

Operations Report

California Franchise Tax Board



*Kathleen Connell, Chair
John Chiang, Member
B. Timothy Gage, Member*

1999/2000

May 2002

OPERATIONS REPORT

FISCAL YEAR ENDED JUNE 30, 2000

1999-2000 BOARD MEMBERS

Hon. Kathleen Connell..... Controller
Hon. Dean Andal Chair, State Board of Equalization (2000)
Hon. Johan Klehs..... Chair, State Board of Equalization (1999)
Hon. B. Timothy Gage Director of Finance

CURRENT BOARD MEMBERS

Hon. Kathleen Connell..... Controller
Hon. John Chiang Chair, State Board of Equalization
Hon. B. Timothy Gage Director of Finance

Executive Officer
Gerald H. Goldberg

Prepared by:
Franchise Tax Board Budget Office
May 2002

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INTRODUCTION

Programs The Operations Report presents the 1999/2000 operations of the Franchise Tax Board. The information presented in this report is based on the most current information available.

Franchise Tax Board administers the following programs and their components:

Tax Programs:

- Personal Income Tax (PIT)
- Bank and Corporation Tax (B&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
- Student Loan 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 measure 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 1999/2000, the Franchise Tax Board's expenditures totaled \$375.4 million; an increase of \$15.8 million (4.2%) over the prior year. Personnel years (PYs) totaled 5388.8, an increase of 132.3 (2.5%) over 1998/99. The change in the number of personnel years is reflective of increases to Return Processing (115.4 PYs), Filing Enforcement (154.3 PYs), Homeowner and Renter Assistance (HRA) (55 PYs), and Non-Tax Collections (22 PYs), and is offset by decreases to Audit Activities (87.5 PYs) and Tax Collections (56.7 PYs).

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

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

	<u>1999/2000</u>	<u>1998/1999</u>
Tax Programs		
Personal Income Tax	\$227,524	\$208,776
Bank & Corporation Tax	114,133	128,143
Non-Admitted Insurance Tax	<u>52</u>	<u>53</u>
Total Tax Programs	\$341,709	\$336,972
Non-Tax Collection Programs	23,609	16,516
Other Non-Tax Programs	<u>10,069</u>	<u>6,085</u>
TOTAL EXPENDITURES BY PROGRAM	<u>\$375,387</u>	<u>\$359,573</u>

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

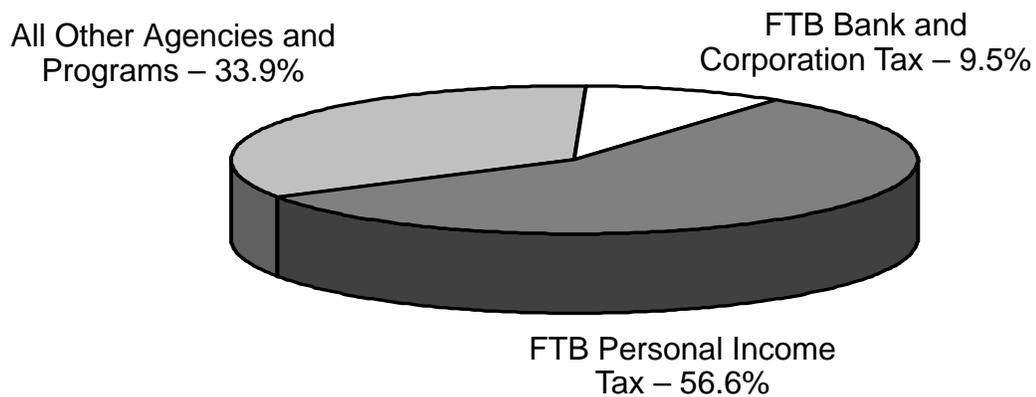
	<u>1999/2000</u>	<u>1998/1999</u>
Personal Services		
Salary and Wages	\$227,443	\$201,344
Benefits	<u>43,266</u>	<u>57,731</u>
Total Personal Services	\$270,709	\$259,075
Operating Expenses & Equipment	<u>104,446</u>	<u>100,498</u>
TOTAL EXPENDITURES	<u>\$375,155</u>	<u>\$359,573</u>
Reimbursements	<u>-14,647</u>	<u>-9,799</u>
NET EXPENDITURES BY OBJECT	<u>\$360,508</u>	<u>\$349,773</u>

California's General Fund^{1/}

The General Fund received \$69.3 billion in revenue from all major tax and license revenue sources. As illustrated below, the Franchise Tax Board was again a principal contributor of revenues to the General Fund. The General Fund is the state's primary funding source for general government services. At the end of fiscal year (FY) 1999/2000 the General Fund had a cash surplus of \$8.5 billion.

Fiscal Year ended June 30, 2000

Major Tax and License Revenue Fiscal Year Ended June 30, 2000



Major Tax & License Revenues (Millions)

	Fiscal Year		Change	Percent Change
	1999/2000	1998/1999		
Personal Income Tax ^{1/}	\$39,272.8	\$30,728.9	\$8,543.9	27.8%
Bank & Corporation Tax	<u>6,575.4</u>	<u>5,459.2</u>	<u>1,116.2</u>	20.4%
Subtotal	\$45,848.2	\$36,188.1	\$9,660.1	26.7%
Other Programs	<u>23,473.2</u>	<u>21,318.8</u>	<u>2,154.4</u>	9.2%
Total	<u>\$69,321.4</u>	<u>\$57,506.9</u>	<u>\$11,814.5</u>	20.5%

Statistics extracted from the 1999/2000 Controller's Annual Financial Report.

^{1/} In 1999/2000, \$23.9 billion of General Fund Revenues came from Personal Income Tax withholding; a \$3.5 billion increase from the 1998/99 level of \$20.4 billion.

TAX PROGRAMS

The Franchise Tax Board tax program activities consist of the administration of the state's personal income tax, bank and 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 1999/2000, the tax programs administered by the Franchise Tax Board accounted for \$45.8 billion (66.1%) 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 now file schedule K-1 on a CD, diskette, tape cartridge, or magnetic tape reel. The credit card project was implemented and expanded to include PIT estimate and current year tax payments.

Taxpayer Assistance

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

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

In addition to the above activities, the department distributed 13.7 million tax return booklets, forms and postcards; provided for 14 million downloaded forms; received 403 thousand interactive voice response (IVR) phone calls; and manually responded to one million telephone, paper and electronic mail correspondence, and over-the-counter requests for forms, pre-filing assistance, and refund information in 1999/2000.

Return Processing

Return Processing activities include:

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

In 1999/2000, the department processed 13.7 million personal income tax returns and reported self-assessments of \$26.7 billion. Of the returns processed, 8.7 million PIT returns resulted in refunds of \$4.3 billion due to withholding, prepayments, and refundable credits.

Taxpayers and tax preparers filed 2,046,198 PIT returns electronically, a 54 percent increase from 1998/99's level of 1,329,000 returns. The increase was due to technological enhancements that allowed for the processing of more complex returns. Also in 1999/2000, FTB processed 5.3 million PIT returns by an electronic image scanning system, increasing efficiency over the traditional key data entry system.

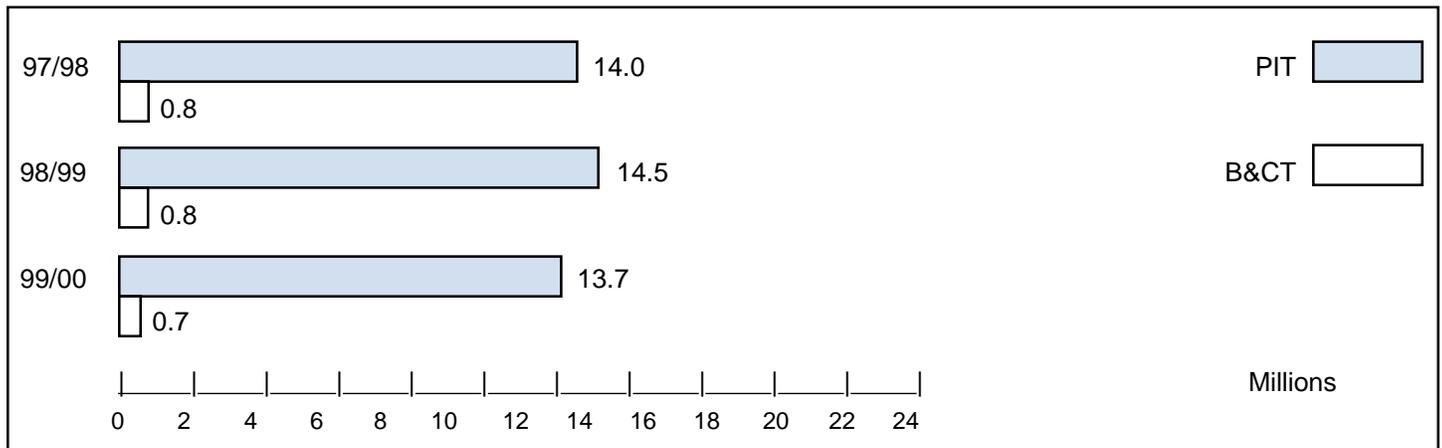
FTB processed 802,000 business entity tax returns, including 564,000 bank and for-profit corporation tax returns, and 238,000 partnership and limited liability company returns for a total tax liability of \$5 billion. Additionally, the FTB deposited 487,000 estimate tax payments and processed 70,645 tax-exempt corporation returns in 1999/2000.

Self-Assessment Activities

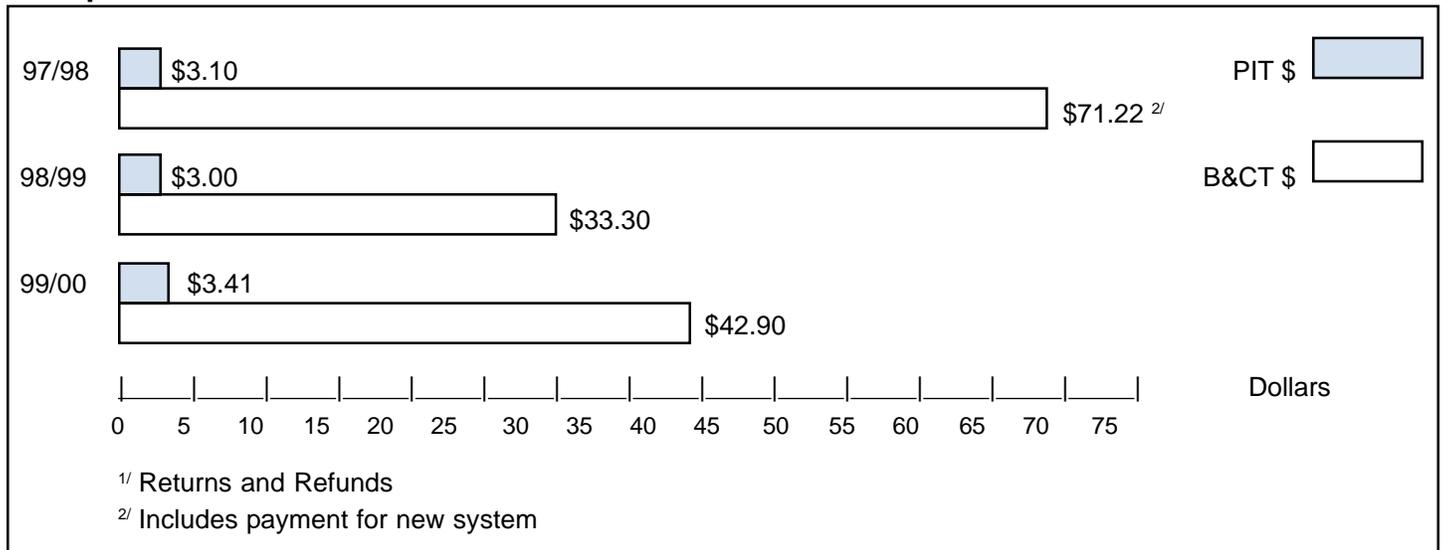
Amount of Self-Assessed Tax



Number of Returns Processed



Cost per Unit^{1/} Processed



Filing Enforcement Activities^{1/}

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.

A comparison of filing enforcement activities between 1998/99 and 1999/2000 is presented below. Additional filing enforcement statistics are provided in Exhibits A, C1 and C2.

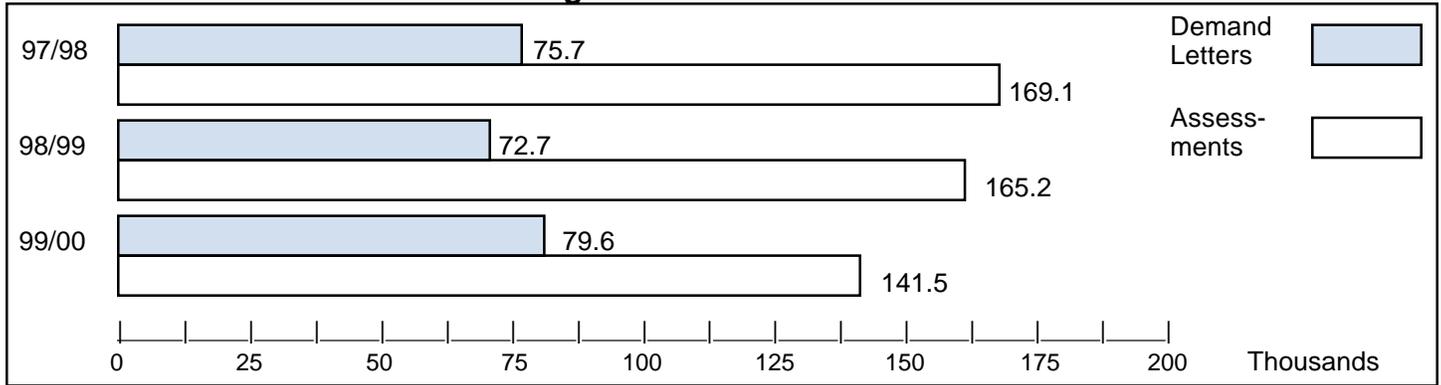
RETURNS FILED AS A RESULT OF FILING ENFORCEMENT ACTIVITIES A Two Year Comparison

	<u>1999/2000</u>	<u>1998/1999</u>
Volumes:		
Personal Income Tax:		
Demand-to-File Letters Mailed	745,450	718,781
Returns Filed As Result of Demand Letters	79,632	72,664
Assessment Notices Issued	459,777	429,109
Returns Filed as Result of Assessment Notices	141,480	165,162
Bank & Corporation Tax:		
Demand Letters and Assessments Mailed	16,019	73,282
Returns Filed as Result of Letters and Notices	1,215	1,870
Net Assessments from No Returns Filed	12,300	92,800
Dollars Assessed (thousands)		
Personal Income Tax:		
Returns Filed as Result of Demand Letters	\$122,489	\$149,984
Returns Filed as Result of Assessment Notices	182,687	303,092
Revenues from No-Return Final Assessments	882,717	607,513
Bank & Corporation Tax:		
Returns Filed as Result of Letters and Notices	11,583	2,343
Revenues from No Return, Net Assessments	<u>414,265</u>	<u>568,842</u>
Total Assessed Dollars	<u>\$1,613,741</u>	<u>\$1,631,774</u>

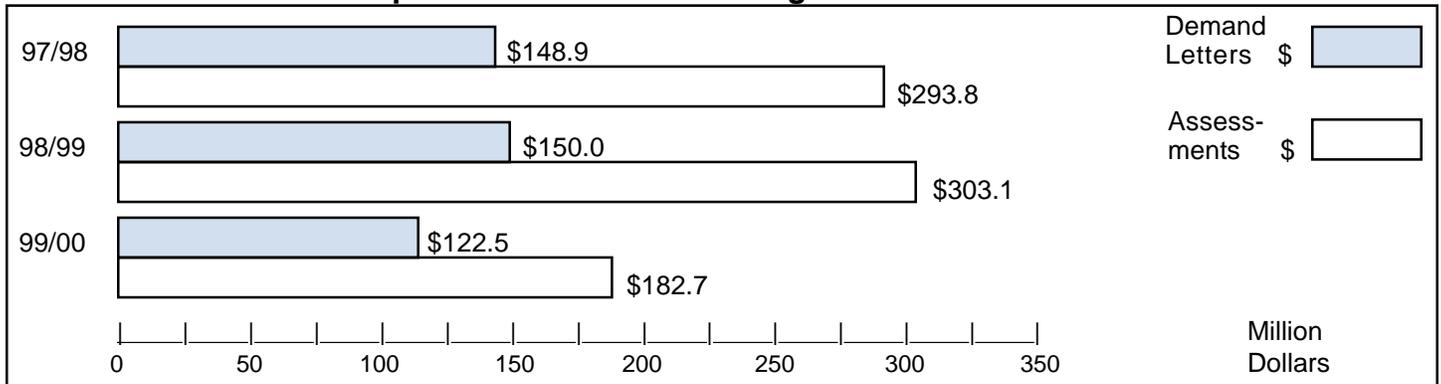
^{1/} Does not include Secretary of State, Revivor, Investigations, Residency Determination

Filing Enforcement Activities

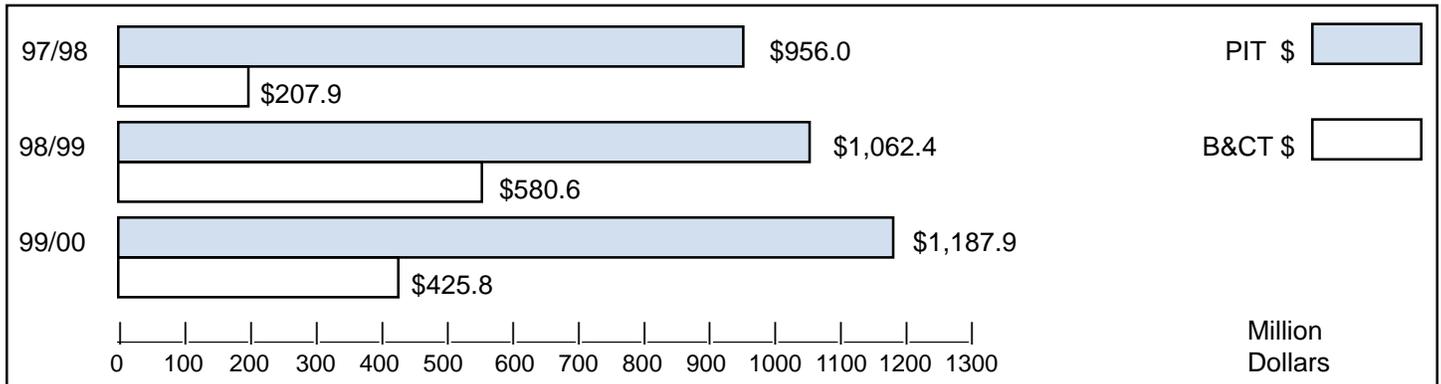
PIT Returns Filed As A Result of Filing Enforcement Activities



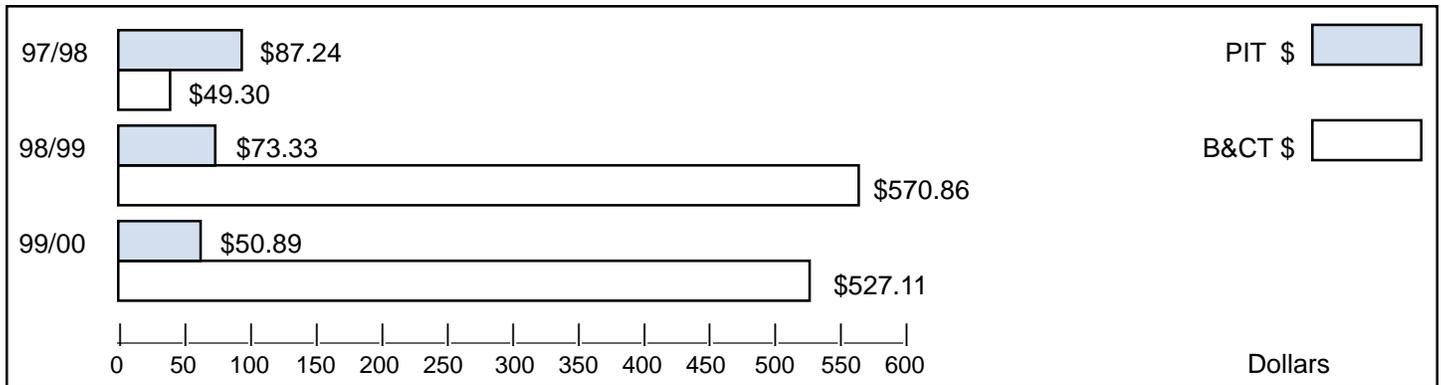
PIT Self-Assessed Tax Reported As A Result of Filing Enforcement Activities



Net Assessment Dollars



Net Assessed Revenue Per Dollar Cost



Tax Audit Activities

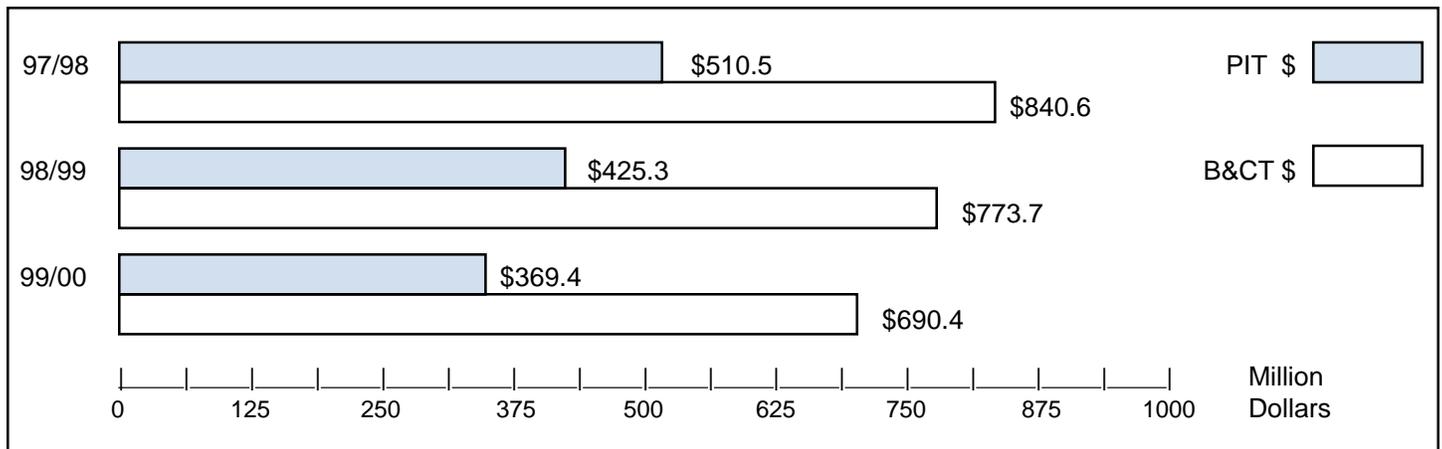
Audit activities determine the correct tax liability for individuals and business entities in accordance with the California Revenue and Taxation Code. These activities include both the detailed examination of tax returns and supporting documents, and the automated verification of self-assessed tax returns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

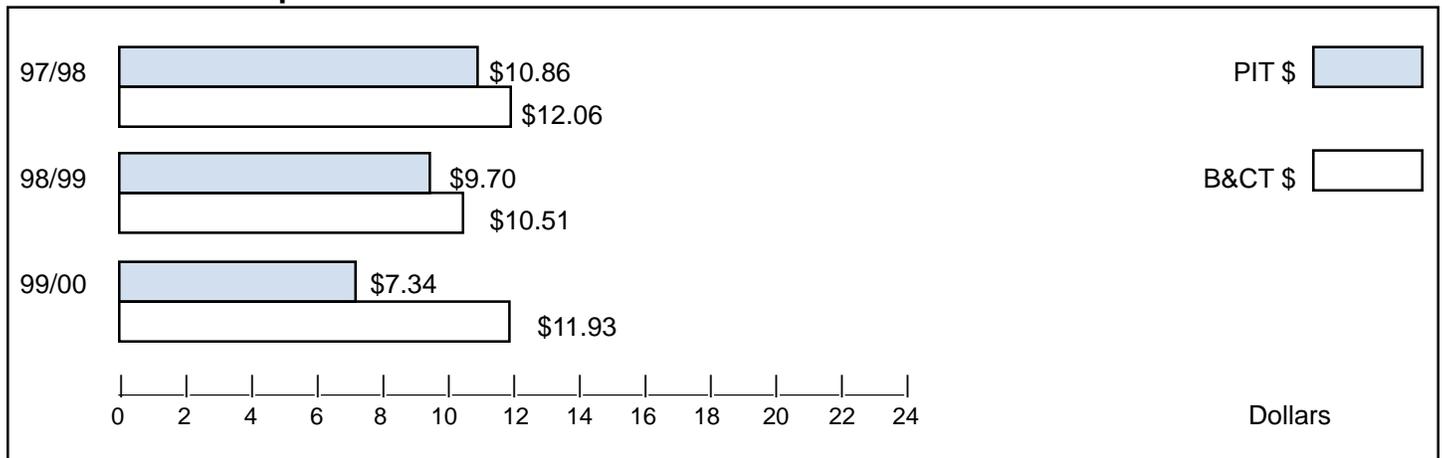
In 1999/2000, net assessments from audit activities totaled \$1.1 billion and operational costs totaled \$108.3 million. This resulted in an overall benefit-to-cost ratio of \$9.80 to one. The following bar chart compares 1999/2000 audit activities with those of the two prior years. Detailed information 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

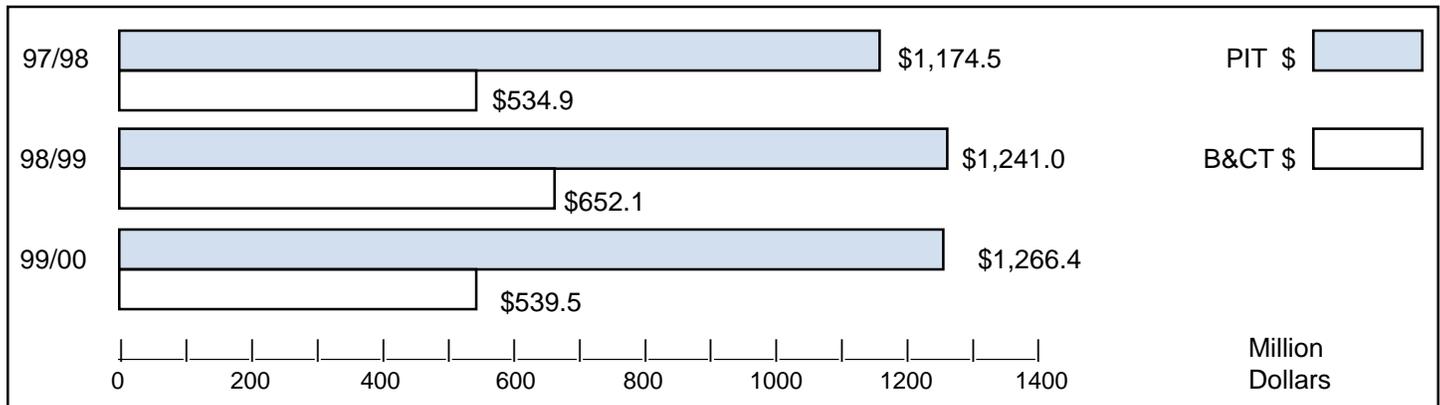
Tax collection activities involve accounts receivable collection established by the department's self-assessment, audit, settlement, and filing enforcement activities. An automated billing system combined with central and field office collection staff administers collections. The automated system initiates 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 1999/2000, \$1.8 billion was collected through automated and manual collection activities, a decrease of \$0.1 million from 1998/99's level of \$1.9 billion. Total cost of operations was \$91.2 million, of which \$73 million was for PIT collections and \$18.2 million was for B&CT. The following chart compares 1999/2000 collections with the two prior years. Detailed collection activity information for 1999/2000 is shown in Exhibits A and E.

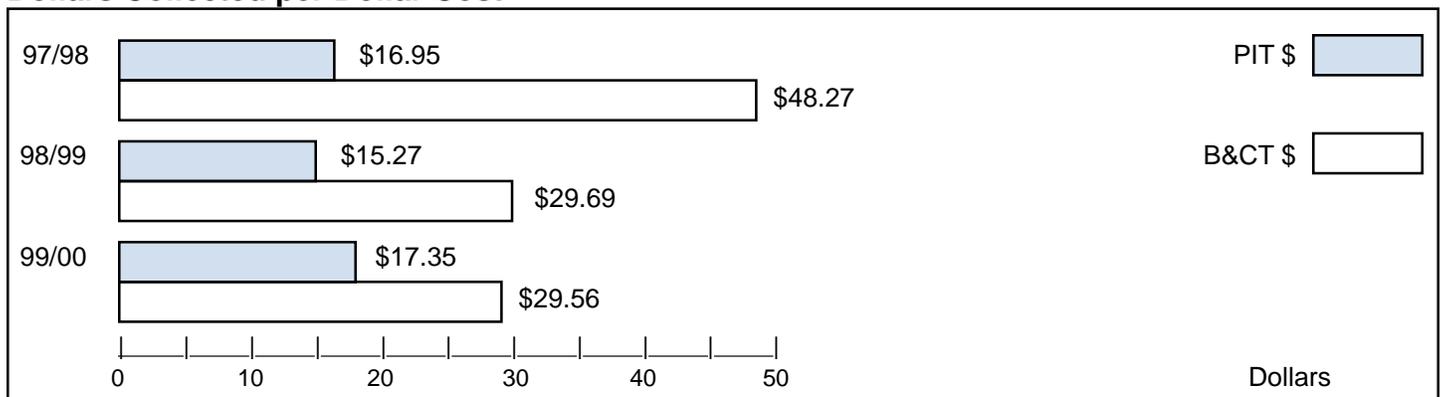
^{1/} Payments submitted by taxpayers prior to activation of the billing process are not included in 'tax collection revenues'.

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 1999/2000, 125 cases were settled, sustaining \$97.5 million (67%) of the \$145.5 million in dispute. A summary of 1999/2000 settlement activities is presented in the table below.

1999/2000 SETTLEMENT ACTIVITIES Revenue and Costs in Millions

	<u>PIT</u>	<u>B&CT</u>	<u>TOTAL</u>
Cases Completed	150	93	243
Cases Settled	72	53	125
Revenue in Dispute	\$35.6	\$110.0	\$145.6
Revenue Sustained	\$22.2	\$75.3	\$97.5
Cost	\$1.1	\$1.0	\$2.1
Revenue Sustained Per Dollar Cost	\$19.89	\$69.69	\$44.37

Non-Admitted Insurance Tax Collections

Revenue and Taxation Code, Section 13201, authorizes the Franchise Tax Board to assess and collect non-admitted insurance tax. Non-admitted insurance tax is paid by individual policyholders who purchase policies directly from insurance brokers or companies not authorized by the Secretary of State to conduct business in California. The tax is paid through quarterly returns. In 1999/2000, FTB collected \$5.2 million at a cost of \$52 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 1999/2000, taxpayers made 522 thousand contributions for a total of \$3.3 million. A comparison of contributions between 1999/2000 and the prior year is presented as follows:

VOLUNTARY CONTRIBUTIONS TWO YEAR COMPARISON (Thousands)

Fund Name	1999/2000		1998/1999	
	Volume	Dollars	Volume	Dollars
California Senior Citizens	42	221	42	213
Rare & Endangered Species	64	563	66	566
State Children's Fund	65	477	66	472
Alzheimer's Research	56	398	53	357
Mex.-Amer.Veteran's Memorial	17	61	16	52
Senior's Special Fund	11	49	5	64
Breast Cancer Research	65	490	67	464
Public School Library	44	292	46	300
Firefighter's Memorial	27	126	27	134
Drug Abuse Resistance	32	149	35	170
Military Museum	1	5	16	56
Emergency Food Assistance	45	275	48	289
Birth Defects ^{1/}	32	140	0	0
Peace Officer Memorial ^{1/}	21	102	0	0
Total Voluntary Contributions	<u>522</u>	<u>\$3,348</u>	<u>487</u>	<u>\$3,137</u>

^{1/} New fund for Tax Year 1999

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 1999/2000, governmental agencies received a total of \$87.8 million from intercepted tax refunds (\$86.1 million) and lottery winnings (\$1.7 million).

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

Child Support Collections

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

The program began in 1993/94, with referrals from six California counties and grew to 58 counties by June 30, 2000. In 1999/2000, FTB conducted 934,598 collection actions and collected \$90 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 \$38.3 million collected through the Inter-Agency Intercept Program.

Additional information is provided in Exhibit F2.

Vehicle Registration Collections

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

At the end of 1999/2000, FTB closed 681,589 delinquent cases and collected \$97.4 million^{1/} for the DMV while incurring collection costs of \$4.9 million. This equates to a benefit-to-cost ratio of \$19.66 to \$1.00.

Additional information is provided in Exhibit F3.

^{1/} Does not include \$4.8 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 1999/2000, 20 counties utilized FTB collection services to close delinquent accounts. In response, FTB mailed 217,967 demand-to-pay notices to delinquent debtors; 253,096 levies were placed on debtors' wages; and 6,606 bank levies were issued. As a result, the Court-Ordered Debt Collections Program collected \$17 million at a cost of \$1.9 million or a benefit-to-cost ratio of \$9.05 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 1999/2000, 1,667 delinquent cases were referred from DIR to FTB for collections. FTB collected and transferred \$1.6 to DIR at a cost of \$144,131 and a benefit-to-cost ratio of \$11.20 to \$1.00.

Student Loan Collections

Chapter 1001, Statutes of 1996 authorized FTB to collect delinquent student loans on behalf of the California Student Aid Commission. In 1999/2000, FTB mailed 68,643 demand-to-pay notices to delinquent debtors; placed 2,144 levies on debtors' bank accounts; and issued 86,764 levies on wages. As a result, the Student Loan Collections Program collected \$26 million at a cost of \$2.8 million, or a benefit-to-cost ratio of \$9.34 to \$1.00.

Additional information is provided in Exhibit F4.

OTHER NON-TAX PROGRAMS

Homeowner and Renter Assistance

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

In 1999/2000, FTB processed 427,700 HRA claims representing an increase of 183.2% above the prior year's volume of 151,040. Claims allowed in 1999/2000 totaled \$73.5 million, of which \$57 million was given to qualified renters and \$16.5 million to eligible homeowners. The department responded to 125,831 IVR telephone calls compared to 45,000 calls in the preceding year, and 562,952 manually answered calls, correspondence, and in-person contact requests for assistance compared to 75,000 in the preceding year. These increases are a result of changes in tax law.

A comparison of 1999/2000 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 election year of 1999/2000, 459 audits were completed of which 280 audits related to political candidate and campaign committees, 134 audits related to lobbying entities, 37 audits of ballot measures and general political action committees, and 8 statewide measures.

Exhibit G2 illustrates the different audit emphasis between the election year 1999/2000 and the previous year.

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. In 1999/2000, Contract Work reimbursements totaled \$14.6 million.

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 1999/2000, the CCSAS project performed initial startup activities, including the recruitment and hiring of key project staff, the development of the Project Charter that defines the project governance structure, business requirements, scope and performance measures, the development of the Planning Advanced Planning Document Update required by the Federal Office of Child Support Enforcement, and other project management functions.

EXHIBITS

The details of the 1999/2000 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 1999/2000 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 1964/65.

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 C1 and C2 display Filing Enforcement Activities, Exhibits D1 and D2 relate to Tax Audit Activities, and Exhibit E presents Tax Collection Activities.

Exhibits F1 through F4 present schedules of operations and costs related to Non-Tax Collection Programs.

Exhibits F1 through F4 include Inter-Agency Intercept Collections, Child Support Collections, Vehicle Registration Collections, and Student Loan 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.

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Exhibit A: All Programs

Schedule of Assessments, Collections, and Other Activities

Fiscal Year Ended June 30, 2000

Program Activities:	Revenue Measurement	Cost (Exhibit A1)	Measurement per Dollar Cost
NET ASSESSMENT ACTIVITIES:			
Personal Income Tax			
Filing Enforcement Assessment Activities			
Filing Enforcement	\$1,187,893,311	\$23,343,745	\$50.89
Residency Determination	341,091	289,687	\$1.18
Investigations	367,731	2,984,758	\$0.12
Audit Assessment Activities			
Mathematical Verification	84,180,780	8,670,369	\$9.71
Desk Audits	64,391,799	18,084,752	\$3.56
Federal Audit Reports	174,507,217	8,876,162	\$19.66
Field Audits	46,345,629	14,745,616	\$3.14
Total PIT Net Assessment Activities	<u>\$1,558,027,558</u>	<u>\$76,995,089</u>	
Bank & Corporation Tax			
Filing Enforcement Activities	\$427,700,528	\$811,407	\$527.11
Audit Assessment Activities			
Mathematical Verification	8,886,464	893,275	\$9.95
Federal Audit Reports	91,612,152	1,463,868	\$62.58
Non-Appportioning Central Office	6,836,700	5,854,743	\$1.17
Non-Appportioning Field	15,336,671	7,256,308	\$2.11
Apportioning Central Office	8,357,086	7,028,645	\$1.19
Apportioning Field ^{1/}	560,013,901	33,028,351	\$16.96
Exempt Corporation Audits	747,923	2,376,938	\$0.31
Total B&CT Net Assessment Activities	<u>\$1,119,491,425</u>	<u>\$ 58,713,535</u>	
TOTAL NET ASSESSMENT ACTIVITIES	<u>\$2,677,518,983</u>	<u>\$135,708,624</u>	\$19.73
COLLECTION ACTIVITIES:			
Tax Programs			
Personal Income Tax			
Tax Collections	\$1,266,419,112	\$72,974,435	\$17.35
Voluntary Contributions	3,348,795	49,558	\$67.57
Bank and Corporation Tax			
Tax Collections	539,544,401	18,251,611	\$29.56
Non-Admitted Insurance Tax	5,168,571	51,572	\$100.22
Non-Tax Collection Programs			
Inter-Agency Intercept Collections	87,772,884	338,445	\$259.34
Child Support Collections	90,031,539	7,815,486	\$11.52
Vehicle Registration Collections	97,374,364	4,951,811	\$19.66
Court-Ordered Debt Collections	17,010,886	1,879,647	\$9.05
Industrial Health & Safety Collections	1,613,736	144,131	\$11.20
Student Loan Collections	25,778,915	2,759,631	\$9.34
TOTAL COLLECTION ACTIVITIES	<u>\$2,134,063,203</u>	<u>\$109,216,327</u>	\$19.54
OTHER ACTIVITIES:			
Personal Income Tax Program			
Self-Assessment Activities	—	\$76,387,243	
Settlement Activities	—	1,117,782	
Bank & Corporation Tax Program			
Self-Assessment Activities	—	36,087,273	
Settlement Activities	—	1,080,411	
Homeowner & Renter Assistance Program	—	6,036,995	
Political Reform Audit Program	—	1,242,219	
Child Support Automation	—	5,720,201	
Contract Work Program	—	2,789,591	
TOTAL OTHER ACTIVITIES		\$130,461,715	
TOTAL PROGRAM ACTIVITY COST		<u>\$375,386,666</u>	

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

Exhibit A1: All Programs

Statement of Operation Costs

Fiscal Year Ended June 30, 2000

Tax Programs	Executive	Child Support Automation	Technology & Research	Legal
Personal Income Tax				
Self-Assessment Activities				
Legislation and Development	\$133,478	\$7	\$2,752,568	\$903,102
Return Forms	36,298	2	584,020	84,057
Return Processing	316,927	15	1,148,249	34
Estimate Processing	29,295	2	106,177	3
Taxpayer Assistance	223,498	12	810,041	24
Claims	35,464	2	128,536	4
Information Exchange	4,206	0	15,245	0
	<u>\$779,166</u>	<u>\$40</u>	<u>\$5,544,836</u>	<u>\$987,224</u>
Filing Enforcement				
Filing Enforcement	\$170,553	\$9	\$2,658,749	\$18
Residency Determination	1,585	0	5,744	206,765
Investigations	39,453	2	142,994	4
	<u>\$211,591</u>	<u>\$11</u>	<u>\$2,807,487</u>	<u>\$206,787</u>
Audit Activities				
Mathematical Verification	\$90,071	\$5	\$326,479	\$10
Desk Audits	227,576	11	1,461,585	2,493,480
Federal Audit Reports	108,041	6	391,673	76,978
Field Audits	186,359	10	1,312,643	120,150
	<u>\$612,047</u>	<u>\$32</u>	<u>\$3,492,380</u>	<u>\$2,690,618</u>
Tax Collections				
	\$723,294	\$38	\$9,506,495	\$70,518
Settlement Authority				
	15,378	1	55,735	894,024
Voluntary Contributions				
	459	0	1,663	0
	<u>\$2,341,935</u>	<u>\$122</u>	<u>\$21,408,596</u>	<u>\$4,849,171</u>
Bank and Corporation Tax				
Self-Assessment Activities				
Legislation and Development	\$49,537	\$3	\$181,520	\$623,615
Return Forms	13,409	1	48,600	34,786
Return Processing	225,919	12	2,160,173	24
Estimate Processing	3,193	0	24,675	0
Taxpayer Assistance	98,778	5	358,008	11
Claims	74,309	4	269,325	8
	<u>\$465,145</u>	<u>\$25</u>	<u>\$3,042,301</u>	<u>\$658,444</u>
Filing Enforcement				
	8,975	0	88,018	1
Audit Activities				
Mathematical Verification	\$12,125	\$1	\$43,945	\$1
Federal Audit Reports	16,315	1	59,131	6,739
Non-Appportioning Central Office	67,554	3	244,930	487,891
Non-Appportioning Field	80,535	4	291,890	102,436
Apportioning Central Office	74,205	4	289,689	1,077,700
Apportioning Field	350,198	18	1,269,250	1,085,922
Exempt Corporations	29,475	2	106,829	26,903
	<u>\$630,407</u>	<u>\$33</u>	<u>\$2,305,664</u>	<u>\$2,787,592</u>
Tax Collections				
	207,538	11	1,284,612	10,229
Settlement Authority				
	13,441	1	48,715	875,403
	<u>\$1,325,506</u>	<u>\$70</u>	<u>\$6,769,310</u>	<u>\$4,331,669</u>
Non-Admitted Insurance Tax				
	674	0	2,444	0
	<u>\$3,668,115</u>	<u>\$192</u>	<u>\$28,180,350</u>	<u>\$9,180,840</u>
Non-Tax Collection Programs				
Inter-Agency Intercept Collections	\$2,163	\$0	\$7,838	\$1
Child Support Collections	81,565	4	768,850	48,847
Vehicle Registration Collections	58,226	3	397,296	4,354
Court-Ordered Debt Collections	12,126	1	44,337	347
Industrial Health & Safety Collections	1,438	0	5,211	0
Student Loan Collections	28,643	1	287,243	3
	<u>\$184,161</u>	<u>\$8</u>	<u>\$1,510,775</u>	<u>\$53,552</u>
Other Non-Tax Programs				
Homeowner & Renter Assistance	\$91,916	\$5	\$576,436	\$50,126
Political Reform Audit	1,035	0	3,752	0
Child Support Automation	53,715	4,717,784	183,781	109,168
Other Contracts	29,079	0	191,179	3
	<u>\$175,745</u>	<u>\$4,717,789</u>	<u>\$955,148</u>	<u>\$159,297</u>
Total Departmental Costs	<u>\$4,028,021</u>	<u>\$4,717,989</u>	<u>\$30,646,273</u>	<u>\$9,393,689</u>

Audit	Accounts Receivable & Tax Policy Services	Operations	Departmental	Totals
\$148,804	\$1,695,778	\$2,580,103	\$1,789,161	\$10,003,001
1	1,223,765	603,633	5,319,742	7,851,518
112,750	2,214,130	23,306,253	6,134,219	33,232,577
0	14,832	1,804,995	620,786	2,576,090
105,377	3,956,771	10,336,301	4,409,126	19,841,150
765,061	17,955	1,120,944	485,267	2,553,233
0	2,335	232,650	75,239	329,675
<u>\$1,131,993</u>	<u>\$9,125,566</u>	<u>\$39,984,878</u>	<u>\$18,833,540</u>	<u>\$76,387,243</u>
\$24,500	\$3,308,336	\$8,507,585	\$8,673,995	\$23,343,745
0	802	45	74,746	289,687
23	2,448,120	199,713	154,449	2,984,758
<u>\$24,523</u>	<u>\$5,757,258</u>	<u>\$8,707,343</u>	<u>\$8,903,190</u>	<u>\$26,618,190</u>
\$1	\$45,601	\$6,521,534	\$1,686,668	\$8,670,369
8,794,814	491,748	1,630,062	2,985,476	18,084,752
5,304,059	1,081,906	427,729	1,485,770	8,876,162
8,022,771	94,526	2,055,208	2,953,949	14,745,616
<u>\$22,121,645</u>	<u>\$1,713,781</u>	<u>\$10,634,533</u>	<u>\$9,111,863</u>	<u>\$50,376,899</u>
\$1,841	\$31,680,374	\$7,341,025	\$23,650,850	\$72,974,435
2,128	7,785	434	142,297	1,117,782
0	232	47,194	10	49,558
<u>\$23,282,130</u>	<u>\$48,284,996</u>	<u>\$66,715,407</u>	<u>\$60,641,750</u>	<u>\$227,524,106</u>
\$100,360	\$1,639,108	\$487,978	\$577,555	\$3,659,676
0	476,843	326,177	319,082	1,218,898
439,331	177,025	10,636,205	3,350,761	16,989,450
0	1,617	230,931	81,613	342,029
804,358	452,797	4,692,188	1,591,923	7,998,068
3,989,435	43,853	593,197	909,023	5,879,154
<u>\$5,333,484</u>	<u>\$2,791,243</u>	<u>\$16,966,676</u>	<u>\$6,829,957</u>	<u>\$36,087,273</u>
0	302,140	250,420	161,853	811,407
\$0	\$6,139	\$683,435	\$147,629	\$893,275
1,057,109	8,974	15,411	300,188	1,463,868
1,963,629	34,202	1,586,600	1,469,934	5,854,743
4,999,505	41,285	2,275	1,738,378	7,256,308
1,415,921	37,569	2,421,911	1,711,646	7,028,645
22,719,903	177,365	9,891	7,415,804	33,028,351
0	132,357	1,599,509	481,863	2,376,938
<u>\$32,156,067</u>	<u>\$437,891</u>	<u>\$6,319,032</u>	<u>\$13,265,442</u>	<u>\$57,902,128</u>
14,718	10,657,136	1,547,358	4,530,009	18,251,611
1,605	6,805	380	134,061	1,080,411
<u>\$37,505,874</u>	<u>\$14,195,215</u>	<u>\$25,083,866</u>	<u>\$24,921,322</u>	<u>\$114,132,830</u>
0	341	39,665	8,448	51,572
<u>\$60,788,004</u>	<u>\$62,480,552</u>	<u>\$91,838,938</u>	<u>\$85,571,520</u>	<u>\$341,708,508</u>
\$0	\$137,114	\$2,163	\$189,166	\$338,445
1	4,458,990	908,177	1,549,052	7,815,486
1	2,789,949	280,838	1,421,144	4,951,811
30	1,138,685	286,499	397,622	1,879,647
0	109,108	2,501	25,873	144,131
0	1,509,808	395,222	538,711	2,759,631
<u>\$32</u>	<u>\$10,143,654</u>	<u>\$1,875,400</u>	<u>\$4,121,568</u>	<u>\$17,889,151</u>
\$20	\$556,848	\$4,104,872	\$656,772	\$6,036,995
0	1,149,057	687	87,688	1,242,219
629	14,165	0	640,959	5,720,201
1	17,666	1,935,443	616,220	2,789,591
\$650	\$1,737,736	\$6,041,002	\$2,001,639	\$15,789,006
<u>\$60,788,686</u>	<u>\$74,361,942</u>	<u>\$99,755,341</u>	<u>\$91,694,728</u>	<u>\$375,386,666</u>

Exhibit A2: All Programs

Statement of Paid Hours and Personnel Years

Fiscal Year Ended June 30, 2000

Tax Programs	Executive	Child Support Automation	Technology & Research	Legal
Personal Income Tax				
Self-Assessment Activities				
Legislation and Development	5,147	0	91,531	23,057
Return Forms	1,404	0	19,420	2,146
Return Processing	12,216	0	38,183	0
Estimate Processing	1,130	0	3,531	0
Taxpayer Assistance	8,618	0	26,936	0
Claims	1,367	0	4,274	1
Information Exchange	162	0	507	1
Filing Enforcement	<u>30,044</u>	<u>0</u>	<u>184,382</u>	<u>25,205</u>
Filing Enforcement	6,576	0	88,410	0
Residency Determination	61	0	191	5,279
Investigations	1,521	0	4,755	0
	<u>8,158</u>	<u>0</u>	<u>93,356</u>	<u>5,279</u>
Audit Activities				
Mathematical Verification	3,473	0	10,856	0
Desk Audits	10,766	0	54,824	63,662
Federal Audit Reports	4,166	0	13,024	1,965
Field Audits	5,195	0	37,427	3,067
	<u>23,600</u>	<u>0</u>	<u>116,131</u>	<u>68,694</u>
Tax Collections	<u>27,889</u>	<u>0</u>	<u>316,118</u>	<u>1,800</u>
Settlement Authority	<u>593</u>	<u>0</u>	<u>1,853</u>	<u>22,826</u>
Voluntary Contributions	<u>18</u>	<u>0</u>	<u>55</u>	<u>0</u>
	<u>90,302</u>	<u>0</u>	<u>711,895</u>	<u>123,804</u>
Bank and Corporation Tax				
Self-Assessment Activities				
Legislation and Development	1,910	0	6,036	15,922
Return Forms	517	0	1,616	888
Return Processing	8,711	0	71,832	368
Estimate Processing	123	0	821	0
Taxpayer Assistance	3,809	0	11,905	0
Claims	2,865	0	8,956	0
	<u>17,935</u>	<u>0</u>	<u>101,166</u>	<u>17,178</u>
Filing Enforcement	<u>346</u>	<u>0</u>	<u>2,927</u>	<u>0</u>
Audit Activities				
Mathematical Verification	468	0	1,461	0
Federal Audit Reports	629	0	1,966	172
Non-Appportioning Central Office	2,605	0	8,145	12,457
Non-Appportioning Field	3,105	0	9,706	2,615
Appportioning Central Office	2,861	0	9,633	27,515
Appportioning Field	13,503	0	42,206	27,725
Exempt Corporations	1,137	0	3,552	687
	<u>24,308</u>	<u>0</u>	<u>76,669</u>	<u>71,171</u>
Tax Collections	<u>8,002</u>	<u>0</u>	<u>42,717</u>	<u>261</u>
Settlement Authority	<u>518</u>	<u>0</u>	<u>1,620</u>	<u>22,350</u>
	<u>51,109</u>	<u>0</u>	<u>225,099</u>	<u>110,960</u>
Non-Admitted Insurance Tax	<u>26</u>	<u>0</u>	<u>81</u>	<u>0</u>
	<u>141,437</u>	<u>0</u>	<u>937,075</u>	<u>234,764</u>
Non-Tax Collection Programs				
Inter-Agency Intercept Collections	83	0	261	0
Child Support Collections	3,145	0	25,566	1,247
Vehicle Registration Collections	2,245	0	13,211	111
Court-Ordered Debt Collections	468	0	1,474	9
Industrial Health & Safety Collections	55	0	173	0
Student Loan Collections	1,104	0	9,552	0
	<u>7,100</u>	<u>0</u>	<u>50,237</u>	<u>1,367</u>
Other Non-Tax Programs				
Homeowner & Renter Assistance	3,544	0	19,168	1,280
Political Reform Audit	40	0	125	0
Child Support Automation	2,071	43,596	6,111	2,787
Other Contracts	1,122	0	6,357	0
	<u>6,777</u>	<u>43,596</u>	<u>31,761</u>	<u>4,067</u>
Total Paid Hours	<u>155,314</u>	<u>43,596</u>	<u>1,019,073</u>	<u>240,198</u>

Audit	Accounts Receivable & Tax Policy Services	Operations	Totals	Personnel Year Totals
4,725	61,592	133,072	319,124	152.3
3,580	44,448	1,232,726	1,303,724	622.0
0	80,418	461	131,279	62.6
0	539	93,094	98,294	46.9
3,346	143,712	533,111	715,723	341.5
24,293	652	57,814	88,401	42.2
0	85	11,998	12,753	6.1
<u>35,944</u>	<u>331,446</u>	<u>2,062,276</u>	<u>2,669,298</u>	<u>1,273.5</u>
778	120,161	438,792	654,718	312.4
0	29	3	5,563	2.7
1	88,917	10,301	105,495	50.3
<u>779</u>	<u>209,107</u>	<u>449,096</u>	<u>765,776</u>	<u>365.4</u>
0	1,656	336,359	352,344	168.1
280,701	18,810	186,333	615,096	293.5
168,418	39,295	22,062	248,930	118.8
<u>702,422</u>	<u>62,245</u>	<u>548,494</u>	<u>1,521,586</u>	<u>725.9</u>
58	1,150,648	378,625	1,875,138	894.6
68	283	22	25,645	12.2
0	8	2,434	2,515	1.2
<u>739,271</u>	<u>1,753,737</u>	<u>3,440,947</u>	<u>6,859,958</u>	<u>3,272.9</u>
3,187	59,533	25,168	111,756	53.3
0	17,319	16,824	37,164	17.7
13,950	6,479	608,993	710,333	338.9
0	59	11,910	12,913	6.2
25,541	16,446	242,006	299,707	143.0
126,675	1,593	30,595	170,684	81.4
<u>169,353</u>	<u>101,429</u>	<u>935,496</u>	<u>1,342,557</u>	<u>640.5</u>
0	10,974	12,916	27,163	13.0
0	223	35,249	37,401	17.8
33,566	326	795	37,454	17.9
62,351	1,242	81,830	168,630	80.5
158,748	1,499	119	175,792	83.9
44,959	1,365	124,914	211,247	100.8
721,419	6,442	510	811,805	387.3
0	4,807	82,497	92,680	44.2
<u>1,021,043</u>	<u>15,904</u>	<u>325,914</u>	<u>1,535,009</u>	<u>732.4</u>
467	387,073	79,808	518,328	247.3
51	247	20	24,806	11.8
<u>1,190,914</u>	<u>515,627</u>	<u>1,354,154</u>	<u>3,447,863</u>	<u>1,645.0</u>
0	12	2,046	2,165	1.0
<u>1,930,185</u>	<u>2,269,376</u>	<u>4,797,148</u>	<u>10,309,986</u>	<u>4,918.9</u>
0	4,875	285	5,504	2.6
0	161,953	46,841	238,752	113.9
0	101,332	14,486	131,385	62.7
1	41,358	14,776	58,086	27.7
0	3,963	130	4,321	2.1
0	54,837	20,384	85,877	41.0
<u>1</u>	<u>368,318</u>	<u>96,902</u>	<u>523,925</u>	<u>250.0</u>
1	20,225	211,715	255,933	122.1
0	41,734	35	41,934	20.0
20	514	0	55,099	26.3
0	738	99,830	108,047	51.5
21	63,211	311,580	461,013	219.9
<u>1,930,207</u>	<u>2,700,905</u>	<u>5,205,630</u>	<u>11,294,924</u>	<u>5,388.8</u>

Exhibit A3: All Programs

Selected Historical Statistics

Fiscal Years Ended June 30, 1965 through June 30, 2000

Fiscal Year ended 6-30	TAX PROGRAMS									
	Total Returns Filed		Volume of	Self Assessed ^{1/} Tax		Departmentally Assessed ^{1/} Filing			TOTAL TAXES	
	PIT	B&CT ^{3/}	PIT Refunds	Liability	Cost	Enforce.	Audit	Cost	ASSESSED	COST
1965	5,150	248	24	\$706	\$5	\$10	\$39	\$7	\$755	\$12
1966	5,340	119	20	\$777	\$5	\$12	\$36	\$7	\$825	\$1
1967	5,673	128	21	\$874	\$6	\$12	\$43	\$7	\$929	\$13
1968	5,629	135	22	\$1,463	\$7	\$10	\$46	\$7	\$1,519	\$13
1969	5,587	149	68	\$1,614	\$7	\$13	\$48	\$9	\$1,675	\$14
1970	5,841	152	32	\$1,670	\$8	\$29	\$61	\$10	\$1,760	\$16
1971	5,969	190	127	\$1,696	\$9	\$30	\$70	\$11	\$1,795	\$18
1972	5,895	221	221	\$1,776	\$12	\$26	\$92	\$13	\$1,893	\$23
1973	7,239	217	4,360	\$2,375	\$20	\$34	\$95	\$12	\$2,503	\$29
1974	7,824	238	5,975	\$2,475	\$20	\$40	\$95	\$15	\$2,610	\$32
1975	8,207	247	5,678	\$3,378	\$20	\$7	\$111	\$13	\$3,495	\$32
1976	8,376	247	5,650	\$4,027	\$23	\$23	\$125	\$15	\$4,175	\$37
1977	8,909	257	5,972	\$4,326	\$24	\$17	\$154	\$18	\$4,496	\$40
1978	9,287	277	6,245	\$5,377	\$27	\$51	\$232	\$20	\$5,660	\$45
1979	9,836	299	7,768	\$6,227	\$29	\$78	\$171	\$22	\$6,475	\$50
1980	10,739	348	8,079	\$7,560	\$34	\$79	\$235	\$26	\$7,875	\$57
1981	10,950	372	8,452	\$8,880	\$41	\$102	\$280	\$29	\$9,263	\$67
1982	11,346	406	8,224	\$9,947	\$30	\$164	\$368	\$33	\$10,479	\$60
1983	11,395	445	7,624	\$9,361	\$29	\$213	\$459	\$35	\$10,034	\$61
1984	11,340	446	5,773	\$10,284	\$32	\$219	\$483	\$39	\$10,986	\$69
1985	11,976	469	6,908	\$12,303	\$38	\$164	\$568	\$45	\$13,034	\$80
1986	12,140	498	7,292	\$13,261	\$40 ^{2/}	\$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

^{1/} All amounts in millions

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

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

TOTAL TAXES COLLECTED		NON-TAX PROGRAMS							TOTAL Department Cost	Fiscal Year ended 6-30
COST		NON-TAX COLLECTED	COST	HRA Claims Processed	HRA Costs	Political Reform Costs	Audit Contract Costs			
3/	3/	—	—	—	—	—	—	\$12	1965	
3/	3/	—	—	—	—	—	—	\$12	1966	
3/	3/	—	—	—	—	—	—	\$13	1967	
\$17	\$2	—	—	35	\$0	—	—	\$15	1968	
\$27	\$2	—	—	83	\$1	—	—	\$17	1969	
\$35	\$2	—	—	68	\$1	—	—	\$19	1970	
\$48	\$2	—	—	66	\$1	—	—	\$20	1971	
\$59	\$3	—	—	189	\$1	—	—	\$26	1972	
\$67	\$3	—	—	329	\$2	—	—	\$34	1973	
\$68	\$4	—	—	330	\$2	—	—	\$37	1974	
\$109	\$7	—	—	328	\$2	\$1	\$1	\$41	1975	
\$131	\$8	—	—	317	\$2	\$3	\$1	\$50	1976	
\$193	\$9	—	—	362	\$2	\$2	\$2	\$55	1977	
\$244	\$10	—	—	254	\$3	\$2	\$2	\$61	1978	
\$310	\$10	—	—	526	\$2	\$2	\$2	\$65	1979	
\$282	\$11	—	—	519	\$3	\$1	\$4	\$76	1980	
\$368	\$13	—	—	601	\$3	\$2	\$3	\$88	1981	
\$476	\$17	—	—	476	\$2	\$1	\$3	\$83	1982	
\$579	\$18	—	—	424	\$2	\$1	\$3	\$85	1983	
\$564	\$19	—	—	367	\$2	\$1	\$3	\$93	1984	
\$735	\$23	—	—	344	\$2	\$1	\$4	\$109	1985	
\$736	\$27	—	—	312	\$2	\$1	\$3	\$124	1986	
\$964	\$34	—	—	282	\$2	\$1	\$2	\$139	1987	
\$1,024	\$38	—	—	259	\$2	\$2	\$2	\$151	1988	
\$1,193	\$43	—	—	241	\$2	\$1	\$3	\$160	1989	
\$1,176	\$52	—	—	237	\$2	\$1	\$2	\$181	1990	
\$1,169	\$56	—	—	216	\$2	\$1	\$2	\$200	1991	
\$1,382	\$62	—	—	195	\$2	\$1	\$2	\$214	1992	
\$1,232	\$65	—	\$1	180	\$1	\$1	\$2	\$226	1993	
\$1,432	\$69	\$60	\$8	166	\$2	\$1	\$2	\$256	1994	
\$1,704	\$83	\$66	\$11	170	\$2	\$1	\$2	\$290	1995	
\$1,459	\$83	\$180	\$13	113	\$2	\$1	\$2	\$315	1996	
\$1,648	\$82	\$153	\$12	165	\$2	\$1	\$4	\$338	1997	
\$1,718	\$88	\$267	\$16	167	\$2	\$1	\$3	\$344	1998	
\$1,893	\$103	\$274	\$16	151	\$2	\$1	\$2	\$359	1999	
\$1,805	\$100	\$301	\$25	428	\$6	\$1	\$2	\$375	2000	

Exhibit B: Tax Programs

Self-Assessment Activities

Statement of Return Processing Activities

Fiscal Year Ended June 30, 2000

	Personal Income Tax	Bank & Corporation Tax ^{1/}	Total
Tax Revenue			
Gross Self-Assessed Tax	\$31,078,999,634	\$6,013,712,272	\$37,092,711,906
Refunds Allowed	<u>-4,344,759,130</u>	<u>-1,000,289,320</u>	<u>-5,345,048,450</u>
Net Self-Assessed Tax	26,734,240,504	5,013,422,952	31,747,663,456
Returns Filed As a Result of Filing Enforcement Activities	<u>305,176,022</u>	<u>11,582,876</u>	<u>316,758,898</u>
Voluntarily Reported Self-Assessed Tax	<u>\$27,039,416,526</u>	<u>\$5,025,005,828</u>	<u>\$32,064,422,354</u>
Units Processed			
Number of Returns Processed	13,706,615	732,353	14,438,968
Number of Refunds Processed	<u>8,709,522</u>	<u>108,809</u>	<u>8,818,331</u>
Total Number of Units Processed	<u>22,416,137</u>	<u>841,162</u>	<u>23,257,299</u>
Cost of Returns and Refunds Processed	\$35,785,809	\$22,868,604	\$58,654,413
Cost of Total Self-Assessed Activities	\$76,387,243	\$36,087,273	\$112,474,516
Paid Hours of Returns and Refunds Processed	219,680	881,017	1,100,697
Paid Hours of Total Self-Assessed Activities	2,669,298	1,342,557	4,011,855
Statistics			
Total Cost per Paid Hour	\$28.62	\$26.88	\$28.04
Total Paid Hours Per Unit Processed	0.12	1.60	0.17
Total Paid Hours Per Return Processed	0.19	1.83	0.28
Total Cost Per Unit Processed	\$3.41	\$42.90	\$4.84
Average Tax Per Return	\$1,972.73	\$6,861.45	\$2,220.69
Average Refund Allowed Per Claim	\$498.85	\$9,193.08	\$606.13

^{1/} Does not include the 70,645 Exempt Organization returns filed.

Exhibit C1: Tax Programs

Filing Enforcement Activities

Comparative Schedule of Net Assessments

Fiscal Years Ended June 30, 1999 and 2000

	Net Assessments			Percent
	1999/2000	1998/1999	Change	Change
Personal Income Tax				
Filing Enforcement				
Returns Filed As A Result of:				
Demand-to-File Letters	\$122,489,446	\$149,984,288	-\$27,494,842	-18.3%
Assessment Notices	182,686,576	303,092,081	-120,405,505	-39.7%
Final Assessments Due to:				
No Return Filed	882,717,289	607,513,074	275,204,215	45.3%
Subtotal Filing Enforcement	\$1,187,893,311	\$1,060,589,443	\$127,303,868	12.0%
Residency Determination	341,091	2,656	338,435	12742.3%
Investigations	367,731	1,842,009	-1,474,278	-80.0%
Total Personal Income Tax	<u>\$1,188,602,133</u>	<u>\$1,062,434,108</u>	<u>\$126,168,025</u>	11.9%
Bank & Corporation Tax				
Filing Enforcement				
Returns Filed As A Result of:				
Letters & Assessments	\$11,582,876	\$2,343,001	\$9,239,875	394.4%
Final Assessments Due to:				
No Return Filed	414,265,281	568,842,068	-154,576,787	-27.2%
Subtotal Filing Enforcement	\$425,848,157	\$571,185,069	-\$145,336,912	-25.4%
Investigations	5,328	44	5,284	12009.1%
Secretary of State Penalty	1,848,873	9,402,500	-7,553,627	-80.3%
Revivor	-1,830	747	-2,577	-345.0%
Total Bank & Corporation Tax	<u>\$427,700,528</u>	<u>\$580,588,360</u>	<u>-\$152,887,832</u>	-26.3%
Total Filing Enforcement Programs	<u>\$1,616,302,661</u>	<u>\$1,643,022,468</u>	<u>-\$26,719,807</u>	-1.6%
Cost of Filing Enforcement Activities	\$27,429,597	\$15,489,966	\$11,939,631	
Cost Benefit Ratio	\$58.93	\$106.07	-\$47.14	
Paid Hours for Filing Enforcement				
Activities	792,939	571,432	221,507	

Exhibit C2: Tax Programs Filing Enforcement Activities Comparative Schedule of Returns Filed

Fiscal Years Ended June 30, 1999 and 2000

	Demand Letters and Assessments Issued		Returns Filed		Amount Tax Assessment	
	1999/2000	1998/1999	1999/2000	1998/1999	1999/2000	1998/1999
Personal Income Tax						
Demand Letters	745,450	718,781	79,632	72,664	\$122,489,446	\$149,984,288
Assessment Notices	<u>459,777</u>	<u>429,109</u>	<u>141,480</u>	<u>165,162</u>	<u>182,686,576</u>	<u>303,092,081</u>
Subtotal	1,205,227	1,147,890	221,112	237,826	\$305,176,022	\$453,076,369
Final Assessments Due to:						
No Returns Filed	<u>238,665</u>	<u>191,283</u>	_____	_____	<u>882,717,289</u>	<u>607,513,074</u>
Total Personal Income Tax	<u>1,443,892</u>	<u>1,339,173</u>	<u>221,112</u>	<u>237,826</u>	<u>\$1,187,893,311</u>	<u>\$1,060,589,443</u>
Bank & Corporation Tax						
Demand Letters Mailer ^{1/}	0	56,492				
Assessment Notices Issued	<u>16,019</u>	<u>16,790</u>				
Subtotal	16,019	73,282	1,215	1,870	\$11,582,876	\$2,343,001
Final Assessments Due to:						
No Returns Filed	<u>12,300</u>	<u>94,670</u>	_____	_____	<u>414,265,281</u>	<u>568,842,068</u>
Total Bank & Corporation Tax	<u>28,319</u>	<u>167,952</u>	<u>1,215</u>	<u>1,870</u>	<u>\$425,848,157</u>	<u>\$571,185,069</u>
Total Tax Programs	<u>1,472,211</u>	<u>1,507,125</u>	<u>222,327</u>	<u>239,696</u>	<u>\$1,613,741,468</u>	<u>\$1,631,774,512</u>

^{1/} The Bank & Corporation Tax system does not differentiate between returns filed voluntarily and those filed as a result of demand-to-file letters.

Exhibit D1: Tax Programs

Tax Audit Activities

Comparative Schedule of Net Assessments

Fiscal Years Ended June 30, 1999 and 2000

	Net Assessments			Percent
	1999/2000	1998/1999	Change	Change
Personal Income Tax				
Desk Audit	\$64,391,799	\$73,472,852	-\$9,081,053	-12.4%
Federal Audit Reports	174,507,217	234,491,989	-59,984,772	-25.6%
Field Audits	<u>46,345,629</u>	<u>47,867,660</u>	<u>-1,522,031</u>	-3.2%
Subtotal	\$285,244,645	\$355,832,501	-\$70,587,856	-19.8%
Mathematical Verification	<u>84,180,780</u>	<u>69,471,584</u>	<u>14,709,196</u>	21.2%
Total Personal Income Tax	<u>\$369,425,425</u>	<u>\$425,304,085</u>	<u>-\$55,878,660</u>	-13.1%
Bank & Corporation Tax				
Federal Audit Reports	\$91,612,152	\$124,690,208	-\$33,078,056	-26.5%
Non-Appportioning Audits				
Central Office	6,836,700	8,263,011	-1,426,311	-17.3%
Field	15,336,671	35,638,340	-20,301,669	-57.0%
Apportioning Audits				
Central Office	8,357,086	8,787,554	-430,468	-4.9%
Field	560,013,901	570,598,051	-10,584,150	-1.9%
Exempt Corporation Audits	<u>747,923</u>	<u>722,423</u>	<u>25,500</u>	3.5%
Subtotal	\$682,904,433	\$748,699,587	-\$65,795,154	-8.8%
Mathematical Verification	<u>8,886,464</u>	<u>25,040,870</u>	<u>-16,154,406</u>	-64.5%
Total Bank & Corporation Tax	<u>\$691,790,897</u>	<u>\$773,740,457</u>	<u>-\$81,949,560</u>	-10.6%
Total Tax Programs	<u>\$1,061,216,322</u>	<u>\$1,199,044,542</u>	<u>-\$137,828,220</u>	-11.5%
Total Returns Audited	14,331,345	15,081,994	-750,649	-5.0%
Total Returns Changed	1,947,670	2,476,906	-529,236	-21.4%
Cost of Operation	\$108,279,027	\$117,375,351	-\$9,096,324	
Paid Hours	3,056,595	3,171,105	-114,510	-3.6%
Statistics				
Cost Per Paid Hour	\$35.42	\$37.01	\$79.44	
Net Assessments Per Dollar Cost	\$9.80	\$10.22	\$15.15	
Cost Per Return Audited	\$74.05	\$79.50	\$183.61	
Returns Audited Per Paid Hour	4.7	4.8	6.6	
Net Assessment Per Return Changed	\$544.86	\$484.09	\$260.43	
% Return Changes to Returns Audited	13.59%	16.42%	70.50%	

Exhibit D2: Tax Programs

Tax Audit Activities

Comparative Schedule of Returns Audited

Fiscal Years Ended June 30, 1999 and 2000

	Changes to Tax		No Changes to Tax		Total Audits	
	1999/2000	1998/1999	1999/2000	1998/1999	1999/2000	1998/1999
Personal Income Tax						
Desk Audit	160,618	240,461	123,354	494,147	283,972	734,608
Federal Audit Reports	182,242	144,101	1,769	2,860	184,011	146,961
Field Audits	1,235	1,189	89	2,158	1,324	3,347
Subtotal	344,095	385,751	125,212	499,165	469,307	884,916
Mathematical Verification	1,597,977	2,075,981	12,235,381	12,090,924	13,833,362	14,166,905
Total Personal Income Tax	1,942,072	2,461,732	12,360,597	12,590,089	14,302,669	15,051,821
Bank & Corporation Tax						
Federal Audit Reports	1,262	2,481	497	551	1,759	3,032
Non-Appportioning Audits						
Central Office	548	486	209	453	757	939
Field	238	58	409	728	647	786
Appportioning Audits						
Central Office	300	791	605	510	905	1,301
Field	690	831	365	192	1,055	1,023
Exempt Corporation Audits	1,534	945	372	887	1,906	1,832
Subtotal	4,572	5,592	2,457	3,321	7,029	8,913
Mathematical Verification	1,026	9,582	20,621	11,678	21,647	21,260
Total Bank & Corporation Tax	5,598	15,174	23,078	14,999	28,676	30,173
Total Tax Programs	1,947,670	2,476,906	12,383,675	12,605,088	14,331,345	15,081,994

Exhibit E: Tax Programs

Tax Collection Activities

Statement of Tax Collection Activities

Fiscal Year Ended June 30, 2000

	Personal Income Tax	Bank & Corporation Tax	Total
Collection Revenue			
Beginning Total Available for Collection (7/1/99)	\$3,605,425,423	\$783,546,082	\$4,388,971,505
Added During 1999/2000	2,495,826,472	819,372,230	3,315,198,702
Abated During 1999/2000	<u>-806,990,624</u>	<u>-235,597,527</u>	<u>-1,042,588,151</u>
Total Available for Collection	\$5,294,261,271	\$1,367,320,785	\$6,661,582,056
Accounts Collected:			
Automated ^{1/}	\$827,377,996	\$396,392,885	\$1,223,770,881
Manual ^{2/}	<u>439,041,116</u>	<u>143,151,516</u>	<u>582,192,632</u>
Total Collected	\$1,266,419,112	\$539,544,401	\$1,805,963,513
Discharged	<u>524,289,234</u>	<u>103,293,815</u>	<u>627,583,049</u>
Total Accounts Closed	\$1,790,708,346	\$642,838,216	\$2,433,546,562
Ending Total Available for Collection (6/30/00)	<u>\$3,503,552,925</u>	<u>\$724,482,569</u>	<u>\$4,228,035,494</u>
Collection Accounts			
Total Number of Accounts (7/1/99)	949,744	290,166	1,239,910
Total Number of Accounts (6/30/00)	<u>905,117</u>	<u>351,357</u>	<u>1,256,474</u>
Change in Collection Accounts	<u>-44,627</u>	<u>61,191</u>	<u>16,564</u>
Cost of Operation	\$72,974,435	\$18,251,611	\$91,226,046
Paid Hours	1,875,138	518,328	2,393,466
Statistics			
Cost Per Paid Hour	\$38.92	\$35.21	\$38.11
Tax Collected Per Dollar Cost	\$17.35	\$29.56	\$19.80
Percentage of Available Inventory Collected	23.9%	39.5%	27.1%
Percentage of Amount Available Closed	33.8%	47.0%	36.5%
Percent Change between Beginning and Ending Inventory	-2.8%	-7.5%	-3.7%

^{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, 1999 and 2000

	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Change	Percent Change
Participating Agency Types:				
State agencies	87	76	11	14.5%
City agencies	29	25	4	16.0%
County agencies	59	46	13	28.3%
Federal agencies	<u>0</u>	<u>1</u>	<u>-1</u>	-100.0%
Total Participants	<u>175</u>	<u>148</u>	<u>27</u>	18.2%
Collection Volumes				
State agencies	343,477	384,123	-40,646	-10.6%
City agencies	25,000	20,891	4,109	19.7%
County agencies	71,868	87,634	-15,766	-18.0%
Federal agencies	<u>0</u>	<u>3,793</u>	<u>-3,793</u>	-100.0%
Total Collection Volumes	<u>440,345</u>	<u>496,441</u>	<u>-56,096</u>	-11.3%
Collection Revenues				
State agencies	\$73,677,934	\$80,348,186	-\$6,670,252	-8.3%
City agencies	2,802,328	2,550,098	252,230	9.9%
County agencies	11,292,622	13,770,409	-2,477,787	-18.0%
Federal agencies	<u>0</u>	<u>1,530,015</u>	<u>-1,530,015</u>	-100.0%
Total Collection Revenues	<u>\$87,772,884</u>	<u>\$98,198,708</u>	<u>-\$10,425,824</u>	-10.6%
Cost of Operation	\$338,445	\$724,110	-\$385,665	
Paid Hours	5,504	8,676	-3,172	
Statistics				
Cost Per Paid Hour	\$61.49	\$83.46	\$121.58	
Revenue Collected Per Dollar Cost	\$259.34	\$135.61	\$27.03	
Revenue Collected Per Paid Hour	\$15,947.11	\$11,318.43	\$3,286.83	
Average Revenue Per Volume	\$199.33	\$197.81	\$185.86	

Exhibit F2: Non-Tax Collection Program

Child Support Collections

Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 1999 and 2000

	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Change	Percent Change
Demand for Payment Notices Sent	215,547	186,954	28,593	15.3%
Out of State Referral Notices Sent	78,094	51,948	26,146	
Levies Issued:				
Bank Accounts	117,883	24,281	93,602	385.5%
Wages	523,032	485,140	37,892	7.8%
Misc.	42	298	-256	-85.9%
Total Levies Issued	<u>640,957</u>	<u>509,719</u>	<u>131,238</u>	25.7%
Total Demands, Notices and Levies	<u>934,598</u>	<u>748,621</u>	<u>185,977</u>	24.8%
Gross Revenue				
Collected for Child Support ^{1/}	\$90,031,539	\$67,894,827	\$22,136,712	32.6%
Cost of Operations	\$7,815,486	\$6,990,811	\$824,675	11.8%
Paid Hours	238,752	193,422	45,330	23.4%
Statistics				
Cost Per Paid Hour	\$32.73	\$36.14	\$18.19	
Revenue Collected Per Dollar Cost	\$11.52	\$9.71	\$26.84	
Revenue Collected Per Paid Hour	\$377.09	\$351.02	\$488.35	

^{1/} Does not include \$38,324,493 collected in 1999/2000 nor \$37,225,000 collected in 1998/99 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, 1999 and 2000

	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Change	Percent Change
Demand for Payment Notices Sent	929,825	1,154,789	-224,964	-19.5%
Levies Issued:				
Bank Accounts	23,549	9,242	14,307	154.8%
Wages	178,943	163,474	15,469	9.5%
Misc.	4,586	2,049	2,537	123.8%
Total Levies Issued	<u>207,078</u>	<u>174,765</u>	<u>32,313</u>	18.5%
Total Demands and Levies	<u>1,136,903</u>	<u>1,329,554</u>	<u>-192,651</u>	-14.5%
Gross Revenue Collected for DMV ¹¹	\$97,374,364	\$85,155,660	\$12,218,704	14.3%
Cases Closed	681,589	653,835	27,754	4.2%
Cost of Operations	\$4,951,811	\$5,486,859	-\$535,048	-9.8%
Paid Hours	131,385	124,261	7,124	5.7%
Statistics				
Cost Per Paid Hour	\$37.69	\$44.16	-\$75.10	
Revenue Collected Per Dollar Cost	\$19.66	\$15.52	-\$22.84	
Revenue Collected Per Paid Hour	\$741.14	\$685.30	\$1,715.15	

¹¹ Does not include \$4,222,996 collected in 1999/2000 nor \$5,919,000 collected in 1998/99 through the Inter-Agency Intercept Program.

Exhibit F4: Non-Tax Collection Program

Student Loan Collections

Schedule of Collection Activities

Fiscal Years Ended June 30, 1999 and 2000

	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Change	Percent Change
Demand for Payment Notices Sent	68,643	21,472	47,171	219.7%
Levies Issued:				
Bank Accounts	2,144	883	1,261	142.8%
Wages	86,764	26,696	60,068	225.0%
Total Levies Issued	88,908	<u>27,579</u>	<u>61,329</u>	222.4%
Total Demands and Levies	157,551	<u>49,051</u>	<u>108,500</u>	221.2%
Gross Revenue Collected for				
Student Loan Debts	\$25,778,915	\$23,020,127	\$2,758,788	12.0%
Cases Closed	61,016	93,276	-32,260	-34.6%
Cost of Operations	\$2,759,631	\$2,391,928	\$367,703	15.4%
Paid Hours	85,877	106,912	-21,035	-19.7%
Statistics				
Cost Per Paid Hour	\$32.13	\$22.37	-\$17.48	
Revenue Collected Per Dollar Cost	\$9.34	\$9.62	\$7.50	
Revenue Collected Per Paid Hour	\$300.18	\$215.32	-\$131.15	

Corrections to prior year fiscal 1998/99 reflected on this exhibit

Exhibit G1: Other Non-Tax Programs

Homeowner and Renter Assistance

Comparative Schedule of Activities

Fiscal Years Ended June 30, 1999 and 2000

	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Change	Percent Change
Number of Claims Processed				
Allowed from:				
Property Owners	125,300	13,907	111,393	801.0%
Renters	279,200	126,918	152,282	120.0%
Not Allowed from:				
Property Owners	7,200	822	6,378	775.9%
Renters	<u>16,000</u>	<u>9,393</u>	<u>6,607</u>	70.3%
Total Number of Claims Processed	<u>427,700</u>	<u>151,040</u>	<u>276,660</u>	183.2%
Amount of Claims Allowed				
Property Owners	\$16,486,000	\$1,148,123	\$15,337,877	1335.9%
Renters	<u>57,062,800</u>	<u>11,143,201</u>	<u>45,919,599</u>	412.1%
Total Amount of Claims Processed	<u>\$73,548,800</u>	<u>\$12,291,324</u>	<u>\$61,257,476</u>	498.4%
Claimant Assistance Contacts				
Voice-Activated Response Phone Calls	125,831	45,193	80,638	178.4%
Manual Phone Calls, Correspondence, and Counter Contacts	<u>561,337</u>	<u>74,658</u>	<u>486,679</u>	651.9%
Total Claimant Assistance Contacts	<u>687,168</u>	<u>119,851</u>	<u>567,317</u>	473.4%
Cost of Operations	\$6,036,995	\$2,437,913	\$3,599,082	147.6%
Paid Hours	255,933	114,776	141,157	123.0%
Statistics				
Total Cost Per Paid Hour	\$23.59	\$21.24	\$2.35	11.1%
Paid Hours Per Claim Processed	0.60	0.76	-0.16	-21.3%
Average Amount of Claim Processed	\$171.96	\$81.38	\$90.59	111.3%

Exhibit G2: Other Non-Tax Programs

Political Reform Audit

Comparative Schedule of Activities

Fiscal Years Ended June 30, 1999 and 2000

	Fiscal Year Ended June 30, 2000	Fiscal Year Ended June 30, 1999	Change	Percent Change
Political Reform Audits Completed				
Candidates & Controlled Committees	280	77	203	263.6%
General Purpose Committees	37	149	-112	-75.2%
Lobbying Entities	134	4	130	3250.0%
Statewide Measures	8	31	-23	-74.2%
Total Audits Completed	459	261	198	75.9%
Political Reform Audits in Process at FYE				
Candidates & Controlled Committees	46	120	-74	-61.7%
General Purpose Committees	40	4	36	900.0%
Lobbying Entities	32	0	32	0.0%
Statewide Measures	0	18	-18	-100.0%
Total Audits in Process at FYE	118	142	-24	-16.9%
Cost of Operations	\$1,242,219	\$1,238,190	\$4,029	0.3%
Paid Hours	41,934	35,028	6,906	19.7%
Statistics				
Cost Per Paid Hour	\$29.62	\$35.35	-\$5.73	-16.2%
Paid Hours per Audit Completed	91.36	134.21	-42.85	-31.9%
Average Cost per Audit Completed	\$2,706.36	\$4,744.02	-\$2,037.66	-43.0%

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.

B **Bank and Corporation Tax** The administration, enforcement, and collection of 1) franchise taxes on corporations doing business in California and 2) income taxes on corporations not doing business in California but having income from California sources.

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, 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.

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.

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

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

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

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

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

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

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

- G** **Gross Assessments** The total dollar value of tax assessments issued through the filing enforcement process prior to cancellations and abatements.
- H** **Homeowner and Renter Assistance Activities** The authorization of partial repayment of property taxes or rents paid by senior citizens, and disabled or blind individuals. Activities include designing and distributing claim forms and instructions, providing advisory services to claimants, and processing claims.
- I** **Investigations** Activities necessary for prosecution of cases involving the willful failure to file a tax return, filing of fraudulent returns, and other criminal violations of the tax laws.
- L** **Legislation and Development** Bill analysis, legislation, regulations, formal rulings, information to other states, research of tax issues, and statistical analysis of revenues and costs.
- M** **Mathematical Verification** Substantiation of the mathematical accuracy of the tax return during the return processing function.
- N** **Net Assessments** A measurement indicator of the department's effectiveness in determining the correct tax base available for collection to the General Fund.
- Non-Admitted Insurance Tax** Collection of tax paid by an insurance policyholder who had purchased a policy from a non-California based insurance broker or from a company not authorized to do business in California.
- Non-Appportioning** A corporation whose business income is solely from within California.
- Non-Appportioning Central Office** Audits conducted within FTB's central office in Sacramento of non-apportioning corporations.
- Non-Appportioning Field** Audits conducted in a California location other than at the central office of non-apportioning corporations. Activities include both the field audit and central office support activities.

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 **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.

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:

