



DEPARTMENT OF TAXATION

News Release

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**TAX DEPARTMENT COMPUTER SYSTEM IMPLEMENTATION
TO AFFECT HAWAII TAXPAYERS OCTOBER 1**

HONOLULU—On October 1, 2004, the Department of Taxation will begin the implementation of the business tax component of its Integrated Tax Information Management System (ITIMS). There will be short-term inconveniences during the implementation, and important changes affecting Hawaii taxpayers thereafter.

The implementation of the business tax component of ITIMS marks the final phase of the Department's five-year program to replace its separate income tax and business tax computer systems with a single system that links all tax account information by the taxpayer's social security number (SSN) or federal employer identification number (FEIN), as applicable. Having all tax account information easily accessible on one system will allow the Department to provide better and more efficient services to Hawaii taxpayers.

Beginning October 1st, and continuing for up to two weeks, the Department will take its computer systems off-line to implement the business tax component of the system and transfer general excise tax, use tax, withholding, transient accommodations tax, and

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rental motor vehicle and tour vehicle surcharge tax information from the old system to ITIMS.

During this period, Department employees will have limited tax account information available to them, and will not be able to update or make any adjustments to taxpayer accounts. Persons who e-file their returns through the joint Federal-State E-filing program (JELF) or through the State's Internet filing option (ELF) will not be affected by the implementation.

Anyone who needs a business tax license or a tax clearance is encouraged to obtain it before the end of September. However, the Department will be able to issue a limited number of new license numbers and have access to reports and other information that will allow the approval of tax clearances if the taxpayer's filing records are up to date and no balances are owed.

The Department recognizes that construction contractors must have a tax clearance to renew their contractor licenses before they expire on September 30th, and is working hard to process all applications for tax clearance before that deadline. Contractors who have not yet resolved any discrepancies with their tax accounts are encouraged to do so as soon as possible.

When the completed system is brought back on-line, new tax return and other account information will be gradually introduced, checked, and tracked to ensure that the system is working as anticipated and that any problems are quickly resolved before full production is resumed.

The following are some of the changes affecting taxpayers as a result of the new system.

Centralized mailing and processing. Beginning in October, all tax returns, payments, and other documents will be mailed to, processed by, and stored on Oahu. Currently,

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tax documents from the neighbor islands are sent to the appropriate neighbor island district tax office, which sends them via a courier service to Oahu for batching and processing by taxation district. After processing, Oahu sends everything back to the neighbor island district tax offices for storage. Because ITIMS can track tax data by district without separately batching the documents, this is no longer necessary. The result will be fewer processing delays and lower processing costs for the Department.

Current business tax license numbers being replaced. The old business tax computer system maintained tax accounts according to the license number assigned to taxpayers registered for those taxes. ITIMS does not need the old number since all accounts are integrated by the taxpayer's SSN or FEIN. Business taxpayers will, however, be assigned a new Hawaii Tax Identification Number to replace their former license numbers.

The only purpose of the new Hawaii Tax Identification Number is to provide a non-confidential number that business tax registrants can provide to others for business purposes in lieu of their confidential SSN or FEIN. The new numbers will begin with the letter "W" and be followed by eight randomly assigned numbers and an additional two-digit sequence code (e.g., W12345678-01).

General excise/use, withholding, transient accommodations, and rental motor vehicle and tour vehicle surcharge tax forms booklets sent to taxpayers in the future will have the Hawaii Tax Identification Number pre-printed on those forms.

An informational letter will be sent to all business tax registrants sometime after the system implementation. Taxpayers should provide a copy of this letter to their accountant or other tax professional, and keep the letter in their permanent files.

New business tax forms and license certificates will not be sent to taxpayers, because ITIMS is able to process tax returns with either the old or new number and can access taxpayer accounts using either the taxpayer's SSN/FEIN, new Hawaii Tax Identification

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Number, or old license number. The "Search the Tax Licenses" feature on the Department's website at www.state.hi.us/tax will also list both the old license number and the new Hawaii Tax Identification Number.

"Our goal is to provide great customer service," said State Tax Director, Kurt Kawafuchi. "The ITIMS implementation is a major step in the right direction, and the public's patience as we transition to the new system will be greatly appreciated."

Additional information about the system implementation will be forthcoming as it becomes available.

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