



Operations Report

Franchise Tax Board

FISCAL YEAR 2003-2004



2003-2004 BOARD MEMBERS

Steve Westly, Chair, Controller

Carole Migden, Member, State Board of Equalization

Donna Arduin, Member, Director of Finance (2004)

Steve Peace, Member, Director of Finance (2003)

OPERATIONS REPORT

FISCAL YEAR ENDED JUNE 30, 2004

2003-2004 BOARD MEMBERS

Hon. Steve WestlyChair, Controller
Hon. Carole Migden, Member State Board of Equalization
Hon. Donna Arduin, MemberDirector of Finance (2004)
Hon. Steve Peace, MemberDirector of Finance (2003)

CURRENT BOARD MEMBERS

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

Executive Officer
Selvi Stanislaus

Prepared by:
Franchise Tax Board Budget Office
February 2006

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INTRODUCTION

Programs The Operations Report presents the 2003/2004 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 2003/2004, the Franchise Tax Board's expenditures totaled \$512 million, an increase of \$77.8 million (17.9%) over the prior year. Personnel years (PYs) totaled 5634.0, a decrease of 111.6 (1.9%) over 2002/2003.

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

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

	<u>2003/2004</u>	<u>2002/2003</u>
Tax Programs		
Personal Income Tax	\$244,847	\$245,801
Corporation Tax	126,458	133,809
Non-Admitted Insurance Tax	<u>72</u>	<u>62</u>
Total Tax Programs	\$371,377	\$379,672
Non-Tax Collection Programs	22,852	41,228
Other Non-Tax Programs	<u>117,556</u>	<u>11,851</u>
TOTAL EXPENDITURES BY PROGRAM	<u>\$511,785</u>	<u>\$432,751</u>

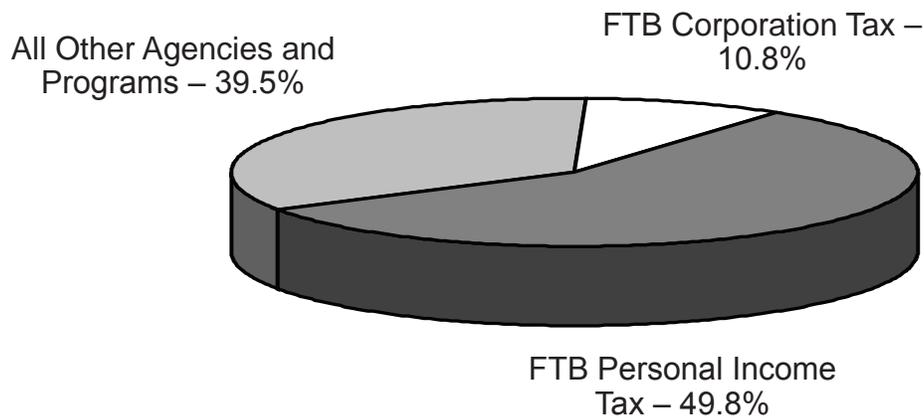
**EXPENDITURES BY OBJECT
A Two Year Comparison
(Thousands)**

	<u>2003/2004</u>	<u>2002/2003</u>
Personal Services		
Salary and Wages	\$263,647	\$265,035
Benefits	<u>92,370</u>	<u>68,869</u>
Total Personal Services	\$356,017	\$333,904
Operating Expenses & Equipment	<u>155,768</u>	<u>100,063</u>
TOTAL EXPENDITURES	\$511,785	\$433,967
Reimbursements	<u>-84,121</u>	<u>-23,863</u>
NET EXPENDITURES BY OBJECT	<u>\$427,664</u>	<u>\$410,104</u>

California's General Fund^{1/}

The General Fund received \$73.8 billion in revenue from all major tax and license revenue sources. As illustrated below, the Franchise Tax Board was 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) 2003/2004 the General Fund had a cash surplus of \$2.8 billion.

Major Tax and License Revenue Fiscal Year Ended June 30, 2004



Major Tax & License Revenues (Millions)

	Fiscal Year		Change	Percent Change
	2003/2004	2002/2003		
Personal Income Tax ^{1/}	36,752.0	32,464.9	4,287.1	13.2%
Corporation Tax	7,964.0	6,509.5	1,454.5	22.3%
Subtotal	<u>44,716.0</u>	<u>38,974.4</u>	<u>5,741.6</u>	<u>14.7%</u>
Other Programs	29,080.0	27,964.1	1,115.9	4.0%
Total	<u><u>73,796.0</u></u>	<u><u>66,938.5</u></u>	<u><u>6,857.5</u></u>	<u><u>10.2%</u></u>

Statistics extracted from the 2003/2004 Controller's Annual Financial Report.

^{1/} In 2003/2004, 26.9 billion of General Fund Revenues came from Personal Income Tax withholding; a \$2.5 billion increase from the 2002/2003 level of \$24.4 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 2003/2004, the tax programs administered by the Franchise Tax Board accounted for \$45 billion (60.6%) 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:

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

In addition to the above activities, the department distributed 7.1 million tax return booklets, forms and postcards; provided for 12.8 million downloaded forms; received 3.7 million tax related 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 2003/2004.

The decrease in downloaded forms from the 2003/2004 level was a result changes to a more accurate method for collecting statistics. The increase in IVR phone calls was a result of additional applications not previously included.

Return Processing

Return Processing activities include:

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

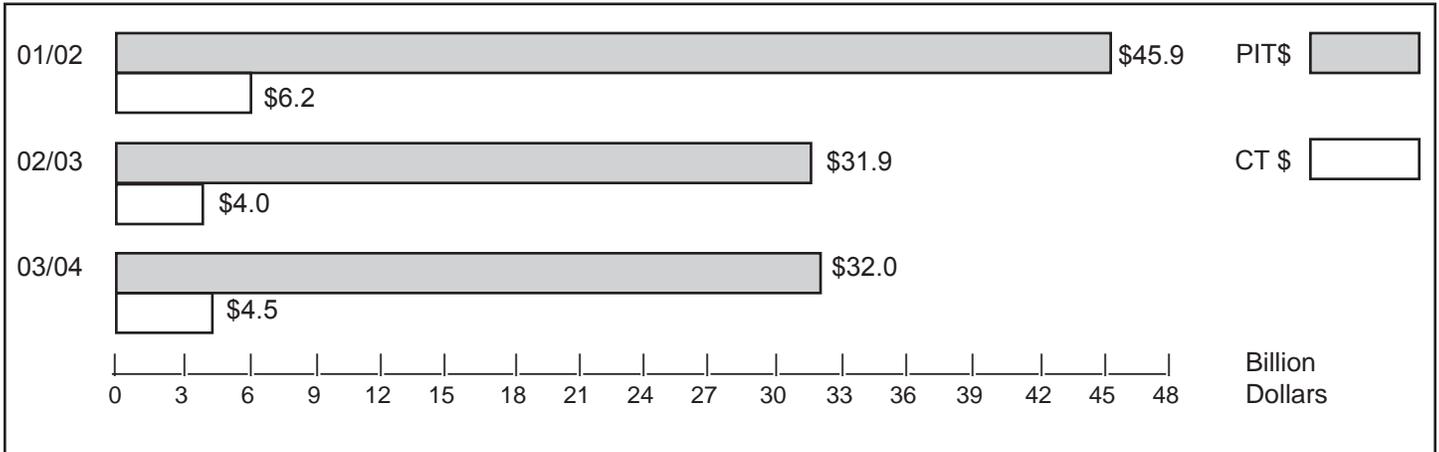
In 2003/2004, the department processed 15.3 million personal income tax returns and reported self-assessments of \$32 billion. Of the returns processed, 10 million PIT returns resulted in refunds of \$7.1 billion due to withholding, prepayments, and refundable credits.

Taxpayers and tax preparers filed 6.9 million PIT returns electronically, a 84.3 percent increase from the 2002/2003 level of 3.7 million returns. Also in 2003/2004, FTB processed 4.8 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.

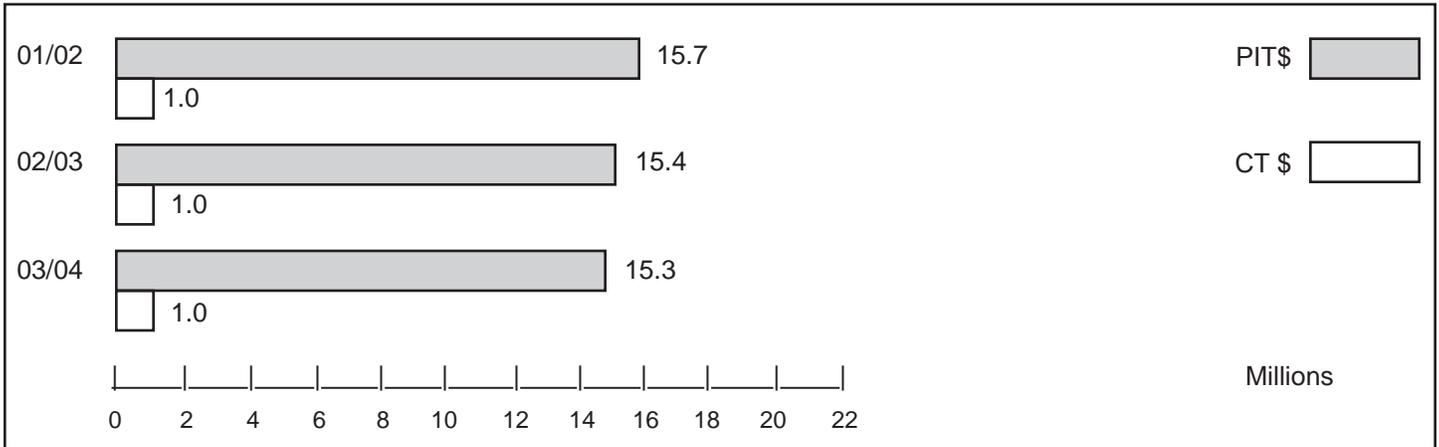
FTB processed 1,011,342 business entity tax returns with a total tax liability of \$4.5 billion. This included 471,132 current year for-profit corporation tax returns, and 272,853 partnership and limited liability company returns. Additionally, the FTB deposited 548,680 estimate tax payments and processed 97,785 tax-exempt corporation returns in 2003/2004.

Self-Assessment Activities

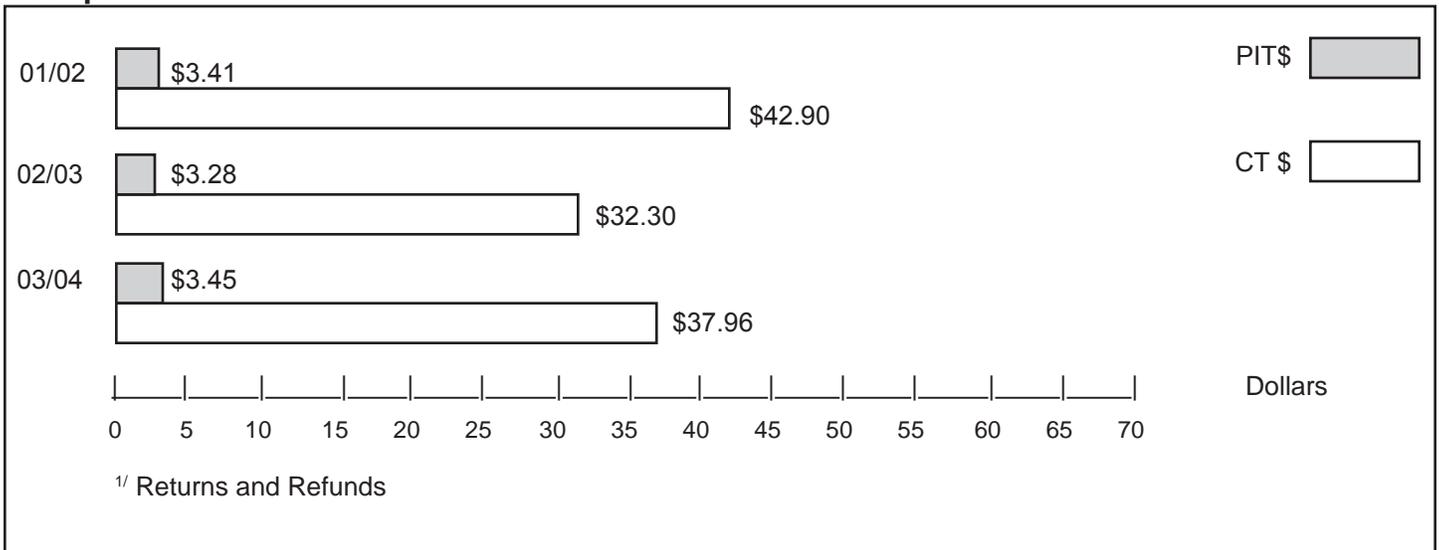
Amount of Self-Assessed Tax



Number of Returns Processed



Cost per Unit ^{1/} Processed



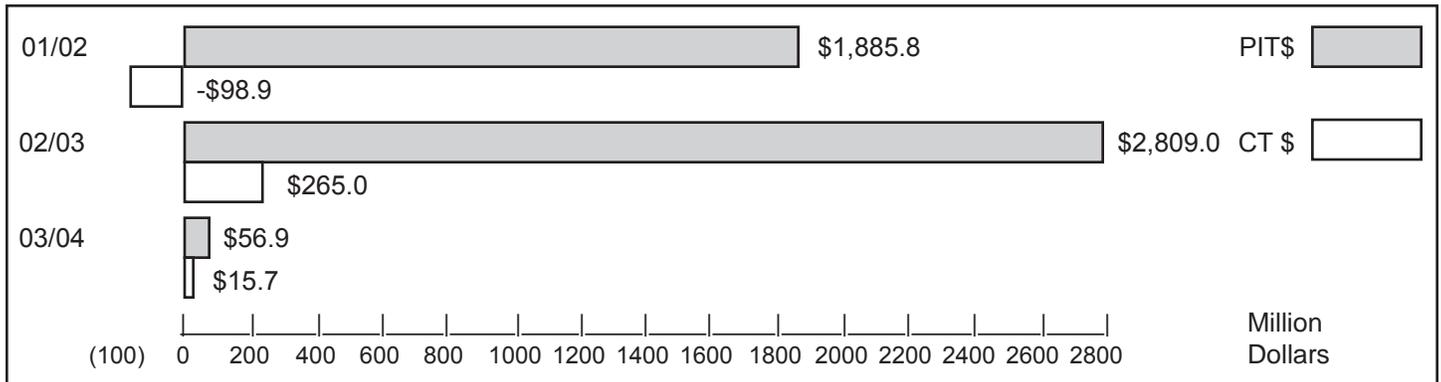
Filing Enforcement Activities

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.

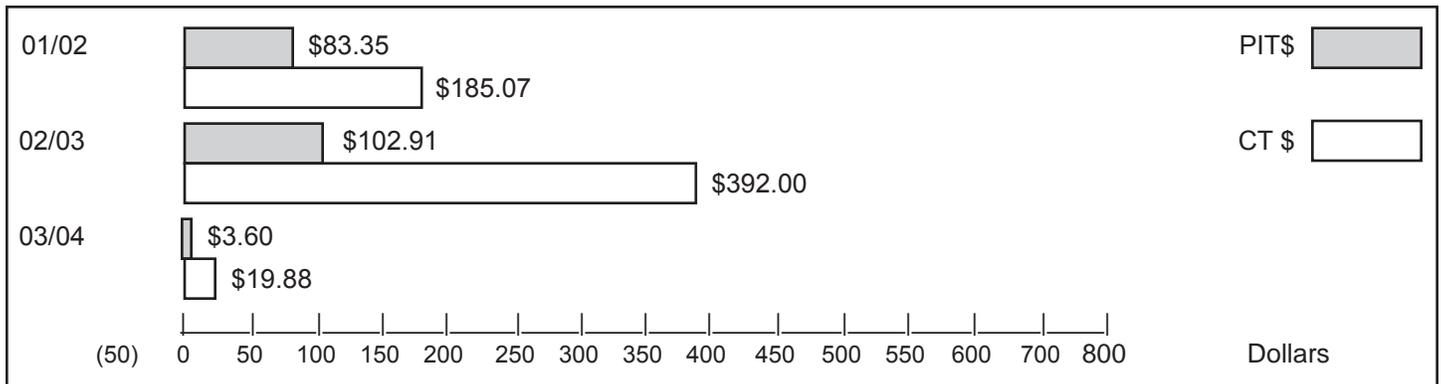
Delinquent non-filers that fail to respond to demand-to-file letters are issued tax assessments based on the income records available to the department. Net assessment dollars become part of the tax collection inventory if non-filers either fail to file their delinquent return or prove their right of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

The following bar charts compare 2003/2004 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

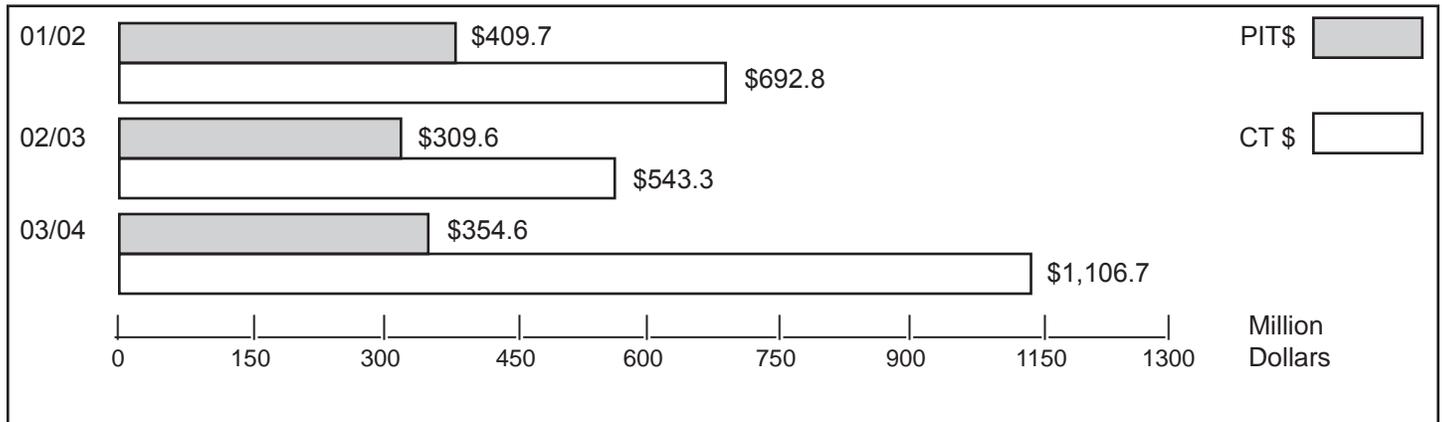
Audit activities determine the correct tax liability for individuals and business entities in accordance with the California Revenue and Taxation Code. These activities include both the detailed examination of tax returns and supporting documents, and the automated verification of self-assessed tax returns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

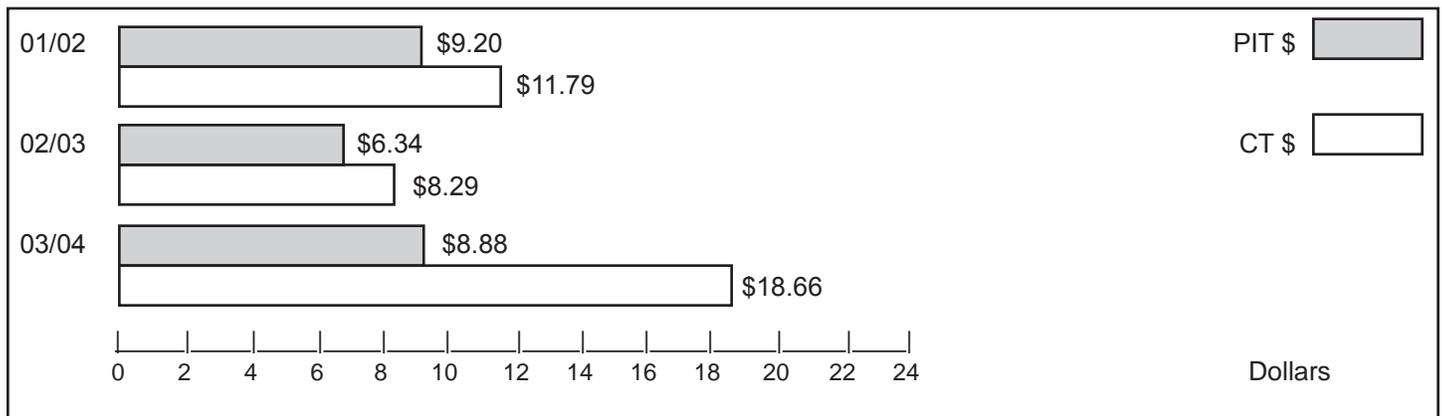
In 2003/2004, net assessments from audit activities totaled \$1.5 billion and operational costs totaled \$99 million. This resulted in an overall benefit-to-cost ratio of \$14.72 to one. The following bar chart compares 2003/2004 audit activities with those of the two prior years. Detailed information 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

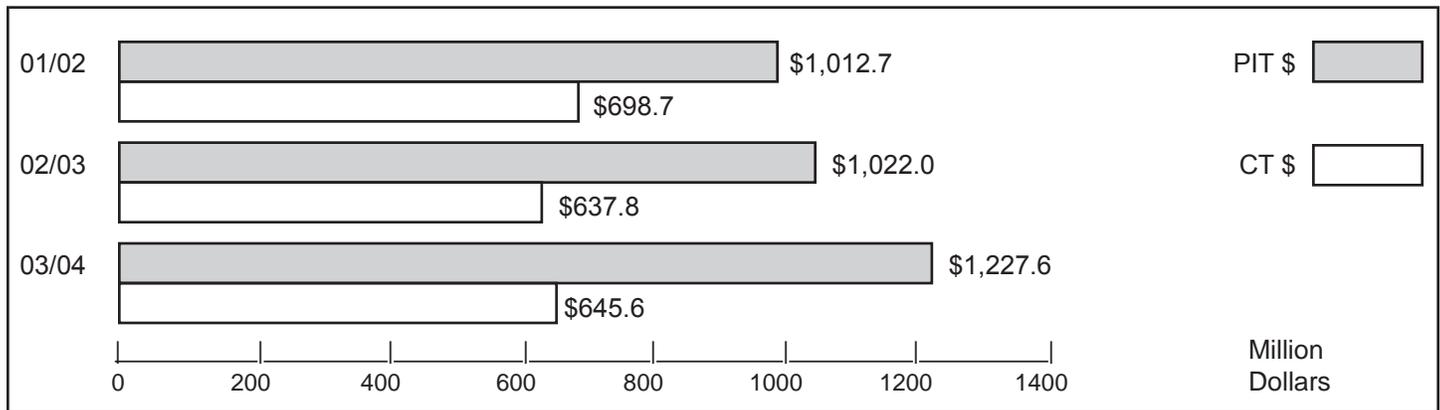
Tax collection activities involve collections of accounts receivable that are established by the department's self-assessment, audit, settlement, and filing enforcement activities. An automated billing system combined with central and field office collection staff administers collections. The automated 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 2003/2004, \$1.9 billion was collected through automated and manual collection activities which is an increase from 2002/2003's level of \$1.7 billion. Total cost of operations was \$103 million, of which \$78.7 million was for PIT collections and \$24.3 million was for CT. The following chart compares 2003/2004 collections with those of the two prior years. Detailed collection activity information for 2003/2004 is shown in Exhibits A and E.

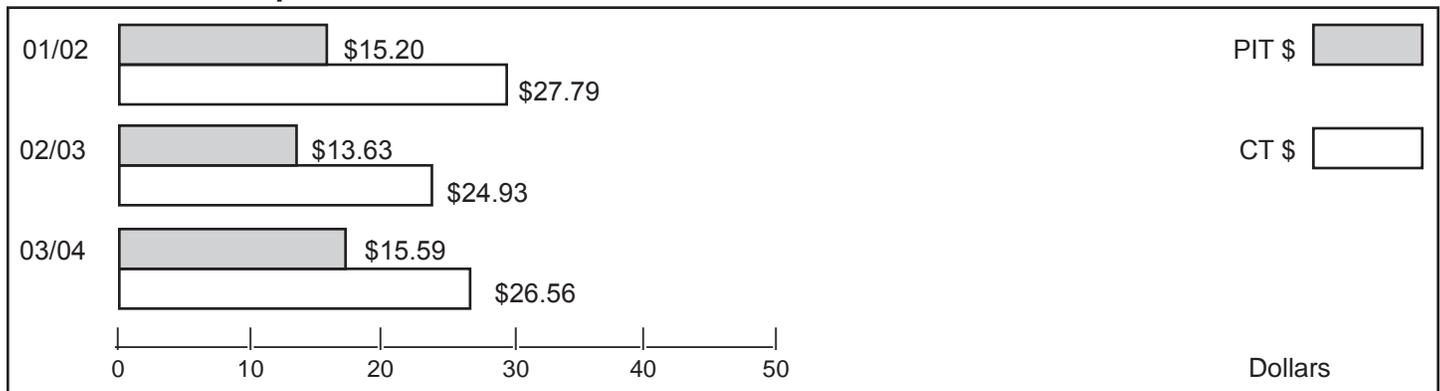
^{1/} Payments submitted by taxpayers prior to activation of the billing process are not included in 'tax collection revenues'.

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 2003/2004, 138 cases were settled, sustaining \$580.6 million (69.9%) of the \$1,138.8 billion in dispute. A summary of 2003/2004 settlement activities is presented in the table below.

2003/2004 SETTLEMENT ACTIVITIES Revenue and Costs in Millions

	<u>PIT</u>	<u>CT</u>	<u>TOTAL</u>
Cases Completed	47	29	76
Cases Settled	73	65	138
Revenue in Dispute	\$24.8	\$1,114	\$1,138.8
Revenue Sustained	\$16.4	\$564.2	\$580.6
Cost	\$1.1	\$2.7	\$3.8
Revenue Sustained			
Per Dollar Cost	\$15.03	\$207.82	\$152.55

Non-Admitted Insurance Tax Collections

Revenue & 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 2003/2004, FTB collected \$19.5 million at a cost of \$79 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 2003/2004, taxpayers made 404 thousand contributions for a total of \$4.1 million. A comparison of contributions between 2003/2004 and the prior year is presented as follows:

VOLUNTARY CONTRIBUTIONS TWO YEAR COMPARISON (Thousands)

Fund Name	2003/2004		2002/2003	
	Volume	Dollars	Volume	Dollars
California Senior Citizens	35	287	37	286
Rare & Endangered Species	18	131	0	0
State Children's Fund	58	673	60	661
Alzheimer's Research	49	582	51	554
Senior's Special Fund	13	54	12	56
Breast Cancer Research	57	682	57	642
Firefighter's Memorial	28	216	28	211
California Lung Disease	30	228	28	185
Emergency Food Assistance	38	408	39	358
Peace Officer Memorial	23	178	24	178
Fish and Game Preservation ^{1/}	52	664	54	655
Lupus Foundation Of America	3	20	21	124
Total Voluntary Contributions	404	\$4,123	411	\$3,910

^{1/} New fund for Tax Year 2003

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 2003/2004, governmental agencies received a total of \$138.6 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 2003/2004, FTB conducted 741,000 collection actions and collected \$68.5 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 \$41 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 2003/2004, FTB closed 737,491 delinquent cases and collected \$90 million^{1/} for the DMV while incurring collection costs of \$4.9 million. This equates to a benefit-to-cost ratio of \$18.36 to \$1.00.

Additional information is provided in Exhibit F3.

^{1/} Does not include \$6.4 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 2003/2004, 38 counties utilized FTB collection services to close delinquent accounts. In response, FTB mailed 455,624 demand-to-pay notices to delinquent debtors; 424,127 levies were placed on debtors' wages; and 21,827 bank levies were issued. As a result, the Court-Ordered Debt Collections Program collected \$38.7 million at a cost of \$4.2 million or a benefit-to-cost ratio of \$9.02 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 2003/2004, FTB collected and transferred \$1.7 million to DIR at a cost of \$188,688 and a benefit-to-cost ratio of \$8.92 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 principal program activities include designing and distributing claim forms and instructions, providing advisory services to claimants, and processing claims.

In 2003/2004, FTB processed 652,132 HRA claims representing a 2.0% decrease to the prior year's volume of 665,519. Claims allowed in 2003/2004 totaled \$182.8 million, of which \$143.7 million was given to qualified renters and \$39.1 million to eligible homeowners. The department responded to 1.4 million IVR telephone calls and 539,291 manually answered calls, correspondence, and in-person contact requests for assistance.

A comparison of 2003/2004 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 2003/2004, 300 audits were completed of which 165 audits related to political candidate and campaign committees, 57 audits related to lobbying entities, 63 audits of ballot measures and general political action committees, and 15 statewide measures.

A comparison of the 2003/2004 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 2003/2004, the CCSAS Project continued efforts to develop and implement the California Child Support Automation System.

EXHIBITS

The details of the 2003/2004 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 2003/2004 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 1968/69.

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 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, 2004

Program Activities:	Revenue Measurement	Cost (Exhibit A1)	Measurement per Dollar Cost
NET ASSESSMENT ACTIVITIES:			
Personal Income Tax			
Filing Enforcement Assessment Activities			
Filing Enforcement	\$56,067,932	\$15,798,019	\$3.55
Residency Determination	787	773,338	\$0.00
Investigations	888,836	4,983,545	\$0.18
Withhold At Source	Not Available	3,986,489	
Audit Assessment Activities			
Desk Audits	83,253,683	19,479,745	\$4.27
Federal Audit Reports	149,203,231	6,766,799	\$22.05
Field Audits	124,412,307	13,698,614	\$9.08
Total PIT Net Assessment Activities	\$413,826,776	\$65,486,549	
Corporation Tax			
Filing Enforcement Activities	Not Available	\$787,681	
Audit Assessment Activities			
Federal Audit Reports	117,731,371	2,694,088	\$43.70
Non-Appportioning Central Office	9,137,304	6,239,196	\$1.46
Non-Appportioning Field	70,362,628	5,851,923	\$12.02
Appportioning Central Office	20,370,769	6,599,358	\$3.09
Appportioning Field ^{1/}	909,643,016	36,033,901	\$25.24
Exempt Corporation Audits	699,599	1,878,110	\$0.37
Total CT Net Assessment Activities	\$1,127,944,687	\$60,084,257	
TOTAL NET ASSESSMENT ACTIVITIES	\$1,541,771,463	\$125,570,806	\$12.28
COLLECTION ACTIVITIES:			
Tax Programs			
Personal Income Tax			
Tax Collections	\$1,227,577,230	\$78,725,207	\$15.59
Voluntary Contributions	4,123,323	65,073	\$63.36
Corporation Tax			
Tax Collections	645,635,891	24,307,359	\$26.56
Non-Admitted Insurance Tax	19,494,350	78,933	\$246.97
Non-Tax Collection Programs			
Inter-Agency Intercept Collections	138,555,480	502,610	\$275.67
Child Support Collections	68,459,750	13,645,403	\$5.02
Vehicle Registration Collections	96,657,419	4,917,210	\$19.66
Court-ordered Debt Collections	38,692,583	4,290,715	\$9.02
DIR Industrial Health & Safety Collections	1,683,969	188,688	\$8.92
TOTAL COLLECTION ACTIVITIES	\$2,240,879,995	\$126,721,198	\$17.68
OTHER ACTIVITIES:			
Personal Income Tax Program			
Mathematical Verification	--	6,068,550	
Self-Assessment Activities	--	\$89,035,241	
Settlement Activities	--	1,091,017	
Corporation Tax Program			
Self-Assessment Activities	--	42,841,188	
Math Verification	--	848,815	
Settlement Activities	--	2,714,840	
Homeowners & Renters Assistance Program	--	5,289,339	
Political Reform Audit Program	--	1,375,975	
Child Support Automation	--	105,330,504	
Contract Work Program	--	4,869,907	
TOTAL OTHER ACTIVITIES		\$259,465,376	
TOTAL PROGRAM ACTIVITY COST		\$511,757,380	

^{1/} Apportioning In-State Field + Apportioning Out-of-State Field

Exhibit A1: All Programs

Statement of Operation Costs

Fiscal Year Ended June 30, 2004

	Executive	Child Support Automation	Audit	Legal	Financial & Executive Services
Tax Programs					
Personal Income Tax					
Self-Assessment Activities					
Legislation and Development	\$0	\$0	\$51,387	\$944,329	\$16,506
Return Forms & Instructions				148,238	11,470
Estimate Processing					5,464
Taxpayer Assistance			251,062		97,239
Claims			1,283,332		12,610
Return Processing					12,334
Information Exchange					3,075
Total Self-Assessment	<u>\$0</u>	<u>\$0</u>	<u>\$1,585,781</u>	<u>\$1,092,567</u>	<u>\$158,698</u>
Audit Activities					
Desk Audits	\$0	\$0	\$11,143,064	\$1,901,759	\$61,673
Field Audits			9,437,508	334,066	38,311
Federal Audit Reports			3,734,678	204,377	29,131
Settlement Authority			40	946,475	3,016
Partnership			2,534	14,026	12,176
Total Audit	<u>\$0</u>	<u>\$0</u>	<u>\$24,317,824</u>	<u>\$3,400,703</u>	<u>\$144,307</u>
Filing Enforcement	<u>\$0</u>	<u>\$0</u>	<u>\$17,159</u>	<u>\$132,477</u>	<u>\$52,405</u>
Residency Determination				552,584	1,555
Investigations				33,110	2,010
Withhold At Source					17,029
Tax Collections			153	144,058	275,922
Math Verification					22,251
Voluntary Contributions					
PIT Support Expenditures^{1/}			204,559	32,791	143,258
Total PIT	<u>\$0</u>	<u>\$0</u>	<u>\$26,125,476</u>	<u>\$5,388,290</u>	<u>\$817,435</u>
Corporation Tax					
Self-Assessment Activities					
Legislation and Development	\$0	\$0	\$169,954	\$641,751	\$5,208
Return Forms & Instructions				50,027	4,088
Return Processing			169,158		70,952
Estimate Processing					1,432
Taxpayer Assistance			367,996		42,629
Claims			7,270,198		27,096
Total Self-Assessment	<u>\$0</u>	<u>\$0</u>	<u>\$7,977,306</u>	<u>\$691,778</u>	<u>\$151,405</u>
Audit Activities					
Federal Audit Reports	\$0	\$0	\$2,082,279	\$64,962	\$9,653
Non-Appportioning -- Central Office			1,858,737	\$540,516	12,204
Non-Appportioning -- Field			4,420,869	174,700	17,233
Apportioning -- Central Office			2,192,399	1,420,927	22,205
Apportioning -- Field			26,746,426	1,478,618	96,957
Settlement Authority				2,374,269	6,734
Partnership				8,236	12,267
Total Audit Activities	<u>\$0</u>	<u>\$0</u>	<u>\$37,300,710</u>	<u>\$6,062,228</u>	<u>\$177,253</u>
Math Verification	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,893</u>
Filing Enforcement				6,561	3,540
Exempt Corporations				17,552	8,183
Tax Collections			608	42,378	87,176
Corp Support Expenditures^{1/}			2,005		
Total Corporation	<u>\$0</u>	<u>\$0</u>	<u>\$45,280,629</u>	<u>\$6,820,497</u>	<u>\$430,450</u>
Non-Admitted Insurance Tax	\$0	\$0	\$0	\$0	\$332
Tax Support Expenditures ^{1/}	106,412		737,581	26,891	
Total Tax Program	<u>\$106,412</u>	<u>\$0</u>	<u>\$72,143,686</u>	<u>\$12,235,678</u>	<u>\$1,248,217</u>
Non-Tax Collection Program					
Inter-Agency Intercept Collections	\$0	\$0	\$0	\$0	\$1,788
Child Support Collections				4,149	55,532
Vehicle Registration Collections					26,841
Court-ordered Debt Collections				2,231	19,646
DIR Industrial Health & Safety					710
Total Non-Tax Collections	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$6,380</u>	<u>\$104,517</u>
Other Non-Tax Programs					
Homeowners & Renters Assistance	\$0	\$0	\$0	\$201,217	\$16,638
Political Reform Audit				74	1,193,030
Child Support Automation		100,909,268		221,998	108,163
Other Contracts					20,083
Total Other Non-Tax	<u>\$0</u>	<u>\$100,909,268</u>	<u>\$0</u>	<u>\$423,289</u>	<u>\$1,337,914</u>
Administration Program^{1/}	<u>\$1,486,783</u>		<u>\$548,795</u>	<u>\$9,581,730</u>	
Total Departmental Costs^{2/}	<u>\$1,593,195</u>	<u>\$100,909,268</u>	<u>\$72,143,686</u>	<u>\$13,214,142</u>	<u>\$12,272,378</u>

^{1/} Support and Administration expenditures are charged by each division and assigned to programs/activities in the departmental column.

^{2/} Costs exclude \$7,390,313 for lease purchase and insurance for central office.

Accounts Receivable	Administrative Services	Filing	Technology Services	CIO	Departmental	Totals
\$19,076	\$734,223	\$1,163,518	\$2,830	\$197,031	\$750,406	\$3,879,306
26,033	1,478,674	1,105,841	1,174	1,154	4,462,968	7,235,552
4,237	3,277	1,015,659	598	171	237,438	1,266,844
1,193,915	1,049,138	9,270,823	10,765,014	917,396	5,450,181	28,994,768
14,490	8,687	656,592	441,982	1,977	581,207	3,000,877
2,391,107	8,411	13,168	715	1,262	41,505,664	43,932,661
2,687	2,031	83	602	576,857	139,898	725,233
<u>\$3,651,545</u>	<u>\$3,284,441</u>	<u>\$13,225,684</u>	<u>\$11,212,915</u>	<u>\$1,695,848</u>	<u>\$53,127,762</u>	<u>\$89,035,241</u>
\$357,696	\$181,205	\$677,181	\$4,420	\$537,659	\$2,797,255	\$17,661,912
37,271	25,528	11,989	1,451,942	4,999	2,357,000	13,698,614
1,209,273	19,837	981	1,868	214,486	1,352,168	6,766,799
3,179	2,048	97	174	280	135,708	1,091,017
15,715	8,940	1,204,930	2,122	1,463	555,927	1,817,833
<u>\$1,623,134</u>	<u>\$237,558</u>	<u>\$1,895,178</u>	<u>\$1,460,526</u>	<u>\$758,887</u>	<u>\$7,198,058</u>	<u>\$41,036,175</u>
\$3,598,846	\$175,104	\$7,656,143	\$620,033	\$45,788	\$3,500,064	\$15,798,019
1,682	1,078	51	90	159	216,139	773,338
4,264,056	140,702	437	1,588	201,951	339,691	4,983,545
18,026	11,515	3,004,578	123,031	1,840	810,470	3,986,489
45,634,239	325,047	7,292,686	6,675,561	1,384,282	16,993,259	78,725,207
21,435	15,076	4,013,140	842,923	44,282	1,109,443	6,068,550
					65,073	65,073
249,052	1,237,650	21,307,666	10,006,332	1,691,648	-34,872,956	0
<u>\$59,062,015</u>	<u>\$5,428,171</u>	<u>\$58,395,563</u>	<u>\$30,942,999</u>	<u>\$5,824,685</u>	<u>\$48,487,003</u>	<u>\$240,471,637</u>
\$5,520	\$284,734	\$101,617	\$329,028	\$5,901	\$245,651	\$1,789,364
5,176	402,552	518,765	505	454	212,580	1,194,147
71,035	47,485	8,076,211	5,261,102	1,114,069	3,348,245	18,158,257
1,147	872	231,319	142	45	65,337	300,294
155,475	342,501	4,049,575	4,630,206	468,015	2,138,337	12,194,734
27,876	18,419	66,034	330,298	3,013	1,461,458	9,204,392
<u>\$266,229</u>	<u>\$1,096,563</u>	<u>\$13,043,521</u>	<u>\$10,551,281</u>	<u>\$1,591,497</u>	<u>\$7,471,608</u>	<u>\$42,841,188</u>
\$10,322	\$6,477	\$309	\$531	\$34,972	\$484,583	\$2,694,088
13,460	8,370	412,398	1,003	1,280	623,445	3,471,413
18,480	11,731	4,512	994	1,747	1,201,657	5,851,923
23,315	15,315	962,322	2,604	793,580	1,166,691	6,599,358
101,590	66,182	3,141	5,658	9,620	7,525,709	36,033,901
6,645	4,542	201	369	544	321,536	2,714,840
11,823	7,989	2,096,626	1,918	770	628,154	2,767,783
<u>\$185,635</u>	<u>\$120,606</u>	<u>\$3,479,509</u>	<u>\$13,077</u>	<u>\$842,513</u>	<u>\$11,951,775</u>	<u>\$60,133,306</u>
\$3,351	\$1,959	\$47,642	\$657,597	\$1,122	\$134,251	848,815
46,554	152,462	419,593	612	267	\$158,092	787,681
8,399	155,664	1,258,354	1,367	45,875	\$382,716	1,878,110
16,676,198	59,372	1,418,126	10,532	152,913	5,860,056	24,307,359
	1,412,589	46,542	507,481	53,829	-2,022,446	0
<u>\$17,186,366</u>	<u>\$2,999,215</u>	<u>\$19,713,287</u>	<u>\$11,741,947</u>	<u>\$2,688,016</u>	<u>\$23,936,052</u>	<u>\$130,796,459</u>
\$339	\$226	\$63,582	\$77	\$33	\$14,344	78,933
23,300	5,641	1,122,215	286,177	241,797	-2,550,014	0
<u>\$76,272,020</u>	<u>\$8,433,253</u>	<u>\$79,294,647</u>	<u>\$42,971,200</u>	<u>\$8,754,531</u>	<u>\$69,887,385</u>	<u>\$371,347,029</u>
\$141,390	\$1,146	\$34,155	\$79	\$126	\$323,926	\$502,610
8,711,978	257,508	619,804	706,244	162,183	3,128,005	13,645,403
2,763,954	85,091	268,334	48,513	2,676	1,721,801	4,917,210
2,439,777	61,383	491,734	183,429	2,024	1,090,491	4,290,715
126,278	7,061	2,738	39	4	51,858	188,688
<u>\$14,183,377</u>	<u>\$412,189</u>	<u>\$1,416,765</u>	<u>\$938,304</u>	<u>\$167,013</u>	<u>\$6,316,081</u>	<u>\$23,544,626</u>
\$322,299	\$156,113	\$3,216,572	\$88,062	\$111,004	\$1,177,434	\$5,289,339
4,580	3,042	137	220	1,642	173,250	1,375,975
54,345	32,064	1,377	19,840	101,288	3,882,161	105,330,504
22,333	17,063	1,212,681	563,895	293,295	2,740,557	4,869,907
<u>\$403,557</u>	<u>\$208,282</u>	<u>\$4,430,767</u>	<u>\$672,017</u>	<u>\$507,229</u>	<u>\$7,973,402</u>	<u>\$116,865,725</u>
\$223	\$10,850,502	\$0	\$0	\$0	-\$22,468,033	\$0
<u>\$90,859,177</u>	<u>\$19,904,226</u>	<u>\$85,142,179</u>	<u>\$44,581,521</u>	<u>\$9,428,773</u>	<u>\$61,708,835</u>	<u>\$511,757,380</u>

Exhibit A2: All Programs

Statement of Paid Hours and Personnel Years

Fiscal Year Ended June 30, 2004

Tax Programs	Executive	Child Support Automation	Audit	Legal	Financial Management
Personal Income Tax					
Self-Assessment Activities					
Legislation and Development	0	0	1,274	17,881	
Return Forms				3,119	
Return Processing			8,282	661	56
Estimate Processing					
Taxpayer Assistance			6,470		
Claims			32,736		
Information Exchange					
Total Self-Assessment	<u>0</u>	<u>0</u>	<u>48,762</u>	<u>21,661</u>	<u>56</u>
Audit Activities					
Math Verification	0	0	0	0	0
Desk Audits			336,588	38,723	
Federal Audit Reports			120,516	4,317	
Field Audits			236,241	6,921	
Total Audit Activities	<u>0</u>	<u>0</u>	<u>693,345</u>	<u>49,961</u>	<u>0</u>
Filing Enforcement					
Residence Determination	0	0	420	2,697	0
Investigation				10,902	
Withhold At Source				645	
Tax Collections				2,848	
Settlement Authority				19,485	
PIT Support ¹					33,826
Total PIT	<u>0</u>	<u>0</u>	<u>742,527</u>	<u>108,199</u>	<u>33,882</u>
Corporation Tax					
Self-Assessment Activities					
Legislation and Development	0	0	3,918	11,925	0
Return Forms				907	
Return Processing			5,335		
Estimate Processing					
Taxpayer Assistance			9,710		
Claims			187,072		
Total Self-Assessment	<u>0</u>	<u>0</u>	<u>206,035</u>	<u>12,832</u>	<u>0</u>
Audit Activities					
Math Verification	0	0	0	0	0
Federal Audit Reports			56,482	1,238	
Non-Appportioning -- Central Office			49,514	10,949	
Non-Appportioning -- Field			108,079	3,560	
Apportioning -- Central Office			61,176	27,454	
Apportioning -- Field			642,677	28,309	
Exempt Corporations				345	
Total Audit Activities	<u>0</u>	<u>0</u>	<u>917,928</u>	<u>71,855</u>	<u>0</u>
Filing Enforcement					
Tax Collections	0	0	0	122	0
Settlement Authority			15	805	
Corp Support ¹				49,489	
Total Corporation	<u>0</u>	<u>0</u>	<u>1,123,978</u>	<u>135,103</u>	<u>0</u>
Non-Admitted Insurance Tax	0	0	0	0	0
Tax Support Hours			19,545		
Total Tax Program	<u>0</u>	<u>0</u>	<u>1,886,050</u>	<u>243,302</u>	<u>33,882</u>
Non-Tax Collection Program					
Inter-Agency Intercept Collections	0	0	0	0	
Child Support Collections				73	1,514
Vehicle Registration Collections					732
Court Ordered Debt Collections				22	536
Industrial Health & Safety					
Total Non-Tax	<u>0</u>	<u>0</u>	<u>0</u>	<u>95</u>	<u>2,782</u>
Other Non-Tax Programs					
Homeowner & Renter Assistance	0	0	5,057	454	
Political Reform Audit					29,989
Child Support Automation		227,770		3,522	3,080
Other Contracts			634		
Total Other Non-Tax	<u>0</u>	<u>227,770</u>	<u>0</u>	<u>8,579</u>	<u>34,157</u>
Administration Program¹	37,458			12,554	270,263
Multiprogram Support Hours²			90,967	3,459	
Total Paid Hours	<u>37,458</u>	<u>227,770</u>	<u>1,977,017</u>	<u>267,989</u>	<u>341,084</u>

Accounts Receivable Management	Administrative Services Division	Filing	Technology Services	CIO	Total	Personnel Year Totals
0	18,563	46,653	0	9,084	93,455	46.9
439	41,320	31,719			76,597	38.5
85,872		977,480	260,607	41,742	1,374,700	690.1
		53,692			53,692	27.0
35,386	27,624	336,146	280,803	23,755	710,184	356.5
		26,841	12,030		71,607	35.9
				26,441	26,441	13.3
<u>121,697</u>	<u>87,507</u>	<u>1,472,531</u>	<u>553,440</u>	<u>101,022</u>	<u>2,406,676</u>	<u>1,208.2</u>
0	0	183,462	22,862	862	207,186	104.0
10,174	3,942	89,002		24,488	502,917	252.5
40,702				9,639	175,174	87.9
		504	38,415		282,081	141.6
<u>50,876</u>	<u>3,942</u>	<u>272,968</u>	<u>61,277</u>	<u>34,989</u>	<u>1,167,358</u>	<u>586.0</u>
122,500	3,942	206,230	14,860	1,829	352,478	176.9
					10,902	5.5
96,093	3,942			9,200	109,880	55.2
		106,121	3,299		109,420	54.9
1,445,347	3,942	310,564	171,190	33,868	1,967,759	987.8
					19,485	9.8
<u>38,318</u>	<u>54,649</u>	<u>1,522</u>	<u>1,601</u>	<u>4,348</u>	<u>134,264</u>	<u>67.4</u>
<u>1,874,831</u>	<u>157,924</u>	<u>2,369,936</u>	<u>805,667</u>	<u>185,256</u>	<u>6,278,222</u>	<u>3,151.7</u>
0	7,198	3,119	8,399	234	34,793	17.5
23	11,228	14,757			26,915	13.5
		360,824	133,539	34,847	534,545	268.3
		14,046			14,046	7.1
3,633	8,835	146,624	118,762	11,227	298,791	150.0
		2,575	8,399		198,046	99.4
<u>3,656</u>	<u>27,261</u>	<u>541,945</u>	<u>269,099</u>	<u>46,308</u>	<u>1,107,136</u>	<u>555.8</u>
8	0	1,735	16,797	0	18,540	9.3
				1,554	59,274	29.8
		110,654			171,117	85.9
		146			111,785	56.1
		38,666		36,191	163,487	82.1
					670,986	336.8
	4,248	50,833		2,080	57,506	28.9
<u>8</u>	<u>4,248</u>	<u>202,034</u>	<u>16,797</u>	<u>39,825</u>	<u>1,252,695</u>	<u>628.9</u>
1,462	4,248	15,685	0	0	21,517	10.8
522,504		56,532	109	6,609	586,574	294.5
					49,489	24.8
	38,715	141	12,346	1,428	52,630	26.4
<u>527,630</u>	<u>74,472</u>	<u>816,337</u>	<u>298,351</u>	<u>94,170</u>	<u>3,070,041</u>	<u>1,541</u>
0	0	2,417	0	0	2,417	1.2
749	321	1,236		5,381	27,232	13.7
<u>2,403,210</u>	<u>232,717</u>	<u>3,189,926</u>	<u>1,104,018</u>	<u>284,807</u>	<u>9,377,912</u>	<u>4,708</u>
4,495	0	1,266	0	0	5,761	2.9
269,926	7,211	32,016	17,613	3,971	332,324	166.8
79,927	2,410	14,211	1,236	68	98,584	49.5
72,315	1,725	26,233	4,716	43	105,590	53.0
<u>3,737</u>	<u>185</u>	<u>134</u>			<u>4,056</u>	<u>2.0</u>
<u>430,400</u>	<u>11,531</u>	<u>73,860</u>	<u>23,565</u>	<u>4,082</u>	<u>546,315</u>	<u>274.3</u>
10,364	4,366	142,951	2,233	4,972	170,397	85.5
137	84	5	6	67	30,288	15.2
1,490	906	59	480	2,480	239,787	120.4
876	532	51,631	14,717	12,055	80,445	40.4
<u>12,867</u>	<u>5,888</u>	<u>194,646</u>	<u>17,436</u>	<u>19,574</u>	<u>520,917</u>	<u>261.5</u>
0	356,942		0	0	677,217	340.0
14,730	645	145	1,614	-10,448	101,112	50.8
<u>2,861,207</u>	<u>607,723</u>	<u>3,458,577</u>	<u>1,146,633</u>	<u>298,015</u>	<u>11,223,473</u>	<u>5,634</u>

Exhibit A3: All Programs

Selected Historical Statistics

Fiscal Years Ended June 30, 1969 through June 30, 2004

Fiscal Year Ended 6-30	TAX PROGRAMS									
	Total Returns Filed		Volume of PIT Refunds	Self Assessed ^{1/} Tax Liability		Departmentally Assessed ^{1/} Filing Enforce. Audit Cost			TOTAL TAXES ASSESSED COST	
	PIT	CT ^{3/}		Cost	Cost					
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	\$1,018	\$127	\$55,448	\$263
2003	15,439	1,009	9,645	\$42,438	\$118	\$3,074	\$913	\$135	\$46,425	\$253
2004	15,648	1,139	9,886	\$43,622	\$132	\$56	\$1,485	\$113	\$45,163	\$245

^{1/} All amounts in millions

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

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

		NON - TAX PROGRAM							Fiscal	
TOTAL TAXES COLLECTED	NON-TAX COST	HRA Claims COLLECTED	Political HRA COST	Other Reform Audit Processed	TOTAL Contract Costs	Year Department Costs	Ended Costs	Cost	6-30	
\$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	
\$1,873	\$103	\$343	\$24	652	\$5	\$1	\$5	\$512	2004	

Exhibit B: Tax Programs

Self-Assessment Activities

Statement of Return Processing Activities

Fiscal Year Ended June 30, 2004

	Personal Income Tax	Bank & Corporation Tax ^{1/}	Total
Tax Revenue			
Gross Self-Assessed Tax	\$39,130,238,959	\$4,491,889,761	\$43,622,128,720
Refunds Allowed	<u>-7,127,785,599</u>	<u>-1,115,790,071</u>	<u>-8,243,575,670</u>
Net Self-Assessed Tax	32,002,453,360	3,376,099,690	35,378,553,050
Returns Filed As a Result of Filing Enforcement Activities	<u>450,607,697</u>	<u>976,202</u>	<u>451,583,899</u>
Voluntarily Reported Self-Assessed Tax	<u>\$32,453,061,057</u>	<u>\$3,377,075,892</u>	<u>\$35,830,136,949</u>
Units Processed			
Number of Returns Processed	15,342,044	1,011,342	16,353,386
Number of Refunds Processed	<u>9,886,496</u>	<u>117,116</u>	<u>10,003,612</u>
Total Number of Units Processed	<u>25,228,540</u>	<u>1,128,458</u>	<u>26,356,998</u>
Cost of Returns and Refunds Processed	\$43,932,662	\$27,362,649	\$71,295,311
Cost of Total Self-Assessed Activities	\$89,035,242	\$42,841,188	\$131,876,430
Paid Hours of Returns and Refunds Processed	1,446,307	732,590	2,178,897
Paid Hours of Total Self-Assessed Activities	2,406,676	1,107,139	3,513,815
Statistics			
Total Cost per Paid Hour	\$32.91	\$36.13	\$33.89
Total Paid Hours Per Unit Processed	0.11	1.05	0.15
Total Paid Hours Per Return Processed	0.18	1.17	0.24
Total Cost Per Unit Processed	\$3.53	\$37.96	\$5.00
Average Tax Per Return	\$2,115.30	\$3,339.20	\$2,190.99
Average Refund Allowed Per Claim	\$720.96	\$9,527.22	\$824.06

^{1/} Does not include the 97,785 Exempt Organization returns filed.

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

Fiscal Years Ended June 30, 2003 and 2004

	Notices Mailed		Tax Returns Received After		Net Assessment	
	2003/2004	2002/2003	2003/2004	2002/2003	2003/2004	2002/2003
Personal Income Tax						
Demand/Request Letter	819,006	871,307	81,805	121,924	\$243,045,451	\$263,970,317
Notice of Proposed Assessment	499,602	594,212	170,298	136,705	\$55,961,320	\$2,809,206,945
Total Personal Income Tax	<u>1,318,608</u>	<u>1,465,519</u>	<u>252,103</u>	<u>258,629</u>	<u>\$299,006,771</u>	<u>\$3,073,177,262</u>
Additional Collections Per Dollar Cost						
Corporation Tax						
Demand Letters Mailed	21,004	20,066	0 ²	0 ²	0 ²	0 ²
Notice of Proposed Assessments	726	11,847	0 ²	0 ²	0 ²	\$257,025,923
Total Corporation Tax	<u>21,730</u>	<u>31,913</u>	<u>0</u>	<u>0</u>	<u>\$0</u>	<u>\$257,025,923</u>
Additional Collections Per Dollar Cost						
Total Tax Programs	<u>1,340,338</u>	<u>1,497,432</u>	<u>252,103</u>	<u>258,629</u>	<u>\$299,006,771</u>	<u>\$3,330,203,185</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 tracking system is being developed to accurately track this information for future years.

Additional Collections ²		Costs		Hours	
2003/2004	2002/2003	2003/2004	2002/2003	2003/2004	2002/2003
\$106,518,605	\$61,700,701				
\$344,352,338	\$304,917,439				
<u>\$450,870,943</u>	<u>\$366,618,140</u>	<u>\$15,798,019</u>	<u>\$27,299,010</u>	<u>352,478</u>	<u>409,801</u>
		\$28.54	\$13.43		
0 ²	0 ²				
0 ²	0 ²				
<u>0</u>	<u>0</u>	<u>\$787,681</u>	<u>\$674,754</u>	<u>21,517</u>	<u>20,319</u>
	0 ²	0 ²			
<u>\$450,870,943</u>	<u>\$366,618,140</u>	<u>\$16,585,700</u>	<u>\$27,973,764</u>	<u>373,995</u>	<u>430,120</u>

Exhibit C1: Tax Programs Enforcement Activities

Assessments Activities

Fiscal Years Ended June 30, 2003 and 2003

	Net Tax Assessments		Change	Percent Change
	2003/2004	2002/2003		
Personal Income Tax				
Residency Determination	\$787	-\$385,785	\$386,572	100%
Investigations	<u>\$888,836</u>	<u>\$263,284</u>	<u>\$625,552</u>	238%
Total Personal Income Tax	\$889,623	-\$122,501	\$1,012,124	-826%
Corporation Tax				
Investigations	\$0 ^{/1}	\$0 ^{/1}	\$0	0%
Revivor	6,447	1,040	5,407	520%
Secretary of State Penalties	<u>15,653,643</u>	<u>7,475,280</u>	<u>8,178,363</u>	109%
Total Corporation Tax	<u>\$15,660,090</u>	<u>\$7,476,320</u>	<u>\$8,183,770</u>	
Total Tax Programs	<u><u>\$16,549,713</u></u>	<u><u>\$7,353,819</u></u>	<u><u>\$9,195,894</u></u>	

^{/1} Information not available

Exhibit D1: Tax Programs

Tax Audit Activities

Activities and Results

Fiscal Years Ended June 30, 2003 and 2004

	Net Assessments			
	2003/2004	2002/2003	Change	Percent Change
Personal Income Tax				
Desk Audit	\$83,253,683	\$52,725,489	\$30,528,194	57.9%
Federal Audit Reports	149,203,231	217,896,745	-68,693,514	-31.5%
Field Audits	124,412,307	99,585,931	24,826,376	24.9%
Total Personal Income Tax	<u>\$356,869,221</u>	<u>\$370,208,165</u>	<u>(\$13,338,944)</u>	-3.6%
Corporation Tax				
Federal Audit Reports	\$117,731,371	\$81,014,295	\$36,717,076	45.3%
Non-Appportioning Audits				
Central Office	9,137,304	14,744,144	-5,606,840	-38.0%
Field	70,362,628	87,844,642	-17,482,014	-19.9%
Apportioning Audits				
Central Office	20,370,769	15,429,720	4,941,049	32.0%
Field	909,643,016	340,161,110	569,481,906	167.4%
Exempt Corporation Audits	699,599	4,091,712	-3,392,113	-82.9%
Total Corporation Tax	<u>\$1,127,944,687</u>	<u>\$543,285,623</u>	<u>\$584,659,064</u>	107.6%
Total Tax Programs	<u>\$1,484,813,908</u>	<u>\$913,493,788</u>	<u>\$571,320,120</u>	62.5%
Total Returns Audited	218,932	363,951	-145,019	-39.8%
Total Returns Changed	146,782	189,779	-42,997	-22.7%
Cost of Operation	\$96,473,950	\$107,129,468	-\$10,655,518	-9.9%
Paid Hours	2,777,132	2,777,132	0	0.0%
Statistics				
Cost Per Paid Hour	\$34.74	\$38.58	-\$3.84	-9.9%
Net Assessments Per Dollar Cost	\$15.39	\$8.53	\$6.86	80.5%
Cost Per Return Audited	\$6,782.08	\$2,509.94	\$4,272.14	170.2%
Returns Audited Per Paid Hour	0.1	0.1	-0.05	-39.8%
Net Assessment Per Return Changed	\$10,115.78	\$4,813.46	\$5,302.32	110.2%
% Return Changes to Returns Audited	67.04%	52.14%	14.90%	28.6%

^{/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, 2003 and 2004

	Changes to Tax		No Changes to Tax		Total Audits	
	2003/2004	2002/2003	2003/2004	2002/2003	2003/2004	2002/2003
Personal Income Tax						
Desk Audit	63,226	66,299	75,112	176,217	138,338	242,516
Federal Audit Reports	79,688	118,354	-6,880	-6,378	72,808	111,976
Field Audits	1,108	1,367	1,212	-24	2,320	1,343
Total Personal Income Tax	<u>144,022</u>	<u>186,020</u>	<u>69,444</u>	<u>169,815</u>	<u>213,466</u>	<u>355,835</u>
Corporation Tax						
Federal Audit Reports	883	1,100	69	377	952	1,477
Non-Appportioning Audits						
Central Office	341	769	638	390	979	1,159
Field	330	226	683	549	1,013	775
Apportioning Audits						
Central Office	196	205	1,131	1,089	1,327	1,294
Field	861	369	14	900	875	1,269
Exempt Corporation Audits	149	803	171	468	320	1,271
Total Corporation Tax	<u>2,760</u>	<u>3,472</u>	<u>2,706</u>	<u>3,773</u>	<u>5,466</u>	<u>7,245</u>
Total Tax Programs	<u>146,782</u>	<u>189,492</u>	<u>72,150</u>	<u>173,588</u>	<u>218,932</u>	<u>363,080</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, 2004

	Personal Income Tax	Bank & Corporation Tax	Total
Collection Revenue			
Beginning Total Available for Collection (7/1/03)	\$4,429,179,925	\$963,322,750	\$5,392,502,675
Added During 2003/04	3,533,708,269	948,909,414	4,482,617,683
Abated During 2003/04	<u>-2,387,758,466</u>	<u>-185,651,604</u>	<u>-2,573,410,070</u>
Total Available for Collection	\$5,575,129,728	\$1,726,580,560	\$7,301,710,288
Total Collected	\$1,227,577,230	\$645,635,891	\$1,873,213,121
Discharged	<u>658,099,860</u>	<u>288,310,066</u>	<u>946,409,926</u>
Total Accounts Closed	<u>\$1,885,677,090</u>	<u>\$933,945,957</u>	<u>\$2,819,623,047</u>
Ending Total Available for Collection (6/30/04)	<u>\$3,689,452,638</u>	<u>\$792,634,603</u>	<u>\$4,482,087,241</u>
Collection Accounts			
Total Number of Accounts (7/1/03)	869,700	259,014	1,128,714
Total Number of Accounts (6/30/04)	<u>887,764</u>	<u>207,263</u>	<u>1,095,027</u>
Change in Collection Accounts	<u>18,064</u>	<u>-51,751</u>	<u>-33,687</u>
Cost of Operation	\$78,725,207	\$24,307,359	\$103,032,566
Paid Hours	1,967,759	586,574	2,554,333
Statistics			
Cost Per Paid Hour	\$40.01	\$41.44	\$40.34
Tax Collected Per Dollar Cost	\$15.59	\$26.56	\$18.18
Percentage of Available Inventory Collected	22.0%	37.4%	25.7%
Percentage of Amount Available Closed	33.8%	54.1%	38.6%
Percent Change between Beginning and Ending Inventory	-16.7%	-17.7%	-16.9%

^{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, 2003 and 2004

	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003	Change	Percent Change
Participating Agency Types:				
State agencies	129	94	35	37.2%
City agencies	59	75	-16	-21.3%
County agencies	84	26	58	223.1%
Federal agencies	1	1	0	0.0%
Total Participants	<u>196</u>	<u>196</u>	<u>77</u>	<u>39.3%</u>
Collection Volumes				
State agencies	358,221	378,216	-19,995	-5.3%
City agencies	41,701	33,335	8,366	25.1%
County agencies	120,635	105,751	14,884	14.1%
Federal agencies	52,029	55,381	-3,352	-6.1%
Total Collection Volumes	<u>572,586</u>	<u>572,683</u>	<u>-97</u>	<u>0.0%</u>
Collection Revenues				
State agencies	\$84,395,774	\$86,604,260	-\$2,208,486	-2.6%
City agencies	5,269,407	4,271,790	997,617	23.4%
County agencies	24,752,431	20,867,688	3,884,743	18.6%
Federal agencies	24,137,868	25,546,807	-1,408,939	-5.5%
Total Collection Revenues	<u>\$138,555,480</u>	<u>\$137,290,545</u>	<u>\$1,264,935</u>	<u>0.9%</u>
Cost of Operation	\$502,610	\$381,051	\$121,559	
Paid Hours	5,761	6,984	-1,223	
Statistics				
Cost Per Paid Hour	\$87.24	\$54.56	32.68	
Revenue Collected Per Dollar Cost	\$275.67	\$360.29	-84.62	
Revenue Collected Per Paid Hour	\$24,050.60	\$19,657.87	4,392.73	
Average Revenue Per Volume	\$241.98	\$239.73	2.25	

Exhibit F2: Non-Tax Collection Program Child Support Collections

Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 2003 and 2004

	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003	Change	Percent Change
Levies Issued:				
Bank Accounts	213,363	224,563	-11,200	-5.0%
Wages	379,865	442,511	-62,646	-14.2%
Total Levies Issued	593,228	667,074	-73,846	-11.1%
Continuous Levies	0 ^{1/}	8,684	-8,684	-100.0%
Total Levies	593,228	675,758	-82,530	-12.2%
Gross Revenue Collected for				
Child Support ^{1/}	\$68,459,750	\$78,496,520	-\$10,036,770	-12.8%
Collection Volumes	741,060	854,233	-\$113,173	-13.2%
Cost of Operations				
Paid Hours	\$13,645,403	\$14,755,225	-\$1,109,822	-7.5%
	332,324	381,859	-49,535	-13.0%
Statistics				
Cost Per Paid Hour	\$41.06	\$38.64	\$2.42	
Revenue Collected Per Dollar Cost	\$5.02	\$5.32	-\$0.30	
Revenue Collected Per Paid Hour	\$206.00	\$205.56	\$0.44	

^{1/} Does not include \$40,981,063 collected in 2003/04 nor \$42,802,594 collected in 2002/03 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, 2003 and 2004

	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003	Change	Percent Change
Demand for Payment Notices Sent	1,185,521	898,811	286,710	31.9%
Levies Issued:				
Bank Accounts	32,410	35,605	-3,195	-9.0%
Wages	<u>159,226</u>	<u>141,358</u>	<u>17,868</u>	12.6%
Total Levies Issued	<u>191,636</u>	<u>176,963</u>	<u>14,673</u>	8.3%
Gross Revenue Collected for DMV ^{1/}	\$90,274,719	\$73,970,713	\$16,304,006	22.0%
Cases Closed	737,491	946,322	-208,831	-22.1%
Cost of Operations	\$4,917,210	\$4,517,057	\$400,153	8.9%
Paid Hours	98,584	103,594	-5,010	-4.8%
Statistics				
Cost Per Paid Hour	\$49.88	\$43.60	\$6.27	
Revenue Collected Per Dollar Cost	\$18.36	\$16.38	\$1.98	
Revenue Collected Per Paid Hour	\$915.71	\$714.04	\$201.67	

^{1/} Does not include \$6.4 million collected in 2003/04 nor \$5.6 million collected in 2002/2003 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, 2003 and 2004

	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003	Change	Percent Change
Number of Claims Processed				
Allowed from:				
Property Owners	154,500	154,361	139	0.1%
Renters	460,952	473,322	-12,370	-2.6%
Not Allowed from:				
Property Owners	9,208	9,305	-97	-1.0%
Renters	<u>27,472</u>	<u>29,531</u>	<u>-2,059</u>	<u>-7.0%</u>
Total Number of Claims Processed	<u>652,132</u>	<u>666,519</u>	<u>-14,387</u>	<u>-2.2%</u>
Amount of Claims Allowed				
Property Owners	\$39,062,379	\$37,342,950	\$1,719,429	4.6%
Renters	<u>143,702,133</u>	<u>147,199,825</u>	<u>-3,497,692</u>	<u>-2.4%</u>
Total Amount of Claims Processed	<u>\$182,764,512</u>	<u>\$184,542,775</u>	<u>-\$1,778,263</u>	<u>-1.0%</u>
Claimant Assistance Contacts				
Voice-Activated Response Phone Calls	1,070,396	1,160,080	-89,684	-7.7%
Manual Phone Calls, Correspondence, and Counter Contacts	<u>469,072</u>	<u>506,543</u>	<u>-37,471</u>	<u>-7.4%</u>
Total Claimant Assistance Contacts	<u>1,539,468</u>	<u>1,666,623</u>	<u>-127,155</u>	<u>-7.6%</u>
Cost of Operations	\$5,289,339	\$6,112,477	(\$823,138)	-13.5%
Paid Hours	170,397	229,848	-59,451	-25.9%
Statistics				
Total Cost Per Paid Hour	\$31.04	\$26.59	\$4.45	16.7%
Paid Hours Per Claim Processed	0.26	0.34	-0.08	-24.2%
Average Amount of Claim Processed	\$280.26	\$276.88	\$3.38	1.2%

Corrections from past year 2003 have been made on this exhibit

Exhibit G2: Other Non-Tax Programs

Political Reform Audit

Comparative Schedule of Activities

Fiscal Years Ended June 30, 2003 and 2004

	Fiscal Year Ended June 30, 2004	Fiscal Year Ended June 30, 2003	Change	Percent Change
Political Reform Audits Completed				
Candidates & Controlled Committees	165	130	35	26.9%
General Purpose Committees	63	144	-81	-56.3%
Lobbying Entities	57	45	12	26.7%
Statewide Measures	15	20	-5	-25.0%
Total Audits Completed	<u>339</u>	<u>339</u>	<u>-39</u>	-11.5%
Political Reform Audits in Process at FYE				
Candidates & Controlled Committees	115	40	75	187.5%
General Purpose Committees	157	9	148	1644.4%
Lobbying Entities	65	1	64	6400.0%
Statewide Measures	1	10	-9	-90.0%
Total Audits in Process at FYE	<u>338</u>	<u>60</u>	<u>278</u>	463.3%
Cost of Operations	\$1,375,975	\$1,341,518	\$34,457	2.6%
Paid Hours	30,288	33,964	-3,676	-10.8%
Statistics				
Cost Per Paid Hour	\$45.43	\$39.50	\$5.93	15.0%
Paid Hours per Audit Completed	89.35	100.19	-10.84	-10.8%
Average Cost per Audit Completed	\$4,058.92	\$3,957.28	\$101.64	2.6%

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.
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 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-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.

NOTES: