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# Supplemental Report of the 2010-11 Budget Package – Item #1730-001-0001

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FTB's Audit and Compliance Programs

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The Supplemental Report of the 2010 Budget Act directed the Franchise Tax Board (FTB) to provide an annual report on its audit and compliance activities. The 2010 Budget Act requests the following information:

- (a) description of the methodological approach used to conduct its audit and compliance activities, including the work plans relating to these activities;
- (b) The number of hours and costs, costs associated with direct audit and compliance activities, as well as supporting overhead activities;
- (c) The revenues associated with its audit and compliance activities;
- (d) The average and marginal benefit/cost ratios of all its audit and compliance activities; and
- (e) Data regarding the revenue and cost impacts associated with any increase or decrease in resources devoted to audit and compliance activities.

Increases in resources related to workload growth augmentations devoted to audit and compliance activities will be reported as a component of items (b) and (c). Increases in resources related to specific program enhancements of audit and compliance activities will be reported as a component of item (e).

Items (b), (c), (d), and (e) should include prior-year actual data, current-year estimated data, and budget-year projected data. The information shall also be provided as part of any budget change proposal submitted to the Legislature regarding resources for auditing or compliance activities.

This report contains the requested information for FTB's audit and compliance activities and includes the following Exhibits:

- Exhibit I – Collection Program Workplan
- Exhibit II – Collection Program Schedule of Revenue
- Exhibit III – Audit Program Workplan
- Exhibit IV – Audit Program Schedule of Revenue
- Exhibit V – Filing Compliance Program Workplan
- Exhibit VI – Filing Compliance Program Schedule of Revenue
- Exhibit VII – Tax Return Validation Program Workplan
- Exhibit VIII – Tax Return Validation Program Schedule of Revenue
- Exhibit IX – Budget Change Proposal Schedule of Revenue
- Exhibit X – Glossary of Workplan Activities

# Collection Program

## Background

The collection program of FTB involves collection of accounts receivable that the department establishes by its self-assessment, audit, and filing enforcement activities. The Accounts Receivable Management Division within FTB administers the collection program. The Accounts Receivable Collections System (ARCS), an automated billing/collection system, manages the collection process by issuing billings, notices, liens, levies, attachment of assets, and when further action is necessary, routes the accounts to collectors. The division workloads are organized as automated/reactive and proactive and collected \$2.7 billion during Fiscal Year 2011/12.

### Automated/Reactive Collections

- In 2011/12, approximately \$2.2 billion, representing 82 percent of total revenue collected by the Accounts Receivable Management Division, was attributed to the automated notices and levies issued through ARCS and the immediate reactive staff response to taxpayer inquiries about those notices and levies. As part of that response, reactive collection staff negotiates payment in full or establishes and maintains installment agreements on the delinquent accounts. In 2011/12, the overall average cost benefit ratio (CBR) for automated/reactive collections totaled \$20 to \$1.
- For 2011/12, the installment agreement process generated \$446 million dollars, representing 20 percent of the total revenue for automated/reactive revenue collections.

### Proactive Collections

- In 2011/12, proactive collection revenue totaled \$488 million, representing 18 percent of total revenue collected by the Accounts Receivable Management Division. Proactive staff handles accounts that were not resolved in the automated and reactive processes. Accounts are assigned through the ARCS system based on specific criteria, and collectors initiate contact with delinquent taxpayers to ensure that all taxpayers pay the proper amount of tax they owe. For 2011/12, the overall average CBR for proactive collections totaled \$10 to \$1.

The following five bureaus within the division are tasked with the department's diverse revenue collection activities.

- Revenue Recovery Services Bureau
- Compliance and Resolution Services Bureau
- Field and Complex Account Collection Bureau
- Special Programs Bureau
- Division Support Bureau

The **Revenue Recovery Services Bureau** proactively collects revenue from personal income tax, business entities tax, and non-tax debts. The three non-tax debt collections are: motor vehicle license fees, known as Vehicle Registration Collections; collections for courts throughout the State of California, known as Court Ordered Debt; and, collections for the Department of Industrial Relations. These non-tax workloads are budgeted separately and are not included in the tax collection revenue figures or in the workplan. In addition, the bureau administers the Private Debt Collection program which contracts with outside

vendors to collect from delinquent taxpayers. Per Senate Bill 1006 (Chapter 32, Statutes of 2012) effective June 27, 2012, FTB no longer collects on behalf of the Department of Industrial Relations .

The **Compliance and Resolution Services Bureau** provides direct taxpayer assistance for individuals and business entities. The bureau assists taxpayers in resolving outstanding collections and compliance issues through personal income tax collection and business entities tax collection contact centers.

The **Field and Complex Account Collection Bureau** includes the complex account resolution teams, which handles the most complex and sensitive personal income tax and business entities tax accounts with balances exceeding \$25,000, and the field offices, which make field collection calls and provide public service outside the Sacramento central office facility.

The **Special Programs Bureau** provides specialized collection expertise for the Accounts Receivable Management Division. The bureau manages the specialized collection activities such as: bankruptcy, offers in compromise, innocent spouse, Federal Treasury Offset Program (FTOP), agency intercept and offset, and decedent collections.

The **Division Support Bureau** provides centralized support for the collection program.

## Workplan Development

The collection program workplan (Exhibit I) is developed using various analytical tools, including historical trend analysis, accounts receivable inventories, and changes in audit and filing enforcement activities. The workplan is the basis for allocating collection resources to collect in an efficient manner and includes the hours and costs associated with direct tax collection activities as well as supporting overhead activities. Please refer to Exhibit IX for a description of workplan activities.

## Current Issues

During 2011/12, FTB's collection program generated \$2.7 billion, which is 12 percent above projected revenue and 18 percent above revenue collected in 2010/11.

At the end of 2011/12 total accounts receivable was at \$8 billion. Accounts receivable for personal income tax decreased from \$6.8 billion to \$6.2 billion, representing a 9 percent decrease. One factor contributing to the decrease was the increase in collections, partially due to the additional levies issued as a result of the Enterprise Data to Revenue (EDR) project. Another contributing factor for the decrease was the identification of unproductive accounts in preparation for EDR collection system enhancements. This resulted in more collection cases being discharged during 2011/12 than in previous years. Business entities tax accounts receivable increased from \$1.7 billion to \$1.8 billion, representing a 3 percent increase.

During 2011/12, revenue for personal income tax collections reached \$2.1 billion, an increase of \$310 million from the previous year. Revenue for business entities tax collections was \$597 million, an increase of \$96 million (19 percent). The increase is due to three payments totaling \$94 million received in 2011/12.

## Revenue

The collection program revenue, cost, and CBR for prior year actual data, current year estimated data, and budget year projected data is provided in Exhibit II. Refer to Exhibit IX for the schedule of revenue associated with Budget Change Proposals.

## Audit Program

### Background

FTB's Audit Division administers the audit program, which is currently organized into four operating units:

- **National Business Audit Bureau** - audits business entities including corporations, banks, and financials that conduct business both within and outside of California.
- **Individual & Special Audit Bureau** - audits individual taxpayers, and conducts specialized programs including federal/state and automated audit programs.
- **Pass Through Entity Audit Bureau** - audits pass through entities including partnerships, S-corporations, limited liability companies, estates, and trusts.
- **Audit Policy, Protest & Administration Bureau** - provides policy, technical and administrative activities for audit programs, protests, and tax gap/shelter audits.

The primary responsibility of audit staff is to conduct examinations of taxpayer income tax returns, determine the propriety of self-assessed tax liabilities, issue notices of proposed assessment to taxpayers, and resolve taxpayer disputes.

Approximately 355,000 tax returns were examined during 2011/12, which accounted for \$1.4 billion in net assessments and denied refund claims.

The audit program benefits the state in several ways:

- An audit presence and issuance of assessments or penalties encourage compliance and ensures taxpayers meet their obligations to pay the correct amount of tax.
- The enforcement of tax law secures unreported tax revenues needed to fund state operations.
- Auditing provides self-compliant taxpayers with assurance that everyone with a valid tax liability pays their correct amount.

### Workplan Development

The audit program workplan (Exhibit III) covers all activities conducted within the Audit Division and includes the hours and costs associated with direct audit activities as well as supporting overhead activities. Please refer to Exhibit X for a description of workplan activities. Personnel hours are allocated to these activities based on legislative mandates, audit program priorities and budgeted revenue goals.

The methodology to calculate CBRs, as well as the matrix format, is in the manner prescribed by the Bureau of State Audits and the Department of Finance. Workload CBRs are obtained through the comparison of certain direct and indirect costs to expected revenue benefits. The revenue used to calculate CBR is based on net tax assessments (less tax abatements). The costs used in the calculation of CBR include direct audit and support costs incurred within the Audit Division, as well as indirect costs associated with producing audit assessments incurred elsewhere in the department (such as Legal). However, costs included in the calculation of CBR do not include collection costs or some departmental fixed costs. The audit program regularly evaluates its modeling process and individual audit models to

identify potentially higher CBR workloads. Audit models are then ranked according to CBR, and resources are generally allocated to the models based upon that ranking.

The primary purpose of the CBR schedule is to provide a format for prioritizing audit workloads and to provide management with performance measures for program decisions. A secondary purpose of the CBR is to give a sense of the relative value of audits that have been identified but cannot be undertaken because of resource constraints. The CBR schedule is not meant to be a financial accounting document since costs frequently do not occur in the same accounting period as assessments, and assessments issued in one year can be reversed and may reflect a revenue decrease several years after issuance.

## Current Issues

During 2011/12, FTB's audit program generated \$1.4 billion in net assessments and denied refund claims. The audit program continues to address a couple of high profile and significant workloads in addition to its operational workloads.

## Tax Gap

The tax gap is the difference between the amount of taxes legally owed and voluntarily paid. FTB continues to work to identify those who underreport taxes and contribute to the tax gap.

FTB focuses its efforts to identify schemes used to evade reporting the correct tax amount.

To complement these efforts, FTB takes strides in educating the citizens of California in common areas where noncompliance is prevalent.

In 2011/12, FTB efforts to reduce the tax gap were geared toward addressing non-compliance in the higher CBR traditional audit workloads.

- FTB continues to diligently pursue the examination of abusive tax shelter participants and promoters. Through FTB's partnerships with other states, the IRS, and other federal agencies, FTB has been successful in enhancing the sharing and exchanging of abusive tax shelter information and training. FTB focuses and dedicates audit resources to identify and evaluate both investor leads and promoters.
- Self Compliance Letters are developed in connection with projects initiated to efficiently resolve compliance issues while avoiding much of the expense and burden to the taxpayer and FTB associated with conventional audits. These projects are typically undertaken when FTB has information suggesting that taxpayers understated their tax liability. Taxpayers are given an opportunity to self assess by filing a corrected tax return and pay the additional tax (and sometimes penalties), or request a conventional audit.

## Voluntary Compliance Initiative (VCI 2)

The Voluntary Compliance Initiative 2 filing period ended October 31, 2011. VCI 2 allowed taxpayers who engaged in abusive tax avoidance transactions or who failed to report income from the use of offshore financial arrangements to correct their state income tax returns for tax years 2010 and prior. Taxpayers who elected to participate in VCI 2 avoided most penalties and any future criminal action they would

otherwise be subject to as a result of participating in abusive tax avoidance transactions or offshore financial arrangements prior to January 1, 2011. More than 1,800 taxpayers participated and more than 10,000 returns were processed as part of this program. VCI 2 raised \$350 million in additional General Fund revenue. This amount exceeds the planned revenue of \$270 million. Qualifying taxpayers who were unable to pay their VCI 2 tax liability by October 31, 2011, were allowed to enter into installment agreements and pay their additional tax due over a period of months as long as the final payment was made on or before June 15, 2012.

Although the filing period has ended for this program, FTB staff continue to resolve unique account issues, respond to late filers, and close related audits.

## Revenue

The audit program revenue, cost, and CBR for prior year actual data, current year estimated data, and budget year projected data is provided in Exhibit IV. The revenue estimates are subject to revision based on our on-going analysis of revenue trends in our audit models. Refer to Exhibit IX for the revenue schedule associated with Budget Change Proposals.

# Filing Compliance Program

## Background

The filing compliance program is administered within FTB's Filing Division, which is currently organized into three operating units:

- Filing Enforcement
- Non Wage Withholding
- Fraud and Tax Gap

## Filing Enforcement

The filing enforcement program identifies and contacts individuals and business entities that have a requirement to file a California tax return and have not filed. The Integrated Non-filer Compliance (INC) system uses various income sources to contact wage earners, self-employed individuals, individuals with unreported capital gains, nonresidents with California source income, individuals who have partnership income, and any other individuals with unreported income.

More than 500 million income records are provided to FTB by the Internal Revenue Service (IRS), Employment Development Department (EDD), Board of Equalization (BOE), financial institutions, and other sources. The income information is loaded into the INC system and compared against our accounting systems to determine if a tax return has been filed. Cases with no record of a tax return on file are sent a letter requesting a tax return, proof that a return was filed or an explanation of why a return is not required. If no response is received, either by the filing of a return or sending correspondence, the INC system continues by issuing a Notice of Proposed Assessment. If the issue is not resolved, a balance due is created and the balance due is pursued by collection staff.

Staff are involved throughout the filing enforcement cycle, performing quality assurance to ensure the correct income is associated to the correct taxpayer and perfecting account information prior to notices being issued, performing review and account analysis on the most complex accounts, processing incoming filing enforcement correspondence, and responding to taxpayer and representative phone calls and written inquiries.

The business entity nonfiler program also uses various income sources, including information from the IRS, BOE, EDD, and financial institutions, to identify potential nonfiler corporations. Recently, the program began using this data to contact Limited Liability Companies, Limited Liability Partnerships and Limited Partnerships that have a filing requirement.

During 2011/12, the filing enforcement program issued approximately 1.1 million Personal Income Tax Requests/Demands for Returns, 700,000 Personal Income Tax Notices of Proposed Assessment, 55,000 Business Entity Demands for Returns and 30,000 Business Entity Notices of Proposed Assessment. The filing enforcement revenue was \$760 million with a CBR of \$31 to \$1.

## Non-Wage Withholding

The withholding services and compliance program administers non wage withholding, including the withholding program for income tax on sellers of California real estate, nonresident entertainers, nonresident independent contractors, nonresident partners and beneficiaries, and the backup withholding. The program also administers the non-admitted insurance tax program and the bulk sales certificates program. Staff educates withholding agents and the withholding agents collect withholding on payments to taxpayers at the time they have a taxable event in California. Staff also validates withholding forms and payments posted to the withholding system, and withholding credits are allocated to taxpayers. Taxpayers claim these credits when they file their returns. The section also performs audits to ensure appropriate withholding is withheld and remitted to FTB and responds to questions from taxpayers, tax representatives, and withholding agents regarding notices and general withholding information questions. The discovery and compliance areas identify potential non-compliant industries and perform education and outreach activities targeting these industries. In 2011/12, the non-wage withholding revenue was \$867 million with a CBR of \$71 to \$1.

## Fraud and Tax Gap

The fraud and tax gap program uses innovative selection methods and conducts studies to detect and prevent fraudulent claims and discover taxpayers who file false claims, underreport their taxes or do not file their tax returns. The fraud and tax gap revenue was \$65 million with a CBR of \$12 to \$1.

The section's fraud workloads arise from referrals from several FTB business areas, as well as discovery and modeling activities to identify potential fraud patterns and schemes, for example as they relate to questionable W-2 and Child and Dependent Care claims. The accounts are worked both manually and using automation to perform mass transactions and letter generation. During 2011/12, the fraud program analyzed approximately 21,000 fraud referrals, 135,000 W-2 fraud cases, 40,000 Child and Dependent Care fraud cases and 8,000 identity theft cases.

The tax gap workloads focus on improving the filing enforcement program's effectiveness and determining the usefulness of potential new income sources. This group also analyzes taxpayer behavior to measure the direct and indirect effects of FTB's compliance activities on taxpayer behavior and coordinates tax gap studies and analysis to identify personal income tax and business entity underreporting.

## Workplan Development

The workplans for the filing compliance program (Exhibit V) are developed using historical trend analysis, workload inventories, legislative changes, and budget augmentations and reductions. Once the workplans are developed, resources are allocated based on management discretion considering CBR, inventories on hand, and seasonal variances. The workplans include the hours and costs associated with filing compliance activities as well as supporting overhead activities. Please refer to Exhibit X for a description of workplan activities.

## Current Issues

The fraud and tax gap program is closely monitoring the rise in the identify theft workload. We will continue to examine the impact of the growth of this workload for additional resource considerations. The volume of accounts has increased from 1,500 in 2009/10 to 8,000 in 2011/12.

## Revenue

The filing compliance program revenue, cost, and CBR for prior year actual data, current year estimated data, and budget year projected data is provided in Exhibit VI. Refer to Exhibit IX for the revenue schedule associated with Budget Change Proposals.

## **Tax Return Validation**

### **Background**

The tax return validation activities are administered within FTB's Filing Division. The validation program resolves routine math errors, complex taxpayer errors, incomplete tax returns, keying errors, and validates e-file returns and payments. All of these activities are necessary to perfect tax returns and payments prior to the data loading to our main tax systems used by the audit, collection, and filing compliance programs.

### **Personal Income Tax Validation**

The unit responsible for personal income tax return validation reviews, corrects, and approves tax assessments and refunds. The section issues return correction notices, called Return Information Notices (RINs), for all personal income tax returns that do not meet the mathematical or logical criteria of the return processing system. Tax returns that cannot be processed by the automated system are referred for manual resolution. Online validation is performed on all tax returns and documents, including original returns, amended returns, fiduciary returns, and payments. Section staff also identify and refer possible fraud cases to the Fraud and Tax Gap Section and analyze highly complex accounts and make appropriate account adjustments. The section processes both paper and electronically transmitted documents.

During 2011/12, the validation staff processed approximately 2.8 million personal income tax returns and 47,000 fiduciary returns, resulting in the issuance of approximately 759,000 RINs. Staff also analyzed and applied 346,000 payments.

### **Business Entity Return Validation**

The Business Entity Return Validation Section is responsible for reviewing and perfecting business entity returns and payments. The section validates returns received from corporations, Partnerships, Limited Liability Companies and Limited Liability Partnerships that do not meet the processing and posting criteria for the automated front-end processing Business Entity Tax System. It is important to note that business entity returns and payments that do not pass front-end automated processing criteria are often the most complex and require significant manual intervention. After staff perfects the payments and returns, they generate return correction notices similar to personal income tax. This section also administers FTB's Exempt Organizations program and reviews, corrects, and posts tax assessments and refunds based on income tax returns and information received from FTB's Audit, Collection, and Legal Divisions.

During 2011/12, staff handled approximately 267,000 business entity returns, and analyzed and applied 86,000 payments. Business Entity Return Validation Section also assisted in resolving approximately 145,000 transactions related to Exempt Organizations, including processing returns, audits, and answering taxpayer questions.

Revenue related to tax return validation was \$1.5 billion. During 2011/12, the tax return validation program did not meet their workplan estimate due to less billing notices were issued, there was an increase in refunds, and more taxpayers were unable to pay their tax bills and entered into the collection cycle due to the downturn in the economy.

## Workplan Development

The tax return validation program primary workloads are mandated by statute and state policy. The workloads are the result of returns and payments not being successfully processed through the automated systems due to errors on the returns or returns being processed for prior years. The workplan is not dependent upon the relative CBR of the available work rather the validation program allocates their resources based on workload priorities as determined by legislative mandates, department policies, statute of limitations, and current year processing return volumes to minimize interest paid. Further prioritization is determined based on volumes within each specialized workload. The tax return validation workplan (Exhibit VII) includes the hours and costs associated with direct tax return validation as well as supporting overhead activities. Please refer to Exhibit X for a description of workplan activities.

## Revenue

The tax return validation program revenue, cost, CBR for prior year actual data, current year estimated data, and budget year projected data is provided in Exhibit VIII. Tax return validation revenue is the result of a processing correction or billing notice for a personal income tax or business entity tax return. FTB receives 89 percent of the tax return validation revenue within four years of the initial billing. This process, which loads payment and tax return data to our main accounting systems, facilitates our collection and audit work. Refer to Exhibit IX for the revenue schedule associated with Budget Change Proposals.

## Exhibit I – Collection Program Workplan

TAX PROGRAM CATERGORY	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>AUTOMATED/REACTIVE COLLECTIONS</b>									
Direct	792,589		792,589	916,480		916,480	1,058,645		1,058,645
<b>Total Automated/Reactive Hours</b>	792,589		792,589	916,480		916,480	1,058,645		1,058,645
<b>Total Automated/Reactive PYs</b>			453			524			605
<b>PROACTIVE COLLECTIONS</b>									
Direct	502,002		502,002	580,940		580,940	661,147		661,147
<b>Total Proactive Hours</b>	502,002		502,002	580,940		580,940	661,147		661,147
<b>Total Proactive PYs</b>			287			332			378

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>OTHER COLLECTIONS WORKLOADS</b>									
Filing Assistance & Public Counter	9,746	8,681	18,426	12,549	11,827	24,376	12,549	11,827	24,376
CalEMA Disaster Center Support		3	3		25	25		25	25
Missing Year Assessments	2,026	474	2,500	3,653	480	4,133	3,653	480	4,133
Illegal Activity Support	183		183	100		100	100		100
Income Tax Protestor-FAN	7,001		7,001	6,592		6,592	6,592		6,592
<b>Total Other Collections Workloads Hours</b>	<b>18,956</b>	<b>9,158</b>	<b>28,114</b>	<b>22,894</b>	<b>12,332</b>	<b>35,226</b>	<b>22,894</b>	<b>12,332</b>	<b>35,226</b>
<b>Total Other Collections Workloads PYs</b>			<b>16</b>			<b>20</b>			<b>20</b>

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>SUPPORT/OVERHEAD</b>									
Management/Supervision		184,637	184,637		216,592	216,592		228,835	228,835
Meetings & Misc/Projects/Activities		152,309	152,309		178,411	178,411		185,158	185,158
Training	13,749	88,239	101,988	6,917	54,622	61,539	6,917	54,622	61,539
<b>Total Support/Overhead Hours</b>	13,749	425,186	438,935	6,917	449,625	456,542	6,917	468,615	475,532
<b>Total Support/Overhead PYs</b>			251			261			272
<b>GRAND Total Hours</b>	<b>1,327,296</b>	<b>434,343</b>	<b>1,761,639</b>	<b>1,527,231</b>	<b>461,957</b>	<b>1,989,187</b>	<b>1,749,603</b>	<b>480,947</b>	<b>2,230,649</b>
<b>GRAND Total PYs</b>			<b>1,007</b>			<b>1,137</b>			<b>1,275</b>
<b>Collection Program Revenue (In Thousands)</b>			<b>\$2,656,662</b>			<b>\$2,470,054</b>			<b>\$2,701,941</b>
<b>Collection Program Cost (In Thousands)</b>			<b>\$156,613</b>			<b>\$173,239</b>			<b>\$182,806</b>
<b>Cost Benefit Ratio (\$x to \$1)</b>			<b>17</b>			<b>14</b>			<b>15</b>

## Exhibit II – Collection Program Schedule of Revenue

data in thousands\*

PY 2011/12	Workplan Revenue	Actual Revenue	Revenue Allocation			
			Total PIT	Total BE	Cost	CBR
<b>Collection Program Revenue</b>	\$2,334,817	\$2,656,662	\$2,059,276	\$597,386	\$156,613	\$17 to \$1
Automated/Reactive		\$2,168,339			\$109,638	
Proactive		\$488,323			\$46,975	

  

CY 2012/13	Workplan Revenue	Actual Revenue	Revenue Allocation			
			Total PIT	Total BE	Cost	CBR
<b>Collection Program Revenue</b>		\$2,470,054	\$1,924,596	\$545,458	\$173,239	\$14 to \$1
Automated/Reactive		\$2,079,654			\$121,267	
Proactive		\$390,400			\$51,972	

BY 2013/14	Revenue Allocation				
	Workplan Revenue	Total PIT	Total BE	Cost	CBR
<b>Collection Program Revenue</b>	\$2,701,941	\$2,111,899	\$590,042	\$182,806	\$15 to \$1
Automated/Reactive	\$2,311,541			\$127,964	
Proactive	\$390,400			\$54,842	

\*These revenue estimates are reported at a point-in-time. Semi-annually, program area staff continue to evaluate the revenue estimates with additional data that is captured throughout the fiscal year and modifications are made as appropriate.

## Exhibit II – Audit Program Workplan

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>AUDIT</b>									
Audit Direct	1,088,723		1,088,723	1,240,368		1,240,368	1,243,168		1,243,168
Audit Select-Modcling	15,121		15,121	17,184		17,184	17,184		17,184
Claims	96,898		96,898	99,743		99,743	99,743		99,743
Protest and Legal Support	128,455		128,455	84,096		84,096	84,096		84,096
<b>Total Audit Hours</b>	<b>1,329,198</b>		<b>1,329,198</b>	<b>1,441,390</b>		<b>1,441,390</b>	<b>1,444,190</b>		<b>1,444,190</b>
<b>Total Audit PYs</b>			<b>760</b>			<b>824</b>			<b>826</b>

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>SUPPORT/OVERHEAD</b>									
Management/Supervision		182,198	182,198		198,784	198,784		198,784	198,784
Meetings & Misc/Projects/Activities		120,278	120,278		111,877	111,877		111,877	111,877
Training		86,335	86,335		101,911	101,911		99,111	99,111
<b>Total Support/Overhead Hours</b>		<b>388,811</b>	<b>388,811</b>		<b>412,571</b>	<b>412,571</b>		<b>409,771</b>	<b>409,771</b>
<b>Total Support/Overhead PYs</b>			<b>222</b>			<b>236</b>			<b>234</b>
<b>GRAND Total Hours</b>	<b>1,329,198</b>	<b>388,811</b>	<b>1,718,008</b>	<b>1,441,390</b>	<b>412,571</b>	<b>1,853,961</b>	<b>1,444,190</b>	<b>409,771</b>	<b>1,853,961</b>
<b>GRAND Total PYs</b>			<b>982</b>			<b>1,060</b>			<b>1,060</b>
<b>Audit Program Revenue (In Thousands)</b>			<b>\$1,357,165</b>			<b>\$1,489,513</b>			<b>\$1,495,813</b>
<b>Audit Program Cost (In Thousands)</b>			<b>\$168,061</b>			<b>\$160,296</b>			<b>\$168,061</b>
<b>Cost Benefit Ratio (\$x to \$1)</b>			<b>8</b>			<b>9</b>			<b>9</b>

## Exhibit IV – Audit Program Schedule of Revenue

data in thousands\*

PY 2011/12	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			Total PIT	Total BE		
<b>Audit Program Revenue</b>	\$1,569,910	\$1,357,165	\$612,671	\$744,494	\$168,061	\$8 to \$1
Direct Audit		\$1,131,480			\$140,114	
Claims /1		\$225,685			\$27,947	

  

CY 2012/13	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			Total PIT	Total BE		
<b>Audit Program Revenue</b>		\$1,489,513	\$689,431	\$800,082	\$160,296	\$9 to \$1
Direct Audit		\$1,383,770			\$133,640	
Claims /1		\$105,743			\$26,656	

BY 2013/14	Revenue Allocation				
	Workplan Revenue	Total PIT	Total BE	Cost	CBR
<b>Audit Program Revenue</b>	\$1,495,813	\$694,131	\$801,682	\$168,061	\$9 to \$1
Direct Audit	\$1,390,070			\$140,114	
Claims /1	\$105,743			\$27,947	

\*Revenue figures denote net assessments and defined refund claims. These revenue estimates are reported at a point-in-time. Semi-annually, program area staff continue to evaluate the revenue estimates with additional data that is captured throughout the fiscal year and modifications are made as appropriate.

1/ Claims workload validates the amount of refund claimed by the taxpayer and ensures only the appropriate refund amount is issued based on the applicable tax laws.

## Exhibit V – Filing Enforcement Program Workplan – Filing Enforcement

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>FILING ENFORCEMENT</b>									
Incoming Mail Processing		1,195	1,195		1,959	1,959		1,959	1,959
Quality Assurance	51,647		51,647	59,748		59,748	59,748		59,748
Voluntary Disclosure/Filing Compliance	944		944	1,131		1,131	1,131		1,131
Complex FE	6,038		6,038	8,136		8,136	8,136		8,136
Correspondence	33,682		33,682	41,401		41,401	41,401		41,401
Taxpayer Assistance	9,437		9,437	9,150		9,150	9,150		9,150
<b>Total Filing Enforcement Hours</b>	<b>101,747</b>	<b>1,195</b>	<b>102,942</b>	<b>119,566</b>	<b>1,959</b>	<b>121,525</b>	<b>119,566</b>	<b>1,959</b>	<b>121,525</b>
<b>Total Filing Enforcement PYs</b>			<b>59</b>			<b>69</b>			<b>69</b>

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>SUPPORT/OVERHEAD</b>									
Management/Supervision		11,141	11,141		13,626	13,626		13,626	13,626
Meeting & Misc/Projects/Activities		3,423	3,423		7,648	7,648		7,648	7,648
Training		11,694	11,694		16,198	16,198		16,198	16,198
<b>Total Support/Overhead Hours</b>		<b>26,257</b>	<b>26,257</b>		<b>37,472</b>	<b>37,472</b>		<b>37,472</b>	<b>37,472</b>
<b>Total Support/Overhead PYs</b>			<b>15</b>			<b>21</b>			<b>21</b>
<b>GRAND Total Hours</b>	<b>101,747</b>	<b>27,452</b>	<b>129,200</b>	<b>119,566</b>	<b>39,431</b>	<b>158,997</b>	<b>119,566</b>	<b>39,431</b>	<b>158,997</b>
<b>GRAND Total PYs</b>			<b>74</b>			<b>91</b>			<b>91</b>
<b>Total Filing Enforcement Revenue (in Thousands)</b>			<b>\$760,000</b>			<b>\$710,000</b>			<b>\$794,000</b>
<b>Total Filing Enforcement Costs (In Thousands)</b>			<b>\$24,532</b>			<b>\$24,340</b>			<b>\$25,519</b>
<b>Cost Benefit Ratio (\$x to \$1)</b>			<b>31</b>			<b>29</b>			<b>31</b>

### Exhibit V – Filing Enforcement Program Workplan – Non Wage Withholding

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>NON WAGE WITHHOLDING</b>									
Data Entry & Validation	44,629		44,629	34,546		34,546	34,546		34,546
Legislation & Analysis		77	77		46	46		46	46
Taxpayer Assistance	24,914		24,914	27,671		27,671	27,671		27,671
Nonadmitted Insurance	1,798		1,798	2,112		2,112	2,112		2,112
WASS Project	11,693		11,693	13,814		13,814	13,814		13,814
Tax Gap Activities	4,230		4,230	24,026		24,026	24,026		24,026
Withhold Forms & Publications Support	76		76	111		111	111		111
<b>Total Non Wage Withholding Hours</b>	<b>87,340</b>	<b>77</b>	<b>87,417</b>	<b>102,279</b>	<b>46</b>	<b>102,325</b>	<b>102,279</b>	<b>46</b>	<b>102,325</b>
<b>Total Non Wage Withholding PYs</b>			<b>50</b>			<b>59</b>			<b>59</b>

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>SUPPORT/OVERHEAD</b>									
Management/Supervision		10,804	10,804		12,404	12,404		12,404	12,404
Meetings & Misc/Projects/Activities		7,103	7,103		8,459	8,459		8,459	8,459
Training		2,830	2,830		3,188	3,188		3,188	3,188
<b>Total Support/Overhead Hours</b>		<b>20,737</b>	<b>20,737</b>		<b>24,052</b>	<b>24,052</b>		<b>24,051</b>	<b>24,051</b>
<b>Total Support/Overhead PYs</b>			<b>12</b>			<b>14</b>			<b>14</b>
<b>GRAND Total Hours</b>	<b>87,340</b>	<b>20,814</b>	<b>108,154</b>	<b>102,279</b>	<b>24,098</b>	<b>126,377</b>	<b>102,279</b>	<b>24,097</b>	<b>126,376</b>
<b>GRAND Total PYs</b>			<b>62</b>			<b>72</b>			<b>72</b>
<b>Non Wage Withholding Revenue (In Thousands)</b>			<b>\$867,000</b>			<b>\$764,000</b>			<b>\$765,000</b>
<b>Non Wage Withholding Costs (In Thousands)</b>			<b>\$12,142</b>			<b>\$11,938</b>			<b>\$12,516</b>
<b>Cost Benefit Ratio (\$x to \$1)</b>			<b>71</b>			<b>64</b>			<b>61</b>

## Exhibit V – Filing Enforcement Program Workplan – Fraud and Tax Gap

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>TAX GAP AND UNDERREPORTING</b>									
Sports	968		968	1,198		1,198	1,198		1,198
Filing Enforcement Analysis	228	3,405	3,633		4,329	4,329		4,329	4,329
Tax Gap	9,362		9,362	12,873		12,873	12,873		12,873
Studies & Projects	5,839		5,839	5,327		5,327	5,327		5,327
<b>Total Tax Gap &amp; Underreporting Hours</b>	<b>16,398</b>	<b>3,405</b>	<b>19,803</b>	<b>19,398</b>	<b>4,329</b>	<b>23,727</b>	<b>19,398</b>	<b>4,329</b>	<b>23,727</b>
<b>Total Tax Gap &amp; Underreporting PYs</b>			<b>11</b>			<b>14</b>			<b>14</b>
<b>FRAUD PROGRAM</b>									
Fraud Analysis	12,045		12,045	14,413		14,413	14,413		14,413
Referrals	6,844		6,844	8,325		8,325	8,325		8,325
Fraud Support Workloads	55,314	8,024	63,438	65,540	10,509	76,049	65,540	10,509	76,049
<b>Total Fraud – Fraud Program Hours</b>	<b>74,302</b>	<b>8,024</b>	<b>82,326</b>	<b>88,278</b>	<b>10,509</b>	<b>98,787</b>	<b>88,278</b>	<b>10,509</b>	<b>98,787</b>
<b>Total Fraud – Fraud Program PYs</b>			<b>47</b>			<b>56</b>			<b>56</b>

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>SUPPORT/OVERHEAD</b>									
Management/Supervision		15,210	15,210		18,527	18,527		18,527	18,527
Meetings & Misc/Projects/Activities		8,454	8,454		9,059	9,059		9,059	9,059
Training		2,522	2,522		3,376	3,376		3,376	3,376
<b>Total Support/Overhead Hours</b>		26,186	26,186		30,962	30,962		30,962	30,962
<b>Total Support/Overhead PYs</b>			15			18			18
<b>GRAND Total Hours</b>	<b>90,700</b>	<b>37,615</b>	<b>128,315</b>	<b>107,676</b>	<b>45,800</b>	<b>153,476</b>	<b>107,676</b>	<b>45,800</b>	<b>153,476</b>
<b>GRAND Total PYs</b>			<b>73</b>			<b>88</b>			<b>88</b>
<b>Total Fraud and Tax Gap Revenue (In Thousands)</b>			<b>\$65,000</b>			<b>\$46,000</b>			<b>\$46,000</b>
<b>Total Fraud and Tax Gap Costs (In Thousands)</b>			<b>\$5,547</b>			<b>\$5,454</b>			<b>\$5,718</b>
<b>Cost Benefit Ratio (\$x to \$1)</b>			<b>12</b>			<b>8</b>			<b>8</b>

## Exhibit VI – Filing Compliance Program Schedule of Revenue

data in thousands\*

PY 2011/12	Workplan Revenue	Actual Revenue	Revenue Allocation			
			PIT	BE	Cost	CBR
<b>Filing Compliance Program</b>	<b>\$1,455,300</b>	<b>\$1,692,000</b>	<b>\$1,434,250</b>	<b>\$257,750</b>	<b>\$42,221</b>	<b>\$40 to \$1</b>
Filing Enforcement Revenue	\$667,300	\$760,000	\$719,000	\$41,000	\$24,532	
Non Wage Withholding Revenue	\$748,000	\$867,000	\$650,250	\$216,750	\$12,142	
Fraud and Tax Gap Revenue	\$40,000	\$65,000	\$65,000	\$0	\$5,547	

CY 2012/13	Workplan Revenue	Revenue Allocation			
		PIT	BE	Cost	CBR
<b>Filing Compliance Program</b>	<b>\$1,520,000</b>	<b>\$1,268,000</b>	<b>\$252,000</b>	<b>\$41,732</b>	<b>\$36 to \$1</b>
Filing Enforcement Revenue	\$710,000	\$649,000	\$61,000	\$24,340	
Non Wage Withholding Revenue	\$764,000	\$573,000	\$191,000	\$11,938	
Fraud and Tax Gap Revenue	\$46,000	\$46,000	\$0	\$5,454	

BY 2013/14	Workplan Revenue	Revenue Allocation			CBR
		PIT	BE	Cost	
<b>Filing Compliance Program</b>	<b>\$1,605,000</b>	<b>\$1,333,750</b>	<b>\$271,250</b>	<b>\$43,753</b>	<b>\$37 to \$1</b>
Filing Enforcement Revenue	\$794,000	\$714,000	\$80,000	\$25,519	
Non Wage Withholding Revenue	\$765,000	\$573,750	\$191,250	\$12,516	
Fraud and Tax Gap Revenue	\$46,000	\$46,000	\$0	\$5,718	

\* Filing Enforcement revenue is actual cash collected. Non Wage Withholding revenue is gross withholding collected before any refunds. Fraud and Tax Gap Revenue is pre-processing “amount stopped” and post-processing “amount billed” discounted collectability. These revenue estimates are reported at a point-in-time. Semi-annually, program area staff continue to evaluate the revenue estimates with additional data that is captured throughout the fiscal year and modifications are made as appropriate.

## Exhibit VIII – Tax Return Validation Program Workplan

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>PERSONAL INCOME TAX</b>									
Routine & Complex Validation	184,421		184,421	192,896		192,896	192,896		192,896
Research & Statistics	11,838		11,838	11,604		11,604	11,604		11,604
Analysis & Verification		11,897	11,897		12,154	12,154		12,154	12,154
<b>Total PIT Program Hours</b>	<b>196,259</b>	<b>11,897</b>	<b>208,156</b>	<b>204,500</b>	<b>12,154</b>	<b>216,654</b>	<b>204,500</b>	<b>12,154</b>	<b>216,654</b>
<b>Total PIT Program Pys</b>			<b>119</b>			<b>124</b>			<b>124</b>

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>CORP PROCESSING</b>									
Return & Payment Processing	147,671		147,671	142,784		142,784	142,784		142,784
Quality Review/Technical Assistance		46,375	46,375		54,269	54,269		54,269	54,269
<b>Total Corp Processing Hours</b>	<b>147,671</b>	<b>46,375</b>	<b>194,046</b>	<b>142,784</b>	<b>54,269</b>	<b>197,053</b>	<b>142,784</b>	<b>54,269</b>	<b>197,053</b>
<b>Total Corp Processing PYs</b>			<b>111</b>			<b>113</b>			<b>113</b>
<b>PROGRAM SUPPORT</b>									
Claims/Offsets/Settlements Audit Support	7,007		7,007	6,790		6,790	6,790		6,790
Auditors		9,305	9,305		9,839	9,839		9,839	9,839
Project Analysts		18,311	18,311		17,177	17,177		17,177	17,177
Production Support		53,794	53,794		57,015	57,015		57,015	57,015
New Home/First Time Buyer Credit		627	627		316	316		316	316
Inventory Control		16,429	16,429		14,947	14,947		14,947	14,947
<b>Total Program Support Hours</b>	<b>7,007</b>	<b>98,466</b>	<b>105,473</b>	<b>6,790</b>	<b>99,294</b>	<b>106,084</b>	<b>6,790</b>	<b>99,294</b>	<b>106,084</b>
<b>Total Program Support PYs</b>			<b>60</b>			<b>61</b>			<b>61</b>

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
<b>EXEMPT ORGANIZATIONS</b>									
EO Taxpayer Assistance		11,909	11,909		8,978	8,978		8,978	8,978
EO Audits/Determinations/Rtn & Noncompliance Resolutions	52,923		52,923	61,371		61,371	61,371		61,371
EO Support		12,963	12,963		7,343	7,343		7,343	7,343
<b>Total Exempt Organizations Hours</b>	<b>52,923</b>	<b>24,871</b>	<b>77,794</b>	<b>61,731</b>	<b>16,321</b>	<b>77,692</b>	<b>61,371</b>	<b>16,321</b>	<b>77,692</b>
<b>Total Exempt Organizations PYs</b>			44			44			44
<b>SUPPORT/OVERHEAD</b>									
Management/Supervision		66,898	66,898		72,175	72,175		72,175	72,175
Meetings & Misc/Projects/Activities		32,494	32,494		32,002	32,002		32,002	32,002
Training		38,752	38,752		37,180	37,180		37,180	37,180
<b>Total Support/Overhead Hours</b>		<b>138,144</b>	<b>138,144</b>		<b>141,357</b>	<b>141,357</b>		<b>141,357</b>	<b>141,357</b>
<b>Total Support/Overhead PYs</b>			79			81			81

	Actual FY 2011/12			Planned FY 2011/12			Proposed FY 2013/14		
	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL	DIRECT	SUPPORT/OVERHEAD	TOTAL
GRAND Total Hours	403,859	319,753	723,612	415,445	323,395	738,840	415,445	323,395	738,840
GRAND Total PYs			414			422			422
Total Return Validation Revenue (In Thousands)			\$1,497,328			\$1,472,139			\$1,543,447
Total Return Validation Costs (In Thousands)			\$53,099			\$52,206			\$54,735
Cost Benefit Ratio (\$x to \$1)			28			28			28

## Exhibit VIII – Tax Return Validation Program Schedule of Revenue

data in thousands\*

PY 2011/12	Workplan Revenue	Actual Revenue	Revenue Allocation			
			PIT	BE	Cost	CBR
Tax Return Validation Revenue	\$1,574,217	\$1,479,328	\$1,046,962	\$450,366	\$53,099	\$28 to \$1

CY 2012/13	Workplan Revenue	Revenue Allocation			
		PIT	BE	Cost	CBR
Tax Return Validation Revenue	\$1,472,139	\$1,029,349	\$442,790	\$52,206	\$28 to \$1

BY 2013/14	Workplan Revenue	Revenue Allocation			
		PIT	BE	Cost	CBR
Tax Return Validation Revenue	\$1,543,447	\$1,079,209	\$464,238	\$54,735	\$28 to \$1

Although the CBR is presented in the above chart, CBRs do not drive the tax return validation program workplan. The tax return validation and payment processing workloads are statutorily mandated or policy driven. The tax return validation revenue is the natural result of a processing correction or billing notice for a personal income tax or business entity tax return. These revenue estimates are reported at a point in time. Semi-annually, program staff continue to evaluate the revenue estimates with additional data that is captured throughout the fiscal year and modifications are made as appropriate.

## Exhibit IX – Franchise Tax Board Budget Change Proposal Schedule of Revenue

data in thousands\*

PY 2011/12	Workplan Revenue	Actual Revenue	Allocation	
			PIT	BE
1) Audit Workload Growth (BCP 2) /1	\$6,500			
2) Enterprise Data to Revenue Project (SFL 1)	\$65,314	\$115,738	\$83,256	\$32,482
3) AB 1424	\$19,000	\$18,738	\$18,738	\$0
	<b>\$90,814</b>			

CY 2012/13	Workplan Revenue	Revenue Allocation		
		PIT	BE	
1) Enterprise Data to Revenue Project (BCP 1)		\$187,739	\$121,732	\$66,007
2) Accounts Receivable Management Program (BCP 2)		\$120,169	\$87,769	\$32,400
3) AB 1424 (BCP 4)		\$24,000	\$21,600	\$2,400
		<b>\$331,908</b>	<b>\$231,101</b>	<b>\$100,807</b>

BY 2013/14	Workplan Revenue	Revenue	
		Total PIT	Total BE
Enterprise Data to Revenue Project (BCP 1)	\$280,143	\$217,383	\$62,760

\* Revenue figures on this schedule are included in the totals on Exhibits II, IV, and VII.

1/ This was a workload growth BCP. Revenue associated with this initiative was not tracked separately, but is included in the overall Audit revenue

## Exhibit X – Glossary of Workplan Activities

### Collection Program

#### Automated/Reactive Collections

*Direct* – Automated/reactive collection activities taken to collect on taxpayer accounts which occur after a balance becomes due on an account. Automated collection activities are activities that result from purely system-automated processes and include resources that support automated system functions. Reactive collection activities involve manual interventions that are a result of automated processes.

#### Proactive Collections

*Direct* – Proactive collection activities taken to collect on taxpayer accounts which occur after a balance becomes due on an account. Proactive staff handles accounts that were not resolved in the automated and reactive processes.

#### Other Collection Workloads

- *Filing Assistance & Public Counter* - Time associated with activities at the public counter to assist taxpayers with preparation of tax returns.
- *CalEMA Disaster Center Support* - Relief activities in support of the California Emergency Management
- Agency deployment of FTB staff to California fires, earthquakes, and floods.
- *Missing Year Assessments* - Identifying all missing assessments associated with a specific taxpayer.
- *Illegal Activity Support* - Professional activities related to filing enforcement assessments for individuals arrested by law enforcement agencies.
- *Income Tax Protestor-FAN* - Professional activities related to Post-Notices of Proposed Assessment (NPA)
- actions for Filing Enforcement, including all the tasks to respond to taxpayers who have received NPAs.

#### Support/Overhead

- *Management/ Supervision* - Time associated with performing duties as a manager or supervisor. This function consists of the direct time of all levels of management.
- *Meetings & Misc./Projects/Activities* – Attend staff meetings and other activities that support the division and FTB as a whole.
- *Training* - Time associated with the employee development training for professional, technical, and clerical positions.

## Audit Program

### Audit

- *Audit Direct* - Audit of personal income tax and corporate taxpayers.
- *Audit Select - Modeling* - The development of the audit selection models in PASS and other stand-alone systems. Maintenance and system enhancements for audit IT programs.
- *Claims* - Audit of claims for refund personal income tax and corporate taxpayers filed in the form of amended returns.
- *Protest and Legal Support* - Activities related to the resolution of an audit after a Notice of Proposed
- Assessment (NPA) has been issued; includes hearings, analysis and further factual development.

### Support/Overhead

- *Management/ Supervision* - Time associated with performing duties as a manager or supervisor. This function consists of the direct time of all levels of management.
- *Meetings & Misc./Projects/Activities* – Attend staff meetings and other activities that support the division and FTB as a whole.
- *Training* - Time associated with the employee development training for professional, technical, and clerical positions.

## Filing Compliance Programs

### Filing Enforcement

#### Filing Enforcement

- *Incoming Mail Processing* - Sort and deliver all returns, requests, demands and NPAs.
- *Quality Assurance* - Process work lists by analyzing and perfecting INC cases to ensure that the correct income is associated to the correct taxpayer. Perfect taxpayer information (name, address, date of birth/death).
- *Voluntary Disclosure/Filing Compliance* - Support processing and analysis for R&TC 19192 for qualified taxpayers that are eligible for the Voluntary Disclosure Program and the Filing Compliance Agreement Program.
- *Complex FE* - Review and analyze accounts and returns of the most complex, sensitive and largest dollar accounts for corporations and individuals.
- *Correspondence* - Responds to both Personal Income Tax and Business Entity Filing Enforcement correspondence and analyzes taxpayers' responses to NPAs, Requests and Demands to determine filing requirements. Resolves accounts that have a different SSN or entity number based on taxpayers' response.
- *Taxpayer Assistance* - Answer calls and make personal income tax filing requirement determinations based on Mortgage Interest and K-1 income sources.

## Support/Overhead

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## Non Wage Withholding

### Non Wage Withholding

- *Data Entry & Validation* - Data entry and validation of withhold-at-source returns and payments. Includes allocation of withholding credits to taxpayer accounts, processing waivers requests, and conducting audits and assessing penalties to gain compliance and generate revenue.
- *Legislation & Analysis* - Analyze pending legislation and legislative proposals to assess potential impact and benefit. Develop and submit legislative proposals for consideration.
- *Taxpayer Assistance* - Answer phone calls and correspondence from withholding agents, payees, taxpayers, and other third parties. Develop and present education and outreach material for external stakeholders in order to gain compliance and increase revenue.
- *Nonadmitted Insurance* - Post payments, process and validate returns for Nonadmitted Insurance Program. Answer phone calls and correspondence from policyholders, agents, and brokers. Assess penalties and interest on late payments. Issue billing notices.
- *WASS Project* - Identify business requirements, review use cases, develop communication tools, create training module, create procedures, perform user acceptance testing, and provide project management support.
- *Tax Gap Activities* - Discovery, education, and outreach to withholding agents and payees on withhold-at- source requirements to increase revenue and reduce the tax gap.
- *Withhold Forms & Publications Support* - Review and update withhold-at-source forms and publication due to new laws, procedures, and processes.

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## Fraud and Tax Gap

### Tax Gap & Underreporting

- *Sports* - All tasks related to nonresident athletes performing personal services in California.
- *Filing Enforcement Analysis* - Conduct complex review and analysis of the Filing Enforcement Program to improve its effectiveness of the automated system. Analyzes and validates data to

determine usefulness as a new income source. Identifies and secures new taxpayer profiler information and test for non-filer patterns. Identifies areas of non-compliance with filing requirements and determine ways to address the non-compliance. Receive and respond to Filing Enforcement correspondence from customers and claimants or their representatives.

- *Tax Gap (Underreporting)* - Perform audits, research and analysis to detect trends and opportunities to address California's tax gap.
- *Studies & Projects* - Conduct and recommend studies and projects to measure the direct and indirect effects of FTB compliance activities on taxpayer behavior.

## Fraud Program

- *Fraud Analysis* - Provide education and outreach to tax practitioners on W-2 and CDC and demonstrates how to identify fraudulent claims. Fraud staff also works with the California Tax Education Council (CTEC) to identify unregistered preparers and provide them with information on how to become registered and will issue penalties for non-compliance.
- *Referrals* - Fraud receives referrals from several different areas within FTB when questionable claims are identified. A large number of referrals are received from tax preparer agencies. When the agencies have W-2s that look questionable, they contact FTB and we are able to identify if information is reported on EDD files.
- *Fraud Support Workloads* - *Fraud* support staff consists of student assistants that handle the daily incoming mail by sorting and distributing to staff. They also handle the account correspondence after resolution and file appropriately according to the case number. They also assist with any other support functions we may have during peak filing season; such as reviewing accounts received and separating based on criteria given. Case support includes preparing cases for Investigations for both W-2 and CDC. They also gather and analyze the account information before referring to the auditors on BOE appeals when the Child and Dependent Care Credit have been denied.

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## Tax Return Validation Program

### Personal Income Tax

- **Routine & Complex Resolution** - Processing of the routine and complex remit and non-remit Personal Income Tax keyed, e-filed, and scanned returns requiring math error resolution and verification of taxpayer data, multiple taxpayer problems, estimate payment discrepancies, multiple and identical returns, and State Disability Insurance discrepancies, tax year moves and consolidation of accounts, including verification of tax withholding.

- **Research & Statistics** - Extraction and/or coding of information from tax returns for use in statistical reports that are required by DOF.
- **Analysis and Verification Unit (AVU)** - Assures that the quality of departmental and section output meets established criteria. This includes review of notices over \$10,000, identifying and applying unclaimed payments to specific tax years so they can offset liabilities or be refunded. Also included are the allocations of Partnership Payments (national partnership workload). Process microfiche request for purging tax years for the department, typing notices and bills, and scheduling refunds.

## Corp Processing

- **Return & Payment Processing** - Processing remit, non-remit, refund and e-File returns for Corporations, Partnerships, LLCs, Combined and amended returns. Procedure development and processing for LLC claims for refund from SF Superior Court denying FTB appeal on two cases. Transfer of payment from LLC returns to Non-Resident LLC member's account. Processing payments, bills, and electronic funds transfers for Corporations, Partnerships, and LLCs.
- **Quality Review/ Technical Assistance** - Quality review and lead duties for Corporations, Partnerships, Combined and LLCs. Technical and system analysis resulting in submitting a system change request.

## Program Support

- *Claims/Offsets/Settlements Audit Support* - Process most complex returns, primarily amended returns, over \$25,000 refunds, and specialized workloads. Provide production staff with technical guidance and direction pertaining to tax law. Processing claims, handling the voluntary compliance initiative program, processing requests for interest computation, Corporation offsets, settlements and posting notice of proposed assessments (NPAs).
- *Auditors* - Process most complex returns, primarily amended returns, over \$25,000 refunds, and specialized workloads. Provide production staff with technical guidance and direction pertaining to tax law.
- *Project Analysts* - Provide analytical support by managing section projects and activities related to the maintenance & enhancement of various system applications and programs, assist in procedure writing in accordance to legislative analysis, and provide legislative proposal costing.
- *Production Support* - Technical support including Personal Computer Telecom representative, and SWAT (Someone Waiting at Terminal) assistance. Specialized workload (Payments, Amendeds, and Data Aging Research) staff support.
- *New Home/First Time Buyer Credit* - Processing of New Home/First Time Buyer Credit applications and letters.
- *Inventory Control* - Movement of inventory of returns/trucks into, through, and out of the section, and production of management inventory reports. Mail pickup/delivery. issuing non-qualifying ID numbers and temporary ID numbers.

## Exempt Organizations

- *EO Taxpayer Assistance* - Answering phone calls and data entry for: applications, revivors, correspondence, PASS, and parent/sub-coding.

- *EO Audits/Determinations/Rtn & Noncompliance Resolution* - Application determination, evaluating form 3500A, processing exemption applications and federal denials, processing Exempt Organization returns: Form 199, 109, and 100. General filing exemption, including account review and sending letters. Issuing assessments and revocations from registry of charitable trusts. Receiving DLC responses, including review, account clean-up and referral to Auditor. Processing revivor requests for suspended Exempt Organizations and Form 3500A. Account transactions, auditor adjustments and correspondence. Various audit activities including: qualified audits, audits resulting from informant contacts, audits resulting from IRS RAR reports, case referrals from the Attorney General's Office, claims for refund and audits resulting from delinquency control (DLC) responses. Activity follow-up including: application control and referral, district office support, contact organizations with no federal letter, denials, and refiles.
- *EO Support* - Lead duties for auditor teams and quality review of support staff. Design, build, test, implement, and monitor Exempt Organizations database. Program, legislative, and development support, ADCORR, correspondence, reports.

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