

DEPARTMENT OF TAXATION
Annual Report REQUIRED BY ACT 100, SESSION LAWS OF HAWAII 1999

The following is a list of the Department of Taxation's goals and objectives 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 have consolidated our fraud and investigative teams to identify and address taxpayer issues and potential non-compliance areas and business sectors.

Action Plan 2:

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

Action Plan 3:

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

Action Plan 4:

We continue to actively engage Office Audit and Field Audit staff to work with the 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 continue to develop procedures to identify returns to be earmarked for audit, and to determine scope and reasonable and prudent timeframes for completion.

Action Plan 2:

We will continue to develop metrics relating to audit response time, number of cases handled, tax collectability, tax recoveries, and finalizing an audit where practicable to ensure fairness and consistency.

GOAL 2: Reduce tax fraud

Objective 1: Identify and prevent payment of fraudulent refunds

Action Plan 1:

The TSM Fraud Manager was configured and deployed in Rollout 4. The configuration uses the computer to review the refund requests according to the business rules that were being used for manual reviews. We request additional information to substantiate deduction claims and other questionable data, and enforce and prosecute where applicable.

Action Plan 2:

With Rollout 4 of TSM, the Department added additional security measures to protect taxpayers and their identities. Taxpayers can now enroll in the new Identity Theft Protection Program. In addition, a feature has been included on e-filing portal, Hawaii Tax Online, to prevent web bots from making fraudulent submissions. We will continue to monitor the effectiveness of these new security features.

GOAL 3: Improve technology and efficiencies through the successful implementation of the Tax System Modernization (TSM) project

Objective 1: We will complete Rollout 5 of the Tax System Modernization (TSM) project

Action Plan 1:

With the implementation of Rollout 1 of TSM on December 28, 2015, Rollout 2 on August 15, 2016, Rollout 3 on August 14, 2017, and Rollout 4 on November 13, 2018, we will complete Rollout 5 in September 2019. Rollout 5 will address functionality needed related to fuel, liquor, cigarette and tobacco tax types, retail tobacco permit, and liquid fuel retail dealer. The functionality delivered will enable these taxpayers to register, file returns, renew permits, make payments, etc.

Action Plan 2:

Rollout 5 will utilize the electronic filing mandate approved by the 2018 Legislature. Approximately 60 percent of the R5 taxpayers are already enrolled in Hawaii Tax Online for other 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.

Action Plan 4:

We will continue to review positions impacted by TSM and rewrite position descriptions to better align with the greater complexity and increased technical requirements for the new computer system.