

RICHARD T. BISSEN, JR.
Mayor

MARCY MARTIN
Acting Director

MARIA E. ZIELINSKI
Deputy Director




DEPARTMENT OF FINANCE
COUNTY OF MAUI
200 SOUTH HIGH STREET
WAILUKU, MAUI, HAWAII 96793
www.mauicounty.gov

July 18, 2024

Honorable Richard T. Bissen, Jr.
Mayor, County of Maui
200 South High Street
Wailuku, Hawaii 96793

APPROVED FOR TRANSMITTAL

 7-19-24
Mayor Date

For Transmittal to:

Honorable Yuki Lei K. Sugimura, Chair
and Members of the Budget, Finance, and Economic Development Committee
200 South High Street
Wailuku, Hawaii 96793

Dear Chair Sugimura and Committee Members:

**SUBJECT: ANNUAL COMPREHENSIVE FINANCIAL REPORT, SINGLE
AUDIT REPORT, AND DEPARTMENT OF WATER SUPPLY'S
FINANCIAL AUDIT REPORTS (BFED-21(25))**

This transmission is in receipt to your letter dated July 8, 2024, requesting the following information be submitted:

1. Provide a timeline for the Department's acquisition of transient accommodations tax ("TAT") collection-tracking software, including when the Request for Proposals will be issued, when the software will be acquired, and when it will be fully operational.

Response: The Department is working collaboratively with the Counties of Kauai and Hawaii to pursue a new vendor for payment processing who is already approved under the National Association of State Procurement Officials (NASPO) contract for the State of Hawaii and has favorable outcomes with the Counties (including Maui DMV) with other revenue sources. Our current vendor's contract expires on November 30, 2024. It may be necessary to extend the current

contract if a new software cannot be implemented by December 1, 2024. The implementation may be phased beginning with online payment processing and ultimately the ability to reconcile taxpayer accounts and establish an accounts receivable. A timeline for full implementation has yet to be determined.

Meanwhile, the Department continues to clean up and import data into its database (created in cooperation with County of Hawaii) to be able to reconcile accounts, establish an accounts receivable, and issue assessments. The goal is to send out 2021 assessments by the end of the 2024 calendar year to preserve the County's ability to collect.

2. Provide an update on the Department's efforts to collect County TAT that has not yet been paid. Are there any late County TAT payments the Department will not seek to collect? If so, explain why. Further, provide the total amount of delinquent TAT owed including interest.

Response: Please reference the above response regarding the Department's continued efforts to establish its database. The Department intends to collect all unpaid or underpaid MCTAT payments, including penalties and interest for late payments. At this time, we cannot provide a total amount of delinquent MCTAT owed. We will be able to provide this information once the database is fully operational or once the new vendor has this phase implemented, whichever occurs first.

3. Has the three-year time limitation under Section 3.47.110(C), Maui County Code, been triggered for delinquent taxpayers? Please explain and include in your explanation whether the response differs for certain classes or types of County TAT taxpayers. Is there a mandatory interest, penalty, or fine for delinquent payments, or is a penalty or fine assessed at the Director's discretion? How much is the penalty or fine, and will the Department make an attempt to collect it?

Response: The three-year statute has not yet been triggered. For those taxpayers who filed an annual return for 2021 with DOTAX, that statute does not run until April 20, 2025. For those taxpayers who did not file an annual return for 2021 with DOTAX, the earliest statute would run on December 20, 2024, for November 30, 2021, filings. The penalty and interest calculations depend on multiple factors and are not the same for all taxpayers since it is based on what penalty applies, figured as a percentage of the tax liability. Please reference Maui County Code Section 3.47.150 and the Fiscal Year July 1, 2024,

to June 30, 2025, Appendix B, page 14 for the applicable penalty and interest percentages that can and will be assessed.

4. Has the Department received a list of State TAT payers from the State of Hawaii? If not, will the Department be requesting a list to help reconcile the County TAT payments it should be receiving?

Response: DOTAX provides taxpayer filing data to the Department once a month, but it is stale data (60 days old). At the County of Maui's recommendation and urging, Maui, Kauai and Hawaii counties recently sent a letter to DOTAX requesting real-time filing data and regular, updated taxpayer contact information (please see Maui County's letter attached).

Should you have any questions, please feel free to contact me at extension 7474 or Deputy Director Maria Zielinski at extension 7212.

Sincerely,

A handwritten signature in black ink, appearing to read 'Marcy Martin', with a stylized, cursive script.

MARCY MARTIN
Acting Director of Finance

Attachments

RICHARD T. BISSEN, JR.
Mayor

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Acting Director

MARIA E. ZIELINSKI
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COUNTY OF MAUI
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July 9, 2024

Gary S. Suganuma, Director of Taxation
State of Hawaii, Department of Taxation
830 Punchbowl Street
Honolulu, Hawaii 96813

Transmitted via e-mail: Tax.Directors.Office@hawaii.gov

SUBJECT: TRANSIENT ACCOMMODATION TAX (TAT)

Dear Director Suganuma:

I am writing on behalf of the County of Maui regarding the Transient Accommodations Tax (TAT) information transmitted from the Department of Taxation to the Counties. County of Kaua'i and County of Hawai'i have provided similar letters that we are submitting as part of this correspondence.

As you may know, ***all Counties are receiving data from the State that is sixty (60) days old.*** This has resulted in stale data which compromises all of the Counties' ability to determine compliance and accuracy in reporting. We have also asked the State to share updated TAT taxpayer addresses and email addresses on a quarterly basis but have been informed that there was only a one-time agreement for DoTAX to provide such information to the Counties. The last update provided was dated May 30, 2023. Lastly, given the lag in time before data is received, the Counties continue to have programming difficulties with determining and calculating penalties and interest. The lack of real-time filing data and current TAT account information including taxpayer contact information has compromised all of the Counties' abilities to determine accurate TAT liabilities, ensure compliance, and communicate with the correct taxpayers.

We respectfully request that DoTAX provides all Counties with real-time filing data and current taxpayer contact information on a regular basis. It is our understanding that your software provider FAST could establish a web service

Mr. Gary S. Sukanuma
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to which Counties could connect to access updated taxpayer records and real-time filing data. While we understand this would require some nominal work from the development team which includes FAST and some DoTAX personnel, we strongly believe this will result in greater compliance and ability by the Counties to identify taxpayers that are not accurately reporting or not reporting at all. While greater compliance by non-filers will increase all Counties' 3% TAT collections, it will more than triple the State's 10.25% TAT collection. This alone should be an incentive for the State to provide this critical information in real time. Should there be a cost specifically related to the County of Maui to provide this data we respectfully request that you inform us in advance.

In addition to the above requests, Maui County is also requesting that DoTAX share TA-1 and TA-2 filing data for taxpayers who filed quarterly, semi-annually, or annually for tax year 2021. DoTAX only shared monthly TA-1 filing data for November and December 2021. As a result, Maui County is missing critical data necessary to ensure compliance by its taxpayers who were not monthly filers in November and December 2021.

Mahalo for your assistance in this critical informational sharing. Should you have any questions, please feel free to contact me at (808) 270-7722.

Sincerely,

A handwritten signature in dark ink, appearing to read "Maria Zielinski", with a stylized flourish at the end.

MARIA E. ZIELINSKI
Deputy Director of Finance

Attachments

BFED Committee

From: Estrelita Dahilig <Estrelita.B.Dahilig@co.maui.hi.us>
Sent: Friday, July 19, 2024 3:54 PM
To: BFED Committee; Yukilei Sugimura
Cc: Cynthia Sasada; Josiah Nishita; Keanu LauHee; Leo Caires; Louise Batoon; Maria Zielinski; Pili Nahooikaika; Stacey Vinoray
Subject: Annual Comprehensive Financial Report, Single Audit Report, and Dept of Water Supply's Audit Reports (BFED-21(25))
Attachments: BFED.Chair.Finance Director.pdf

Pls see attached Transmittals
Thank you