

## **DEPARTMENT OF TAXATION**

<http://tax.hawaii.gov>

The Department of Taxation, established under section 26-10, HRS, and whose duties and powers are enumerated under section 231-3, HRS, is headed by the Director of Taxation. The Department is responsible for the administration and enforcement of the tax laws of the State. This includes the assessment of taxes and the collection of tax revenues. It develops tax interpretations, studies the provisions of tax laws, and recommends to the Legislature changes and revisions to those laws. The Department also collects the employment security contributions paid by employers under the unemployment compensation law. Tax appeals are administered by the Tax Appeal Court and the Boards of Taxation Review in the four tax districts.

### **Compliance Division**

The Compliance Division administers a comprehensive and uniform statewide compliance program, conducts and enforces collection of delinquent taxes by appropriate collection procedures, conducts audits, secures nonfiled returns from taxpayers, and conducts investigations to determine compliance with state tax laws.

The Division enforces department policies and procedures; renders guidelines and recommendations; provides coordination and assistance in enforcement activities; participates in resolving complex enforcement cases; recommends goals and objectives; and reviews objectives and accomplishments with operating personnel.

Its functions are carried out by the Oahu Office Audit Branch, Oahu Collections Branch, Field Audit Branch, and the Neighbor Island Districts (Maui, Kauai, and Hawaii).

### **Rules Office**

The Rules Office provides all legal services to the Tax Department, except those legal services reserved to the Attorney General. This includes legislation and rules comprising research, creation, drafting, testimony, legislative history of all tax laws, and rules history, with the Attorney General reserving constitutionality. The Rules Office also assists in establishing internal and external policies and procedures and works with other Department divisions in determining the proper application of tax laws to taxpayers.

### **Information Technology Services Office**

The Information Technology Services Office (ITSO) provides continuous analysis and support of computer systems to automate routine tax processing functions and makes information available for tax planning and the preparation of statistical reports. ITSO assists departmental management and organization studies to achieve greater productivity from those systems and

furnishes data processing operations support for the systems. The Office advises the Department on matters pertaining to information technology, computerization, on-line application, and office automation.

### **Tax Research and Planning Office**

The Tax Research and Planning Office provides information on tax yields and on the revenue effects of proposed and existing tax laws and performs research on economic conditions as they relate to taxes. The Office prepares a variety of reports on taxes and directs the preparation of the annual report. It assists the Director in long-term tax planning and in developing tax legislation proposals. It also provides support for the general fund forecasts of the Council on Revenues and for the Tax Review Commission when it is in session.

### **Administrative Services Office**

The Administrative Services Office assists the Director in administrative matters and provides general internal management for the Department. It coordinates and prepares the annual operating budget of the Department and maintains control over departmental accounts and expenditures. In addition, the Office advises and provides staff services in the areas of capital improvements and facilities management, including renovations, and attends to the personnel services programs of the Department, such as personnel classification, job evaluation, employee relations, labor relations, equal employment opportunity and affirmative action, employee training and development, personnel transactions, and the maintenance of personnel records.

### **Taxpayer Advocate**

The Taxpayer Advocate safeguards taxpayers' rights and provides taxpayers with prompt, courteous, and impartial treatment on concerns that cannot be resolved through normal channels and require coordination to cut across functional responsibilities. The Advocate reports on systemic or procedural problems directly to the Director to ensure independent treatment.

### **Tax Services and Processing Division**

The Tax Services and Processing Division performs all functions relating to the processing and control of documents; receives, secures, deposits, and accounts for tax payments; and renders taxpayer services to the public, including the issuance of general excise tax licenses. These functions are carried out through three branches: Documents Processing, Revenue Accounting, and Taxpayer Services.

## ATTACHED FOR ADMINISTRATIVE PURPOSES

### Boards of Review

There is a Board of Review for each of the four taxation districts, pursuant to section 26-10(d), HRS. Under section 232-6, HRS, each Board consists of five members appointed to four-year terms by the Governor with the advice and consent of the Senate. Furthermore, section 232-6, HRS, authorizes the creation of up to three additional boards of review in a taxation district if the number of disputes within the taxation district is so great that they cannot be reasonably decided within one year. The Governor designates a Chairperson and Vice Chairperson for each Board. Members are required to be residents of the taxation district for which the member is appointed and must have resided in the State for at least three years at the time of appointment. No officer or employee of the State is eligible for appointment to any of the boards. Each Board of Review, under section 232-7, HRS, informally hears all disputes between the assessor and any taxpayer who has filed a notice of appeal. Each Board is empowered to decide all questions of fact and all questions of law, except questions involving the Constitution or laws of the United States. A decision of a Board of Review may be appealed to the Tax Appeal Court, under section 232-17, HRS. Alternatively, any taxpayer may take the matter directly to the Tax Appeal Court, under section 232-16, HRS.

### Council on Revenues

The Council on Revenues, established under section 37-111, HRS, consists of seven members. Three members are appointed to four-year terms by the Governor. Because cumulative experience and continuity in office are essential to the proper administration of chapter 37, HRS, it is declared to be in the public interest to continue board members in office as long as efficiency is demonstrated, notwithstanding the provision of section 26-34, HRS, which limits the appointment of a member of a board or commission to two terms. Two members each are appointed to an unlimited number of two-year terms by the President of the Senate and the Speaker of the House of Representatives. The members appoint the Chairperson of the Council from their own membership.

The Council prepares revenue estimates of the state government for the fiscal year in progress and for each of the ensuing fiscal years of the six-year state program and financial plan. The Council reports the estimates and revisions thereto to the Governor and the Legislature each June 1, September 10, January 10, and March 15. The Council revises and updates such estimates if it determines that such revisions are necessary or upon request of the Governor or Legislature. Pursuant to section 37-112, HRS, the estimates prepared by the Council are considered by the Governor in preparing the budget, recommending appropriations and revenue measures, projecting revenues, and controlling expenditures. The Legislature considers these estimates in appropriating funds and enacting revenue measures. The Governor and Legislature use the latest council estimate as the base estimate against which their revenue estimates are compared.

Under section 37-113.1, HRS, the Council also prepares an estimate of the total state personal income for the calendar year in progress and, when necessary, for the next succeeding

calendar year for which such income has not been determined or published and reports the estimate and any revision thereto to the Director of Finance, Governor, Chief Justice, and Legislature each August 5 and November 5.

### **Tax Review Commission**

The Tax Review Commission, established under the State Constitution, Article VII, section 3, and section 232E-1, HRS, consists of seven members who are appointed by the Governor with the advice and consent of the Senate. A Commission was appointed on or before July 1, 1980, and a new Commission is appointed on or before July 1 every five years thereafter. The Commission dissolves upon the adjournment sine die of the Legislature to which it submits the evaluation and recommendations required by section 232E-3, HRS. Under section 232E-3, HRS, the Commission conducts a systematic review of the State's tax structure, using such standards as equity and efficiency. Thirty days prior to the convening of the second regular session of the Legislature after the members of the Commission have been appointed, the Commission submits to the Legislature an evaluation of the State's tax structure and recommends revenue and tax policy, except that for the Commission appointed on or before July 1, 2010, or the successor Commission intended to function prior to the appointment of a new Commission on or before July 1, 2015, the Commission was required to submit the required evaluation and recommendations to the Legislature thirty days prior to the convening of the regular session of 2013.

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