

The background of the slide is a collage of international banknotes and a globe. The banknotes are from various countries, including the United States (100 and 20 dollar bills), the Euro (100 and 20 Euro bills), the Australian Dollar (100 and 20 dollar bills), the Canadian Dollar (100 and 20 dollar bills), and the Guyanese Dollar (20 dollar bill). The globe is positioned in the upper left quadrant, showing the Americas. The overall color scheme is blue and green.

DEPARTMENT OF TAXATION

PRESENTATION TO SENATE WAYS AND MEANS
COMMITTEE

BY KURT KAWAFUCHI, DIRECTOR

January 21, 2010, 9:30 a.m., Room 211

Agenda

- Tax Services & Processing
- Revenue Enhancement Initiatives
 - Delinquent Tax Collection
 - Focuses on Unfiled GE & Withholding Tax Returns
 - Tax Fresh Start Program (Tax Amnesty)
 - Cash Economy
 - Voluntary Disclosure
 - Monetizing/Liquidating
- Supplemental Budget Request



TAX SERVICES & PROCESSING

Delinquent Tax Project – Non-Filer Initiative

- **GE Non-Filer Initiative Phases:**

- **Phase I** (*started Jun 08*) – primarily contained Federal match and other matching criteria for 2001 to 2007;
- **"Ongoing"** – of a recurring nature; tax year 2008 "Ongoing" started in Jun 09 and next year, 2009 "Ongoing" is targeted to start in Jun 10;
- **Phase II** (*started Aug 09*) – residual subset of Phase I that did not have a Federal match and/or other matching criteria.

- **WH Non-Filer Initiative (*ongoing*):**

- **Initial Phase** (*started Nov 09*) – for 2001 to 2008 tax years utilizing matching criteria.

Delinquent Tax Project – GE Non-Filer Initiative

- **Collective Results of all Phases (as of 1-8-10), a total of:**
 - **203,023** letters (1st and 2nd) sent
 - **158,196 (78%)** accounts resolved via letters (1st and 2nd) by the Taxpayers Services Division:
 - 115,748 additional returns filed and processed
 - 42,448 cancelled their GE license
 - **\$64.78** million collected from the Delinquent Tax Project's General Excise Tax Non-Filer Initiative Alone.

Delinquent Tax Project – WH Non-Filer Initiative

- **Collective Results of Withholding Non-Filer Initiative (as of 1-8-10), a total of:**
 - **23,802** 1st letters and **3,336** 2nd letters (*ongoing*) sent
 - **13,646 (57%)** accounts resolved via letters (1st and 2nd) by the Taxpayers Services Division:
 - 6,892 additional returns filed and processed
 - 6,754 cancelled their WH license
 - **\$131,543** collected from the Delinquent Tax Project's Withholding Non-Filer Initiative (*to date*).

Delinquent Tax Project – Other "Ongoing" Initiatives

- **Addition of an IVR Payment Plan (as of 1-8-10), a total of:**
 - **\$117,650** collected from the Delinquent Tax Project's Withholding Non-Filer Initiative (*to date*).



Emphasis upon Processing Tax Revenue Remittances-

– The Tax Services & Processing Division has maintained the following statistics:

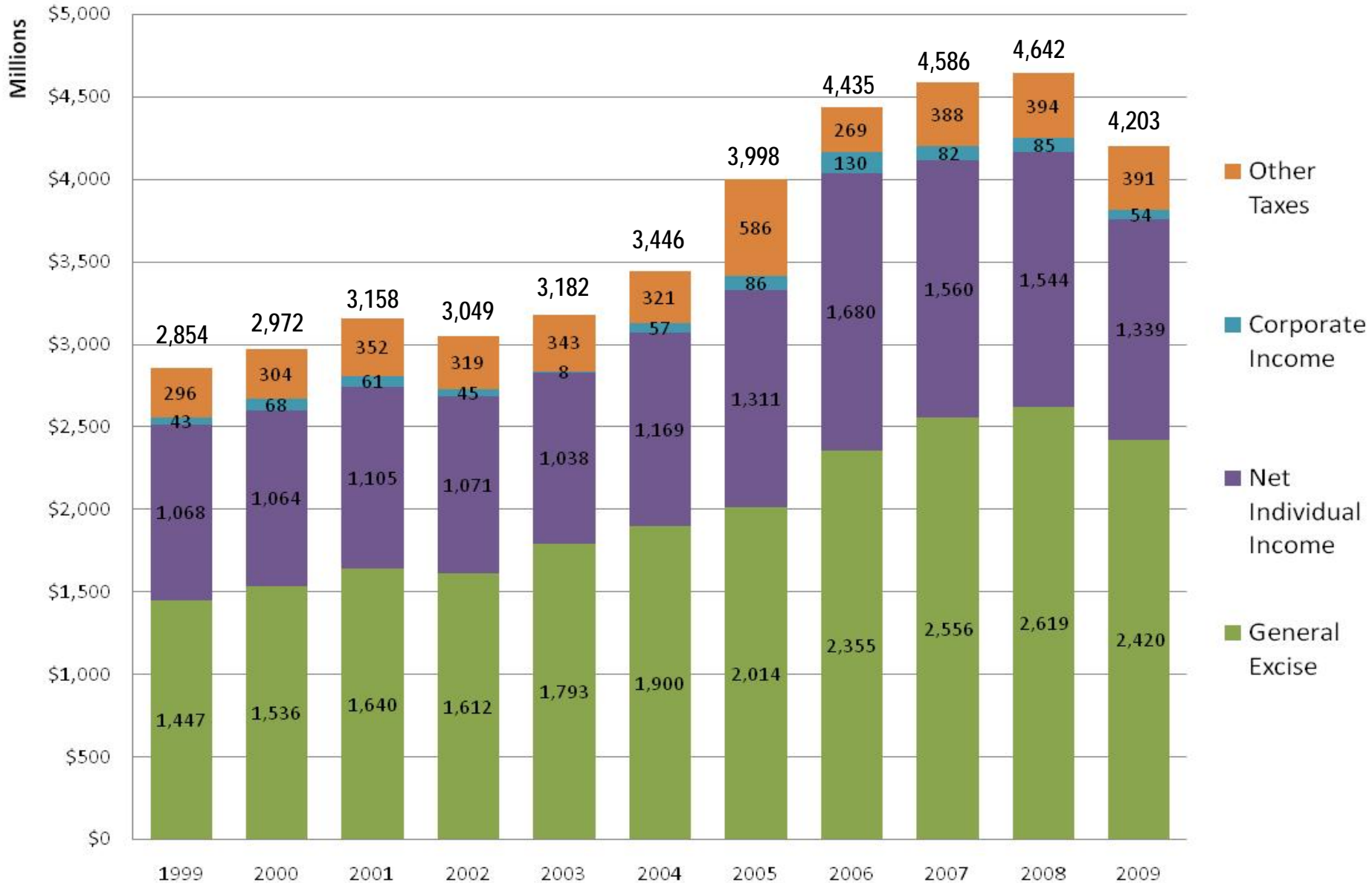
- Average business days to deposit checks from taxpayers:
 - 75 business days in FY 2006;
 - 17 business days in FY 2007;
 - 16 business days in FY 2008;
 - 10 business days in FY 2009;
 - From Jul to Dec 09 checks were deposited in 4.5 business days compared to 5.0 business days for the same period last year. Our targeted goal is to maintain the same performance as in FY:09 despite budgetary challenges.

Call Center's Performance

- Despite a significant increase in call volume primarily due to the Delinquent Tax Project's successful letter campaign, the Taxpayers Services Branch's call center maintained the following statistics despite budgetary challenges:
 - The overall call answer rate and volume:
 - 63% in FY 2007; volume 367,349 (*County Surcharge*);
 - 81% in FY 2008; volume 284,585;
 - 80% in FY 2009; volume 364,987 (*Delinquent Tax Project*);
 - From Jul to Dec 09 the overall call answer rate was 78% with a call volume of 129,107 compared to 69% with a call volume of 153,986 for the same period last year.

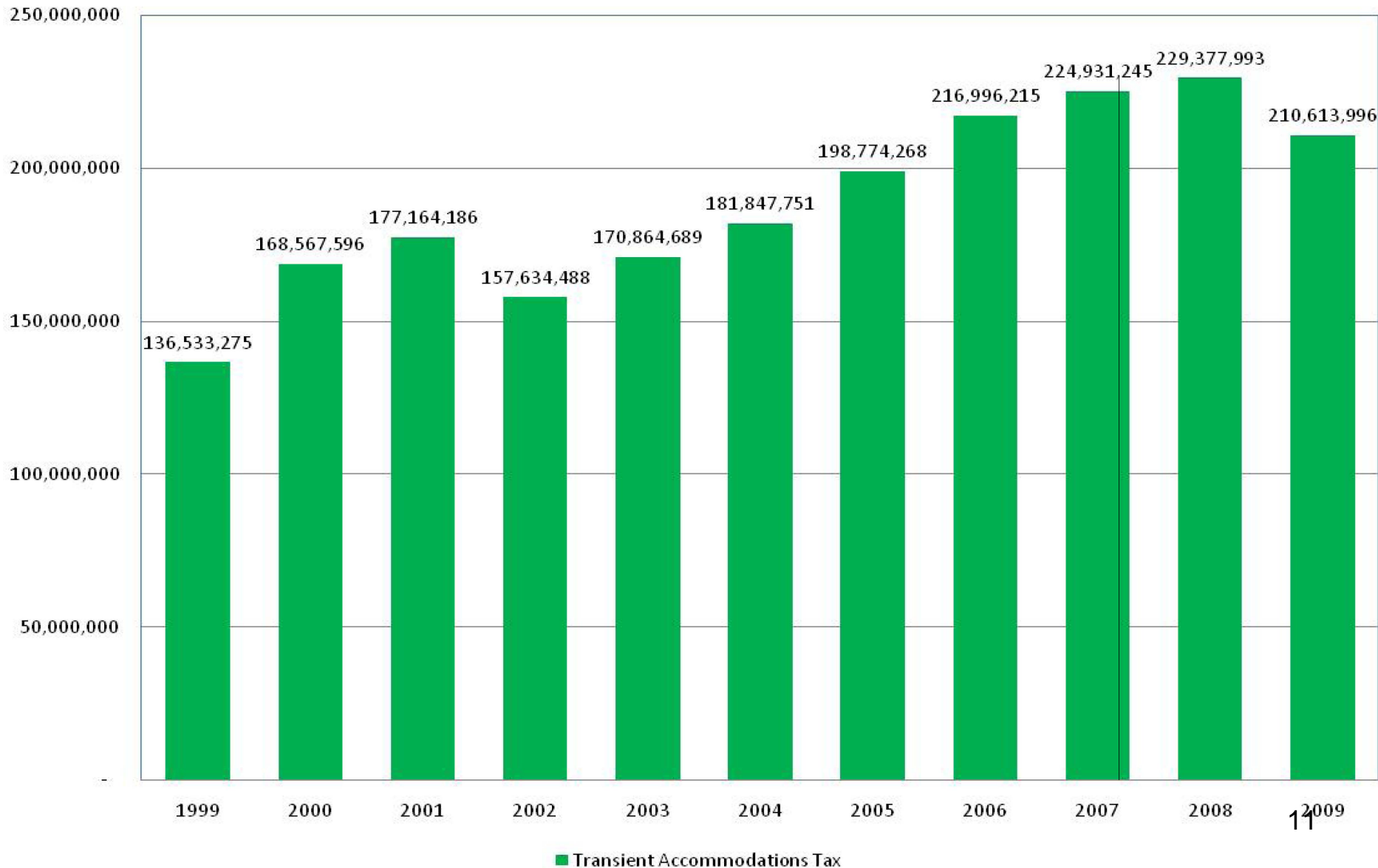
General Funds

Figure 1. General Funds (Fiscal Years: 1999 - 2009)



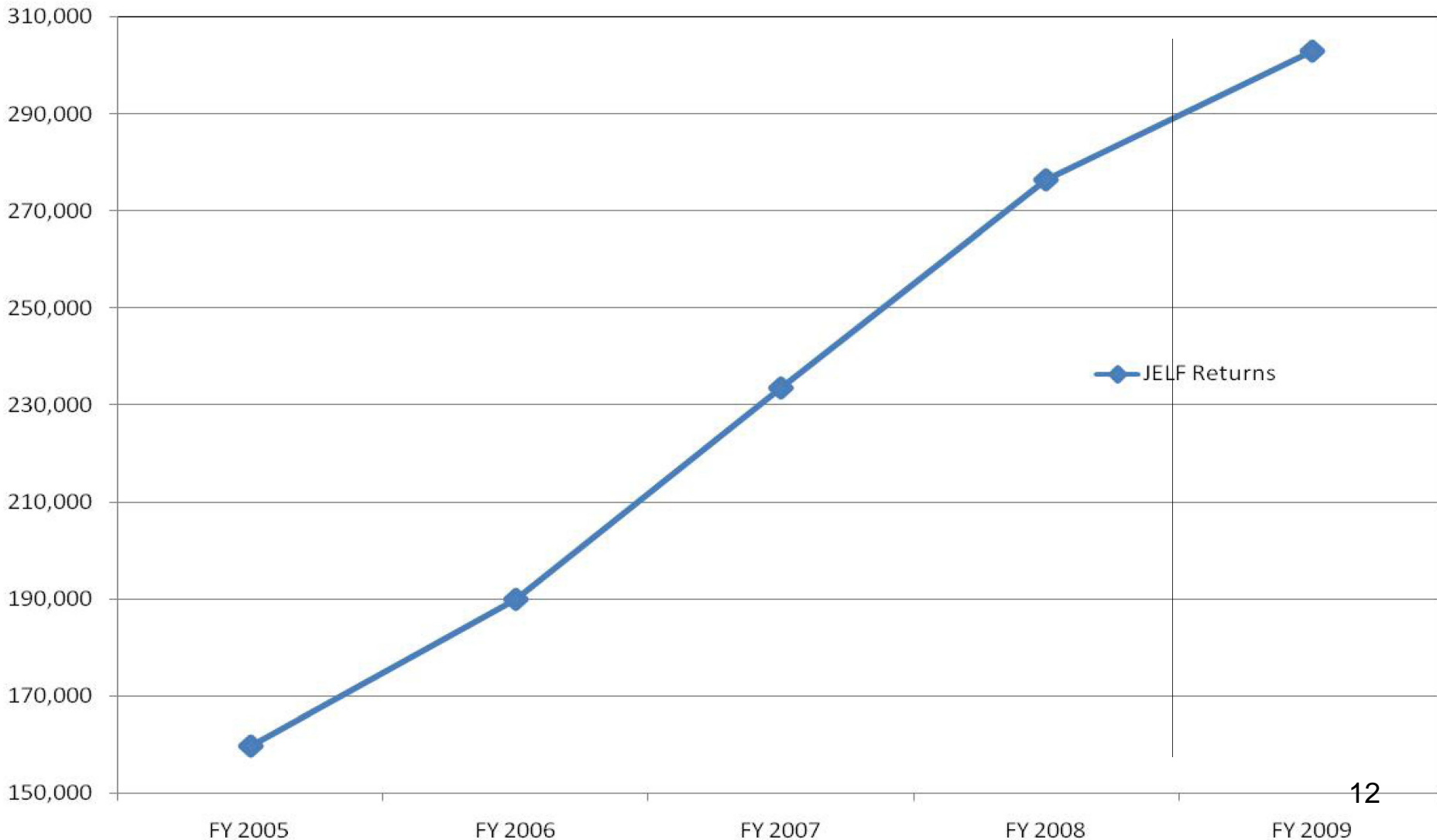
Transient Accommodations Tax

Figure 1a. Transient Accommodations Tax (Fiscal Years: 1999 - 2009)



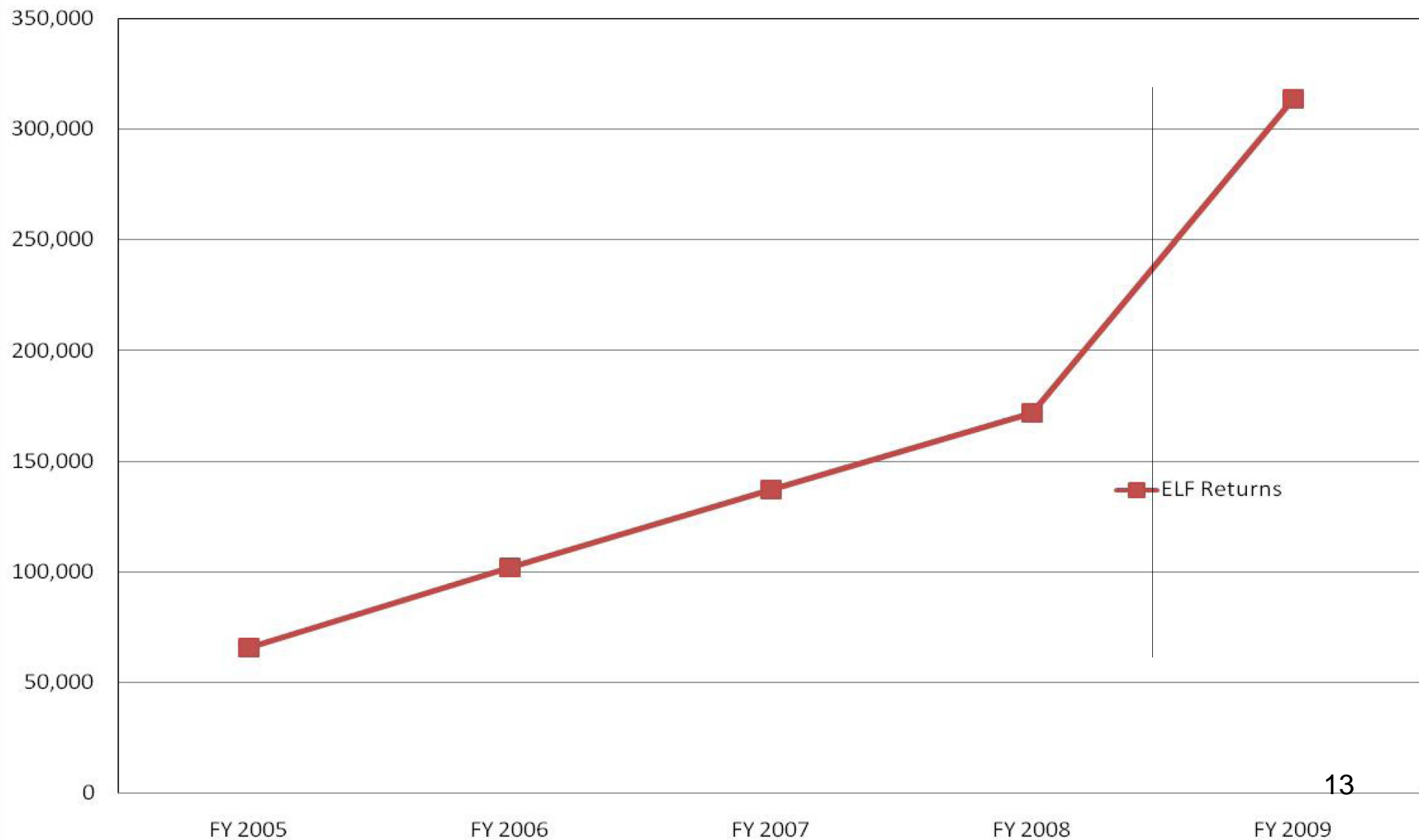
DOTAX Electronic Filing

**Figure 2. Joint Federal/State Individual Income Tax Filing (JELF)
(N-11 and N-15 Returns)**



DOTAX Electronic Filing

Figure 3. DOTAX On-line Filing (ELF)
(All Returns: G-45, G-49, N-13, TA-1, TA-2, HW-14)





REVENUE ENHANCEMENT INITIATIVES

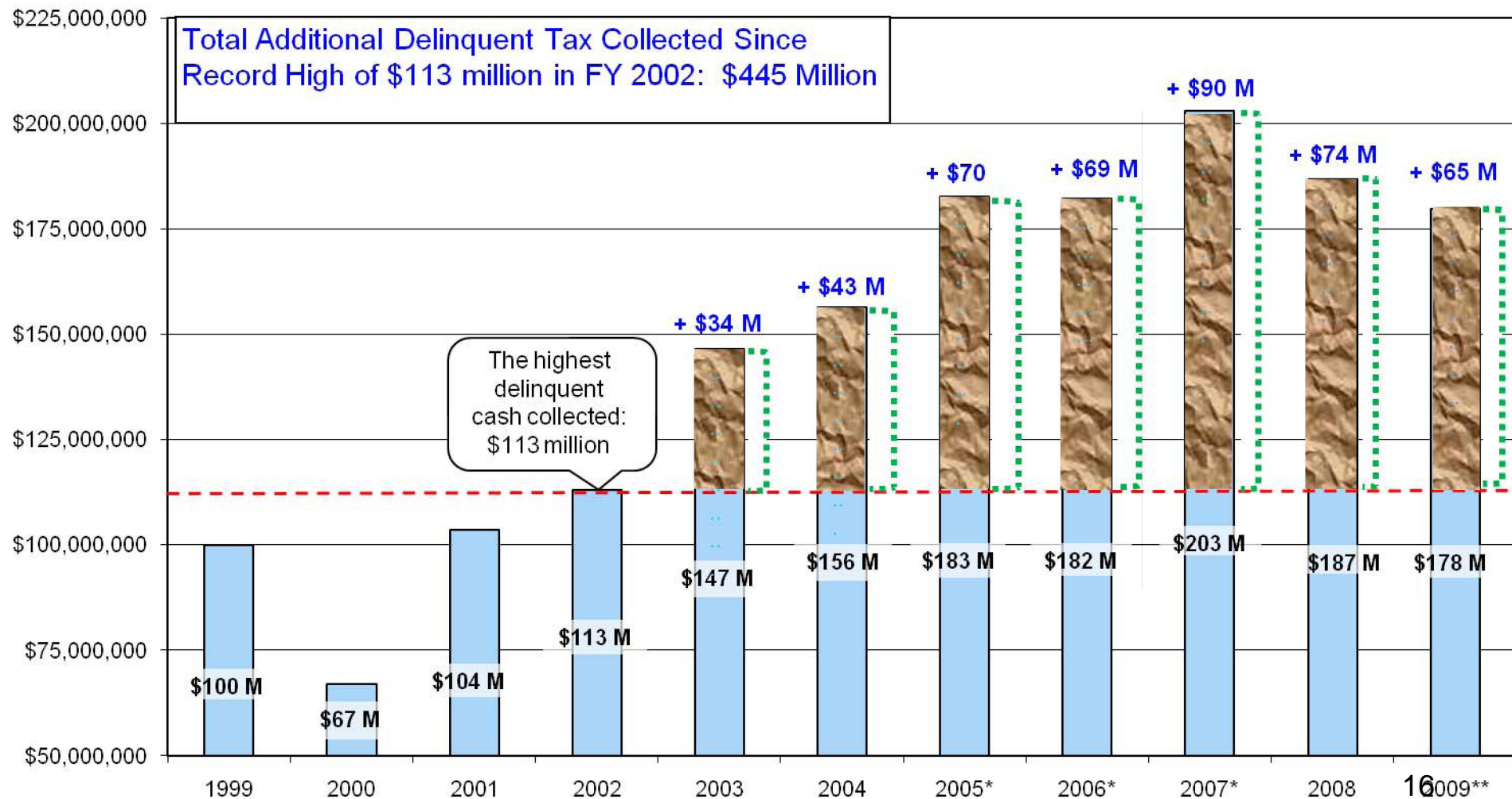
REVENUE ENHANCEMENTS INITIATIVES

- ***ONGOING DELINQUENT TAX COLLECTIONS***
- ***FRESH START PROGRAM***
- ***CASH ECONOMY***
- ***VOLUNTARY DISCLOSURE***
- ***MONETIZING/LIQUIDATING INVENTORY***



Delinquent Tax Collection

Figure 1. Delinquent Tax Cash Collections (Fiscal Years 1999 - 2009)



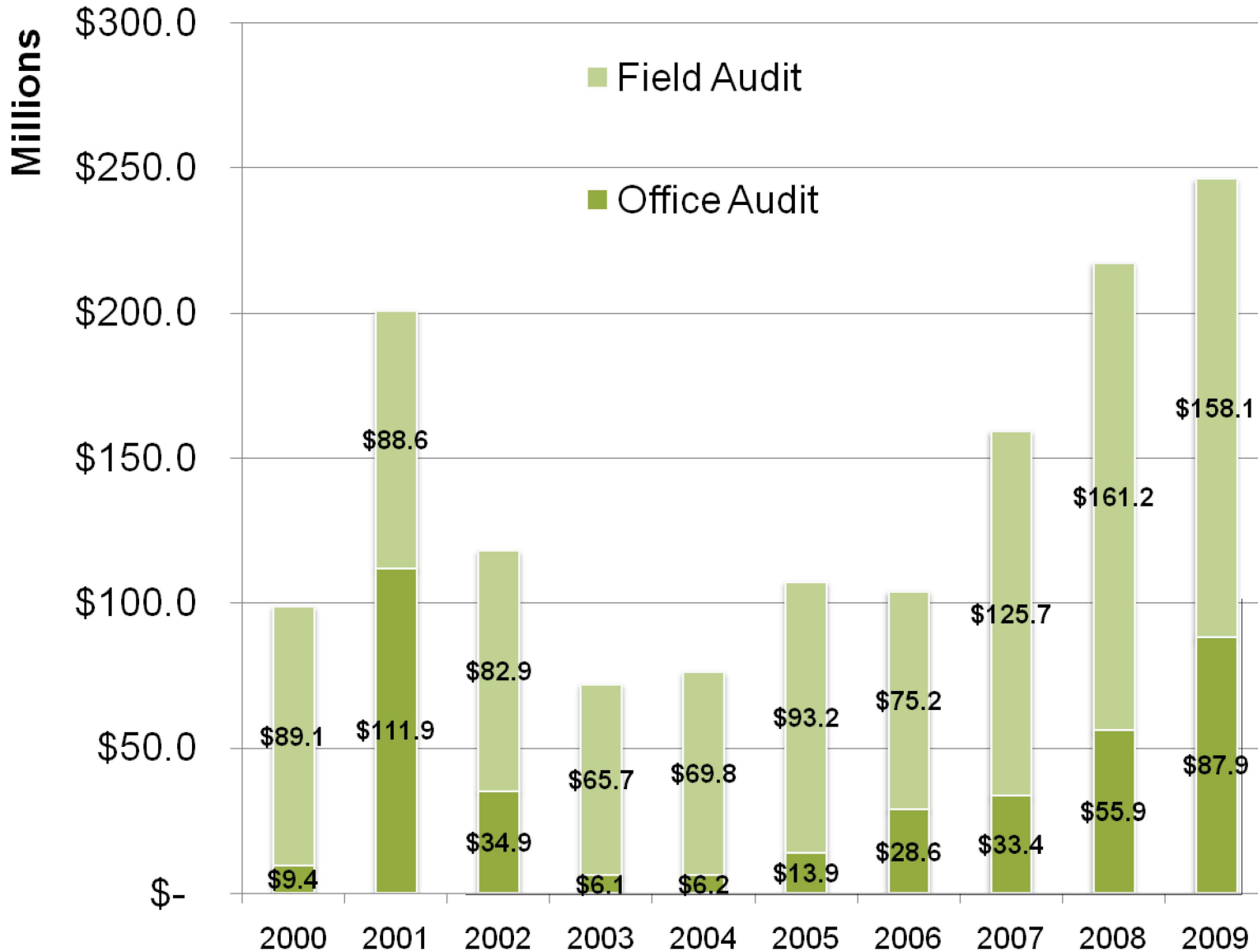
Notes: *Updated as May 15, 2009; **FY09 preliminary figure as of 1/11/2009

Delinquent Tax Collection

(In Millions)			
Year	Total Collected	*Baseline	Excels
2002	\$113 M	\$113 M	\$0 M
2003	\$147 M	\$113 M	\$34 M
2004	\$156 M	\$113 M	\$43 M
2005	\$183 M	\$113 M	\$70 M
2006	\$182 M	\$113 M	\$69 M
2007	\$203 M	\$113 M	\$90 M
2008	\$187 M	\$113 M	\$74 M
2009	\$178 M	\$113 M	\$65 M
Total	\$1,349 M		\$445 M
Amended Numbers			
*Historic High as of Fiscal Year 2002			



Audit Assessments



Audit Assessments

Dollars Assessed			
Year	Office Audit	Field Audit	Total
2000	\$9,439,596	\$89,085,989	\$98,525,585
2001	\$111,915,343	\$88,550,858	\$200,466,201
2002	\$34,943,444	\$82,852,251	\$117,795,695
2003	\$6,076,673	\$65,703,740	\$71,780,413
2004	\$6,201,659	\$69,773,813	\$75,975,472
2005	\$13,948,184	\$93,237,310	\$107,185,494
2006	\$28,632,627	\$75,164,257	\$103,796,884
2007	\$33,390,301	\$125,724,974	\$159,115,275
2008	\$55,903,300	\$161,162,850	\$217,066,150
2009	\$87,936,431	\$158,060,626	\$245,997,057

- Due to Audit's effort to increase and accelerate cash flow, more than \$192M has been collected by Auditors at the time of assessment over the last 6 years.
- The \$192M represents only initial cash collections, not the total cash eventually collected on assessments.



Tax Fresh Start Program (Amnesty)

- Offered on May 27, 2009 to June 26, 2009
- Outreach:
 - Press Releases
 - Newspaper Articles
 - TV News
 - Practitioners Groups, such as: Hawaii Society of CPAs, Hawaii Association of Public Accountants, Hawaii Enrolled Agents, Hawaii Bar Association – Tax Section, Hawaii Bar Association – Probate and Estate Planning Section, etc.
 - National Publications, such as: RIA and BNA Daily Tax Report.
- Budget: Internal resources



Tax Fresh Start Program (Amnesty)

- Total Collected in FY 2009
 - **\$8.4 million**
 - General Excise Tax: \$4.2 million (50%)
 - Income Tax: \$3.9 million (46%)
 - Transient Accommodations Tax/Rental Motor Vehicle: \$0.2 million (2%)
 - Miscellaneous: \$0.1 million (1%)
 - **\$6.0 million** from Offer in Compromise
 - Taxpayers didn't qualify under the Fresh Start program, but qualify under Offer in Compromise and Voluntary Disclosure
 - Total collected in FY09: **\$14.4 million** (projected was \$7 million)
- Who Participated?
 - 870 taxpayers
 - 2,693 tax years → approx. 3 years per taxpayer



Tax Fresh Start Program (Amnesty)

- Added Benefit
 - People who were off the radar screen came forward.
 - Fresh Start has encouraged an increase in voluntary disclosures to pay back taxes.
 - Why people did not participate in the Fresh Start (Amnesty) program
 - Didn't have the money or information;
 - Ran out of time.
 - The Department always entertains voluntary disclosure.





CASHECONOMY PROJECT

Cash Economy

Overall Strategy

- Kick-off with Outreach by the Director's Office and Rules Office
 - Issue Press Release (Issued on July 10, 2009)
 - Creating a Cash Economy on-line site
 - Contacting neighborhood boards, trade organizations, etc.
 - Participating in monthly meetings (if feasible)
 - Practitioner Groups
 - Kona: August 11, 2009 (re-scheduled)
 - Oahu: August 21, 2009 and September 8, 2009
 - Maui: August 27, 2009
 - Hilo: August 26, 2009
 - Kauai: September 11, 2009 (tentative)



Cash Economy

Overall Strategy (Cont.)

- Publicized at numerous presentations to the tax practitioners, the business community, the construction industry, et al.
- Ongoing site visits
- Cases already proceeding/being developed in high risk cash economy sectors, including but not limited, to:
 - Construction
 - Hospitality bars
 - Care/nursing homes
 - Real estate rentals
 - Retail/restaurants
 - Swap Meets, Waikiki Vendors, Open Markets



Cash Economy Project

- Seeking records of third-parties including suppliers of retail/restaurant, construction, et al., to identify high risk cash economy businesses
- Seeking cash transactions reports from financial institutions (CTRs) and businesses (Form 8300s)
- Inviting leads/referrals
 - Disgruntled ex-spouses/friends
 - Disgruntled current/ex-employees
 - Competitors
 - Other third-parties
 - Cash Payroll
 - True Records
- Voluntary Disclosure





Does your business involve “cash” transactions?

In July 2009, the Department of Taxation formed the Special Enforcement Section (SES), which is charged with carrying out complex civil enforcement efforts of Hawaii's tax laws.

The highest priority of the SES is to ensure that all Hawaii taxpayers pay their fair share and to prevent the shortchanging of those who comply with Hawaii tax laws.

Hawaii law authorizes the SES to enforce Hawaii tax laws through the issuance of cease and desist citations, which can include substantial monetary fines. The following are offenses citable by the SES:

Failure to produce license upon demand

Every person required to be licensed or permitted under Hawaii tax law is required to produce their license upon demand by the SES. A violation of this provision results in a **fine** not to exceed **\$500** for most persons. Cash-based businesses can be fined up to **\$1,000**.



Failure to obtain a GE license A violation of this provision results in a **fine** not to exceed **\$500** for most persons. Cash-based businesses can be fined up to **\$2,000**.

Failure to keep adequate books and records

Every person doing business in Hawaii is required to keep adequate books and records in order to show taxable receipts, deductions, credits, and other assessments or adjustments to their tax. A violation of this provision results in a **fine** not to exceed **\$1,000** for most persons. Cash-based businesses can be fined up to **\$2,000**.



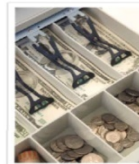
Failure to record transaction by receipt

Businesses with the means of issuing receipts must provide receipts to their customers. It is unlawful to conduct more than **10 business transactions per day** without a receipt where the means for issuing a receipt are available. A violation of this provision results in a **fine** not to exceed **\$1,000** for most persons. Cash-based businesses can be fined up to **\$2,000**.



Failure to record transaction by register

Businesses with the means of recording transactions in a register or similar device (e.g., a computer) must record the transactions. Similar to the offense of failing to record a transaction by receipt, the offense of failing to record a transaction by register occurs where a business conducts more than **10 business transactions per day** without recording the transaction in the register where the means for recording the transaction in a register are available. A violation of this provision results in a **fine** not to exceed **\$1,000** for most persons. Cash-based businesses can be fined up to **\$2,000**.



Tax avoidance price fixing

Persons who offer price differentials where the transaction is paid in cash may violate the offense of tax avoidance price fixing. However, there is no violation where there are legitimate business purposes for offering two prices for a transaction occurring in cash, such as for credit card fee recovery. A violation of this provision results in a **fine** not to exceed **\$2,000** for most persons. Cash-based businesses can be fined up to **\$3,000**.

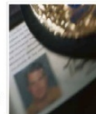


Possession of currency for tax avoidance purposes

Where a person possesses cash for the purpose of avoiding taxes, the violation of possession of currency for tax avoidance purposes occurs. A violation of this provision results in a **fine** not to exceed **\$2,000** for most persons. Cash-based businesses can be fined up to **\$3,000**.

Interference with a tax official

It is unlawful for any person to interfere with, hinder, obstruct, prevent, or impede investigators of the SES or other Department of Taxation employee in furtherance of obtaining information or property rightfully entitled the Department. However, a person does not commit this violation where they act with good cause. A violation of this provision results in a **fine** not to exceed **\$2,000**.



For more information, please visit www.hawaii.gov/tax

Cash Economy

Sample Brochure



CITATION
(Special Enforcement Section)

- Personal Service
 Certified Mail
 Other

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PART I. IDENTIFICATION OF TAXPAYER/PERSON

SENSEIN: _____ Hawaii Tax ID No.: **W**

NAME: _____ PHONE: _____

ADDRESS: _____

CITY: _____ STATE: _____ POSTAL/ZIP CODE: _____

PART II. LOCATION OF OFFENSE

Same as Part I

Vehicle _____ License No. _____

Brand/Store/Website Location _____

Other _____

PART III. ALLEGATION OF TAX LAW VIOLATION(S)

On or about this _____ day of _____, 20____, at/about _____ (or/00m), the undersigned certifies that the above person has violated is violating is about to violate (check all that apply), the following provision(s) of Title 14, Hawaii Revised Statutes, relating to tax administration:

§ 201-1 (Failure to Produce License Upon Demand) § 201-11 (Tax Avoidance "Vita Frag")
 § 201-11 (Failure to Keep Adequate Books & Records) § 201-10 (Possession of Certain Currency)
 § 201-1 (Failure to Record Transaction by Receipt) § 201-10 (Reference with Tax Official)
 § 201-11 (Failure to Record Transaction by Register) § 201-9 (Failure to Obtain GET License)
 Other _____

PART IV. ALLEGATION OF CASH-BASED BUSINESS

The undersigned further certifies that, based upon evidence, information, or belief, the above person is a cash-based business, as defined in HRS § 201-1, allowing for assessed fines, based upon the following:

The above person operates a business:

- Pays off pay for profit, where transactions in goods or services are exchanged substantially for cash and the business is found based upon identifiable assets and/or distribution or activities described in Part VII to involve at least one of the following:
 - Has a past pattern of noncompliance with tax obligations.
 - Does not have a fixed and permanent principal place of business.
 - Has not obtained any required tax clearance.
 - Has failed to maintain adequate books and records.
 - Does not accept electronic or electronic payment devices.
 - Offers price differentials where the transaction involves payment of cash.
- Is found to have consistently underreported information and/or the proper amount of tax liability on any returns or submissions to the Department of Taxation.
- Is required to be licensed, registered, or permitted and is not so licensed, registered, or permitted.
- Other _____

PART V. OBSERVATIONS OF ALLEGED VIOLATIONS

The undersigned further certifies that, based upon evidence, information, or belief, there is cause to issue this cease and desist citation based upon the following:

PART VI. CIVIL FINE/CEASE & DESIST CITATION

YOU ARE HEREBY CITED TO CEASE AND DESIST FROM ALL ACTIVITIES FOUND TO BE UNLAWFUL AND IN VIOLATION OF TITLE 14, HAWAII REVISED STATUTES:

No civil fine has been assessed against you and this cease and desist citation serves as a formal warning against further unlawful action.

A civil fine of \$ _____ has been assessed against you.

PART VII. JEOPARDY COLLECTION

The undersigned further certifies that:

The fine in this matter is not deemed to be in jeopardy and may be paid within 30 days from the date of this citation.

The fine in this matter has been deemed to be in jeopardy and shall be immediately collected. The (jeopardy) date (month/day/year) is the following:

PART VIII. SPECIAL ENFORCEMENT SECTION CERTIFICATION

The undersigned certifies that there are just and reasonable grounds to believe the foregoing violations have been committed and this cease and desist citation will be filed with the Director of the Department of Taxation, State of Hawaii, charging the above person accordingly.

SES Agent: _____ Agent ID: _____ Date: _____

PART IX. ACKNOWLEDGMENT OF RECEIPT

Signature of Taxpayer/Person or Officer, Member, Partner or Agent: _____ Date: _____

Name and Title of Taxpayer or Officer, Member, Partner or Agent of Taxpayer/Person Above: _____

IMPORTANT—YOU HAVE APPEAL RIGHTS

You have been cited for violation of Hawaii tax laws under Title 14, Hawaii Revised Statutes. This citation is an allegation made by a government official and may be appealed pursuant to Hawaii law.

IF YOU DO NOT CONTEST THIS CITATION—If you agree with the facts alleged in this citation or wish not to challenge or otherwise appeal the findings contained herein, you may select the option **NOT TO CONTEST** this citation below, sign, and return this document with full payment to the Special Enforcement Section at the address below within 30 days from the date of this citation. By not contesting this citation, you agree that all further appeal rights are waived and that the fine is immediately collectible. By not contesting this citation, you do not need to appear before the Department of Taxation. Payment must be made in full by check or money order made payable to the State of Hawaii Tax Collector.

IF YOU WISH TO CONTEST THIS CITATION—If you disagree with the facts alleged in this citation or would like to appeal the findings contained herein, you must select the option **TO CONTEST** this citation below, sign, and return this document to the Special Enforcement Section at the address below within 30 days from the date of this citation. By contesting this citation, you are filing a formal appeal before the Department of Taxation, at which you must appear. You may hire an attorney or other tax professional to represent your interests. There is no fee for a hearing. Once the Department of Taxation has received a timely request for an appeal, you will receive further notice on the time and date for a hearing before the Director of Taxation or the Director's designee, as well as other information about your rights.

FURTHER INFORMATION—For more information, please contact the Department of Taxation, Special Enforcement Section, at _____

FILING ADDRESS—This citation must be filed with the Special Enforcement Section within 30 days from the date of this citation to the following address:

Department of Taxation, Special Enforcement Section
850 Punchbowl Street, Room 3XX
Honolulu, Hawaii 96813

DUE PROCESS SELECTION—I wish:

NOT TO CONTEST THIS CITATION AND PAYMENT IS ENCLOSED FOR THE FULL AMOUNT. (Undertaking by selecting this option, all further appeal rights are waived.)

TO CONTEST THIS CITATION AND RECEIVE A HEARING BEFORE THE DIRECTOR OF TAXATION.

Signature of Taxpayer/Person or Officer, Member, Partner or Agent: _____ Date: _____

Name and Title of Taxpayer or Officer, Member, Partner or Agent of Taxpayer/Person Above: _____

Cash Economy

Sample Citation



Cash Economy

Overall Strategy (Cont.)

- Hotline for Confidential Tips
 - The SES can be contacted 24 hours a day, seven days a week, 365 days a year at the following contact—
 - AUTOMATED PHONE MESSAGING: 808-587-1456
 - EMAIL: SpecialEnforcementSection@hawaii.gov
 - FAX: 808-587-1633
 - MAIL: Special Enforcement Section, Room 225
Department of Taxation
PO Box 259
Honolulu, Hawaii 96813
- Publicize/Advertise Few Big Profile Cases
- Be Visible and Be Out There
 - Field work will have a big impact



Cash Economy

Budget

- Draft budget includes 9 positions
 - 6 positions authorized under Act 134, SLH 2009 (SB 972 CD1)
 - 3 administrative rules specialist positions
- Other Current Expenses include:
 - Outreach - 2 one-day trips per island
 - Investigator travel - 6 trips; 5 days/trip per quarter
 - Brochures - creation/translation/printing
 - Advertisements - paid newspaper and radio advertisements
 - CFE membership and training
 - Subpoenas
 - Assumes no cash buys (petty cash expenditures)
- Equipment
 - Laptops with numeric keypads and wireless modems
 - Mobile printers



Cash Economy

Establishing the Special Enforcement Section

- The Cash Economy/Special Enforcement Section (SES) will be under the Compliance Division
 - Establish position descriptions
 - Hire agents
 - Train agents
 - Establish procedures
 - Rules Office help with write ups of the procedures, create forms for fees, etc. (Draft form for issuing fines created and being reviewed).
 - Handling fees collected.



Cash Economy

Target Revenue for FY 2010

- Direct effect: \$1.1 million
- Indirect effect: \$10.8 million
 - From the direct revenue, up to \$0.5 million goes to special fund to fund the Special Enforcement Unit

Draft Timeline

- Outreach: July – December, 2009
- Hiring and Training the SES: September, 2009 – June, 2010
- Advertise Few Big Profile Cases: December, 2009 – December, 2010



Voluntary Disclosures

- Long-standing IRS and Hawaii Tax Department policy
- Generally, encourage tax payers to file unfiled and/or amended tax returns
- Lack of triggering event
- Full and complete disclosure and cooperation
- Payment of Tax Obligations
 - Tenzer case
 - If appropriate, consideration for number of years and possible waivers of penalties and/or partial interest
 - Offshore Voluntary Disclosure Program





LIQUIDATING INVENTORY

Monetizing/Liquidating inventory

- Seek to monetize/liquidate cases from proposed assessment through appeals to accounts receivable
- Many audit cases involving years after assessment to current periods
- Looking to settle appropriate cases today rather than waiting 3-5 years
- During December, 2009, the Department collected through settlements and voluntary disclosures roughly \$18 million, in addition to normal delinquent tax collections.



Liquidating Inventory

Overall Strategy (Cont.)

- Global Settlement (cont.)
 - Why offer settlements?
 - No case is 100%
 - Less resources impacted on trivial cases
 - Resources dedicated to generating optimal revenue
 - \$8 today is worth more than the possible \$10 in the future
 - Government has to pay interest when it loses.
- DOTAX attorneys to work settlement cases with auditors.





DELINQUENT TAX
PROJECT: 06/08 – 12/09

Delinquent Tax Project

- What: revenue-generating project focused on delinquent tax collection initiatives via letter campaign (approx. 69,000+ non-filed tax return letters mailed to non-filers), and follow-up assessments of taxes not reported to the State based on federal data obtained from the IRS in certain selected cases.
- When: 06/01/08 to current
- How: financed through delinquent tax collections generated via ITIMS



Delinquent Tax Project - Continued

- Why: to encourage voluntary compliance, allow the State to better collect taxes owed, and encourage cancellations of business tax accounts of businesses officially closed to clear registration rolls
- Results:
Gross collections in FY 2009: 44 million;
Gross collections to date (from 06/08 to 12/09):
66,187,827.99





SUPPLEMENTAL
FY2011
BUDGET REQUEST

Supplemental FY2011 Budget Requests

- Reductions

Description of Reduction	Impact of Reduction	Prog ID	Pos (P)	Pos (T)	\$\$\$	MOF
Abolish positions FY10 & FY 11	Revenue loss \$4M FY11/\$12M thereafter	TAX 100	(10.00)	(14.00)	-	A
Abolish positions FY10 & FY 11	Positions not funded	TAX 105	(11.00)	(43.00)	-	A
Abolish positions FY10 & FY 11	Positions not funded	TAX 107	(3.00)	(17.00)	-	A
Sub-total			(24.00)	(74.00)	-	
Abolish positions FY 11	(1) Office Audit, (2) DTCA = \$1.5M revenue loss FY11, \$3M thereafter; (1) Kauai Taxpayer Services (TPS)- 25% decrease in Kauai TPS staffing	TAX 100	(4.00)	-	(136,668)	A
Abolish positions FY 11	Efficiencies achieved through automation, ITIMS Imaging System (IIS)	TAX 105	(4.00)	-	(156,456)	A
Abolish positions FY 11	Anticipated retirement	TAX 107	(1.00)	-	(47,412)	A
Sub-total			(9.00)	-	(340,536)	
Reflect furlough savings	Decrease in productivity 9.23% FY11-decrease in tax assessments and delay in collections	TAX 100	-	-	(817,500)	A
Reflect furlough savings	Efficiencies achieved through automation and streamlining, no material impact	TAX 105	-	-	(532,932)	A
Reflect furlough savings	Decrease in productivity 9.23% FY11	TAX 107	-	-	(403,832)	A
Sub-total			-	-	(1,754,264)	
Increase turnover savings	Estimated revenue loss \$4M in FY11 and \$12M/yr thereafter	TAX 100	-	-	(339,520)	A
Increase turnover savings		TAX 105	-	-	(31,212)	A
Increase turnover savings	20% reduction in Special Enforcement Section (Cash Economy) impact Section's ability to generate revenues and investigate high risk businesses. Note: If request to increase Tax Admin Special Fund is critical to funding six remaining unfilled positions.	TAX 107	-	-	(150,000)	A
Sub-total			-	-	(520,732)	



Supplemental FY2011 Budget Requests

- Additions

- Special Fund Ceiling Increases

- Cigarette Tax Stamp Special Fund

- Request ceiling increase of \$20,000
- Covers increase in cost to manufacture and distribute cigarette tax stamps

- Tax Administration Special Fund

- Request ceiling increase of \$575,000
- Covers expenditures of Special Enforcement Section (Cash Economy)

	Current Ceiling	Requested Increase	Requested Ceiling
Cigarette Tax Admin Special Fund	\$ 252,000	\$ 20,000	\$ 272,000
Tax Administration Special Fund	\$ 200,000	\$ 575,000	\$ 775,000
	\$ 452,000	\$ 595,000	\$ 1,047,000



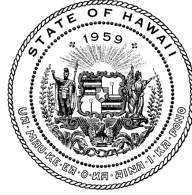


THANK YOU

www.hawaii.gov/tax

LINDA LINGLE
GOVERNOR

JAMES R. AIONA, JR.
LT. GOVERNOR



KURT KAWAFUCHI
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STANLEY SHIRAKI
DEPUTY DIRECTOR

STATE OF HAWAII
DEPARTMENT OF TAXATION
P.O. BOX 259
HONOLULU, HAWAII 96809

PHONE NO: (808) 587-1510
FAX NO: (808) 587-1560

SENATE COMMITTEE ON WAYS AND MEANS

BUDGET BRIEFING TESTIMONY

TESTIFIER: KURT KAWAFUCHI, DIRECTOR OF TAXATION (AND EXECUTIVE STAFF)
DATE: JANUARY 21, 2010
TIME: 9:30 AM
ROOM: 211

I. 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."

Practically, the Department is focused on (1) enhancing and accelerating the revenue stream; (2) providing the best customer service; and (3) facilitating Hawaii's economic recovery and development.

II. ECONOMIC IMPACT

The Department of Taxation (Department) has not been immune from the current unprecedented economic challenges facing the State. For the past several years, the Department's primary operational goals have been to improve overall tax administration by increasing efficiencies and processing, as well as to continue its increase in delinquent tax collections on a year-over-year basis. The Department believes that it has had great successes with both of these goals since the beginning of the Lingle-Aiona Administration.

The single greatest impact on the Department's operations resulting from the economic challenges is the reduction in staff resources that are otherwise dedicated to the assessment, collection, and enforcement of the tax laws. In the interest of shared sacrifice, the Department—like its sister agencies—implemented furlough and reduction-in-force policies that have directly impacted its ability to maintain the tax administration services and compliance initiatives at prior levels. Quite simply, the Department cannot administer the tax law at the rate of success with which it had in years past in this current economy with the reduction in resource deployment.

Nonetheless, the Department visualizes itself as the agent of change by aggressively confronting the current economic and fiscal conditions affecting the State of Hawaii, as well as the same conditions impacting the national and the global economies. Although all state agencies are being challenged to deliver better, less costly, and more customer-focused services, the Department is also uniquely being challenged to bring in additional state revenues while experiencing substantial budget cuts at rates similar to its sister agencies in a shrinking economy.

The Department continues to focus its limited resources on maximizing revenues through targeting the "Tax Gap," rather than resort to tax increases. Last legislative session, the Department's enhanced revenue collection efforts focused primarily on the cash economy. In the Department's assessment, the Tax Gap remains as large—if not larger—than the year prior, anecdotally due to the desperate economic conditions facing businesses, the reduced spending by consumers and tourists, and the use of moneys collected as tax recoveries (*i.e.*, GET pass-on) being utilized to carry a business during these tough times. The Hawaii "Tax Gap," which is the difference between the amount of tax *required to be reported and paid* and the amount of tax that is *actually reported and paid*, remains estimated at over \$1 billion per year, and is likely growing.

The current economic environment is a difficult one for tax administration. Such is the case not only in Hawaii, but throughout the country. Where there is less revenue from less business activity; less profit from fewer sales; more losses rather than gains, there simply are fewer and smaller transactions to tax. Taxpayers also have less resources to pay their taxes. With the shrinking economy is also a shrinking tax base. To avoid compounding revenue loss resulting from the slowing economy, the Department plans to remain vigilant to ensure taxpayers do not fall behind in their obligations to the government.

The Department continues to “think outside the box” for innovative ways to reduce the Tax Gap and has been very successful in this regard. As its stated top priority since last session, implementing novel revenue generating initiatives and increasing efficiencies with dwindling resources has taken center stage.

Though the Department's core function of administering taxes and generating revenue has been at the forefront, the Department's management recognizes daily the continued need to focus on the inevitable challenge of succession planning over the coming years. Many top-level managers and high ranking staff are qualified to retire. With the implementation of pay cuts and furloughs, many of these persons have been actively considering retirement, especially if continued cuts to pay are on the horizon. Succession planning is the single greatest challenge facing the Department's growth in the coming years and its ability to succeed in ensuring a robust revenue stream for the State.

The current economy and fiscal conditions have greatly impacted the Department. Nonetheless, the Department and its dedicated staff remain steadfast in ensuring that the public, its other sister agencies, and employees are not further impacted by reduced revenue collections. The Department will continue to implement its revenue generating initiatives and implement efficiencies to maximize its limited resources.

III. ALTERNATIVES CONSIDERED

A. Generating Additional Revenues for the State

The Department has undertaken numerous revenue generating initiatives in response to the current economic conditions of the State, including—

"FRESH START PROGRAM"—Before the close of the 2009 Fiscal Year, the Department offered a one-time tax amnesty program for taxpayers that had failed to file or underreported amounts to come forward and pay any taxes due. In exchange for the voluntary compliance, taxpayers were entitled to a reduction in the interest charged and also received a waiver of penalties and were not referred for criminal prosecution. The Fresh Start Program was a success and raised approximately \$14,000,000 million (including settlements)—more than twice what was initially projected.

Based upon the success of the prior Fresh Start Program, the Department is considering offering another tax amnesty program for targeted industry sectors, *e.g.*, cash economy. The Department also continues to welcome voluntary disclosures.

VOLUNTARY DISCLOSURES—The Department has always had an informal voluntary disclosure program whereby a taxpayer can come forward voluntarily and report unreported tax. In these cases, taxpayers ordinarily pay full interest. Penalty waivers are considered and taxpayers are not affirmatively referred for criminal prosecution. The Department has highlighted its informal voluntary disclosure program at conferences and workshops. The Department has been working on a formal practice of allowing voluntary disclosures in order for more taxpayers to take advantage of this practice. Lastly, the Department initiated a formal voluntary disclosure program for undeclared offshore bank account income for those taxpayers with offshore bank accounts who were also participating in the recent IRS voluntary disclosure program for offshore accounts. Finally, during December, 2009, the Department generated approximately \$18,000,000 million in revenues, in addition to other delinquent tax collections, through voluntary disclosures and large case settlements.

GLOBAL SETTLEMENT INITIATIVE—The Department carries a docket of dozens of tax appeal cases that are before the Boards of Taxation Review and the Tax Appeal Court. The Department has initiated an effort to settle cases that are highly factual that do not include disputes of law. The Department has had some success in resolving tax appeals informally and continues to entertain settlement discussions with any taxpayers with an active case or controversy. Furthermore, the Department is interested in settling most cases generally from the proposed assessment stage through the accounts receivable stage. Many of the audited cases also involves years subsequent to the audit through the current period, *i.e.*, involves additional taxes.

SPECIAL ENFORCEMENT SECTION—Act 134, Session Laws of Hawaii 2009, also known as the "Cash Economy Enforcement Act," provided the Department with unique resources to increase taxpayer compliance in the area of the cash economy. The primary focus of the Cash Economy Enforcement Act is the creation of the Special Enforcement Section, which is a specialized

unit within the Department's Compliance Division. Since passage of the Cash Economy Enforcement Act, the Department has worked diligently in beginning the implementation of an entirely new operation within the Compliance Division. As of the end of the 2009, the Special Enforcement Section has generated approximately \$147,000 in direct revenues. The Department estimates that approximately \$1,470,000 in indirect revenues has been generated. Also, the Department has received numerous leads and is working on numerous cases involving the cash economy. For additional information on the Department's successes with the Special Enforcement Section, please see the Department's report to the Legislature dated December 21, 2009.

USE OF ADDITIONAL TAX COMPLIANCE TOOLS—Included in Act 166, Session Laws of Hawaii 2009, were various tools that greatly assist the Department in its compliance efforts. Included in this measure was the ability for the Department to extend the statute of limitations on assessments where there has been a substantial omission of an item on a tax return from three years to six years. This law allows the Department to open and audit cases that involve substantial errors in tax reporting. The Department has employed this resource in its audit projects to increase revenue collections by expanding the number of tax years it is authorized to audit that, without the law, it otherwise could not.

DEPLOYMENT OF PERSONNEL TO REVENUE GENERATING PROJECTS—The Department continues to deploy its personnel in a manner that makes fiscal sense, maximizing each person's skills in revenue generating capacities. Examples of deploying personnel in revenue generating capacities includes utilizing Tax Service & Processing personnel in the non-filer delinquent tax project and the use of Administrative Rules Specialists in compromising audit and appeal disputes or handling voluntary disclosure cases that result in generating revenue.

B. Shifting General Funded Operational Costs to Non-general Funds

As a general matter, the Department prefers to incur costs in administering Hawaii taxes by utilizing special funds, where appropriate. The Department has two special funds under its management—

- 1) **The Tax Administration Special Fund, HRS § 235-20.5.** The Department is authorized to offset the cost of issuing certain comfort rulings, the administration of certain tax credits, and the administration of the Special Enforcement Section through use of this special fund; and
- 2) **The Cigarette Tax Stamp Administrative Special Fund, HRS § 245-41.5.** The Department is authorized to offset the cost of tax stamps and the administration of the cigarette tax stamp program.

For purposes of the Tax Administration Special Fund, the Department continues to offset the proportionate salary and overhead costs associated with comfort rulings and administering certain tax credits through use of the special fund. Also, with the current general fund budget shortage, the Department will attempt to self-fund the Special Enforcement Section operations through use of special funds to the extent feasible. Because the Special Enforcement Section operations are still relatively new, the success in full-scale self-funding has yet to be seen.

The Department continues to utilize the moneys contained in the Cigarette Tax Stamp Administrative Special Fund to maintain tobacco stamps and the administration of the tax stamp program.

C. Outsourcing Activities Performed by Eliminated Personnel

The Department has not outsourced any activities performed by eliminated personnel.

D. Consolidation or Elimination of Programs Within Your Department

When considering positions to cut during recent budget reductions, the Department has all but abolished the External Training and Outreach Office (ETO). The initial purpose of the ETO Office was to provide external workshops and training to taxpayers and practitioners. For the past several years, the Department has been unable to adequately staff this office. All but one of the ETO positions was abolished in recent budget cuts.

One other division within the Department is considering a minor reorganization in order to improve efficiencies and streamline tax administration and processing. Additional progress on any further potential reorganization will be dependent upon other priorities.

Department of Taxation Department-wide Budget Summary

Table 1

Fiscal Year (FY) 2010				
Act 162/09 Appropriation (a)	Restriction* (b)	Emergency Appropriation (c)	Total FY10 (d)	MOF
22,176,219	(2,452,060)		19,724,159	A
452,000	(15,298)		436,702	B
			-	N
			-	T
			-	U
			-	W
22,628,219	(2,467,358)	-	20,160,861	Total
Fiscal Year (FY) 2011				
Act 162/09 Appropriation (e)	Reductions (f)	Additions (g)	Total FY11 (h)	MOF
22,118,877	(2,615,532)	-	19,503,345	A
452,000	-	595,000	1,047,000	B
			-	N
			-	T
			-	U
			-	W
22,570,877	(2,615,532)	595,000	20,550,345	Total
* The Governor approved release of funds for tax season hires and for filling Special Enforcement Section (Cash Economy) positions on 10/22/2009. Amount to be determined.				
The Department of Taxation is actively recruiting for the Cash Economy positions.				
One employee has been hired, one offer is in process, several potential candidates have declined due to uncertainty regarding the temporary nature of employment.				

Department of Taxation
Priority List of Functions

Table 2

Pri #	Description of Function	Activities (not in priority order)	Prog ID(s)	Statutory Reference
1	Tax Services and Processing	Document Processing	TAX 105	Title 14, Chapter 231, 231-3, HRS (generally); 231-3, 231-8.5, 231-9.9, HRS (specifically)
		Revenue Accounting		Title 14, Chapter 231, 231-3, HRS (generally)
		Taxpayer Services		Title 14, Chapter 231, 231-3, HRS (generally)
2	Compliance	Field Audit	TAX 100	Title 14, Chapter 231, 231-3, HRS (generally)
		Office Audit		Title 14, Chapter 231, 231-3, HRS (generally)
		Collections		Title 14, Chapter 231, 231-3, HRS (generally); 231-25 through 231-70, HRS (specifically)
		District Offices		Title 14, Chapter 231, 231-3, HRS (generally); 231-10, HRS (specifically)
		Criminal Investigations		Title 14, Chapter 231, 231-3, HRS (generally); 231-4.3, 231-34 through 231-36, HRS (specifically)

Department of Taxation
Priority List of Functions

Table 2

Pri #	Description of Function	Activities (not in priority order)	Prog ID(s)	Statutory Reference
		Special Enforcement		Title 14, Chapter 231, 231-3, HRS (generally); 231-81 through 231-100 (specifically)
3	Supporting Services-Revenue Collections	Directs and coordinates departmental activities	TAX 107	
		Administrative Services		Title 14, Chapter 231, 231-3, HRS (generally)
		Rules		Title 14, Chapter 231, 231-3, HRS (generally); 231-4.5, HRS (specifically)
		External Training and Outreach		Title 14, Chapter 231, 231-3, HRS (generally)
		Systems Administration		Title 14, Chapter 231, 231-3, HRS (generally); 231-8.5, HRS (specifically)
		Information Technology Services		Title 14, Chapter 231, 231-3, HRS (generally); 231-8.5, HRS (specifically)
		Tax Research and Planning		Title 14, Chapter 231, 231-3, HRS (generally); 231-3.4 (specifically)
		Council on Revenues		Haw. Const. Art. VII, Sec. 7; Chapter 37 Part VI, HRS (generally)

Department of Taxation
Priority List of Functions

Table 2

<u>Pri #</u>	<u>Description of Function</u>	<u>Activities (not in priority order)</u>	<u>Prog ID(s)</u>	<u>Statutory Reference</u>
		Tax Review Commission		Haw. Const. Art. VII, Sec. 3; Chapter 232E, HRS (generally)
		Board of Reviews		Title 14, Chapter 232, HRS (generally)

Department of Taxation
Resources by Program ID

Table 3

Prog ID/Org	Program Title	As budgeted in Act 162/09 (FY11)			Governor's Submittal (FY11)			MOF
		Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$	
TAX 100	Compliance	187.50	14.00	8,870,813	173.50	1.00	7,530,705	A
TAX 105	Tax Services and Processing	138.00	145.00	6,428,501	123.00	116.00	5,765,161	A
TAX 107	Supporting Svcs-Rev Collection	66.00	28.00	6,819,563	62.00	11.00	6,207,479	A
TAX 107	Supporting Svcs-Rev Collection	-	-	452,000	-	-	1,047,000	B
	DEPARTMENT TOTAL	391.50	187.00	22,570,877	358.50	128.00	20,550,345	

Department of Taxation
Current Year (FY10) Restrictions

Table 4

<u>Prog ID</u>	<u>Restriction \$\$\$</u>	<u>Impact</u>	<u>MOF</u>
TAX 100	(1,114,650)	Achieved through furlough savings and not filling vacant positions	A
TAX 105	(798,663)	Achieved through furlough savings and not filling vacant positions	A
TAX 107	(538,117)	Achieved through furlough savings and not filling vacant positions	A
TAX 107	(15,928)		B
	(2,467,358)		

Department of Taxation Proposed FY11 Reductions

Table 5

Type (CB / RIF/ OA)	Description of Reduction	Impact of Reduction	Prog ID	Pos (P)	Pos (T)	\$\$\$	MOF	Carry-over? (Y/N)
OA	Abolish positions FY10 & FY 11	Revenue loss \$4M FY11/\$12M thereafter	TAX 100	(10.00)	(14.00)	-	A	Y
OA	Abolish positions FY10 & FY 11	Positions not funded	TAX 105	(11.00)	(43.00)	-	A	Y
OA	Abolish positions FY10 & FY 11	Positions not funded	TAX 107	(3.00)	(17.00)	-	A	Y
	Sub-total			(24.00)	(74.00)	-		
RIF	Abolish positions FY 11	(1) Office Audit, (2) DTCA = \$1.5M revenue loss FY11, \$3M thereafter; (1) Kauai Taxpayer Services (TPS)- 25% decrease in Kauai TPS staffing	TAX 100	(4.00)	-	(136,668)	A	Y
RIF	Abolish positions FY 11	Efficiencies achieved through automation, ITIMS Imaging System (IIS)	TAX 105	(4.00)	-	(156,456)	A	Y
RIF	Abolish positions FY 11	Anticipated retirement	TAX 107	(1.00)	-	(47,412)	A	Y
	Sub-total			(9.00)	-	(340,536)		
OA	Reflect furlough savings	Decrease in productivity 9.23% FY11-decrease in tax assessments and delay in collections	TAX 100	-	-	(817,500)	A	Y
OA	Reflect furlough savings	Efficiencies achieved through automation and streamlining, no material impact	TAX 105	-	-	(532,932)	A	Y
OA	Reflect furlough savings	Decrease in productivity 9.23% FY11	TAX 107	-	-	(403,832)	A	Y
	Sub-total			-	-	(1,754,264)		
OA	Increase turnover savings	Estimated revenue loss \$4M in FY11 and \$12M/yr thereafter	TAX 100	-	-	(339,520)	A	Y
OA	Increase turnover savings		TAX 105	-	-	(31,212)	A	Y
OA	Increase turnover savings	20% reduction in Special Enforcement Section (Cash Economy) impact Section's ability to generate revenues and investigate high risk businesses. Note: If request to increase Tax Admin Special Fund is critical to funding six remaining unfilled positions.	TAX 107	-	-	(150,000)	A	Y
	Sub-total			-	-	(520,732)		

Department of Taxation
Proposed FY 11 Additions

Table 6

<u>Description of Addition</u>	<u>Prog ID</u>	<u>Pos (P)</u>	<u>Pos (T)</u>	<u>\$\$\$</u>	<u>MOF</u>
Ceiling incr cig tax admin spec fund	TAX 107	-	-	20,000	B
Ceiling incr tax admin special fund	TAX 107	-	-	575,000	B

Department of Taxation
 Non-general funds (excluding Federal Funds)

Table 7

<u>Name of Fund</u>	<u>Unencumbered Cash Balance</u>	<u>MOF</u>	<u>Statutory Reference</u>
Cigarette Tax Stamp Administrative Special Fund	\$ 41,805	B	Act 270, SLH 2001
Tax Administration Special Fund	\$ 629,095	B	Act 215, SLH 2004; Act 206, SLH 2007; Act 134, SLH 2009

Department of Taxation
Emergency Appropriation Requests

Table 8

<u>Prog ID</u>	<u>Description of Request</u>	<u>FTE</u>	<u>\$\$\$</u>	<u>MOF</u>
	None			

Department of Taxation
Budget Decisions

Table 9

Prog ID/Org	Description	MOF	Department Request			Budget & Finance			Governor's Decision		
			Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$	Pos (P)	Pos (T)	\$\$\$
TAX 100	Abolish positions FY10 & FY11	A	(10.00)	(14.00)	-	(10.00)	(14.00)	-	(10.00)	(14.00)	-
TAX 105	Abolish positions FY10 & FY11	A	(11.00)	(43.00)	-	(11.00)	(43.00)	-	(11.00)	(43.00)	-
TAX 107	Abolish positions FY10 & FY11	A	(3.00)	(17.00)	-	(3.00)	(17.00)	-	(3.00)	(17.00)	-
TAX 100	Abolish positions FY11	A	(4.00)	-	(136,668)	(4.00)	-	(136,668)	(4.00)	-	(136,668)
TAX 105	Abolish positions FY11	A	(4.00)	-	(156,456)	(4.00)	-	(156,456)	(4.00)	-	(156,456)
TAX 107	Abolish positions FY11	A	(1.00)	-	(47,412)	(1.00)	-	(47,412)	(1.00)	-	(47,412)
TAX 100	Reflect furlough savings	A	-	-	(817,500)	-	-	(817,500)	-	-	(817,500)
TAX 105	Reflect furlough savings	A	-	-	(532,932)	-	-	(532,932)	-	-	(532,932)
TAX 107	Reflect furlough savings	A	-	-	(403,832)	-	-	(403,832)	-	-	(403,832)
TAX 100	Increase turnover savings	A	-	-	(339,520)	-	-	(339,520)	-	-	(339,520)
TAX 105	Increase turnover savings	A	-	-	(31,212)	-	-	(31,212)	-	-	(31,212)
TAX 107	Increase turnover savings	A	-	-	(150,000)	-	-	(150,000)	-	-	(150,000)
TAX 107	Ceiling incr Tax Admin Special Fund	B	-	-	575,000	-	-	575,000	-	-	575,000
TAX 107	Ceiling incr Cigarette Tax Admin SF	B	-	-	20,000	-	-	20,000	-	-	20,000

Department of Taxation
Vacancy Report

Table 10

<u>Date of Vacancy</u>	<u>Position Title</u>	<u>Position Number</u>	<u>Exempt (Y/N)</u>	<u>Budgeted Amount</u>	<u>Actual Salary Last Paid</u>	<u>MOF</u>	<u>Prog ID</u>	<u>Authority to Hire (Y/N)</u>
6/1/2009	Tax Returns Examiner III	4421	N	\$ 51,936	\$ 51,936	A	TAX100CK	N
7/1/2009	Tax Returns Examiner IV	1506	N	\$ 63,204	\$ 63,204	A	TAX100CO	N
11/2/2009	Tax Assessor I (Office Audit)	1623	N	\$ 66,516	\$ 67,896	A	TAX100CO	N
6/1/2009	Tax Returns Examiner III	3692	N	\$ 56,172	\$ 56,172	A	TAX100CO	N
7/1/2009	Tax Returns Examiner II	4418	N	\$ 48,048	\$ 48,048	A	TAX100CO	N
5/18/2009	Tax Returns Examiner II	47876	N	\$ 33,756	\$ 42,708	A	TAX100CO	N
5/20/2008	Tax Returns Examiner II	47877	N	\$ 33,756	\$ 33,720	A	TAX100CO	N
8/3/2009	Auditor IV	7047	N	\$ 51,312	\$ 45,588	A	TAX100CP	N
7/16/2007	Auditor VI	11461	N	\$ 75,948	\$ 75,948	A	TAX100CP	N
7/7/2007	Auditor V	16049	N	\$ 45,588	\$ 45,588	A	TAX100CP	N
11/2/2009	Supervising Tax Clerk II	1598	N	\$ 51,936	\$ 51,936	A	TAX100EH	N
5/20/2009	Delinquent Tax Coll Asst II	1507	N	\$ 46,176	\$ 46,176	A	TAX100EK	N
5/1/2009	Account Clerk IV	16055	N	\$ 48,048	\$ 48,048	A	TAX100EO	N
12/1/2009	Administrative Rules Spclt	102248	N	\$ 64,896	\$ 64,896	A	TAX 107AA	N
8/3/2009	Administrative Rules Spclt	117972	N	\$ 68,000	\$ 69,360	A	TAX 107AA	N
7/1/2009	Administrative Rules Spclt	118035	Y	\$ 50,000	\$ 40,512	A	TAX 107AA	Y
9/15/2008	Administrative Rules Spclt	117785	Y	\$ 50,000	\$ 49,338	A	TAX 107AA	Y
NEW	Spcl Enfc Section Supervisor	119347	Y	\$ -	NA	A	TAX 107AA	Y
NEW	Spcl Enf Section Investigator	119348	Y	\$ -	NA	A	TAX 107AA	Y
NEW	Spcl Enf Section Investigator	119349	Y	\$ -	NA	A	TAX 107AA	Y
NEW	Spcl Enf Section Investigator	119350	Y	\$ -	NA	A	TAX 107AA	Y
NEW	Spcl Enf Section Investigator	119351	Y	\$ -	NA	A	TAX 107AA	Y
NEW	Spcl Enf Section Investiagtor	119352	Y	\$ -	NA	A	TAX 107AA	Y
7/6/2009	Management Analyst II (Temp)	49981	N	\$ 36,024	\$ 38,988	A	TAX 105BA	N

Department of Taxation
Personnel Separations

Table 11

<u>Prog ID/Org</u>	<u>Position Number</u>	<u>Perm/Temp</u>	<u>MOF</u>	<u>Position Title</u>	<u>Budgeted FTE</u>	<u>Budgeted Salary</u>	<u>Actual FTE</u>	<u>Actual Salary</u>	<u>BU Code</u>	<u>SR Level</u>
TAX107AA	104171	Exempt	A	Deputy Director	1.00	\$114,684	1.00	\$ 100,248	NA	SRNA
TAX107AA	117792	Exempt	A	Administrative Rules Specialist	1.00	\$68,000	1.00	\$ 69,360	73	SRNA
TAX100CK	004421	Perm	A	Tax Returns Examiner III	1.00	\$51,936	1.00	\$ 51,936	03	SR17
TAX100CM	040661	Perm	A	Tax Clerk	1.00	\$30,036	1.00	\$ 30,036	03	SR12
TAX100CM	047158	Perm	A	Office Assistant III	1.00	\$23,688	1.00	\$ 23,688	03	SR06
TAX100CO	001500	Perm	A	Tax Returns Examiner IV	1.00	\$63,204	1.00	\$ 63,204	04	SR20
TAX100CO	001506	Perm	A	Tax Returns Examiner IV	1.00	\$63,204	1.00	\$ 63,204	04	SR20
TAX100CO	001623	Perm	A	Tax Assesor I	1.00	\$66,516	1.00	\$ 67,896	35	EM03
TAX100CO	003692	Perm	A	Tax Returns Examiner III	1.00	\$56,172	1.00	\$ 56,172	03	SR17
TAX100CO	004418	Perm	A	Tax Returns Examiner II	1.00	\$48,048	1.00	\$ 48,048	03	SR15
TAX100CO	011504	Perm	A	Tax Returns Examiner IV	1.00	\$58,440	1.00	\$ 58,440	04	SR20
TAX100CO	047878	Perm	A	Tax Clerk	1.00	\$31,212	1.00	\$ 31,212	03	SR12
TAX100CO	117456	Perm	A	Tax Returns Examiner II	1.00	\$41,040	1.00	\$ 41,040	03	SR17
TAX100CP	117444	Perm	A	Auditor III	0.00	\$40,512	1.00	\$ 40,512	13	SR20
TAX100EH	001598	Perm	A	Supervising Tax Clerk II	1.00	\$51,936	1.00	\$ 51,936	04	SR17
TAX100EK	001507	Perm	A	Delinquent Tax Collector Assistant II	1.00	\$46,176	1.00	\$ 46,176	03	SR17
TAX100EM	001457	Perm	A	Delinquent Tax Collector Assistant I	1.00	\$37,968	1.00	\$ 37,968	03	SR15
TAX100EO	001450	Perm	A	Tax Clerk	1.00	\$31,212	1.00	\$ 38,988	03	SR12
TAX100EO	001567	Perm	A	Secretary II	1.00	\$37,968	1.00	\$ 37,968	03	SR14
TAX100EO	016055	Perm	A	Account Clerk IV	1.00	\$48,048	1.00	\$ 48,048	03	SR13
TAX100EO	040223	Perm	A	Delinquent Tax Collector Coordinator	1.00	\$89,052	1.00	\$ 89,052	35	EM03
TAX105BA	001455	Perm	A	Office Assistant IV	1.00	\$41,040	1.00	\$ 41,040	03	SR10
TAX105BA	005764	Perm	A	Office Assistant IV	1.00	\$39,480	1.00	\$ 39,480	04	SR12
TAX105BA	011265	Perm	A	Secretary II	1.00	\$32,427	1.00	\$ 46,176	03	SR14
TAX105BA	027573	Perm	A	Data Entry Operator I	1.00	\$36,516	1.00	\$ 36,516	03	SR08
TAX105BA	028865	Perm	A	Data Entry Operator II	1.00	\$37,968	1.00	\$ 37,968	03	SR10
TAX105BA	034623	Perm	A	Office Assistant IV	1.00	\$33,756	1.00	\$ 32,424	03	SR10
TAX105BA	118447	Perm	A	Office Assistant III	1.00	\$25,668	1.00	\$ 25,668	03	SR08
TAX105BC	001559	Perm	A	Cashier II	1.00	\$39,480	1.00	\$ 39,480	03	SR12
TAX105BC	003693	Perm	A	Tax Information Technician II	1.00	\$33,758	1.00	\$ 42,684	03	SR15
TAX105BC	118451	Perm	A	Tax Clerk	1.00	\$33,756	1.00	\$ 31,212	03	SR12

Department of Taxation
Personnel Separations

Table 11

<u>Prog ID/Org</u>	<u>Position Number</u>	<u>Perm/Temp</u>	<u>MOF</u>	<u>Position Title</u>	<u>Budgeted FTE</u>	<u>Budgeted Salary</u>	<u>Actual FTE</u>	<u>Actual Salary</u>	<u>BU Code</u>	<u>SR Level</u>
TAX107AA	001549	Perm	A	Professional Trainee I (Tax Specialist)	1.00	\$41,040	1.00	\$ 34,644	13	SR16
TAX107AC	011509	Perm	A	Information Technology Specialist IV	1.00	\$44,412	1.00	\$ 47,436	13	SR24
TAX107AC	035766	Perm	A	Information Technology Specialist IV	1.00	\$44,412	1.00	\$ 47,436	13	SR22
TAX107AD	001509	Perm	A	Research Statistician II	1.00	\$38,979	1.00	\$ 37,488	13	SR18
TAX107AD	011472	Perm	A	Research Statistician I	1.00	\$36,024	1.00	\$ 36,024	13	SR16
TAX107AD	022673	Perm	A	Research Statistician I	1.00	\$41,040	1.00	\$ 34,644	13	SR16
TAX107AD	022673	Perm	A	Research Statistician III	1.00	\$41,040	1.00	\$ 42,132	13	SR20
TAX100CO	118609	Temp	A	Tax Clerk	1.00	\$36,516	1.00	\$ 30,036	03	SR12
TAX100EO	118608	Temp	A	Tax Clerk	1.00	\$36,516	1.00	\$ 30,036	63	SR12
TAX105BA	001513	Temp	A	Office Assistant III	1.00	\$36,516	1.00	\$ 25,668	03	SR8
TAX105BA	001514	Temp	A	Office Assistant III	1.00	\$26,700	1.00	\$ 25,668	03	SR08
TAX105BA	021195	Temp	A	Management Analyst IV	1.00	\$45,576	1.00	\$ 43,824	13	SR22
TAX105BA	038687	Temp	A	Office Assistant III	1.00	\$26,700	1.00	\$ 25,668	03	SR08
TAX105BA	038688	Temp	A	Office Assistant III	1.00	\$26,700	1.00	\$ 25,668	03	SR08
TAX105BA	043583	Temp	A	Tax Clerk	1.00	\$30,035	1.00	\$ 30,012	03	SR12
TAX105BA	118228	Temp	A	Office Assistant III	1.00	\$26,700	1.00	\$ 26,700	03	SR08
TAX105BA	118231	Temp	A	Office Assistant III	1.00	\$26,700	1.00	\$ 26,700	03	SR08
TAX105BA	118232	Temp	A	Office Assistant III	1.00	\$26,700	1.00	\$ 25,668	03	SR08
TAX105BA	118232	Temp	A	Office Assistant III	1.00	\$26,700	1.00	\$ 25,668	03	SR08
TAX105BC	001527	Temp	A	Office Assistant III	1.00	\$25,668	1.00	\$ 25,668	03	SR08
TAX105BC	034149	Temp	A	Office Assistant III	1.00	\$3,356	1.00	\$ 25,668	03	SR08
TAX105BC	037152	Temp	A	Office Assistant III	1.00	\$5,923	1.00	\$ 24,684	03	SR08
TAX105BC	037565	Temp	A	Office Assistant III	1.00	\$3,356	1.00	\$ 25,668	03	SR08
TAX105BC	049973	Temp	A	Office Assistant III	1.00	\$26,700	1.00	\$ 26,700	03	SR08
TAX105BC	049974	Temp	A	Office Assistant III	1.00	\$25,668	1.00	\$ 25,668	03	SR08
TAX105BC	118243	Temp	A	Tax Clerk	1.00	\$31,212	1.00	\$ 30,036	03	SR12
TAX105BC	118452	Temp	A	Tax Clerk	1.00	\$33,756	1.00	\$ 28,884	03	SR12
TAX105BC	118455	Temp	A	Tax Clerk	1.00	\$33,756	1.00	\$ 30,036	03	SR12
TAX105BC	118505	Temp	A	Tax Information Technician II	0.50	\$12,834	0.50	\$ 33,756	03	SR15
TAX105BC	049969	Temp	A	Office Assistant III	1.00	\$25,668	1.00	\$ 25,668	03	SR08
TAX105BC	026970	Temp	A	Office Assistant III	1.00	\$3,356	1.00	\$ 25,668	03	SR08

Department of Taxation

New Hires

<u>New Hire Effective Date:</u>	<u>Prog ID/ Org</u>	<u>Position Number</u>	<u>Perm/ Temp</u>	<u>MOF</u>	<u>Position Title</u>	<u>Budgeted FTE*</u>	<u>Budgeted Salary*</u>	<u>Actual FTE</u>	<u>Actual Salary</u>	<u>BU Code</u>	<u>SR Level</u>
11/3/2008	100/CH	7051	Perm	A	Auditor I	1.00	\$36,024	1.00	\$36,024	13	16
12/30/2008	100/CO	1495	Perm	A	Secretary II	1.00	\$32,424	1.00	\$33,756	03	14
7/1/2009	100/CO	1500	Perm	A	Tx Ret Exmr IV	1.00	\$63,204	1.00	\$63,204	04	20
11/3/2008	100/CO	1532	Perm	A	Tax Returns Examiner I	1.00	\$36,516	1.00	\$33,756	03	13
7/1/2009	100/CO	11504	Perm	A	Tx Ret Exmr IV	1.00	\$58,440	1.00	\$54,012	04	20
7/28/2008	100/CO	15489	Perm	A	Tax Clerk	1.00	\$31,212	1.00	\$30,036	03	12
11/17/2008	100/CO	26779	Perm	A	Tax Returns Examiner I	1.00	\$30,036	1.00	\$35,064	03	13
7/28/2008	100/CO	47878	Perm	A	Tax Clerk	1.00	\$31,212	1.00	\$30,036	03	12
7/28/2008	100/CO	47879	Perm	A	Tax Clerk	1.00	\$31,212	1.00	\$30,036	03	12
11/17/2008	100/CO	47884	Perm	A	Tax Clerk	1.00	\$30,036	1.00	\$30,036	03	12
11/3/2008	100/CP	1544	Perm	A	Auditor I	1.00	\$51,314	1.00	\$36,024	13	16
11/3/2008	100/CP	29071	Perm	A	Auditor V	1.00	\$75,960	1.00	\$67,488	13	24
7/28/2008	100/EH	1612	Perm	A	Office Assistant III	1.00	\$25,668	1.00	\$25,668	03	08
10/21/2008	100/EK	18052	Perm	A	Supr Tax Clerk II	1.00	\$36,525	1.00	\$36,516	04	17
11/20/2008	100CO	47875	Perm	A	Tax Ret Examiner II	1.00	\$30,035	1.00	\$36,516	03	15
12/29/2008	105/BA	1513	Perm	A	Office Assistant III	1.00	\$36,516	1.00	\$25,668	03	08
9/2/2008	105/BA	1527	Perm	A	Office Assistant III	1.00	\$25,668	1.00	\$25,668	03	08
12/31/2008	105/BA	11265	Perm	A	Secretary II	1.00	\$32,427	1.00	\$46,176	03	14
8/4/2008	105/BA	46128	Perm	A	Office Assistant III	1.00	\$26,700	1.00	\$25,668	03	08
9/8/2008	105/BA	118441	Perm	A	Office Assistant III	1.00	\$25,668	1.00	\$25,668	03	08
7/7/2008	105/BA	118442	Perm	A	Office Assistant III	1.00	\$25,668	1.00	\$25,668	03	08
8/18/2008	105/BA	118444	Perm	A	Office Assistant III	1.00	\$25,668	1.00	\$25,668	03	08
8/4/2008	105/BA	118448	Perm	A	Office Assistant III	1.00	\$25,668	1.00	\$25,668	03	08
12/22/2008	105/BB	1468	Perm	A	Account Clerk III	1.00	\$28,829	1.00	\$28,836	03	11
8/25/2008	105/BB	27830	Perm	A	Account Clerk III	1.00	\$32,424	1.00	\$32,424	03	11
8/1/2008	105/BC	1514	Perm	A	Office Assistant III	1.00	\$26,700	1.00	\$25,668	03	08
9/30/2008	105/BC	3693	Perm	A	Tax Info Tech II	1.00	\$33,758	1.00	\$37,968	03	15
11/6/2008	105/BC	5774	Perm	A	Tax Clerk	1.00	\$30,035	1.00	\$30,036	03	12
7/16/2008	105/BC	26778	Perm	A	Tax Clerk	1.00	\$30,036	1.00	\$30,036	03	12
12/16/2008	105/BC	118023	Perm	A	Tax Clerk	1.00	\$25,668	1.00	\$35,064	03	12
7/1/2008	105/BC	118452	Perm	A	Tax Clerk	1.00	\$33,756	1.00	\$30,036	03	12
4/1/2009	107/AA	1517	Perm	A	Secretary II	1.00	\$32,424	1.00	\$36,516	03	14

Department of Taxation

New Hires

<u>New Hire Effective Date:</u>	<u>Prog ID/ Org</u>	<u>Position Number</u>	<u>Perm/ Temp</u>	<u>MOF</u>	<u>Position Title</u>	<u>Budgeted FTE*</u>	<u>Budgeted Salary*</u>	<u>Actual FTE</u>	<u>Actual Salary</u>	<u>BU Code</u>	<u>SR Level</u>
7/9/2009	107/AA	104171	Perm	A	Deputy Director of Taxatio	1.00	\$100,248	1.00	\$100,248	0	SRNA
10/3/2008	107/AA	1563	Perm	A	Accountant I	1.00	\$35,064	1.00	\$36,024	13	16
12/31/2008	107/AA	40222	Perm	A	Management Analyst I	1.00	\$37,452	1.00	\$36,024	13	16
7/1/2008	107/AA	118524	Perm	A	Personnel Clerk	1.00	\$28,836	1.00	\$27,756	03	09
8/1/2008	107/AA	118791	Perm	A	Income Tax Specialist V	1.00	\$55,500	1.00	\$51,300	13	24
11/19/2008	107/AC	1493	Perm	A	Info Tech Spclt II	1.00	\$35,064	1.00	\$38,988	13	18
6/30/2009	107/AC	11509	Perm	A	Info Tech Spclt II	1.00	\$44,412	1.00	\$38,988	13	18
11/3/2008	107/AD	22673	Perm	A	Research Statistician III	1.00	\$41,040	1.00	\$42,132	13	20
7/1/2008	107/AD	11442	Perm	A	Economist VI	1.00	\$75,960	1.00	\$75,960	13	26
8/4/2008	100/EO	1450	Temp	A	Tax Clerk	1.00	\$31,212	1.00	\$30,036	03	12
1/12/2009	105/BA	38688	Temp	A	Office Assistant III	1.00	\$26,700	1.00	\$25,668	03	08
11/12/2008	105/BA	43583	Temp	A	Tax Clerk	1.00	\$30,035	1.00	\$30,036	03	12
10/27/2008	105/BA	49971	Temp	A	Tax Clerk	1.00	\$30,035	1.00	\$30,036	03	12
12/22/2008	105/BA	49981	Temp	A	Mgmt Analyst II	1.00	\$36,024	1.00	\$38,988	13	18
11/6/2008	105/BA	118229	Temp	A	Office Assistant III	1.00	\$25,667	1.00	\$25,668	03	08
8/21/2008	105/BA	118232	Temp	A	Office Assistant III	1.00	\$26,700	1.00	\$25,668	03	08
8/14/2008	105/BA	118234	Temp	A	Office Assistant III	1.00	\$26,700	1.00	\$25,668	03	08
8/14/2008	105/BA	118235	Temp	A	Office Assistant III	1.00	\$25,668	1.00	\$25,668	03	08
11/3/2008	100/CO	111901	Temp	A	Management Analyst I	1.00	\$42,132	1.00	\$37,452	13	16
9/2/2008	105/BC	49969	Temp	A	Office Assistant III	1.00	\$25,668	1.00	\$25,668	03	08
8/11/2008	105/BC	49973	Temp	A	Office Assistant III	1.00	\$26,700	1.00	\$25,668	03	08
8/5/2008	105/BC	49974	Temp	A	Office Assistant III	1.00	\$25,668	1.00	\$25,668	03	08
8/5/2008	105/BC	118238	Temp	A	Tax Clerk	1.00	\$31,212	1.00	\$30,036	03	12
12/31/2008	105/BC	118239	Temp	A	Tax Clerk	1.00	\$25,668	1.00	\$30,036	03	12
9/25/2008	105/BC	118240	Temp	A	Tax Clerk	1.00	\$30,036	1.00	\$30,036	03	12
8/18/2008	105/BC	118241	Temp	A	Tax Clerk	1.00	\$30,036	1.00	\$30,036	03	12
8/11/2008	105/BC	118242	Temp	A	Tax Clerk	1.00	\$31,212	1.00	\$30,036	03	12
8/11/2008	105/BC	118243	Temp	A	Tax Clerk	1.00	\$31,212	1.00	\$30,036	03	12
8/11/2008	105/BC	118244	Temp	A	Tax Clerk	1.00	\$31,212	1.00	\$30,036	03	12
1/26/2009	105/BC	118505	Temp	A	Tax Info Tech II	1.00	\$12,834	1.00	\$16,878	03	15
8/5/2008	105BC	43580	Temp	A	Office Assistant III	1.00	\$25,668	1.00	\$25,668	03	08
8/25/2008	107/AA	117972	Temp	A	Admin Rules Spclt	1.00	\$68,000	1.00	\$68,000	73	N/A

Department of Taxation
New Hires

Table 12

<u>New Hire Effective Date:</u>	<u>Prog ID/ Org</u>	<u>Position Number</u>	<u>Perm/ Temp</u>	<u>MOF</u>	<u>Position Title</u>	<u>Budgeted FTE*</u>	<u>Budgeted Salary*</u>	<u>Actual FTE</u>	<u>Actual Salary</u>	<u>BU Code</u>	<u>SR Level</u>
11/16/2009	107/AA	118504	Temp	A	Admin Rules Spclt	1.00	\$50,000	1.00	\$38,988	73	N/A
2/23/2009	107/BA	34204	Temp	A	Mgmt Analyst II	1.00	\$42,141	1.00	\$38,988	13	18

Department of Taxation
Reduction in Force (RIF) Actions

Table 13

<u>RIF Code</u>	<u>Prog ID/Org</u>	<u>RIF Action</u>	<u>Position #</u>	<u>Position Title</u>	<u>MOF</u>	<u>FTE</u>	<u>Current Comp Rate</u>	<u>Position Salary Decrease</u>	<u>Position Salary Increase</u>	<u>Comp Freq (Mo/Hr)</u>	<u>SR Level</u>	<u>BU</u>	<u>Perm/ Temp</u>	<u>Placement Action</u>	<u>Reason</u>
001A	100/CO	Initial RIF	47884	Tax Clerk	A	1.00	\$2,601.00	\$ (2,601.00)	\$ -	Monthly	12	3	Perm	Bump	
001B	100/EO	Placement of Incumbent	1450	Tax Clerk	A	1.00	\$2,601.00	\$ (2,601.00)	\$ 2,601.00	Monthly	12	3	Perm	None	Temporary/Exempt
002A	100/CK	Initial RIF	1621	Tax Clerk	A	1.00	\$2,702.00	\$ (2,702.00)	\$ -	Monthly	12	3	Perm	None	No placement
003A	107/AC	Initial RIF	42361	Info Tech Spclt 3	A	1.00	\$3,951.00	\$ (3,951.00)	\$ -	Monthly	20	13	Perm	None	Retirement
004A	100/EM	Initial RIF	1457	DTCA I	A	1.00	\$3,164.00	\$ (3,164.00)	\$ -	Monthly	15	3	Perm	None	Declined placement
005A	105/BA	Initial RIF	1556	Cashier	A	1.00	\$3,164.00	\$ (3,164.00)	\$ -	Monthly	12	3	Perm	Bump	
005B	105/BA	Placement of Incumbent	41714	Cashier	A	1.00	\$2,922.00	\$ (2,922.00)	\$ 3,164.00	Monthly	12	3	Perm	Fill Vacancy	
006A	105/BA	Initial RIF	41713	Cashier	A	1.00	\$3,420.00	\$ (3,420.00)	\$ -	Monthly	12	3	Perm	Fill Vacancy	
007A	105/BA	Initial RIF	165	Cashier	A	1.00	\$3,164.00	\$ (3,164.00)	\$ -	Monthly	12	3	Perm	Bump	
007B	105/BA	Placement of Incumbent	26777	Cashier	A	1.00	\$2,813.00	\$ (2,813.00)	\$ 3,164.00	Monthly	12	3	Perm	None	J/W placement-out
008A	105/BA	Initial RIF	1559	Cashier	A	1.00	\$3,290.00	\$ (3,290.00)		Monthly	12	3	Perm	None	Resigned
009A	100/EO	Initial RIF	118610	DTCA I	A	1.00	\$2,922.00	\$ (2,922.00)		Monthly	15	3	Perm	Fill Vacancy	
010A	107/AA	JW Placement-In	118524	Personnel Clerk III	A	1.00	\$2,403.00	\$ (2,403.00)	\$ 2,313.00	Monthly	9	63	Perm	None	<24 retention points
011A	100/EO	JW Placement-In	1567	Secretary II	A	1.00	\$2,922.00		\$ 2,922.00	Monthly	14	3	Perm	Fill Vacancy	
012A	100/CH	JW Placement-In	3705	Tax Returns Exmr I	A	1.00	\$3,164.00		\$ 3,164.00	Monthly	13	3	Perm	Fill Vacancy	
013A	105/BA	JW Placement-In	21195	Mgmt Anlyst IV	A	1.00	\$4,809.00		\$ 4,809.00	Monthly	22	13	Perm	Fill Vacancy	

Department of Taxation
Expenditures Exceeding Federal Fund Ceiling

Table 14

<u>Prog ID</u>	<u>Appropriation Ceiling</u>	<u>Ceiling Increase</u>	<u>Date of Increase</u>	<u>Reason for Exceeding Ceiling</u>	<u>Recurring (Y/N)</u>	<u>GF Impact (Y/N)</u>	<u>ARRA?</u>
	Not Applicable						

Department of Taxation
Intradepartmental Transfers

Table 15

<u>From Prog ID</u>	<u>To Prog ID</u>	<u>Amount Transferred</u>	<u>Date of Transfer</u>	<u>Reason for Transfer</u>	<u>Recurring (Y/N)</u>
		None			

Department of Taxation
CIP Summary

Table 16

<u>Priority</u>	<u>Project Title</u>	<u>\$\$\$\$</u>	<u>MOF</u>
	Not Applicable		