

Supplemental Budget FY 2008-2009

Department of Taxation

- Mission Statement and Goals
- Major Accomplishments
- Supplemental Budget Requests
- Supplemental Budget Attachments

January, 2008



Department of Taxation

Mission Statement and Goals

↳ Mission Statement

- ✦ To administer the tax laws of the State of Hawaii in a consistent, uniform and fair manner by **educating taxpayers** on tax laws, by **developing a professional staff**, and by **using technology** to increase efficiency and effectiveness.

↳ Goals

- ✦ To provide one-stop customer service;
- ✦ To increase collection capabilities through efficient allocation of resources;
- ✦ To simplify taxpayer filings, provide a more user-friendly interface with the public, speed up refunds and expedite delinquent referrals;
- ✦ To automate tax filings, billings and collection;
- ✦ To expand capacity for research and revenue analysis;
- ✦ To permit more flexibility in accommodating tax law changes ² and initiatives to improve tax administration.



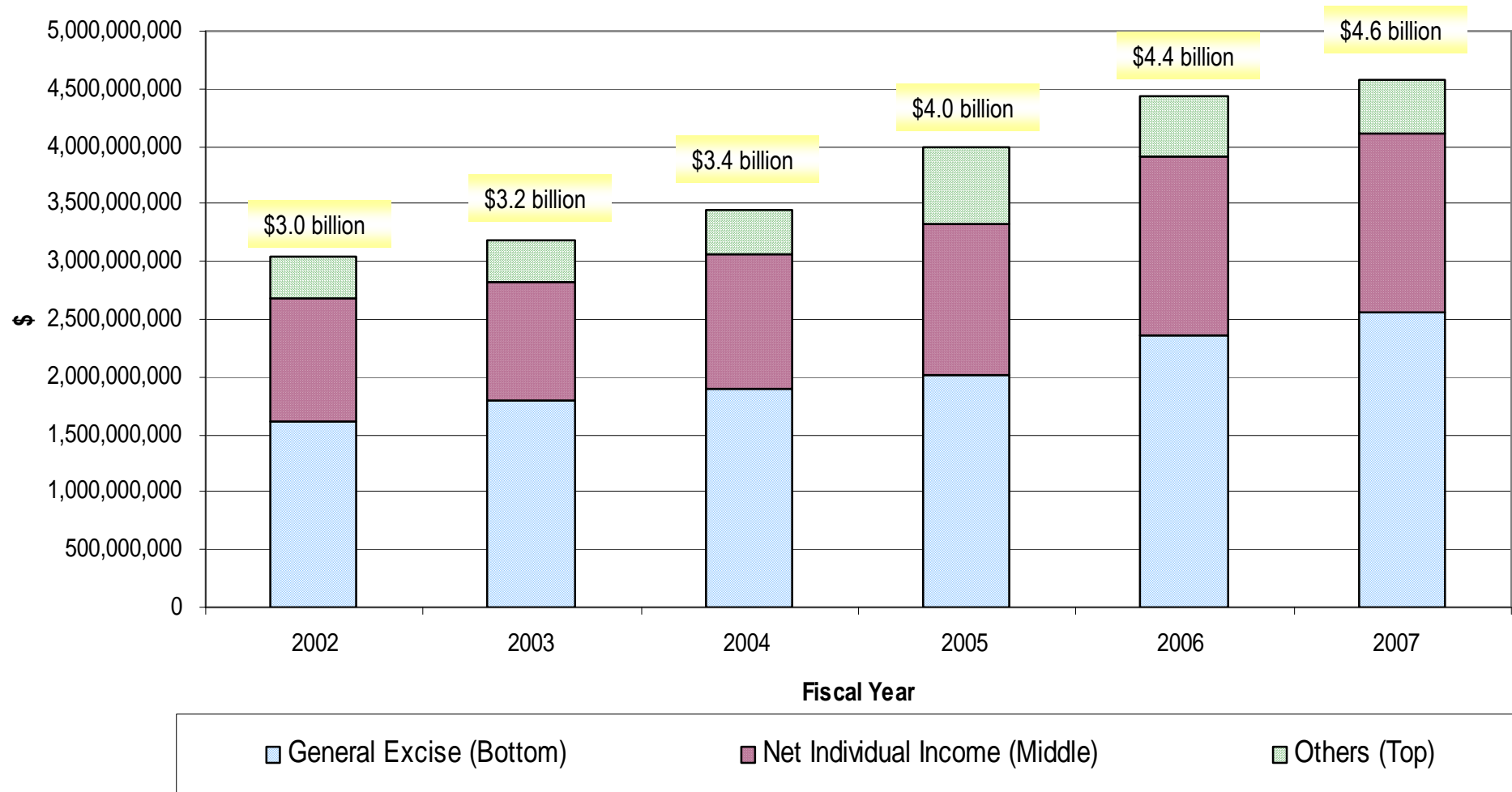
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Major Accomplishments

Revenues Collected and Processed



Figure 1. General Fund Tax Revenues (FY 2002 - 2007)



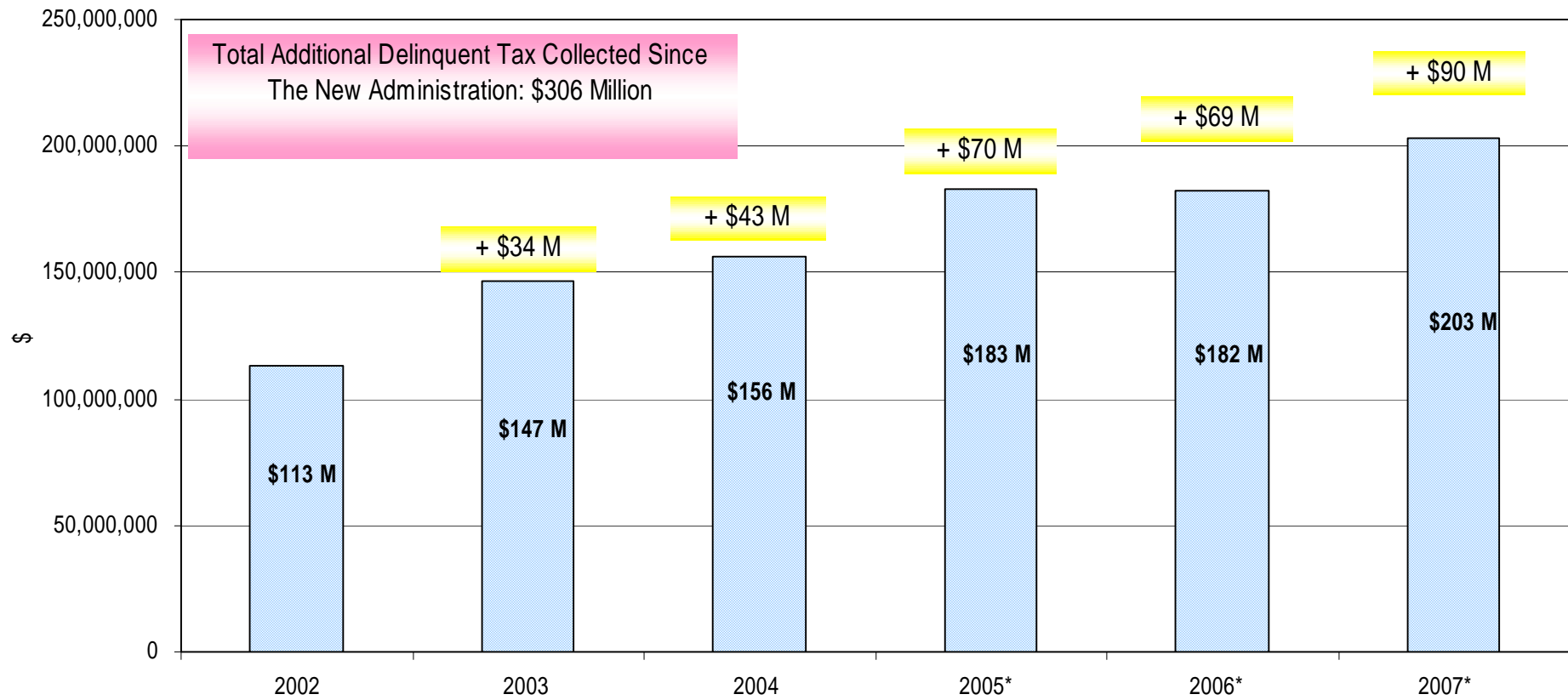
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Major Accomplishments

Delinquent Cash Collections



Figure 2. Delinquent Cash Collections (FY 2002 - 2007)

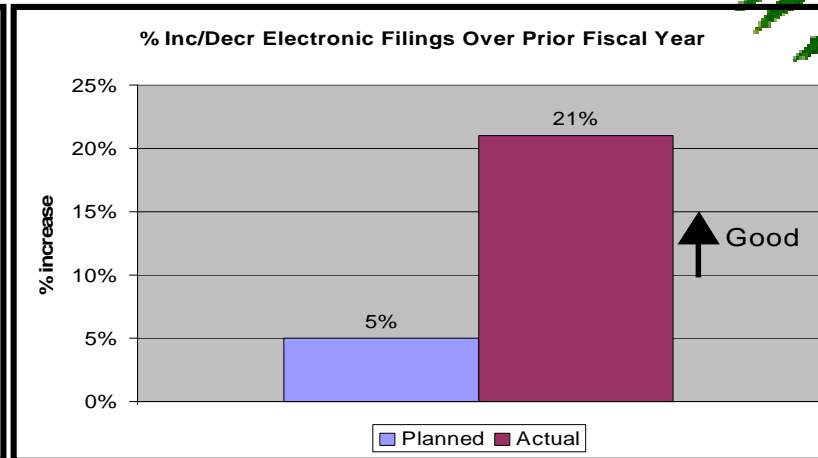
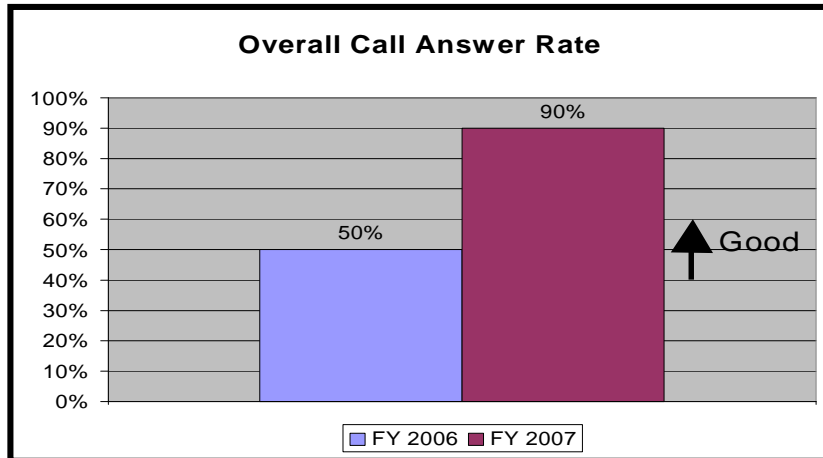
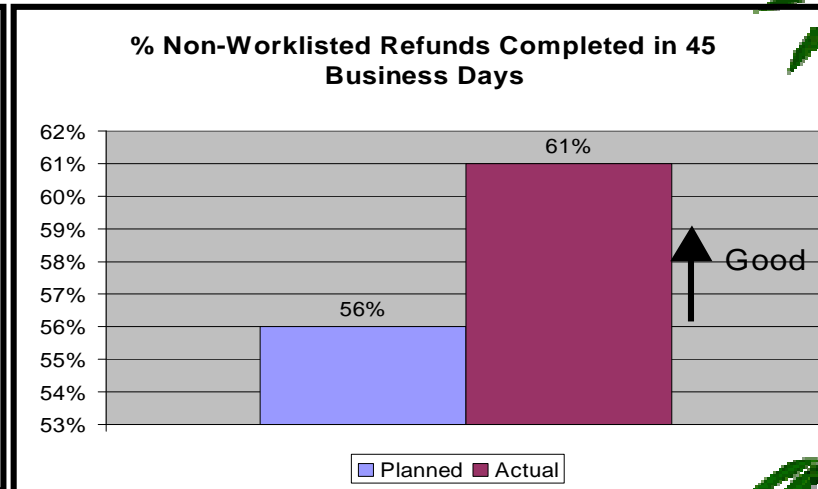
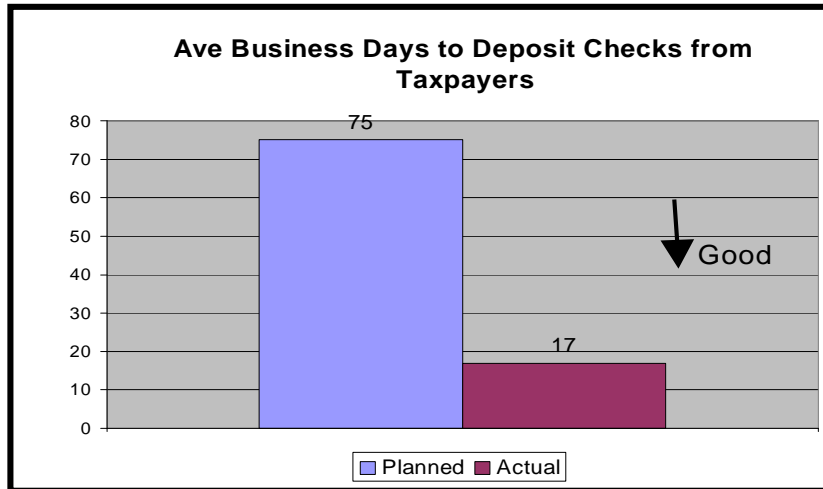


*Updated as of 8/20/07

Department of Taxation

Major Accomplishments

Improvement in Key Tax Services and Processing Metrics



Department of Taxation

Major Accomplishments

Improvement in Key Tax Services and Processing Metrics

Electronic Processing

Figure 4. All Income Returns Processed in CY 2006

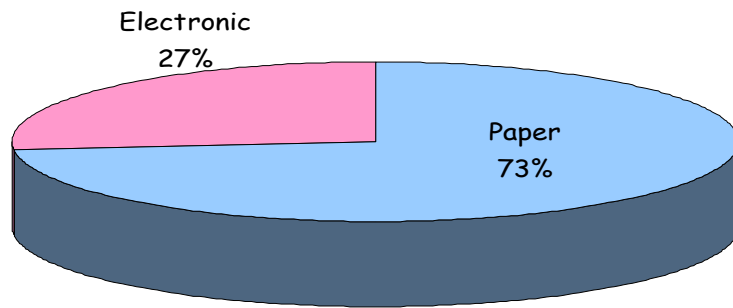


Figure 4a. All Income Returns Processed in CY 2007

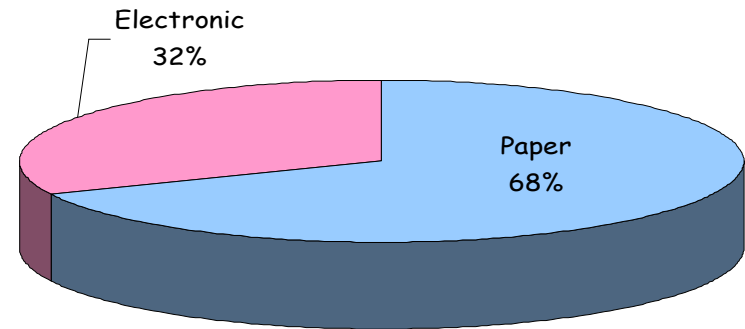


Figure 5. All Business Returns Processed in CY 2006

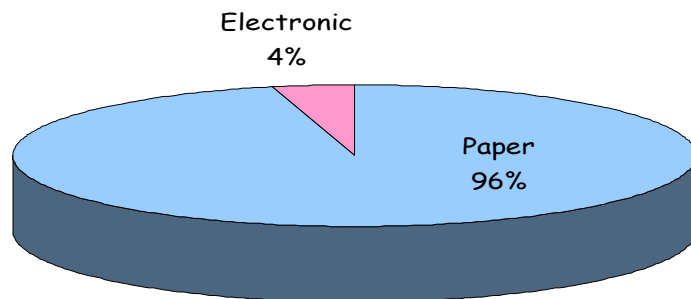
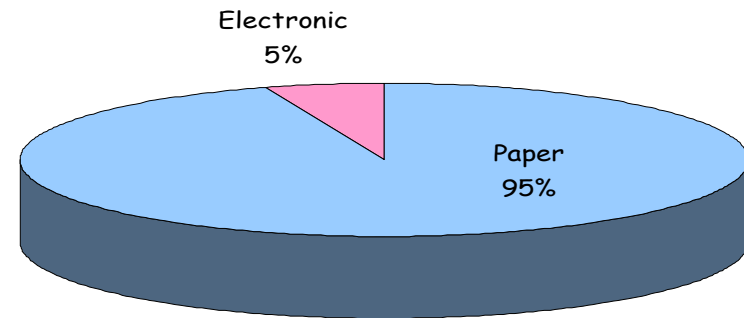


Figure 5a. All Business Returns Processed in CY 2007

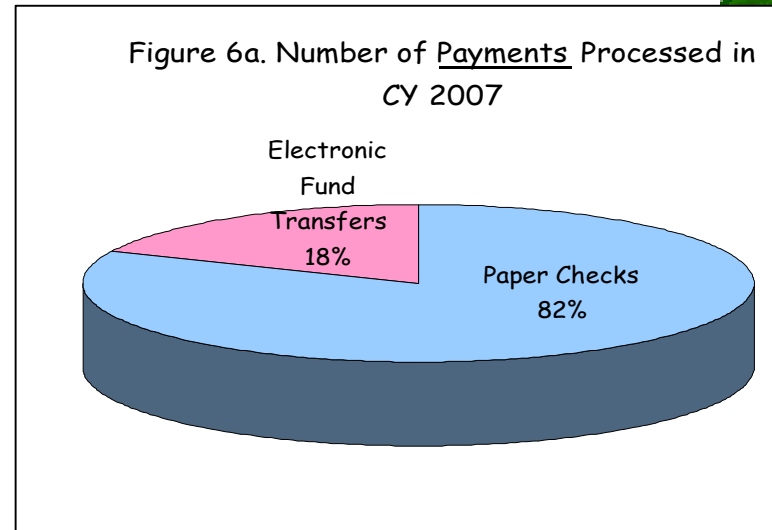
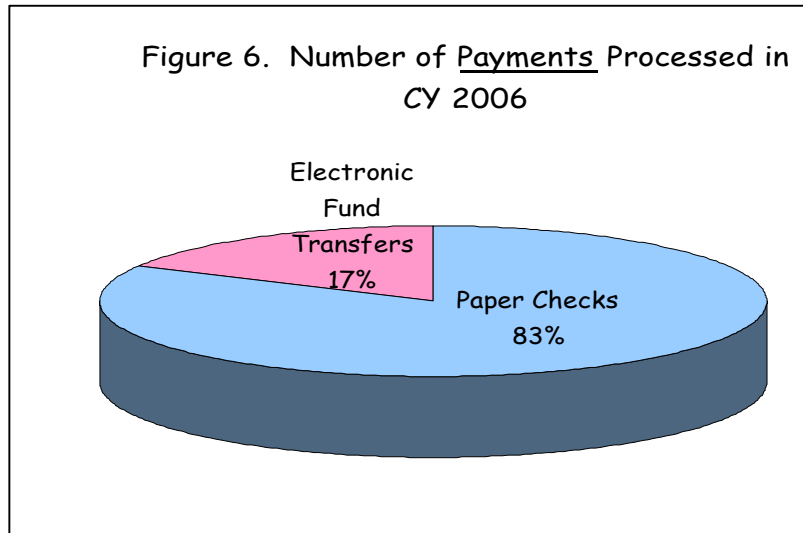


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Major Accomplishments

Improvement in Key Tax Services and Processing Metrics

Electronic Processing



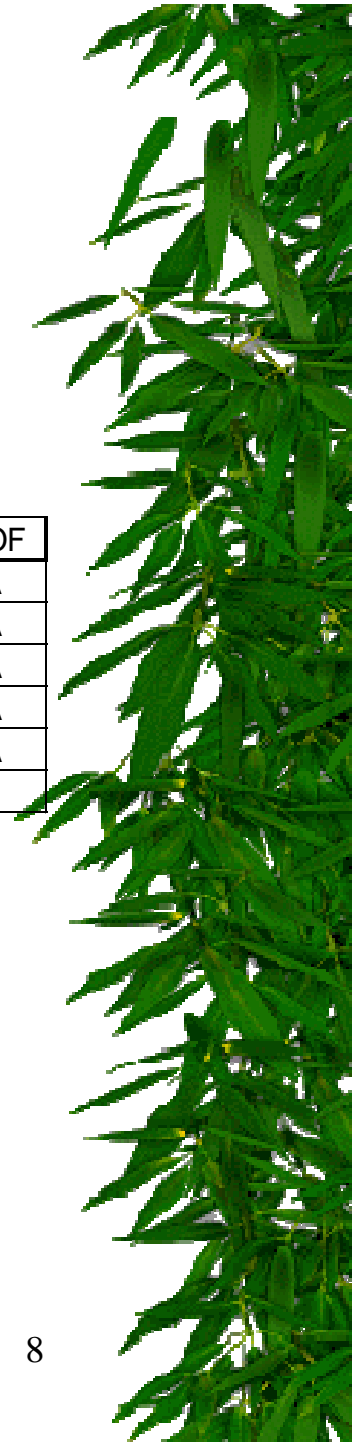
- 21% overall increase in electronic filings.
- Majority of tax returns and payments are still filed/paid via paper which requires extensive manual labor.

Department of Taxation

Supplemental Budget Requests

* Supplemental Budget Request Summary

Priority	Program I.D.	Description of Adjustment	FTE	\$ Amount	MOF
1	TAX 107	Critical IT hardware and software	-	\$ 90,000	A
2	TAX 107	County Surcharge Tax Administration		\$ 233,000	A
3	TAX 107	Convert Temporary Clerk-Typist III to Permanent	1.00	\$ -	A
4	TAX 105/107	Transfer of Postage Budget between Program IDs		\$ -	A
5	TAX 107	Gov's initiative to go paperless by 2010		\$ 267,000	A
		TOTAL	1.00	\$ 590,000	



Department of Taxation

Supplemental Budget Requests

* **Department Priority #1 – Critical IT Hardware and Software**

- \$90,000 one time expense
- \$9,000/year maintenance

- * To allow for automated back up of the ITIMS Imaging System (IIS)

- * Currently, weekly incremental backups are performed due to infrastructure limitations
 - Takes approximately 18.5 hours for weekly incremental backups
 - Because of the drastic increase of the image files from the back office scan in 2007, the Department cannot do a full backup of the IIS system.- estimated to take up to one week

- * High risk of data loss in event of a failure
 - Failure would affect the entire Department including the tax processing, collections, auditing, and customer service
 - Full restoration will take more than one week



Department of Taxation

Supplemental Budget Requests

* Department Priority #2 County Surcharge Administration

- **\$233,000 annual expense**

- **Request for on-going computer enhancements for County Surcharge Tax Administration**
 - For calendar year 2007, County Surcharge Tax collections averaged approximately \$14M/month, or \$168M/year.
 - Act 247, SLH 2005, stated that **10%** (approximately **\$16.8 million**) of the County Surcharge Tax collections is to reimburse the State for the costs of assessment, collection, and disposition of the County Surcharge Tax incurred by the State.
 - The Department was appropriated \$2.4 million and \$2.1 million for fiscal years 2008 and 2009 respectively to administer the County Surcharge Tax.

- **Funds will be used to improve the Integrated Tax Information Management System (ITIMS) to:**
 - * Accommodate changes to County Surcharge Tax
 - * Streamline operations related to County Surcharge Tax
 - * Enhance County Surcharge Tax processing
 - * Incorporate Compliance modifications related to the County Surcharge Tax



Department of Taxation

Supplemental Budget Requests

- * **Department Priority #3 Transfer Temp Clerk Typist III to Perm (Personnel Office)**
 - \$0 funding
 - Transfer 1.0 FTE from temporary to permanent
 - * Employee works with **sensitive confidential information** on a regular basis
 - SSN, salary, medical, drug testing, disciplinary actions, arrests, convictions, etc.
 - * To manage **increased workload**, Personnel requires regular and consistent staffing, which only permanent positions provide
 - Since 2002, 21% increase in positions (temp & perm); tax season extended for 2 additional months (25% increase)
 - Significant backlog due to massive workload resulted in errors and re-work.
 - Required permanent staff to work overtime to resolve backlog - more costly, adversely affected morale
 - 2 of 5 (40%) personnel staff positions turned over in the last 2 years. Turnover is believed to be related to heavy workload
 - Temporary position does not provide adequate solution for ongoing permanent workload requirements



Department of Taxation

Supplemental Budget Requests

- * **Department Priority #4 – Transfer Postage Budget Between Program IDs**
 - \$0 funding
 - Request to transfer \$535,000 from Program ID TAX 105 Tax Services and Processing to TAX 107 Revenue Collections – Supporting Services
 - * To address universal Department needs
 - Postage is now heavily influenced by ITIMS computerized system
 - Postage is also influenced by Compliance specific audits
 - * For proper budgetary control
 - TAX 107 Revenue Collections – Supporting Services supports operations across the board for the entire Department



Department of Taxation

Supplemental Budget Requests

- * **Department Priority #5 – Governor's Initiative to Go Paperless by 2010**
 - \$267,000 one time expense
 - * To further promote Electronic Filing
 - Increases efficiency
 - Improves accuracy
 - Provides a highly desirable service to the public and business community
 - * Request funds to automate 3 of the most widely used non-automated forms
 - HW-3 Employer's Annual Return & Reconciliation of Hawaii Income Taxes Withheld
 - N-20 Partnership Return of Income
 - N-30 Corporate Income Tax Return
 - Both the N-20 and N-30 returns generally include multiple schedules and attachments such that just one return can fill one or more bankers boxes.



Department of Taxation

Supplemental Budget Attachments

Attachment 1: Department-Wide Summary Information
Totals for Proposed Department Budget Adjustments (by MOF)

FY08				
MOF	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

FY09				
MOF	Act 213/07 Appropriation (d)	Reduction (e)	Addition (f)	Total FY09 (d)+(e)+(f)
A	25,084,470		590,000	25,674,470
B	452,000			452,000
Dept. Totals	25,536,470		590,000	26,126,470

Note: Revised for clerical error.



Department of Taxation

Supplemental Budget Attachments

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			-	-



Department of Taxation

Supplemental Budget Attachments

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

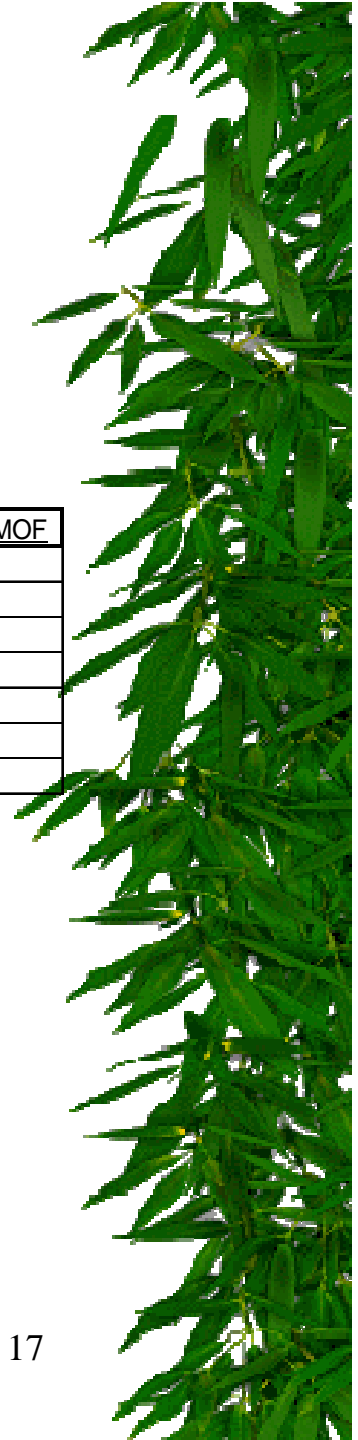


Department of Taxation

Supplemental Budget Attachments

Attachment 4 Fiscal Year 09 Proposed Budget Adjustments

Program I.D.	Description of Adjustment	FTE	\$ Amount	MOF
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



Department of Taxation

Supplemental Budget Attachments

Attachment 5 FY 09 Capital Improvements Program Summary

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



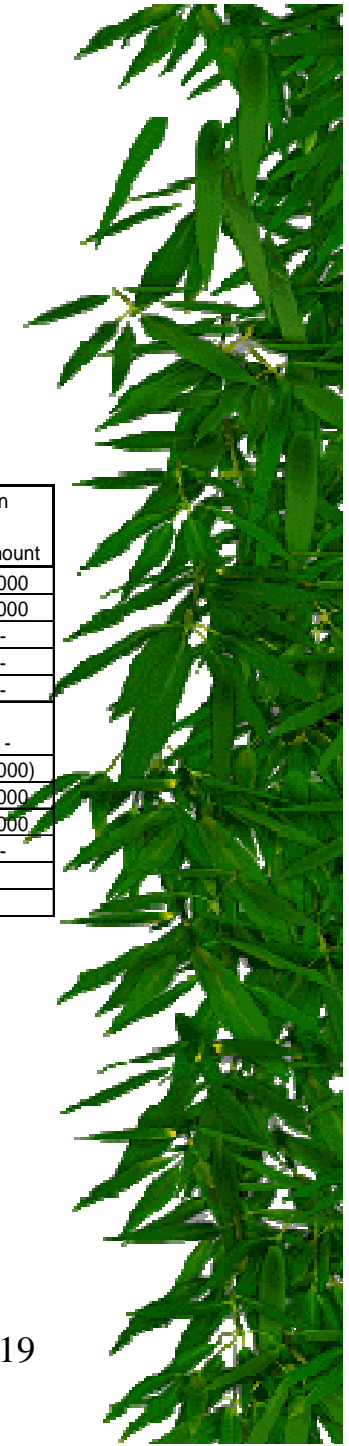
Department of Taxation

Supplemental Budget Attachments

Attachment 6 FY 09 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



Department of Taxation

Supplemental Budget Attachments

Attachment 7 Actions to Realize Savings

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



Department of Taxation

Supplemental Budget Attachments

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

Date of Vacancy	Program I.D.	Position Title	n Numbe	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
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



Department of Taxation

Supplemental Budget Attachments

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:	
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	
08/07/07	TAX107	Information Technol Spct IV	1493	N	\$ 45,612	\$ 47,832	A	TAX107	Y	recruitment in progress	
8/7/2006											
(NOTE 3)	TAX107	Information Technol Spct 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:

1 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. **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.

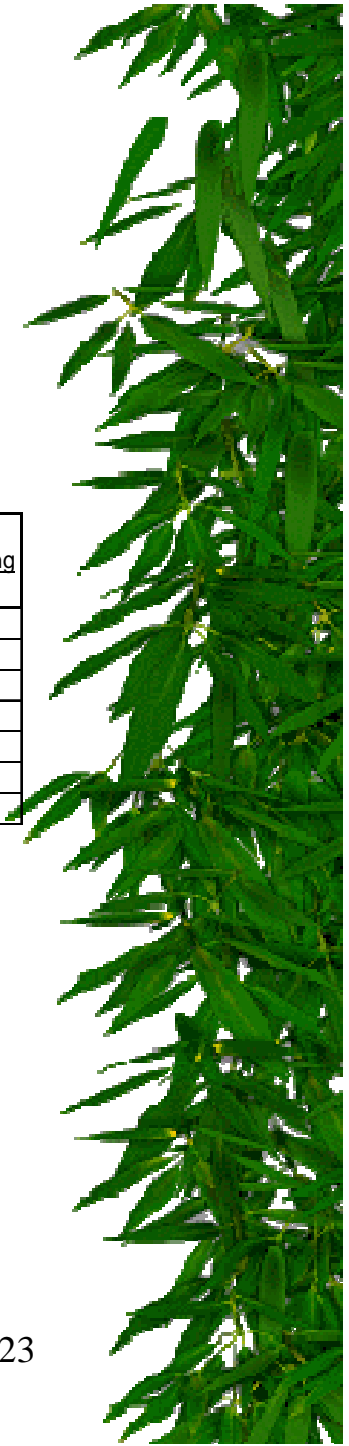


Department of Taxation

Supplemental Budget Attachments

Attachment 9
List of Expenditures Exceeding Federal Fund Ceiling for FY 07 and FY 08

<u>Program ID</u>	<u>FY07 Ceiling</u>	<u>FY07 Expenditures</u>	<u>FY08 Ceiling</u>	<u>FY08 Expenditures</u>	<u>Reason for Exceeding Ceiling</u>	<u>Recurring (Y/N)</u>
None						

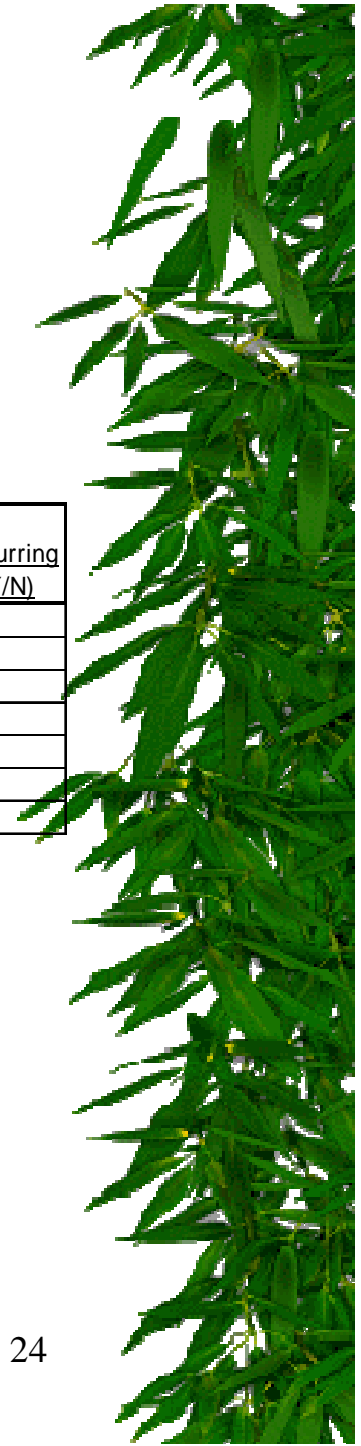


Department of Taxation

Supplemental Budget Attachments

Attachment 10
Listing of Transfers for FY 07 and FY 08

Program ID	<u>FY07</u> Ceiling	<u>FY07</u> Amount Transferred	<u>FY08</u> Ceiling	<u>FY08</u> Amount Transferred	<u>Reason for Transfer</u>	<u>Recurring</u> (Y/N)
None						

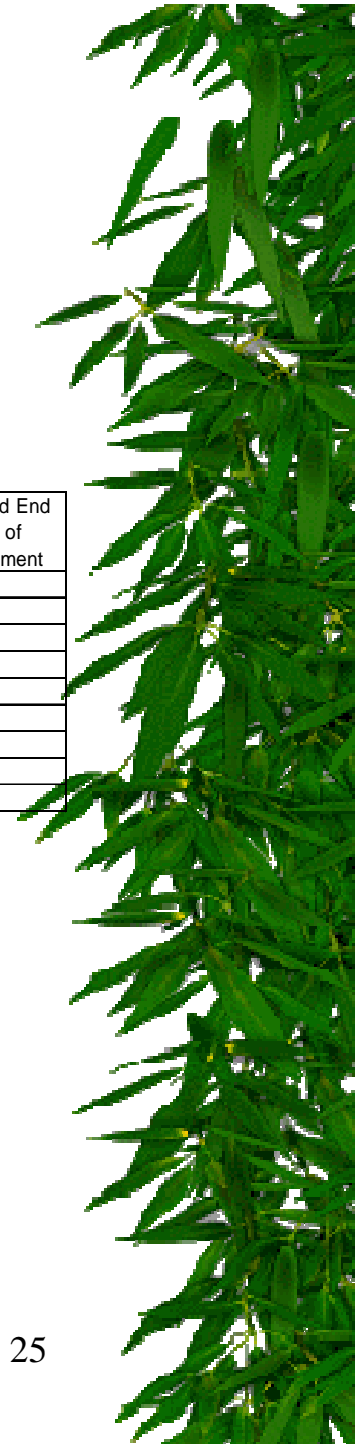


Department of Taxation

Supplemental Budget Attachments

**Attachment 11
Department Listing of Deployed Positions**

Position #	Position Title/Description	Program ID Originally Assigned to	Program ID Transferred to	Narrative Discussion on Why Position was Moved	Specific Reasons Deployment Will Result in More Efficient Functioning of Department	Impact to Program Originally Assigned to	Date Deployment Began	Expected End Date of Deployment
None								



Department of Taxation

★ *Questions/Comments?*

★ *Mahalo!*

