



Operations Report

Franchise Tax Board

FISCAL YEAR 2002-2003



2002-2003 BOARD MEMBERS

Steve Westly, Controller (2003)

Kathleen Connell, Controller (2002)

Carole Migden, Chair, State Board of Equalization (2003)

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

Donna Arduin, Director of Finance (2003)

Steve Peace, Member, Director of Finance (2002)

OPERATIONS REPORT

FISCAL YEAR ENDED JUNE 30, 2003

2002-2003 BOARD MEMBERS

Hon. Steve Westly Controller (2003)
Hon. Kathleen Connell Controller (2002)

Hon. Carole Migden..... Chair, State Board of Equalization (2003)
Hon. John Chiang Chair, State Board of Equalization (2002)

Hon. Donna Arduin..... Director of Finance (2003)
Hon. Steve Peace, Member Director of Finance (2002)

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 2002/2003 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 2002/2003, the Franchise Tax Board's expenditures totaled \$433.6 million, an increase of \$28.2 million (6.9%) over the prior year. Personnel years (PYs) totaled 5745.6, an increase of 105 (1.8%) over 2001/2002. The change in the number of personnel years is reflective of increases to Audit Activities (15.0 PYs), Tax Collections (135.9 PYs), Other Non-Tax Programs (16.2 PYs), and is offset by decreases to Processing Activities (38.2 PYs), Non-Tax Collection Program (11.7 PYs), and Homeowner and Renter Assistance (14 PYs).

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

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

	<u>2002/2003</u>	<u>2001/2002</u>
Tax Programs		
Personal Income Tax	\$245,801	\$230,214
Corporation Tax	133,809	127,083
Non-Admitted Insurance Tax	<u>62</u>	<u>53</u>
Total Tax Programs	\$379,672	\$357,350
Non-Tax Collection Programs	41,228	24,190
Other Non-Tax Programs	<u>11,851</u>	<u>23,903</u>
TOTAL EXPENDITURES BY PROGRAM	<u>\$432,751</u>	<u>\$405,443</u>

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

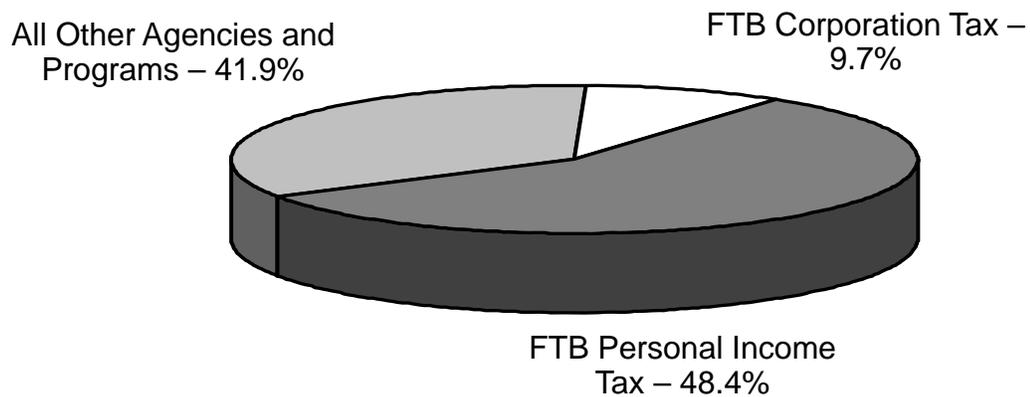
	<u>2002/2003</u>	<u>2001/2002</u>
Personal Services		
Salary and Wages	\$265,035	\$254,435
Benefits	<u>68,869</u>	<u>53,922</u>
Total Personal Services	\$333,904	\$308,357
Operating Expenses & Equipment	<u>100,063</u>	<u>97,086</u>
TOTAL EXPENDITURES	\$433,967	\$405,443
Reimbursements	<u>-23,863</u>	<u>-25,740</u>
NET EXPENDITURES BY OBJECT	<u>\$410,104</u>	<u>\$379,703</u>

California's General Fund^{1/}

The General Fund received \$66.9 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) 2002/2003 the General Fund had a cash surplus of \$10.5 billion.

Fiscal Year ended June 30, 2003

Major Tax and License Revenue Fiscal Year Ended June 30, 2003



Major Tax & License Revenues (Millions)

	Fiscal Year		Change	Percent Change
	2002/2003	2001/2002		
Personal Income Tax ^{1/}	32,464.9	33,295.4	-830.5	-2.5%
Corporation Tax	6,509.5	5,088.2	1,421.31	27.9%
Subtotal	38,974.4	38,383.6	590.8	1.5%
Other Programs	27,964.1	24,373.4	3,590.7	14.7%
Total	<u>66,938.5</u>	<u>62,757.0</u>	<u>4,181.5</u>	<u>6.7%</u>

Statistics extracted from the 2002/2003 Controller's Annual Financial Report.

^{1/} In 2002/2003, 24.4 billion of general Fund Revenues came from Personal Income Tax withholding; a \$.1 billion decrease from the 2001/2002 level of \$24.5 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 2002/2003, the tax programs administered by the Franchise Tax Board accounted for \$39 billion (58.2%) 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 7.7 million tax return booklets, forms and postcards; provided for 32.6 million downloaded forms; received 682 thousand interactive voice response (IVR) phone calls; and manually responded to 707 thousand telephone, paper and electronic mail correspondence, and over-the-counter requests for forms, pre-filing assistance, and refund information in 2002/2003.

Return Processing

Return Processing activities include:

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

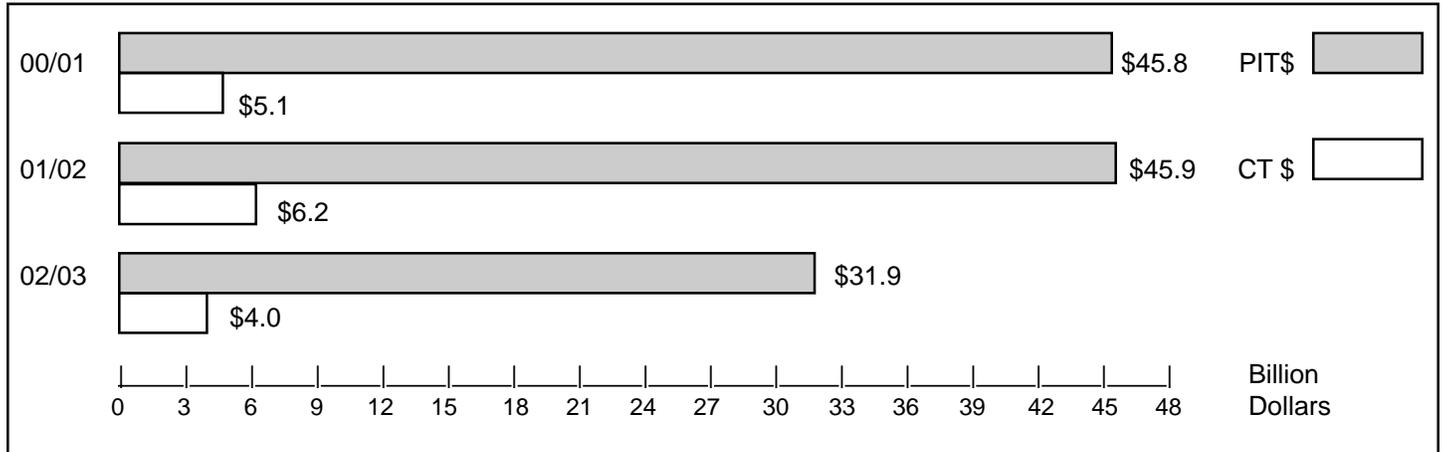
In 2002/2003, the department processed 15.4 million personal income tax returns and reported self-assessments of \$31.9 billion. Of the returns processed, 10 million PIT returns resulted in refunds of \$6.5 billion due to withholding, prepayments, and refundable credits.

Taxpayers and tax preparers filed 3.7 million PIT returns electronically, a 20.3 percent increase from the 2001/2002 level of 3.1 million returns. Also in 2002/2003, FTB processed 7.5 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.

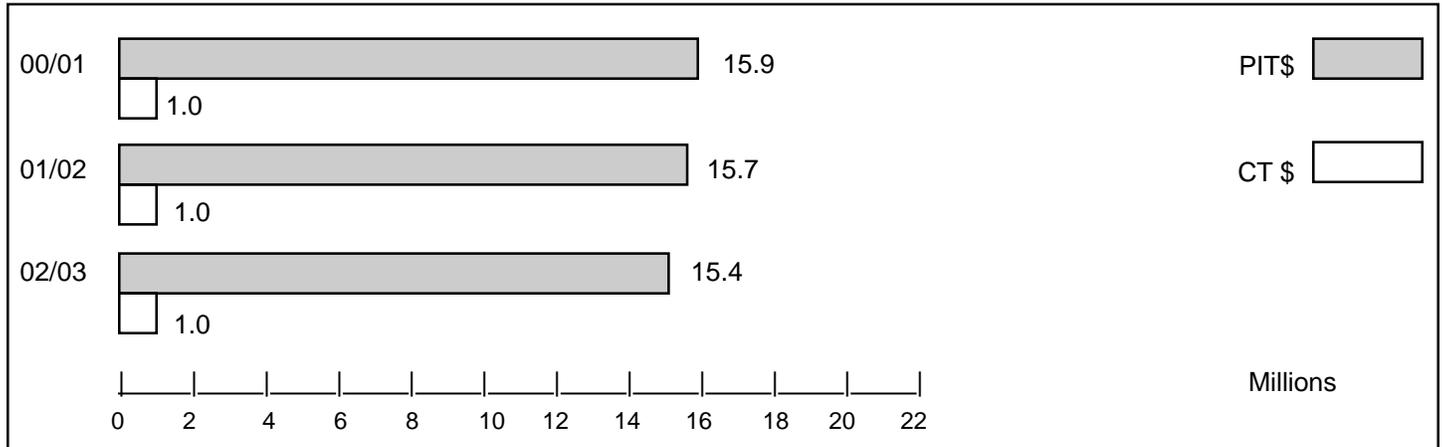
FTB processed 968,881 business entity tax returns with a total tax liability of \$4 billion. This included 434,434 current year for-profit corporation tax returns, and 304,098 partnership and limited liability company returns. Additionally, the FTB deposited 519,834 estimate tax payments and processed 77,396 tax-exempt corporation returns in 2002/2003.

Self-Assessment Activities

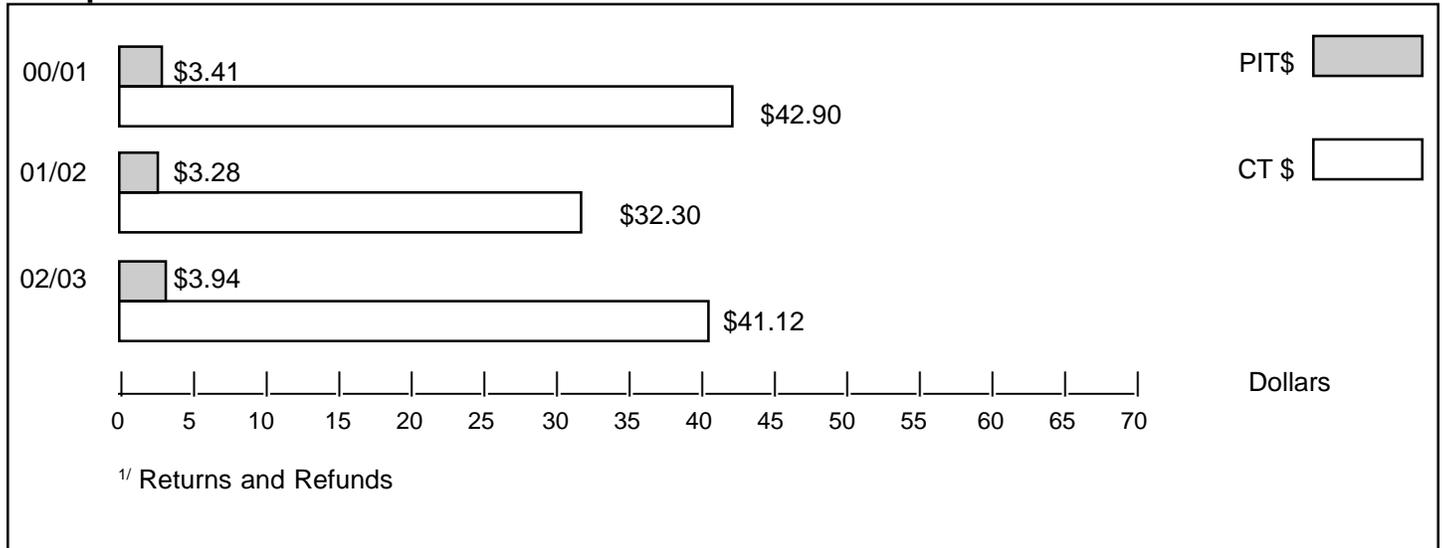
Amount of Self-Assessed Tax



Number of Returns Processed



Cost per Unit ^{1/} Processed



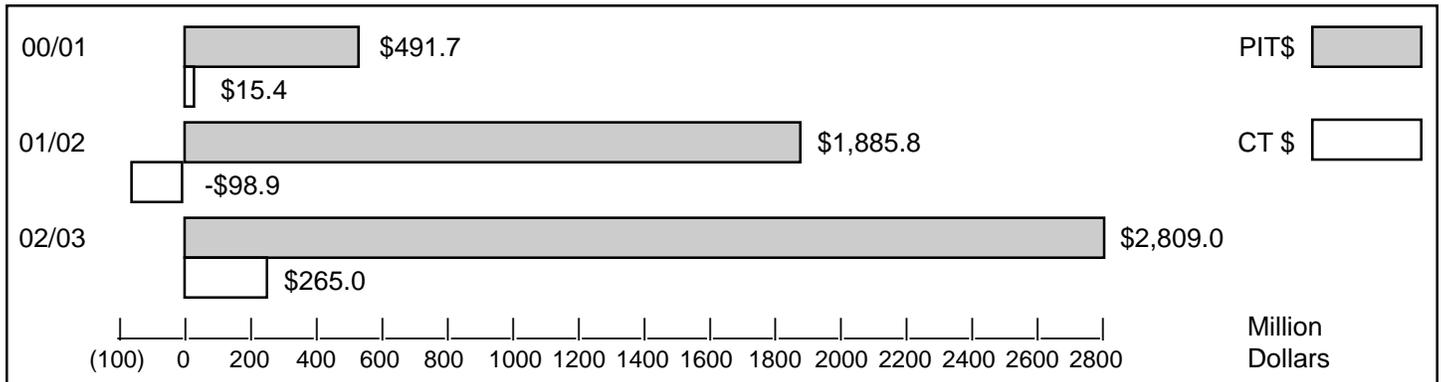
Filing Enforcement Activities

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.

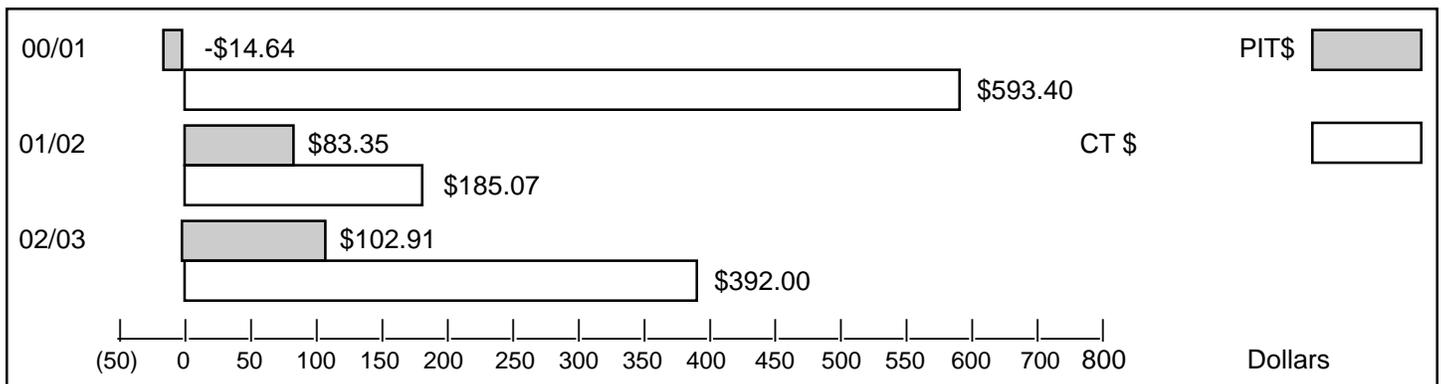
Delinquent non-filers that fail to respond to demand-to-file letters are issued tax assessments based on the income records available to the department. Net assessment dollars become part of the tax collection inventory if non-filers either fail to file their delinquent return or prove their right of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

The following bar charts compare 2002/2003 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

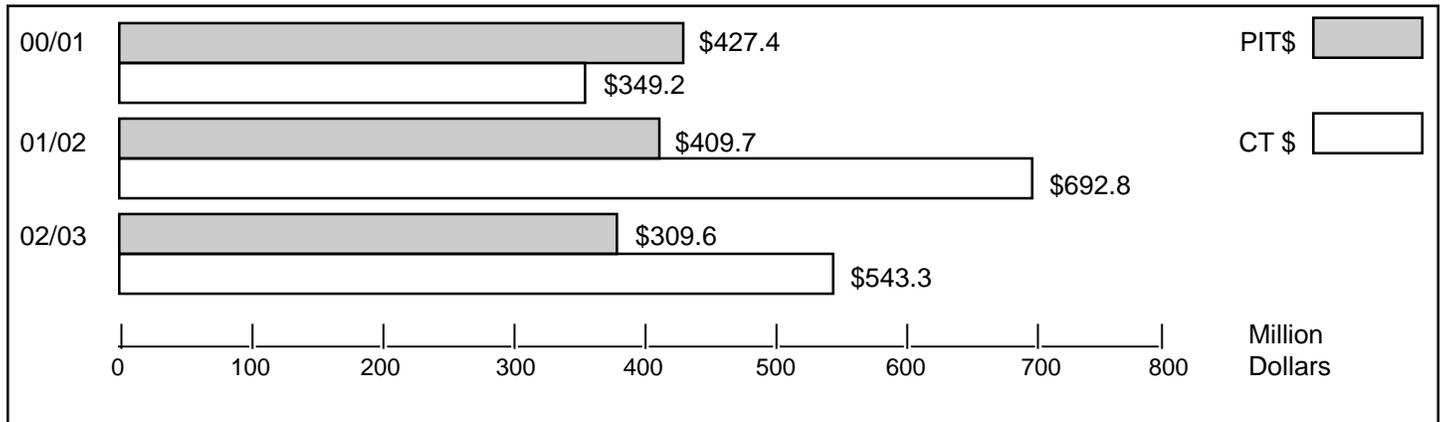
Audit activities determine the correct tax liability for individuals and business entities in accordance with the California Revenue and Taxation Code. These activities include both the detailed examination of tax returns and supporting documents, and the automated verification of self-assessed tax returns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

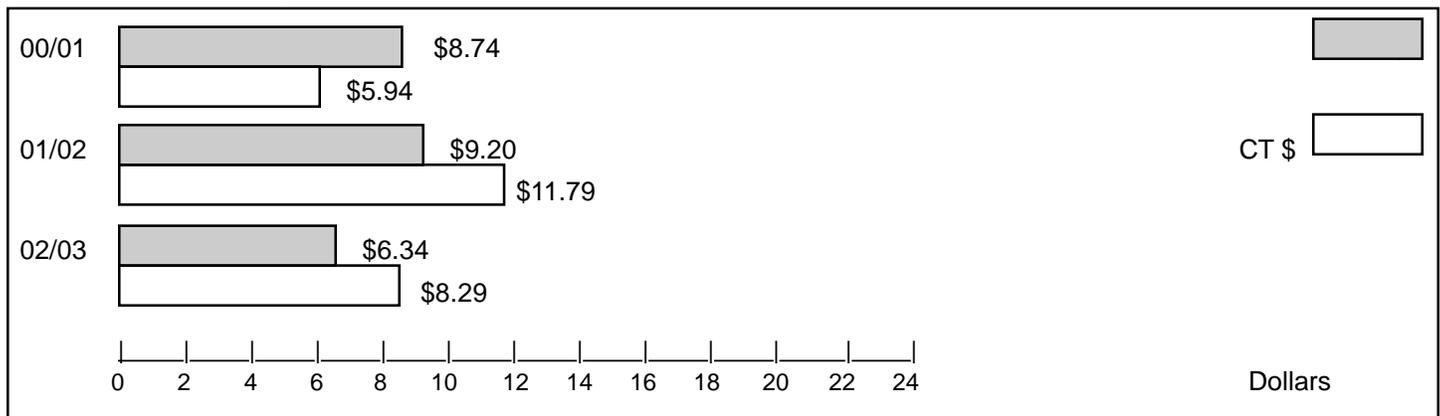
In 2002/2003, net assessments from audit activities totaled \$853 million and operational costs totaled \$114 million. This resulted in an overall benefit-to-cost ratio of \$7.46 to one. The following bar chart compares 2002/2003 audit activities with those of the two prior years. Detailed information 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

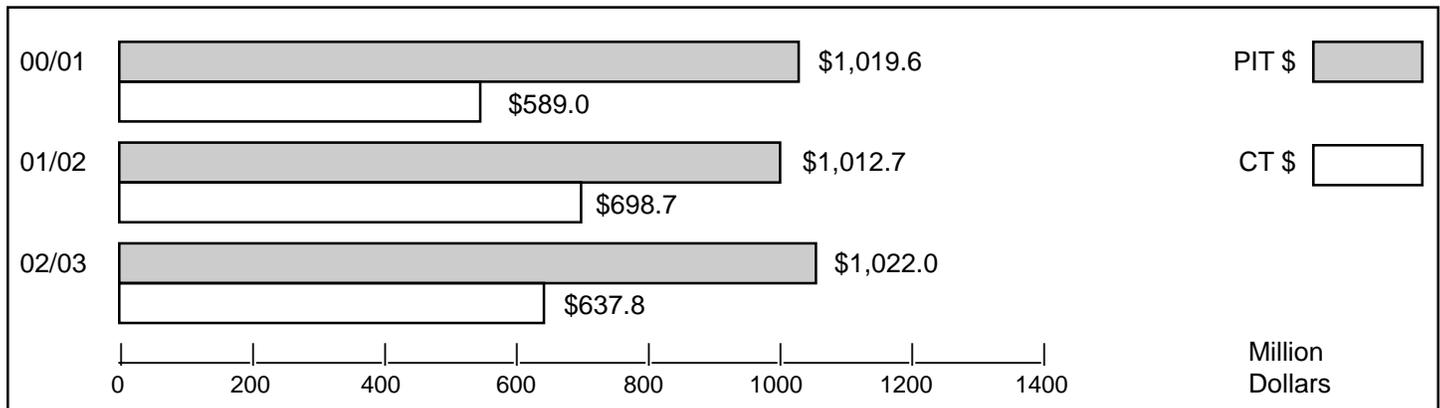
Tax collection activities involve collections of accounts receivable that are established by the department's self-assessment, audit, settlement, and filing enforcement activities. An automated billing system combined with central and field office collection staff administers collections. The automated 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 2002/2003, \$1.7 billion was collected through automated and manual collection activities which remains consistent with 2001/2002's level of \$1.7 billion. Total cost of operations was \$100.6 million, of which \$75.0 million was for PIT collections and \$25.6 million was for CT. The following chart compares 2002/2003 collections with those of the two prior years. Detailed collection activity information for 2002/2003 is shown in Exhibits A and E.

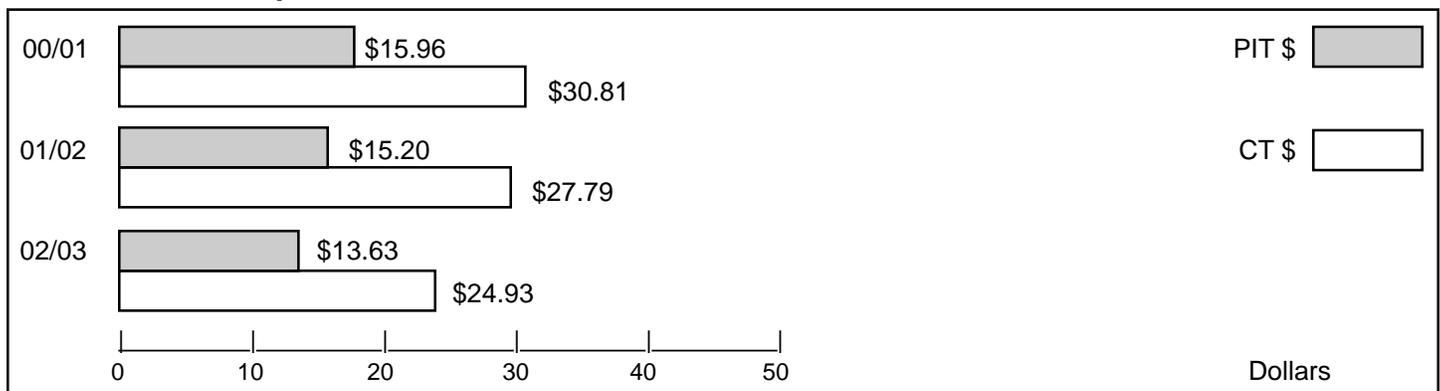
^{1/} Payments submitted by taxpayers prior to activation of the billing process are not included in 'tax collection revenues'.

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 2002/2003, 216 cases were settled, sustaining \$443.6 million (69.9%) of the \$635.5 million in dispute. A summary of 2002/2003 settlement activities is presented in the table below.

2002/2003 SETTLEMENT ACTIVITIES Revenue and Costs in Millions

	<u>PIT</u>	<u>CT</u>	<u>TOTAL</u>
Cases Completed	51	43	94
Cases Settled	87	129	216
Revenue in Dispute	\$34.8	\$600.7	\$635.5
Revenue Sustained	23.6	420.0	\$443.6
Cost	\$1.1	\$1.9	\$3.0
Revenue Sustained Per Dollar Cost	\$21.36	\$221.59	\$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 2002/2003, FTB collected \$15.6 million at a cost of \$62 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 2002/2003, taxpayers made 411 thousand contributions for a total of \$3.9 million. A comparison of contributions between 2002/2003 and the prior year is presented as follows:

VOLUNTARY CONTRIBUTIONS TWO YEAR COMPARISON (Thousands)

Fund Name	2002/2003		2001/2002	
	Volume	Dollars	Volume	Dollars
California Senior Citizens	37	286	36	279
Rare & Endangered Species	0	0	57	701
State Children's Fund	60	661	60	662
Alzheimer's Research	51	554	51	570
Mex.-Amer.Veteran's Memorial	0	0	1	5
Senior's Special Fund	12	56	5	65
Breast Cancer Research	57	642	62	726
Firefighter's Memorial	28	211	32	277
California Lung Disease	28	185	2	20
Emergency Food Assistance	39	358	40	374
Birth Defects	0	0	2	17
Peace Officer Memorial	24	178	24	182
Nat'l WW II Veteran's Memorial	0	0	1	10
Fish and Game Preservation ^{1/}	54	655	0	0
Lupus Foundation Of America	21	124	21	128
Total Voluntary Contributions	411	\$3,910	394	\$4,016

^{1/} New fund for Tax Year 2002

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 2002/2003, governmental agencies received a total of \$137.3 million from intercepted tax refunds.

Exhibit F1 provides 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 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 2002/2003, FTB conducted 854,000 collection actions and collected \$78.4 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 \$42.8 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 authorize 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 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 2002/2003, FTB closed 922,683 delinquent cases and collected \$74 million^{1/} for the DMV while incurring collection costs of \$4.5 million. This equates to a benefit-to-cost ratio of \$16.38 to \$1.00.

Additional information is provided in Exhibit F3.

^{1/} Does not include \$5.6 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 2002/2003, 23 counties utilized FTB collection services to close delinquent accounts. In response, FTB mailed 207,143 demand-to-pay notices to delinquent debtors; 168,399 levies were placed on debtors' wages; and 4,874 bank levies were issued. As a result, the Court-Ordered Debt Collections Program collected \$23.4 million at a cost of \$3.5 million or a benefit-to-cost ratio of \$6.74 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 2002/2003, 3,134 delinquent cases were referred from DIR to FTB for collections. FTB collected and transferred \$1.4 million to DIR at a cost of \$182,842 and a benefit-to-cost ratio of \$7.41 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 2002/2003, FTB processed 665,519 HRA claims representing a 7.0% decrease to the prior year's volume of 715,942. Claims allowed in 2002/2003 totaled \$184.5 million, of which \$147.2 million was given to qualified renters and \$37.3 million to eligible homeowners. The department responded to 397,982 IVR telephone calls compared to 407,123 calls in the preceding year, and 575,787 manually answered calls, correspondence, and in-person contact requests for assistance compared to 531,141 in the preceding year.

A comparison of 2002/2003 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 2002/2003, 339 audits were completed of which 130 audits related to political candidate and campaign committees, 45 audits related to lobbying entities, 144 audits of ballot measures and general political action committees, and 20 statewide measures.

A comparison of the 2002/2003 Political Reform Audit activities with those of the prior year is provided in Exhibit G2.

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 2002/2003, the CCSAS Project continued efforts to develop and implement the California Child Support Automation System. The updated CCSAS Project Charter was approved and now reflects a governance structure that ensures the CCSAS design and implementation responds to the child support program needs.

EXHIBITS

The details of the 2002/2003 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 2002/2003 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 1967/68.

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, 2003

Program Activities:	Revenue Measurement	Cost (Exhibit A1)	Measurement per Dollar Cost
NET ASSESSMENT ACTIVITIES:			
Personal Income Tax			
Filing Enforcement Assessment Activities			
Filing Enforcement	\$2,809,212,418	\$27,299,010	\$102.91
Residency Determination	-385,785	814,352	-\$0.47
Investigations	263,284	4,835,533	\$0.05
Withhold At Source	Not Available	3,117,100	
Audit Assessment Activities			
Mathematical Verification	-22,774,880	7,228,885	-\$3.15
Desk Audits	52,725,489	20,424,498	\$2.58
Federal Audit Reports	217,896,745	9,121,539	\$23.89
Field Audits	99,585,931	12,074,117	\$8.25
Total PIT Net Assessment Activities	<u>\$3,156,523,202</u>	<u>\$84,915,034</u>	
Corporation Tax			
Filing Enforcement Activities			
	\$264,502,243	\$674,754	\$392.00
Audit Assessment Activities			
Federal Audit Reports	81,014,295	2,819,827	\$28.73
Non-Appportioning Central Office	14,744,144	6,767,440	\$2.18
Non-Appportioning Field	87,844,642	6,695,465	\$13.12
Appportioning Central Office	15,429,720	8,333,876	\$1.85
Appportioning Field ^{1/}	340,161,110	38,716,106	\$8.79
Exempt Corporation Audits	<u>4,091,712</u>	<u>2,176,600</u>	<u>\$1.88</u>
Total CT Net Assessment Activities	<u>\$807,787,866</u>	<u>\$66,184,068</u>	
TOTAL NET ASSESSMENT ACTIVITIES	<u>\$3,964,311,068</u>	<u>\$151,099,102</u>	<u>\$26.24</u>
COLLECTION ACTIVITIES:			
Tax Programs			
Personal Income Tax			
Tax Collections	\$1,022,006,510	\$74,974,002	\$13.63
Voluntary Contributions	3,951,282	54,716	\$72.21
Corporation Tax			
Tax Collections	637,785,547	25,578,850	\$24.93
Non-Admitted Insurance Tax	15,626,411	61,770	\$252.98
Non-Tax Collection Programs			
Inter-Agency Intercept Collections	137,290,545	426,773	\$321.69
Child Support Collections	78,496,520	14,755,225	\$5.32
Vehicle Registration Collections	73,970,713	4,517,057	\$16.38
Court-ordered Debt Collections	23,439,005	3,477,768	\$6.74
DIR Industrial Health & Safety Collections	1,354,936	182,842	\$7.41
TOTAL COLLECTION ACTIVITIES	<u>\$1,993,921,469</u>	<u>\$124,029,003</u>	<u>\$16.08</u>
OTHER ACTIVITIES:			
Personal Income Tax Program			
Self-Assessment Activities	--	\$84,754,017	
Settlement Activities	--	1,102,909	
Corporation Tax Program			
Self-Assessment Activities	--	39,119,340	
Math Verification	--	1,031,221	
Settlement Activities	--	1,895,311	
Homeowners & Renters Assistance Program	--	6,112,477	
Political Reform Audit Program	--	1,341,618	
Child Support Automation	--	18,124,255	
Contract Work Program	--	5,004,939	
TOTAL OTHER ACTIVITIES		<u>\$158,486,087</u>	
TOTAL PROGRAM ACTIVITY COST		<u>\$433,614,192</u>	

Exhibit A1: All Programs

Statement of Operation Costs

Fiscal Year Ended June 30, 2003

	Executive	Child Support Automation and Technology Oversight	Audit	Total
Tax Programs				
Personal Income Tax				
Self-Assessment Activities				
Legislation and Development	\$32,581	\$5	\$65,880	\$1,100,090
Return Forms	15,231	2	5,646	150,605
Return Processing	113,795	19	98,368	32,424
Estimate Processing	5,077	1	3,961	2,197
Taxpayer Assistance	89,923	15	426,278	14,092
Claims	17,158	3	1,815,948	809
Information Exchange	2,278	0	1,382	172
Total Self-Assessment	\$276,043	\$45	\$2,417,463	\$1,300,389
Audit Activities				
Math Verification	\$23,415	\$4	\$17,583	\$7,508
Desk Audits	83,800	13	10,209,029	1,745,635
Federal Audit Reports	37,975	6	5,312,361	173,261
Field Audits	46,262	8	8,118,539	312,167
Total Audit	\$191,452	\$31	\$23,657,512	\$2,238,571
Filing Enforcement	\$59,696	\$9	\$25,484	\$41,491
Residency Determination	3,652	1	953	609,591
Investigation	23,291	4	4,668	28,084
Withhold At Source	11,340	2	6,014	749
Tax Collections	267,836	43	130,570	219,368
Settlement Authority	4,583	1	1,424	902,895
Voluntary Contributions	164	0	150	52
Total PIT	\$838,057	\$136	\$26,244,238	\$5,341,190
Corporation Tax				
Self-Assessment Activities				
Legislation and Development	\$8,050	\$1	\$103,906	\$613,866
Return Forms	5,879	1	2,021	77,753
Return Processing	69,576	11	264,498	12,374
Estimate Processing	1,054	0	1,040	129
Taxpayer Assistance	39,643	6	247,168	5,219
Claims	36,633	6	6,253,478	3,664
Total Self-Assessment	\$160,835	\$25	\$6,872,111	\$713,005
Audit Activities				
Math Verification	\$4,569	\$1	\$1,499	\$186
Federal Audit Reports	11,523	2	2,059,128	\$56,516
Non-Appportioning -- Central Office	28,009	4	2,152,053	727,216
Non-Appportioning -- Field	26,033	4	4,694,666	223,810
Apportioning -- Central Office	34,473	6	1,921,818	1,634,539
Apportioning -- Field	142,584	23	26,306,023	1,656,708
Exempt Corporations	8,390	1	4,597	16,203
Total Audit	\$255,581	\$41	\$37,139,784	\$4,315,178
Filing Enforcement	\$2,682	\$0	\$1,192	\$519
Tax Collections	94,342	15	70,335	32,206
Settlement Authority	7,738	1	2,561	1,536,780
Total Bank and Corporation	\$521,178	\$82	\$44,085,983	\$6,597,688
Non-Admitted Insurance Tax	269	0	125	15
Total Tax Program	\$1,359,504	\$218	\$70,330,346	\$11,938,893
Non-Tax Collection Program				
Inter-Agency Intercept Collections	\$778	\$0	\$0	\$177
Child Support Collections	47,341	8	172	21,070
Vehicle Registration Collections	13,655	2	0	3,616
Court-ordered Debt Collections	10,621	2	0	2,295
DIR Industrial Health & Safety	842	0	0	155
Total Non-Tax Collections	\$73,237	\$12	\$172	\$27,313
Other Non-Tax Programs				
Homeowners & Renters Assistance	\$31,601	\$5	\$1	\$312,679
Political Reform Audit	5,382	1	0	0
Child Support Automation	43,255	14,400,229	1	151,746
Other Contracts	11,567	2	0	3,485
Total Other Non-Tax	\$91,805	\$14,400,237	\$2	\$467,910
Total Departmental Costs	\$1,524,546	\$14,400,467	\$70,330,520	\$12,434,116

Department Oversight	Compliance Programs & Administration	Operations & Enterprise Technology	Departmental	Totals
\$189,950	\$1,315,539	\$3,552,736	\$876,266	\$7,133,047
88,832	1,725,167	1,364,803	5,946,104	9,296,390
675,865	3,332,242	27,841,313	5,395,421	37,489,447
30,024	54,009	1,065,727	237,277	1,398,273
526,689	3,335,424	16,891,768	3,801,289	25,085,478
100,099	157,759	1,230,315	471,002	3,793,093
13,394	22,813	426,752	91,498	558,289
<u>\$1,624,853</u>	<u>\$9,942,953</u>	<u>\$52,373,414</u>	<u>\$16,818,857</u>	<u>\$84,754,017</u>
\$138,337	\$246,627	\$5,842,437	\$952,974	\$7,228,885
490,152	1,188,408	3,887,574	2,819,887	20,424,498
221,943	1,369,653	642,138	1,364,202	9,121,539
269,763	436,939	1,008,146	1,882,293	12,074,117
<u>\$1,120,195</u>	<u>\$3,241,627</u>	<u>\$11,380,295</u>	<u>\$7,019,356</u>	<u>\$48,849,039</u>
\$348,826	\$3,754,103	\$10,451,498	\$12,617,903	\$27,299,010
21,224	32,042	24,037	122,852	814,352
126,547	4,259,524	244,917	148,498	4,835,533
66,504	110,684	2,503,268	418,539	3,117,100
1,568,334	45,503,555	14,942,128	12,342,168	74,974,002
26,677	41,181	35,376	90,772	1,102,909
980	1,830	44,898	6,642	54,716
<u>\$4,904,140</u>	<u>\$66,887,499</u>	<u>\$91,999,831</u>	<u>\$49,585,587</u>	<u>\$245,800,678</u>
\$47,008	\$736,806	\$540,575	\$181,597	\$2,231,809
34,262	582,151	518,189	310,480	1,530,736
407,697	787,672	13,044,491	2,292,197	16,878,516
6,280	15,528	255,779	57,912	337,722
231,435	880,416	6,754,809	1,216,335	9,375,031
213,620	378,464	836,917	1,042,744	8,765,526
<u>\$940,302</u>	<u>\$3,381,037</u>	<u>\$21,950,760</u>	<u>\$5,101,265</u>	<u>\$39,119,340</u>
\$26,612	\$46,081	\$851,760	\$100,513	\$1,031,221
67,274	121,714	185,631	318,039	2,819,827
163,716	302,739	2,516,861	876,842	6,767,440
151,719	266,030	333,444	999,759	6,695,465
201,580	376,573	3,104,180	1,060,707	8,333,876
831,004	1,457,606	1,820,792	6,501,366	38,716,106
49,235	233,638	1,566,749	297,787	2,176,600
<u>\$1,491,140</u>	<u>\$2,804,381</u>	<u>\$10,379,417</u>	<u>\$10,155,013</u>	<u>\$66,540,535</u>
15,679	203,394	360,341	\$90,947	674,754
552,216	17,115,246	3,191,247	4,523,243	25,578,850
45,044	77,171	72,671	153,345	1,895,311
<u>\$3,044,381</u>	<u>\$23,581,229</u>	<u>\$35,954,436</u>	<u>\$20,023,813</u>	<u>\$133,808,790</u>
1,574	2,259	49,941	7,587	61,770
<u>\$7,950,095</u>	<u>\$90,470,987</u>	<u>\$128,004,208</u>	<u>\$69,616,987</u>	<u>\$379,671,238</u>
\$4,478	\$124,795	\$57,866	\$238,679	\$426,773
272,741	10,091,474	1,920,364	2,402,055	14,755,225
78,522	2,679,964	430,909	1,310,389	4,517,057
61,250	2,311,003	505,114	587,483	3,477,768
4,833	140,312	25,764	10,936	182,842
<u>\$421,824</u>	<u>\$15,347,548</u>	<u>\$2,940,017</u>	<u>\$4,549,542</u>	<u>\$23,359,665</u>
\$181,985	\$876,506	\$3,622,013	\$1,087,687	\$6,112,477
1,172,931	44,404	9,153	109,747	1,341,618
340,338	338,935	18,026	2,831,725	18,124,255
66,572	221,932	2,616,063	2,085,318	5,004,939
<u>\$1,761,826</u>	<u>\$1,481,777</u>	<u>\$6,265,255</u>	<u>\$6,114,477</u>	<u>\$30,583,289</u>
<u>\$10,133,745</u>	<u>\$107,300,312</u>	<u>\$137,209,480</u>	<u>\$80,281,006</u>	<u>\$433,614,192</u>

Exhibit A2: All Programs

Statement of Paid Hours and Personnel Years

Fiscal Year Ended June 30, 2003

Tax Programs	Executive	Child Support Automation	Audit	Legal
Personal Income Tax				
Self-Assessment Activities				
Legislation and Development	911	0	1,892	24,489
Return Forms	426		150	3,322
Return Processing	3,180		2,420	444
Estimate Processing	142		97	38
Taxpayer Assistance	2,515		12,029	188
Claims	480		53,508	0
Information Exchange	64		35	0
Total Self-Assessment	<u>7,718</u>	<u>0</u>	<u>70,131</u>	<u>28,481</u>
Audit Activities				
Math Verification	655	0	443	117
Desk Audits	2,344		369,376	38,590
Federal Audit Reports	1,062		183,554	3,796
Field Audits	1,294		221,122	6,892
Total Audit	<u>5,355</u>	<u>0</u>	<u>774,495</u>	<u>49,395</u>
Filing Enforcement	1,670	0	634	854
Residence Determination	102		23	13,475
Investigation	615		206	619
Withhold At Source	317		149	0
Tax Collections	7,491		3,212	4,500
Settlement Authority	128		35	19,969
Voluntary Contributions	4		0	0
Total PIT	<u>23,400</u>	<u>0</u>	<u>848,885</u>	<u>117,293</u>
Corporation Tax				
Self-Assessment Activities				
Legislation and Development	225	0	2,628	13,594
Return Forms	164		53	1,712
Return Processing	1,946		8,655	176
Estimate Processing	29		26	0
Taxpayer Assistance	1,109		7,129	72
Claims	1,025		181,798	44
Total Self-Assessment	<u>4,498</u>	<u>0</u>	<u>200,289</u>	<u>15,598</u>
Audit Activities				
Math Verification	128	0	41	0
Federal Audit Reports	322		64,276	1,240
Non-Appportioning -- Central Office	784		64,109	16,080
Non-Appportioning -- Field	728		129,303	4,943
Appportioning -- Central Office	964		58,700	36,138
Appportioning -- Field	3,989		681,638	36,124
Exempt Corporations	235		117	350
Total Self-Assessment	<u>7,150</u>	<u>0</u>	<u>998,184</u>	<u>94,875</u>
Filing Enforcement	75	0	31	8
Tax Collections	2,639		1,905	589
Settlement Authority	217		59	34,023
Total Corporation	<u>14,579</u>	<u>0</u>	<u>1,200,468</u>	<u>145,093</u>
Non-Admitted Insurance Tax	8		3	0
Total Tax Program	<u>37,987</u>	<u>0</u>	<u>2,049,356</u>	<u>262,386</u>
Non-Tax Collection Program				
Inter-Agency Intercept Collections	22	0	0	4
Child Support Collections	1,047			454
Vehicle Registration Collections	382			80
Court Ordered Debt Collections	297			50
Industrial Health & Safety	24			4
Total Non-Tax	<u>1,772</u>	<u>0</u>	<u>0</u>	<u>592</u>
Other Non-Tax Programs				
Homeowner & Renter Assistance	885	0	0	6,872
Political Reform Audit	151			0
Child Support Automation	1,655	220,741		3,540
Other Contracts	323			79
Total Other Non-Tax	<u>3,014</u>	<u>220,741</u>	<u>0</u>	<u>10,491</u>
Total Paid Hours	<u>42,773</u>	<u>220,741</u>	<u>2,049,356</u>	<u>273,469</u>

Department Oversight	Compliance Programs and Administration	Operations & Enterprise Technology	Totals	Personnel Year Totals
5,709	35,771	126,279	195,051	95.0
2,669	51,678	39,091	97,336	47.4
19,921	122,620	1,358,671	1,507,256	734.3
889	1,813	57,713	60,692	29.6
15,753	109,282	576,251	716,018	348.8
3,007	5,450	44,351	106,796	52.0
399	778	20,881	22,157	10.8
<u>48,347</u>	<u>327,392</u>	<u>2,223,237</u>	<u>2,705,306</u>	<u>1,318.0</u>
4,100	8,342	263,334	276,991	134.9
14,682	41,345	160,562	626,899	305.4
6,653	51,478	21,389	267,932	130.5
<u>8,107</u>	<u>15,099</u>	<u>25,391</u>	<u>277,905</u>	<u>135.4</u>
<u>33,542</u>	<u>116,264</u>	<u>470,676</u>	<u>1,449,727</u>	<u>706.3</u>
10,459	141,461	254,723	409,801	199.7
640	1,112	466	15,818	7.7
3,851	107,599	13,776	126,666	61.7
1,987	3,769	88,753	94,975	46.3
47,180	1,547,419	518,730	2,128,532	1,037.0
803	1,418	677	23,030	11.2
28	46	2	80	0.0
<u>146,837</u>	<u>2,246,480</u>	<u>3,571,040</u>	<u>6,953,935</u>	<u>3,387.9</u>
1,410	19,884	15,397	53,138	25.9
1,030	17,419	14,756	35,134	17.1
12,189	27,073	536,504	586,543	285.8
185	517	15,550	16,307	7.9
6,946	28,920	226,192	270,368	131.7
<u>6,419</u>	<u>13,063</u>	<u>22,055</u>	<u>224,404</u>	<u>109.3</u>
<u>28,179</u>	<u>106,876</u>	<u>830,454</u>	<u>1,185,894</u>	<u>577.8</u>
801	1,620	25,047	27,637	13.5
2,019	4,187	4,808	76,852	37.4
4,908	10,407	107,068	203,356	99.1
4,562	9,221	7,519	156,276	76.1
6,040	12,910	140,833	255,585	124.5
24,987	50,339	39,984	837,061	407.8
1,470	7,369	65,726	75,267	36.7
<u>44,787</u>	<u>96,053</u>	<u>390,985</u>	<u>1,632,034</u>	<u>795.1</u>
470	6,455	13,280	20,319	9.9
16,587	587,788	108,480	717,988	349.8
1,356	2,654	1,512	39,821	19.4
<u>91,379</u>	<u>799,826</u>	<u>1,344,711</u>	<u>3,596,056</u>	<u>1,752.0</u>
47	78	1,839	1,975	1.0
<u>238,263</u>	<u>3,046,384</u>	<u>4,917,590</u>	<u>10,551,966</u>	<u>5,140.8</u>
136	4,550	2,037	6,749	3.3
7,216	255,225	67,843	331,785	161.6
2,394	81,976	18,761	103,593	50.5
2,194	66,485	23,566	92,592	45.1
148	5,095	847	6,118	3.0
<u>12,088</u>	<u>413,331</u>	<u>113,054</u>	<u>540,837</u>	<u>263.5</u>
5,541	30,151	186,399	229,848	112.0
32,046	1,497	271	33,965	16.5
13,307	54,577	7,691	301,511	146.9
2,028	6,773	125,986	135,189	65.9
<u>52,922</u>	<u>92,998</u>	<u>320,347</u>	<u>700,513</u>	<u>341.3</u>
<u>303,273</u>	<u>3,552,713</u>	<u>5,350,991</u>	<u>11,793,316</u>	<u>5,745.6</u>

Exhibit A3: All Programs

Selected Historical Statistics

Fiscal Years Ended June 30, 1968 through June 30, 2003

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
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	\$267
2002	15,416	935	9,958	\$52,558	\$123	\$1,787	\$1,103	\$140	\$55,448	\$263
2003	15,439	1,009	9,645	\$42,438	\$118	\$3,074	\$853	\$142	\$46,365	\$260

^{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 Audit Costs	Other Contract Costs	TOTAL Department Cost	Year Ended 6-30
\$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	\$12	\$355	1998
\$1,893	\$103	\$274	\$16	151	\$2	\$1	\$4	\$360	1999
\$1,805	\$100	\$320	\$25	428	\$6	\$1	\$3	\$376	2000
\$1,608	\$83	\$347	\$19	716	\$7	\$1	\$21	\$397	2001
\$1,013	\$93	\$349	\$24	716	\$7	\$1	\$17	\$405	2002
\$1,660	\$101	\$298	\$41	666	\$6	\$1	\$5	\$433	2003

Exhibit B: Tax Programs

Self-Assessment Activities

Statement of Return Processing Activities

Fiscal Year Ended June 30, 2003

	Personal Income Tax	Corporation Tax ^{1/}	Total
Tax Revenue			
Gross Self-Assessed Tax	\$38,419,110,397	\$4,018,415,930	42,437,526,327
Refunds Allowed	-6,516,945,021	-1,461,887,078	-7,978,832,099
Net Self-Assessed Tax	31,902,165,376	2,556,528,852	34,458,694,228
Returns Filed As a Result of Filing Enforcement Activities	383,973,117	1,706,592	385,679,709
Voluntarily Reported Self-Assessed Tax	<u>\$32,286,138,493</u>	<u>\$2,558,235,444</u>	<u>\$34,844,373,937</u>
Units Processed			
Number of Returns Processed	15,416,340	968,881	16,385,221
Number of Refunds Processed	9,645,295	117,116	9,762,411
Total Number of Units Processed	<u>25,061,635</u>	<u>1,085,997</u>	<u>26,147,632</u>
Cost of Returns and Refunds Processed	\$37,489,447	\$25,644,042	\$63,133,489
Cost of Total Self-Assessed Activities	\$84,754,017	\$39,119,340	\$123,873,357
Paid Hours of Returns and Refunds Processed	1,614,052	810,947	2,424,999
Paid Hours of Total Self-Assessed Activities	2,705,306	1,185,894	3,891,200
Statistics			
Total Cost per Paid Hour	\$31.33	\$32.99	\$31.83
Total Paid Hours Per Unit Processed	0.11	1.09	0.15
Total Paid Hours Per Return Processed	0.18	1.22	0.24
Total Cost Per Unit Processed	\$3.38	\$36.02	\$4.74
Average Tax Per Return	\$2,094.28	\$2,640.40	\$2,126.57
Average Refund Allowed Per Claim	\$675.66	\$12,482.39	\$817.30

^{1/} Does not include the 67,225 Exempt Organization returns filed.

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Exhibit C: Tax Programs

Integrated Nonfiler Compliance Program

Activities and Results

Fiscal Years Ended June 30, 2002 and 2003

	Notices Mailed		Tax Returns Received After		Net Assessment	
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
Personal Income Tax						
Demand/Request Letter	871,307	678,871	121,924	82,604	\$263,970,317	\$216,588,590
Notice of Proposed Assessment	594,212	294,216	136,705	68,498	\$2,809,206,945	\$1,669,165,249
Total Personal Income Tax	<u>1,465,519</u>	<u>973,087</u>	<u>258,629</u>	<u>151,102</u>	<u>\$3,073,177,262</u>	<u>\$1,885,753,839</u>
Additional Collections Per Dollar Cost						
Corporation Tax						
Demand Letters Mailed	20,066	616	0 ²	0 ²	0 ²	0 ²
Notice of Proposed Assessments	11,847	360	0	0	\$257,025,923	-\$98,924,543
Total Corporation Tax	<u>31,913</u>	<u>976</u>	<u>0</u>	<u>0</u>	<u>\$257,025,923</u>	<u>-\$98,924,543</u>
Additional Collections Per Dollar Cost						
Total Tax Programs	<u>1,497,432</u>	<u>974,063</u>	<u>258,629</u>	<u>151,102</u>	<u>\$3,330,203,185</u>	<u>\$1,786,829,296</u>

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

Additional Collections ^{/2}		Costs		Hours	
2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
\$61,700,701	\$34,690,199				
\$304,917,439	\$183,011,008				
<u>\$366,618,140</u>	<u>\$217,701,207</u>	<u>\$27,299,010</u>	<u>\$24,822,074</u>	<u>409,801</u>	<u>411,943</u>
		\$13.43	\$8.77		
0 ^{/2}	0 ^{/2}				
0 ^{/2}	0 ^{/2}				
<u>0</u>	<u>0</u>	<u>\$674,754</u>	<u>\$534,508</u>	<u>20,319</u>	<u>16,467</u>
	0 ^{/2}	0 ^{/2}			
<u>\$366,618,140</u>	<u>\$217,701,207</u>	<u>\$27,973,764</u>	<u>\$25,356,582</u>	<u>430,120</u>	<u>428,410</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, 2002 and 2003

	Net Tax Assessments		Change	Percent Change
	2002/2003	2001/2002		
Personal Income Tax				
Residency Determination	-\$385,785	\$109,033	-\$494,818	454%
Investigations	<u>\$263,284</u>	<u>\$581,778</u>	<u>-\$318,494</u>	-55%
Total Personal Income Tax	-\$122,501	\$690,811	-\$813,312	-118%
 Corporation Tax				
Investigations	\$0 ¹	\$0	\$0	0%
Revivor	\$1,040	\$1,636	-\$596	-36%
Secretary of State Penalties	<u>\$7,475,280</u>	<u>\$14,569,913</u>	<u>-\$7,094,633</u>	-49%
Total Corporation Tax	<u>\$7,476,320</u>	<u>\$14,571,549</u>	<u>-\$7,095,229</u>	
Total Tax Programs	<u><u>\$7,353,819</u></u>	<u><u>\$15,262,360</u></u>	<u><u>-\$7,908,541</u></u>	

¹ Information not available

Exhibit D1: Tax Programs

Tax Audit Activities

Activities and Results

Fiscal Years Ended June 30, 2002 and 2003

	Net Assessments			
	2002/2003	2001/2002	Change	Percent Change
Personal Income Tax				
Desk Audit	\$52,725,489	\$112,344,066	-\$59,618,577	-53.1%
Federal Audit Reports	217,896,745	134,794,749	83,101,996	61.7%
Field Audits	<u>99,585,931</u>	<u>78,962,709</u>	<u>20,623,222</u>	26.1%
Subtotal	\$370,208,165	\$326,101,524	\$44,106,641	13.5%
Mathematical Verification	<u>0</u>	<u>0</u>	<u>0</u>	
Total Personal Income Tax	<u>\$370,208,165</u>	<u>\$326,101,524</u>	<u>\$44,106,641</u>	13.5%
Corporation Tax				
Federal Audit Reports	\$81,014,295	\$145,946,940	-\$64,932,645	-44.5%
Non-Appportioning Audits				
Central Office	14,744,144	4,724,911	10,019,233	212.1%
Field	87,844,642	27,197,842	60,646,800	223.0%
Apportioning Audits				
Central Office	15,429,720	15,187,196	242,524	1.6%
Field	340,161,110	493,476,242	-153,315,132	-31.1%
Exempt Corporation Audits	<u>4,091,712</u>	<u>6,249,650</u>	<u>-2,157,938</u>	-34.5%
Subtotal	\$543,285,623	\$692,782,781	-\$149,497,158	-21.6%
Mathematical Verification	<u>0¹</u>	<u>0</u>	<u>0</u>	
Total Corporation Tax	<u>\$543,285,623</u>	<u>\$692,782,781</u>	<u>-\$149,497,158</u>	-21.6%
Total Tax Programs	<u>\$913,493,788</u>	<u>\$1,018,884,305</u>	<u>-\$105,390,517</u>	-10.3%
Total Returns Audited	363,951	388,273	-24,322	-6.3%
Total Returns Changed	189,779	191,552	-1,773	-0.9%
Cost of Operation	\$107,129,468	\$101,391,974	\$5,737,494	5.7%
Paid Hours	2,777,132	2,729,737	47,395	1.7%
Statistics				
Cost Per Paid Hour	\$38.58	\$37.14	\$1.43	
Net Assessments Per Dollar Cost	\$8.53	\$10.05	-\$1.52	
Cost Per Return Audited	\$2,509.94	\$2,624.14	-\$114.21	
Returns Audited Per Paid Hour	0.1	0.1	-0.01	
Net Assessment Per Return Changed	\$4,813.46	\$5,319.10	-\$505.64	
% Return Changes to Returns Audited	52.14%	49.33%	2.81%	

¹ The Corporation system does not differentiate between the tax liability reported by the taxpayer and the tax liability corrected by the system.

Exhibit D2: Tax Programs

Tax Audit Activities

Comparative Schedule of Returns Audited

Fiscal Years Ended June 30, 2002 and 2003

	Changes to Tax		No Changes to Tax		Total Audits	
	2002/2003	2001/2002	2002/2003	2001/2002	2002/2003	2001/2002
Personal Income Tax						
Desk Audit	66,299	121,659	176,217	198,793	242,516	320,452
Federal Audit Reports	118,354	65,457	-6,378	-5,351	111,976	60,106
Field Audits	<u>1,367</u>	<u>817</u>	<u>-24</u>	<u>368</u>	<u>1,343</u>	<u>1,185</u>
Total Personal Income Tax	186,020	187,933	169,815	193,810	355,835	381,743
Corporation Tax						
Federal Audit Reports	1,100	1,077	377	75	1,477	1,152
Non-Appportioning Audits						
Central Office	769	214	390	643	1,159	857
Field	226	292	549	758	775	1,050
Appportioning Audits						
Central Office	205	246	1,089	988	1,294	1,234
Field	369	830	900	419	1,269	1,249
Exempt Corporation Audits	803	960	468	28	1,271	988
Subtotal	<u>3,472</u>	<u>3,619</u>	<u>3,773</u>	<u>2,911</u>	<u>7,245</u>	<u>6,530</u>
Mathematical Verification	<u>0^{1/}</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Corporation Tax	<u>3,472</u>	<u>3,619</u>	<u>3,773</u>	<u>2,911</u>	<u>7,245</u>	<u>6,530</u>
Total Tax Programs	<u>189,492</u>	<u>191,552</u>	<u>173,588</u>	<u>196,721</u>	<u>363,080</u>	<u>388,273</u>

^{1/} The Corporation system does not differentiate between the tax liability reported by the taxpayer and the tax liability corrected by the system.

Exhibit E: Tax Programs

Tax Collection Activities

Statement of Tax Collection Activities

Fiscal Year Ended June 30, 2003

	Personal Income Tax	Bank & Corporation Tax	Total
Collection Revenue			
Beginning Total Available for Collection (7/1/02)	\$3,147,683,193	\$844,796,098	\$3,992,479,291
Added During 2002/03	4,941,535,859	1,846,916,391	6,788,452,250
Abated During 2002/03	<u>-1,991,893,647</u>	<u>-862,371,472</u>	<u>-2,854,265,119</u>
Total Available for Collection	\$6,097,325,405	\$1,829,341,017	\$7,926,666,422
Accounts Collected:			
Automated ^{1/}	\$667,697,293	\$468,568,286	\$1,136,265,579
Manual ^{2/}	<u>354,309,217</u>	<u>169,217,261</u>	<u>523,526,478</u>
Total Collected	\$1,022,006,510	\$637,785,547	\$1,659,792,057
Discharged	<u>646,138,969</u>	<u>228,232,720</u>	<u>874,371,689</u>
Total Accounts Closed	<u>\$1,668,145,479</u>	<u>\$866,018,267</u>	<u>\$2,534,163,746</u>
Ending Total Available for Collection (6/30/03)	<u>\$4,429,179,926</u>	<u>\$963,322,750</u>	<u>\$5,392,502,676</u>
Collection Accounts			
Total Number of Accounts (7/1/02)	797,225	323,288	1,120,513
Total Number of Accounts (6/30/03)	<u>869,700</u>	<u>259,014</u>	<u>1,128,714</u>
Change in Collection Accounts	<u>72,475</u>	<u>-64,274</u>	<u>8,201</u>
Cost of Operation	\$74,974,002	\$25,578,850	\$100,552,852
Paid Hours	2,128,532	717,988	2,846,520
Statistics			
Cost Per Paid Hour	\$35.22	\$35.63	\$35.32
Tax Collected Per Dollar Cost	\$13.63	\$24.93	\$16.51
Percentage of Available Inventory Collected	16.8%	34.9%	20.9%
Percentage of Amount Available Closed	27.4%	47.3%	32.0%
Percent Change between Beginning and Ending Inventory	40.7%	14.0%	35.1%

^{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, 2002 and 2003

	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002	Change	Percent Change
Participating Agency Types:				
State agencies	94	91	3	3.3%
City agencies	75	71	4	5.6%
County agencies	26	29	-3	-10.3%
Federal agencies	1	1	0	0.0%
Total Participants	<u>196</u>	<u>192</u>	<u>4</u>	<u>2.1%</u>
Collection Volumes				
State agencies	378,216	386,689	-8,473	-2.2%
City agencies	33,335	35,332	-1,997	-5.7%
County agencies	105,751	110,695	-4,944	-4.5%
Federal agencies	55,381	31,681	23,700	74.8%
Total Collection Volumes	<u>572,683</u>	<u>564,397</u>	<u>8,286</u>	<u>1.5%</u>
Collection Revenues				
State agencies	\$86,604,260	\$93,724,034	-\$7,119,774	-7.6%
City agencies	4,271,790	4,313,609	-41,819	-1.0%
County agencies	20,867,688	21,625,102	-757,414	-3.5%
Federal agencies	25,546,807	12,600,335	12,946,472	102.7%
Total Collection Revenues	<u>\$137,290,545</u>	<u>\$132,263,080</u>	<u>\$5,027,465</u>	<u>3.8%</u>
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	\$360.29	\$349.04	11.25	
Revenue Collected Per Paid Hour	\$20,899.76	\$18,938.01	1,961.75	
Average Revenue Per Volume	\$239.73	\$234.34	5.39	

Exhibit F2: Non-Tax Collection Program

Child Support Collections

Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 2002 and 2003

	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002	Percent Change	Change
Levies Issued:				
Bank Accounts	224,563	170,892	53,671	31.4%
Wages	442,511	441,506	1,005	0.2%
Total Levies Issued	667,074	612,398	54,676	8.9%
Continuous Levies				
Total Levies	8,684	11,476	-2,792	-24.3%
	675,758	623,874	51,884	8.3%
Gross Revenue Collected for				
Child Support ^{1/}	\$78,496,520	\$99,886,415	-\$21,389,895	-21.4%
Collection Volumes	854,233	829,679	\$24,554	3.0%
Cost of Operations				
Paid Hours	\$14,755,225	\$14,914,045	-\$158,820	-1.1%
	381,859	353,529	28,330	8.0%
Statistics				
Cost Per Paid Hour	\$38.64	\$42.19	-\$3.55	
Revenue Collected Per Dollar Cost	\$5.32	\$6.70	-\$1.38	
Revenue Collected Per Paid Hour	\$205.56	\$282.54	-\$76.98	

^{1/} Does not include \$42,802,594 collected in 2002/03 nor \$46,378,432 collected in 2001/02 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, 2002 and 2003

	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002	Change	Percent Change
Demand for Payment Notices Sent	898,811	890,506	8,305	0.9%
Levies Issued:				
Bank Accounts	35,605	35,191	414	1.2%
Wages	141,358	155,645	-14,287	-9.2%
Total Levies Issued	<u>176,963</u>	<u>190,836</u>	<u>-13,873</u>	<u>-7.3%</u>
Gross Revenue Collected for DMV ^{1/}	\$73,970,713	\$91,878,378	-\$17,907,665	-19.5%
Cases Closed	946,322	620,856	325,466	52.4%
Cost of Operations	\$4,517,057	\$5,192,885	-\$675,828	-13.0%
Paid Hours	103,594	103,307	287	0.3%
Statistics				
Cost Per Paid Hour	\$43.60	\$50.27	-\$6.66	
Revenue Collected Per Dollar Cost	\$16.38	\$17.69	-\$1.32	
Revenue Collected Per Paid Hour	\$714.04	\$889.37	-\$175.33	

^{1/} Does not include \$5.6 million collected in 2002/03 nor \$5.1 million collected in 2001/2002 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, 2002 and 2003

	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002	Change	Percent Change
Number of Claims Processed				
Allowed from:				
Property Owners	154,361	155,535	-1,174	-0.8%
Renters	473,322	473,777	-455	-0.1%
Not Allowed from:				
Property Owners	9,305	21,410	-12,105	-56.5%
Renters	29,531	65,220	-35,689	-54.7%
Total Number of Claims Processed	<u>666,519</u>	<u>715,942</u>	<u>-49,423</u>	-6.9%
Amount of Claims Allowed				
Property Owners	\$37,342,950	\$35,207,599	\$2,135,351	6.1%
Renters	147,199,825	145,754,460	1,445,365	1.0%
Total Amount of Claims Processed	<u>\$184,542,775</u>	<u>\$180,962,059</u>	<u>\$3,580,716</u>	2.0%
Claimant Assistance Contacts				
Voice-Activated Response Phone Calls	1,160,080	1,154,098	5,982	0.5%
Manual Phone Calls, Correspondence, and Counter Contacts	<u>506,543</u>	<u>531,141</u>	<u>-24,598</u>	-4.6%
Total Claimant Assistance Contacts	<u>1,666,623</u>	<u>1,685,239</u>	<u>-18,616</u>	-1.1%
Cost of Operations	\$6,112,477	\$6,618,258	(\$505,781)	-7.6%
Paid Hours	229,848	288,742	-58,894	-20.4%
Statistics				
Total Cost Per Paid Hour	\$26.59	\$22.92	\$3.67	16.0%
Paid Hours Per Claim Processed	0.34	0.40	-0.06	-14.5%
Average Amount of Claim Processed	\$276.88	\$252.76	\$24.11	9.5%

Exhibit G2: Other Non-Tax Programs

Political Reform Audit

Comparative Schedule of Activities

Fiscal Years Ended June 30, 2002 and 2003

	Fiscal Year Ended June 30, 2003	Fiscal Year Ended June 30, 2002	Change	Percent Change
Political Reform Audits Completed				
Candidates & Controlled Committees	130	167	-37	-22.2%
General Purpose Committees	144	62	82	132.3%
Lobbying Entities	45	91	-46	-50.5%
Statewide Measures	20	12	8	66.7%
Total Audits Completed	<u>339</u>	<u>332</u>	<u>7</u>	2.1%
Political Reform Audits in Process at FYE				
Candidates & Controlled Committees	40	61	-21	-34.4%
General Purpose Committees	9	36	-27	-75.0%
Lobbying Entities	1	21	-20	-95.2%
Statewide Measures	10	6	4	66.7%
Total Audits in Process at FYE	<u>60</u>	<u>124</u>	<u>-64</u>	-51.6%
Cost of Operations	\$1,341,618	\$1,322,801	\$18,817	1.4%
Paid Hours	33,964	39,464	-5,500	-13.9%
Statistics				
Cost Per Paid Hour	\$39.50	\$33.52	\$5.98	17.8%
Paid Hours per Audit Completed	100.19	118.87	-18.68	-15.7%
Average Cost per Audit Completed	\$3,957.58	\$3,984.34	-\$26.77	-0.7%

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-apportioning corporations.

Non-Appportioning Field Audits conducted in a California location other than at the central office of non-apportioning 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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