GOAL 1: Increase voluntary compliance

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

Action Plan 1: Increased collaboration and information sharing among our Criminal Enforcement Section (CI), Special Enforcement Section (SES), and ad hoc fraud team to identify taxpayer issues and potential non-compliance areas and business sectors.

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 tools (including Tax System Modernization software analytics for business taxes which is already operational) 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 Office Audit and Field Audit staff to work with Rules Office where needed to ensure they are working and closing audits that are consistent with the Administrative Rules of the Department of Taxation.

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 tools (including Tax System Modernization analytics for business taxes) and IRS-provided data as well as manual review, we will identify fraudulent tax refund returns, enforce and prosecute.

**Action Plan 2:** Utilizing filters, internal tools (including Tax System Modernization analytics for business taxes) and IRS-provided data as well as manual review, we will 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 Office of the Taxpayer Advocate, initiated in late 2015, continues to expand its work with the public to assist them with issues or questions they have been unable to get resolved. In addition to sending out communication to the public regarding these services and having a dedicated webpage, the Taxpayer Advocate will continue to outreach to local tax groups and taxpayer organizations. Given the strong demand in this area, this program will be reviewed and considered for possible expansion to better serve its taxpayers. The Taxpayer Advocate has also served, and will continue to serve, a critical role in assisting taxpayers who are unable to resolve a question or issue relating to the Tax System Modernization.

**Objective 2: Provide specialized service to the tax practitioner community**

**Action Plan 1:** The Tax Practitioner Priority Specialist position, which was filled in early 2016, will continue to work closely with the tax practitioner community. This position, which serves in a capacity similar to the IRS counterpart, has been highly sought after by the tax practitioner community.

**Action Plan 2:** Increase dialogue and meeting with the tax practitioner community as well as professional organizations to better understand their needs and concerns. The
Tax Practitioner Priority Specialist, who will continue to outreach to local tax groups and tax practitioner groups, has already been asked to speak and meet with many community groups. This position will also continue to be instrumental in assisting tax practitioners with registration and utilization of the new Hawaii Tax Online as part of the Tax Modernization System.

**Action Plan 3:**
The Administrative Appeals Office, initiated in 2016, will continue to work with taxpayers and tax return preparers to have a quicker way to resolve tax disputes involving audit assessments. Serving as a separate and independent body within the Department of Taxation, it is responsible for administering the Administrative Appeals and Dispute Resolution (AADR) program which offers a way to settle audit disputes without litigation. We will review the success and volume of AADR cases over the next year.

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

**Objective 1:** We will complete Rollout 3 of the Tax System Modernization (TSM) project during this period as well as initiate Rollout 4

**Action Plan 1:**
With the successful implementation of Rollout 1 of TSM on December 28, 2015 and Rollout 2 on August 15, 2016, we will complete Rollout 3 in August 2017. Rollout 3 will include withholding, corporate income tax, franchise tax and public service company tax.

**Action Plan 2:**
During 2017 we will continue to refine and configure Rollout 2 tax types as our staff becomes more familiar with its functionality. Through weekly TSM status and stakeholder meetings, Compliance user meetings, Taxpayer Services user meetings, and input from the Taxpayer Advocate and Tax Practitioner Specialist, we will further perfect the Rollout 2 tax type features and processes.

**Action Plan 3:**
Post August 2017, we will kick off and initiate Rollout 4 which includes individual income tax, fiduciary, partnership, estate and transfer and the cashiering function. Rollout 4 is scheduled to be completed in November 2018.

**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 Rollouts 1 and 2 of TSM, we have provided for electronic registration, filing, and tax payments for all business taxes. We will continue to implement these initiatives for Rollout 3 tax types – corporate income taxes and withholding taxes.

**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 as Rollouts are completed and once sufficiently relevant data is available.

**GOAL 5:** Actively address tax receivable balances

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

**Action Plan 1:**
We will continue to 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 utilize an outside collection agency which has been selected in 2016 through a procurement 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.