



Operations Report

Franchise Tax Board

FISCAL YEAR 2000-2001



2000-2001 BOARD MEMBERS

Kathleen Connell, Controller

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

Johan Klehs, Chair, State Board of Equalization (2000)

B. Timothy Gage, Director of Finance

OPERATIONS REPORT

FISCAL YEAR ENDED JUNE 30, 2001

2000-2001 BOARD MEMBERS

Hon. Kathleen Connell..... Controller
Hon. Claude Parrish Chair, State Board of Equalization (2001)
Hon. Johan Klehs..... Chair, State Board of Equalization (2000)
Hon. B. Timothy Gage Director of Finance

CURRENT BOARD MEMBERS

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

Executive Officer
Selvi Stanislaus

Prepared by:
Franchise Tax Board Budget Office
January 2006

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INTRODUCTION

Programs The Operations Report presents the 2000/2001 operations of the Franchise Tax Board. The information presented in this report is based on information available as of September 2004.

Franchise Tax Board administers the following programs and their components:

Tax Programs:

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

Non-Tax Collection Programs:

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

Other Non-Tax Programs:

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

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

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

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

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

^{1/} Component of Contract Work Program

Departmental Expenditures

In 2000/2001, the Franchise Tax Board's expenditures totaled \$397.2 million; an increase of \$21.8 million (5.8%) over the prior year. Personnel years (PYs) totaled 5,477.6, an increase of 88.8 (1.6%) over 1999/2000. The change in the number of personnel years is reflective of increases to Audit Activities (54.6 PYs), Tax Collections (28.0 PYs), Homeowner and Renter Assistance (23.0 PYs) and Child Support Automation (62.1 PYs), and is offset by decreases to Filing Enforcement (68.1 PYs) and Non-Tax Collections (14.5 PYs) .

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

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

	<u>2000/2001</u>	<u>1999/2000</u>
Tax Programs		
Personal Income Tax	\$235,243	\$227,524
Corporation Tax	117,618	114,133
Non-Admitted Insurance Tax	<u>57</u>	<u>52</u>
Total Tax Programs	\$352,918	\$341,709
Non-Tax Collection Programs	18,759	23,609
Other Non-Tax Programs	<u>25,561</u>	<u>10,069</u>
TOTAL EXPENDITURES BY PROGRAM	<u>\$397,238</u>	<u>\$375,387</u>

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

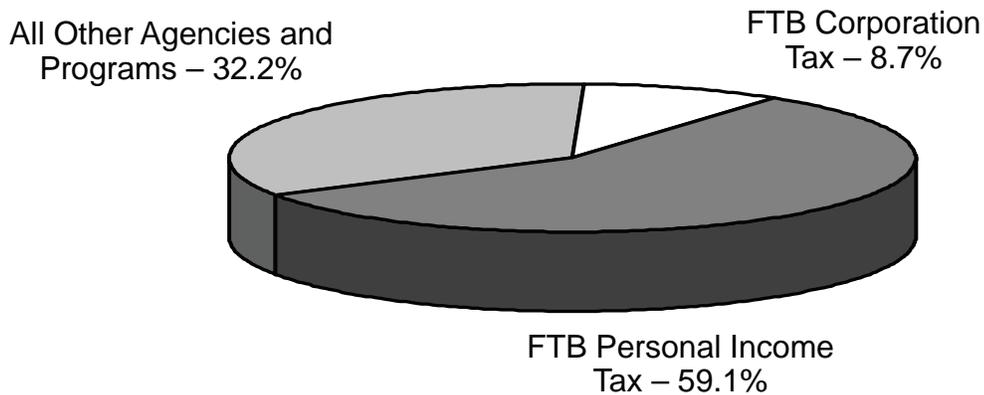
	<u>2000/2001</u>	<u>1999/2000</u>
Personal Services		
Salary and Wages	\$243,607	\$227,479
Benefits	<u>43,975</u>	<u>43,230</u>
Total Personal Services	\$287,582	\$270,709
Operating Expenses & Equipment	109,656	104,678
TOTAL EXPENDITURES	\$397,238	\$375,387
Reimbursements	<u>-23,328</u>	<u>-14,647</u>
NET EXPENDITURES BY OBJECT	<u>\$373,910</u>	<u>\$360,740</u>

California's General Fund^{1/}

The General Fund received \$75.6 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) 2000/2001 the General Fund had a cash surplus of \$3.4 billion.

Fiscal Year ended June 30, 2001

Major Tax and License Revenue Fiscal Year Ended June 30, 2001



Major Tax & License Revenues (Millions)

	Fiscal Year		Change	Percent Change
	2000/2001	1999/2000		
Personal Income Tax ^{1/}	\$44,772.0	\$39,272.8	\$5,499.2	14.0%
Corporation Tax	6,546.3	6,575.4	-29.1	-0.4%
Subtotal	\$51,318.3	\$45,848.2	\$5,470.1	11.9%
Other Programs	24,317.5	23,473.2	844.3	3.6%
Total	\$75,635.8	\$69,321.4	\$6,314.4	9.1%

Statistics extracted from the 2000/2001 Controller's Annual Financial Report.

^{1/} In 2000/2001, 26.4 billion of General Fund Revenues came from Personal Income Tax withholding; a \$2.5 billion increase from the 1999/2000 level of \$23.9 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 2000/2001, the tax programs administered by the Franchise Tax Board accounted for \$51.3 billion (67.8%) of the General Fund's Major Tax and License revenue.

Self-Assessment Activities

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

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

Taxpayer Assistance

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

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

In addition to the above activities, the department distributed 11.6 million tax return booklets, forms and postcards; provided for 20 million downloaded forms; received 596 thousand interactive voice response (IVR) phone calls; and manually responded to 1.6 million telephone, paper and electronic mail correspondence, and over-the-counter requests for forms, pre-filing assistance, and refund information in 2000/2001.

Return Processing

Return Processing activities include:

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

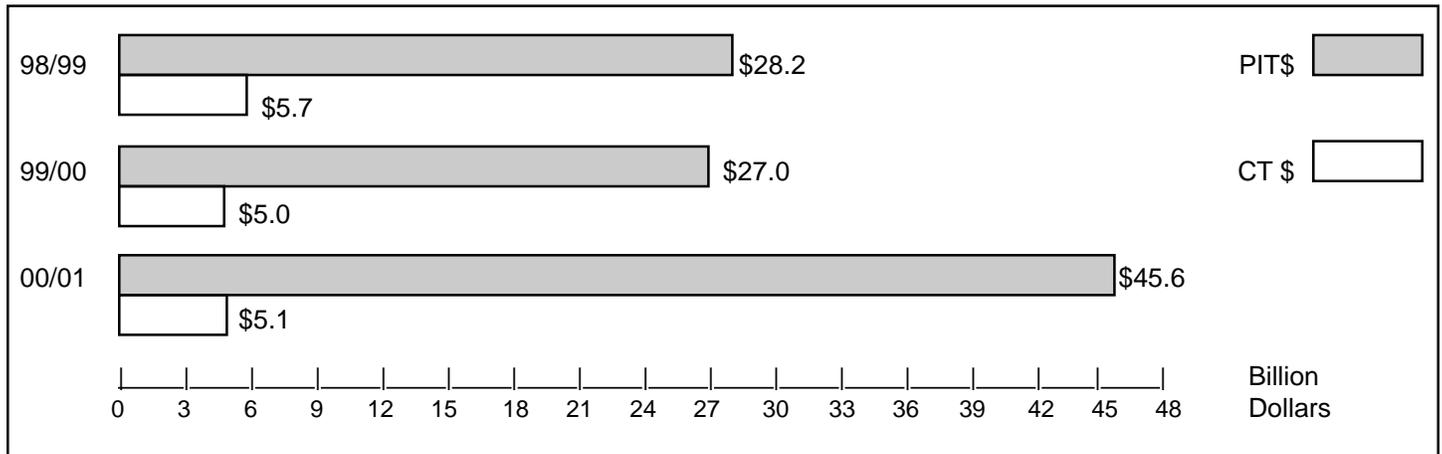
In 2000/2001, the department processed 16 million personal income tax returns and reported self-assessments of \$45.6 billion. Of the returns processed, 9.4 million PIT returns resulted in refunds of \$5.4 billion due to withholding, prepayments, and refundable credits.

Taxpayers and tax preparers filed 2.5 million PIT returns electronically, a 19.9 percent increase from the 1999/2000 level of 2.1 million returns. Also in 2000/2001, FTB processed 5 million PIT returns by an electronic image scanning system increasing efficiency over the traditional key data entry system. Continuing technological enhancements allow for the electronic processing of more complex returns.

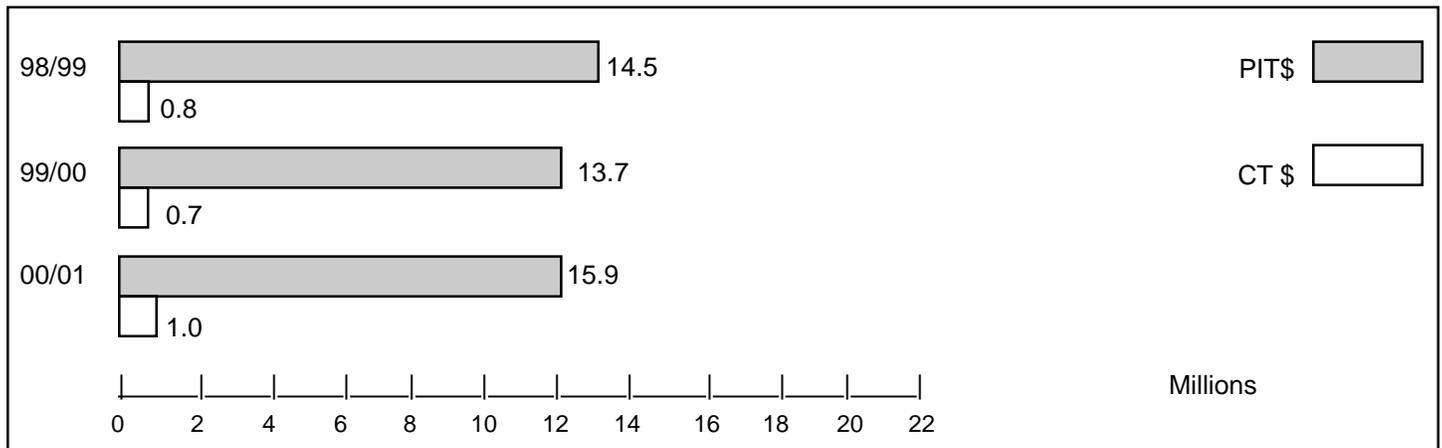
FTB processed 989,512 business entity tax returns with a total tax liability of \$5.1 billion. This included 444,381 current year bank and for-profit corporation tax returns, and 293,825 partnership and limited liability company returns. Additionally, the FTB deposited 506,000 estimate tax payments and processed 87,161 tax-exempt corporation returns in 2000/2001.

Self-Assessment Activities

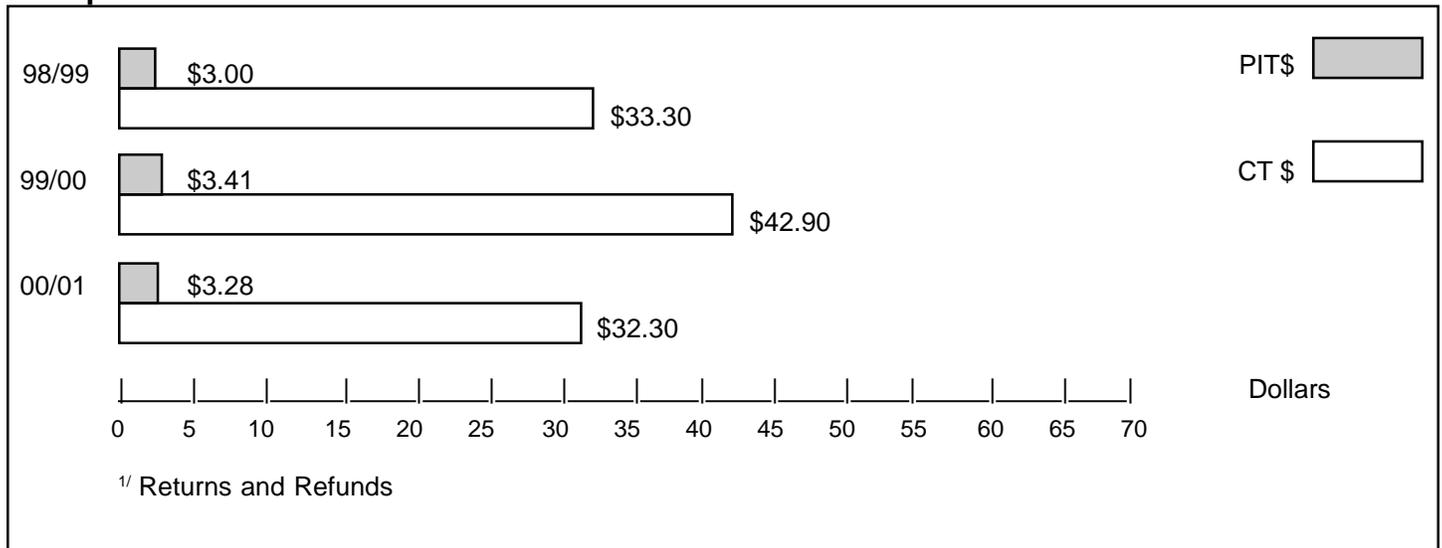
Amount of Self-Assessed Tax



Number of Returns Processed



Cost per Unit^{1/} Processed



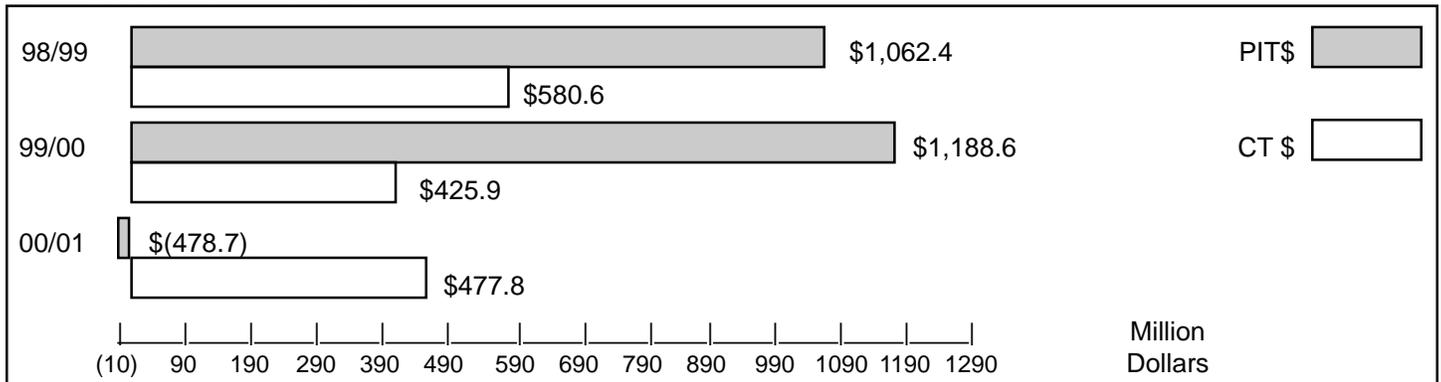
Filing Enforcement Activities

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.

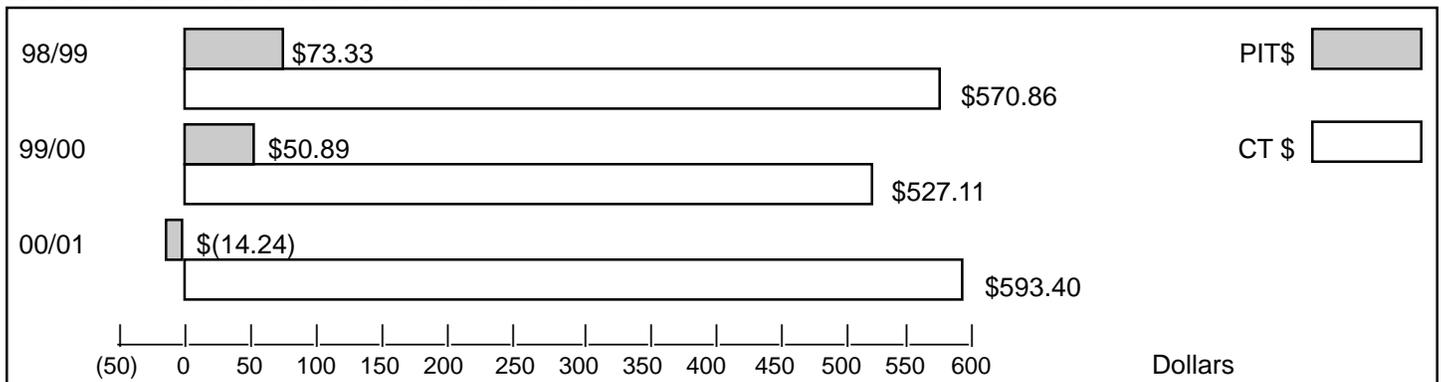
Delinquent non-filers that fail to respond to demand-to-file letters are issued tax assessments based on the income records available to the department. Net assessment dollars become part of the tax collection inventory if non-filers either fail to file their delinquent return or prove their right of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

The following bar charts compare 2000/2001 filing enforcement activities with those of the two prior years. Additional filing enforcement statistics are provided in Exhibits A and C.

Net Assessment Dollars



Net Assessed Revenue Per Dollar Cost



Tax Audit Activities

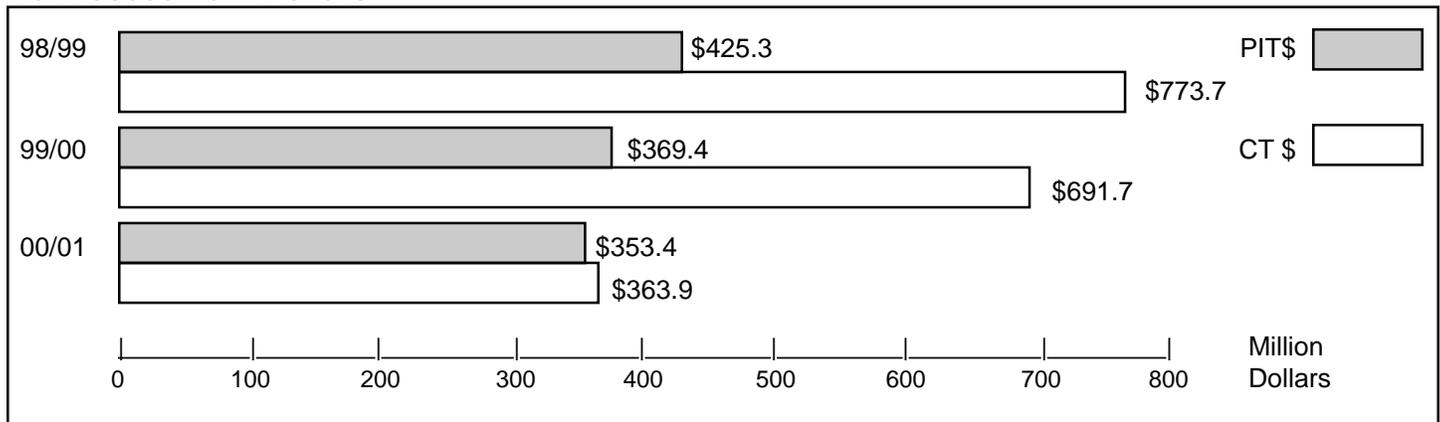
Audit activities determine the correct tax liability for individuals and business entities in accordance with the California Revenue and Taxation Code. These activities include both the detailed examination of tax returns and supporting documents, and the automated verification of self-assessed tax returns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

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

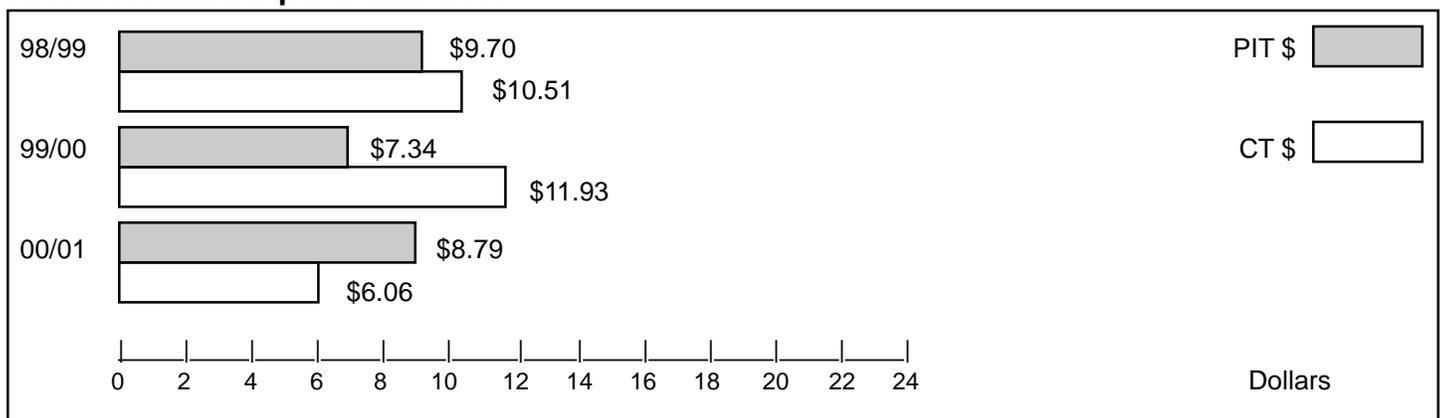
In 2000/2001, net assessments from audit activities totaled \$717.4 million and operational costs totaled \$100.3 million. This resulted in an overall benefit-to-cost ratio of \$7.15 to one. The following bar chart compares 2000/2001 audit activities with those of the two prior years. Detailed information 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

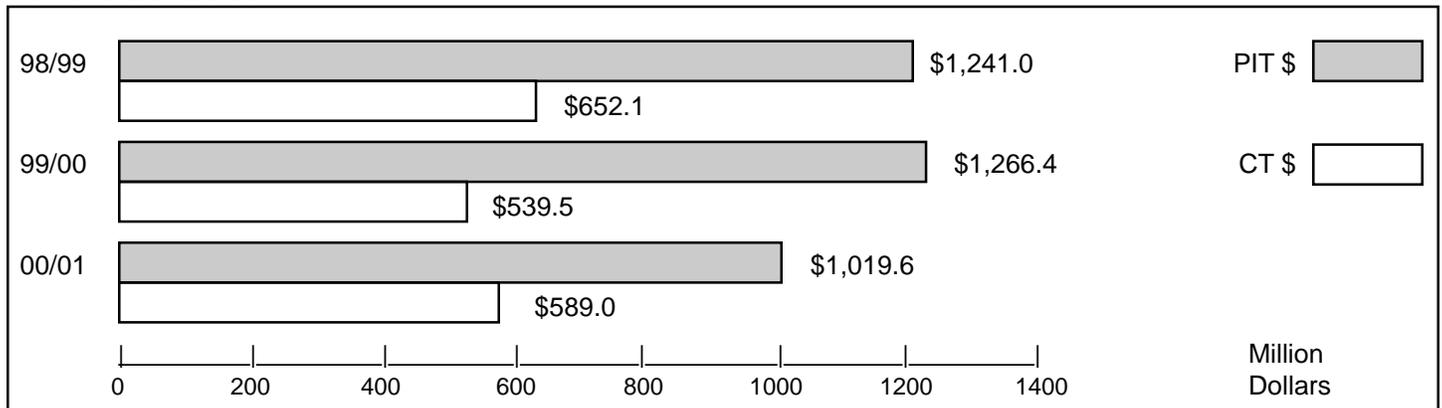
Tax collection activities involve collections of accounts receivable that are established by the department's self-assessment, audit, settlement, and filing enforcement activities. An automated billing system combined with central and field office collection staff administers collections. The automated 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 2000/2001, \$1.6 billion was collected through automated and manual collection activities, a decrease of \$0.2 million from 1999/2000's level of \$1.8 billion. Total cost of operations was \$83 million, of which \$63.9 million was for PIT collections and \$19.1 million was for CT. The following chart compares 2000/2001 collections with those of the two prior years. Detailed collection activity information for 2000/2001 is shown in Exhibits A and E.

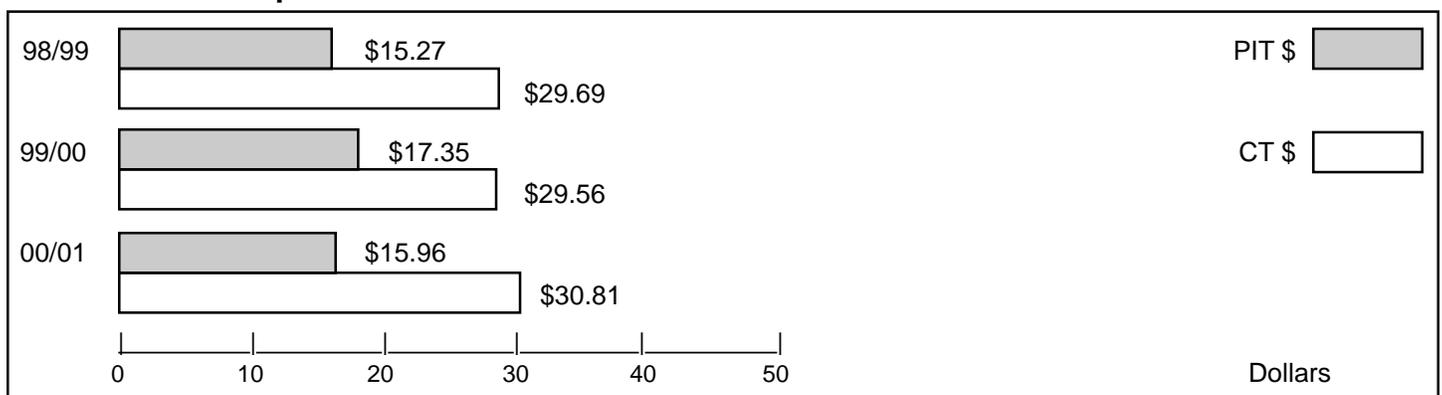
^{1/} Payments submitted by taxpayers prior to activation of the billing process are not included in 'tax collection revenues'.

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 2000/2001, 166 cases were settled, sustaining \$356.7 million (71.4%) of the \$499.7 million in dispute. A summary of 2000/2001 settlement activities is presented in the table below.

2000/2001 SETTLEMENT ACTIVITIES Revenue and Costs in Millions

	<u>PIT</u>	<u>CT</u>	<u>TOTAL</u>
Cases Reviewed and Rejected	141	95	236
Cases Settled	92	74	166
Revenue in Dispute	\$38.4	\$461.3	\$499.7
Revenue Sustained	\$22.9	\$333.8	\$356.7
Cost	\$1.0	\$1.4	\$2.4
Revenue Sustained Per Dollar Cost	\$23.24	\$239.52	\$149.91

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 2000/2001, FTB collected \$7.2 million at a cost of \$56.8 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 2000/2001, taxpayers made 433 thousand contributions for a total of \$3.8 million. A comparison of contributions between 2000/2001 and the prior year is presented as follows:

VOLUNTARY CONTRIBUTIONS TWO YEAR COMPARISON (Thousands)

Fund Name	2000/2001		1999/2000	
	Volume	Dollars	Volume	Dollars
California Senior Citizens	36	262	42	221
Rare & Endangered Species	56	640	64	563
State Children's Fund	58	586	65	477
Alzheimer's Research	50	500	56	398
Mex.-Amer.Veteran's Memorial	13	57	17	61
Senior's Special Fund	4	51	11	49
Breast Cancer Research	61	641	65	490
Public School Library	4	66	44	292
Firefighter's Memorial	21	135	27	126
Drug Abuse Resistance	3	26	32	149
California Lung Disease ^{1/}	27	168	0	0
Emergency Food Assistance	36	308	45	275
Birth Defects	26	140	32	140
Peace Officer Memorial	19	124	21	102
Nat'l WW II Veteran's Memorial ^{1/}	19	115	0	0
Total Voluntary Contributions	443	\$3,819	521	\$3,343

^{1/} New fund for Tax Year 2000

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 2000/2001, governmental agencies received a total of \$117.3 million from intercepted tax refunds (\$116.1 million) and lottery winnings (\$1.2 million).

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

Child Support Collections

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

The program began in 1993/94, with referrals from six California counties and grew to 58 counties by June 30, 2000. In 2000/2001, FTB conducted 1 million collection actions and collected \$113.3 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 \$48.9 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 2000/2001, FTB closed 802,398 delinquent cases and collected \$93.7 million ^{1/} for the DMV while incurring collection costs of \$4.4 million. This equates to a benefit-to-cost ratio of \$21.09 to \$1.00.

Additional information is provided in Exhibit F3.

^{1/} Does not include \$5 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 2000/2001, 21 counties utilized FTB collection services to close delinquent accounts. In response, FTB mailed 162,389 demand-to-pay notices to delinquent debtors; 305,114 levies were placed on debtors' wages; and 6,266 bank levies were issued. As a result, the Court-Ordered Debt Collections Program collected \$21.2 million at a cost of \$2.3 million or a benefit-to-cost ratio of \$9.20 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 2000/2001, 2,200 delinquent cases were referred from DIR to FTB for collections. FTB collected and transferred \$1.4 million to DIR at a cost of \$165,930 and a benefit-to-cost ratio of \$8.30 to \$1.00.

OTHER NON-TAX PROGRAMS

Homeowner and Renter Assistance

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

In 2000/2001, FTB processed 725,500 HRA claims representing an increase of 69.6% above the prior year's volume of 427,700. Claims allowed in 2000/2001 totaled \$315.4 million, of which \$254.9 million was given to qualified renters and \$60.5 million to eligible homeowners. The department responded to 303,356 IVR telephone calls compared to 125,831 calls in the preceding year, and 922,822 manually answered calls, correspondence, and in-person contact requests for assistance compared to 561,337 in the preceding year. These continuing increases are a result of changes in tax law.

A comparison of 2000/2001 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 2000/2001, 376 audits were completed of which 119 audits related to political candidate and campaign committees, 40 audits related to lobbying entities, 183 audits of ballot measures and general political action committees, and 34 statewide measures.

A comparison of the 2000/2001 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 2000/2001, the CCSAS Project Charter was released defining the project governance structure, the business and technology goals of the Child Support Program, and the foundation for project management and planning. The CCSAS Project consists of two major procurements: the Child Support Enforcement (CSE) and the State Disbursement Unit (SDU) as authorized by the child support reform legislation. Procurement activities for CSE began in 2000/2001 with the development of performance based procurement documents and the establishment of the qualified business partner pool.

EXHIBITS

The details of the 2000/2001 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 2000/2001 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 1965/66.

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

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

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

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

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

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

Exhibit A: All Programs

Schedule of Assessments, Collections, and Other Activities

Fiscal Year Ended June 30, 2001

Program Activities:	Revenue Measurement	Cost (Exhibit A1)	Measurement per Dollar Cost
NET ASSESSMENT ACTIVITIES:			
Personal Income Tax			
Filing Enforcement Assessment Activities			
Filing Enforcement	-\$478,709,354	\$32,073,326	-\$14.93
Residency Determination	-20,124	922,929	-\$0.02
Investigations	602,962	4,080,590	\$0.15
Withhold At Source	Not Available	1,545,581	
Audit Assessment Activities			
Desk Audits	78,839,022	21,129,255	\$3.73
Federal Audit Reports	220,613,637	7,465,221	\$29.55
Field Audits	53,973,806	11,620,927	\$4.64
Total PIT Net Assessment Activities	<u>-\$124,700,051</u>	<u>\$78,837,829</u>	
Corporation Tax			
Filing Enforcement Activities	\$0	\$805,112	\$0.00
Audit Assessment Activities			
Federal Audit Reports	98,000,223	1,578,835	\$62.07
Non-Appportioning Central Office	3,684,604	6,660,019	\$0.55
Non-Appportioning Field	15,595,898	7,216,774	\$2.16
Apportioning Central Office	9,003,069	8,475,457	\$1.06
Apportioning Field ^{1/}	237,338,169	34,313,061	\$6.92
Exempt Corporation Audits	317,472	1,826,492	\$0.17
Total CT Net Assessment Activities	<u>\$363,939,435</u>	<u>\$60,875,750</u>	
TOTAL NET ASSESSMENT ACTIVITIES	<u>\$239,239,384</u>	<u>\$139,713,579</u>	\$1.71
COLLECTION ACTIVITIES:			
Tax Programs			
Personal Income Tax			
Tax Collections	\$1,019,566,472	\$63,889,626	\$15.96
Voluntary Contributions	3,818,941	52,043	\$73.38
Corporation Tax			
Tax Collections	589,011,720	19,119,522	\$30.81
Non-Admitted Insurance Tax	7,151,861	56,839	\$125.83
Non-Tax Collection Programs			
Inter-Agency Intercept Collections	117,309,164	378,931	\$309.58
Child Support Collections	113,273,412	10,536,123	\$10.75
Vehicle Registration Collections	93,666,190	4,442,061	\$21.09
Court-Ordered Debt Collections	21,171,926	2,301,912	\$9.20
DIR Industrial Health & Safety Collections	1,376,609	165,930	\$8.30
TOTAL COLLECTION ACTIVITIES	<u>\$1,966,346,295</u>	<u>\$100,942,987</u>	\$19.48
OTHER ACTIVITIES:			
Personal Income Tax Program			
Self-Assessment Activities	—	\$82,791,490	
Mathematical Verification	—	8,686,658	
Settlement Activities	—	985,846	
Corporation Tax Program			
Self-Assessment Activities	—	35,353,842	
Math Verification	—	875,431	
Settlement Activities	—	1,393,597	
Homeowners & Renters Assistance Program	—	7,045,797	
Political Reform Audit Program	—	1,294,678	
Child Support Automation	—	12,895,063	
Student Loan	—	933,949	
Contract Work Program	—	4,324,882	
TOTAL OTHER ACTIVITIES		<u>\$156,581,233</u>	
TOTAL PROGRAM ACTIVITY COST		<u>\$397,237,799</u>	

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

Exhibit A1: All Programs

Statement of Operation Costs

Fiscal Year Ended June 30, 2001

Tax Programs	Executive	Child Support Automation and Technology Oversight	Legal	Audit & Executive Programs
Personal Income Tax				
Self-Assessment Activities				
Legislation and Development	\$52,429	\$133,708	\$785,343	\$1,359,811
Return Forms	19,445	47,829	117,854	987,504
Return Processing	172,017	103,605	91,494	164,540
Estimate Processing	10,812	6,441	6,168	10,366
Taxpayer Assistance	116,745	81,092	43,036	1,349,015
Claims	12,493	9,057	3,624	706,908
Information Exchange	1,792	1,180	707	1,676
Total Self-Assessment	<u>\$385,733</u>	<u>\$382,912</u>	<u>\$1,048,226</u>	<u>\$4,579,820</u>
Audit Activities				
Desk Audits	\$110,358	\$105,733	\$2,117,461	\$9,226,370
Federal Audit Reports	39,547	28,962	93,316	4,430,369
Field Audits	54,139	67,967	292,546	7,905,404
Total Audit	<u>\$204,044</u>	<u>\$202,662</u>	<u>\$2,503,323</u>	<u>\$21,562,143</u>
Filing Enforcement	\$78,723	\$153,386	\$23,258	\$169,539
Residency Determination	4,425	3,374	682,887	3,972
Investigation	15,754	13,757	9,033	2,242,144
Withhold At Source	5,530	3,195	2,888	5,337
Tax Collections	306,269	590,498	232,071	370,602
Math Verification	43,493	27,536	21,197	41,102
Settlement Authority	5,288	4,064	784,396	6,219
Voluntary Contributions	158	143	0	133
Total PIT	<u>\$1,049,417</u>	<u>\$1,381,527</u>	<u>\$5,307,279</u>	<u>\$28,981,011</u>
Corporation Tax				
Self-Assessment Activities				
Legislation and Development	\$17,178	\$12,480	\$514,099	\$1,323,690
Return Forms	7,395	5,552	64,685	381,222
Return Processing	90,072	65,070	34,255	780,448
Estimate Processing	1,919	1,459	1,173	19,990
Taxpayer Assistance	38,515	27,490	13,514	792,372
Claims	31,548	23,738	8,861	4,603,324
Total Self-Assessment	<u>\$186,627</u>	<u>\$135,789</u>	<u>\$636,587</u>	<u>\$7,901,046</u>
Audit Activities				
Federal Audit Reports	\$7,948	\$5,824	\$15,579	\$1,157,619
Non-Appportioning — Central Office	32,188	22,012	658,070	2,147,718
Non-Appportioning — Field	33,257	25,293	115,722	5,194,062
Appportioning — Central Office	44,656	33,617	1,709,013	1,625,206
Appportioning — Field	147,415	112,398	1,059,209	24,862,252
Exempt Corporations	10,002	6,890	7,379	103,820
Total Audit	<u>\$275,466</u>	<u>\$206,034</u>	<u>\$3,564,972</u>	<u>\$35,090,677</u>
Filing Enforcement	\$4,102	\$6,820	\$1,541	\$99,237
Tax Collections	89,307	82,800	73,340	104,734
Math Verification	4,665	3,450	1,267	4,075
Settlement Authority	6,838	5,143	1,131,593	8,257
Total Corporation Tax	<u>\$567,005</u>	<u>\$440,036</u>	<u>\$5,409,300</u>	<u>\$43,208,026</u>
Non-Admitted Insurance Tax	321	232	93	264
Total Tax Program	<u>\$1,616,743</u>	<u>\$1,821,795</u>	<u>\$10,716,672</u>	<u>\$72,189,301</u>
Non-Tax Collection Program				
Inter-Agency Intercept Collections	\$1,088	\$1,856	\$666	\$740
Child Support Collections	41,565	43,629	36,068	169,491
Vehicle Registration Collections	17,278	20,063	5,076	43,562
Court-ordered Debt Collections	7,980	4,804	3,811	20,353
DIR Industrial Health & Safety	845	1,374	466	12,149
Student Loan Debt Collections	3,330	7,727	4,018	6,833
Total Non-Tax Collections	<u>\$72,086</u>	<u>\$79,453</u>	<u>\$50,105</u>	<u>\$253,128</u>
Other Non-Tax Programs				
Homeowners & Renters Assistance	\$35,730	32,516	\$56,060	\$113,703
Political Reform Audit	5,208	4,729	634	724,578
Child Support Automation	34,149	9,643,529	185,557	22,128
Other Contracts	13,232	26,871	11,394	10,655
Total Other Non-Tax	<u>\$88,319</u>	<u>\$9,707,645</u>	<u>\$253,645</u>	<u>\$871,064</u>
Total Departmental Costs	<u>\$1,777,148</u>	<u>\$11,608,893</u>	<u>\$11,020,422</u>	<u>\$73,313,493</u>

Child Support Automation & Department Oversight	Collection Account Resolution & Administration	Operations & Enterprise Technology	Departmental	Totals
\$1,033,707	\$966,413	\$4,189,303	\$1,345,275	\$9,865,989
332,746	565,144	1,277,222	5,921,459	9,269,203
497,643	2,934,310	26,008,047	4,716,784	34,688,440
30,886	60,418	1,589,458	365,797	2,080,346
397,178	3,997,298	14,141,938	4,158,808	24,285,110
44,594	82,063	1,107,203	305,239	2,271,181
5,741	11,080	254,645	54,400	331,221
<u>\$2,342,495</u>	<u>\$8,616,726</u>	<u>\$48,567,816</u>	<u>\$16,867,762</u>	<u>\$82,791,490</u>
\$745,889	\$1,064,439	\$4,868,661	\$2,890,344	\$21,129,255
142,804	1,245,686	548,339	936,198	7,465,221
561,710	424,952	697,245	1,616,964	11,620,927
<u>\$1,450,403</u>	<u>\$2,735,077</u>	<u>\$6,114,245</u>	<u>\$5,443,506</u>	<u>\$40,215,403</u>
\$1,208,062	\$3,606,651	\$10,167,596	\$16,666,111	\$32,073,326
16,713	30,352	50,262	130,944	922,929
69,118	1,110,390	236,068	384,326	4,080,590
15,253	30,032	1,356,626	126,720	1,545,581
4,054,753	33,661,804	12,269,297	12,404,332	63,889,626
133,216	254,794	6,846,760	1,318,560	8,686,658
20,147	36,519	32,671	96,542	985,846
722	1,259	177	49,451	52,043
<u>\$9,310,882</u>	<u>\$50,083,604</u>	<u>\$85,641,518</u>	<u>\$53,488,254</u>	<u>\$235,243,492</u>
\$61,841	\$536,401	\$573,987	\$356,191	\$3,395,867
27,447	329,028	370,494	244,322	1,430,145
329,287	689,110	11,624,034	2,491,555	16,103,831
8,373	10,744	261,136	65,039	369,833
135,095	612,269	4,885,080	1,203,102	7,707,437
117,391	219,959	611,589	730,319	6,346,729
<u>\$679,434</u>	<u>\$2,397,511</u>	<u>\$18,326,320</u>	<u>\$5,090,528</u>	<u>\$35,353,842</u>
\$39,875	\$53,665	\$115,120	\$183,205	\$1,578,835
165,686	206,654	2,662,536	765,155	6,660,019
164,543	231,622	258,860	1,193,415	7,216,774
244,535	297,081	3,335,724	1,185,625	8,475,457
728,648	1,027,159	1,134,567	5,241,414	34,313,062
33,713	100,553	1,269,827	294,308	1,826,492
<u>\$1,377,000</u>	<u>\$1,916,734</u>	<u>\$8,776,634</u>	<u>\$8,863,122</u>	<u>\$60,070,639</u>
\$51,030	\$136,754	\$378,560	\$127,068	\$805,112
506,669	11,782,520	2,447,321	4,032,831	19,119,522
17,028	31,087	715,149	98,710	875,431
25,431	46,237	46,619	123,479	1,393,597
<u>\$2,656,592</u>	<u>\$ 16,310,843</u>	<u>\$30,690,603</u>	<u>\$18,335,738</u>	<u>\$117,618,143</u>
1,141	2,091	45,069	7,628	56,839
<u>\$11,968,615</u>	<u>\$66,396,538</u>	<u>\$116,377,190</u>	<u>\$71,831,620</u>	<u>\$352,918,474</u>
\$10,981	\$140,059	\$28,299	\$195,242	\$378,931
461,035	6,619,198	1,243,229	1,921,908	10,536,123
140,827	2,686,324	364,926	1,164,005	4,442,061
24,225	1,471,730	333,199	435,810	2,301,912
8,062	102,843	10,078	30,113	165,930
93,048	613,807	157,209	47,977	933,949
<u>\$738,178</u>	<u>\$11,633,961</u>	<u>\$2,136,940</u>	<u>\$3,795,055</u>	<u>\$18,758,906</u>
\$209,133	\$1,038,271	\$4,940,148	\$620,236	\$7,045,797
23,849	425,815	6,917	102,948	1,294,678
170,114	213,590	33,727	2,592,268	12,895,062
177,453	113,554	1,940,229	2,031,494	4,324,882
<u>\$580,549</u>	<u>\$1,791,230</u>	<u>\$6,921,021</u>	<u>\$5,346,946</u>	<u>\$25,560,419</u>
<u>\$13,287,342</u>	<u>\$79,821,729</u>	<u>\$125,435,151</u>	<u>\$80,973,621</u>	<u>\$397,237,799</u>

Exhibit A2: All Programs

Statement of Operation Costs

Fiscal Year Ended June 30, 2001

Tax Programs	Executive	Child Support Automation and Technical Oversight	Legal	Audit & Executive Programs
Personal Income Tax				
Self-Assessment Activities				
Legislation and Development	1,798	4,100	19,131	40,424
Return Forms	684	1,454	2,795	28,060
Return Processing	4,991	2,019	212	3,886
Estimate Processing	310	125	21	243
Taxpayer Assistance	3,876	1,609	92	43,316
Claims	432	181	0	23,229
Information Exchange	57	23	0	42
Total Self-Assessment	<u>12,148</u>	<u>9,511</u>	<u>22,251</u>	<u>139,200</u>
Audit Activities				
Desk Audits	3,767	2,506	51,605	339,240
Federal Audit Reports	1,386	578	2,038	161,602
Field Audits	1,954	1,760	6,945	222,387
Total Audit	<u>7,107</u>	<u>4,844</u>	<u>60,588</u>	<u>723,229</u>
Filing Enforcement	2,753	4,401	61	4,614
Residency Determination	160	68	16,909	107
Investigation	667	280	204	54,918
Withhold At Source	154	62	0	123
Tax Collections	10,535	16,954	3,799	9,806
Math Verification	1,323	540	58	999
Settlement Authority	193	81	19,417	212
Voluntary Contributions	6	2	0	4
Total PIT	<u>35,046</u>	<u>36,743</u>	<u>123,287</u>	<u>933,212</u>
Corporation Tax				
Self-Assessment Activities				
Legislation and Development	586	251	12,623	40,436
Return Forms	264	111	1,557	10,694
Return Processing	2,994	1,328	86	26,295
Estimate Processing	54	34	4	545
Taxpayer Assistance	1,312	547	37	24,429
Claims	1,133	475	24	136,656
Total Self-Assessment	<u>6,343</u>	<u>2,746</u>	<u>14,331</u>	<u>239,055</u>
Audit Activities				
Federal Audit Reports	279	116	328	39,900
Non-Appportioning — Central Office	1,055	435	16,048	68,171
Non-Appportioning — Field	1,207	507	2,677	151,325
Appportioning — Central Office	1,515	697	41,994	52,156
Appportioning — Field	5,358	2,253	17,196	637,978
Exempt Corporations	330	137	94	2,966
Total Audit	<u>9,744</u>	<u>4,145</u>	<u>78,337</u>	<u>952,496</u>
Filing Enforcement	140	194	7	2,862
Tax Collections	3,049	1,932	1,149	2,799
Math Verification	164	69	0	96
Settlement Authority	244	103	28,080	143
Total Corporation Tax	<u>19,684</u>	<u>9,189</u>	<u>121,904</u>	<u>1,197,451</u>
Non-Admitted Insurance Tax	11	5	0	6
Total Tax Program	<u>54,741</u>	<u>45,937</u>	<u>245,191</u>	<u>2,130,669</u>
Non-Tax Collection Program				
Inter-Agency Intercept Collections	39	63	22	22
Child Support Collections	1,391	1,076	838	5,021
Vehicle Registration Collections	589	526	124	1,333
Court-ordered Debt Collections	242	98	95	611
DIR Industrial Health & Safety	31	46	15	344
Student Loan Debt Collections	91	39	6	320
Total Non-Tax Collections	<u>2,383</u>	<u>1,848</u>	<u>1,100</u>	<u>7,651</u>
Other Non-Tax Programs				
Homeowners & Renters Assistance	1,528	661	1,392	3,374
Political Reform Audit	223	96	16	21,344
Child Support Automation	1,119	158,862	4,581	639
Other Contracts	437	1,006	386	316
Total Other Non-Tax	<u>3,307</u>	<u>160,625</u>	<u>6,375</u>	<u>25,673</u>
Total Departmental Costs	<u>60,431</u>	<u>208,410</u>	<u>252,666</u>	<u>2,163,993</u>

Child Support Automation & Department Oversight	Collection Account Resolution & Administration	Operations & Enterprise Technology	Totals	Personnel Year Totals
32,659	31,873	162,626	292,611	142.9
10,564	19,209	37,881	100,647	49.1
17,350	111,620	1,349,673	1,489,751	727.5
1,077	2,088	90,950	94,814	46.3
13,847	144,713	533,296	740,749	361.7
1,555	2,922	43,432	71,751	35.0
200	380	12,383	13,085	6.4
<u>77,252</u>	<u>312,805</u>	<u>2,230,241</u>	<u>2,803,408</u>	<u>1,369.0</u>
24,634	38,458	227,976	688,186	336.1
4,979	48,507	17,551	236,641	115.6
18,213	14,970	14,452	280,681	137.1
<u>47,826</u>	<u>101,935</u>	<u>259,979</u>	<u>1,205,508</u>	<u>588.7</u>
38,051	140,135	243,331	433,346	211.6
583	1,088	1,101	20,016	9.8
2,410	29,404	16,098	103,981	50.8
532	1,024	51,620	53,515	26.1
128,267	1,220,405	461,793	1,851,559	904.2
4,644	8,850	328,360	344,774	168.4
702	1,311	344	22,260	10.9
26	46	4	88	0.0
<u>300,293</u>	<u>1,817,003</u>	<u>3,592,871</u>	<u>6,838,455</u>	<u>3,339</u>
2,151	17,725	16,298	90,070	44.0
957	11,080	10,691	35,354	17.3
11,389	24,809	509,957	576,858	281.7
279	362	16,383	17,661	8.6
4,710	21,962	173,717	226,714	110.7
4,093	7,818	15,845	166,044	81.1
<u>23,579</u>	<u>83,756</u>	<u>742,891</u>	<u>1,112,701</u>	<u>543.4</u>
1,329	1,908	3,839	47,699	23.3
5,321	7,227	124,936	223,193	109.0
5,540	8,270	3,860	173,386	84.7
7,876	10,449	158,685	273,372	133.5
24,403	36,717	16,579	740,484	361.6
1,175	3,505	57,071	65,278	31.9
<u>45,644</u>	<u>68,076</u>	<u>364,970</u>	<u>1,523,412</u>	<u>743.9</u>
1,624	4,924	14,539	24,290	11.9
16,833	433,307	85,122	544,191	265.8
760	1,126	22,187	24,402	11.9
887	1,650	489	31,596	15.4
<u>89,327</u>	<u>592,839</u>	<u>1,230,198</u>	<u>3,260,592</u>	<u>1,592.3</u>
40	74	1,648	1,784	0.9
<u>389,660</u>	<u>2,409,916</u>	<u>4,824,717</u>	<u>10,100,831</u>	<u>4,932.6</u>
431	5,214	1,193	6,984	3.4
14,574	178,866	62,629	264,395	129.1
4,557	77,284	18,131	102,544	50.1
845	48,915	18,992	69,798	34.1
315	3,762	428	4,941	2.4
1,575	25,981	5,453	33,465	16.3
<u>22,297</u>	<u>340,022</u>	<u>106,826</u>	<u>482,127</u>	<u>235.4</u>
6,719	38,717	244,761	297,152	145.1
831	12,572	239	35,321	17.2
7,138	7,864	891	181,094	88.4
7,161	3,972	106,966	120,244	58.7
<u>21,849</u>	<u>63,125</u>	<u>352,857</u>	<u>633,811</u>	<u>309.5</u>
<u>433,806</u>	<u>2,813,063</u>	<u>5,284,400</u>	<u>11,216,769</u>	<u>5,477.6</u>

Exhibit A3: All Programs

Selected Historical Statistics

Fiscal Years Ended June 30, 1966 through June 30, 2001

Fiscal Year ended 6-30	TAX PROGRAMS									
	Total Returns Filed		Volume of PIT Refunds	Self Assessed ^{1/} Tax		Departmentally Assessed ^{1/} Filing			TOTAL TAXES	
	PIT	CT ^{3/}		Liability	Cost	Enforce.	Audit	Cost	ASSESSED	COST
1966	5,340	119	20	\$777	\$5	\$12	\$36	\$7	\$825	\$12
1967	5,673	128	21	\$874	\$6	\$12	\$43	\$7	\$929	\$13
1968	5,629	135	22	\$1,463	\$7	\$10	\$46	\$7	\$1,519	\$13
1969	5,587	149	68	\$1,614	\$7	\$13	\$48	\$9	\$1,675	\$14
1970	5,841	152	32	\$1,670	\$8	\$29	\$61	\$10	\$1,760	\$16
1971	5,969	190	127	\$1,696	\$9	\$30	\$70	\$11	\$1,795	\$18
1972	5,895	221	221	\$1,776	\$12	\$26	\$92	\$13	\$1,893	\$23
1973	7,239	217	4,360	\$2,375	\$20	\$34	\$95	\$12	\$2,503	\$29
1974	7,824	238	5,975	\$2,475	\$20	\$40	\$95	\$15	\$2,610	\$32
1975	8,207	247	5,678	\$3,378	\$20	\$7	\$111	\$13	\$3,495	\$32
1976	8,376	247	5,650	\$4,027	\$23	\$23	\$125	\$15	\$4,175	\$37
1977	8,909	257	5,972	\$4,326	\$24	\$17	\$154	\$18	\$4,496	\$40
1978	9,287	277	6,245	\$5,377	\$27	\$51	\$232	\$20	\$5,660	\$45
1979	9,836	299	7,768	\$6,227	\$29	\$78	\$171	\$22	\$6,475	\$50
1980	10,739	348	8,079	\$7,560	\$34	\$79	\$235	\$26	\$7,875	\$57
1981	10,950	372	8,452	\$8,880	\$41	\$102	\$280	\$29	\$9,263	\$67
1982	11,346	406	8,224	\$9,947	\$30	\$164	\$368	\$33	\$10,479	\$60
1983	11,395	445	7,624	\$9,361	\$29	\$213	\$459	\$35	\$10,034	\$61
1984	11,340	446	5,773	\$10,284	\$32	\$219	\$483	\$39	\$10,986	\$69
1985	11,976	469	6,908	\$12,303	\$38	\$164	\$568	\$45	\$13,034	\$80
1986	12,140	498	7,292	\$13,261	\$40	\$275	\$540	\$53	\$14,075	\$91
1987	12,821	530	6,926	\$15,713	\$41	\$300	\$683	\$60	\$16,696	\$99
1988	13,082	535	8,057	\$15,571	\$48	\$342	\$808	\$61	\$16,721	\$107
1989	13,702	543	8,641	\$17,537	\$51	\$334	\$893	\$62	\$18,764	\$112
1990	14,167	535	8,951	\$18,689	\$57	\$527	\$832	\$67	\$20,048	\$124
1991	14,651	513	7,467	\$19,053	\$67	\$393	\$926	\$73	\$20,372	\$140
1992	14,643	531	7,793	\$20,790	\$70	\$330	\$1,101	\$78	\$22,220	\$147
1993	14,431	501	9,194	\$20,164	\$65	\$963	\$991	\$91	\$22,119	\$156
1994	13,699	509	7,347	\$22,017	\$72	\$153	\$1,168	\$103	\$23,338	\$175
1995	13,407	562	7,469	\$21,939	\$74	\$667	\$1,055	\$116	\$23,661	\$192
1996	13,791	491	7,462	\$25,816	\$95	\$1,130	\$1,058	\$119	\$28,004	\$214
1997	13,902	533	7,643	\$24,605	\$107	\$1,176	\$1,216	\$130	\$26,997	\$237
1998	14,317	544	7,784	\$27,834	\$112	\$1,164	\$1,351	\$122	\$30,349	\$234
1999	14,498	806	8,628	\$33,977	\$100	\$1,643	\$1,199	\$135	\$36,819	\$235
2000	15,026	802	8,710	\$31,513	\$107	\$1,921	\$1,060	\$134	\$34,494	\$241
2001	16,007	991	9,354	\$51,164	\$118	\$0	\$791	\$148	\$51,955	\$266

^{1/} All amounts in millions

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

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

		NON-TAX PROGRAMS								Fiscal
TOTAL TAXES COLLECTED	COST	NON-TAX COLLECTED	COST	HRA Claims Processed	HRA Costs	Political Reform Costs	Audit Contract Costs	TOTAL Department Cost	Year ended 6-30	
2/	2/	—	—	—	—	—	—	\$12	1966	
2/	2/	—	—	—	—	—	—	\$13	1967	
\$17	\$2	—	—	35	\$0	—	—	\$15	1968	
\$27	\$2	—	—	83	\$1	—	—	\$17	1969	
\$35	\$2	—	—	68	\$1	—	—	\$19	1970	
\$48	\$2	—	—	66	\$1	—	—	\$20	1971	
\$59	\$3	—	—	189	\$1	—	—	\$26	1972	
\$67	\$3	—	—	329	\$2	—	—	\$34	1973	
\$68	\$4	—	—	330	\$2	—	—	\$37	1974	
\$109	\$7	—	—	328	\$2	\$1	\$1	\$41	1975	
\$131	\$8	—	—	317	\$2	\$3	\$1	\$50	1976	
\$193	\$9	—	—	362	\$2	\$2	\$2	\$55	1977	
\$244	\$10	—	—	254	\$3	\$2	\$2	\$61	1978	
\$310	\$10	—	—	526	\$2	\$2	\$2	\$65	1979	
\$282	\$11	—	—	519	\$3	\$1	\$4	\$76	1980	
\$368	\$13	—	—	601	\$3	\$2	\$3	\$88	1981	
\$476	\$17	—	—	476	\$2	\$1	\$3	\$83	1982	
\$579	\$18	—	—	424	\$2	\$1	\$3	\$85	1983	
\$564	\$19	—	—	367	\$2	\$1	\$3	\$93	1984	
\$735	\$23	—	—	344	\$2	\$1	\$4	\$109	1985	
\$736	\$27	—	—	312	\$2	\$1	\$3	\$124	1986	
\$964	\$34	—	—	282	\$2	\$1	\$2	\$139	1987	
\$1,024	\$38	—	—	259	\$2	\$2	\$2	\$151	1988	
\$1,193	\$43	—	—	241	\$2	\$1	\$3	\$160	1989	
\$1,176	\$52	—	—	237	\$2	\$1	\$2	\$181	1990	
\$1,169	\$56	—	—	216	\$2	\$1	\$2	\$200	1991	
\$1,382	\$62	—	—	195	\$2	\$1	\$2	\$214	1992	
\$1,232	\$65	—	\$1	180	\$1	\$1	\$2	\$226	1993	
\$1,432	\$69	\$60	\$8	166	\$2	\$1	\$2	\$256	1994	
\$1,704	\$83	\$66	\$11	170	\$2	\$1	\$2	\$290	1995	
\$1,459	\$83	\$180	\$13	113	\$2	\$1	\$2	\$315	1996	
\$1,648	\$82	\$153	\$12	165	\$2	\$1	\$4	\$338	1997	
\$1,718	\$88	\$267	\$16	167	\$2	\$1	\$11	\$352	1998	
\$1,893	\$103	\$274	\$16	151	\$2	\$1	\$3	\$360	1999	
\$1,805	\$100	\$320	\$25	428	\$6	\$1	\$2	\$375	2000	
\$1,608	\$83	\$347	\$19	716	\$7	\$1	\$21	\$397	2001	

Exhibit B: Tax Programs

Self-Assessment Activities

Statement of Return Processing Activities

Fiscal Year Ended June 30, 2001

	Personal Income Tax	Corporation Tax ^{1/}	Total
Tax Revenue			
Gross Self-Assessed Tax	\$51,199,528,618	\$6,655,812,368	\$57,855,340,986
Refunds Allowed	<u>-5,397,565,887</u>	<u>-1,513,548,889</u>	<u>-6,911,114,776</u>
Net Self-Assessed Tax	\$45,801,962,731	\$5,142,263,479	\$50,944,226,210
Returns Filed As a Result of Filing Enforcement Activities	<u>-204,534,732</u>	<u>-1,566,004</u>	<u>-206,100,736</u>
Voluntarily Reported Self-Assessed Tax	<u>\$45,597,427,999</u>	<u>\$5,140,697,475</u>	<u>\$50,738,125,474</u>
Units Processed			
Number of Returns Processed	15,877,734	989,512	16,867,246
Number of Refunds Processed	<u>9,353,994</u>	<u>105,135</u>	<u>9,459,129</u>
Total Number of Units Processed	<u>25,231,728</u>	<u>1,094,647</u>	<u>26,326,375</u>
Cost of Returns and Refunds Processed	\$36,959,621	\$22,450,560	\$59,410,181
Cost of Total Self-Assessed Activities	\$82,791,490	\$35,353,842	\$118,145,332
Paid Hours of Returns and Refunds Processed	1,393,105	525,802	1,918,907
Paid Hours of Total Self-Assessed Activities	2,230,241	742,891	2,973,132
Statistics			
Total Cost per Paid Hour	\$37.12	\$47.59	\$39.74
Total Paid Hours Per Unit Processed	0.09	0.68	0.11
Total Paid Hours Per Return Processed	0.14	0.75	0.18
Total Cost Per Unit Processed	\$3.28	\$32.30	\$4.49
Average Tax Per Return	\$2,871.78	\$5,195.18	\$3,008.09
Average Refund Allowed Per Claim	\$577.03	\$14,396.24	\$730.63

^{1/} Does not include the 83,617 Exempt Organization returns filed.

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Exhibit C: Tax Programs

Integrated Nonfiler Compliance Program

Activities and Results

Fiscal Years 1999-2000 and 2000-2001

	Notices Mailed		Tax Returns Received After		Net Assessment	
	2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000
Personal Income Tax						
Demand/Request Letter	177,498	745,450	5,840	79,632	\$13,230,867	\$155,984,414
Notice of Proposed Assessment	87,659	459,777	93,763	140,864	(\$491,940,221)	\$1,188,026,452
Total Personal Income Tax	<u>265,157</u>	<u>1,205,227</u>	<u>99,603</u>	<u>220,496</u>	<u>(\$478,709,354)</u>	<u>\$1,344,010,866</u>
Additional Collections Per Dollar Cost						
Corporation Tax						
Demand Letters Mailed	22,443	0	0 ²	0 ²	0 ²	0 ²
Notice of Proposed Assessments	12,473	16,019	457	1,215	\$477,753,985	\$425,848,157
Total Corporation Tax	<u>34,916</u>	<u>16,019</u>	<u>457</u>	<u>1,215</u>	<u>\$477,753,985</u>	<u>\$425,848,157</u>
Additional Collections Per Dollar Cost						
Total Tax Programs	<u>300,073</u>	<u>1,221,246</u>	<u>100,060</u>	<u>221,711</u>	<u>(\$955,369)</u>	<u>\$1,769,859,023</u>

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

Additional Collections ²		Costs		Hours	
2000-2001	1999-2000	2000-2001	1999-2000	2000-2001	1999-2000
\$15,118,615	\$41,252,364				
\$223,296,114	\$269,580,631				
<u>\$238,414,729</u>	<u>\$310,832,995</u>	<u>\$ 33,618,907</u>	<u>\$23,343,745</u>	<u>486,861</u>	<u>654,718</u>
		\$7.09	\$ 13.32		
0 ²	0 ²				
0 ²	0 ²				
<u>0</u>	<u>0</u>	<u>\$805,112</u>	<u>\$811,407</u>	<u>24,290</u>	<u>27,163</u>
		\$6.93	\$ 12.87		
<u>\$238,414,729</u>	<u>\$310,832,995</u>	<u>\$34,424,019</u>	<u>\$24,155,152</u>	<u>511,151</u>	<u>681,881</u>

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

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

Exhibit C1: Tax Programs Enforcement Activities Assessments Activities

Fiscal Years Ended June 30, 2000 and 2001

	Net Tax Assessments		Change	Percent Change
	2000/2001	1999/2000		
Personal Income Tax				
Residency Determination	-\$20,124	\$341,091	-\$361,215	106%
Investigations	<u>602,962</u>	<u>367,731</u>	<u>235,231</u>	64%
Total Personal Income Tax	\$582,838	\$708,822	-\$125,984	-18%
 Bank & Corporation Tax				
Investigations	\$16	\$5,328	-\$5,312	-100%
Revivor	1,821	-1,830	3,651	-200%
Secretary of State Penalties	<u>13,779,937</u>	<u>1,848,873</u>	<u>11,931,064</u>	645%
Total Bank & Corporation Tax	<u>\$13,781,774</u>	<u>\$1,852,371</u>	<u>\$11,929,403</u>	644%
Total Tax Programs	<u>\$14,364,612</u>	<u>\$2,561,193</u>	<u>\$11,803,419</u>	461%

Exhibit D1: Tax Programs

Tax Audit Activities

Activities and Results

Fiscal Years Ended June 30, 2000 and 2001

	Net Assessments			
	2000/2001	1999/2000	Change	Percent Change
Personal Income Tax				
Desk Audit	\$78,839,022	\$64,391,799	\$14,447,223	22.4%
Federal Audit Reports	220,613,637	174,507,217	46,106,420	26.4%
Field Audits	53,973,806	46,345,629	7,628,177	16.5%
Total Personal Income Tax	<u>\$353,426,465</u>	<u>\$285,244,645</u>	<u>\$68,181,820</u>	23.9%
Corporation Tax				
Federal Audit Reports	\$98,000,223	\$91,612,152	\$6,388,071	7.0%
Non-Appportioning Audits				
Central Office	3,684,604	6,836,700	-3,152,096	-46.1%
Field	15,595,898	15,336,671	259,227	1.7%
Apportioning Audits				
Central Office	9,003,069	8,357,086	645,983	7.7%
Field	237,338,169	560,013,901	-322,675,732	-57.6%
Exempt Corporation Audits	317,472	747,923	-430,451	-57.6%
Total Corporation Tax	<u>\$363,939,435</u>	<u>\$682,904,433</u>	<u>-\$318,964,998</u>	-46.7%
Total Tax Programs	<u>\$717,365,900</u>	<u>\$968,149,078</u>	<u>-\$250,783,178</u>	-25.9%
Total Returns Audited	419,186	475,877	-56,691	-11.9%
Total Volume of Assessments	221,861	221,083	778	0.4%
Cost of Operation	\$100,286,041	\$108,279,027	-\$7,992,986	-7.4%
Paid Hours	2,728,920	3,056,595	-327,675	-10.7%
Statistics				
Cost Per Paid Hour	\$36.75	\$35.42	\$132	
Net Assessments Per Dollar Cost	\$7.15	\$8.94	-\$179	
Cost Per Return Audited	\$1,711.33	\$2,034.45	-\$323.12	
Returns Audited Per Paid Hour	0.2	0.2	0.0	
Net Assessment Per Assessment	\$3,233.40	\$4,379.12	-\$1,145.72	
% Return Changes to Returns Audited	52.93%	46.46%	6.47%	

Exhibit D2: Tax Programs

Tax Audit Activities

Comparative Schedule of Returns Audited

Fiscal Years Ended June 30, 2000 and 2001

	Changes to Tax		No Changes to Tax		Total Audits	
	2000/2001	1999/2000	2000/2001	1999/2000	2000/2001	1999/2000
Personal Income Tax						
Desk Audit	110,175	160,618	198,264	123,354	308,439	283,972
Federal Audit Reports	107,966	182,242	-5,935	1,769	102,031	184,011
Field Audits	908	1,235	560	89	1,468	1,324
Total Personal Income Tax	<u>219,049</u>	<u>344,095</u>	<u>192,889</u>	<u>125,212</u>	<u>411,938</u>	<u>469,307</u>
Corporation Tax						
Federal Audit Reports	681	1,262	1,119	497	1,800	1,759
Non-Appportioning Audits						
Central Office	350	548	354	209	704	757
Field	222	238	380	409	602	647
Apportioning Audits						
Central Office	139	300	857	605	996	905
Field	529	690	711	365	1,240	1,055
Exempt Corporation Audits	891	1,534	1,015	372	1,906	1,906
Total Corporation Tax	<u>2,812</u>	<u>4,572</u>	<u>4,436</u>	<u>2,457</u>	<u>7,248</u>	<u>7,029</u>
Total Tax Programs	<u>221,861</u>	<u>348,667</u>	<u>197,325</u>	<u>127,669</u>	<u>419,186</u>	<u>476,336</u>

Exhibit E: Tax Programs

Tax Collection Activities

Statement of Tax Collection Activities

Fiscal Year Ended June 30, 2001

	Personal Income Tax	Corporation Tax	Total
Collection Revenue			
Beginning Total Available for Collection (7/1/00)	\$2,812,053,873	\$724,482,570	\$3,536,536,443
Added During 2000/01	2,562,220,975	1,063,141,950	3,625,362,925
Abated During 2000/01	<u>-1,170,512,628</u>	<u>-203,373,757</u>	<u>-1,373,886,385</u>
Total Available for Collection	\$4,203,762,220	\$1,584,250,763	\$5,788,012,983
Accounts Collected:			
Automated ^{1/}	\$666,103,167	\$432,735,130	\$1,098,838,297
Manual ^{2/}	<u>353,463,305</u>	<u>156,276,590</u>	<u>509,739,895</u>
Total Collected	\$1,019,566,472	\$589,011,720	\$1,608,578,192
Discharged	<u>336,848,968</u>	<u>66,254,442</u>	<u>403,103,410</u>
Total Accounts Closed	<u>\$1,356,415,440</u>	<u>\$655,266,162</u>	<u>\$2,011,681,602</u>
Ending Total Available for Collection (6/30/01)	<u>\$2,847,346,780</u>	<u>\$928,984,601</u>	<u>\$3,776,331,381</u>
Collection Accounts			
Total Number of Accounts (7/1/00)	853,376	278,660	1,132,036
Total Number of Accounts (6/30/01)	<u>848,916</u>	<u>313,757</u>	<u>1,162,673</u>
Change in Collection Accounts	<u><u>-4,460</u></u>	<u><u>35,097</u></u>	<u><u>30,637</u></u>
Cost of Operation	\$63,889,626	\$19,119,522	\$83,009,148
Paid Hours	1,851,559	544,191	2,395,750
Statistics			
Cost Per Paid Hour	\$34.51	\$35.13	\$34.65
Tax Collected Per Dollar Cost	\$15.96	\$30.81	\$19.38
Percentage of Available Inventory Collected	24.3%	37.2%	27.8%
Percentage of Amount Available Closed	32.3%	41.4%	34.8%
Percent Change between Beginning and Ending Inventory	1.3%	28.2%	6.8%

^{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, 2000 and 2001

	Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000	Change	Percent Change
Participating Agency Types:				
State agencies	92	87	5	5.7%
City agencies	69	29	40	137.9%
County agencies	28	59	-31	-52.5%
Total Participants	<u>189</u>	<u>175</u>	<u>14</u>	8.0%
Collection Volumes				
State agencies	399,055	343,477	55,578	16.2%
City agencies	26,462	25,000	1,462	5.8%
County agencies	103,089	71,868	31,221	43.4%
Total Collection Volumes	<u>528,606</u>	<u>440,345</u>	<u>88,261</u>	20.0%
Collection Revenues				
State agencies	\$95,377,258	\$73,677,934	\$21,699,324	29.5%
City agencies	2,943,609	2,802,328	141,281	5.0%
County agencies	18,988,297	11,292,622	7,695,675	68.1%
Total Collection Revenues	<u>\$117,309,164</u>	<u>\$87,772,884</u>	<u>\$29,536,280</u>	33.7%
Cost of Operation	\$378,931	\$338,445	\$40,486	
Paid Hours	6,984	5,504	1,480	
Statistics				
Cost Per Paid Hour	\$54.26	\$61.49	-\$7.23	
Revenue Collected Per Dollar Cost	\$309.58	\$259.34	\$50.24	
Revenue Collected Per Paid Hour	\$16,796.84	\$15,947.11	\$849.73	
Average Revenue Per Volume	\$221.92	\$199.33	\$22.59	

Exhibit F2: Non-Tax Collection Program

Child Support Collections

Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 2000 and 2001

	Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000	Change	Percent Change
Demand for Payment Notices Sent	155,732	215,547	-59,815	-27.8%
Out of State Referral Notices Sent	38,020	78,094	-40,074	-51.3%
Levies Issued:				
Bank Accounts	178,303	117,883	60,420	51.3%
Wages	651,403	523,032	128,371	24.5%
Misc.	7	42	-35	-83.3%
Total Levies Issued	829,713	640,957	188,756	29.4%
Total Demands, Notices and Levies	<u>1,023,465</u>	<u>934,598</u>	<u>88,867</u>	9.5%
Gross Revenue Collected for				
Child Support ^{1/}	\$113,273,412	\$90,031,539	\$23,241,873	25.8%
Cost of Operations				
Paid Hours	\$10,536,123	\$7,815,486	\$2,720,637	34.8%
	264,395	238,752	25,643	10.7%
Statistics				
Cost Per Paid Hour	\$39.85	\$32.73	\$7.12	
Revenue Collected Per Dollar Cost	\$10.75	\$11.52	-\$0.77	
Revenue Collected Per Paid Hour	\$428.42	\$377.09	\$51.33	

^{1/} Does not include \$48,926,985 collected in 2000/01 or \$38,324,493 collected in 1999/00 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, 2000 and 2001

	Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000	Change	Percent Change
Demand for Payment Notices Sent	934,302	929,825	4,477	0.5%
Levies Issued:				
Bank Accounts	29,601	23,549	6,052	25.7%
Wages	163,567	178,943	-15,376	-8.6%
Total Levies Issued	<u>193,168</u>	<u>202,492</u>	<u>-9,324</u>	-4.6%
Gross Revenue Collected for DMV ^{1/}	\$93,666,190	\$97,374,364	-\$3,708,174	-3.8%
Cases Closed	802,398	681,589	120,809	17.7%
Cost of Operations	\$4,442,061	\$4,919,217	-\$477,156	-9.7%
Paid Hours	102,544	128,191	-25,647	-20.0%
Statistics				
Cost Per Paid Hour	\$43.32	\$38.37	\$4.94	
Revenue Collected Per Dollar Cost	\$21.09	\$19.79	\$1.29	
Revenue Collected Per Paid Hour	\$913.42	\$759.60	\$153.82	

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

Exhibit G1: Other Non-Tax Programs

Homeowner and Renter Assistance

Comparative Schedule of Activities

Fiscal Years Ended June 30, 2000 and 2001

	Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000	Change	Percent Change
Number of Claims Processed				
Allowed from:				
Property Owners	161,800	125,300	36,500	29.1%
Renters	484,900	279,200	205,700	73.7%
Not Allowed from:				
Property Owners	19,700	7,200	12,500	173.6%
Renters	59,100	16,000	43,100	269.4%
Total Number of Claims Processed	<u>725,500</u>	<u>427,700</u>	<u>297,800</u>	69.6%
Amount of Claims Allowed				
Property Owners	\$60,450,800	\$16,486,000	\$43,964,800	266.7%
Renters	254,902,300	57,062,800	197,839,500	346.7%
Total Amount of Claims Processed	<u>\$315,353,100</u>	<u>\$73,548,800</u>	<u>\$241,804,300</u>	328.8%
Claimant Assistance Contacts				
Voice-Activated Response Phone Calls	303,356	125,831	177,525	141.1%
Manual Phone Calls, Correspondence, and Counter Contacts	922,822	561,337	361,485	64.4%
Total Claimant Assistance Contacts	<u>1,226,178</u>	<u>687,168</u>	<u>539,010</u>	78.4%
Cost of Operations	\$7,045,797	\$6,036,995	\$1,008,802	16.7%
Paid Hours	297,152	255,933	41,219	16.1%
Statistics				
Total Cost Per Paid Hour	\$23.71	\$23.59	\$0.12	0.5%
Paid Hours Per Claim Processed	0.41	0.60	-0.19	-31.6%
Average Amount of Claim Processed	\$434.67	\$171.96	\$262.71	152.8%

Exhibit G2: Other Non-Tax Programs

Political Reform Audit

Comparative Schedule of Activities

Fiscal Years Ended June 30, 2000 and 2001

	Fiscal Year Ended June 30, 2001	Fiscal Year Ended June 30, 2000	Change	Percent Change
Political Reform Audits Completed				
Candidates & Controlled Committees	119	280	-161	-57.5%
General Purpose Committees	183	37	146	394.6%
Lobbying Entities	40	134	-94	-70.1%
Statewide Measures	34	8	26	325.0%
Total Audits Completed	<u>376</u>	<u>459</u>	<u>-83</u>	-18.1%
Political Reform Audits in Process at FYE				
Candidates & Controlled Committees	50	46	4	8.7%
General Purpose Committees	10	40	-30	-75.0%
Lobbying Entities	30	32	-2	-6.3%
Statewide Measures	7	0	7	
Total Audits in Process at FYE	<u>97</u>	<u>118</u>	<u>-21</u>	-17.8%
Cost of Operations	\$1,294,678	\$1,308,434	-\$13,756	-1.1%
Paid Hours	35,321	44,004	-8,683	-19.7%
Statistics				
Cost Per Paid Hour	\$36.65	\$29.73	\$6.92	23.3%
Paid Hours per Audit Completed	93.94	95.87	-1.93	-2.0%
Average Cost per Audit Completed	\$3,443.29	\$2,850.62	\$592.67	20.8%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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