



Operations Report

Franchise Tax Board

FISCAL YEAR 2001-2002



2001-2002 BOARD MEMBERS

Kathleen Connell, Controller

John Chiang, Chair, State Board of Equalization (2002)

Claude Parrish, Chair, State Board of Equalization (2001)

B. Timothy Gage, Director of Finance

OPERATIONS REPORT

FISCAL YEAR ENDED JUNE 30, 2002

2001-2002 BOARD MEMBERS

Hon. Kathleen Connell Controller
Hon. John Chiang Chair, State Board of Equalization (2002)
Hon. Claude Parrish Chair, State Board of Equalization (2001)
Hon. B. Timothy Gage Director of Finance

CURRENT BOARD MEMBERS

Hon. Steve Westly Controller
Hon. John Chiang Chair, State Board of Equalization
Hon. Michael C. Genest Director of Finance

Executive Officer
Selvi Stanislaus

Prepared by:
Franchise Tax Board Budget Office
January 2006

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INTRODUCTION

Programs The Operations Report presents the 2001/2002 operations of the Franchise Tax Board. The information presented in this report is based on information available as of September 2004.

Franchise Tax Board administers the following programs and their components:

Tax Programs:

- Personal Income Tax (PIT)
- Corporation Tax (CT)
- Non-Admitted Insurance Tax Collections

Non-Tax Collection Programs:

- Inter-Agency Intercept Collections^{1/}
- Child Support Collections
- Vehicle Registration Collections
- Court-Ordered Debt Collections
- Industrial Health and Safety Collections

Other Non-Tax Programs:

- Homeowner and Renter Assistance
- Political Reform Audit
- Contract Work
- Child Support Automation Project

Mission Statement The purpose of the Franchise Tax Board is to collect the proper amount of tax revenue and operate programs entrusted to us, at the least cost; serve the public by continually improving the quality of our products and services; and perform in a manner warranting the highest degree of public confidence in our integrity, efficiency, and fairness.

Revenue Collection, Efficiency, Integrity, And Fairness The primary responsibility of FTB is to collect revenues. We measure our success by comparing net assessments and collections to cost. We use these comparisons to allocate resources to appropriate activities.

We strive for efficiency by continuously improving the cost benefit performance of our programs. The best measure of our efficiency is the comparison of benefits to cost.

We build our reputation for integrity and fairness by producing customer-oriented products and services that help taxpayers easily fulfill their obligations. Results show that our efforts in this area have improved public compliance with the tax laws. One measurement of our success comes from the volume of error corrections on self-assessed tax and non-tax debt forms.

^{1/} Component of Contract Work Program

Departmental Expenditures

In 2001/2002, the Franchise Tax Board's expenditures totaled \$405.4 million; an increase of \$8.2 million (2.1%) over the prior year. Personnel years (PYs) totaled 5,639.3, an increase of 161.7 (2.9%) over 2000/2001. The change in the number of personnel years is reflective of increases to Filing Enforcement Act Activities (92.5 PYs), Tax Collections (183.2 PYs), and Non-Tax Collections (51.5 PYs), and is offset by decreases to Audit Activities (93.7 PYs), Taxpayer Assistance (39.9 PYs), Return Processing (7.9 PYs), and Homeowner and Renter Assistance (25.5 PYs).

The following tables summarize the department's expenditures by program activity and object.

**EXPENDITURES BY PROGRAM ACTIVITY
A Two Year Comparison
(Thousands)**

	<u>2001/02</u>	<u>2000/01</u>
Tax Programs		
Personal Income Tax	\$230,214	\$235,243
Corporation Tax	127,083	117,618
Non-Admitted Insurance Tax	<u>53</u>	<u>57</u>
Total Tax Programs	\$357,350	\$352,918
Non-Tax Collection Programs	24,190	18,759
Other Non-Tax Programs	<u>23,903</u>	<u>25,561</u>
TOTAL EXPENDITURES BY PROGRAM	<u>\$405,443</u>	<u>\$397,238</u>

**EXPENDITURES BY OBJECT
A Two Year Comparison
(Thousands)**

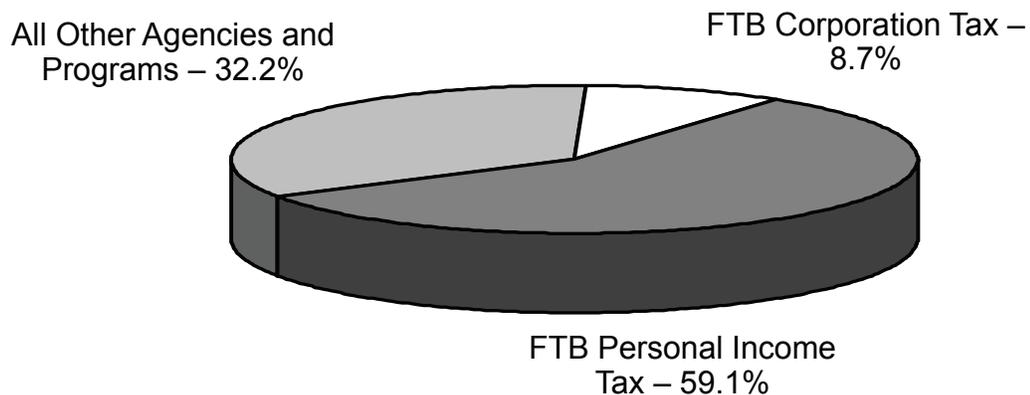
	<u>2001/02</u>	<u>2000/01</u>
Personal Services		
Salary and Wages	\$254,435	\$243,607
Benefits	<u>53,922</u>	<u>43,975</u>
Total Personal Services	\$308,357	\$287,582
Operating Expenses & Equipment	<u>97,086</u>	<u>109,656</u>
TOTAL EXPENDITURES	\$405,443	\$397,238
Reimbursements	<u>-25,740</u>	<u>-23,328</u>
NET EXPENDITURES BY OBJECT	<u>\$379,703</u>	<u>\$373,910</u>

California's General Fund^{1/}

The General Fund received \$62.8 billion in revenue from all major tax and license revenue sources. As illustrated below, the Franchise Tax Board was again a principal contributor of revenues to the General Fund. The General Fund is the state's primary funding source for general government services. At the end of fiscal year (FY) 2001/2002 the General Fund had a cash surplus of \$10.4 billion.

Fiscal Year ended June 30, 2002

Major Tax and License Revenue Fiscal Year Ended June 30, 2002



Major Tax & License Revenues (Millions)

	Fiscal Year		Change	Percent Change
	2001/2002	2000/2001		
Personal Income Tax ^{1/}	33,295.4	44,772.0	-11,476.6	-25.6%
Corporation Tax	5,088.2	6,546.3	-1,458.1	-22.3%
Subtotal	38,383.6	51,318.3	-12,934.7	-25.2%
Other Programs	24,373.4	24,317.5	55.9	0.2%
Total	<u>62,757.0</u>	<u>75,635.8</u>	<u>-12,878.8</u>	<u>-17.0%</u>

Statistics extracted from the 2001/2002 Controller's Annual Financial Report.

^{1/} In 2001/2002, 24.5 billion of general Fund Revenues came from Personal Income Tax withholding; a \$1.9 billion increase from the 2000/2001 level of \$26.4 billion.

TAX PROGRAMS

The Franchise Tax Board tax program activities consist of the administration of the state's personal income tax, corporation tax, and non-admitted insurance tax. The related tax program activities include taxpayer assistance and tax return processing (self-assessment activities), filing enforcement, audit, and tax collections. Tax program activities also include the collection and disbursement of voluntary contributions to charitable organizations designated on the PIT tax returns.

In 2001/2002, the tax programs administered by the Franchise Tax Board accounted for \$38.4 billion (61.2%) of the General Fund's Major Tax and License revenue.

Self-Assessment Activities

Self-assessment activities comprise all functions that facilitate and ensure voluntary compliance with the state's tax laws. Such activities include developing and distributing tax forms and instructions, assisting taxpayers, processing and storing returns, and issuing refunds.

FTB continues to improve the efficiency of self-assessed activities by applying state-of-the-art technology to taxpayer assistance and return processing functions. Technology enhancements include image-assisted data capture and electronic and telephone filing of Personal Income Tax (PIT) returns. Partnerships may file Schedule K-1 on a CD, diskette, tape cartridge, or magnetic tape reel. PIT Estimate and current year tax payments can be paid by credit card.

Taxpayer Assistance

Taxpayer assistance refers to all functions that provide taxpayers and tax preparers with the necessary information and tools to submit timely and accurately computed documents and payments, thereby leading to better customer service. The following are examples of FTB's taxpayer assistance activities:

- Distribution of quarterly informational newsletters to tax preparers regarding changes in tax laws, filing procedures, and certain tax litigation rulings.
- Review and approval of commercial tax preparation software packages to assure compliance with current tax laws and reporting procedures.
- Availability of tax forms and publications from the Internet Website.
- Interactive Voice Response (IVR) system to provide 22 different applications and answers to frequently asked questions covering about 98 tax topics.

In addition to the above activities, the department distributed 8.4 million tax return booklets, forms and postcards; provided for 24 million downloaded forms; received 718 thousand interactive voice response (IVR) phone calls; and manually responded to 815 thousand telephone, paper and electronic mail correspondence, and over-the-counter requests for forms, pre-filing assistance, and refund information in 2001/2002.

Return Processing

Return Processing activities include:

- Receiving, cashiering, and depositing tax payments; and
- Transcribing, correcting, and filing annual tax returns and quarterly estimate payments.

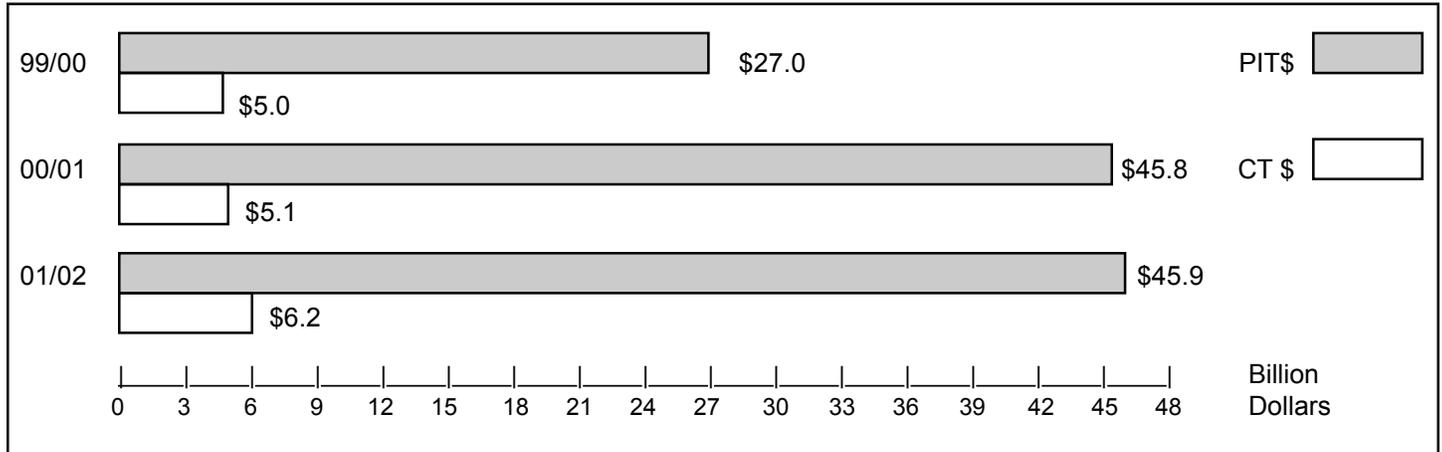
In 2001/2002, the department processed 15.7 million personal income tax returns and reported self-assessments of \$45.9 billion. Of the returns processed, 10 million PIT returns resulted in refunds of \$6.7 billion due to withholding, prepayments, and refundable credits.

Taxpayers and tax preparers filed 3.1 million PIT returns electronically, a 26.3 percent increase from the 2000/2001 level of 2.5 million returns. Also in 2001/2002, FTB processed 5.7 million PIT returns by an electronic image scanning system increasing efficiency over the traditional key data entry system. Continuing technological enhancements allow for the electronic processing of more complex returns.

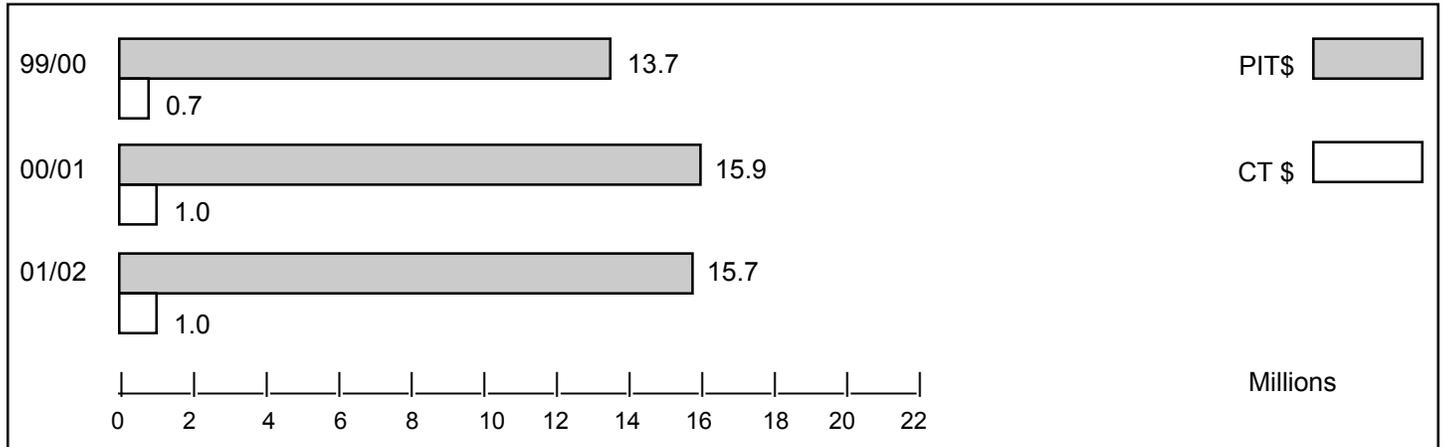
FTB processed 1,012,883 business entity tax returns with a total tax liability of \$6.2 billion. This included 451,258 current year for-profit corporation tax returns, and 337,734 partnership and limited liability company returns. Additionally, the FTB deposited 527,013 estimate tax payments and processed 79,271 tax-exempt corporation returns in 2001/2002.

Self-Assessment Activities

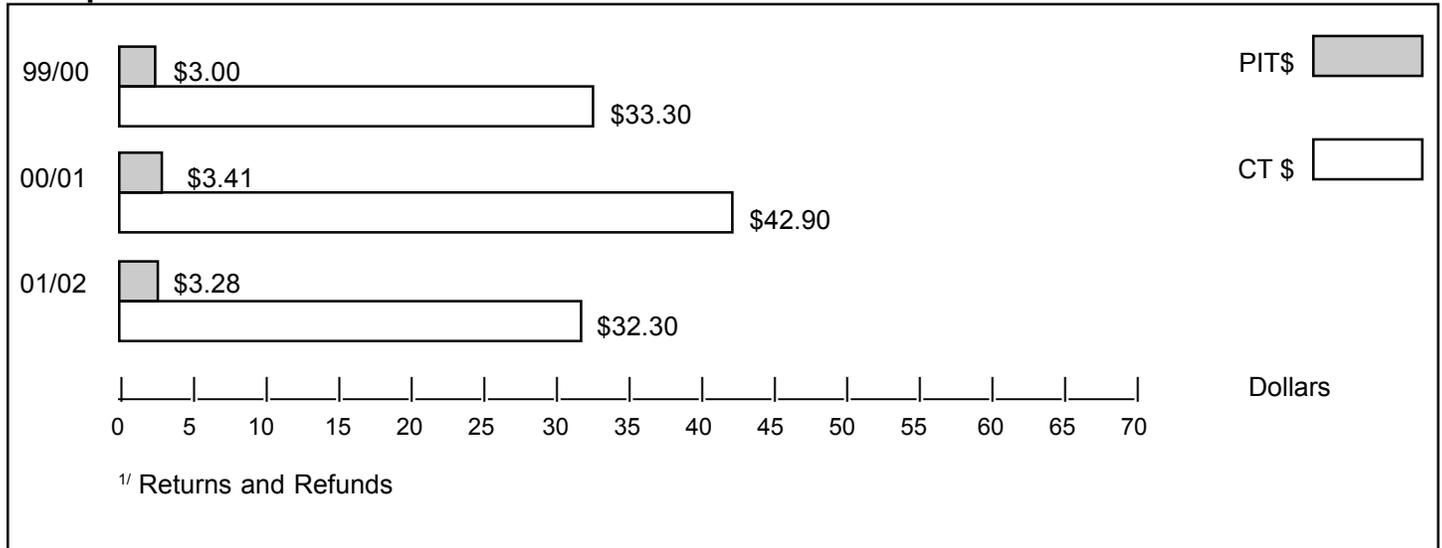
Amount of Self-Assessed Tax



Number of Returns Processed



Cost per Unit ^{1/} Processed



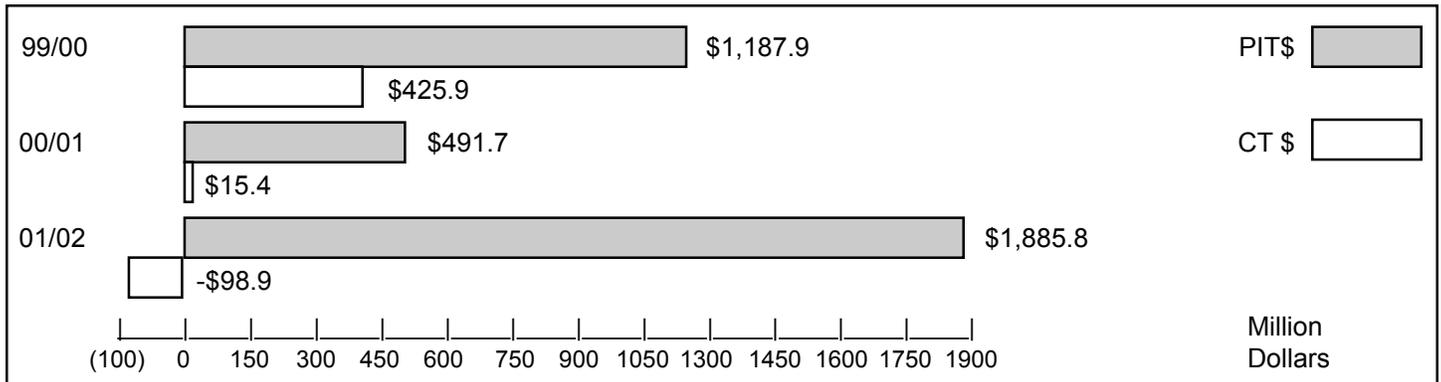
Filing Enforcement Activities

Filing enforcement activities identify individuals and business entities that are required to file a return but have not done so. The department's filing enforcement activities include the use of over 160 million income records from various sources to identify and appropriately tax individuals and business entities that do not comply with filing requirements.

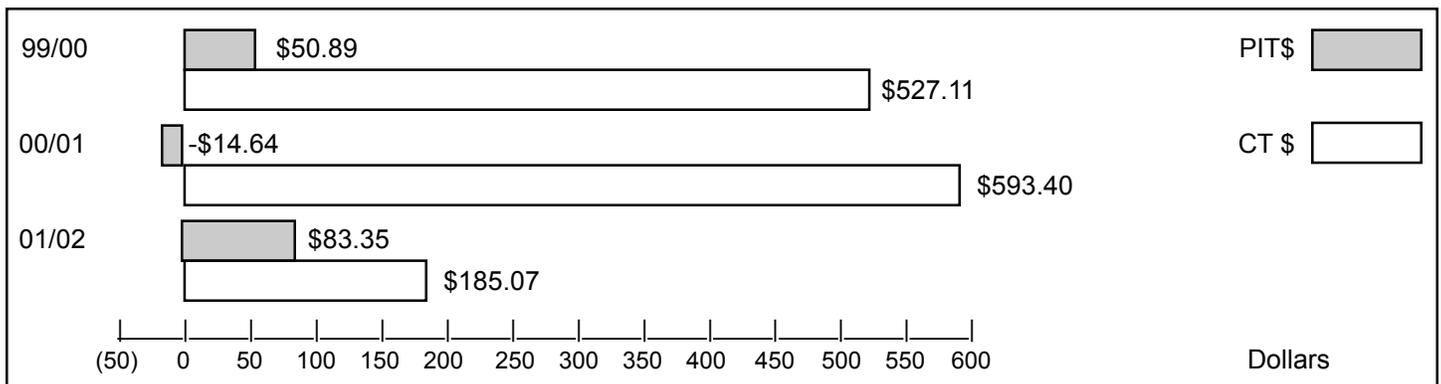
Delinquent non-filers that fail to respond to demand-to-file letters are issued tax assessments based on the income records available to the department. Net assessment dollars become part of the tax collection inventory if non-filers either fail to file their delinquent return or prove their right of exemption under the law before the protest period expires.

The following bar charts compare 2001/2002 filing enforcement activities with those of the two prior years. Additional filing enforcement statistics are provided in Exhibits A and C.

Net Assessment Dollars



Net Assessed Revenue Per Dollar Cost



Tax Audit Activities

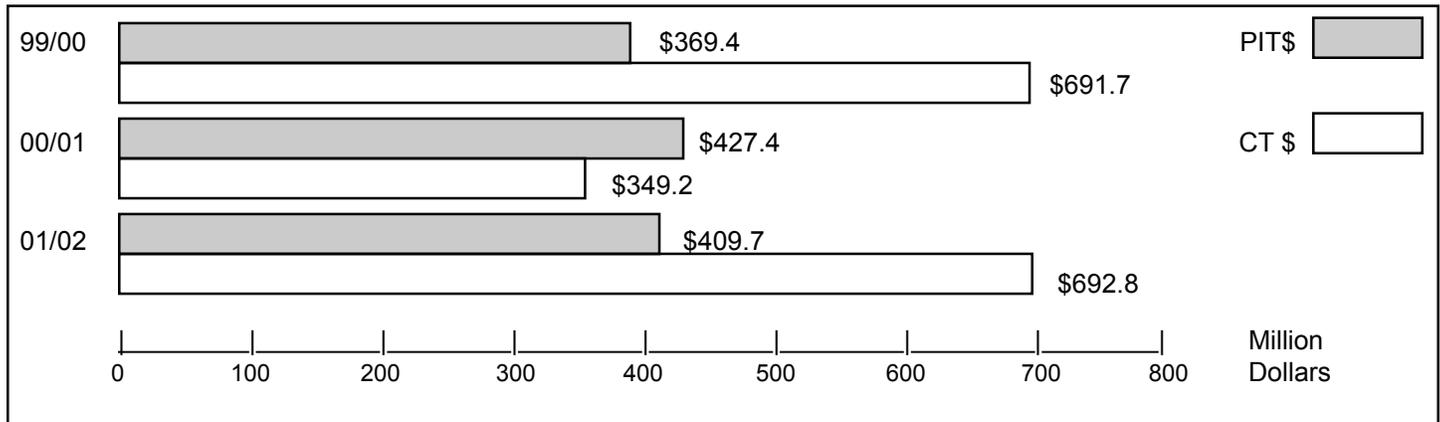
Audit activities determine the correct tax liability for individuals and business entities in accordance with the California Revenue and Taxation Code. These activities include both the detailed examination of tax returns and supporting documents, and the automated verification of self-assessed tax returns during return processing.

Net audit assessment is an indicator of additional revenue available to the General Fund that had not been originally identified by the taxpayer.

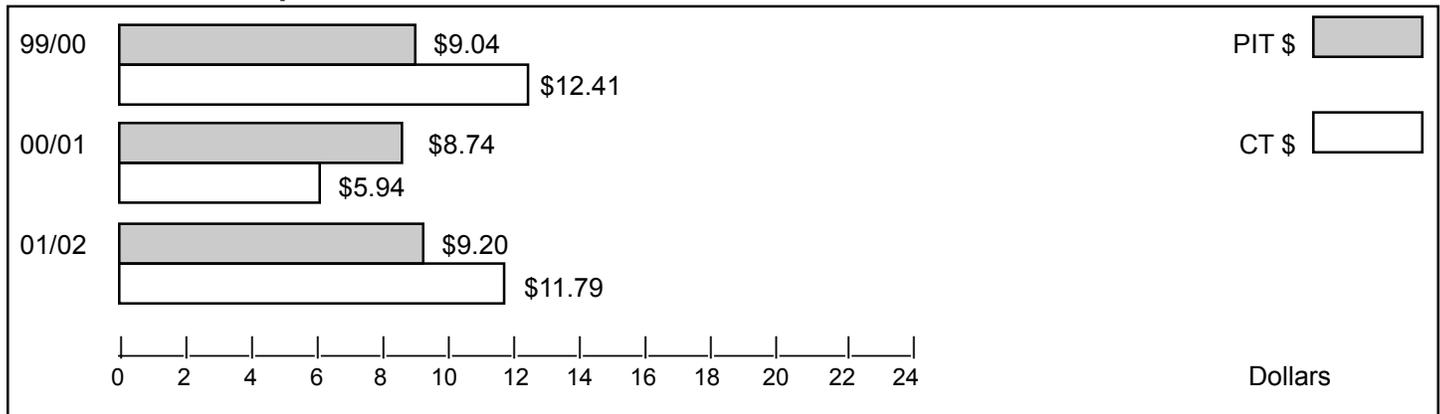
In 2001/2002, net assessments from audit activities totaled \$1.1 billion and operational costs totaled \$108 million. This resulted in an overall benefit-to-cost ratio of \$10.21 to one. The following bar chart compares 2001/2002 audit activities with those of the two prior years. Detailed information of audit assessments and costs is shown in Exhibits A, D1, and D2.

Audit Activities

Net Assessment Dollars



Net Assessments per Dollar Cost



Tax Collection Activities

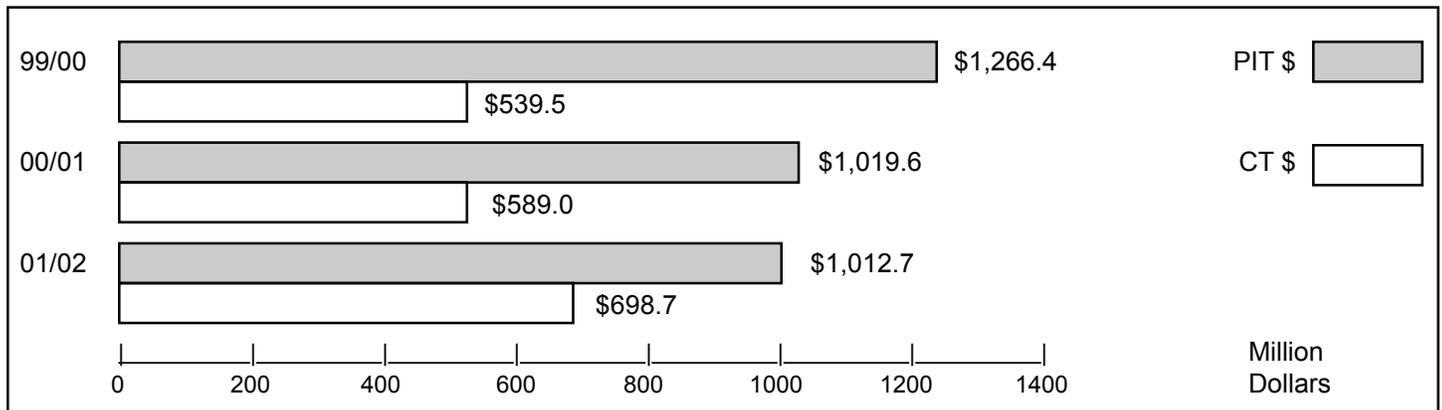
Tax collection activities involve collections of accounts receivable that are established by the department's self-assessment, audit, settlement, and filing enforcement activities. An automated billing system combined with central and field office collection staff administers collections. The automated system initiates the billing process and accounts for tax revenues collected from voluntary compliance. The department's collection staff conducts manual collection efforts to ensure that non-voluntary taxpayers contribute their fair share to the General Fund.^{1/}

In 2001/2002, \$1.7 billion was collected through automated and manual collection activities, a decrease of \$0.1 million from 2000/2001's level of \$1.6 billion. Total cost of operations was \$92.6 million, of which \$67.5 million was for PIT collections and \$25.2 million was for CT. The following chart compares 2001/2002 collections with those of the two prior years. Detailed collection activity information for 2001/2002 is shown in Exhibits A and E.

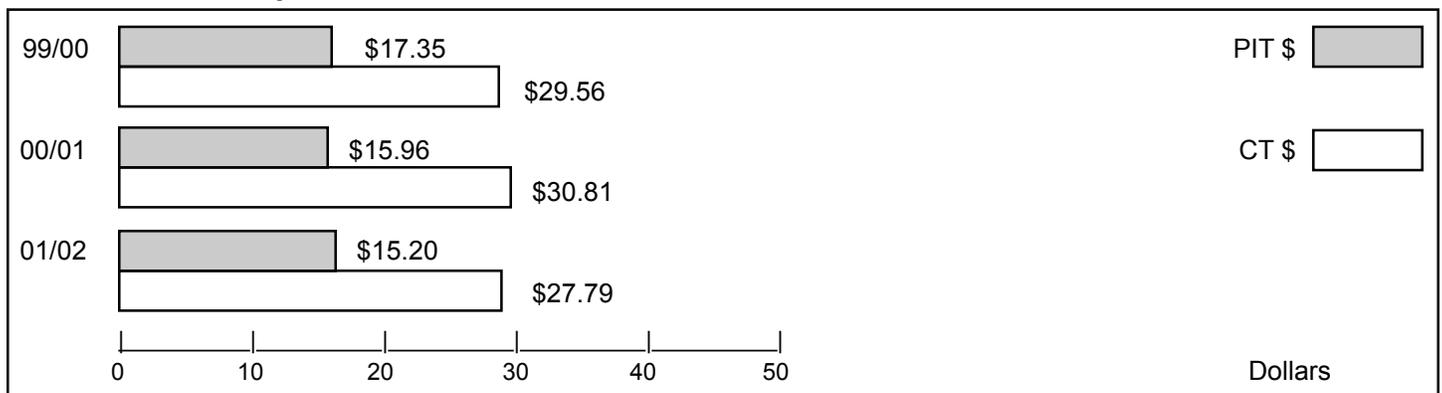
^{1/} Payments submitted by taxpayers prior to activation of the billing process are not included in 'tax collection revenues'.

Collection Activities

Dollars Collected



Dollars Collected per Dollar Cost



Settlement Activities

The Franchise Tax Board is authorized to negotiate the settlement of specific tax disputes to accelerate their resolution. The acceleration meets the department's efficiency objective by reducing otherwise lengthy and costly administrative and court litigation procedures in order to finalize assessments and claims. The settlement function also meets the department's fairness objective by providing taxpayers with the same alternative dispute resolution available at the federal level.

During fiscal year 2001/2002, 179 cases were settled, sustaining \$212.9 million (71.4%) of the \$319.6 million in dispute. A summary of 2001/2002 settlement activities is presented in the table below.

2001/2002 SETTLEMENT ACTIVITIES Revenue and Costs in Millions

	<u>PIT</u>	<u>CT</u>	<u>TOTAL</u>
Cases Completed	70	37	107
Cases Settled	112	67	179
Revenue in Dispute	\$49.8	\$269.8	\$319.6
Revenue Sustained	34.5	178.4	\$212.9
Cost	\$1.1	\$1.5	\$2.6
Revenue Sustained Per Dollar Cost	\$30.39	\$118.02	\$80.53

Non-Admitted Insurance Tax Collections

Revenue and Taxation Code, Section 13201, authorizes the Franchise Tax Board to assess and collect non-admitted insurance tax. Non-admitted insurance tax is paid by individual policyholders who purchase policies directly from insurance brokers or companies not authorized by the Secretary of State to conduct business in California. The tax is paid through quarterly returns. In 2001/2002, FTB collected \$9.6 million at a cost of \$53 thousand.

Voluntary Contributions

Under the Personal Income Tax Law, taxpayers are allowed to contribute amounts in excess of their tax liability to support various charitable organizations and causes. In 2001/2002, taxpayers made 294 thousand contributions for a total of \$4.0 million. A comparison of contributions between 2001/2002 and the prior year is presented as follows:

VOLUNTARY CONTRIBUTIONS TWO YEAR COMPARISON (Thousands)

Fund Name	2001/2002		2000/2001	
	Volume	Dollars	Volume	Dollars
California Senior Citizens	36	279	36	262
Rare & Endangered Species	57	701	56	640
State Children's Fund	60	662	58	586
Alzheimer's Research	51	570	50	500
Mex.-Amer.Veteran's Memorial	1	5	13	57
Senior's Special Fund	5	65	4	51
Breast Cancer Research	62	726	61	641
Public School Library	0	0	4	66
Firefighter's Memorial	32	277	21	135
Drug Abuse Resistance	0	0	3	26
California Lung Disease ^{1/}	2	20	27	168
Emergency Food Assistance	40	374	36	308
Birth Defects	2	17	26	140
Peace Officer Memorial	24	182	19	124
Nat'l WW II Veteran's Memorial	1	10	19	115
Lupus Foundation Of America ^{1/}	21	128		
Total Voluntary Contributions	394	\$4,016	433	\$3,819

^{1/} New fund for Tax Year 2001

NON-TAX COLLECTION PROGRAMS

In recent years, the California State Legislature has taken steps to reduce financial debts owed to state and local governments by authorizing FTB to collect debts on behalf of other agencies. This authority was granted to FTB for three primary reasons:

1. FTB is authorized by law to use effective collection remedies such as the issuance of levies against wages and bank accounts.
2. FTB maintains a large database of information relating to individual and corporate assets, including wage, banking, and personal property records.
3. FTB's staff has extensive collection experience.

FTB's costs are reimbursed from revenues collected on behalf of the recipient agencies.

Inter-Agency Intercept Collections

Government Code Section 12419.5, authorizes the State Controller to collect debts owed by an individual to a government agency by redirecting a credit or refund due to that individual by another government agency. In 1975, FTB began providing collection services to California's state agencies by intercepting the tax refunds. FTB also intercepts California State Lottery winnings of debtors. FTB's intercept collection costs are reimbursed annually by the recipient agencies. Government Code Section 12419.2 also allows participating agencies to add collection costs to the amount the debtor owes the agency.

In 2001/2002, governmental agencies received a total of \$132.3 million from intercepted tax refunds (\$130.9 million) and lottery winnings (\$1.4 million).

Exhibit F1 provides further comparisons with the prior year's activities.

Child Support Collections

The California Department of Child Support Services oversees the state's Child Support Enforcement Program, which is locally administered by the counties' local child support agency. Revenue and Taxation Code, Sections 19271 – 19274, authorizes the Franchise Tax Board to apply its statewide collection capabilities to collect delinquent child support on behalf of the local agency.

The program began in 1993/94, with referrals from six California counties and grew to 58 counties by June 30, 2000. In 2001/2002, FTB conducted 830,000 thousand collection actions and collected \$100.7 million. This amount does not include money attributed to FTB's collection activities paid directly to the counties by the debtors. The amount also excludes \$46.4 million collected through the Inter-agency Intercept Program.

Additional information is provided in Exhibit F2.

Vehicle Registration Collections

Revenue and Taxation Code, Sections 10876 – 10878, authorizes the Franchise Tax Board to collect delinquent motor vehicle registration fees and penalties assessed by the Department of Motor Vehicles. Unlike FTB, DMV does not have the administrative authority to take administrative collection actions, such as issuing bank and wage levies. Instead, DMV must file actions against debtors in small claims court.

At the end of 2001/2002, FTB closed 620,856 delinquent cases and collected \$91.9 million ^{1/} for the DMV while incurring collection costs of \$5.2 million. This equates to a benefit-to-cost ratio of \$17.70 to \$1.00.

Additional information is provided in Exhibit F3.

^{1/} Does not include \$5.1 million collected through the Inter-Agency Intercept Program.

Court-Ordered Debt Collections

Sections 19280 – 19283 of the Revenue and Taxation Code authorize the Franchise Tax Board to collect certain criminal fines, penalties, forfeitures, restitution orders, and most Vehicle Code violation fees on behalf of superior, municipal and justice courts that elect to contract with FTB for such collections. Individual debts must be at least 90 days delinquent and \$250 in the aggregate.

In 2001/2002, 21 counties utilized FTB collection services to close delinquent accounts. In response, FTB mailed 141,997 demand-to-pay notices to delinquent debtors; 237,753 levies were placed on debtors' wages; and 5,362 bank levies were issued. As a result, the Court-Ordered Debt Collections Program collected \$23.6 million at a cost of \$3.5 million or a benefit-to-cost ratio of \$6.70 to \$1.00.

Industrial Health and Safety Collections

The Department of Industrial Relations (DIR) is responsible for enforcing workplace health and safety standards under the authority of the California Labor Code. It does so by obtaining judgments to collect fees, delinquent wages, and penalties. In accordance with Section 19290 of the Revenue and Taxation Code, DIR transferred responsibility for collecting delinquent fees, wages, penalties, and interest to the Franchise Tax Board through an interagency contractual agreement. Section 19290.1, added in 1995, further authorized FTB to collect unpaid DIR assessments and penalties from employers with worker's compensation insurance who have the worst safety records and the most preventable accidents.

In 2001/2002, 2,225 delinquent cases were referred from DIR to FTB for collections. FTB collected and transferred \$1.4 million to DIR at a cost of \$167,036 and a benefit-to-cost ratio of \$8.29 to \$1.00.

OTHER NON-TAX PROGRAMS

Homeowner and Renter Assistance

The Homeowner and Renter Assistance (HRA) program provides partial reimbursement of property taxes or rent paid by eligible senior citizens, disabled, and blind individuals as provided by the Senior Citizens Property Tax Assistance Law. The principle program activities include designing and distributing claim forms and instructions, providing advisory services to claimants, and processing claims.

In 2001/2002, FTB processed 715,942 HRA claims representing a 1.3% decrease to the prior year's volume of 725,541. Claims allowed in 2001/2002 totaled \$181 million, of which \$145.8 million was given to qualified renters and \$35.2 million to eligible homeowners. The department responded to 407,123 IVR telephone calls compared to 303,356 calls in the preceding year, and 531,141 manually answered calls, correspondence, and in-person contact requests for assistance compared to 922,822 in the preceding year. The fluctuation in HRA assistance reflects the changes in tax law.

A comparison of 2001/2002 HRA activities with those of the prior year is provided in Exhibit G1.

Political Reform Audit

The Political Reform Act of 1974 requires complete public disclosure of receipts and expenditures by political candidates and lobbyists. As a result, the act authorizes FTB to conduct, on behalf of the Fair Political Practices Commission, randomly selected field audits of reports, statements, and issues to ensure accuracy and completeness. FTB also investigates and reports information to the commission regarding the delinquent non-filing of such reports and statements.

During the year of 2001/2002, 332 audits were completed of which 167 audits related to political candidate and campaign committees, 91 audits related to lobbying entities, 62 audits of ballot measures and general political action committees, and 12 statewide measures.

Contract Work

FTB is able to provide high quality processing services to other governmental entities utilizing sophisticated data processing equipment and skilled personnel. Data processing services include batch processing, disk storage, data guidance, and software support. Within the confines of confidentiality rules, FTB also assists governmental agencies to determine eligibility for various services by providing information such as income verification, tax liability, and filing status.

FTB's contractual service costs are reimbursed by the respective governmental entities.

Child Support Automation Program

State Assembly Bill 150, Chapter 479 of the Statutes of 1999, effective September 27, 1999, states that the Department of Child Support Services (DCSS) is the state agency responsible for operating California's child support enforcement program. AB 150 also mandated the creation of a single statewide child support system, the California Child Support Automation System (CCSAS). FTB, as an agent for DCSS, is responsible for procuring, developing, implementing, and maintaining the operation of CCSAS.

In 2001/2002, the CCSAS Project began development of the feasibility study and evaluation of the final proposal resulting from the release of the solicitation for conceptual proposal. These activities will culminate in a recommended child support automation solution to the federal Office of Child Support Enforcement as well as a request for funding to begin implementation efforts.

EXHIBITS

The details of the 2001/2002 operations of the Franchise Tax Board are presented in the report Exhibits.

Exhibits A through A3 present schedules of operations and costs related to all program activities.

Exhibit A shows 2001/2002 operations and costs by net assessment activities, collection activities and non-revenue producing activities. Exhibits A1 and A2 present departmental costs and paid hours by program and organization. Exhibit A3 presents a comparison of selected statistics since fiscal year 1966/67.

Exhibits B through E present detailed schedules of operations and costs related to Tax Program activities.

Exhibit B displays data related to Self-Assessment Activities, Exhibits C and C1 display Filing Enforcement Activities, Exhibits D1 and D2 relate to Tax Audit Activities, and Exhibit E displays Tax Collection Activities.

Exhibits F1 through F3 present schedules of operations and costs related to Non-Tax Collection Programs.

Exhibits F1 through F3 include Inter-Agency Intercept Collections, Child Support Collections, and Vehicle Registration Collections.

Exhibits G1 and G2 present schedules relating to Other Non-Tax Programs.

Exhibits G1 and G2 consist of Homeowner and Renter Assistance and Political Reform Audit, respectively.

Exhibit A: All Programs

Schedule of Assessments, Collections, and Other Activities

Fiscal Year Ended June 30, 2002

Program Activities:	Revenue Measurement	Cost (Exhibit A1)	Measurement per Dollar Cost
NET ASSESSMENT ACTIVITIES:			
Personal Income Tax			
Filing Enforcement Assessment Activities			
Filing Enforcement	\$1,885,753,839	\$22,228,440	\$84.84
Residency Determination	109,033	757,980	\$0.14
Investigations	581,778	4,690,221	\$0.12
Withhold At Source	Not Available	2,593,634	
Audit Assessment Activities			
Desk Audits	91,754,894	21,942,863	\$4.18
Federal Audit Reports	134,794,749	5,830,527	\$23.12
Field Audits	78,962,709	12,440,241	\$6.35
Total PIT Net Assessment Activities	<u>\$2,191,957,002</u>	<u>\$70,483,906</u>	
Corporation Tax			
Filing Enforcement Activities	-\$98,924,543	\$534,508	-\$185.08
Audit Assessment Activities			
Federal Audit Reports	145,946,940	1,822,108	\$80.10
Non-Appportioning Central Office	4,724,911	6,231,188	\$0.76
Non-Appportioning Field	27,197,842	7,588,857	\$3.58
Appportioning Central Office	15,187,196	7,770,272	\$1.95
Appportioning Field 1/	493,476,242	36,009,509	\$13.70
Exempt Corporation Audits	6,249,650	1,756,413	\$3.56
Total CT Net Assessment Activities	<u>\$593,858,238</u>	<u>\$61,712,855</u>	
TOTAL NET ASSESSMENT ACTIVITIES	<u>\$2,785,815,240</u>	<u>\$132,196,761</u>	\$21.07
COLLECTION ACTIVITIES:			
Tax Programs			
Personal Income Tax			
Tax Collections	\$1,012,675,812	\$67,524,996	\$15.00
Voluntary Contributions	3,951,282	51,894	\$76.14
Corporation Tax			
Tax Collections	698,723,210	25,141,163	\$27.79
Non-Admitted Insurance Tax	9,597,921	53,171	\$180.51
Non-Tax Collection Programs			
Inter-Agency Intercept Collections	132,263,080	381,051	\$347.10
Child Support Collections	99,886,415	14,914,045	\$6.70
Vehicle Registration Collections	91,878,378	5,192,885	\$17.69
Court-ordered Debt Collections	23,645,082	3,534,898	\$6.69
DIR Industrial Health & Safety Collections	1,385,542	167,036	\$8.29
TOTAL COLLECTION ACTIVITIES	<u>\$2,074,006,722</u>	<u>\$116,961,139</u>	\$17.73
OTHER ACTIVITIES:			
Personal Income Tax Program			
Self-Assessment Activities	—	\$83,474,083	
Math Verification	—	7,542,394	
Settlement Activities	—	1,136,869	
Corporation Tax Program			
Self-Assessment Activities	—	37,837,326	
Math Verification	—	871,271	
Settlement Activities	—	1,520,500	
Homeowners & Renters Assistance Program	—	6,618,258	
Political Reform Audit Program	—	1,322,801	
Child Support Automation	—	10,957,225	
Contract Work Program	—	5,004,908	
TOTAL OTHER ACTIVITIES		<u>\$156,285,635</u>	
TOTAL PROGRAM ACTIVITY COST		<u>\$405,443,535</u>	

Exhibit A1: All Programs

Statement of Operation Costs

Fiscal Year Ended June 30, 2002

	Executive	Child Support Automation and Technology Oversight	Legal	Audit & Executive Programs
Personal Income Tax				
Self-Assessment Activities				
Legislation and Development	\$30,097	\$0	\$1,107,338	\$95,625
Return Forms	8,878		126,502	18,571
Return Processing	68,716		65,288	54,972
Estimate Processing	3,810		4,584	3,502
Taxpayer Assistance	52,115		28,936	294,709
Claims	6,439		2,686	1,016,944
Information Exchange	1,066		551	672
Total Self-Assessment	<u>\$171,121</u>	<u>\$0</u>	<u>\$1,335,885</u>	<u>\$1,484,995</u>
Audit Activities				
Desk Audits	\$58,104	\$0	\$1,921,956	\$10,050,573
Federal Audit Reports	14,594		112,188	3,244,353
Field Audits	31,139		272,717	8,393,593
Total Audit	<u>\$103,837</u>	<u>\$0</u>	<u>\$2,306,861</u>	<u>\$21,688,519</u>
Filing Enforcement	\$36,731	\$0	\$17,698	\$20,708
Residency Determination	2,176		558,883	601
Investigation	12,114		35,248	10,676
Withhold At Source	6,881		2,477	3,073
Tax Collections	130,130		232,280	71,879
Math Verification	17,974		13,914	10,638
Settlement Authority	3,154		921,527	969
Voluntary Contributions	100		2	6
Total PIT	<u>\$484,218</u>	<u>\$0</u>	<u>\$5,424,775</u>	<u>\$23,292,064</u>
Corporation Tax				
Self-Assessment Activities				
Legislation and Development	\$9,439	\$0	\$566,609	\$108,611
Return Forms	3,331		57,040	6,388
Return Processing	43,537		27,833	541,149
Estimate Processing	686		564	906
Taxpayer Assistance	20,387		10,640	494,445
Claims	19,289		8,103	5,539,246
Total Self-Assessment	<u>\$96,669</u>	<u>\$0</u>	<u>\$670,789</u>	<u>\$6,690,745</u>
Audit Activities				
Federal Audit Reports	\$4,041	\$0	\$24,196	\$1,371,240
Non-Appportioning — Central Office	17,241		725,917	1,889,994
Non-Appportioning — Field	18,049		241,707	5,492,987
Appportioning — Central Office	20,079		1,734,760	1,387,563
Appportioning — Field	86,173		1,394,369	25,637,818
Exempt Corporations	4,510		17,243	3,608
Total Audit	<u>\$150,093</u>	<u>\$0</u>	<u>\$4,138,192</u>	<u>\$35,783,210</u>
Filing Enforcement	\$1,203	\$0	\$868	\$1,884
Tax Collections	66,716		37,904	55,055
Math Verification	2,396		730	907
Settlement Authority	3,879		1,244,007	1,653
Total Corporation Tax	<u>\$320,956</u>	<u>\$0</u>	<u>\$6,092,490</u>	<u>\$42,533,454</u>
Non-Admitted Insurance Tax	138	0	53	65
Total Tax Program	<u>\$805,312</u>	<u>\$0</u>	<u>\$11,517,318</u>	<u>\$65,825,583</u>
Non-Tax Collection Program				
Inter-Agency Intercept Collections	\$417	\$0	\$429	\$10
Child Support Collections	25,112		5,145	2,580
Vehicle Registration Collections	8,755		5,716	639
Court-ordered Debt Collections	3,398		1,833	259
DIR Industrial Health & Safety	248		330	103
Total Non-Tax Collections	<u>\$37,930</u>	<u>\$0</u>	<u>\$13,453</u>	<u>\$3,591</u>
Other Non-Tax Programs				
Homeowners & Renters Assistance	\$6,769	\$0	\$122,868	\$1,031
Political Reform Audit	2,031		0	48
Child Support Automation	24,580	9,555,843	200,198	742
Other Contracts	5,719		7,978	248
Total Other Non-Tax	<u>\$39,099</u>	<u>\$9,555,843</u>	<u>\$331,044</u>	<u>\$2,069</u>
Total Departmental Costs	<u>\$882,341</u>	<u>\$9,555,843</u>	<u>\$11,861,815</u>	<u>\$65,831,243</u>

Child Support Automation & Department Oversight	Collection Account Resolution & Administration	Operations & Enterprise Technology	Departmental	Totals
\$1,642,257	\$ 419,044	\$ 5,695,404	\$1,431,510	\$10,421,275
1,475,842	126,822	1,415,476	6,605,933	9,778,024
785,723	3,064,200	26,124,991	5,158,620	35,322,510
1,290,447	58,472	1,615,282	320,524	3,296,621
541,675	2,104,967	14,676,217	3,794,918	21,493,537
67,499	93,384	1,208,784	315,604	2,711,340
11,586	15,716	348,485	72,700	450,776
<u>\$5,815,029</u>	<u>\$ 5,882,605</u>	<u>\$ 51,084,639</u>	<u>\$17,699,809</u>	<u>\$83,474,083</u>
\$786,631	\$1,109,466	\$5,141,402	\$2,874,731	\$21,942,863
151,911	1,235,672	387,584	684,225	5,830,527
371,319	442,290	1,237,065	1,692,118	12,440,241
<u>\$ 1,309,861</u>	<u>\$ 2,787,428</u>	<u>\$6,766,051</u>	<u>\$5,251,074</u>	<u>\$40,213,631</u>
\$ 641,240	\$ 3,602,665	\$10,029,158	\$ 7,880,240	\$22,228,440
21,099	30,487	16,914	127,820	757,980
4,071,779	174,921	342,181	43,302	4,690,221
70,603	98,835	1,984,705	427,060	2,593,634
2,009,270	36,405,943	15,748,547	12,926,947	67,524,996
193,081	263,595	5,928,930	1,114,262	7,542,394
30,906	44,389	26,755	109,169	1,136,869
882	1,350	276	49,278	51,894
<u>\$14,163,750</u>	<u>\$ 49,292,218</u>	<u>\$91,928,156</u>	<u>\$45,628,961</u>	<u>\$ 230,214,142</u>
\$1,029,521	\$127,466	\$566,322	\$354,972	\$2,762,940
601,810	47,445	427,738	291,661	1,435,413
562,922	635,139	13,242,954	2,554,864	17,608,398
11,126	10,608	283,513	59,625	367,028
458,115	415,329	5,660,623	1,089,108	8,148,647
219,642	274,883	614,871	838,866	7,514,900
<u>\$2,883,136</u>	<u>\$1,510,870</u>	<u>\$20,796,021</u>	<u>\$5,189,096</u>	<u>\$37,837,326</u>
49,755	60,380	145,459	167,037	1,822,108
200,372	252,579	2,265,379	879,706	6,231,188
205,028	262,418	282,450	1,086,218	7,588,857
242,328	296,521	3,039,120	1,049,901	7,770,272
957,660	1,243,668	1,234,570	5,455,251	36,009,509
194,931	65,446	1,199,331	271,344	1,756,413
<u>\$1,850,074</u>	<u>\$2,181,012</u>	<u>\$8,166,309</u>	<u>\$8,909,457</u>	<u>\$61,178,347</u>
160,778	184,884	122,033	\$62,858	534,508
800,695	16,156,484	2,780,620	5,243,689	25,141,163
27,027	34,070	717,277	88,864	871,271
42,569	54,798	36,562	137,032	1,520,500
<u>\$5,764,279</u>	<u>\$20,122,118</u>	<u>\$32,618,822</u>	<u>\$19,630,996</u>	<u>\$127,083,115</u>
1,229	1,993	43,345	6,348	53,171
<u>\$19,929,258</u>	<u>\$69,416,329</u>	<u>\$124,590,323</u>	<u>\$65,266,305</u>	<u>\$357,350,428</u>
\$5,787	\$123,212	\$52,223	\$198,973	\$381,051
443,093	10,366,037	1,480,682	2,591,396	14,914,045
134,436	2,873,487	505,749	1,664,103	5,192,885
54,129	2,518,123	353,373	603,783	3,534,898
17,255	107,680	24,053	17,367	167,036
<u>\$654,700</u>	<u>\$15,988,539</u>	<u>\$2,416,080</u>	<u>\$5,075,622</u>	<u>\$24,189,915</u>
\$136,502	\$918,256	\$4,199,040	\$1,233,792	\$6,618,258
1,091,090	26,194	5,136	198,302	1,322,801
426,789	331,506	51,638	365,929	10,957,225
109,558	121,344	2,333,011	2,427,050	5,004,908
<u>\$1,763,939</u>	<u>\$1,397,300</u>	<u>\$6,588,825</u>	<u>\$4,225,073</u>	<u>\$23,903,192</u>
<u>\$22,347,897</u>	<u>\$86,802,168</u>	<u>\$133,595,228</u>	<u>\$74,567,000</u>	<u>\$405,443,535</u>

Exhibit A2: All Programs

Statement of Paid Hours and Personnel Years

Fiscal Year Ended June 30, 2002

Tax Programs	Executive	Child Support Automation and Technical Oversight	Legal	Audit & Executive Programs
Personal Income Tax				
Self-Assessment Activities				
Legislation and Development	708	0	26,230	2,625
Return Forms	214		2,942	439
Return Processing	1,650		467	1,830
Estimate Processing	91		39	117
Taxpayer Assistance	1,256		198	8,454
Claims	155		0	35,468
Information Exchange	26		0	22
Total Self-Assessment	<u>4,100</u>	<u>0</u>	<u>29,876</u>	<u>48,955</u>
Audit Activities				
Desk Audits	1,401	0	45,158	365,234
Federal Audit Reports	352		2,526	122,628
Field Audits	751		6,265	234,220
Total Audit	<u>2,504</u>	<u>0</u>	<u>53,949</u>	<u>722,082</u>
Filing Enforcement	886	0	121	620
Residency Determination	53		13,241	18
Investigation	292		750	173
Withhold At Source	166		0	98
Tax Collections	3,134		4,144	2,313
Math Verification	433		123	347
Settlement Authority	76		21,934	29
Voluntary Contributions	2		0	0
Total PIT	<u>11,646</u>	<u>0</u>	<u>124,138</u>	<u>774,635</u>
Corporation Tax				
Self-Assessment Activities				
Legislation and Development	219	0	13,389	2,727
Return Forms	80		1,328	154
Return Processing	1,048		185	18,201
Estimate Processing	16		0	32
Taxpayer Assistance	492		75	14,305
Claims	465		46	165,549
Total Self-Assessment	<u>2,320</u>	<u>0</u>	<u>15,023</u>	<u>200,968</u>
Audit Activities				
Federal Audit Reports	97	0	528	48,791
Non-Appportioning — Central Office	416		17,078	61,711
Non-Appportioning — Field	435		5,652	156,726
Appportioning — Central Office	484		41,059	46,267
Appportioning — Field	2,082		31,385	657,375
Exempt Corporations	109		364	103
Total Audit	<u>3,623</u>	<u>0</u>	<u>96,066</u>	<u>970,973</u>
Filing Enforcement	29	0	8	49
Tax Collections	1,610		413	1,736
Math Verification	58		0	28
Settlement Authority	94		29,454	39
Total Corporation Tax	<u>7,734</u>	<u>0</u>	<u>140,964</u>	<u>1,173,793</u>
Non-Admitted Insurance Tax	3	0	0	2
Total Tax Program	<u>19,383</u>	<u>0</u>	<u>265,102</u>	<u>1,948,430</u>
Non-Tax Collection Program				
Inter-Agency Intercept Collections	10	0	10	0
Child Support Collections	609		121	56
Vehicle Registration Collections	212		134	14
Court-ordered Debt Collections	82		43	6
DIR Industrial Health & Safety	6		8	2
Student Loan Debt Collections	0		0	0
Total Non-Tax Collections	<u>919</u>	<u>0</u>	<u>316</u>	<u>78</u>
Other Non-Tax Programs				
Homeowners & Renters Assistance	164	0	2,872	23
Political Reform Audit	47		0	1
Child Support Automation	595	215,878	4,748	13
Other Contracts	137		194	5
Total Other Non-Tax	<u>943</u>	<u>215,878</u>	<u>7,814</u>	<u>42</u>
Total Departmental Costs	<u>21,245</u>	<u>215,878</u>	<u>273,232</u>	<u>1,948,550</u>

Child Support Automation & Department Oversight	Collection Account Resolution & Administration	Operations & Enterprise Technology	Totals	Personnel Year Totals
48,043	15,129	218,434	311,169	152.5
44,706	4,577	42,717	95,595	46.9
25,562	114,910	1,350,090	1,494,509	732.6
1,468	2,059	91,835	95,609	46.9
59,916	74,898	530,626	675,348	331.1
2,190	3,353	47,126	88,292	43.3
376	561	17,134	18,119	8.9
<u>182,261</u>	<u>215,487</u>	<u>2,297,962</u>	<u>2,778,641</u>	<u>1,362.1</u>
25,450	39,953	227,973	705,169	345.7
4,927	47,015	13,309	190,757	93.5
12,039	15,995	32,127	301,397	147.7
<u>42,416</u>	<u>102,963</u>	<u>273,409</u>	<u>1,197,323</u>	<u>586.9</u>
20,662	137,352	252,302	411,943	201.9
683	1,109	224	15,328	7.5
102,161	6,286	13,360	123,022	60.3
2,289	3,564	75,282	81,399	39.9
64,848	1,256,534	559,570	1,890,543	926.7
6,270	9,427	269,319	285,919	140.2
1,000	1,610	345	24,994	12.3
28	50	6	86	0.0
<u>422,618</u>	<u>1,734,382</u>	<u>3,741,779</u>	<u>6,809,198</u>	<u>3,337.8</u>
29,438	4,626	18,928	69,327	34.0
18,220	1,714	12,552	34,048	16.7
18,285	22,749	586,501	646,969	317.1
362	372	17,478	18,260	9.0
14,895	14,911	196,155	240,833	118.1
7,076	9,927	15,558	198,621	97.4
<u>88,276</u>	<u>54,299</u>	<u>847,172</u>	<u>1,208,058</u>	<u>592.3</u>
1,601	2,159	3,604	56,780	27.8
6,436	9,077	99,073	193,791	95.0
6,581	9,451	4,748	183,593	90.0
7,790	10,634	142,291	248,525	121.8
30,699	44,878	20,993	787,412	386.0
6,246	2,349	53,057	62,228	30.5
<u>59,353</u>	<u>78,548</u>	<u>323,766</u>	<u>1,532,329</u>	<u>751.1</u>
5,143	7,023	4,215	16,467	8.1
25,322	535,657	96,586	661,324	324.2
868	1,253	21,412	23,619	11.6
1,369	1,985	460	33,401	16.4
<u>180,331</u>	<u>678,765</u>	<u>1,293,611</u>	<u>3,475,198</u>	<u>1,703.7</u>
40	72	1,619	1,736	0.9
<u>602,989</u>	<u>2,413,219</u>	<u>5,037,009</u>	<u>10,286,132</u>	<u>5,042.4</u>
188	4,419	1,942	6,569	3.2
14,168	268,825	69,750	353,529	173.3
4,383	76,429	22,135	103,307	50.6
1,763	63,552	23,456	88,902	43.6
561	3,635	840	5,052	2.5
0	0	0	0	0.0
<u>21,063</u>	<u>416,860</u>	<u>118,123</u>	<u>557,359</u>	<u>273.2</u>
4,363	33,228	216,383	257,033	126.0
31,501	960	176	32,685	16.0
15,827	12,254	1,284	250,599	122.8
3,463	5,797	113,473	123,069	60.3
<u>55,154</u>	<u>52,239</u>	<u>331,316</u>	<u>663,386</u>	<u>325.1</u>
<u>679,206</u>	<u>2,882,318</u>	<u>5,486,448</u>	<u>11,506,877</u>	<u>5,640.8</u>

Exhibit A3: All Programs

Selected Historical Statistics

Fiscal Years Ended June 30, 1967 through June 30, 2002

Fiscal Year ended 6-30	TAX PROGRAMS									
	Total Returns Filed		Volume of PIT Refunds	Self Assessed ^{1/} Tax		Departmentally Assessed ^{1/} Filing			TOTAL TAXES	
	PIT	CT ^{3/}		Liability	Cost	Enforce.	Audit	Cost	ASSESSED	COST
1967	5,673	128	21	\$874	\$6	\$12	\$43	\$7	\$929	\$13
1968	5,629	135	22	\$1,463	\$7	\$10	\$46	\$7	\$1,519	\$13
1969	5,587	149	68	\$1,614	\$7	\$13	\$48	\$9	\$1,675	\$14
1970	5,841	152	32	\$1,670	\$8	\$29	\$61	\$10	\$1,760	\$16
1971	5,969	190	127	\$1,696	\$9	\$30	\$70	\$11	\$1,795	\$18
1972	5,895	221	221	\$1,776	\$12	\$26	\$92	\$13	\$1,893	\$23
1973	7,239	217	4,360	\$2,375	\$20	\$34	\$95	\$12	\$2,503	\$29
1974	7,824	238	5,975	\$2,475	\$20	\$40	\$95	\$15	\$2,610	\$32
1975	8,207	247	5,678	\$3,378	\$20	\$7	\$111	\$13	\$3,495	\$32
1976	8,376	247	5,650	\$4,027	\$23	\$23	\$125	\$15	\$4,175	\$37
1977	8,909	257	5,972	\$4,326	\$24	\$17	\$154	\$18	\$4,496	\$40
1978	9,287	277	6,245	\$5,377	\$27	\$51	\$232	\$20	\$5,660	\$45
1979	9,836	299	7,768	\$6,227	\$29	\$78	\$171	\$22	\$6,475	\$50
1980	10,739	348	8,079	\$7,560	\$34	\$79	\$235	\$26	\$7,875	\$57
1981	10,950	372	8,452	\$8,880	\$41	\$102	\$280	\$29	\$9,263	\$67
1982	11,346	406	8,224	\$9,947	\$30	\$164	\$368	\$33	\$10,479	\$60
1983	11,395	445	7,624	\$9,361	\$29	\$213	\$459	\$35	\$10,034	\$61
1984	11,340	446	5,773	\$10,284	\$32	\$219	\$483	\$39	\$10,986	\$69
1985	11,976	469	6,908	\$12,303	\$38	\$164	\$568	\$45	\$13,034	\$80
1986	12,140	498	7,292	\$13,261	\$40	\$275	\$540	\$53	\$14,075	\$91
1987	12,821	530	6,926	\$15,713	\$41	\$300	\$683	\$60	\$16,696	\$99
1988	13,082	535	8,057	\$15,571	\$48	\$342	\$808	\$61	\$16,721	\$107
1989	13,702	543	8,641	\$17,537	\$51	\$334	\$893	\$62	\$18,764	\$112
1990	14,167	535	8,951	\$18,689	\$57	\$527	\$832	\$67	\$20,048	\$124
1991	14,651	513	7,467	\$19,053	\$67	\$393	\$926	\$73	\$20,372	\$140
1992	14,643	531	7,793	\$20,790	\$70	\$330	\$1,101	\$78	\$22,220	\$147
1993	14,431	501	9,194	\$20,164	\$65	\$963	\$991	\$91	\$22,119	\$156
1994	13,699	509	7,347	\$22,017	\$72	\$153	\$1,168	\$103	\$23,338	\$175
1995	13,407	562	7,469	\$21,939	\$74	\$667	\$1,055	\$116	\$23,661	\$192
1996	13,791	491	7,462	\$25,816	\$95	\$1,130	\$1,058	\$119	\$28,004	\$214
1997	13,902	533	7,643	\$24,605	\$107	\$1,176	\$1,216	\$130	\$26,997	\$237
1998	14,317	544	7,784	\$27,834	\$112	\$1,164	\$1,351	\$122	\$30,349	\$234
1999	14,498	806	8,628	\$33,977	\$100	\$1,643	\$1,199	\$135	\$36,819	\$235
2000	15,026	802	8,710	\$31,513	\$107	\$1,921	\$1,060	\$134	\$34,494	\$241
2001	16,007	991	9,354	\$51,164	\$118	\$0	\$791	\$148	\$51,955	\$266
2002	15,416	935	9,958	\$52,558	\$123	\$1,787	\$1,103	\$140	\$55,448	\$263

^{1/} All amounts in millions

^{2/} Included in Self-Assessed and Departmentally-Assessed Activities

^{3/} Includes Partnerships and Limited Liability Company returns

		NON - TAX PROGRAMS								Fiscal
TOTAL TAXES COLLECTED	COST	NON-TAX COLLECTED	COST	HRA Claims Processed	HRA Costs	Political Reform Costs	Audit Contract Costs	TOTAL Department Cost	Year ended 6-30	
2/	2/	—	—	—	—	—	—	\$13	1967	
\$17	\$2	—	—	35	\$0	—	—	\$15	1968	
\$27	\$2	—	—	83	\$1	—	—	\$17	1969	
\$35	\$2	—	—	68	\$1	—	—	\$19	1970	
\$48	\$2	—	—	66	\$1	—	—	\$20	1971	
\$59	\$3	—	—	189	\$1	—	—	\$26	1972	
\$67	\$3	—	—	329	\$2	—	—	\$34	1973	
\$68	\$4	—	—	330	\$2	—	—	\$37	1974	
\$109	\$7	—	—	328	\$2	\$1	\$1	\$41	1975	
\$131	\$8	—	—	317	\$2	\$3	\$1	\$50	1976	
\$193	\$9	—	—	362	\$2	\$2	\$2	\$55	1977	
\$244	\$10	—	—	254	\$3	\$2	\$2	\$61	1978	
\$310	\$10	—	—	526	\$2	\$2	\$2	\$65	1979	
\$282	\$11	—	—	519	\$3	\$1	\$4	\$76	1980	
\$368	\$13	—	—	601	\$3	\$2	\$3	\$88	1981	
\$476	\$17	—	—	476	\$2	\$1	\$3	\$83	1982	
\$579	\$18	—	—	424	\$2	\$1	\$3	\$85	1983	
\$564	\$19	—	—	367	\$2	\$1	\$3	\$93	1984	
\$735	\$23	—	—	344	\$2	\$1	\$4	\$109	1985	
\$736	\$27	—	—	312	\$2	\$1	\$3	\$124	1986	
\$964	\$34	—	—	282	\$2	\$1	\$2	\$139	1987	
\$1,024	\$38	—	—	259	\$2	\$2	\$2	\$151	1988	
\$1,193	\$43	—	—	241	\$2	\$1	\$3	\$160	1989	
\$1,176	\$52	—	—	237	\$2	\$1	\$2	\$181	1990	
\$1,169	\$56	—	—	216	\$2	\$1	\$2	\$200	1991	
\$1,382	\$62	—	—	195	\$2	\$1	\$2	\$214	1992	
\$1,232	\$65	—	\$1	180	\$1	\$1	\$2	\$226	1993	
\$1,432	\$69	\$60	\$8	166	\$2	\$1	\$2	\$256	1994	
\$1,704	\$83	\$66	\$11	170	\$2	\$1	\$2	\$290	1995	
\$1,459	\$83	\$180	\$13	113	\$2	\$1	\$2	\$315	1996	
\$1,648	\$82	\$153	\$12	165	\$2	\$1	\$4	\$338	1997	
\$1,718	\$88	\$267	\$16	167	\$2	\$1	\$11	\$352	1998	
\$1,893	\$103	\$274	\$16	151	\$2	\$1	\$3	\$360	1999	
\$1,805	\$100	\$320	\$25	428	\$6	\$1	\$2	\$375	2000	
\$1,608	\$83	\$347	\$19	716	\$7	\$1	\$21	\$397	2001	
\$1,711	\$93	\$349	\$24	716	\$7	\$1	\$17	\$405	2002	

Exhibit B: Tax Programs

Self-Assessment Activities

Statement of Return Processing Activities

Fiscal Year Ended June 30, 2002

	Personal Income Tax	Corporation Tax ^{1/}	Total
Tax Revenue			
Gross Self-Assessed Tax	\$52,557,972,250	\$6,162,758,792	\$58,720,731,042
Refunds Allowed	-6,687,678,939	-1,721,967,378	-8,409,646,317
Net Self-Assessed Tax	45,870,293,311	4,440,791,414	50,311,084,725
Returns Filed As a Result of Filing Enforcement Activities	-193,806,106	-142,636	-193,948,742
Voluntarily Reported Self-Assessed Tax	<u>\$45,676,487,205</u>	<u>\$4,440,648,778</u>	<u>\$50,117,135,983</u>
Units Processed			
Number of Returns Processed	15,677,818	1,012,883	16,690,701
Number of Refunds Processed	<u>9,958,422</u>	<u>124,819</u>	<u>10,083,241</u>
Total Number of Units Processed	<u>25,636,240</u>	<u>1,137,702</u>	<u>26,773,942</u>
Cost of Returns and Refunds Processed	\$38,033,850	\$25,123,298	\$63,157,146
Cost of Total Self-Assessed Activities	\$83,474,083	\$37,837,326	\$121,311,409
Paid Hours of Returns and Refunds Processed	1,582,801	845,590	2,428,391
Paid Hours of Total Self-Assessed Activities	2,778,641	1,208,058	3,986,699
Statistics			
Total Cost per Paid Hour	\$30.04	\$31.32	\$30.43
Total Paid Hours Per Unit Processed	0.11	1.06	0.15
Total Paid Hours Per Return Processed	0.18	1.19	0.24
Total Cost Per Unit Processed	\$3.26	\$33.26	\$4.53
Average Tax Per Return	\$2,913.45	\$4,384.17	\$3,002.70
Average Refund Allowed Per Claim	\$671.56	\$13,795.72	\$834.02

^{1/} Does not include the 79,271 Exempt Organization returns filed.

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Exhibit C: Tax Programs Integrated Nonfiler Compliance Program Activities and Results

Fiscal Years Ended June 30, 2001 and 2002

	Notices Mailed		Tax Returns Received After		Net Assessment	
	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001
Personal Income Tax						
Demand/Request Letter	678,871	177,498	82,604	5,840	\$183,793,355	\$13,230,867
Notice of Proposed Assessment	294,216	87,659	68,498	93,763	\$1,669,165,249	(\$491,940,221)
Total Personal Income Tax	<u>973,087</u>	<u>265,157</u>	<u>151,102</u>	<u>99,603</u>	<u>\$1,852,958,604</u>	<u>(\$478,709,354)</u>
Additional Collections Per Dollar Cost						
Corporation Tax						
Demand Letters Mailed	0	22,443	0 ²	0 ²	0 ²	0 ²
Notice of Proposed Assessments	0	12,473	0	457	-\$98,924,543	\$477,753,985
Total Corporation Tax	<u>0</u>	<u>34,916</u>	<u>0</u>	<u>457</u>	<u>-\$98,924,543</u>	<u>\$477,753,985</u>
Additional Collections Per Dollar Cost						
Total Tax Programs	<u>973,087</u>	<u>300,073</u>	<u>151,102</u>	<u>100,060</u>	<u>\$1,754,034,061</u>	<u>(\$955,369)</u>

All variances are primarily attributed to the implementation of the Integrated Nonfiler Compliance System

Additional Collections ^{/2}		Costs		Hours	
2001-2002	2000-2001	2001-2002	2000-2001	2001-2002	2000-2001
\$34,690,199	\$15,118,615				
\$183,011,008	\$223,296,114				
<u>\$217,701,207</u>	<u>\$238,414,729</u>	<u>\$24,822,074</u>	<u>\$33,618,907</u>	<u>493,342</u>	<u>486,861</u>
		\$8.77	\$7.09		
0 ^{/2}	0 ^{/2}				
0 ^{/2}	0 ^{/2}				
<u>0</u>	<u>0</u>	<u>\$534,508</u>	<u>\$805,112</u>	<u>16,467</u>	<u>24,290</u>
		0 ^{/2}	0 ^{/2}		
<u>\$217,701,207</u>	<u>\$238,414,729</u>	<u>\$25,356,582</u>	<u>\$34,424,019</u>	<u>509,809</u>	<u>511,151</u>

^{/1} "Additional Collections" are those collections after a Demand/Request is mailed (also known as "New Money/Cash Collections"). These collections do not include withholding, estimated payments, or any other funds that the State had prior to mailing the Demand/Request.

^{/2} This information is not available. A trackings system is being developed to accurately track this information for future years.

Exhibit C1: Tax Programs Enforcement Activities Assessments Activities

Fiscal Years Ended June 30, 2001 and 2002

	Net Tax Assessments		Change	Percent Change
	2001/2002	2000/2001		
Personal Income Tax				
Residency Determination	\$0 ¹	\$109,034	-\$109,034	100%
Investigations	<u>\$0</u>	<u>\$430,085</u>	<u>-\$430,085</u>	-100%
Total Personal Income Tax	\$0	\$539,119	-\$539,119	\$0
 Corporation Tax				
Investigations	\$0	\$1,821	-\$1,821	-\$1
Revivor	\$0	\$5,328	-\$5,328	-\$1
Secretary of State Penalties	<u>\$0</u>	<u>\$1,848,873</u>	<u>-\$1,848,873</u>	-\$1
Total Corporation Tax	<u>\$0</u>	<u>\$1,856,022</u>	<u>-\$1,856,022</u>	
Total Tax Programs	<u><u>\$0</u></u>	<u><u>\$2,395,141</u></u>	<u><u>-\$2,395,141</u></u>	

¹ Information not available

Exhibit D1: Tax Programs

Tax Audit Activities

Activities and Results

Fiscal Years Ended June 30, 2001 and 2002

	Net Assessments			
	2001/2002	2000/2001	Change	Percent Change
Personal Income Tax				
Desk Audit	\$112,344,066	\$78,839,022	\$33,505,044	42.5%
Federal Audit Reports	134,794,549	220,613,637	-85,819,088	-38.9%
Field Audits	78,878,459	53,973,806	24,904,653	46.1%
Total Personal Income Tax	<u>\$326,017,074</u>	<u>\$353,426,465</u>	<u>(\$27,409,391)</u>	-7.8%
Corporation Tax				
Federal Audit Reports	\$145,946,940	\$98,000,223	\$47,946,717	48.9%
Non-Appportioning Audits				
Central Office	4,569,908	3,684,604	885,304	24.0%
Field	27,197,480	15,595,898	11,601,582	74.4%
Apportioning Audits				
Central Office	15,185,310	9,003,069	6,182,241	68.7%
Field	486,654,675	237,338,169	249,316,506	105.0%
Exempt Corporation Audits	<u>6,250,315</u>	<u>317,472</u>	<u>5,932,843</u>	1868.8%
Total Corporation Tax	<u>\$685,804,628</u>	<u>\$363,939,435</u>	<u>\$321,865,193</u>	88.4%
Total Tax Programs	<u>\$1,011,821,702</u>	<u>\$717,365,900</u>	<u>\$294,455,802</u>	41.0%
Total Returns Audited	388,273	419,186	-30,913	-7.4%
Total Returns Changed	191,552	221,861	-30,309	-13.7%
Cost of Operation	\$101,391,974	\$100,286,041	\$1,105,933	-1.1%
Paid Hours	2,729,737	2,728,920	817	0.0%
Statistics				
Cost Per Paid Hour	\$37.14	\$36.75	\$0	
Net Assessments Per Dollar Cost	\$9.98	\$7.15	\$3	
Cost Per Return Audited	\$2,605.95	\$1,711.33	\$895	
Returns Audited Per Paid Hour	0.1	0.2	\$0	
Net Assessment Per Return Changed	\$5,282.23	\$3,233.40	\$2,049	
% Return Changes to Returns Audited	49.33%	52.93%	\$0	

Exhibit D2: Tax Programs

Tax Audit Activities

Comparative Schedule of Returns Audited

Fiscal Years Ended June 30, 2001 and 2002

	Changes to Tax		No Changes to Tax		Total Audits	
	2001/2002	2000/2001	2001/2002	2000/2001	2001/2002	2000/2001
Personal Income Tax						
Desk Audit	121,659	110,175	198,793	198,264	320,452	308,439
Federal Audit Reports	65,457	107,966	-5,351	-5,935	60,106	102,031
Field Audits	817	908	368	560	1,185	1,468
Total Personal Income Tax	<u>187,933</u>	<u>219,049</u>	<u>193,810</u>	<u>192,889</u>	<u>381,743</u>	<u>411,938</u>
Corporation Tax						
Federal Audit Reports	1,077	681	75	1,119	1,152	1,800
Non-Appportioning Audits						
Central Office	214	350	643	354	857	704
Field	292	222	758	380	1,050	602
Apportioning Audits						
Central Office	246	139	988	857	1,234	996
Field	830	529	419	711	1,249	1,240
Exempt Corporation Audits	960	891	28	1,015	988	1,906
Total Corporation Tax	<u>3,619</u>	<u>2,812</u>	<u>2,911</u>	<u>4,436</u>	<u>6,530</u>	<u>7,248</u>
Total Tax Programs	<u>191,552</u>	<u>221,861</u>	<u>196,721</u>	<u>197,325</u>	<u>388,273</u>	<u>419,186</u>

Exhibit E: Tax Programs

Tax Collection Activities

Statement of Tax Collection Activities

Fiscal Year Ended June 30, 2002

	Personal Income Tax	Bank & Corporation Tax	Total
Collection Revenue			
Beginning Total Available for Collection (7/1/01)	\$2,847,346,780	\$1,002,145,979	\$3,849,492,759
Added During 2001/02	3,184,372,841	1,079,158,126	4,263,530,967
Abated During 2001/02	<u>-1,456,654,104</u>	<u>-472,448,607</u>	<u>-1,929,102,711</u>
Total Available for Collection	\$4,575,065,517	\$1,608,855,498	\$6,183,921,015
Accounts Collected:			
Automated ^{1/}	\$661,601,361	\$513,337,968	\$1,174,939,329
Manual ^{2/}	<u>351,074,451</u>	<u>185,385,242</u>	<u>536,459,693</u>
Total Collected	\$1,012,675,812	\$698,723,210	\$1,711,399,022
Discharged	<u>414,706,513</u>	<u>169,606,285</u>	<u>584,312,798</u>
Total Accounts Closed	<u>\$1,427,382,325</u>	<u>\$868,329,495</u>	<u>\$2,295,711,820</u>
Ending Total Available for Collection (6/30/02)	<u>\$3,147,683,192</u>	<u>\$740,526,003</u>	<u>\$3,888,209,195</u>
Collection Accounts			
Total Number of Accounts (7/1/01)	848,916	313,762	1,162,678
Total Number of Accounts (6/30/02)	<u>797,225</u>	<u>321,151</u>	<u>1,118,376</u>
Change in Collection Accounts	<u><u>-51,691</u></u>	<u><u>7,389</u></u>	<u><u>-44,302</u></u>
Cost of Operation	\$67,524,996	\$25,141,163	\$92,666,159
Paid Hours	1,890,543	661,324	2,551,867
Statistics			
Cost Per Paid Hour	\$35.72	\$38.02	\$36.31
Tax Collected Per Dollar Cost	\$15.00	\$27.79	\$18.47
Percentage of Available Inventory Collected	22.1%	43.4%	27.7%
Percentage of Amount Available Closed	31.2%	54.0%	37.1%
Percent Change between Beginning and Ending Inventory	10.5%	-26.1%	1.0%

^{1/} Automated billing and voluntary payments by taxpayers.

^{2/} Tax Collector activities to secure payment from non compliant taxpayers.

Exhibit F1: Non-Tax Collection Program Inter-Agency Intercept Collections Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 2001 and 2002

	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001	Change	Percent Change
Participating Agency Types:				
State agencies	91	92	-1	-1.1%
City agencies	71	69	2	2.9%
County agencies	29	28	1	3.6%
Federal agencies	1	0	1	
Total Participants	<u>192</u>	<u>189</u>	<u>3</u>	1.6%
Collection Volumes				
State agencies	386,689	399,055	-12,366	-3.1%
City agencies	35,332	26,462	8,870	33.5%
County agencies	110,695	103,089	7,606	7.4%
Federal agencies	31,681	0	31,681	
Total Collection Volumes	<u>564,397</u>	<u>528,606</u>	<u>4,110</u>	6.8%
Collection Revenues				
State agencies	\$93,724,034	\$95,377,258	-\$1,653,224	-1.7%
City agencies	4,313,609	2,943,609	1,370,000	46.5%
County agencies	21,625,102	18,988,297	2,636,805	13.9%
Federal agencies	12,600,335	0	12,600,335	
Total Collection Revenues	<u>\$132,263,080</u>	<u>\$117,309,164</u>	<u>\$14,953,916</u>	12.7%
Cost of Operation	\$381,051	\$378,931	\$2,120	
Paid Hours	6,569	6,984	-415	
Statistics				
Cost Per Paid Hour	\$58.01	\$54.26	3.75	
Revenue Collected Per Dollar Cost	\$347.10	\$309.58	37.52	
Revenue Collected Per Paid Hour	\$20,134.43	\$16,796.84	3,337.59	
Average Revenue Per Volume	\$234.34	\$221.92	12.42	

Exhibit F2: Non-Tax Collection Program

Child Support Collections

Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 2001 and 2002

	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001	Percent Change	Change
Demand for Payment Notices Sent	168,953	155,732	13,221	8.5%
Out of State Referral Notices Sent	36,852	38,020	-1,168	-3.1%
Levies Issued:				
Bank Accounts	170,892	178,303	-7,411	-4.2%
Wages	441,506	651,403	-209,897	-32.2%
Continuous Orders	11,476	7	11,469	163842.9%
Total Levies Issued	623,874	829,713	-205,839	-24.8%
Total Demands, Notices and Levies	<u>829,679</u>	<u>1,023,465</u>	<u>-193,786</u>	<u>-18.9%</u>
Gross Revenue Collected for Child Support ^{1/}	\$99,886,415	\$113,273,412	-\$13,386,997	-11.8%
Cost of Operations	\$14,914,045	\$10,536,123	\$4,377,922	41.6%
Paid Hours	353,529	264,395	89,134	33.7%
Statistics				
Cost Per Paid Hour	\$42.19	\$39.85	\$2.34	
Revenue Collected Per Dollar Cost	\$6.70	\$10.75	-\$4.05	
Revenue Collected Per Paid Hour	\$282.54	\$428.42	-\$145.88	

^{1/} Does not include \$46,378,432 collected in 2001/02 nor \$48,926,985 collected in 2000/01 through the Inter-agency Intercept Program.

Exhibit F3: Non-Tax Collection Program

Vehicle Registration Collections

Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 2001 and 2002

	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001	Change	Percent Change
Demand for Payment Notices Sent	890,506	934,302	-43,796	-4.7%
Levies Issued:				
Bank Accounts	35,191	29,601	5,590	18.9%
Wages	155,645	163,567	-7,922	-4.8%
Total Levies Issued	<u>190,836</u>	<u>193,168</u>	<u>-2,332</u>	-1.2%
Gross Revenue Collected for DMV ^{1/}	\$91,878,378	\$93,666,190	-\$1,787,812	-1.9%
Cases Closed	620,856	802,398	-181,542	-22.6%
Cost of Operations	\$5,192,885	\$4,442,061	\$750,824	16.9%
Paid Hours	103,307	118,908	-15,601	-13.1%
Statistics				
Cost Per Paid Hour	\$50.27	\$37.36	\$12.91	
Revenue Collected Per Dollar Cost	\$17.69	\$21.09	-\$3.39	
Revenue Collected Per Paid Hour	\$889.37	\$787.72	\$101.65	

^{1/} Does not include \$5.0 million collected in 2000/01 nor \$4.2 million collected in 1999/2000 through the Inter-agency Intercept Program.

Exhibit G1: Other Non-Tax Programs

Homeowner and Renter Assistance

Comparative Schedule of Activities

Fiscal Years Ended June 30, 2001 and 2002

	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001	Change	Percent Change
Number of Claims Processed				
Allowed from:				
Property Owners	155,535	161,800	-6,265	-3.9%
Renters	473,777	484,900	-11,123	-2.3%
Not Allowed from:				
Property Owners	21,410	17,400	4,010	23.0%
Renters	65,220	52,100	13,120	25.2%
Total Number of Claims Processed	<u>715,942</u>	<u>716,200</u>	<u>-258</u>	0.0%
Amount of Claims Allowed				
Property Owners	\$35,207,599	\$60,450,800	-\$25,243,201	-41.8%
Renters	<u>145,754,460</u>	<u>254,902,300</u>	<u>-109,147,840</u>	-42.8%
Total Amount of Claims Processed	<u>\$180,962,059</u>	<u>\$315,353,100</u>	<u>-\$134,391,041</u>	-42.6%
Claimant Assistance Contacts				
Voice-Activated Response Phone Calls	407,123	303,356	103,767	34.2%
Manual Phone Calls, Correspondence, and Counter Contacts	531,141	922,822	-391,681	-42.4%
Total Claimant Assistance Contacts	<u>938,264</u>	<u>1,226,178</u>	<u>-287,914</u>	-23.5%
Cost of Operations	\$6,618,258	\$7,045,797	(\$427,539)	-6.1%
Paid Hours	288,742	297,152	-8,410	-2.8%
Statistics				
Total Cost Per Paid Hour	\$22.92	\$23.71	-\$0.79	-3.3%
Paid Hours Per Claim Processed	0.40	0.41	-0.01	-2.8%
Average Amount of Claim Processed	\$252.76	\$440.31	-\$187.55	-42.6%

Exhibit G2: Other Non-Tax Programs

Political Reform Audit

Comparative Schedule of Activities

Fiscal Years Ended June 30, 2001 and 2002

	Fiscal Year Ended June 30, 2002	Fiscal Year Ended June 30, 2001	Change	Percent Change
Political Reform Audits Completed				
Candidates & Controlled Committees	167	119	48	40.3%
General Purpose Committees	62	183	-121	-66.1%
Lobbying Entities	91	40	51	127.5%
Statewide Measures	12	34	-22	-64.7%
Total Audits Completed	<u>332</u>	<u>376</u>	<u>-44</u>	-11.7%
Political Reform Audits in Process at FYE				
Candidates & Controlled Committees	61	50	11	22.0%
General Purpose Committees	36	10	26	260.0%
Lobbying Entities	21	30	-9	-30.0%
Statewide Measures	6	7	-1	-14.3%
Total Audits in Process at FYE	<u>124</u>	<u>97</u>	<u>27</u>	27.8%
Cost of Operations	\$1,322,801	\$1,294,678	\$28,123	2.2%
Paid Hours	32,685	35,321	2,636	-7.5%
Statistics				
Cost Per Paid Hour	\$40.47	\$36.65	\$3.82	10.4%
Paid Hours per Audit Completed	98.45	93.94	4.51	4.8%
Average Cost per Audit Completed	\$3,984.34	\$3,443.29	\$541.05	15.7%

GLOSSARY

GLOSSARY

A **Abatement** The partial or complete cancellation of a final tax assessment.

Apportioning A corporation whose business operations are conducted both within and outside of California and whose income is therefore apportioned to this state for taxing purposes.

Apportioning – Central Office An audit of an apportioning corporation conducted by telephone and correspondence from FTB’s Sacramento office.

Apportioning – Field An audit of an apportioning corporation conducted at the corporation’s place of business.

Assessment, Proposed (PA) Preliminary determination of additional tax liability by an audit of the taxpayer’s return. The PA provides a time period during which the taxpayer may dispute part or all of the additional tax prior to the assessment’s finality.

Assessment, Self Net tax liability as disclosed by the taxpayer on his or her tax return.

C **Cancellation** The partial or complete withdrawal of a proposed tax assessment.

Claim A taxpayer request for reduction or cancellation of self-assessed tax by means of an amended return, formal request for refund, or informal request by correspondence.

Collection, Non-Tax Collection of delinquent non-tax debts payable to other state and local governmental agencies.

Collection, Child Support Collection of delinquent child support payments on behalf of district attorneys and custodial parents.

Collection, Court-Ordered Debt Collection of delinquent penalties, forfeitures, court imposed fines, and restitution orders on behalf of superior, municipal, and justice courts.

Collection, Tax Collection efforts performed to collect personal income taxes and bank and corporation taxes owed by the taxpayer on behalf of the State of California.

Collection, Vehicle Registration Collection of delinquent registration fees, transfer fees, vehicle license fees, use taxes when a car is purchased, and penalties for parking violations on behalf of the Department of Motor Vehicles.

Contract Work Products and services provided by FTB to other entities, under contractual agreement, for which FTB receives reimbursement of costs.

Corporation Tax The administration, enforcement and collection of

- 1) franchise taxes on corporations doing business in California and
- 2) income taxes on corporations not doing business in California but having income from California sources.

D Demand Letter Also referred to as a Request Letter. The first letter sent to an identified non-filer requesting a tax return.

Desk Audits Audits of personal income tax returns conducted by telephone and correspondence from FTB's central office.

E Estimate Processing Receiving, depositing, posting and filing of estimate payments.

Exempt Corporation Audits Review of tax-exempt applications to determine eligibility for tax-exempt status and periodic review of exempt organizations to verify that their activities remain consistent with tax exemption criteria.

F Federal Audit Report Audits Central office and field audits resulting from Internal Revenue Service tax assessments to individuals, estates, trusts, general financial, and apportioning corporations.

Field Audits Audits conducted in locations other than FTB's central office in Sacramento and corresponding audit support activities within the central office.

Filing Enforcement Activities All manual and automated processing of filing enforcement information and assessments. The PIT Filing Enforcement program includes three sub-programs: Filing Enforcement, Residency Determination, and Investigations. The B&CT Filing Enforcement program includes four sub-programs: Filing Enforcement, Investigations, Secretary of State Penalty, and Revivor.

G Gross Assessments The total dollar value of tax assessments issued through the filing enforcement process prior to cancellations and abatements.

H Homeowner and Renter Assistance Activities The authorization of partial repayment of property taxes or rents paid by senior citizens, and disabled or blind individuals. Activities include designing and distributing claim forms and instructions, providing advisory services to claimants, and processing claims.

I Investigations Activities necessary for prosecution of cases involving the willful failure to file a tax return, filing of fraudulent returns, and other criminal violations of the tax laws.

L Legislation and Development Bill analysis, legislation, regulations, formal rulings, information to other states, research of tax issues, and statistical analysis of revenues and costs.

M Mathematical Verification Substantiation of the mathematical accuracy of the tax return during the return processing function.

N Net Assessments A measurement indicator of the department's effectiveness in determining the correct tax base available for collection to the General Fund.

Non-Admitted Insurance Tax Collection of tax paid by an insurance policyholder who had purchased a policy from a non-California based insurance broker or from a company not authorized to do business in California.

Non-Appportioning A corporation whose business income is solely from within California. **Non-Appportioning Central Office** Audits conducted within FTB's central office in Sacramento of non-appportioning corporations.

Non-Appportioning Field Audits conducted in a California location other than at the central office of non-appportioning corporations. Activities include both the field audit and central office support activities.

Notice of Proposed Assessment The second notice sent to an identified non-filer (follows the Demand/Request Letter). This notice assesses the taxpayer an estimated amount of taxes that they owe.

P Political Reform Audits Audits and field investigations of randomly selected committees supporting or opposing candidates and statewide measures, any committee spending \$10,000 or more, and campaign statements and lobbyist reports filed with the Secretary of State except those filed with federal or local offices, the State Controller, or the Board of Equalization.

R Request Letter Also referred to as a Demand Letter. This is the first letter sent to an identified non-filer requesting a tax return.

Residency Determination A PIT Filing Enforcement sub-program involving activities necessary to determine a non-filer's legal state of residency.

Return Forms and Instructions Activities associated with the design, review, printing, and distribution of tax forms, instruction booklets, form letters, and other official documents used in the course of conducting the department's business.

Return Processing The receiving and processing of returns and related payments, keypunch, computer operation, accounts receivable clean-up, filing in Central Files, and the destruction of obsolete returns.

S Self-Assessment Activities All services performed by the department to assist taxpayers in complying with the tax laws.

Self-Assessed Tax The amount of tax liability determined by the taxpayer on his or her tax return, certain penalties related to the self-assessed tax (ex: late filing penalty), and certain accrued interest (ex: due to late filing).

Settlement Activity An alternative method of resolving civil tax disputes resulting from audit or filing enforcement activities other than through litigation.

Statement of Tax Due A notice sent to a non-filer if their account is not resolved within 60 days after receiving a Notice of Proposed Assessment.

T **Tax** Tax, penalties, and interest.

Tax Audit Activity Automated and manual activities performed to determine the correct tax liability for individuals and corporations.

Taxpayer Assistance Automated and manual dissemination of information to taxpayers, upon their request, regarding pre-filing assistance, forms requests, and filing requirements. Taxpayer assistance services related to audit, filing enforcement, collections, and other departmentally administered services are included in their respective programs.

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