

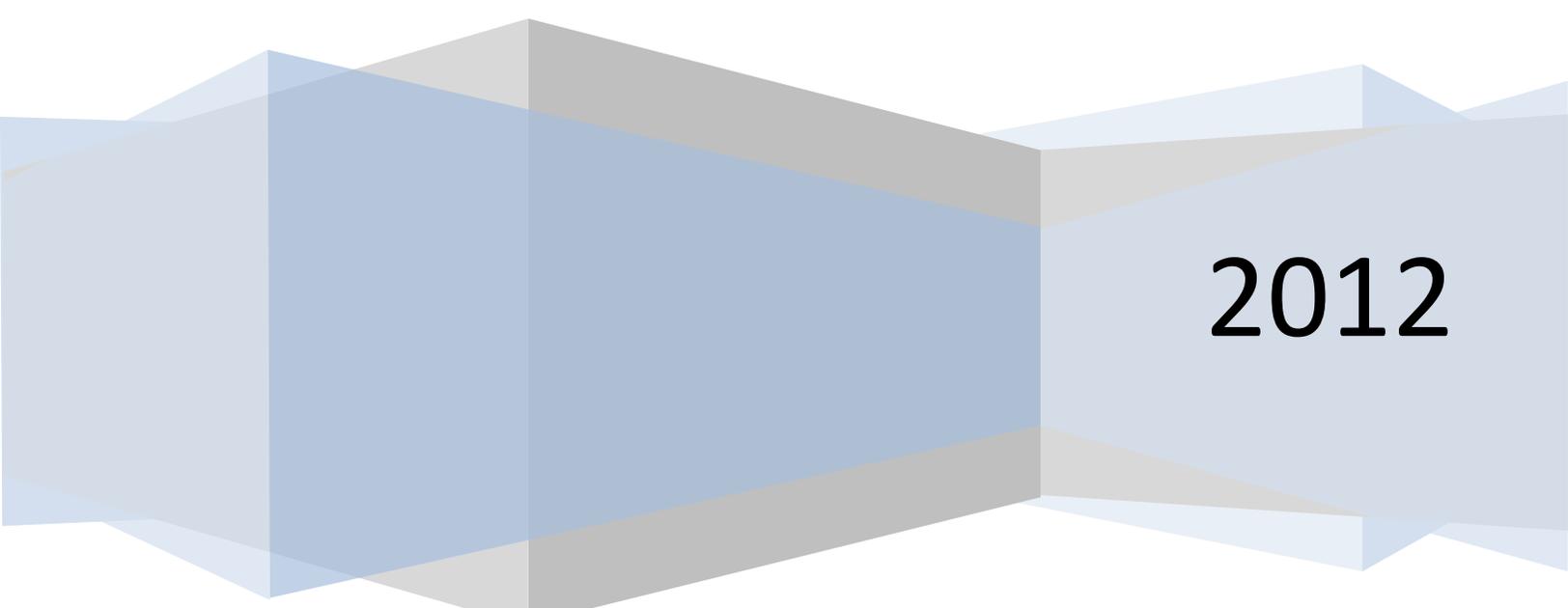


State of California  
**Franchise Tax Board**

# **Supplemental Report of the 2010-11 Budget Package**

**Item 7730-001-0001 FTB's Audit and Compliance  
Activities**

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**2012**

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## Introduction

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 that FTB:

- (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 1—Collection Program Workplan
- Exhibit 2—Collection Program Schedule of Revenue
- Exhibit 3—Audit Program Workplan
- Exhibit 4—Audit Program Schedule of Revenue
- Exhibit 5—Filing Compliance Program Workplan
- Exhibit 6—Filing Compliance Program Schedule of Revenue
- Exhibit 7—Tax Return Validation Program Workplan
- Exhibit 8—Tax Return Validation Program Schedule of Revenue
- Exhibit 9—Budget Change Proposal Schedule of Revenue
- Exhibit 10—Glossary of Workplan Activities

# Accounts Receivable Management 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 \$2.6 billion during fiscal year 2012/13. For 2011/12, the overall cost benefit ratio (CBR) totaled \$17 to \$1. For 2012/13, the overall CBR totaled \$15 to \$1. This is a temporary reduction resulting from costs associated with the Enterprise Data to Revenue (EDR) project.

- Automated/Reactive Collections
  - In 2012/13, approximately \$2.1 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 2012/13, the overall average CBR for automated/reactive collections totaled \$17 to \$1.
  - For 2012/13, the installment agreement process generated \$467 million, representing 20 percent of the total revenue for automated/reactive revenue collections.
- Proactive Collections
  - In 2012/13, proactive collection revenue totaled \$462 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 2012/13, the overall average CBR for proactive collections totaled \$9 to \$1.

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

- Statewide Collection Bureau
- Personal Income Tax (PIT) Billing, Compliance, and Collection Bureau
- Business Entity (BE) Collection Bureau
- Field and Complex Account Collection Bureau
- Special Programs Bureau
- Advisory, Analysis and Services Bureau

The **Statewide Collection Bureau** proactively collects revenue from personal income taxpayers to ensure that all taxpayers pay the proper amount of tax they owe. The Bureau also administers the two non-tax debt collection programs, which are for motor vehicle license fees, known as Vehicle Registration Collections and collections for courts throughout the State of California, known as Court Ordered Debt. These non-tax workloads are budgeted separately and are not included in the tax collection revenue figures or in the workplan. For 2012/13, Vehicle Registration Collection Program revenue totaled \$141.7 million and Court Ordered Debt Program revenue totaled \$99.5 million. In addition, the bureau administers the Private Debt Collection program, which contracts with outside vendors to collect from delinquent taxpayers and Interagency Intercept and Federal Treasury Offset Programs.

The **PIT Billing, Compliance, and Collection Bureau** provides direct taxpayer assistance for personal income taxpayers, ranging from general assistance to processing the most complex and sensitive accounts with balances exceeding \$25,000. Bureau staff assists taxpayers in resolving outstanding collections and compliance issues through the personal income tax collection contact center, which utilizes an Automated Call Distribution (ACD) system and Live Chat. The bureau is the first point of contact when an individual receives a billing notice or collection action, such as a bank levy or wage garnishment. In addition, taxpayers can resolve outstanding debts through a self-service Interactive Voice Response (IVR) system and electronic Installment Agreement Application (eIA), accessed from the FTB website. The bureau also processes correspondence received from taxpayers or their representative.

The **Business Entity Collection Bureau** administers the Business Entity Collection Program. The bureau's primary responsibility is to ensure all Corporations, Partnerships, and Limited Liability Companies (LLC's) meet their obligation to pay the proper amount owed. The bureau uses available resources and collection tools (ACD, Live Chat, IVR, eIA) to collect the proper amount of taxes, increase taxpayer compliance, and educate taxpayers to prevent future liabilities. The bureau includes a business entity contact center and proactive collectors working assigned accounts, including the most complex and sensitive business entity accounts with balances exceeding \$25,000.

The **Field and Complex Account Collection Bureau** includes the PIT complex account resolution teams, which handle proactive collections on the most complex and sensitive personal income tax accounts with balances exceeding \$25,000. This bureau also administers collection on the TOP 500 Delinquent Personal Income Tax and Business Entity accounts. Field office collectors make field collection calls on the most difficult to collect PIT and BE accounts that could not be resolved from the central office. In addition, the field offices provide public counter service to taxpayers.

The **Special Programs Bureau** provides specialized collection expertise for the Accounts Receivable Management Division. The bureau manages the specialized collection activities such as liens, bankruptcy, offers in compromise, innocent spouse, luxury vehicle pilot program, business transfer accounts and decedent collections.

The **Analysis, Advisory and Services Bureau** provides centralized support for the collection program. The bureau provides divisional budget and financial reporting, professional collector training, expert technical collection guidance regarding collection policy and law, collection systems analysis and direct support to collection staff by processing account transactions, Installment Agreement (IA) requests and correspondence.

## Workplan Development

The collection program workplan (Exhibit I) is developed using various analytical tools, including historical trend analysis, current 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 2012/13, FTB's collection program generated \$2.6 billion, which is one percent above projected revenue and three percent below revenue collected in 2011/12.

At the end of 2012/13 the total accounts receivable balance was at \$8.5 billion. Accounts receivable for personal income tax increased from \$6.2 billion to \$6.3 billion. Business entity tax accounts receivable increased from \$1.8 billion to \$2.2 billion, representing a 24 percent increase. The increase is due to additional liabilities entering the collection system.

During 2012/13, revenue for personal income tax collections was \$2 billion, a decrease of \$47 million from the previous year. The volume of pre-collection notices declined by 222,000 from 2011/12 to 2012/13, resulting in a decline in revenue for personal income tax. Revenue for business entities tax collections was \$563 million in 2012/13, a decrease of \$34 million from 2011/12. The decrease is attributable to three large anomaly payments totaling \$94 million received in 2011/12, which were not replicated in 2012/13.

## 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

The Audit program incorporates FTB's strategic goals. The program works with taxpayers and their representatives to administer and enforce the law effectively to ensure that all taxpayers meet their obligations to file and pay the proper amount owed. The program utilizes innovative methods to promote these objectives through customer service, education, self-compliance letters, initiatives, and partnerships with other federal and state agencies. In performing these activities, the program considers the effects on taxpayers, increases the timeliness and effectiveness of enforcement actions, and focuses on adherence to FTB Regulation Section 19032, Audit Procedures, to complete audits in a timely manner. When new issues arise, FTB collaborates with subject matter experts to operate its programs in an efficient manner and seeks better use of technology and data. FTB continues to seek new opportunities to form partnerships with taxpayers and other agencies and promote best audit practices.

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 the audit positions are 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 345,000 tax returns were examined during 2012/13, which accounted for \$1.5 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 2012/13, FTB's audit program generated \$1.5 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 2012/13, FTB efforts to reduce the tax gap were geared toward addressing non-compliance in the higher CBR traditional audit workloads.

FTB continues to pursue the examination of abusive tax shelter participants and promoters. FTB's partnership with other states, the IRS, and other federal agencies enhanced the sharing and exchanging

of abusive tax shelter information, training, and information leads. FTB focuses audit resources to identify and evaluate investor leads, promoters, and to assess disclosure and information return penalties.

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.

## 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, Limited Liability Companies, Limited Liability Partnerships and Limited Partnerships.

During 2012/2013, the filing enforcement program issued approximately 1 million Personal Income Tax Requests/Demands for Returns, 625,000 Personal Income Tax Notices of Proposed Assessment, 93,000 Business Entity Demands for Returns and 53,000 Business Entity Notices of Proposed Assessment.

### **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 teams identify industries that can benefit from education and outreach activities and tailor the appropriate communication methods to reach them.

### **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 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 2012/2013, the fraud program manually analyzed approximately 15,000 fraud referrals, 145,000 W-2 fraud cases, 4,000 Child and Dependent Care fraud cases and 17,000 potential 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. In addition, this group actively pursues tax preparer compliance initiatives focused on changing the behavior of tax preparers that may be knowingly or unknowingly preparing returns incorrectly.

### **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 continues to closely monitor the rise in the identify theft refund fraud workload. We will continue to examine the impact of the growth of this workload for additional resource considerations. FTB started an Enterprise Identity Theft study to help in this analysis. The volume of accounts requiring review for identity theft related refund fraud has increased from 8,000 in 2011/12 to nearly 17,000 in 2012/13.

## 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 Discovery Section and analyze highly complex accounts and make appropriate account adjustments. The section processes both paper and electronically transmitted documents.

During 2012/13, the validation staff processed approximately 2.3 million personal income tax returns and 34,000 fiduciary returns, resulting in the issuance of approximately 683,000 RINs. Staff also analyzed and applied 355,000 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 2012/13, staff handled approximately 298,000 business entity returns, and analyzed and applied 84,000 payments. Business Entity Return Validation Section also assisted in resolving approximately 162,000 transactions related to Exempt Organizations, including processing returns, audits, and answering taxpayer questions.

Revenue related to tax return validation was \$1.4 billion. During 2012/13, the tax return validation program did not meet their workplan estimate due to less billing notices were issued and fewer hours were worked in BES.

## 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.

## Exhibit1–Collection Program Workplan

TAX PROGRAM CATEGORY	Actual 2012/13			Planned FY 2013/14			Proposed 2014/15		
	Direct	Support/ Overhead	Total	Direct	Support/ Overhead	Total	Direct	Support/ Overhead	Total
<b>AUTOMATED/REACTIVE COLLECTIONS</b>									
Direct	816,762		816,762	1,035,412		1,035,412	1,035,412		1,035,412
<b>Total Automated/Reactive Hours</b>	816,762		816,762	1,035,412		1,035,412	1,035,412		1,035,412
<b>Total Automated/Reactive PYs</b>			467			592			592
<b>PROACTIVE COLLECTIONS</b>									
Direct	471,953		471,953	623,218		623,218	600,481		600,481
<b>Total Proactive Hours</b>	471,953		471,953	623,218		623,218	600,481		600,481
<b>Total Proactive PYs</b>			270			356			343
<b>OTHER COLLECTIONS WORKLOADS</b>									
Field Assistance & Public Counter	10,297	7,636	17,933	12,382	8,779	21,161	12,382	8,779	21,161
CalEMA Disaster Center Support		32	32		44	44		44	44
Missing Year Assessments	2,987	488	3,475	2,554	520	3,074	2,554	520	3,074
Illegal Activity Support	390		390	405		405	6,774		6,774
Income Tax Protestor-FAN	6,072		6,072	6,774		6,774	405		405
<b>Total Other Collections Workloads Hours</b>	19,746	8,155	27,901	22,115	9,343	31,458	22,115	9,343	31,458
<b>Total Other Collections Workloads Positions</b>			16			18			18
<b>SUPPORT/OVERHEAD</b>									
Management/Supervision		192,161	192,161		230,584	230,584		228,835	228,835
Meetings & Misc./Projects/Activities		149,338	149,338		181,310	181,310		181,310	181,310
Training	12,152	79,313	91,465	14,316	83,817	98,133	14,316	83,817	98,133
<b>Total Support/Overhead Hours</b>	12,152	420,812	432,964	14,316	495,711	510,027	14,316	493,962	508,278
<b>Total Support/Overhead Positions</b>			248			292			291
<b>Grand Total Hours</b>	<b>1,320,612</b>	<b>428,967</b>	<b>1,749,580</b>	<b>1,695,061</b>	<b>505,054</b>	<b>2,200,115</b>	<b>1,672,324</b>	<b>503,305</b>	<b>2,175,629</b>
<b>Grand Total Positions</b>			<b>1,000</b>			<b>1,258</b>			<b>1,244</b>
<b>Collection Program Revenue (In Thousands)</b>			<b>\$2,576,134</b>			<b>\$2,688,057</b>			<b>\$3,021,739</b>
<b>Collection Program Cost (In Thousands)</b>			<b>\$176,629</b>			<b>\$218,136</b>			<b>\$202,213</b>
<b>Cost Benefit Ratio (\$x to \$1)</b>			<b>15</b>			<b>12</b>			<b>15</b>

## Exhibit 2—Collection Program Schedule of Revenue\*

Data in thousands

PY 2012/13	Workplan Revenue	Actual Revenue	Revenue Allocation			
			Total PIT	Total BE	Cost	CBR
<b>Collection Program Revenue</b>	<b>\$2,551,400</b>	<b>\$2,576,134</b>	<b>\$2,012,683</b>	<b>\$563,451</b>	<b>\$176,629</b>	<b>\$15 to \$1</b>
Automated/Reactive		\$2,114,049			\$126,929	
Proactive		\$462,085			\$49,700	
			Revenue Allocation			
CY 2013/14		Workplan Revenue	Total PIT	Total BE	Cost	CBR
<b>Collection Program Revenue</b>		<b>\$2,688,057</b>	<b>\$2,095,257</b>	<b>\$592,800</b>	<b>\$218,136</b>	<b>\$12 to \$1</b>
Automated/Reactive		\$2,235,257			\$146,505	
Proactive		\$452,800			\$71,631	
			Revenue Allocation			
BY 2014/15		Workplan Revenue	Total PIT	Total BE	Cost	CBR
<b>Collection Program Revenue</b>		<b>\$3,021,739</b>	<b>\$2,358,357</b>	<b>\$663,382</b>	<b>\$202,213</b>	<b>\$15 to \$1</b>
Automated/Reactive		\$2,568,939			\$135,597	
Proactive		\$452,800			\$66,616	

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

### Exhibit 3–Audit Program Workplan

	Actual 2012/13			Planned FY 2013/14			Proposed 2014/15		
	Direct	Support/ Overhead	Total	Direct	Support/ Overhead	Total	Direct	Support/ Overhead	Total
<b>AUDIT</b>									
Audit Direct	1,103,700		1,103,700	1,255,742		1,255,742	1,280,228		1,280,228
Audit Select-Modeling	18,105		18,105	26,929		26,929	26,929		26,929
Claims	95,066		95,066	70,605		70,605	70,605		70,605
Protest and Legal Support	96,379		96,379	54,634		54,634	54,634		54,634
<b>Total Audit Hours</b>	<b>1,313,250</b>		<b>1,313,250</b>	<b>1,407,910</b>		<b>1,407,910</b>	<b>1,432,396</b>		<b>1,432,396</b>
<b>Total Audit Positions</b>			751			805			819
<b>SUPPORT/OVERHEAD</b>									
Management/Supervision		190,444	190,444		209,417	209,417		211,166	211,166
Meetings & Misc./Projects/Activities		92,816	92,816		100,424	100,424		100,424	100,424
Training		94,885	94,885		95,962	95,962		95,962	95,962
<b>Total Support/Overhead Hours</b>		<b>378,146</b>	<b>378,146</b>		<b>405,803</b>	<b>405,803</b>		<b>407,552</b>	<b>1,839,948</b>
<b>Total Support/Overhead Positions</b>			216			232			233
<b>Grand Total Hours</b>	<b>1,313,250</b>	<b>378,146</b>	<b>1,691,396</b>	<b>1,407,910</b>	<b>405,803</b>	<b>1,813,713</b>	<b>1,432,396</b>	<b>407,552</b>	<b>1,839,948</b>
<b>Grand Total Positions</b>			967			1,037			1,052
<b>Audit Program Revenue (In Thousands)</b>			<b>\$1,537,282</b>			<b>\$1,396,950</b>			<b>\$1,396,581</b>
<b>Audit Program Cost (In Thousands)</b>			<b>\$191,489</b>			<b>\$214,191</b>			<b>\$194,762</b>
<b>Cost Benefit Ratio (\$x to \$1)</b>			8			7			7

## Exhibit 4–Audit Program Schedule of Revenue\*

Data in thousands

PY 2012/13	Workplan Revenue	Actual Revenue	Revenue Allocation			
			PIT	BE	Cost	CBR
<b>Audit Program Revenue</b>	<b>\$1,489,513</b>	<b>\$1,537,282</b>	<b>\$789,618</b>	<b>\$747,665</b>	<b>\$191,489</b>	<b>\$8 to \$1</b>
Direct Audit		\$1,209,621			\$179,573	
Claims /1		\$327,662			\$11,915	
			Revenue Allocation			
CY 2013/14		Workplan Revenue	PIT	BE	Cost	CBR
<b>Audit Program Revenue /2</b>		<b>\$1,396,950</b>	<b>\$680,716</b>	<b>\$716,235</b>	<b>\$214,191</b>	<b>\$7 to \$1</b>
Direct Audit		\$1,292,073			\$198,780	
Claims /1		\$104,877			\$15,410	
			Revenue Allocation			
BY 2014/15		Workplan Revenue	PIT	BE	Cost	CBR
<b>Audit Program Revenue /2</b>		<b>\$1,396,581</b>	<b>\$680,383</b>	<b>\$716,198</b>	<b>\$194,762</b>	<b>\$7 to \$1</b>
Direct Audit		\$1,290,721			\$179,267	
Claims /1		\$105,860			\$15,495	

\*Revenue figures denote net assessments and denied refund claims. These revenue estimates are reported at a point-in-time. Semi-annually, program staff continues 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.

2/ Workplan revenue has been adjusted for economic impacts, increased complexity of audit issues, and a decrease in large IRS revenue.

## Exhibit 5—Filing Compliance Program Workplan—Filing Enforcement

	Actual 2012/13			Planned FY 2013/14			Proposed 2014/15		
	Direct	Support/ Overhead	Total	Direct	Support/ Overhead	Total	Direct	Support/ Overhead	Total
<b>FILING ENFORCEMENT</b>									
Incoming Mail Processing		1,502	1,502		1,510	1,510		1,510	1,510
Quality Assurance	53,849		53,849	62,550		62,550	70,611		70,611
Voluntary Disclosure/Filing Compliance	1,410		1,410	1,545		1,545	1,545		1,545
Complex FE	5,412		5,412	8,070		8,070	8,070		8,070
Correspondence	37,670		37,670	39,106		39,106	39,106		39,106
Taxpayer Assistance	9,767		9,767	10,307		10,307	14,862		14,862
<b>Total Filing Enforcement Hours</b>	<b>108,108</b>	<b>1,502</b>	<b>109,610</b>	<b>121,577</b>	<b>1,510</b>	<b>123,088</b>	<b>134,193</b>	<b>1,510</b>	<b>135,704</b>
<b>Total Filing Enforcement Positions</b>			<b>63</b>			<b>70</b>			<b>78</b>
<b>SUPPORT/OVERHEAD</b>									
Management/Supervision		11,233	11,233		12,382	12,382		12,382	12,382
Meetings & Misc./Projects/Activities		13,747	13,747		16,880	16,880		16,880	16,880
Training		4,154	4,154		4,520	4,520		4,520	4,520
<b>Total Support/Overhead Hours</b>		<b>29,134</b>	<b>29,134</b>		<b>33,783</b>	<b>33,783</b>		<b>33,783</b>	<b>33,783</b>
<b>Total Support/Overhead Positions</b>			<b>17</b>			<b>19</b>			<b>19</b>
<b>Grand Total Hours</b>	<b>108,108</b>	<b>30,635</b>	<b>138,743</b>	<b>121,577</b>	<b>35,293</b>	<b>156,871</b>	<b>134,193</b>	<b>35,293</b>	<b>169,486</b>
<b>Grand Total Positions</b>			<b>79</b>			<b>90</b>			<b>97</b>
<b>Total Filing Enforcement Revenue (In Thousands)</b>			<b>\$813,000</b>			<b>\$804,000</b>			<b>\$861,000</b>
<b>Total Filing Enforcement Costs (In Thousands)</b>			<b>\$26,267</b>			<b>\$29,682</b>			<b>\$30,079</b>
<b>Cost Benefit Ratio (\$x to \$1)</b>			<b>31</b>			<b>27</b>			<b>29</b>

## Exhibit 5—Filing Compliance Program Workplan—Non Wage Withholding

	Actual 2012/13			Planned FY 2013/14			Proposed 2014/15		
	Direct	Support/ Overhead	Total	Direct	Support/ Overhead	Total	Direct	Support/ Overhead	Total
<b>NON WAGE WITHHOLDING</b>									
Data Entry & Validation	23,977		23,977	23,986		23,986	32,808		32,808
Legislation & Analysis	56		56	60		60	60		60
Taxpayer Assistance	20,398		20,398	22,516		22,516	22,516		22,516
Nonadmitted Insurance	1,078		1,078	1,174		1,174	1,174		1,174
WASS Project	11,107		11,107	12,035		12,035	12,035		12,035
Tax Gap Activities	17		17						
Withhold Forms & Publications Support	1,570		1,570	1,703		1,703	1,703		1,703
Discovery & Compliance	13,394		13,394	15,553		15,553	20,370		20,370
Audit	9,929		9,929	10,764		10,764	14,212		14,212
<b>Total Non Wage Withholding Hours</b>	<b>81,525</b>		<b>81,525</b>	<b>87,790</b>		<b>87,790</b>	<b>104,877</b>		<b>104,877</b>
<b>Total Non Wage Withholding Positions</b>			47			50			60
<b>SUPPORT/OVERHEAD</b>									
Management/Supervision		10,423	10,423		11,314	11,314		11,314	11,314
Administrative Support		1,225	1,225						
Meetings & Misc./Projects/Activities		9,582	9,582		10,427	10,427		10,427	10,427
Training		1,659	1,659		1,842	1,842		1,842	1,842
<b>Total Support/Overhead Hours</b>		<b>22,888</b>	<b>22,888</b>		<b>23,582</b>	<b>23,582</b>		<b>23,582</b>	<b>23,582</b>
<b>Total Support/Overhead Positions</b>			13			13			13
<b>Grand Total Hours</b>	<b>81,525</b>	<b>22,888</b>	<b>104,413</b>	<b>87,790</b>	<b>23,582</b>	<b>111,372</b>	<b>104,877</b>	<b>23,582</b>	<b>128,459</b>
<b>Grand Total Positions</b>			60			64			73
<b>Collection Program Revenue (In Thousands)</b>			<b>\$1,265,000</b>			<b>\$1,401,000</b>			<b>\$1,428,000</b>
<b>Collection Program Cost (In Thousands)</b>			<b>\$12,251</b>			<b>\$13,109</b>			<b>\$13,755</b>
<b>Cost Benefit Ratio (\$x to \$1)</b>			<b>103</b>			<b>107</b>			<b>104</b>

## Exhibit 5—Filing Compliance Program Workplan—Fraud and Tax Gap

	Actual 2012/13			Planned FY 2013/14			Proposed 2014/15		
	Direct	Support/ Overhead	Total	Direct	Support/ Overhead	Total	Direct	Support/ Overhead	Total
<b>TAX GAP &amp; UNDERREPORTING</b>									
Sports	627		627	523		523	523		523
Filing Enforcement Analysis	2,032		2,032	2,237		2,237	2,237		2,237
Tax Gap	3,776		3,776	4,868		4,868	4,868		4,868
Studies & Projects	15,197		15,197	16,763		16,763	16,763		16,763
<b>Total Tax Gap &amp; Underreporting Hours</b>	<b>21,631</b>		<b>21,631</b>	<b>24,391</b>		<b>24,391</b>	<b>24,391</b>		<b>24,391</b>
<b>Total Tax Gap &amp; Underreporting Positions</b>			12			14			14
<b>FRAUD PROGRAM</b>									
Fraud Analysis	11,677		11,677	13,931		13,931	13,931		13,931
Referrals	2,287		2,287	3,002		3,002	3,002		3,002
Fraud Support Workloads	63,611		63,611	63,053		63,053	79,950		79,950
Fraud QR	3,826		3,826	4,431		4,431	4,431		4,431
<b>Total Fraud – Fraud Program Hours</b>	<b>81,401</b>		<b>81,401</b>	<b>84,417</b>		<b>84,417</b>	<b>101,314</b>		<b>101,314</b>
<b>Total Fraud – Fraud Program Positions</b>			47			48			58
<b>SUPPORT/OVERHEAD</b>									
Management/Supervision		15,759	15,759		17,490	17,490		17,490	17,490
Tax Forms Review		1,381	1,381		1,690	1,690		1,690	1,690
Meetings & Misc./Projects/Activities		2,207	2,207		3,624	3,624		3,624	3,624
Training		6,425	6,425		8,903	8,903		8,903	8,903
<b>Total Support/Overhead Hours</b>		<b>25,772</b>	<b>25,772</b>		<b>31,707</b>	<b>31,707</b>		<b>31,707</b>	<b>31,707</b>
<b>Total Support/Overhead Positions</b>			15			18			18
<b>Grand Total Hours</b>	<b>103,032</b>	<b>25,772</b>	<b>128,804</b>	<b>108,808</b>	<b>31,707</b>	<b>140,514</b>	<b>125,705</b>	<b>31,707</b>	<b>157,412</b>
<b>Grand Total Positions</b>			74			80			90
<b>Total Fraud &amp; Tax Gap Revenue (In Thousands)</b>			<b>\$61,000</b>			<b>\$61,000</b>			<b>\$64,000</b>
<b>Total Fraud &amp; Tax Gap Costs (In Thousands)</b>			<b>\$5,686</b>			<b>\$6,198</b>			<b>\$6,926</b>
<b>Cost Benefit Ratio (\$x to \$1)</b>			11			10			9

## Exhibit 6—Filing Compliance Schedule of Revenue\*

Data in thousands

PY 2012/13	Workplan Revenue	Actual Revenue	Revenue Allocation			
			PIT	BE	Cost	CBR
<b>Filing Compliance Program</b>	<b>\$1,852,000</b>	<b>\$2,139,000</b>	<b>\$1,791,000</b>	<b>\$348,000</b>	<b>\$44,204</b>	<b>\$48 to \$1</b>
Filing Enforcement Revenue	\$776,000	\$813,000	\$751,000	\$62,200	\$26,267	
Non Wage Withholding Revenue	\$1,016,000	1,265,000	\$979,000	\$286,000	\$12,251	
Fraud and Tax Gap Revenue	\$60,000	\$61,000	\$61,000	\$0	\$5,686	
			Revenue Allocation			
CY 2013/14	Workplan Revenue		PIT	BE	Cost	CBR
<b>Filing Compliance Program</b>	<b>\$2,266,000</b>		<b>\$1,690,650</b>	<b>\$575,350</b>	<b>\$48,989</b>	<b>\$38 to \$1</b>
Filing Enforcement Revenue	\$804,000		\$719,000	\$85,000	\$29,682	
Non Wage Withholding Revenue	\$1,401,000		\$910,650	\$490,350	\$13,109	
Fraud and Tax Gap Revenue	\$61,000		\$61,000	\$0	\$6,198	
			Revenue Allocation			
BY 2014/15	Workplan Revenue		PIT	BE	Cost	CBR
<b>Filing Compliance Program</b>	<b>\$2,353,000</b>		<b>\$1,761,200</b>	<b>\$591,800</b>	<b>\$50,760</b>	<b>\$39 to \$1</b>
Filing Enforcement Revenue	\$861,000		\$769,000	\$92,000	\$30,079	
Non Wage Withholding Revenue	\$1,428,000		\$928,200	\$499,800	\$13,755	
Fraud and Tax Gap Revenue	\$64,000		\$64,000	\$0	\$6,926	

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

## Exhibit 7—Tax Return Validation Program Workplan

	Actual 2012/13			Planned FY 2013/14			Proposed 2014/15		
	Direct	Support/ Overhead	Total	Direct	Support/ Overhead	Total	Direct	Support/ Overhead	Total
<b>PERSONAL INCOME TAX</b>									
Routine & Complex Resolution	153,413		153,413	150,722		150,722	150,722		150,722
Research and Statistics	16,345		16,345	13,422		13,422	13,422		13,422
Analysis & Verification		12,940	12,940	38,959	38,959	38,959	38,959	38,959	38,959
<b>Total PIT Program Hours</b>	<b>169,758</b>	<b>12,940</b>	<b>182,698</b>	<b>164,144</b>	<b>38,959</b>	<b>203,102</b>	<b>164,144</b>	<b>38,959</b>	<b>203,102</b>
<b>Total PIT Program Positions</b>			104			116			116
<b>CORP PROCESSING</b>									
Return & Payment Processing	141,123		141,123	138,400		138,400	138,400		138,400
Quality Review/Technical Assistance		44,300	44,300	43,499	43,499	43,499	43,499	43,499	43,499
<b>Total Corp Processing Hours</b>	<b>141,123</b>	<b>44,300</b>	<b>185,424</b>	<b>138,400</b>	<b>43,499</b>	<b>181,858</b>	<b>138,400</b>	<b>43,499</b>	<b>181,808</b>
<b>Total Corp Processing Positions</b>			47			48			58
<b>PROGRAM SUPPORT</b>									
Claims/Offsets/Settlements Audit Support	6,402		6,402	6,338		6,338	6,338		6,338
Auditors		7,667	7,667	7,966	7,966	7,966	7,966	7,966	7,966
Project Analysts		9,794	9,794	13,605	13,605	13,605	13,605	13,605	13,605
Production Support		46,304	46,304	44,163	44,163	44,163	44,163	44,163	44,163
New Home/First Time Buyer Credit		23	23	10	10	10	10	10	10
Inventory Control		14,027	14,027	13,137	13,137	13,137	13,137	13,137	13,137
<b>Total Program Support Hours</b>	<b>6,402</b>	<b>77,815</b>	<b>84,218</b>	<b>6,338</b>	<b>78,882</b>	<b>85,220</b>	<b>6,338</b>	<b>78,882</b>	<b>85,220</b>
<b>Total Program Support Positions</b>			48			49			49
<b>EXEMPT ORGANIZATIONS</b>									
EO Taxpayer Assistance		7,831	7,831	7,537	7,537	7,537	7,537	7,537	7,537
EO Audits/Determinations/Rtn & Noncompliance Resolution	52,384		52,384	52,725		52,725	52,725		52,725
EO Support		6,920	6,920	7,094	7,094	7,094	7,094	7,094	7,094
<b>Total Exempt Organizations Hours</b>	<b>52,384</b>	<b>14,751</b>	<b>67,134</b>	<b>52,725</b>	<b>14,631</b>	<b>67,356</b>	<b>52,725</b>	<b>14,631</b>	<b>67,356</b>
<b>Total Exempt Organizations Positions</b>			38			39			39
<b>SUPPORT/OVERHEAD</b>									
Management/Supervision		63,328	63,328	44,200	44,200	44,200	44,200	44,200	44,200
Meetings & Misc./Projects/Activities		36,531	36,531	36,527	36,527	36,527	36,527	36,527	36,527
Training		28,597	28,597	31,189	31,189	31,189	31,189	31,189	31,189
<b>Total Support/Overhead Hours</b>		<b>128,456</b>	<b>128,456</b>	<b>111,916</b>	<b>111,916</b>	<b>111,916</b>	<b>111,916</b>	<b>111,916</b>	<b>111,916</b>
<b>Total Support/Overhead Positions</b>			73			64			64
<b>Grand Total Hours</b>	<b>369,667</b>	<b>278,263</b>	<b>647,930</b>	<b>361,607</b>	<b>287,886</b>	<b>649,493</b>	<b>361,607</b>	<b>287,886</b>	<b>649,493</b>
<b>Grand Total Positions</b>			370			371			371
<b>Total tax Return Validation Revenue (In Thousands)</b>			<b>\$1,424,854</b>			<b>\$1,453,351</b>			<b>\$1,473,351</b>
<b>Total tax Return Validation Costs (In Thousands)</b>			<b>\$58,643</b>			<b>\$59,580</b>			<b>\$60,066</b>
<b>Cost Benefit Ratio (\$x to \$1)</b>			24			24			25

## Exhibit 8—Tax Return Validation Program Schedule of Revenue\*

Data in thousands

PY 2012/13	Workplan Revenue	Actual Revenue	Revenue Allocation			
			PIT	BE	Cost	CBR
Tax Return Validation Revenue	\$1,472,139	\$1,424,854	\$1,006,904	\$417,950	\$58,643	\$24 to \$1

CY 2013/14	Workplan Revenue	Actual Revenue	Revenue Allocation			
			PIT	BE	Cost	CBR
Tax Return Validation Revenue		\$1,453,351	\$1,027,042	\$426,309	\$59,580	\$24 to \$1

BY 2014/15	Workplan Revenue	Actual Revenue	Revenue Allocation			
			PIT	BE	Cost	CBR
Tax Return Validation Revenue		\$1,473,351	\$1,047,042	\$426,309	\$60,066	\$25 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. Tax return validation revenue is the natural result of a processing corrections 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 area staff continues to evaluate the revenue estimates with additional data that is captured throughout the fiscal year and modifications are made as appropriate.

## Exhibit 9—Franchise Tax Board Budget Change Proposal Schedule of Revenue

Data in thousands

PY 2012/13	Workplan Revenue	Actual Revenue	Revenue Allocation	
			PIT	BE
1. Enterprise Data to Revenue Project (BCP 1) /1	\$174,696	\$304,512	\$295,081	\$9,431
2. Accounts Receivable Management Program (BCP 2) /2	\$120,169			
3. AB 1424 (BCP 4) /3	\$24,000	\$18,700	\$18,700	\$0
	<b>\$318,865</b>			

CY 2013/14	Workplan Revenue	Revenue Allocation	
		PIT	BE
1) Enterprise Data to Revenue Project (BCP 1) /1	\$261,583	\$196,065	\$65,518

BY 2014/15	Workplan Revenue	Revenue Allocation	
		PIT	BE
1) Enterprise Data to Revenue Project (BCP 1) /1	\$684,648	\$542,603	\$142,045
2) Accounts Receivable Management Program (BCP 2) /2	\$108,000	\$81,000	\$27,000
	<b>\$792,648</b>	<b>\$623,603</b>	<b>\$169,045</b>

\*Revenue figures on this schedule are included in the totals on Exhibits 2, 4, 6, and 8.

1/ Revenue related to the Real Estate early initiative has been removed in this table.

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

3/ FY 12/13 AB 1424 revenue was lower than projected due to a significant decrease in the AR value of the Top 500 cases and the late start of the reciprocal offset program.

## **Exhibit 10—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

**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

**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.

### 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.

**Discovery & Compliance:** The Discovery team's primary focus is to research industry types and other sources to determine if withholding is required on California source income. The team also provides education and outreach to industries via phone, email, mailings.

**Audit:** The audit team is responsible for conducting withholding audits to ensure withholding agents are in compliance with withholding requirements, including issues related to nonresident, real estate, and backup withholding.

## **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.

**Administrative Support:** Activities related to performing duties in support of a bureau for administrative timekeeping, time activity, leave balance reconciliation or any activities associated with timekeeping workloads.

**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.

## **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:** 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 Tax Program 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. Fraud Technician Teams consist of Tax Program Technician I and Tax Program Technician II staff. They review refund-due Personal Income Tax returns to investigate and resolve possible fraudulent refund claims or Identity Theft activity. This is done by researching provided information, contacting taxpayers and/or employers, and verifying wage and withholding data against 3rd party sources. Some staff also gathers and analyzes account information before referring to auditors on BOE appeals when the Child and Dependent Care Credit has been denied.

**Fraud QR:** Used to report time spent on quality review activities of the various fraud technician workloads. The activities being reviewed are things like answering phones, working taxpayer correspondence, and work list account processing.

### **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.

**Tax Forms Review:** Used to report time spent by FADS staff who are performing in a TFDD reviewer role. This includes things like annual development, revision, and department review of taxpayers' tax forms, instructions, booklets, and publications.

**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.

## 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:** 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 and 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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