



Operations Report

Franchise Tax Board

FISCAL YEAR 2004-2005



2004-2005 BOARD MEMBERS

Steve Westly, Chair, Controller

Carole Migden, Member, State Board of Equalization

Tom Campbell, Member, Director of Finance (2005)

Donna Arduin, Member, Director of Finance (2004)

OPERATIONS REPORT

FISCAL YEAR ENDED JUNE 30, 2005

2004-2005 BOARD MEMBERS

Hon. Steve WestlyChair, Controller
Hon. Carole Migden, Member State Board of Equalization
Hon. Tom Campbell, MemberDirector of Finance (2005)
Hon. Donna Arduin, MemberDirector of Finance (2004)

CURRENT BOARD MEMBERS

Hon. John Chiang Controller
Hon. Betty T. YeeChair, State Board of Equalization
Hon. Michael C. Genest..... Director of Finance

Executive Officer
Selvi Stanislaus

Prepared by:
Franchise Tax Board Budget Office
February 2007

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INTRODUCTION

Programs The Operations Report presents the 2004/2005 operations of the Franchise Tax Board. The information presented in this report is based on information available as of September 2005.

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 2004/2005, the Franchise Tax Board's expenditures totaled \$589.6 million, an increase of \$77.8 million (15.2%) over the prior year. Personnel years (PYs) totaled 5,533, a decrease of 101 pys (1.8%) over 2003/2004.

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

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

	<u>2004/2005</u>	<u>2003/2004</u>
Tax Programs		
Personal Income Tax	\$245,305	\$244,847
Corporation Tax	162,725	126,458
Non-Admitted Insurance Tax	93	72
Total Tax Programs	\$408,123	\$371,377
Non-Tax Collection Programs	24,078	22,852
Other Non-Tax Programs	157,395	117,556
TOTAL EXPENDITURES BY PROGRAM	<u>\$589,596</u>	<u>\$511,785</u>

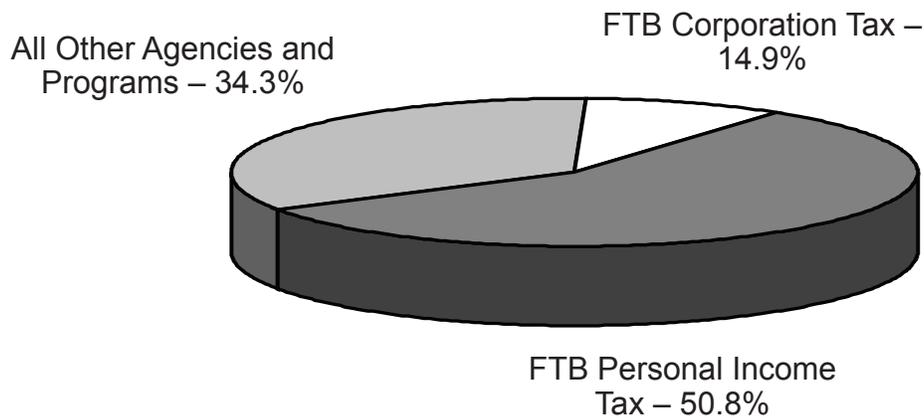
**EXPENDITURES BY OBJECT
A Two Year Comparison
(Thousands)**

	<u>2004/2005</u>	<u>2003/2004</u>
Personal Services		
Salary and Wages	\$269,817	\$263,647
Benefits	98,530	92,370
Total Personal Services	\$368,347	\$356,017
Operating Expenses & Equipment	221,249	155,768
TOTAL EXPENDITURES	<u>\$589,596</u>	<u>\$511,785</u>
Reimbursements	-111,152	-84,121
NET EXPENDITURES BY OBJECT	<u>\$478,444</u>	<u>\$427,664</u>

California's General Fund^{1/}

The General Fund received \$83.6 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) 2004/2005 the General Fund had a cash surplus of \$7.2 billion.

Major Tax and License Revenue Fiscal Year Ended June 30, 2005



Major Tax & License Revenues (Millions)

	Fiscal Year		Change	Percent Change
	2004/2005	2003/2004		
Personal Income Tax ^{1/}	42,476.2	36,752.0	5,724.2	15.6%
Corporation Tax	12,496.5	7,964.0	4,532.5	56.9%
Subtotal	<u>54,972.7</u>	<u>44,716.0</u>	<u>10,256.7</u>	<u>22.9%</u>
Other Programs	28,622.4	29,080.0	[457.6]	[1.6%]
Total	<u>83,595.1</u>	<u>73,796.0</u>	<u>9,799.1</u>	<u>13.3%</u>

Statistics extracted from the 2004/2005 Controller's Annual Financial Report.

^{1/} In 2004/2005, 29.0 billion of General Fund Revenues came from Personal Income Tax withholding; a \$2.1 billion increase from the 2003/2004 level of \$26.9 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 2004/2005, the tax programs administered by the Franchise Tax Board accounted for \$55 billion (65.7%) 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:

- Quarterly informational newsletters to tax preparers regarding changes in tax laws, filing procedures, and certain tax litigation rulings
- Commercial tax preparation software packages to assure compliance with current tax laws and reporting procedures.

- Tax forms and publications from the Internet website.
- Interactive Voice Response (IVR) system providing 22 different applications and answers to frequently asked questions covering about 98 tax topics.

In addition to the above activities, the department distributed 6.1 million tax return booklets, forms and postcards; provided for 10.2 million downloaded forms; received 5.3 million tax related interactive voice response (IVR) phone calls; and manually responded to 2.5 million telephone, paper and electronic mail correspondence, and over-the-counter requests for forms, pre-filing assistance, and refund information in 2004/2005.

Return Processing

Return Processing activities include:

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

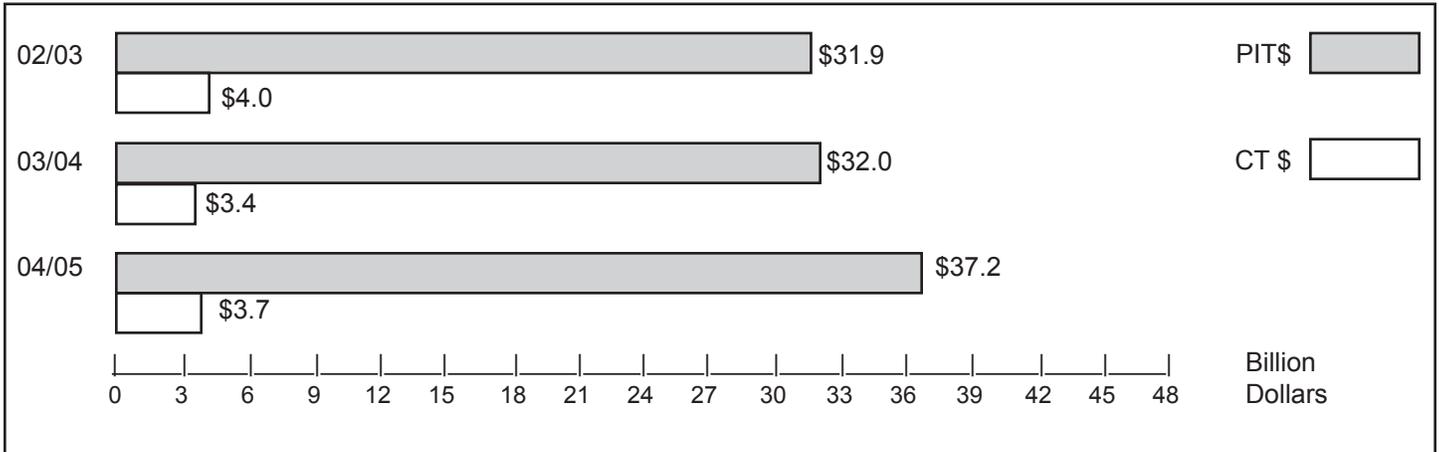
In 2004/2005, the department processed 15.8 million personal income tax returns and reported self-assessments of \$36.7 billion. Of the returns processed, 10 million PIT returns resulted in refunds of \$7.6 billion due to withholding, prepayments, and refundable credits.

Taxpayers and tax preparers filed 8.1 million PIT returns electronically, a 17.7 percent increase from the 2003/2004 level of 6.9 million returns. Also in 2004/2005, FTB processed 4.1 million PIT returns by an electronic image scanning system. Continuing technological enhancements allow for the electronic processing of more complex returns.

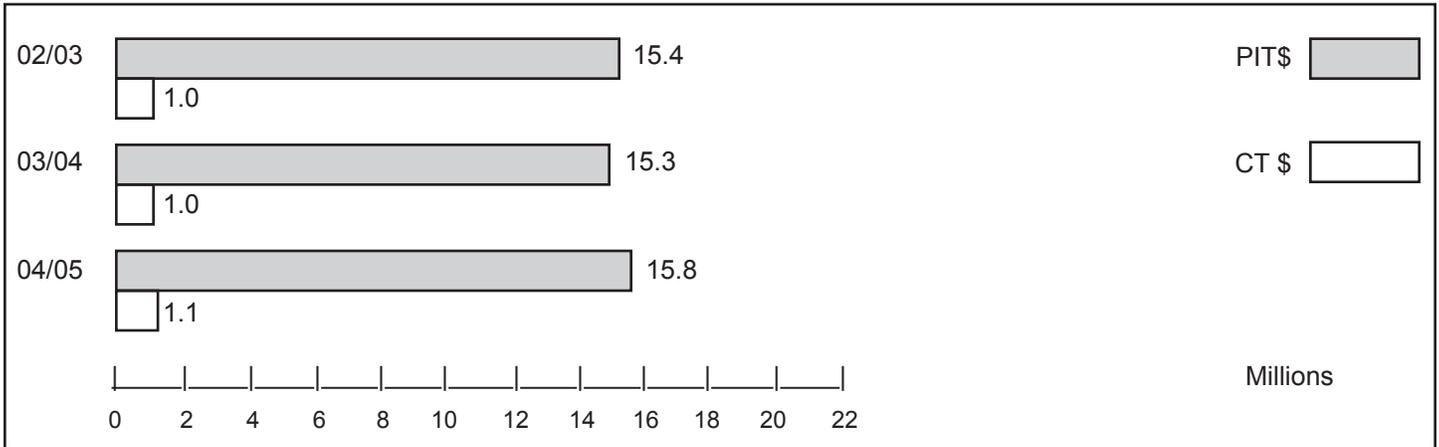
FTB processed 1.1 million business entity tax returns with a total tax liability of \$4.9 billion. This included 512,274 current year for-profit corporation tax returns, and 306,633 partnership and limited liability company returns. Additionally, the FTB deposited 577,146 estimate tax payments and processed 74,964 tax-exempt corporation returns in 2004/2005.

Self-Assessment Activities

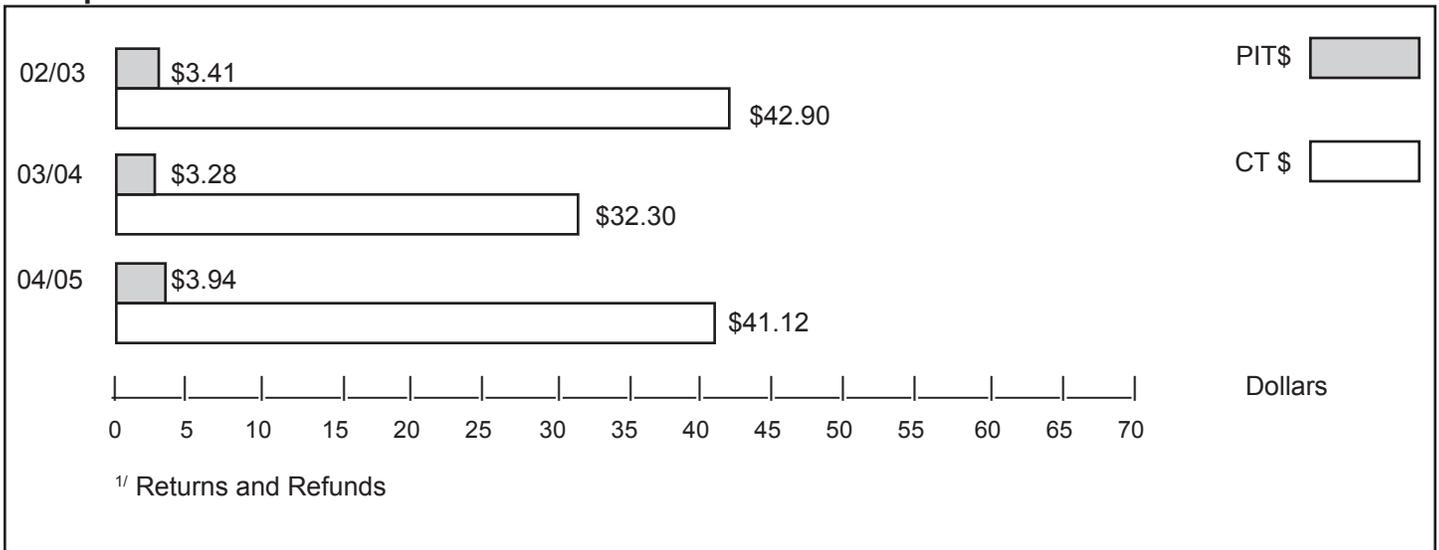
Amount of Self-Assessed Tax



Number of Returns Processed



Cost per Unit ^{1/} Processed



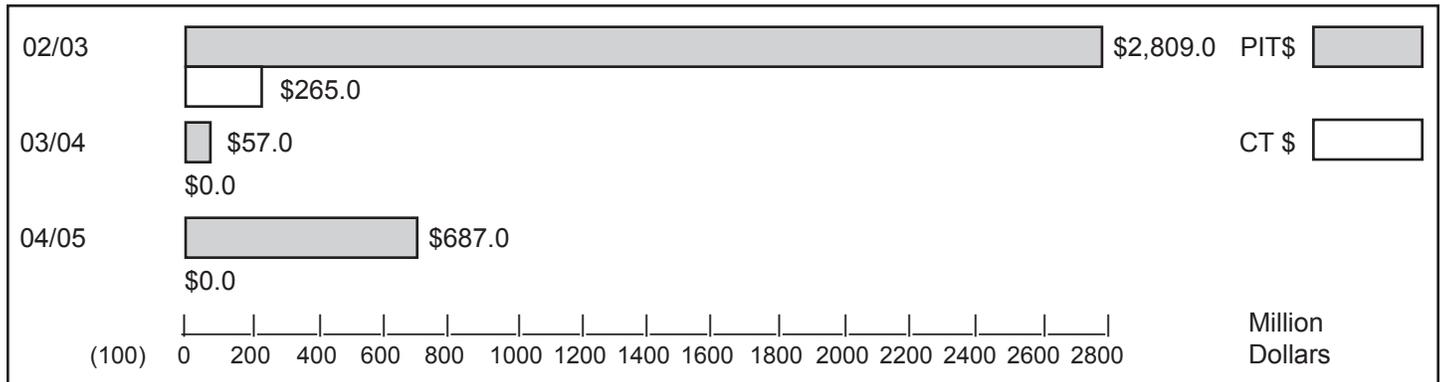
Filing Enforcement Activities

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.

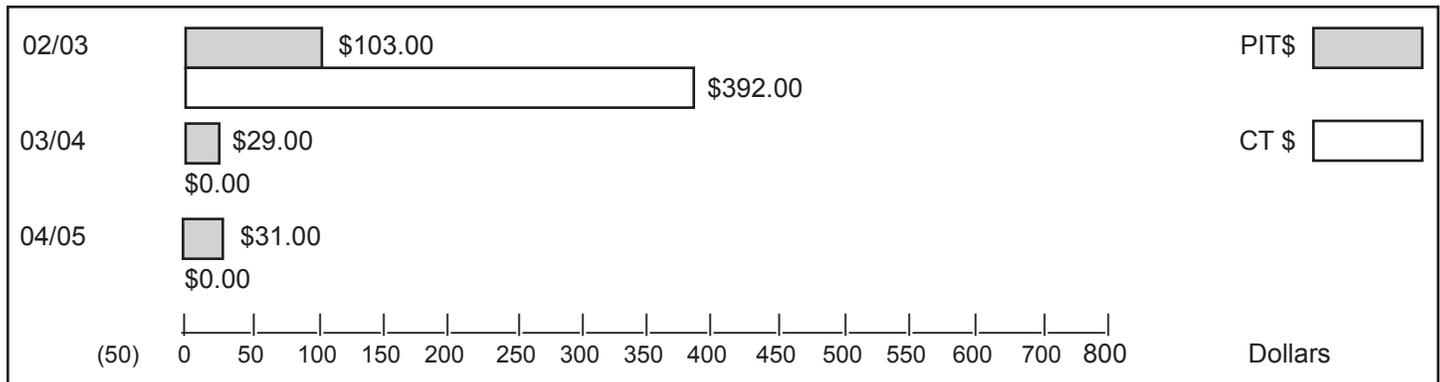
Delinquent non-filers that fail to respond to demand-to-file letters are issued tax assessments based on the income records available to the department. Net assessment dollars become part of the tax collection inventory if non-filers either fail to file their delinquent return or prove their right of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

The following bar charts compare 2004/2005 filing enforcement activities with those of the two prior years. Additional filing enforcement statistics are provided in Exhibits A and C.

Net Assessment Dollars^{1/}



Net Assessed Revenue Per Dollar Cost



^{1/} Corporate assessment is not available. A tracking system is being developed to accurately track this information for future years.

Tax Audit Activities

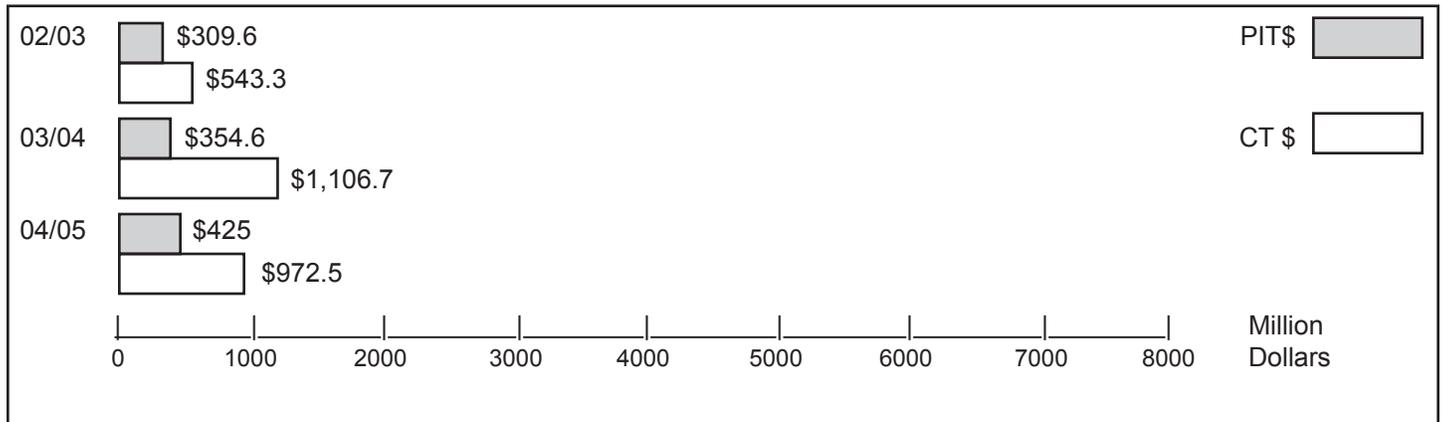
Audit activities determine the correct tax liability for individuals and business entities in accordance with the California Revenue and Taxation Code. These activities include both the detailed examination of tax returns and supporting documents, and the automated verification of self-assessed tax returns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

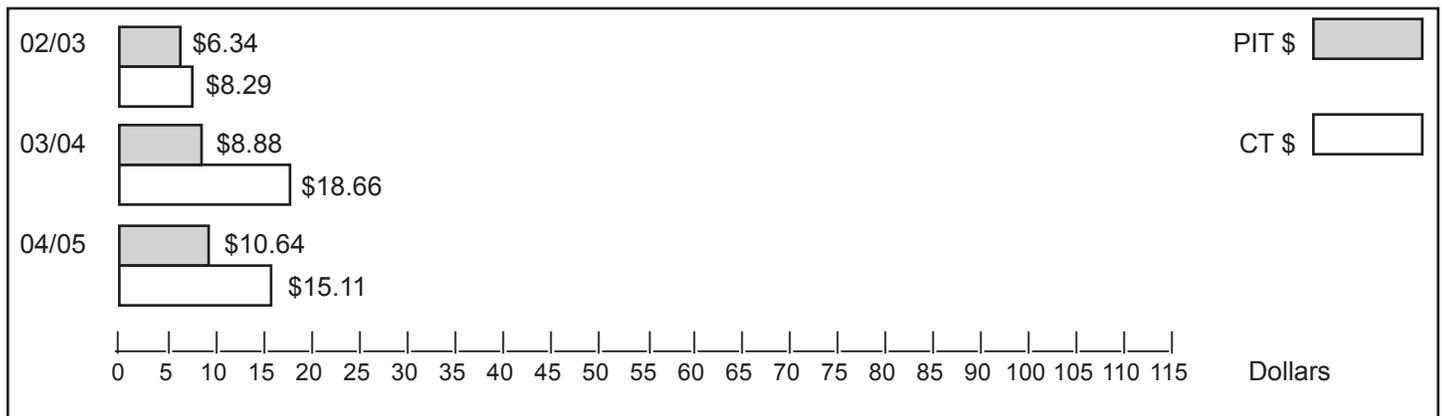
In 2004/2005, net assessments from audit activities totaled \$1.4 billion and operational costs totaled \$104 million. This resulted in an overall benefit-to-cost ratio of \$13.44 to one. The following bar chart compares 2004/2005 audit activities with those of the two prior years. Detailed information 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

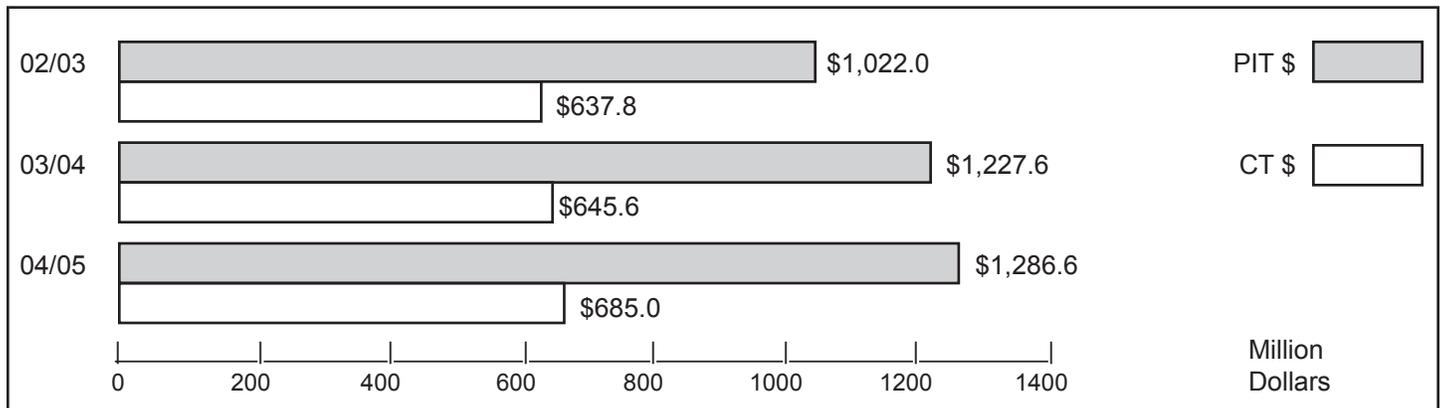
Tax collection activities involve collections of accounts receivable that are established by the department's self-assessment, audit, settlement, and filing enforcement activities. An automated billing system combined with central and field office collection staff administers collections. The automated 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 2004/2005, \$2.0 billion was collected through automated and manual collection activities which is an increase from 2003/2004's level of \$1.9 billion. Total cost of operations was \$99.5 million, of which \$76 million was for PIT collections and \$23.6 million was for CT. The following chart compares 2004/2005 collections with those of the two prior years. Detailed collection activity information for 2004/2005 is shown in Exhibits A and E.

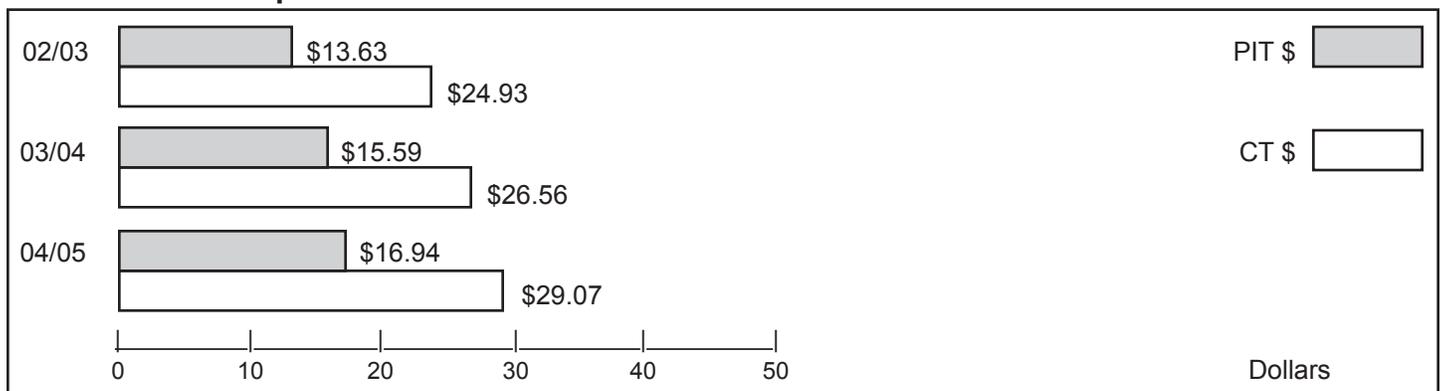
^{1/} Payments submitted by taxpayers prior to activation of the billing process are not included in 'tax collection revenues'.

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 2004/2005, 213 cases were settled, sustaining \$1,080.7 million (73%) of the \$1,480.4 million in dispute. A summary of 2004/2005 settlement activities is presented in the table below.

2004/2005 SETTLEMENT ACTIVITIES Revenue and Costs in Millions

	<u>PIT</u>	<u>CT</u>	<u>TOTAL</u>
Cases Completed	53	42	95
Cases Settled	105	108	213
Revenue in Dispute	\$64.4	\$1,416.0	\$1,480.4
Revenue Sustained	\$40.6	\$1,040.1	\$1,080.7
Cost	\$1.1	\$1.8	\$2.9
Revenue Sustained			
Per Dollar Cost	\$37.54	\$585.39	\$378.09

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 2004/2005, FTB collected \$13 million at a cost of \$94 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 2004/2005, taxpayers made 397 thousand contributions for a total of \$4.2 million. A comparison of contributions between 2004/2005 and the prior year is presented as follows:

VOLUNTARY CONTRIBUTIONS TWO YEAR COMPARISON (Thousands)

Fund Name	2004/2005		2003/2004	
	Volume	Dollars	Volume	Dollars
California Senior Citizens	30	250	35	287
Rare & Endangered Species	0	0	18	131
State Children's Fund	49	588	58	673
Alzheimer's Research	44	536	49	582
Senior's Special Fund	11	53	13	54
Breast Cancer Research	51	638	57	682
Firefighter's Memorial	24	192	28	216
California Lung Disease	26	212	30	228
Emergency Food Assistance	34	373	38	408
Peace Officer Memorial	21	183	23	178
Fish and Game Preservation	46	601	52	664
CA Missions Foundation Fund ^{1/}	18	145	0	0
CA Military Family Relief ^{1/}	21	245	0	0
CA Prostate Cancer Research ^{1/}	22	167	0	0
Lupus Foundation Of America	0	0	3	20
Total Voluntary Contributions	397	\$4,183	404	\$4,123

^{1/} New fund for Tax Year 2004/05

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 2004/2005, governmental agencies received a total of \$155.2 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 2004/2005, FTB conducted 725,824 collection actions and collected \$75.8 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 \$41.2 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 2004/2005, FTB closed 894,974 delinquent cases and collected \$109.5 million^{1/} for the DMV while incurring collection costs of \$5.2 million. This equates to a benefit-to-cost ratio of \$21.14 to \$1.00.

Additional information is provided in Exhibit F3.

^{1/} Does not include \$9.2 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 2004/2005, 38 counties utilized FTB collection services to close delinquent accounts. In response, FTB mailed 339,141 demand-to-pay notices to delinquent debtors; 581,050 levies were placed on debtors' wages; and 29,472 bank levies were issued. As a result, the Court-Ordered Debt Collections Program collected \$63.4 million at a cost of \$4.2 million or a benefit-to-cost ratio of \$11.03 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 2004/2005, FTB collected and transferred \$1.6 million to DIR at a cost of \$209,161 and a benefit-to-cost ratio of \$7.50 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 2004/2005, FTB processed 632,255 HRA claims representing a 3.1% decrease to the prior year's volume of 652,132. Claims allowed in 2004/2005 totaled \$183.2 million, of which \$143.7 million was given to qualified renters and \$39.5 million to eligible homeowners. The department responded to 1.4 million IVR telephone calls and 405,788 manually answered calls, correspondence, and in-person contact requests for assistance.

A comparison of 2004/2005 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 2004/2005, 385 audits were completed of which 136 audits related to political candidate and campaign committees, 99 audits related to lobbying entities, 124 audits of ballot measures and general political action committees, and 26 statewide measures.

A comparison of the 2004/2005 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 2004/2005, the CCSAS Project continued efforts to develop and implement the California Child Support Automation System.

EXHIBITS

The details of the 2004/2005 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 2004/2005 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 1969/70.

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, 2005

Program Activities:	Revenue Measurement	Cost (Exhibit A1)	Measurement per Dollar Cost
NET ASSESSMENT ACTIVITIES:			
Personal Income Tax			
Filing Enforcement Assessment Activities			
Filing Enforcement	\$687,329,983	\$15,178,204	\$45.28
Residency Determination	46,368	1,093,663	\$0.04
Investigations	656,614	6,590,902	\$0.10
Withhold At Source	Not Available	3,158,079	
Audit Assessment Activities			
Desk Audits	182,431,366	19,008,607	\$9.59
Federal Audit Reports	155,222,581	5,833,493	\$26.61
Field Audits	87,387,934	15,068,678	\$5.80
Total PIT Net Assessment Activities	<u>\$1,113,074,846</u>	<u>\$65,931,626</u>	
Corporation Tax			
Filing Enforcement Activities	Not Available	\$764,829	
Audit Assessment Activities			
Federal Audit Reports	155,529,170	2,456,400	\$63.31
Non-Appportioning Central Office	11,288,203	7,805,487	\$1.45
Non-Appportioning Field	20,465,876	5,791,133	\$3.53
Apportioning Central Office	32,508,335	11,645,170	\$2.79
Apportioning Field ^{1/}	752,668,890	33,901,109	\$22.20
Exempt Corporation Audits	1,367,688	1,971,880	\$0.69
Total CT Net Assessment Activities	<u>\$973,828,162</u>	<u>\$64,336,008</u>	
TOTAL NET ASSESSMENT ACTIVITIES	<u>\$2,086,903,008</u>	<u>\$130,267,634</u>	\$16.02
COLLECTION ACTIVITIES:			
Tax Programs			
Personal Income Tax			
Tax Collections	\$1,286,578,206	\$75,962,420	\$16.94
Voluntary Contributions	4,183,278	70,020	\$59.74
Corporation Tax			
Tax Collections	685,008,043	23,561,463	\$29.07
Non-Admitted Insurance Tax	12,967,929	94,252	\$137.59
Non-Tax Collection Programs			
Inter-Agency Intercept Collections	155,206,716	657,640	\$236.01
Child Support Collections	76,057,086	13,148,095	\$5.78
Vehicle Registration Collections	109,467,439	5,177,322	\$21.14
Court-ordered Debt Collections	63,423,991	5,752,073	\$11.03
DIR Industrial Health & Safety Collections	1,569,622	209,161	\$7.50
TOTAL COLLECTION ACTIVITIES	<u>\$2,394,462,310</u>	<u>\$124,632,446</u>	\$19.21
OTHER ACTIVITIES:			
Personal Income Tax Program			
Mathematical Verification	--	\$8,296,203	
Self-Assessment Activities	--	99,370,780	
Settlement Activities	--	1,081,522	
Corporation Tax Program			
Self-Assessment Activities	--	50,368,941	
Math Verification	--	1,103,562	
Settlement Activities	--	1,776,770	
Tax Support Expenditures	--	982,202	
Tax Amnesty Project	--	15,179,915	
Homeowners & Renters Assistance Program	--	4,366,496	
Political Reform Audit Program	--	1,398,142	
Child Support Automation	--	147,010,159	
Contract Work Program	--	3,752,021	
TOTAL OTHER ACTIVITIES		<u>\$334,686,713</u>	
TOTAL PROGRAM ACTIVITY COST		<u>\$589,586,793</u>	

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

Exhibit A1: All Programs

Statement of Operation Costs

Fiscal Year Ended June 30, 2005

	Executive	Child Support Automation	Audit	Legal	Financial & Executive Services
Tax Programs					
Personal Income Tax					
Self-Assessment Activities					
Legislation and Development	\$13,406	\$0	\$181,368	\$815,513	\$959,412
Return Forms & Instructions	1,698,580		14,647	121,941	21,230
Estimate Processing	10,066			3,788	13,609
Taxpayer Assistance	1,208,092		262,352	29,790	383,656
Claims	11,087		824,321	3,345	12,528
Return Processing	141,045		99,223	54,301	584,753
Information Exchange	2,740			890	3,311
Total Self-Assessment	<u>\$3,085,016</u>	<u>\$0</u>	<u>\$1,381,911</u>	<u>\$1,029,568</u>	<u>\$1,978,499</u>
Audit Activities					
Desk Audits	\$128,656	\$0	\$11,096,365	\$1,384,906	\$68,698
Field Audits	33,888	46	9,777,553	167,035	43,320
Federal Audit Reports	19,367		2,917,741	161,795	22,598
Settlement Authority	2,206		400	908,458	2,712
Partnership	689		1,326	58,792	740
Total Audit	<u>\$184,806</u>	<u>\$46</u>	<u>\$23,793,385</u>	<u>\$2,680,986</u>	<u>\$138,068</u>
Filing Enforcement	\$111,575	\$0	\$16,400	\$229,182	\$46,848
Residency Determination	2,185			869,477	2,655
Investigations	76,646		187	26,007	8,846
Withhold At Source	11,353			3,587	13,392
Tax Collections	274,918			200,721	727,499
Math Verification	27,108			10,552	38,264
Voluntary Contributions					
PIT Support Expenditures^{1/}	27,207		1,098,301		
Total PIT	<u>\$3,800,814</u>	<u>\$46</u>	<u>\$25,191,883</u>	<u>\$5,050,080</u>	<u>\$4,052,372</u>
Corporation Tax					
Self-Assessment Activities					
Legislation and Development	\$5,265	\$0	\$190,245	\$564,685	\$515,629
Return Forms & Instructions	439,141		14,017	43,751	13,977
Return Processing	69,244		99,223	24,203	340,462
Estimate Processing	1,451			580	2,049
Taxpayer Assistance	368,263		239,194	13,936	214,463
Claims	24,691		6,552,888	7,397	27,998
Total Self-Assessment	<u>\$908,055</u>	<u>\$0</u>	<u>\$7,095,567</u>	<u>\$654,552</u>	<u>\$1,114,578</u>
Audit Activities					
Federal Audit Reports	\$6,852	\$0	\$1,686,584	\$81,913	\$8,674
Non-Appportioning -- Central Office	8,841		1,471,893	\$516,935	10,620
Non-Appportioning -- Field	13,027		4,110,194	76,124	16,773
Appportioning -- Central Office	32,683		3,375,148	3,625,914	39,689
Appportioning -- Field	70,919		23,351,676	636,751	89,508
Settlement Authority	3,657		13,740	1,477,661	4,516
Partnership	19,843		256	31,989	23,005
Total Audit Activities	<u>\$155,822</u>	<u>\$0</u>	<u>\$34,009,491</u>	<u>\$6,447,287</u>	<u>\$192,785</u>
Math Verification	\$2,923	\$0	\$0	\$1,023	\$3,774
Filing Enforcement	64526			810	2,769
Exempt Corporations	68,531			21,731	8,695
Tax Collections	65,850		218	84,914	78,491
Corp Support Expenditures^{1/}	10			6	1,313,083
Total Corporation	<u>\$1,265,717</u>	<u>\$0</u>	<u>\$41,105,276</u>	<u>\$7,210,323</u>	<u>\$2,714,175</u>
Non-Admitted Insurance Tax	\$334	\$0	\$0	\$105	\$393
Tax Amnesty Project	666,371		457,986	519,590	46,047
Tax Support Expenditures ^{1/}	-41,233			227	60,989
Total Tax Program	<u>\$5,692,003</u>	<u>\$46</u>	<u>\$66,755,145</u>	<u>\$12,780,325</u>	<u>\$6,873,976</u>
Non-Tax Collection Program					
Inter-Agency Intercept Collections	\$2,386	\$0	\$0	\$806	\$3,035
Child Support Collections	161,058		15	28,152	100,609
Vehicle Registration Collections	72,994			7,965	41,944
Court-ordered Debt Collections	63,775			6,095	35,186
DIR Industrial Health & Safety	3,618			520	1,905
Total Non-Tax Collections	<u>\$303,831</u>	<u>\$0</u>	<u>\$15</u>	<u>\$43,538</u>	<u>\$182,679</u>
Other Non-Tax Programs					
Homeowners & Renters Assistance	\$106,135	\$0	\$0	\$159,486	\$48,669
Political Reform Audit	1,253,017			1,320	15,865
Child Support Automation	40,277	142,682,458		190,768	217,050
Other Contracts	24,079			5,573	22,140
Total Other Non-Tax	<u>\$1,423,508</u>	<u>\$142,682,458</u>	<u>\$0</u>	<u>\$357,147</u>	<u>\$303,724</u>
Administration Program^{1/}	\$16,036,006	\$0	\$0	\$0	\$6,926,823
Total Departmental Costs^{2/}	<u>\$23,455,348</u>	<u>\$142,682,504</u>	<u>\$66,755,160</u>	<u>\$13,181,010</u>	<u>\$14,287,202</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 Management	Filing Division	Technology Services Office of CIO	Departmental	Totals
\$0	\$1,161,744	\$41,898	\$726,288	\$3,899,629
31,301	1,095,218	3,720	4,053,167	7,039,804
	1,315,538	662,609	612,103	2,617,713
960,295	8,704,138	14,711,159	8,337,646	34,597,128
	981,608	871,618	715,838	3,420,345
2,030,380	19,093,063	14,118,913	11,013,483	47,135,161
0	481,158	1,115	171,786	661,000
<u>\$3,021,976</u>	<u>\$32,832,467</u>	<u>\$30,411,032</u>	<u>\$25,630,311</u>	<u>\$99,370,780</u>
\$253,162	\$1,243,966	\$934,090	\$3,686,047	\$18,795,890
298	8,855	1,935,371	3,102,312	15,068,678
1,014,219	132,026	294,021	1,271,726	5,833,493
		6	167,740	1,081,522
	103,787	294	47,089	212,717
<u>\$1,267,679</u>	<u>\$1,488,634</u>	<u>\$3,163,782</u>	<u>\$8,274,914</u>	<u>\$40,992,300</u>
\$3,052,229	\$4,025,992	\$3,479,396	\$4,216,582	\$15,178,204
		6	219,340	1,093,663
4,593,325	209,403	495	1,675,993	6,590,902
	2,339,178	4,662	785,907	3,158,079
35,404,149	4,877,961	14,070,906	20,406,266	75,962,420
	4,776,504	1,688,999	1,754,776	8,296,203
			70,020	70,020
		139,602	-1,265,110	0
<u>\$47,339,358</u>	<u>\$50,550,139</u>	<u>\$52,958,880</u>	<u>\$61,768,999</u>	<u>\$250,712,571</u>
\$0	\$30,126	\$248,009	\$299,790	\$1,853,749
1,651	651,871	6,931	303,936	1,475,275
	9,452,403	7,124,936	5,081,780	22,192,251
	248,941	14,120	88,378	355,519
135,515	5,006,806	5,809,886	3,455,416	15,243,479
	56,231	715,355	1,864,108	9,248,668
<u>\$137,166</u>	<u>\$15,446,378</u>	<u>\$13,919,237</u>	<u>\$11,093,408</u>	<u>\$50,368,941</u>
\$0	\$52,836	\$155,969	\$463,572	\$2,456,400
	429,701	160,378	603,356	3,201,724
	2,802	356,499	1,215,714	5,791,133
310	2,155,007	152,794	2,263,625	11,645,170
	324	2,328,626	7,423,305	33,901,109
		10	277,186	1,776,770
	3,240,350	6,262	1,282,058	4,603,763
<u>\$310</u>	<u>\$5,881,020</u>	<u>\$3,160,538</u>	<u>\$13,528,816</u>	<u>\$63,376,069</u>
\$380	\$340,757	\$516,315	\$238,390	\$1,103,562
59,438	288,211	184,038	\$165,037	764,829
	1,423,932	2,927	\$446,064	1,971,880
12,803,391	1,689,182	2,402,319	6,437,098	23,561,463
21,445	4,515	12,955	-1,347,504	4,510
<u>\$13,022,130</u>	<u>\$25,073,995</u>	<u>\$20,198,329</u>	<u>\$30,561,309</u>	<u>\$141,151,254</u>
\$0	\$74,082	\$162	\$19,176	\$94,252
3,275,421	1,684,947	4,190,964	4,338,589	\$15,179,915
612,938	13,928	249,046	81,797	977,692
<u>\$64,249,847</u>	<u>\$77,397,091</u>	<u>\$77,597,381</u>	<u>\$96,769,870</u>	<u>\$408,115,684</u>
	19,176			
\$142,889	\$59,271	\$20,142	\$429,111	\$657,640
5,683,630	693,413	2,733,516	3,747,702	13,148,095
1,950,364	463,125	605,208	2,035,722	5,177,322
2,379,551	996,222	972,471	1,298,773	5,752,073
138,673	2,555	5,989	55,901	209,161
<u>\$10,295,107</u>	<u>\$2,214,586</u>	<u>\$4,337,326</u>	<u>\$7,567,209</u>	<u>\$24,944,291</u>
\$137,457	\$2,078,786	\$265,993	\$1,569,970	\$4,366,496
	1,618	14	126,308	1,398,142
		44,703	3,834,903	147,010,159
	1,057,996	138,617	2,503,592	3,752,021
<u>\$137,481</u>	<u>\$3,138,400</u>	<u>\$449,327</u>	<u>\$8,034,773</u>	<u>\$156,526,818</u>
\$170	\$813	\$8,071	-\$22,971,883	\$0
<u>\$74,682,605</u>	<u>\$82,750,890</u>	<u>\$82,392,105</u>	<u>\$89,399,969</u>	<u>\$589,586,793</u>

Exhibit A2: All Programs

Statement of Paid Hours and Personnel Years

Fiscal Year Ended June 30, 2005

Tax Programs	Executive	Child Support Automation	Audit	Legal	Financial Management
Personal Income Tax					
Self-Assessment Activities					
Legislation and Development	57	0	4,129	14,992	22,818
Return Forms	44,313		473	2,467	241
Return Processing			3,244		8,236
Estimate Processing					
Taxpayer Assistance	29,969		6,715		5,846
Claims			23,144		
Information Exchange					
Fees for Service					
Total Self-Assessment	<u>74,339</u>	<u>0</u>	<u>37,705</u>	<u>17,459</u>	<u>37,141</u>
Audit Activities					
Math Verification	0	0	0	0	0
Desk Audits	1,922		343,313	27,204	
Federal Audit Reports			100,038	3,244	
Field Audits			239,068	3,071	
Total Audit Activities	<u>1,922</u>	<u>0</u>	<u>682,419</u>	<u>33,519</u>	<u>0</u>
Filing Enforcement					
Residence Determination					
Investigation	1,922		408	4,387	0
Withhold At Source					
Tax Collections					
Settlement Authority				2,720	10,421
PIT Support ¹	719		9	17,493	
Total PIT	<u>82,775</u>	<u>0</u>	<u>720,541</u>	<u>93,095</u>	<u>76,167</u>
Corporation Tax					
Self-Assessment Activities					
Legislation and Development	36	0	4,223	9,933	12,458
Return Forms	10,690		359	843	241
Return Processing			3,244		5,378
Estimate Processing					
Taxpayer Assistance	8,697		6,118		3,494
Claims			165,997		
Fees For Services					
Total Self-Assessment	<u>19,423</u>	<u>0</u>	<u>179,941</u>	<u>10,776</u>	<u>21,571</u>
Audit Activities					
Math Verification	0	0	0	0	0
Federal Audit Reports			49,916	1,616	44
Non-Appportioning -- Central Office			40,038	10,706	36
Non-Appportioning -- Field			101,870	1,628	91
Appportioning -- Central Office			92,000	70,071	82
Appportioning -- Field			532,248	11,804	473
Exempt Corporations	1,632			357	
Total Audit Activities	<u>1,632</u>	<u>0</u>	<u>816,072</u>	<u>96,182</u>	<u>726</u>
Filing Enforcement					
Tax Collections					
Settlement Authority	1,649	0	0	2	0
Corp Support ¹			5	1,208	
Total Corporation	<u>22,704</u>	<u>0</u>	<u>996,377</u>	<u>136,793</u>	<u>56,431</u>
Non-Admitted Insurance Tax					
Tax Amnesty Project	0	0	0	0	0
Tax Support Hours	16,724		12,623	9,816	
Total Tax Program	<u>143,612</u>	<u>0</u>	<u>1,729,541</u>	<u>239,704</u>	<u>135,516</u>
Non-Tax Collection Program					
Inter-Agency Intercept Collections	0	0	0	0	0
Child Support Collections	3,046			213	794
Vehicle Registration Collections	1,347				251
Court Ordered Debt Collections	1,262			4	290
Industrial Health & Safety	60				
Total Non-Tax	<u>5,715</u>	<u>0</u>	<u>0</u>	<u>217</u>	<u>1,335</u>
Other Non-Tax Programs					
Homeowner & Renter Assistance	2,470	0	3,473	724	4,055
Political Reform Audit	28,275			251	
Child Support Automation	826	246,819	2,792	3,782	
Other Contracts	214				
Total Other Non-Tax	<u>31,785</u>	<u>246,819</u>	<u>6,265</u>	<u>4,757</u>	<u>4,055</u>
Administration Program¹					
Multiprogram Support Hours ²	473,176		27,731	9,883	232,762
Total Paid Hours	<u>658,053</u>	<u>246,819</u>	<u>1,763,537</u>	<u>256,099</u>	<u>374,253</u>

Accounts Receivable Management	Filing Division	Technology Services Office of CIO	Total	Personnel Year Totals
0	44,856	947	87,799	43.7
941	28,529	45	77,009	38.4
64,468	924,476	325,225	1,325,649	660.2
	77,464	16,400	93,864	46.7
28,641	311,106	355,898	738,175	367.6
	38,146	21,438	82,728	41.2
	22,118		22,118	11.0
19,675	506	557	20,738	10.3
<u>113,725</u>	<u>1,447,201</u>	<u>720,510</u>	<u>2,448,080</u>	<u>1,219.2</u>
0	214,071	41,693	255,764	127.4
8,038	60,327	22,532	463,336	230.7
32,204	6,434	6,958	148,878	74.1
	403	45,806	288,348	143.6
40,242	281,235	116,989	1,156,326	575.9
96,913	130,283	77,449	311,391	155.1
			17,088	8.5
96,667	9,574		108,592	54.1
	90,329		90,329	45.0
1,090,947	200,519	342,597	1,649,126	821.3
			17,502	8.7
	360	3,658	33,342	16.6
<u>1,438,494</u>	<u>2,159,501</u>	<u>1,261,203</u>	<u>5,831,776</u>	<u>2,904.3</u>
0	1,167	6,049	33,866	16.9
50	17,036	144	29,363	14.6
	408,307	173,271	590,200	293.9
	14,096	335	14,431	7.2
4,041	180,648	141,575	344,573	171.6
	2,075	16,755	184,827	92.0
	146		146	0.1
<u>4,091</u>	<u>623,475</u>	<u>338,129</u>	<u>1,197,406</u>	<u>596</u>
11	13,059	12,600	25,670	12.8
	2,718	3,913	58,207	29.0
	167,287	3,927	221,994	110.6
	104	8,867	112,560	56.1
	96,897	4,037	263,087	131.0
		55,736	600,261	298.9
		55,591	57,580	28.7
<u>11</u>	<u>280,065</u>	<u>144,671</u>	<u>1,339,359</u>	<u>667.0</u>
1,893	10,758	4,126	18,428	9.2
392,696	69,986	58,164	522,059	260.0
			28,984	14.4
680			34,814	17.3
<u>399,371</u>	<u>984,284</u>	<u>545,090</u>	<u>3,141,050</u>	<u>1,564</u>
0	2,660		2,660	1.3
100,965	70,805	103,275	314,208	156.5
		5,794	30,121	15.0
<u>1,938,830</u>	<u>3,217,250</u>	<u>1,915,362</u>	<u>9,319,815</u>	<u>4,641</u>
4,645	2,419	507	7,571	3.8
185,004	35,626	66,617	291,300	145.1
71,530	23,709	15,067	111,904	55.7
84,274	53,944	24,501	164,275	81.8
4,449	119	158	4,786	2.4
<u>349,902</u>	<u>115,817</u>	<u>106,850</u>	<u>579,836</u>	<u>288.8</u>
100,483	6,592	0	117,797	58.7
63			28,589	14.2
	1,027		255,246	127.1
	47,945	3,245	51,404	25.6
<u>100,546</u>	<u>55,564</u>	<u>3,245</u>	<u>453,036</u>	<u>225.6</u>
0	0		715,821	356.5
25	509	7,411	41,564	20.7
<u>2,389,303</u>	<u>3,389,140</u>	<u>2,032,868</u>	<u>11,110,072</u>	<u>5,533</u>

Exhibit A3: All Programs

Selected Historical Statistics

Fiscal Years Ended June 30, 1970 through June 30, 2005

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					
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
2005	15,872	1,145	10,094	\$49,184	\$150	\$387	\$7,742	\$104	\$57,313	\$254

^{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	COST	NON-TAX COLLECTED	COST	HRA Claims Processed	HRA Costs	Political Reform Costs	Audit Contract Costs	TOTAL Department Cost	Year Ended 6-30	
\$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	
\$1,971	\$100	\$406	\$25	632	\$4	\$1	\$4	\$589	2005	

Exhibit B: Tax Programs

Self-Assessment Activities

Statement of Return Processing Activities

Fiscal Year Ended June 30, 2005

	Personal Income Tax	Bank & Corporation Tax ^{1/}	Total
Tax Revenue			
Gross Self-Assessed Tax	\$44,240,340,111	\$4,944,509,019	\$49,184,849,130
Refunds Allowed	<u>-7,568,782,195</u>	<u>-1,282,726,792</u>	<u>-8,851,508,987</u>
Net Self-Assessed Tax	\$36,671,557,916	\$3,661,782,227	\$40,333,340,143
Returns Filed As a Result of Filing Enforcement Activities	<u>493,352,638</u>	<u>0 ^{2/}</u>	<u>493,352,638</u>
Voluntarily Reported Self-Assessed Tax	<u>\$37,164,910,554</u>	<u>\$3,661,782,227</u>	<u>\$40,826,692,781</u>
Units Processed			
Number of Returns Processed	15,766,441	1,144,874	16,911,315
Number of Refunds Processed	<u>10,094,442</u>	<u>122,189</u>	<u>10,216,631</u>
Total Number of Units Processed	<u>25,860,883</u>	<u>1,267,063</u>	<u>27,127,946</u>
Cost of Returns and Refunds Processed	\$47,135,161	\$31,440,919	\$78,576,080
Cost of Total Self-Assessed Activities	\$99,370,780	\$50,368,941	\$149,739,721
Paid Hours of Returns and Refunds Processed	1,408,377	775,027	2,183,404
Paid Hours of Total Self-Assessed Activities	2,427,341	1,197,257	3,624,598
Statistics			
Total Cost per Paid Hour	\$40.94	\$42.07	\$41.31
Total Paid Hours Per Unit Processed	0.09	0.94	0.13
Total Paid Hours Per Return Processed	0.15	1.05	0.21
Total Cost Per Unit Processed	\$3.84	\$39.75	\$5.52
Average Tax Per Return	\$2,357.22	\$3,198.42	\$2,414.16
Average Refund Allowed Per Claim	\$749.80	\$10,497.89	\$866.38

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

^{2/} Information not available.

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

Fiscal Years Ended June 30, 2004 and 2005

	Notices Mailed		Tax Returns Received After		Net Assessment	
	2004/2005	2003/2004	2004/2005	2003/2004	2004/2005	2003/2004
Personal Income Tax						
Demand/Request Letter	756,183	819,006	80,722	81,805	\$226,972,528	\$243,045,451
Notice of Proposed Assessment	528,856	499,602	168,044	170,298	687,329,983	55,961,320
Total Personal Income Tax	<u>1,285,039</u>	<u>1,318,608</u>	<u>248,766</u>	<u>252,103</u>	<u>\$914,302,511</u>	<u>\$299,006,771</u>
Additional Collections Per Dollar Cost						
Corporation Tax						
Demand Letters Mailed	10,744	21,004	922	813	\$ 0 ^{2/}	\$ 0 ^{2/}
Notice of Proposed Assessments	15,064	726	2525	456	0 ^{2/}	0 ^{2/}
Total Corporation Tax	<u>25,808</u>	<u>21,730</u>	<u>3,447</u>	<u>1,269</u>	<u>\$ 0</u>	<u>\$ 0</u>
Additional Collections Per Dollar Cost						
Total Tax Programs	<u>1,310,847</u>	<u>1,340,338</u>	<u>252,213</u>	<u>253,372</u>	<u>\$914,302,511</u>	<u>\$299,006,771</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	
2004/2005	2003/2004	2004/2005	2003/2004	2004/2005	2003/2004
\$106,918,485	\$106,518,605				
363,868,958	344,352,338				
<u>\$470,787,443</u>	<u>\$450,870,943</u>	<u>\$15,178,204</u>	<u>\$15,798,019</u>	<u>311,391</u>	<u>352,478</u>
		\$ 31.02	\$ 28.54		
\$ 0 ^{2/}	\$ 0 ^{2/}				
0 ^{2/}	0 ^{2/}				
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 764,829</u>	<u>\$ 787,681</u>	<u>18,428</u>	<u>21,517</u>
		\$ 0 ^{2/}	\$ 0 ^{2/}		
<u>\$470,787,443</u>	<u>\$450,870,943</u>	<u>\$15,943,033</u>	<u>\$16,585,700</u>	<u>329,819</u>	<u>373,995</u>

Exhibit C1: Tax Programs Enforcement Activities

Assessments Activities

Fiscal Years Ended June 30, 2004 and 2005

	Net Tax Assessments		Change
	2004/2005	2003/2004	
Personal Income Tax			
Residency Determination	\$46,368	\$787	\$45,581
Investigations	<u>\$656,614</u>	<u>\$888,836</u>	<u>-\$232,222</u>
Total Personal Income Tax	\$702,982	\$889,623	-\$186,641
Corporation Tax			
Investigations	\$0 ^{1/}	\$0 ^{1/}	\$0
Revivor	1,537	6,447	-4,910
Secretary of State Penalties	<u>25,386,923</u>	<u>15,653,643</u>	<u>9,733,280</u>
Total Corporation Tax	<u>\$25,388,460</u>	<u>\$15,660,090</u>	<u>\$9,728,370</u>
Total Tax Programs	<u>\$26,091,442</u>	<u>\$16,549,713</u>	<u>\$9,541,729</u>

^{1/} Information not available

Exhibit D1: Tax Programs

Tax Audit Activities

Activities and Results

Fiscal Years Ended June 30, 2004 and 2005

	Net Assessments			
	2004/2005	2003/2004	Change	Percent Change
Personal Income Tax				
Desk Audit	\$182,431,366	\$83,253,683	\$99,177,683	119%
Federal Audit Reports	155,222,581	149,203,231	6,019,350	4.0%
Field Audits	87,387,934	124,412,307	-37,024,373	-29.8%
Total Personal Income Tax	<u>\$425,041,881</u>	<u>\$356,869,221</u>	<u>\$68,172,660</u>	19%
Corporation Tax				
Federal Audit Reports	\$155,529,170	\$117,731,371	\$37,797,799	32.0%
Non-Appportioning Audits				
Central Office	11,288,203	9,137,304	2,150,899	23.5%
Field	20,465,876	70,362,628	-49,896,752	-70.0%
Apportioning Audits				
Central Office	32,508,335	20,370,769	12,137,566	59.6%
Field	752,668,890	909,643,016	-156,974,126	-17.0%
Exempt Corporation Audits	1,367,688	699,599	668,089	95.5%
Total Corporation Tax	<u>\$973,828,162</u>	<u>\$1,127,944,687</u>	<u>\$-154,116,525</u>	-13.0%
Total Tax Programs	<u>\$1,398,870,043</u>	<u>\$1,484,813,908</u>	<u>\$-85,943,865</u>	-5.0%
Total Returns Audited	346,700	218,932	127,768	58.4%
Total Returns Changed	246,338	146,782	99,556	67.8%
Cost of Operation	\$104,368,369	\$96,473,950	\$7,894,419	8.2%
Paid Hours	2,174,173	2,777,132	-602,959	-21.7%
Statistics				
Cost Per Paid Hour	\$48.00	\$34.74	\$13.27	38.2%
Net Assessments Per Dollar Cost	\$13.40	\$15.39	\$-1.99	-12.0%
Cost Per Return Audited	\$22,330.40	\$6,782.08	\$15,548.32	229.3%
Returns Audited Per Paid Hour	0.2	0.1	0.08	102.3%
Net Assessment Per Return Changed	\$5,678	\$10,115.78	\$-4,437	-43.0%
% Return Changes to Returns Audited	71.05%	67.04%	4.01%	6.0%

Exhibit D2: Tax Programs

Tax Audit Activities

Comparative Schedule of Returns Audited

Fiscal Years Ended June 30, 2004 and 2005

	Changes to Tax		No Changes to Tax		Total Audits	
	2004/2005	2003/2004	2004/2005	2003/2004	2004/2005	2003/2004
Personal Income Tax						
Desk Audit	112,008	63,226	115,163	75,112	227,171	138,338
Federal Audit Reports	130,402	79,688	-18,172	-6,880	112,230	72,808
Field Audits	931	1,108	1,192	1,212	2,123	2,320
Total Personal Income Tax	<u>243,341</u>	<u>144,022</u>	<u>98,183</u>	<u>69,444</u>	<u>341,524</u>	<u>213,466</u>
Corporation Tax						
Federal Audit Reports	1,048	883	-88	69	960	952
Non-Appportioning Audits						
Central Office	203	341	533	638	736	979
Field	462	330	413	683	875	1,013
Appportioning Audits						
Central Office	186	196	1,214	1,131	1,400	1,327
Field	728	861	330	14	1,058	875
Exempt Corporation Audits	370	149	-223	171	147	320
Total Corporation Tax	<u>2,997</u>	<u>2,760</u>	<u>2,179</u>	<u>2,706</u>	<u>5,176</u>	<u>5,466</u>
Total Tax Programs	<u>246,338</u>	<u>146,782</u>	<u>100,362</u>	<u>72,150</u>	<u>346,700</u>	<u>218,932</u>

Exhibit E: Tax Programs

Tax Collection Activities

Statement of Tax Collection Activities

Fiscal Year Ended June 30, 2005

	Personal Income Tax	Bank & Corporation Tax	Total
Collection Revenue			
Beginning Total Available for Collection (7/1/04)	\$3,689,452,638	\$792,634,604	\$4,482,087,242
Added During 2004/05	3,171,742,772	1,624,526,780	4,796,269,552
Abated During 2004/05	<u>-1,778,268,844</u>	<u>-803,303,208</u>	<u>-2,581,572,052</u>
Total Available for Collection	\$5,082,926,566	\$1,613,858,176	\$6,696,784,742
Total Collected ^{1/}	\$1,286,578,206	\$685,008,043	\$1,971,586,249
Discharged	<u>451,853,723</u>	<u>221,021,090</u>	<u>672,874,813</u>
Total Accounts Closed	<u>\$1,738,431,929</u>	<u>\$906,029,133</u>	<u>\$2,644,461,062</u>
Ending Total Available for Collection (6/30/05) ^{2/}	<u>\$3,344,494,637</u>	<u>\$707,829,043</u>	<u>\$4,052,323,680</u>
Collection Accounts			
Total Number of Accounts (7/1/04)	887,764	207,263	1,095,027
Total Number of Accounts (6/30/05)	<u>946,344</u>	<u>212,135</u>	<u>1,158,479</u>
Change in Collection Accounts	<u>58,580</u>	<u>4,872</u>	<u>63,452</u>
Cost of Operation	\$75,962,420	\$23,561,463	\$99,523,883
Paid Hours	1,649,126	522,059	2,171,185
Statistics			
Cost Per Paid Hour	\$46.06	\$45.13	\$45.84
Tax Collected Per Dollar Cost	\$16.94	\$29.07	\$19.81
Percentage of Available Inventory Collected	25.3%	42.4%	29.4%
Percentage of Amount Available Closed	34.2%	56.1%	39.5%
Percent Change between Beginning and Ending Inventory	-9.3%	-10.7%	-9.6%

^{1/} Does not include collections related to Tax Amnesty

^{2/} Does not include calculated accrued penalties and interest on all accounts

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

Fiscal Years Ended June 30, 2004 and 2005

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004	Change	Percent Change
Participating Agency Types:				
State agencies	103	129	-26	-20.2%
City agencies	47	59	-12	-20.3%
County agencies	76	84	-8	-9.5%
Federal agencies	1	1	0	0.0%
Total Participants	<u>227</u>	<u>273</u>	<u>-46</u>	<u>-16.8%</u>
Collection Volumes				
State agencies	395,906	358,221	37,685	10.5%
City agencies	43,854	41,701	2,153	5.2%
County agencies	123,393	120,635	2,758	2.3%
Federal agencies	58,314	52,029	6,285	12.1%
Total Collection Volumes	<u>621,467</u>	<u>572,586</u>	<u>48,881</u>	<u>8.5%</u>
Collection Revenues				
State agencies	\$93,985,926	\$84,395,774	\$9,590,152	11.4%
City agencies	5,769,908	5,269,407	500,501	9.5%
County agencies	26,052,722	24,752,431	1,300,291	5.3%
Federal agencies	29,398,160	24,137,868	5,260,292	21.8%
Total Collection Revenues	<u>\$155,206,716</u>	<u>\$138,555,480</u>	<u>\$16,651,236</u>	<u>12.0%</u>
Cost of Operation	\$657,640	\$502,610	\$155,030	
Paid Hours	7,571	5,761	1,810	
Statistics				
Cost Per Paid Hour	\$86.86	\$87.24	-0.38	
Revenue Collected Per Dollar Cost	\$236.01	\$275.67	-39.67	
Revenue Collected Per Paid Hour	\$20,500.16	\$24,050.60	-3,550.43	
Average Revenue Per Volume	\$249.74	\$241.98	7.76	

Exhibit F2: Non-Tax Collection Program Child Support Collections

Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 2004 and 2005

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004	Change	Percent Change
Levies Issued:				
Bank Accounts	202,592	213,363	-10,771	-5.0%
Wages	372,452	379,865	-7,413	-2.0%
Total Levies Issued	575,044	593,228	-18,184	-3.1%
Continuous Levies				
Total Levies	2,250	0 ^{1/}	2,250	100.0%
	577,294	593,228	-15,934	-2.7%
Gross Revenue Collected for				
Child Support ^{2/}	\$76,057,086	\$68,459,750	\$7,597,336	11.1%
Collection Volumes	741,547	741,060	487	0.1%
Cost of Operations				
Paid Hours	\$13,148,095	\$13,645,403	-\$497,308	-3.6%
	291,300	332,324	-41,024	-12.3%
Statistics				
Cost Per Paid Hour	\$45.14	\$41.06	\$4.08	
Revenue Collected Per Dollar Cost	\$5.78	\$5.02	\$0.77	
Revenue Collected Per Paid Hour	\$261.10	\$206.00	\$55.09	

^{1/} Information not available prior to Fiscal Year 2004/05.

^{2/} Does not include \$41,180,999 collected in 2004/05 nor \$40,981,063 collected in 2003/04 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, 2004 and 2005

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004	Change	Percent Change
Demand for Payment Notices Sent	1,144,751	1,185,521	-40,770	-3.4%
Levies Issued:				
Bank Accounts	39,731	32,410	7,321	22.6%
Wages	236,181	159,226	76,955	48.3%
Total Levies Issued	<u>275,912</u>	<u>191,636</u>	<u>84,276</u>	44.0%
Gross Revenue Collected for DMV ^{1/}	\$109,467,439	\$90,274,719	\$19,192,720	21.3%
Cases Closed	894,974	737,491	157,483	21.4%
Cost of Operations	\$5,177,322	\$4,917,210	\$260,112	5.3%
Paid Hours	111,903	98,584	13,319	13.5%
Statistics				
Cost Per Paid Hour	\$46.27	\$49.88	-\$3.61	
Revenue Collected Per Dollar Cost	\$21.14	\$18.36	\$2.78	
Revenue Collected Per Paid Hour	\$978.24	\$915.71	\$62.52	

^{1/} Does not include \$9.2 million collected in 2004/05 nor \$6.4 million collected in 2003/2004 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, 2004 and 2005

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004	Change	Percent Change
Number of Claims Processed				
Allowed from:				
Property Owners	149,061	154,500	-5,439	-3.5%
Renters	458,432	460,952	-2,520	-0.5%
Not Allowed from:				
Property Owners	6,076	9,208	-3,132	-34.0%
Renters	18,686	27,472	-8,786	-32.0%
Total Number of Claims Processed	<u>632,255</u>	<u>652,132</u>	<u>-19,877</u>	-3.0%
Amount of Claims Allowed				
Property Owners	\$39,549,570	\$39,062,379	\$487,191	1.2%
Renters	<u>143,685,214</u>	<u>143,702,133</u>	<u>-16,919</u>	0.0%
Total Amount of Claims Processed	<u>\$183,234,784</u>	<u>\$182,764,512</u>	<u>\$470,272</u>	0.3%
Claimant Assistance Contacts				
Voice-Activated Response Phone Calls	1,377,575	1,070,396	307,179	28.7%
Manual Phone Calls, Correspondence, and Counter Contacts ^{1/}	<u>414,615</u>	<u>469,072</u>	<u>-54,457</u>	-11.6%
Total Claimant Assistance Contacts	<u>1,792,190</u>	<u>1,539,468</u>	<u>252,722</u>	16.4%
Cost of Operations	\$4,366,496	\$5,289,339	\$-922,843	-17.4%
Paid Hours	117,797	170,397	-52,600	-30.9%
Statistics				
Total Cost Per Paid Hour	\$37.07	\$31.04	\$6.03	19.4%
Paid Hours Per Claim Processed	0.19	0.26	-0.07	-28.7%
Average Amount of Claim Processed	\$289.81	\$280.26	\$9.55	3.4%

^{1/} Counter Contacts are no longer tracked by the district offices.

Exhibit G2: Other Non-Tax Programs

Political Reform Audit

Comparative Schedule of Activities

Fiscal Years Ended June 30, 2004 and 2005

	Fiscal Year Ended June 30, 2005	Fiscal Year Ended June 30, 2004	Change	Percent Change
Political Reform Audits Completed				
Candidates & Controlled Committees	136	165	-29	-17.6%
General Purpose Committees	124	63	61	96.8%
Lobbying Entities	99	57	42	73.7%
Statewide Measures	26	15	11	73.3%
Total Audits Completed	<u>385</u>	<u>300</u>	<u>85</u>	28.3%
Political Reform Audits in Process at FYE				
Candidates & Controlled Committees	50	115	-65	-56.5%
General Purpose Committees	7	157	-150	-95.5%
Lobbying Entities	76	65	11	16.9%
Statewide Measures	32	1	31	3,100.0%
Total Audits in Process at FYE	<u>165</u>	<u>338</u>	<u>-173</u>	-51.2%
Cost of Operations	\$1,398,142	\$1,375,975	\$22,167	1.6%
Paid Hours	28,589	30,288	-1,699	-5.6%
Statistics				
Cost Per Paid Hour	\$48.90	\$45.43	\$3.48	7.6%
Paid Hours per Audit Completed	74.26	100.96	-26.70	-26.4%
Average Cost per Audit Completed	\$3,631.54	\$4,586.58	-\$955.05	-20.8%

GLOSSARY

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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-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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