71.00)	(71.00)
Personnel Svcs	4,400,800	142,948			4,543,748	4,543,748
Current Expense	3,369,509				3,369,509	3,369,509
Equipment	402,500				402,500	402,500
Motor Vehicle	-				-	-
Total	8,172,809	142,948	-	-	8,315,757	8,315,757
(Pos. Counts)	(71.00)	-	-	-	(71.00)	(71.00)
General Funds	7,720,809	142,948	-	-	7,863,757	7,863,757
Special Fund	452,000				452,000	452,000
Total	8,172,809	142,948	-	-	8,315,757	8,315,757

A. EXPLAIN ALL TRANSFERS WITHIN THE PROGRAM I.D. AND ITS IMPACT ON THE PROGRAM

None

B. EXPLAIN ALL TRANSFERS BETWEEN PROGRAM I.D.'S AND ITS IMPACT ON THE PROGRAM

None

C. EXPLAIN ALL RESTRICTIONS AND ITS IMPACT ON THE PROGRAM

None

V. Supplemental Budget Requests for FY 2009:

Fiscal Year 2009 (excluding CB):

	<u>Appropriation</u> <u>Budget Act</u> <u>213/07</u>	<u>Budget Request</u>	<u>Budget</u> <u>Requirement</u>
(Pos. Counts)	(71.00)	(1.00)	(72.00)
Personnel Svcs	4,401,237		4,401,237
Current Expense	3,485,167	1,125,000	4,610,167
Equipment	300,000		300,000
Motor Vehicle			-
Total	8,186,404	1,125,000	9,311,404
(Pos. Counts)	(71.00)	(1.00)	(72.00)
General Funds	7,734,404	1,125,000	9,311,404
Special Funds	452,000		452,000

A. WORKLOAD OR PROGRAM REQUEST

i. A description of the request, the reasons for the request, and the desired outcomes or the objectives to be accomplished by the proposed program.

- a. Critical IT hardware and software – This request is for a network backbone upgrade between the Kalanimoku and Keelikolani buildings to allow for automated backup of the ITIMS Imaging System (IIS). Backup is currently being done manually and is only performed once a week on an incremental basis due to the extended amount of time required to process a complete backup.
- b. County Surcharge Tax Administration – This request is for resources for production support to administer the new County Surcharge Tax.
- c. Transfer Temporary Clerk Typist III to Permanent – This request is to transfer a temporary Clerk Typist III, Position 118524, SR-10 to permanent. It is essential that this position be made permanent due to the host of very sensitive, confidential information including SSN, salary information, medical information, drug testing information, employee-employer relations information (i.e. disciplinary actions), arrest and conviction records, etc., that this position works with on a regular basis.
- d. Transfer of postage between Program IDs – The Department requests transfer of the \$535,000 annual postage budget from Program ID TAX 105 Tax Services and Processing to Program ID TAX 107 Supporting Services – Revenue Collections. The objective and desired outcome of this request is to address universal department needs and increase efficiency.
- e. Gov's initiative to go Paperless by 2010 – This request is for professional services to make the HW-3, N-20 and N-30 forms available electronically.

ii. A listing/description of the positions requested, and funding requirements by cost category and source of funding.

- a. Critical IT hardware and software – No positions requested. Request \$90,000 in general funds, other current expense.
- b. County Surcharge Tax Administration – No positions requested. Request \$233,000 in general funds, other current expense.

- c. Transfer Temporary Clerk Typist III to Permanent – Request transfer of one temporary position to permanent. No request for funding.
 - d. Transfer of postage between Program IDs – No positions requested. Request to transfer \$535,000 in general funds, other current expense from Program ID 105 to Program ID 107. No net increase in funding requested.
 - e. Gov's initiative to go Paperless by 2010 – No positions requested. Request \$267,000 in general funds, other current expense.
- iii. For all lump sum requests, please provide a detailed breakout indicating specific purposes for all planned expenditures.

Not applicable.

B. POSITION COUNT REDUCTIONS

None

VI. Program Restrictions:

None

VII. Capital Improvement Request for Fiscal Year 2006-2007:

None

VIII. Proposed Lapses of Capital Improvements Program Projects:

None

Attachment 1
Department-Wide Summary Information
Totals for Proposed Department Budget Adjustments (by Method of Funding)

MOF	FY08			
	Act 213/07 Appropriation (a)	Restriction (b)	Emergency Request (c)	Total FY08 (a)+(b)+(c)
A	25,353,566			25,353,566
B	452,000			452,000
Dept. Totals	25,805,566			25,805,566

MOF	FY09			
	Act 213/07 Appropriation (d)	Reduction (e)	Addition (f)	Total FY09 (d)+(e)+(f)
A	25,084,470			25,084,470
B	452,000			452,000
Dept. Totals	25,536,470			25,536,470

Please indicate restrictions and reductions as negative numbers, using brackets ()

Attachment 2
Department-Wide Summary Information
Fiscal Year 08 Proposed Emergency Requests

<u>Program ID</u>	<u>MOF</u>	<u>Title of Emergency Requests</u>	<u>FTE</u>	<u>\$ Amount</u>
		None		
Dept. Totals by MOF			-	-

Attachment 3
Department-Wide Summary Information
Fiscal Year 09 Proposed Budget Adjustments

<u>Program ID</u>	<u>MOF</u>	<u>Program ID Title</u>	<u>FTE</u>	<u>\$ Amount</u>
TAX 105	A	Tax Services and Processing	-	(535,000)
TAX 107	A	Supporting Services Revenue Collections	1.00	1,125,000
Dept. Totals by MOF			1.00	590,000

Attachment 4
Fiscal Year 09 Proposed Budget Adjustments

<u>Program I.D.</u>	<u>Description of Adjustment</u>	<u>FTE</u>	<u>\$ Amount</u>	<u>MOF</u>
TAX 105	Transfer of Postage Budget between Program IDs	-	(535,000)	A
TAX 107	Critical IT hardware and software	-	90,000	A
TAX 107	County Surcharge Tax Administration		233,000	A
TAX 107	Convert Temporary Clerk-Typist III to Permanent	1.00	-	A
TAX 107	Transfer of Postage Budget between Program IDs		535,000	A
TAX 107	Gov's initiative to go paperless by 2010		267,000	A

Attachment 5
FY09 Capital Improvements Program Summary

<u>Priority</u>	<u>Project Title</u>	<u>FY09 \$ Amount</u>	<u>MOE</u>
1	None		
2			
3			
4			

**Attachment 6
FY09 Request Decisions**

Department Priority	Program ID	Description	MOF	Department			Budget and Finance			Governor's Final Decision		
				Perm. FTE	Temp. FTE	\$ Amount	Perm. FTE	Temp. FTE	\$ Amount	Perm. FTE	Temp. FTE	\$ Amount
1	TAX 107	Critical IT Hardware and Software	A			223,167			90,000			90,000
2	TAX 107	County Surcharge Tax Administration	A			500,000			233,000			233,000
3	TAX 107	Convert Temp Clerk Typist III to Perm	A	1.00	(1.00)	-	1.00	(1.00)	-	1.00	(1.00)	-
4*	TAX 100	Trnsf out 3 Mgmt Analysts	A		(3.00)	-			-			-
4*	TAX 105	Trnsf out 3 Mgmt Analysts	A		(3.00)	-			-			-
4*	TAX 107	Trns in 6 temp Mgmt Analyst, Convert to perm, fund positions	A	6.00		268,248			-			-
5	TAX 105	Transfer Postage Budget btwn Prog ID	A			(535,000)			(535,000)			(535,000)
5	TAX 107	Transfer Postage Budget btwn Prog ID	A			535,000			535,000			535,000
6	TAX 107	Gov's initiative to go paperless by 2010	A			267,000			267,000			267,000
7	TAX 107	Continuity of Operations (COOP)	A			400,000			-			-

* Request withdrawn

Attachment 7
Actions to Realize Savings

<u>Program ID</u>	<u>MOF</u>	<u>Description of Action to Realize Savings</u>	<u>\$ Amount of Actual FY07 Savings</u>	<u>\$ Amount of Projected FY08 Savings</u>
		No projected realized savings		

Attachment 8
All Positions Vacant As of 12/1/07

Date of Vacancy	Program I.D.	Position Title	Position Number	Exempt (Y/N)	Budgeted Amount	Actual Salary Last Employee Paid	MOF	Program ID	Authority to Hire (Y/N)	Notes:
05/16/07	TAX100	Auditor IV	7051	N	\$ 36,048	\$ 43,836	A	TAX100	Y	pending interview
07/07/07	TAX100	Auditor IV	16049	N	\$ 43,836	\$ 45,588	A	TAX100	Y	Filled w/ 89-day hire
07/07/07	TAX100	Auditor IV	1606	N	\$ 42,144	\$ 37,488	A	TAX100	Y	recruitment in progress
07/16/07	TAX100	Auditor VI	11461	N	\$ 73,032	\$ 75,948	A	TAX100	Y	Filled w/ TA
08/06/07	TAX100	Clerk III	47158	N	\$ 25,656	\$ 26,688	A	TAX100	Y	Filled w/ 89-day hire
09/01/07	TAX100	Clerk III	11517	N	\$ 23,736	\$ 22,776	A	TAX100	Y	Filled w/ 89-day hire
06/29/07	TAX100	Clerk Typist II	16056	N	\$ 25,656	\$ 24,684	A	TAX100	Y	Filled w/ 89-day hire, interview scheduled
12/16/2005 (NOTE 1)	TAX100	Delinquent Tax Coll Asst I	47879	N	\$ 31,212	\$ 38,124	A	TAX100	Y	transfer to Office Audit, pending interview
3/1/2006 (NOTE 1)	TAX100	Delinquent Tax Coll Asst I	47878	N	\$ 31,212	\$ 42,924	A	TAX100	Y	transfer to Office Audit, pending interview
07/01/07	TAX100	Delinquent Tax Coll Asst I	118610	N	\$ 31,212	NA	A	TAX100	Y	pending interview
07/01/07	TAX100	Delinquent Tax Coll Asst I	118611	N	\$ 31,212	NA	A	TAX100	Y	pending interview
07/01/07	TAX100	Delinquent Tax Coll Asst I	118612	N	\$ 31,212	NA	A	TAX100	Y	pending interview
07/01/07	TAX100	Delinquent Tax Coll Asst I	118613	N	\$ 31,212	NA	A	TAX100	Y	pending interview
09/26/07	TAX100	Delinquent Tax Coll Asst I	11565	N	\$ 27,768	\$ 28,884	A	TAX100	Y	pending interview
12/22/2006 (NOTE 1)	TAX100	Delinquent Tax Coll Asst II	117472	N	\$ 42,696	\$ 42,696	A	TAX100	Y	transfer to Office Audit, pending interview
01/01/07	TAX100	Delinquent Tax Coll Asst II	1450	N	\$ 51,936	\$ 51,936	A	TAX100	Y	pending interview
07/01/07	TAX100	Delinquent Tax Coll Asst II	118608	N	\$ 31,212	NA	A	TAX100	Y	pending interview
07/01/07	TAX100	Delinquent Tax Coll Asst II	118609	N	\$ 31,212	NA	A	TAX100	Y	pending interview
08/01/07	TAX100	Delinquent Tax Coll Asst II	47884	N	\$ 49,994	\$ 51,936	A	TAX100	Y	pending interview
09/01/07	TAX100	Management Analyst III	118676	N	\$ 31,608	NA	A	TAX100	Y	pending interview
10/20/2006 (NOTE 1)	TAX100	Tax Clerk	117465	N	\$ 28,860	\$ 27,768	A	TAX100	Y	transfer to Office Audit, pending interview
05/16/07	TAX100	Tax Clerk	117466	N	\$ 28,860	\$ 36,048	A	TAX100	Y	pending interview
08/01/07	TAX100	Tax Clerk	117464	N	\$ 28,860	\$ 33,720	A	TAX100	Y	pending interview
08/02/07	TAX100	Tax Clerk	40661	N	\$ 29,976	\$ 31,176	A	TAX100	Y	Filled w/ TAOL
11/01/07	TAX100	Tax Clerk	117463	N	\$ 28,860	\$ 33,720	A	TAX100	Y	pending interview
04/02/07	TAX100	Tax Information Tech II	1610	N	\$ 37,944	\$ 37,944	A	TAX100	Y	Filled w/ 89-day hire

Attachment 8
All Positions Vacant As of 12/1/07

Date of Vacancy	Program I.D.	Position Title	Position Number	Exempt (Y/N)	Budgeted Amount	Actual Salary Last Employee Paid	MOF	Program ID	Authority to Hire (Y/N)	Notes:
05/01/07	TAX100	Tax Information Technician I	11512	N	\$ 28,860	\$ 28,860	A	TAX100	Y	Filled w/ 89-day hire
09/24/07	TAX100	Tax Returns Examiner III	1501	N	\$ 41,064	\$ 42,708	A	TAX100	Y	Filled w/ TA
01/01/07	TAX100	Taxation Compliance Coord	1543	N	\$ 82,345	\$ 96,300	A	TAX100	Y	pending interview
07/01/07	TAX105	Account Clerk III	118500	N	\$ 26,664	NA	A	TAX105	Y	recruitment in progress
11/3/2006 (NOTE 2)	TAX105	Clerk III	30157	N	\$ 24,684	\$ 23,736	A	TAX105	Y	recruitment in progress
05/21/07	TAX105	Clerk III	28816	N	\$ 21,900	\$ 24,684	A	TAX105	Y	recruitment in progress
07/01/07	TAX105	Clerk III	118439	N	\$ 17,802	NA	A	TAX105	Y	recruitment in progress
07/01/07	TAX105	Clerk III	118440	N	\$ 17,802	NA	A	TAX105	Y	recruitment in progress
07/01/07	TAX105	Clerk III	118441	N	\$ 17,802	NA	A	TAX105	Y	recruitment in progress
07/01/07	TAX105	Clerk III	118442	N	\$ 17,802	NA	A	TAX105	Y	recruitment in progress
07/01/07	TAX105	Clerk III	118443	N	\$ 17,802	NA	A	TAX105	Y	recruitment in progress
07/01/07	TAX105	Clerk III	118444	N	\$ 17,802	NA	A	TAX105	Y	recruitment in progress
07/01/07	TAX105	Clerk III	118445	N	\$ 17,802	NA	A	TAX105	Y	recruitment in progress
07/01/07	TAX105	Clerk III	118446	N	\$ 17,802	NA	A	TAX105	Y	recruitment in progress
07/01/07	TAX105	Clerk III	118447	N	\$ 17,802	NA	A	TAX105	Y	recruitment in progress
07/01/07	TAX105	Clerk III	118448	N	\$ 17,802	NA	A	TAX105	Y	recruitment in progress
09/14/07	TAX105	Clerk III	38687	N	\$ 31,212	\$ 24,684	A	TAX105	Y	recruitment in progress
09/24/07	TAX105	Clerk III	38688	N	\$ 23,736	\$ 24,684	A	TAX105	Y	recruitment in progress
07/16/07	TAX105	Clerk IV	15273	N	\$ 23,736	\$ 26,688	A	TAX105	Y	interviews scheduled
10/01/07	TAX105	Clerk IV	26278	N	\$ 27,768	\$ 28,884	A	TAX105	Y	interviews scheduled
07/02/07	TAX105	Clerk Typist II	1514	N	\$ 27,768	\$ 28,884	A	TAX105	Y	Filled w/ TAOL
09/01/07	TAX105	Management Analyst III	118675	N	\$ 31,608	NA	A	TAX105	Y	pending interview
07/01/07	TAX105	Tax Clerk	118450	N	\$ 28,860	NA	A	TAX105	Y	recruitment in progress
07/02/07	TAX105	Tax Clerk	40969	N	\$ 28,860	\$ 30,012	A	TAX105	Y	recruitment in progress
07/02/07	TAX105	Tax Clerk	47870	N	\$ 32,424	\$ 33,720	A	TAX105	Y	recruitment in progress
08/30/07	TAX105	Tax Clerk	118024	N	\$ 32,424	\$ 28,884	B	TAX105	Y	recruitment in progress
11/16/07	TAX105	Tax Clerk	1624	N	\$ 37,944	\$ 39,456	A	TAX105	Y	recruitment in progress
11/16/07	TAX105	Tax Clerk	5774	N	\$ 28,860	\$ 31,176	A	TAX105	Y	recruitment in progress
03/01/07	TAX105	Tax Information Tech II	33460	N	\$ 33,756	\$ 33,756	A	TAX105	Y	pending reallocation
09/13/07	TAX105	Tax Information Tech II	118450	N	\$ 32,424	\$ 28,884	A	TAX105	Y	recruitment in progress
09/24/07	TAX105	Tax Returns Examiner I	39132	N	\$ 29,976	\$ 32,460	A	TAX105	Y	employee has return rights
09/25/07	TAX107	Clerk IV	1597	N	\$ 25,656	\$ 26,688	A	TAX107	Y	Filled w/ 89-day hire
09/07/07	TAX107	Information Tech Specialist IV	1605	N	\$ 45,612	\$ 47,436	A	TAX107	Y	recruitment in progress
11/01/07	TAX107	Information Tech Specialist V	16052	N	\$ 51,312	\$ 53,880	A	TAX107	Y	pending interview

Attachment 8
All Positions Vacant As of 12/1/07

Date of Vacancy	Program I.D.	Position Title	Position Number	Exempt (Y/N)	Budgeted Amount	Actual Salary Last Employee Paid	MOF	Program ID	Authority to Hire (Y/N)	Notes:
08/07/07	TAX107	Information Technol Spclt IV	1493	N	\$ 45,612	\$ 47,832	A	TAX107	Y	recruitment in progress
8/7/2006 (NOTE 3)	TAX107	Information Technol Spclt V	1576	N	\$ 47,448	\$ 50,748	A	TAX107	Y	pending interview
09/18/07	TAX107	Purchasing Tech II	11590	N	\$ 32,424	\$ 33,720	A	TAX107	Y	Filled w/ 89-day hire
03/13/07	TAX107	Research Statistician IV	22673	N	\$ 55,500	\$ 55,500	A	TAX107	Y	pending reallocation
12/01/07	TAX107	Research Statistician IV	11472	N	\$ 36,048	\$ 40,512	A	TAX107	Y	pending interview
11/1/2005 (NOTE 4)	TAX107	Tax Specialist	1549	N	\$ 42,144	\$ 37,594	A	TAX107	Y	pending interview
05/16/07	TAX107	Tax Specialist	1537	N	\$ 60,024	\$ 60,024	A	TAX107	Y	Filled w/ 89-day hire

NOTES:

Due to the economy we have not been able to find applicants. We have lowered the Class to Tax Clerk and lowered the job specifications and requirements for qualification. The Department has done job fairs, posted on the internet, Oceanic TV job advertising and advertised in the local as well as state papers.

- 1 **Because of other initiatives within Compliance this position has been transferred to Office Audit and being recruited at Tax Clerk level – with interviews being scheduled for January 2008.**

- 2 In late 2006, the DHRD certified Clerk III list was completing exhausted, so on 1/24/07 a joint memo request to fill at the Clerk II level was made but no suitable applicants were identified. On 5/22/07 an updated request for an IVA and DHRD certified list was made, but again the Clerk III listing yielded not enough applicants to fill all vacancies. We are currently awaiting another certified Clerk III listing for this and other Clerk III vacancies.

- 3 Specialized IT position requires Oracle Certification. List received in December. Interviews are scheduled in January.

- 4 Position formerly filled by 89-day hire. Conducted several internal and external recruitment efforts but unable to find qualified applicant. Because of the difficulty in filling, we are considering downgrading this position to fill at a lower level and train.

Attachment 9

Listing of Expenditures Exceeding Federal Fund Ceiling for FY07 and FY08

[illegible]

Attachment 10
Listing of Transfers for FY07 and FY08

[illegible]

