

DEPARTMENT OF TAXATION
Annual Report REQUIRED BY ACT 100, SESSION LAWS OF HAWAII 1999
For the period of January 1, 2016 through December 31, 2016

The following is a list of the Department of Taxation's goals and objectives for the coming year as required by Act 100, Session Laws of Hawaii, 1999:

GOAL 1: **Increase voluntary compliance.**

Objective 1: **Increase oversight utilizing various branches/areas of our Compliance Division**

Action Plan 1:

We will set up an Investigation Branch under the Compliance Division which will consist of a fraud (new), criminal (existing), and special enforcement section (SES) (existing).

Action Plan 2:

We will actively engage in community outreach programs including public service announcements. We will help taxpayers understand and meet their Hawaii tax obligations by providing timely and relevant information, and keeping them apprised of new developments. We will provide public outreach through workshops, seminars, and on-site assistance to both taxpayers and tax preparers.

Action Plan 3:

We will utilize in-house as well as IRS-provided data to identify non-filers and returns identified through filters and manual review with questionable and/or inconsistent filing information. We will develop cases for enforcement and prosecution for those who have not filed or who have filed fraudulently.

Action Plan 4:

Actively engage Field Audit staff to work on other online travel company (OTC) vendors to ensure they are in compliance with the Supreme Court decision whereby OTC vendors pay GET on the revenue they keep.

Objective 2: **Develop procedures to ensure a more efficient and timely audit process**

Action Plan 1:

We will develop procedures to identify returns to be earmarked for audit, determine scope and reasonable and prudent timeframes for completion.

Action Plan 2:

Develop audit metrics where practicable to ensure fairness and consistency.

GOAL 2: Reduce tax fraud

Objective 1: Identify and prevent payment of fraudulent refunds

Action Plan 1:

Utilizing filters, internal and IRS-provided data as well as manual review, identify fraudulent tax refund returns, enforce and prosecute.

Action Plan 2:

Utilizing filters, internal and IRS-provided data as well as manual review, identify potentially fraudulent tax returns. Request additional information to substantiate deduction claims and other questionable data. Enforce and prosecute where applicable.

GOAL 3: Improve customer service to all stakeholders

Objective 1: Provide service to taxpayers whose issues/concerns cannot be resolved through normal channels

Action Plan 1:

The Taxpayer Advocate, hired in October 2015, will work with the public to assist them with issues or questions they have been unable to get resolved. We will be sending out communication regarding these services, a dedicated webpage, contact information and informational videos.

Objective 2: Provide specialized service to the tax practitioner community

Action Plan 1:

We will be hiring a Tax Practitioner Priority Specialist (recruitment currently underway) to work closely with the tax practitioner community. This position will serve in a capacity similar to the IRS counterpart.

Action Plan 2:

Increase dialogue and meeting with the tax practitioner community as well as professional organizations to better understand their needs and concerns.

GOAL 4: Improve technology and efficiencies through the successful implementation of the Tax System Modernization (TSM) project

Objective 1: We will complete Rollouts 1 and 2 with Rollout 3 in process of the Tax System Modernization (TSM) project during this period.

Action Plan 1:

We will complete Rollout 1 of TSM on December 28, 2015. Rollout 1 includes the Efiling tax portal, the Interactive Voice Response system (IVR) and

installation of the imaging hardware. Rollout 2 will be completed on August 15, 2016. Rollout 2 will include general excise tax, transient accommodations tax, use tax, County surcharge tax, sellers collection, discovery and data warehouse and rental motor vehicle and tour vehicle taxes. Rollout 3 implementation will begin August 2016 for completion August 2017. Rollout 3 will include withholding, corporate income tax, franchise tax and public service company tax.

Objective 2: We will re-engineer business processes

Action Plan 1:

As we work through each of the TSM rollouts, we will reduce manual business processes and reduce the use of paper thereby improving efficiency and productivity.

Action Plan 2:

Through the implementation of TSM, we will provide for electronic registration, filing, payment, and tax clearances.

Action Plan 3:

Through enhanced functionality of TSM, we will be able to capture more data for revenue impact determination relative to tax credits and exemptions, demographics and other useful research and planning purposes.

GOAL 5: Actively address tax receivable balances

Objective 1: Collaborate with Attorney General's office to improve collections

Action Plan 1:

We will utilize the Attorney General's (AG's) office in accordance with the MOA between the AG and the Department of Taxation to increase collections

Objective 2: Utilize third party to improve collections

Action Plan 1:

We will procure an outside collection agency through an RFP process to focus on larger taxpayer accounts primarily on the mainland.

GOAL 6: Foster and empower staff

Objective 1: We will develop each employee to his/her full potential.

Action Plan 1:

Department employees are our greatest assets. We will strive to develop each employee to his/her full potential. Employees will be encouraged to develop

individual development plans to meet the responsibilities of their current position and to help them identify areas of growth that will help them qualify for target positions.

Action Plan 2:

We will reinforce the Department's values of respect, teamwork, communication, cooperation, trust, support, integrity, honesty, fairness, and responsibility. We will promote a culture and environment where our workforce continuously seeks to improve and realize their potential.

Action Plan 3:

We will provide training opportunities for our employees to enhance and expand their skills. We will design basic training and annual training for all specialty positions.

Action Plan 4:

We will improve communication with our employees through greater collaboration in meetings and strategic planning sessions.