

DEPARTMENT OF TAXATION

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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's mission is to administer the tax laws of the State of Hawaii in a consistent, uniform, and fair manner. 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.

Tax Services and Processing Division

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

Compliance Division

The Compliance Division administers the statewide compliance program, designed to maximize taxpayer compliance with Hawaii's tax laws in a consistent, uniform, and fair manner. The Compliance Division is composed of the Oahu Office Audit Branch, the Oahu Field Audit Branch, the Oahu Collections Branch, and the Maui, Hawaii, and Kauai District Tax Offices. In addition to these branches, the Special Enforcement Section (SES) and the Criminal Investigation Section (CIS) are also part of the Compliance Division.

Compliance Division activities include: audit and examination of taxpayers to enhance voluntary compliance; enforcement of Hawaii tax laws, related administrative rules, and administrative guidance issued by the Department; collection of delinquent taxes; criminal investigations and related law enforcement activity (CIS); and special enforcement projects, including projects to ensure compliance with Hawaii tax laws for taxpayers who conduct a significant portion of business transactions in cash ("cash economy") and for taxpayers who operate vacation rentals (SES).

Rules Office

The Rules Office provides all legal services to the Tax Department, except those legal services reserved to the Attorney General. This includes research, drafting legislation, preparing testimony, and maintaining legislative history of all tax laws and rules. 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.

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.

Information Technology Services Office

The Information Technology Services Office (ITSO) secures, manages and maintains computer systems to protect tax data, assists department management with automation of routine business processes, and provides analyses to support management decision making. ITSO advises the Department on matters pertaining to the use of information technology to support taxpayer services online and in person.

Taxpayer Advocate

The Taxpayer Advocate safeguards taxpayers' rights and provides taxpayers with prompt, courteous, and impartial treatment across all departmental functions on concerns that cannot be resolved through normal channels.

Tax Practitioner Priority Office

The Tax Practitioner Priority Office offers registered tax practitioners a separate and dedicated connection to the Department's Taxpayer Services functions. The Office is available to help registered tax practitioners with tax account issues such as locating and applying payments, explaining notices and letters, providing procedural guidance, and assisting with other taxpayer account inquiries.

Administrative Appeals Office

The Administrative Appeals Office (AAO) is an independent body within DOTAX headed by the Administrative Appeals Officer who reports directly to the Director of Taxation. The AAO is responsible for administering the Administrative Appeals and Dispute Resolution (AADR) program. AADR is a streamlined informal appeals process that uses a neutral intermediary, the Administrative Appeals Office, to resolve tax disputes.

ATTACHED FOR ADMINISTRATIVE PURPOSES

Boards of Review

There is a Board of Review for each of the four taxation districts of Oahu, Kauai, Maui, and Hawaii Island, 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. The Governor designates the Chairperson and Vice Chairperson for each Board. Each Board of Review informally hears all disputes between the assessor and any taxpayer who has filed a notice of appeal and 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.

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. 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 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 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. 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.

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 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 new Commission is appointed on or before July 1 every five years. The Commission dissolves upon the adjournment sine die of the Legislature to which it submits its evaluation and recommendations. 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.

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