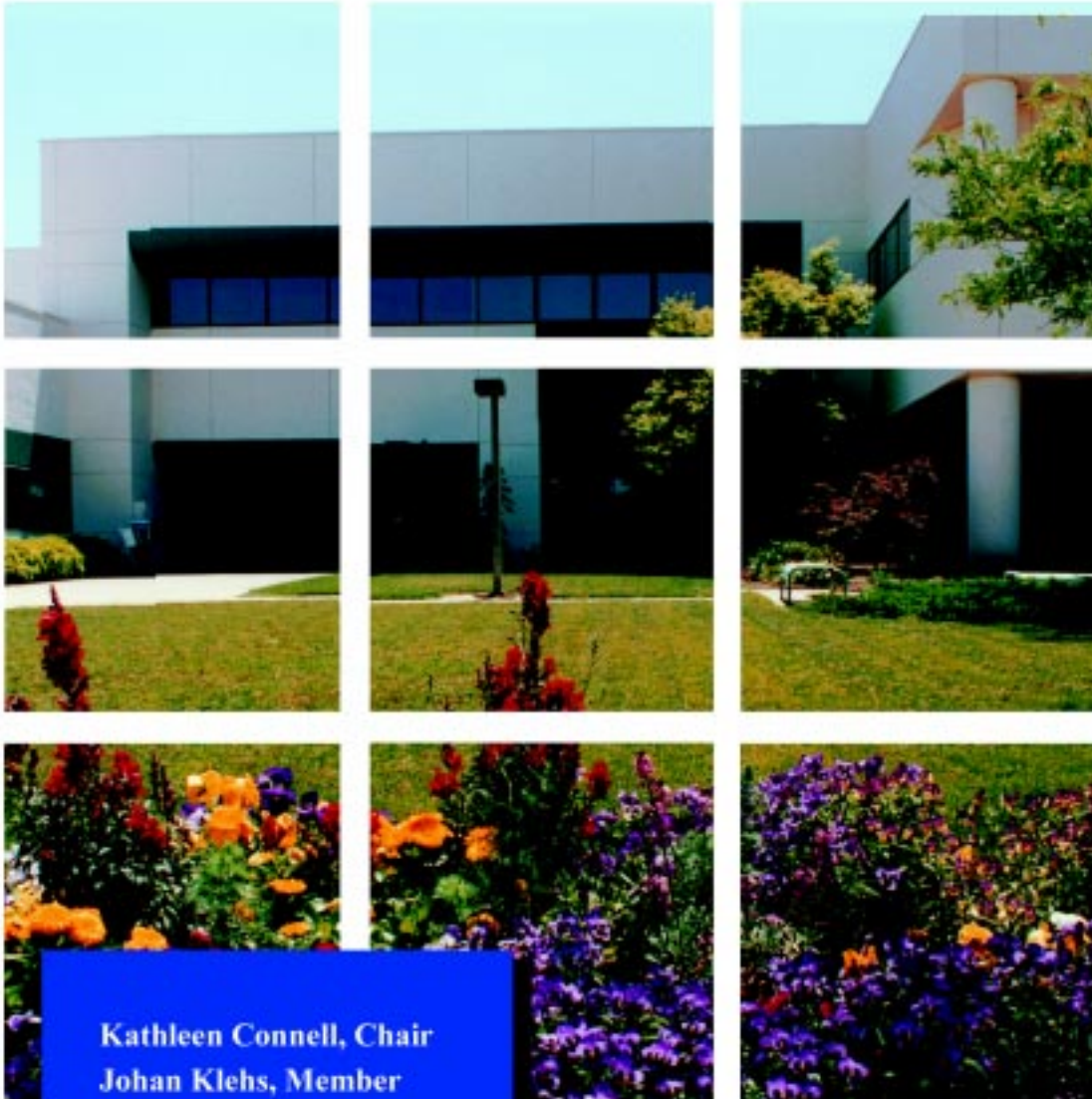


# *California Franchise Tax Board*



Kathleen Connell, Chair  
Johan Klehs, Member  
B. Timothy Gage, Member

# *1995/96 Operations Report*

*Compiled November 1999*

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# OPERATIONS REPORT

FISCAL YEAR ENDED JUNE 30, 1996

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## 1995-1996 BOARD MEMBERS

Hon. Kathleen Connell ..... Controller  
Hon. Johan Klehs ..... Chair, State Board of Equalization  
Hon. Russell Gould ..... Director of Finance (1995)  
Hon. Craig L. Brown ..... Director of Finance (1996)

## CURRENT BOARD MEMBERS

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

**Executive Officer**  
Gerald H. Goldberg

Prepared by:  
Franchise Tax Board Budget Office  
November 1999

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# INTRODUCTION

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**Programs** This report presents the 1995/96 operations of the Franchise Tax Board, which administers the following programs and their components:

**Tax Program:**

Personal Income Tax (PIT) Component  
Bank and Corporation Tax (B&CT) Component  
Non-Admitted Insurance Tax Collections Component

**Non-Tax Collection Programs and Components:**

Inter-Agency Intercept Collections Component <sup>1/</sup>  
Child Support Collections Program  
Vehicle Registration Collections Program  
Court-Ordered Debt Collections Program  
Industrial Health and Safety Collections program

**Other Non-Tax Programs:**

Homeowner and Renter Assistance Program  
Political Reform Audit Program  
Contract Work Program

**Mission Statement** The purpose of 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 efficiency, integrity and fairness.

**Efficiency Integrity and Fairness** The objective under efficiency is to continuously improve the cost benefit performance of the department's programs. The best measure of efficiency is the proportion of benefits to cost. The objective under integrity and fairness is to continually improve the department's ability to produce quality services and results. The most effective means of achieving these objectives is by improving the public's voluntary compliance with their obligations under the law.

Since the department's major responsibility is to collect revenues, the measures of success are net assessments and collections compared to costs. These measures are shown throughout this report, and are used by management in allocating resources to appropriate activities.

FTB's effectiveness in improving the public's voluntary compliance with the law is an appropriate benefit measure of integrity and fairness. Success is measured by the volume of error corrections on self-assessed tax and non-tax debt forms.

1/ Component of Contract Work Program

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**Departmental Expenditures**

In 1995/96, the Franchise Tax Board 's expenditures totaled \$315.2 million; an increase of \$24.8 million (8.5%) over the prior year. Personnel years (PY's) totaled 4910.1, an increase of 49.6 ( 1.0%) over the 1994/95 level of 4,860.5 PY's. This increase was primarily due to a legislative appropriation to assess and collect additional General Fund revenues.

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

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

	<b>1995/96</b>	<b>1994/95</b>
Tax Programs		
Personal Income Tax	\$192,259	\$190,684
Bank and Corporation Tax	104,001	84,329
Non-Admitted Insurance Tax	38	13
Total Tax Programs	<u>\$296,298</u>	<u>\$275,026</u>
Non-Tax Collection Programs	13,583	10,536
Other Non-Tax Programs	5,274	4,772
<b>TOTAL EXPENDITURES BY PROGRAM</b>	<b><u>\$315,155</u></b>	<b><u>\$290,334</u></b>

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

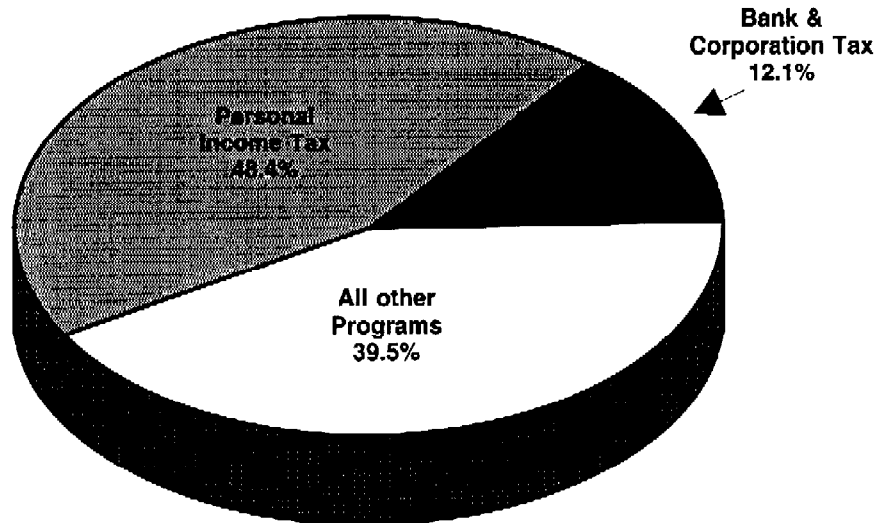
	<b>1995/96</b>	<b>1994/95</b>
Personal Services		
Salary and Wages	\$180,289	\$168,990
Benefits	52,480	46,303
Total Personal Services	<u>\$232,769</u>	<u>\$215,293</u>
Operating Expenses & Equipment	82,386	75,041
<b>TOTAL EXPENDITURES</b>	<b><u>\$315,155</u></b>	<b><u>\$290,334</u></b>
Reimbursements	-6,458	-5,930
<b>NET EXPENDITURES BY OBJECT</b>	<b><u>\$308,697</u></b>	<b><u>\$284,404</u></b>

# California's General Fund<sup>1/</sup>

The General Fund received \$48.1 billion in revenue from all major tax and license revenue sources. As illustrated below, the Franchise Tax Board was again the 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, the General Fund had reduced its beginning year deficit by \$264 million.

## Major Tax and License Revenue

Fiscal Year Ended June 30, 1997



Major Tax & License Revenues  
(Millions)

	Fiscal Year		Change	Percent Change
	1996/97	1995/96		
Personal Income Tax 2/	\$23,270.2	\$20,757.7	\$2,152.5	12.1%
Bank & Corporation Tax	5,803.6	5,831.0	-27.4	-0.5%
Subtotal	\$29,073.8	\$26,588.7	\$2,485.1	9.3%
Other Programs	18,977.2	18,008.7	968.5	5.4%
Total	\$48,051.0	\$44,597.4	\$3,453.6	7.7%

1/ Statistics extracted from the 1996/97 Controller's Final Annual Report.

2/ In 1996/97, \$16.4 billion of General Fund Revenues came from Personal Income Tax withholding; a \$1.6 billion increase from the 1995/96 level of \$14.8 billion.

# TAX PROGRAMS

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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 1995/96, the tax programs administered by the Franchise Tax Board accounted for \$26.6 billion (59.6%) of the General Fund's Major Tax and License revenue. Approximately \$25.8 billion was reported by taxpayers on their voluntarily<sup>1/</sup> filed tax returns.

1/ 'voluntary' filing refers to returns filed as a result of self-assessment activities.

## 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. New technology implementation includes electronic filing of tax returns, image-assisted data capture, interactive voice response (IVR) for taxpayer inquiries, and electronic funds transfer of tax payments.

### **Taxpayer Assistance**

Taxpayer assistance refers to all functions that provide taxpayers and tax preparers with the tools to submit timely and accurately computed documents and payments. The following list contains samples 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 return forms on the Internet; and
  - Expansion of the IVR telephone system to provide pre-programmed answers to frequently asked questions on more than 140 tax topics.

In addition to the above activities, the department distributed 5.8 million tax return booklets, provided for 91,400 downloaded forms, received 772,000 interactive voice response calls, and manually responded to 885,000 telephone, correspondence and over-the-counter requests for forms, pre-filing assistance, and refund information in 1995/96.

## **Return Processing**

Return Processing activities include:

- receiving, cashiering, and depositing tax payments; and
- transcribing, correcting, and filing annual tax returns and quarterly estimate returns.

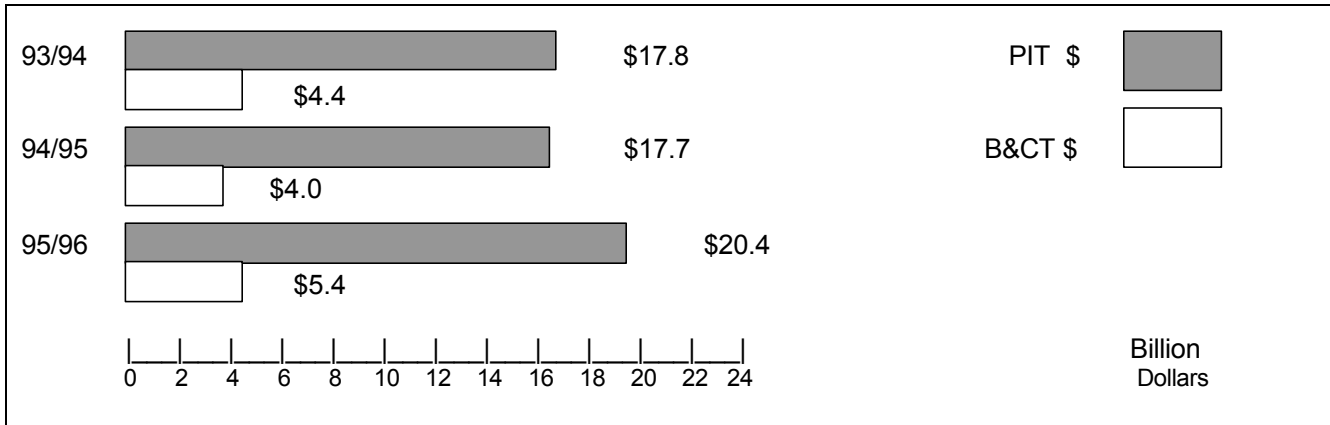
In 1995/96, the department processed 13.8 million personal income tax returns and voluntarily reported self-assessments of \$20.4 billion. Of the returns processed, 7.5 million returns resulted in refunds of \$3.0 billion due to withholding, prepayments and refundable credits.

Taxpayers and tax preparers filed 261,000 PIT returns electronically, an 80 percent increase from 1994/95's level of 145,000 returns. The increase was due to technological enhancements that allowed for the processing of more complex returns. Also in 1995/96, FTB processed 5.3 million PIT returns by an electronic image scanning system, increasing efficiency over the traditional key data entry system.

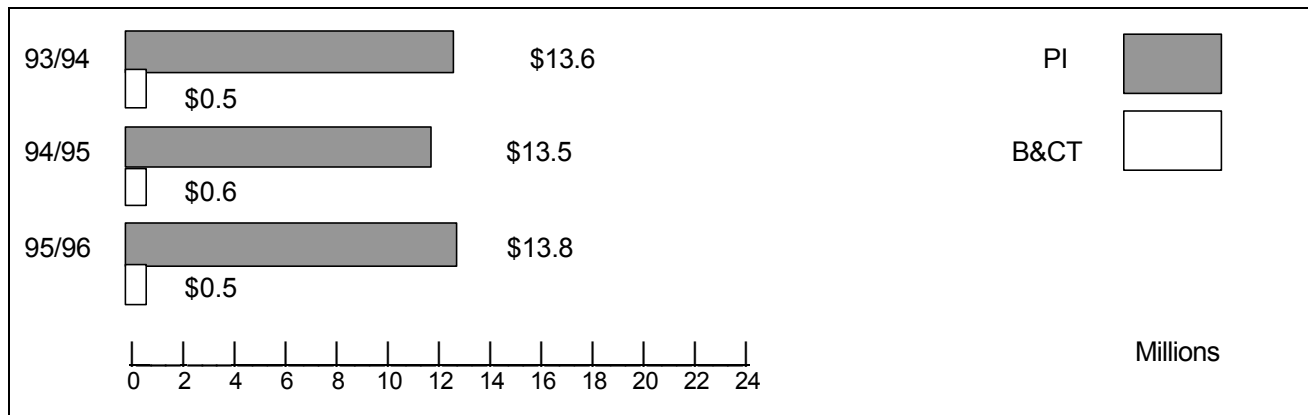
FTB processed 491,000 bank and corporation tax returns, reporting a total tax liability of \$5.4 billion. Additionally, 440,000 estimate tax payments were deposited during 1995/96. Almost 50,000 banks and corporations deposited tax payments directly to FTB via the electronic funds transfer system, improving efficiency over the labor intensive cashiering function. The department also processed 57,800 tax-exempt corporation returns.

# Self-Assessment Activities

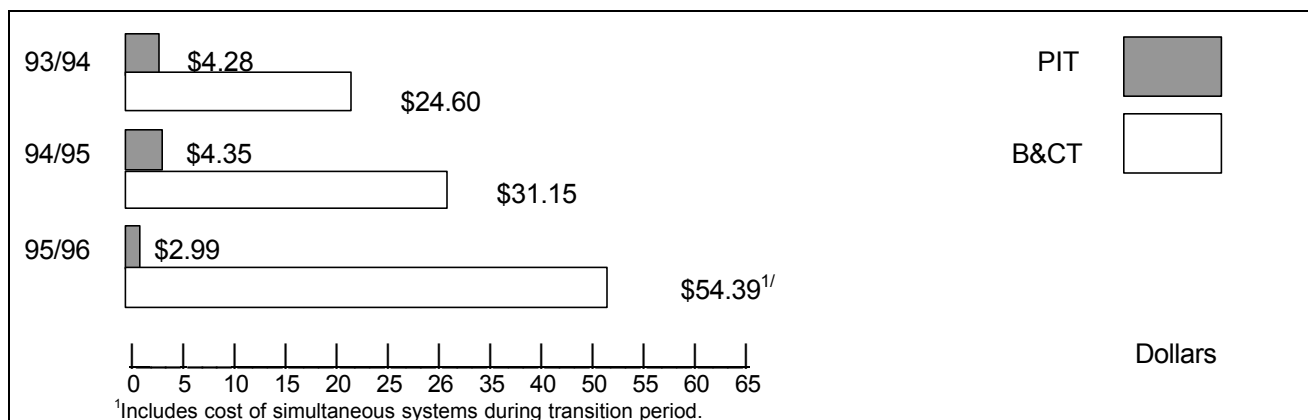
## Amount of Self-Assessed Tax



## Number of Returns Processed



## Cost per Unit 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 220 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.

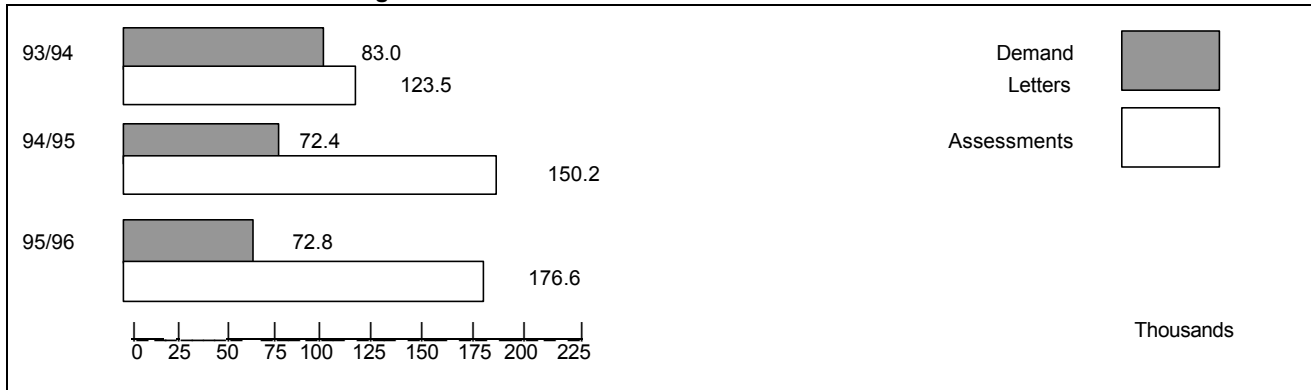
A comparison of filing enforcement activities between 1994/95 and 1995/96 is presented below. Detailed information is provided in Exhibits A, C1, and C2.

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

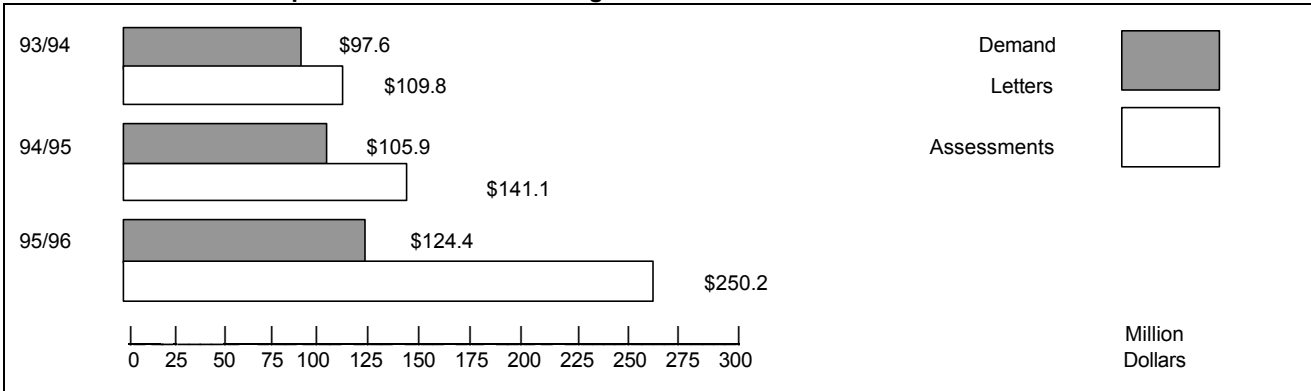
	<u>1995/96</u>	<u>1994/95</u>
<b>Volumes:</b>		
<b>Personal Income Tax:</b>		
Demand-to-File Letters Mailed	664,169	643,580
Returns Filed As Result of Demand Letters	72,783	72,410
Assessment Notices Issued	380,529	369,307
Returns Filed as Result of Assessment Notices	249,431	150,256
<b>Bank &amp; Corporation Tax:</b>		
Demand Letters and Assessments Mailed	42,580	58,872
Returns Filed as Result of Letters and Notices	64	16
Net Assessments from No Returns Filed	13,886	15,457
<b>Dollars Assessed (thousands)</b>		
<b>Personal Income Tax:</b>		
Revenues as Result of Demand Letters	\$124,388	\$105,880
Revenues as Result of Assessment Notices	250,164	141,369
Revenues from No-Return Final Assessments	482,351	386,991
<b>Bank &amp; Corporation Tax:</b>		
Revenues as Result of Letters and Notices	2,921	-16
Revenues from No Return, Net Assessments	251,554	24,759
<b>Total Assessed Dollars</b>	<u>\$1,111,378</u>	<u>\$658,983</u>

# Filing Enforcement Activities

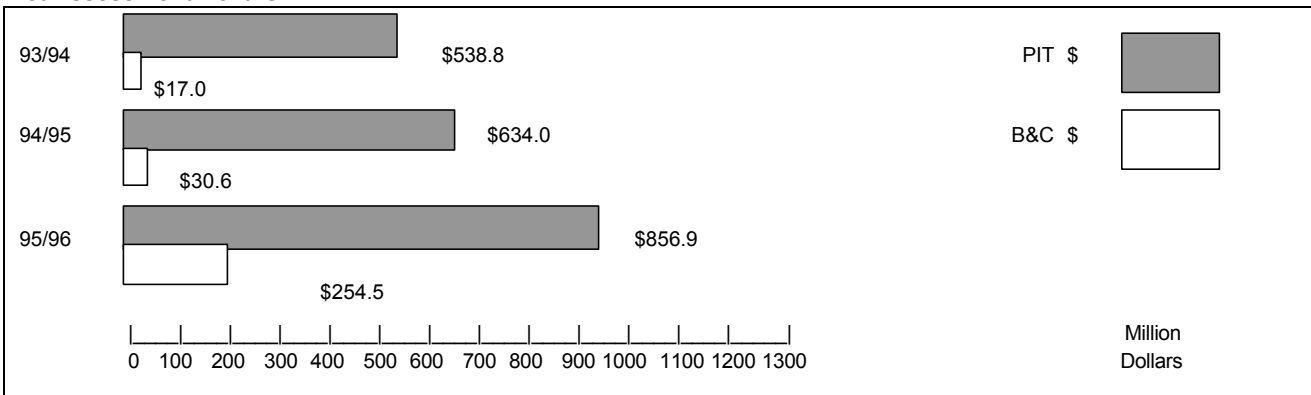
## Returns Filed As A Result of Filing Enforcement Activities



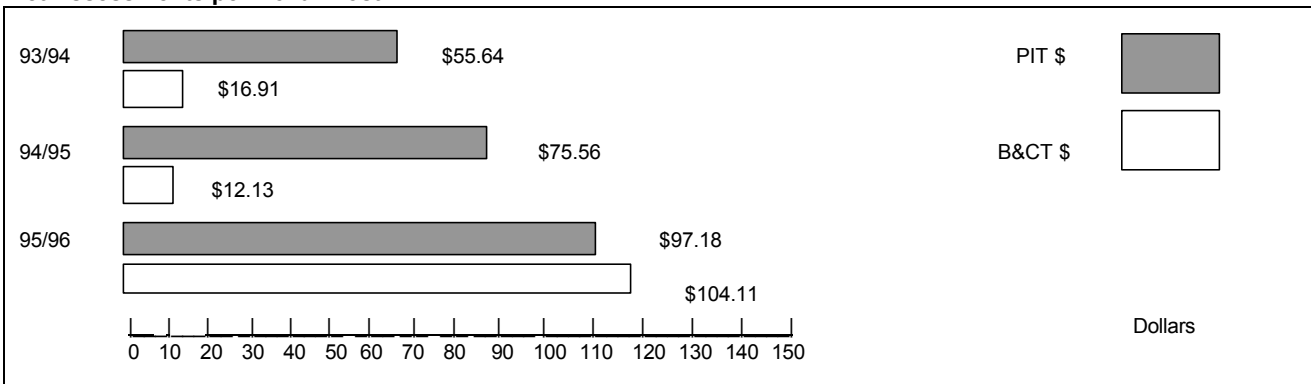
## PIT Self-assessed Tax Reported As A Result of Filing Enforcement Activities



## Net Assessment Dollars



## Net Assessments per Dollar Cost



# Tax Audit Activities

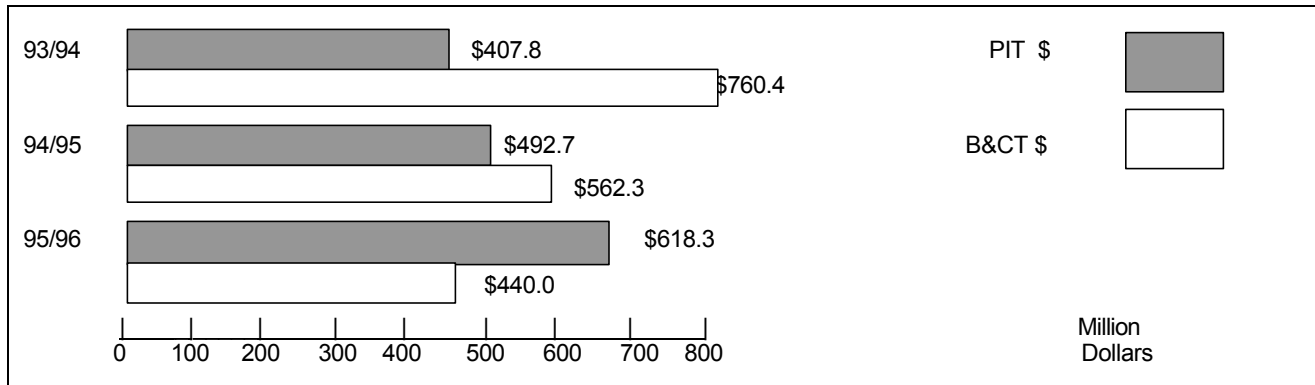
Audit activities determine the correct tax liability for individuals and business entities in accordance with the California Revenue and Taxation Code. These activities include both the detailed examinations of tax returns and supporting documents, and the automated verification of self-assessed tax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

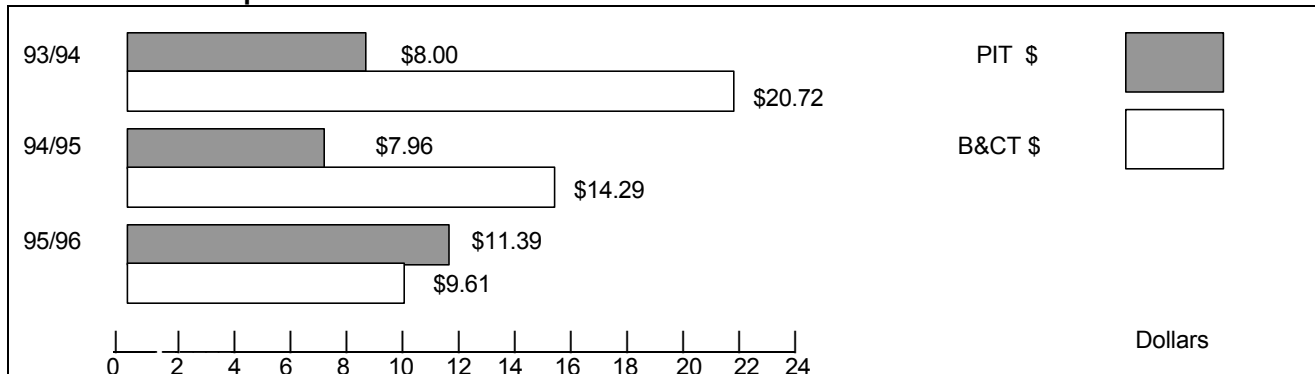
In 1995/96, net assessments from tax audit activities totaled \$1,058.3 million and operational costs totaled \$100.1 million. This resulted in a benefit -to-cost ratio of \$10.58 to one. The following bar chart compares 1995/96 audit activities with those of the two prior years. Detailed information of audit assessments and costs is shown in Exhibits A, D1, and D2.

## Net Audit Activities

**Net Assessment Dollars**



**Net Assessments per Dollar Cost**



# Tax Collection Activities

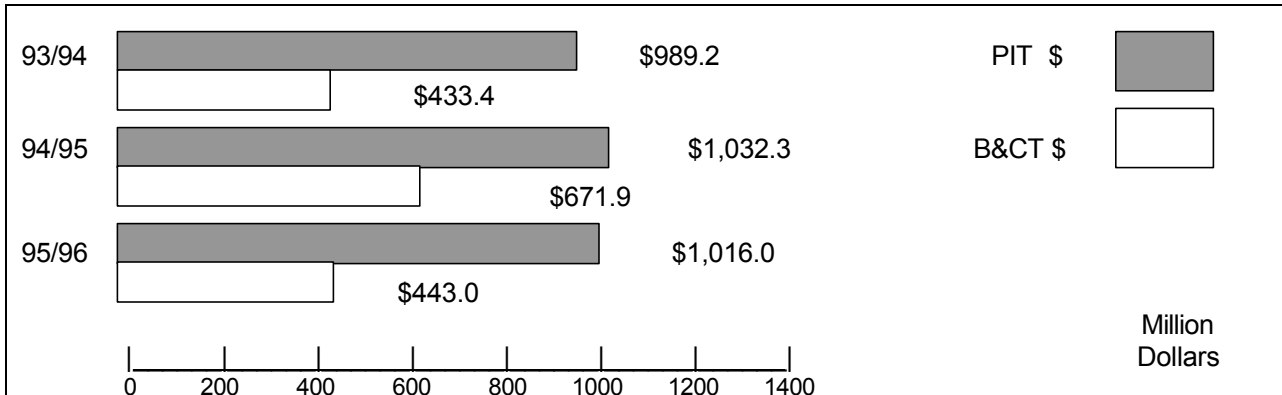
Tax collection activities involve collections of accounts receivable that are established by the department's self-assessment, audit, settlement, and filing enforcement activities. An automated billing system combined with central and field office collection staff administers collections. The automated system initiates the billing process and accounts for tax revenues collected from voluntary compliance. Manual collection efforts are conducted by the department's collection staff to ensure that non-voluntary taxpayers contribute their fair share to the General Fund.<sup>1/</sup>

In 1995/96, \$1.5 billion was collected through automated and manual collection activities, a decrease of \$245.1 million from 1994/95. Total cost of operations was \$82.6 million, of which \$60.4 million was for PIT collections and \$22.2 million was for B&CT. The following chart compares 1995/96 collections with those of the two prior years. Detailed collection activity information in 1995/96 is shown in Exhibits A and E.

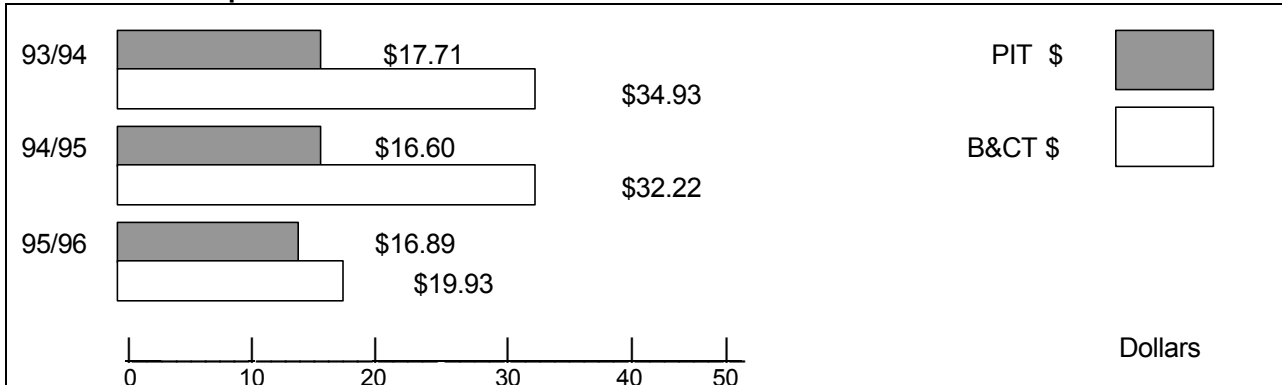
1/ Payments submitted by taxpayers prior to activation of the billing process are not included in 'tax collection revenues'.

## Collection Activities

**Dollars Collected**



**Dollars Collected per Dollar Cost**



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# 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 1995/96, 91 cases were settled, sustaining \$304.7 million (59.9%) of the \$509.1 million in dispute. A summary of 1995/96 settlement activities is presented in the following table.

## 1995/96 SETTLEMENT ACTIVITIES Revenue and Costs in Millions

	PIT	B&CT	TOTAL
Cases Completed	87	92	179
Cases Settled	35	56	91
Revenue in Dispute	\$16.4	\$492.7	\$509.1
Revenue Sustained	\$12.1	\$292.6	\$304.7
Cost	\$0.4	\$1.8	\$2.2
Revenue Sustained per Dollar Cost	\$30.3	\$162.6	\$138.5

# Non-Admitted Insurance Tax Collections

The Revenue & Taxation Code, Section 13201 authorizes the Franchise Tax Board to assess and collect non-admitted insurance tax. Non-admitted insurance tax is paid by individual policyholders who purchase policies directly from insurance brokers or companies not authorized by the Secretary of State to conduct business in California. The tax is paid through quarterly returns. In 1995/96, the second full year of operation, FTB collected \$5.6 million at a cost of \$39,000. This compare with \$4.6 million collected in 1994/95, at a cost of \$13,000.

# 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 1995/96, taxpayers made 473,000 contributions for a total of \$2.6 million. A comparison of contributions between 1995/96 and the prior year is presented as follows:

**VOLUNTARY CONTRIBUTIONS  
TWO YEAR COMPARISON  
(Thousands)**

Fund Name	1995/96		1994/95	
	Volume	Dollars	Volume	Dollars
California Election Funds	13	\$101	21	\$140
California Olympic Training 1/	0	0	19	60
California Senior Citizens	42	180	42	195
Rare & Endangered Species	71	505	67	486
State Children's Fund	71	418	68	425
Alzheimer's Research	53	295	52	313
Veteran's Memorial	25	92	27	105
Senior's Special Fund	15	67	12	91
Breast Cancer Research	57	296	56	307
Public School Library	55	321	56	348
Firefighter's Memorial	25	105	25	100
Drug Abuse Resistance 2/	36	141	0	0
Military Museum 2/	10	29	0	0
<b>Total Voluntary Contributions</b>	<b>473</b>	<b>\$2,550</b>	<b>445</b>	<b>\$2,570</b>

1/ Not funded in 1995/96

2/ New fund as of 1995/96



# NON-TAX COLLECTION PROGRAMS

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In recent years, the state Legislature has taken steps to reduce financial debts owed to state and local governments by empowering the Franchise Tax Board to collect debts on behalf of other agencies. The empowerment 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 has a large data base relating to individual and corporate assets, including wage, banking, and personal property records; and
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 <sup>1/</sup>

Government Code Section 12419.2 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, the Franchise Tax Board began providing collection services to California's state agencies by intercepting the tax refunds and 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 1995/96, governmental agencies received \$81.9 million from 402,000 intercepted tax refunds and lottery winnings. This represents a \$5.1 million (6.7%) increase from 1994/95. Exhibit F1 provides further comparisons with the prior year's activities.

<sup>1/</sup> Previously referred to as 'Inter-agency Offset Program'

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# Child Support Collections

California Department of Social Services oversees the state's Child Support Enforcement Program, which is locally administered by the county district attorneys. Revenue and Tax Code, Sections 19271 - 19274 authorizes the Franchise Tax Board to apply its statewide collection capabilities to collect delinquent child support on behalf of requesting district attorneys who disburse the money to custodial parents.

The program began in 1993/94, with referrals from six California counties and grew to 32 counties by June 30, 1996. In 1995/96, FTB collected a total of \$50 million. This amount does not include money attributed to FTB's collection activities that is paid directly to the counties by the debtors. Non-AFDC custodial parents received \$19.9 million, while federal, state, and county governments received \$30.1 million in AFDC and Foster Care reimbursement.

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 (DMV). Unlike FTB, DMV does not have the authority to take administrative collection actions, such as bank and wage levies. Instead, DMV must file actions against debtors in small claims court.

In 1995/96, FTB managed 410,000 delinquent cases and collected \$47 million for the DMV while incurring collection costs of \$8.2 million. These amounts equate to an efficiency measure of \$5.73 to \$1.00 benefit-to-cost ratio. FTB's costs were reimbursed from the state's transportation, motor vehicle, and license fee accounts.

Additional information is provided in Exhibit F3.

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## **Court-Ordered Debt Collections**

Sections 19280 - 19283 of the Revenue and Taxation Code authorizes FTB 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. The department began the manual collection process in January 1995 and collected \$12,000 from 74 accounts over six months during 1994/95.

In 1995/96, the first full year of implementation, FTB managed 38,000 cases and collected \$705,000. The rapid growth during 1995/96 was due, in part, to the automation of the collection process in January 1996. As a result, county revenues collected between January and June 1996 doubled from the previous six months. By the end of 1995/96, eight county courts were referring their delinquent accounts to FTB's Court-Ordered Debt Collection program.

## **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 1995/96, FTB managed 1,259 delinquent cases referred from the DIR for collections. FTB collected and transferred \$189,000 to DIR at a cost of \$83,000 and a benefit-to-cost ratio of \$2.28 to \$1.00.

# OTHER NON-TAX PROGRAMS

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## 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 1995/96, FTB processed 158,800 HRA claim requests representing a decrease of only 0.3% from the prior year's volume of 159,200. The decrease is reflective small raises in income that reduces HRA eligibility. Claims allowed in 1995/96 totaled \$15.1 million, of which \$13.2 million was given to qualified renters and \$2.0 million to eligible homeowners. The department responded to 88,000 Interactive Voice Response (IVR) telephone calls, 33,000 manually answered calls, and 20,000 in-person contact requests for assistance. A comparison of 1995/96 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 major election year of 1995/96, 300 audits were completed of which 266 audits related to political candidate and campaign committees, and 34 audits related to lobbying entities, ballot measures, and general political action committees. Exhibit G2 illustrates the different audit emphasis between the election year 1995/96 and the non-election year of 1994/95.

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# Contract Work

With sophisticated data processing equipment and skilled personnel, FTB is able to provide high quality processing services to other governmental agencies. Data processing services include CPU 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 agencies. In 1995/96, Contract Work reimbursements totaled \$ 6.5 million.

# EXHIBITS

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The details of the 1995/96 operations of the Franchise Tax Board are presented in the Exhibits of this report.

**Exhibits A through A3 present schedules of operations and costs related to all program activities.**

Exhibit A displays 1995/96 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 1960/61.

**Exhibit 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 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 Audits.

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# Exhibit A: All Programs

## Schedule of Assessments, Collections, and Other Acti

Fiscal Year Ended June 30, 1996

New Exhibit

Program Activities:	Revenue Measurement	Cost (Exhibit A1)	Measurement per Dollar Cost
<b>NET ASSESSMENT ACTIVITIES:</b>			
<b>Personal Income Tax</b>			
<b>Filing Enforcement Assessment Activities</b>			
Filing Enforcement	\$856,903,414	\$8,817,367	\$97.18
Residency Determination	27,172	301,107	\$0.09
Investigations	13,884,396	2,414,298	\$5.75
<b>Audit Assessment Activities</b>			
Mathematical Verification	62,620,127	6,471,918	\$9.68
Desk Audits	75,197,249	23,149,061	\$3.25
Federal Audit Reports	428,869,457	10,481,893	\$40.92
Field Audits	51,574,009	16,302,453	\$3.16
<b>Total PIT Net Assessment Activities</b>	<b>\$1,489,075,824</b>	<b>\$67,938,097</b>	
<b>Bank &amp; Corporation Tax</b>			
<b>Filing Enforcement Activities</b>			
	\$259,183,221	\$2,489,626	\$104.11
<b>Audit Assessment Activities</b>			
Mathematical Verification	80,323,544	5,302,670	\$15.15
Federal Audit Reports	66,858,827	1,935,262	\$34.55
Non-Appportioning Central Office	-994,941	2,863,787	-\$0.35
Non-Appportioning Field	5,819,499	6,283,769	\$0.93
Appportioning Central Office	5,414,554	4,622,790	\$1.17
Appportioning Field 1/	282,295,654	23,151,237	\$12.19
<b>Exempt Corporation Audits</b>	<b>295,571</b>	<b>1,658,673</b>	<b>\$0.18</b>
<b>Total B&amp;CT Net Assessment Activities</b>	<b>\$699,195,929</b>	<b>\$48,307,814</b>	
<b>TOTAL NET ASSESSMENT ACTIVITIES</b>	<b>\$2,188,271,753</b>	<b>\$116,245,911</b>	<b>\$18.82</b>
<b>COLLECTION ACTIVITIES:</b>			
<b>Tax Programs</b>			
<b>Personal Income Tax</b>			
Tax Collections	\$1,016,046,337	\$60,346,857	\$16.84
Voluntary Contributions	2,549,967	57,338	\$44.47
<b>Bank and Corporation Tax</b>			
Tax Collections	443,032,595	22,227,597	\$19.93
Non-Admitted Insurance Tax	5,607,155	38,606	\$145.24
<b>Non-Tax Collection Programs</b>			
Inter-Agency Intercept Collections	81,920,931	261,035	\$313.83
Child Support Collections	49,966,368	4,795,422	\$10.42
Vehicle Registration Collections	47,022,210	8,182,077	\$5.75
Court-ordered Debt Collections	704,835	367,585	\$1.92
Industrial Health & Safety Collections	189,072	83,079	\$2.28
<b>TOTAL COLLECTION ACTIVITIES</b>	<b>\$1,647,039,470</b>	<b>\$96,359,596</b>	<b>\$17.09</b>
<b>OTHER ACTIVITIES:</b>			
<b>Personal Income Tax Program</b>			
Self-Assessment Activities	--	\$63,464,706	
Settlement Activities	--	451,969	
<b>Bank &amp; Corporation Tax Program</b>			
Self-Assessment Activities	--	31,667,255	
Settlement Activities	--	1,797,949	
<b>Homeowners &amp; Renters Assistance Program</b>	--	2,039,080	
<b>Political Reform Audit Program</b>	--	1,192,607	
<b>Contract Work Program</b>	--	1,801,087	
<b>Statewide Debt Collection Program (Pilot Proj)</b>	--	134,794	
<b>TOTAL OTHER ACTIVITIES</b>		<b>\$102,549,447</b>	
<b>TOTAL PROGRAM ACTIVITY COST</b>		<b>\$315,154,954</b>	

1/ Apportioning In-State Field + Apportioning Out-of-State Field



# Exhibit A1: All Programs

## Statement of Operation Costs

Fiscal Year Ended June 30, 1996

Previously Exhibit G

	Executive	Technology & Research	Compliance	Legal	Operations	Departmental	Totals
<b>Tax Programs</b>							
<b>Personal Income Tax</b>							
<b>Self-Assessment Activities</b>							
Legislation and Development	\$ 17,396	\$ 3,936,888	\$ 107,616	\$ 404,348	\$ 2,310,601	\$ 1,888,059	\$ 8,664,908
Return Forms	5,722	1,906,300	10,520	84	601,024	3,888,606	6,412,256
Return Processing	35,708	1,773,508	204	1,262	21,388,621	4,126,234	27,325,537
Estimate Processing	3,084	159,115	18	99	1,590,389	738,788	2,491,493
Taxpayer Assistance	29,338	2,302,092	4,259,577	280,717	6,929,628	2,958,020	16,759,372
Claims	3,609	136,899	105,761	62	1,119,950	444,859	1,811,140
	<u>\$ 94,857</u>	<u>\$ 10,214,802</u>	<u>\$ 4,483,696</u>	<u>\$ 686,572</u>	<u>\$ 33,940,213</u>	<u>\$ 14,044,566</u>	<u>\$ 63,464,706</u>
<b>Filing Enforcement</b>							
Filing Enforcement	\$ 17,885	\$ 1,787,305	\$ 580,014	\$ 379	\$ 4,266,561	\$ 2,165,223	\$ 8,817,367
Residence Determination	1,086	36,292	40,982	10	105,580	117,157	301,107
Investigation	5,736	2,148,018	14,885	20	203,914	41,725	2,414,298
	<u>\$ 24,707</u>	<u>\$ 3,971,615</u>	<u>\$ 635,881</u>	<u>\$ 409</u>	<u>\$ 4,576,055</u>	<u>\$ 2,324,105</u>	<u>\$ 11,532,772</u>
<b>Audit Activities</b>							
Math Verification	\$ 9,213	\$ 408,037	\$ 107	\$ 254	\$ 4,833,947	\$ 1,220,360	\$ 6,471,918
Desk Audits	37,595	2,516,179	12,242,845	2,311,474	2,140,175	3,900,793	23,149,061
Federal Audit Reports	14,052	578,886	7,756,890	100,360	755,273	1,276,432	10,481,893
Field Audits	29,385	2,110,794	9,341,402	360,134	1,437,017	3,023,721	16,302,453
	<u>\$ 90,245</u>	<u>\$ 5,613,896</u>	<u>\$ 29,341,244</u>	<u>\$ 2,772,222</u>	<u>\$ 9,166,412</u>	<u>\$ 9,421,306</u>	<u>\$ 56,405,325</u>
<b>Tax Collections</b>	\$ 92,726	\$ 8,390,964	\$ 31,819,717	\$ 76,432	\$ 9,859,666	\$ 10,107,352	\$ 60,346,857
<b>Settlement Authority</b>	900	31,879	277	357,198	6,329	55,386	451,969
<b>Voluntary Contributions</b>	71	3,446	0	3	42,646	11,172	57,338
	<u>\$ 303,506</u>	<u>\$ 28,226,602</u>	<u>\$ 66,280,815</u>	<u>\$ 3,892,836</u>	<u>\$ 57,591,321</u>	<u>\$ 35,963,887</u>	<u>\$ 192,258,967</u>
<b>Bank and Corporation Tax</b>							
<b>Self-Assessment Activities</b>							
Legislation and Development	\$ 8,873	\$ 2,033,644	\$ 76,315	\$ 868,003	\$ 595,301	\$ 1,529,627	\$ 5,111,763
Return Forms	1,740	392,483	7	24	285,420	498,622	1,178,296
Return Processing	19,885	821,299	398,459	397	8,154,471	5,203,859	14,598,370
Estimate Processing	486	102,214	3	14	199,120	192,612	494,449
Taxpayer Assistance	12,236	486,172	653,352	319,121	3,814,062	2,616,619	7,901,562
Claims	3,281	120,918	1,029,736	117	553,819	674,944	2,382,815
	<u>\$ 46,501</u>	<u>\$ 3,956,730</u>	<u>\$ 2,157,872</u>	<u>\$ 1,187,676</u>	<u>\$ 13,602,193</u>	<u>\$ 10,716,283</u>	<u>\$ 31,667,255</u>
<b>Filing Enforcement</b>	7,329	422,082	810,416	360	583,712	665,727	2,489,626
<b>Audit Activities</b>							
Math Verification	\$ 10,048	\$ 376,425	\$ 49	\$ 166	\$ 3,473,671	\$ 1,442,311	\$ 5,302,670
Federal Audit Reports	2,296	91,099	1,602,105	28,734	78,807	132,221	1,935,262
Non-Appportioning -- Central Office	4,136	162,946	1,579,552	377,273	416,014	323,866	2,863,787
Non-Appportioning -- Field	10,302	402,847	4,341,608	138,698	447,578	942,736	6,283,769
Apportioning -- Central Office	8,098	303,409	2,708,612	824,693	87,613	690,365	4,622,790
Apportioning -- Field	37,448	1,398,264	17,485,586	882,106	415,459	2,932,374	23,151,237
Exempt Corporations	2,866	154,579	14	559	1,127,586	373,069	1,658,673
	<u>\$ 75,194</u>	<u>\$ 2,889,569</u>	<u>\$ 27,717,526</u>	<u>\$ 2,252,229</u>	<u>\$ 6,046,728</u>	<u>\$ 6,836,942</u>	<u>\$ 45,818,188</u>
<b>Tax Collections</b>	43,772	3,485,412	8,940,056	110,083	2,491,523	7,156,751	22,227,597
<b>Settlement Authority</b>	3,437	120,356	497,435	921,210	32,283	223,228	1,797,949
	<u>\$ 176,233</u>	<u>\$ 10,874,149</u>	<u>\$ 40,123,305</u>	<u>\$ 4,471,558</u>	<u>\$ 22,756,439</u>	<u>\$ 25,598,931</u>	<u>\$ 104,000,615</u>
Non-Admitted Insurance Tax	64	2,378	439	1	27,430	8,294	38,606
	<u>\$ 479,803</u>	<u>\$ 39,103,129</u>	<u>\$ 106,404,559</u>	<u>\$ 8,364,395</u>	<u>\$ 80,375,190</u>	<u>\$ 61,571,112</u>	<u>\$ 296,298,188</u>
<b>Non-Tax Collection Program</b>							
Inter-Agency Intercept Collections	\$ 39	\$ 91,608	\$ 47,411	\$ 1	\$ 89,679	\$ 32,297	\$ 261,035
Child Support Collections	8,170	378,048	2,903,500	76,239	754,858	674,607	4,795,422
Vehicle Registration Collections	12,527	537,880	5,347,047	51,351	752,920	1,480,352	8,182,077
Court-ordered Debt Collections	1	33,391	331,367	0	2,609	217	367,585
Industrial Health & Safety Collections	329	13,574	63,625	10	530	5,011	83,079
Statewide Debt Collections	271	8,352	121,338	11	437	4,385	134,794
	<u>\$ 21,337</u>	<u>\$ 1,062,853</u>	<u>\$ 8,814,288</u>	<u>\$ 127,612</u>	<u>\$ 1,601,033</u>	<u>\$ 2,196,869</u>	<u>\$ 13,823,992</u>
<b>Other Non-Tax Programs</b>							
Homeowners & Renters Assistance	\$ 3,558	\$ 405,034	\$ 226,606	\$ 36	\$ 934,984	\$ 468,862	\$ 2,039,080
Political Reform Audit	388	1,012,288	10	13	14,466	165,442	1,192,607
Other Contracts	269	632,079	327,127	5	618,767	222,840	1,801,087
	<u>\$ 4,215</u>	<u>\$ 2,049,401</u>	<u>\$ 553,743</u>	<u>\$ 54</u>	<u>\$ 1,568,217</u>	<u>\$ 857,144</u>	<u>\$ 5,032,774</u>
<b>Total Departmental Costs</b>	<u>\$ 505,355</u>	<u>\$ 42,215,383</u>	<u>\$ 115,772,590</u>	<u>\$ 8,492,061</u>	<u>\$ 83,544,440</u>	<u>\$ 64,625,125</u>	<u>\$ 315,154,954</u>

# Exhibit A2: All Programs

## Statement of Paid Hours and Personnel Years

### Fiscal Year Ended June 30, 1996

Previously Exhibit H

	Executive	Technology & Research	Compliance	Legal	Operations	Totals	Personnel Year Totals
<b>Tax Programs</b>							
<b>Personal Income Tax</b>							
<b>Self-Assessment Activities</b>							
Legislation and Development	441	126,763	8,346	10,189	109,107	254,846	121.8
Return Forms	141	68,071	1,986	0	18,819	89,017	42.4
Return Processing	902	53,428	25,294	2	1,320,290	1,399,916	672.0
Estimate Processing	78	5,134	2,056	0	106,494	113,762	54.6
Taxpayer Assistance	757	79,462	161,744	7,050	303,118	552,131	264.3
Claims	94	4,792	4,506	0	52,434	61,826	29.7
	<u>2,413</u>	<u>337,650</u>	<u>203,932</u>	<u>17,241</u>	<u>1,910,262</u>	<u>2,471,498</u>	<u>1,184.8</u>
<b>Filing Enforcement</b>							
Filing Enforcement	467	59,212	50,790	1	202,307	312,777	149.8
Residence Determination	29	1,361	1,505	0	3,839	6,734	3.2
Investigation	153	65,175	1,841	0	7,479	74,648	35.6
	<u>649</u>	<u>125,748</u>	<u>54,136</u>	<u>1</u>	<u>213,625</u>	<u>394,159</u>	<u>188.6</u>
<b>Audit Activities</b>							
Math Verification	236	13,213	5,224	0	272,974	291,647	140.0
Desk Audits	981	84,420	482,584	61,392	152,050	781,427	373.4
Federal Audit Reports	717	68,192	306,277	9,053	22,314	406,553	194.1
Field Audits	419	22,550	332,161	2,484	142,370	499,984	205.4
	<u>2,353</u>	<u>188,375</u>	<u>1,126,246</u>	<u>72,929</u>	<u>589,708</u>	<u>1,979,611</u>	<u>912.9</u>
<b>Tax Collections</b>	2,415	275,409	1,017,202	1,835	526,611	1,823,472	874.1
<b>Settlement Authority</b>	24	1,157	174	8,278	177	9,810	4.7
<b>Voluntary Contributions</b>	2	1,794	34	0	18	1,848	0.9
	<u>7,856</u>	<u>930,133</u>	<u>2,401,724</u>	<u>100,284</u>	<u>3,240,401</u>	<u>6,680,398</u>	<u>3,166.0</u>
<b>Bank and Corporation Tax</b>							
<b>Self-Assessment Activities</b>							
Legislation and Development	218	66,058	5,409	21,869	17,769	111,323	53.2
Return Forms	42	15,607	645	0	8,987	25,281	12.1
Return Processing	517	27,923	24,167	1	366,059	418,667	200.9
Estimate Processing	12	3,217	419	0	12,628	16,276	7.8
Taxpayer Assistance	320	17,343	31,116	8,022	138,018	194,819	93.4
Claims	86	4,207	37,586	0	19,312	61,191	29.3
	<u>1,195</u>	<u>134,355</u>	<u>99,342</u>	<u>29,892</u>	<u>562,773</u>	<u>827,557</u>	<u>396.7</u>
<b>Filing Enforcement</b>	190	14,429	114,262	0	18,557	147,438	70.5
<b>Audit Activities</b>							
Math Verification	262	12,908	4,598	0	164,530	182,298	87.5
Federal Audit Reports	59	3,055	58,491	718	3,032	65,355	31.2
Non-Appportioning -- Central Office	109	5,868	55,975	9,488	23,744	95,184	45.5
Non-Appportioning -- Field	270	14,077	154,989	3,490	10,457	183,283	87.2
Appportioning -- Central Office	213	10,749	90,030	20,708	1,591	123,291	58.9
Appportioning -- Field	983	49,495	530,030	22,114	7,356	609,978	291.1
Exempt Corporations	74	5,572	1,408	13	48,856	55,923	26.8
	<u>1,970</u>	<u>101,724</u>	<u>895,521</u>	<u>56,531</u>	<u>259,566</u>	<u>1,315,312</u>	<u>628.2</u>
<b>Tax Collections</b>	1,146	116,105	506,483	2,724	93,510	719,968	343.7
<b>Settlement Authority</b>	91	4,321	14,004	22,127	678	41,221	19.8
	<u>4,592</u>	<u>370,934</u>	<u>1,629,612</u>	<u>111,274</u>	<u>935,084</u>	<u>3,051,496</u>	<u>1,458.9</u>
<b>Non-Admitted Insurance Tax</b>	2	81	0	0	1,203	1,286	0.6
	<u>12,450</u>	<u>1,301,148</u>	<u>4,031,336</u>	<u>211,558</u>	<u>4,176,688</u>	<u>9,733,180</u>	<u>4,625.5</u>
<b>Non-Tax Collection Program</b>							
Inter-Agency Intercept Collections	1	3,192	26	0	6,522	9,741	4.7
Child Support Collections	218	13,345	100,272	0	19,282	133,117	63.7
Vehicle Registration Collections	335	17,433	160,445	0	17,599	195,812	93.5
Court Ordered Debt Collections	0	141	17,931	1	1,205	19,278	6.5
Industrial Health & Safety Collections	9	554	4,308	0	66	4,937	2.3
Statewide Debt Collections	7	353	5,242	0	18	5,620	2.7
	<u>570</u>	<u>35,018</u>	<u>288,224</u>	<u>1</u>	<u>44,692</u>	<u>368,505</u>	<u>173.4</u>
<b>Other Non-Tax Programs</b>							
Homeowner & Renter Assistance	95	13,629	9,059	0	47,012	69,795	33.4
Political Reform Audit	10	32,037	0	0	2,739	34,786	16.5
Other Contracts	7	18,835	154	0	38,476	57,472	27.5
	<u>112</u>	<u>64,501</u>	<u>9,213</u>	<u>0</u>	<u>88,227</u>	<u>162,053</u>	<u>77.4</u>
<b>Total Paid Hours</b>	<u>13,132</u>	<u>1,400,667</u>	<u>4,328,773</u>	<u>211,559</u>	<u>4,309,607</u>	<u>10,263,738</u>	<u>4,876.3</u>

# Exhibit A3: All Programs

## Selected Historical Statistics

Fiscal Years Ended June 30, 1961 through June 30, 1996

Previously Exhibit I

Fiscal Year ended 6-30	TAX PROGRAMS										NON-TAX PROGRAMS								Fiscal Year ended 6-30	
	Total Returns Filed		Volume of PIT Refunds	Self Assessed Tax		Departmentally Assessed Filing			TOTAL TAXES		TOTAL TAXES		NON- TAX		HRA Claims	HRA	Political Reform Audi	Other Contract		TOTAL Department
	PIT	B&CT		Liability	Cost	Enforce.	Audit	Cost	ASSESSED	COST	COLLECTED	COST	COLLECTED	COST	Processed	Costs	Costs	Costs		Cost
1961	4,459	110	57	\$505	\$3	\$9	\$25	\$5	\$539	\$9	3/	3/	--	--	--	--	--	--	\$9	1961
1962	4,559	112	64	\$577	\$3	\$9	\$37	\$5	\$623	\$9	3/	3/	--	--	--	--	--	--	\$9	1962
1963	4,765	116	73	\$559	\$4	\$8	\$29	\$6	\$596	\$10	3/	3/	--	--	--	--	--	--	\$10	1963
1964	5,043	156	12	\$642	\$4	\$9	\$32	\$7	\$684	\$11	3/	3/	--	--	--	--	--	--	\$11	1964
1965	5,150	123	24	\$706	\$5	\$10	\$39	\$7	\$755	\$12	3/	3/	--	--	--	--	--	--	\$12	1965
1966	5,340	119	20	\$777	\$5	\$12	\$36	\$7	\$825	\$12	3/	3/	--	--	--	--	--	--	\$12	1966
1967	5,673	128	21	\$874	\$6	\$12	\$43	\$7	\$929	\$13	3/	3/	--	--	--	--	--	--	\$13	1967
1968	5,629	135	22	\$1,463	\$7	\$10	\$46	\$7	\$1,519	\$13	\$17	\$2	--	--	35	\$0	--	--	\$15	1968
1969	5,587	149	68	\$1,614	\$7	\$13	\$48	\$9	\$1,675	\$14	\$27	\$2	--	--	83	\$1	--	--	\$17	1969
1970	5,841	152	32	\$1,670	\$8	\$29	\$61	\$10	\$1,760	\$16	\$35	\$2	--	--	68	\$1	--	--	\$19	1970
1971	5,969	190	127	\$1,696	\$9	\$30	\$70	\$11	\$1,795	\$18	\$48	\$2	--	--	66	\$1	--	--	\$20	1971
1972	5,895	221	221	\$1,776	\$12	\$26	\$92	\$13	\$1,893	\$23	\$59	\$3	--	--	189	\$1	--	--	\$26	1972
1973	7,239	217	4,360	\$2,375	\$20	\$34	\$95	\$12	\$2,503	\$29	\$67	\$3	--	--	329	\$2	--	--	\$34	1973
1974	7,824	238	5,975	\$2,475	\$20	\$40	\$95	\$15	\$2,610	\$32	\$68	\$4	--	--	330	\$2	--	--	\$37	1974
1975	8,207	247	5,678	\$3,378	\$20	\$7	\$111	\$13	\$3,495	\$32	\$109	\$7	--	--	328	\$2	\$1	\$1	\$41	1975
1976	8,376	247	5,650	\$4,027	\$23	\$23	\$125	\$15	\$4,175	\$37	\$131	\$8	--	--	317	\$2	\$3	\$1	\$50	1976
1977	8,909	257	5,972	\$4,326	\$24	\$17	\$154	\$18	\$4,496	\$40	\$193	\$9	--	--	362	\$2	\$2	\$2	\$55	1977
1978	9,287	277	6,245	\$5,377	\$27	\$51	\$232	\$20	\$5,660	\$45	\$244	\$10	--	--	254	\$3	\$2	\$2	\$61	1978
1979	9,836	299	7,768	\$6,227	\$29	\$78	\$171	\$22	\$6,475	\$50	\$310	\$10	--	--	526	\$2	\$2	\$2	\$65	1979
1980	10,739	348	8,079	\$7,560	\$34	\$79	\$235	\$26	\$7,875	\$57	\$282	\$11	--	--	519	\$3	\$1	\$4	\$76	1980
1981	10,950	372	8,452	\$8,880	\$41	\$102	\$280	\$29	\$9,263	\$67	\$368	\$13	--	--	601	\$3	\$2	\$3	\$88	1981
1982	11,346	406	8,224	\$9,947	\$30	\$164	\$368	\$33	\$10,479	\$60	\$476	\$17	--	--	476	\$2	\$1	\$3	\$83	1982
1983	11,395	445	7,624	\$9,361	\$29	\$213	\$459	\$35	\$10,034	\$61	\$579	\$18	--	--	424	\$2	\$1	\$3	\$85	1983
1984	11,340	446	5,773	\$10,284	\$32	\$219	\$483	\$39	\$10,986	\$69	\$564	\$19	--	--	367	\$2	\$1	\$3	\$93	1984
1985	11,976	469	6,908	\$12,303	\$38	\$164	\$568	\$45	\$13,034	\$80	\$735	\$23	--	--	344	\$2	\$1	\$4	\$109	1985
1986	12,140	498	7,292	\$13,261	\$40	\$275	\$540	\$53	\$14,075	\$91	\$736	\$27	--	--	312	\$2	\$1	\$3	\$124	1986
1987	12,821	530	6,926	\$15,713	\$41	\$300	\$683	\$60	\$16,696	\$99	\$964	\$34	--	--	282	\$2	\$1	\$2	\$139	1987
1988	13,082	535	8,057	\$15,571	\$48	\$342	\$808	\$61	\$16,721	\$107	\$1,024	\$38	--	--	259	\$2	\$2	\$2	\$151	1988
1989	13,702	543	8,641	\$17,537	\$51	\$334	\$893	\$62	\$18,764	\$112	\$1,193	\$43	--	--	241	\$2	\$1	\$3	\$160	1989
1990	14,167	535	8,951	\$18,689	\$57	\$527	\$832	\$67	\$20,048	\$124	\$1,176	\$52	--	--	237	\$2	\$1	\$2	\$181	1990
1991	14,651	513	7,467	\$19,053	\$67	\$393	\$926	\$73	\$20,372	\$140	\$1,169	\$56	--	--	216	\$2	\$1	\$2	\$200	1991
1992	14,643	531	7,793	\$20,790	\$70	\$330	\$1,101	\$78	\$22,220	\$147	\$1,382	\$62	--	--	195	\$2	\$1	\$2	\$214	1992
1993	14,431	501	9,194	\$20,164	\$65	\$963	\$991	\$91	\$22,119	\$156	\$1,232	\$65	--	\$1	180	\$1	\$1	\$2	\$226	1993
1994	13,699	509	7,347	\$22,017	\$72	\$153	\$1,168	\$103	\$23,338	\$175	\$1,432	\$69	\$60	\$8	166	\$2	\$1	\$2	\$256	1994
1995	13,407	562	7,469	\$21,939	\$74	\$667	\$1,055	\$116	\$23,661	\$192	\$1,704	\$83	\$66	\$11	170	\$2	\$1	\$2	\$290	1995
1996	13,791	491	7,462	\$25,816	\$95	\$1,130	\$1,058	\$119	\$28,004	\$214	\$1,459	\$83	\$180	\$13	113	\$2	\$1	\$2	\$315	1996

1/ All amounts in millions.

2/ Includes \$3.0 million for the amnesty program.

3/ Included in Self-Assessed and Departmentally-Assessed Activities

# Exhibit B: Tax Programs

## Self-Assessment Activities

### Statement of Return Processing Activities

Fiscal Year Ended June 30, 1996

Previously Exhibit D-1

	Personal Income Tax	Bank & Corporation Tax 1/	Total
<b>Tax Revenue</b>			
Gross Self-Assessed Tax	\$23,784,184,749	\$6,185,571,144	\$29,969,755,893
Refunds Allowed	-3,009,633,106	-766,363,177	-3,775,996,283
Net Self-Assessed Tax	20,774,551,643	5,419,207,967	26,193,759,610
Returns Filed As a Result of Filing Enforcement Activities	-374,552,067	-2,921,021	-377,473,088
Voluntarily Reported Self-Assessed Tax	\$20,399,999,576	\$5,416,286,946	\$25,816,286,522
<b>Units Processed</b>			
Number of Returns Processed	13,772,367	527,601	14,299,968
Number of Refunds Processed	7,461,758	54,602	7,516,360
Total Number of Units Processed	21,234,125	582,203	21,816,328
<b>Cost of Returns and Refunds Processed</b>			
Cost of Returns and Refunds Processed	\$29,136,677	\$16,981,185	\$46,117,862
Cost of Total Self-Assessed Activities	\$63,464,706	\$31,667,255	\$95,131,961
<b>Paid Hours of Returns and Refunds Processed</b>			
Paid Hours of Returns and Refunds Processed	1,461,742	479,858	1,941,600
Paid Hours of Total Self-Assessed Activities	2,471,498	827,557	3,299,055
<b>Statistics</b>			
Total Cost per Paid Hour	\$ 25.68	\$ 38.27	\$ 28.84
Total Paid Hours per Unit Processed	0.12	1.42	0.15
Total Paid Hours per Return Processed	0.18	1.57	0.23
Total Cost per Unit Processed	\$ 2.99	\$ 54.39	\$ 4.36
Average Tax per Return	\$ 1,481.23	\$ 10,265.88	\$ 1,805.34
Average Refund Allowed per Claim	\$ 403.34	\$ 14,035.44	\$ 502.37

1/ Does not include 57,788 Exempt Organization returns filed.

# Exhibit C1: Tax Programs

## Filing Enforcement Activities

### Comparative Schedule of Net Assessments

Fiscal Years Ended June 30, 1995 and 1996

	Net Assessments			New Exhibit Percent Change
	1995/96	1994/95	Change	
<b>Personal Income Tax</b>				
<b>Filing Enforcement</b>				
Returns Filed As A Result of:				
Demand-to-File Letters	\$124,388,209	\$105,879,661	\$18,508,548	17.5%
Assessment Notices	250,163,858	141,369,395	108,794,463	77.0%
Final Assessments Due to:				
No Return Filed	482,351,347	386,991,082	95,360,265	24.6%
<b>Subtotal Filing Enforcement</b>	<b>\$856,903,414</b>	<b>\$634,240,138</b>	<b>\$222,663,276</b>	<b>35.1%</b>
<b>Residency Determination</b>	27,172	577,559	-550,387	-95.3%
<b>Investigations</b>	<b>13,884,396</b>	<b>1,561,344</b>	<b>12,323,052</b>	<b>789.3%</b>
Total Personal Income Tax	<u>\$870,814,982</u>	<u>\$636,379,041</u>	<u>\$234,435,941</u>	36.8%
<b>Bank &amp; Corporation Tax</b>				
<b>Filing Enforcement 1/</b>				
Returns Filed As A Result of:				
Letters & Assessments	\$2,921,021	-\$15,939	\$2,936,960	-18426.3%
Final Assessments Due to:				
No Return Filed	251,553,587	24,758,779	226,794,808	916.0%
<b>Subtotal Filing Enforcement</b>	<b>\$254,474,608</b>	<b>\$24,742,840</b>	<b>229,731,768</b>	<b>928.5%</b>
<b>Investigations</b>	1,231,210	99,313	1,131,897	1139.7%
<b>Secretary of State Penalty</b>	3,463,484	5,784,754	-2,321,270	-40.1%
<b>Revivor</b>	<b>13,919</b>	<b>-356</b>	<b>14,275</b>	<b>-4009.8%</b>
Total Bank & Corporation Tax	<u>\$259,183,221</u>	<u>\$30,626,551</u>	<u>\$228,556,670</u>	746.3%
<b>Total Filing Enforcement Programs</b>	<b><u>\$1,129,998,203</u></b>	<b><u>\$667,005,592</u></b>	<b><u>\$462,992,611</u></b>	<b>69.4%</b>
Cost of Filing Enforcement Activities	\$14,022,398	\$10,941,830	\$3,080,568	
Cost Benefit Ratio	\$80.59	\$60.96	\$19.63	
Paid Hours for Filing Enforcement Activities	541,597	439,240	102,357	

# Exhibit C2: Tax Programs Filing Enforcement Activities

## Comparative Schedule of Returns Filed

Fiscal Years Ended June 30, 1995 and 1996

New Exhibit

	Demand Letters and Assessments Issued		Returns Filed		Amount Tax Assessment	
	1995/96	1994/95	1995/96	1994/95	1995/96	1994/95
<b>Personal Income Tax</b>						
Returns Filed As Result of:						
Demand Letters	664,169	643,580	72,783	72,410	\$124,388,209	\$105,879,661
Assessment Notices	380,529	369,307	176,648	150,256	250,163,858	141,369,395
Subtotal	<u>1,044,698</u>	<u>1,012,887</u>	<u>249,431</u>	<u>222,666</u>	<u>\$374,552,067</u>	<u>\$247,249,056</u>
Final Assessments Due to:						
No Returns Filed	<u>131,098</u>	<u>146,641</u>			<u>482,351,347</u>	<u>386,991,082</u>
<b>Total Personal Income Tax</b>	<u>1,175,796</u>	<u>1,159,528</u>	<u>249,431</u>	<u>222,666</u>	<u>\$856,903,414</u>	<u>\$634,240,138</u>
<b>Bank &amp; Corporation Tax</b>						
Returns Filed As Result of:						
Demand Letters Mailed 1/ Assessment Notices Issued	15,531 27,049	54,346 4,526				
Subtotal	<u>42,580</u>	<u>58,872</u>	64	16	\$2,921,021	-\$15,939
Final Assessments Due to:						
No Returns Filed	<u>13,950</u>	<u>15,473</u>			<u>251,553,587</u>	<u>24,758,779</u>
<b>Total Bank &amp; Corporation Tax</b>	<u>56,530</u>	<u>74,345</u>	<u>64</u>	<u>16</u>	<u>\$254,474,608</u>	<u>\$24,742,840</u>
<b>Total Tax Programs</b>	<u>1,232,326</u>	<u>1,233,873</u>	<u>249,495</u>	<u>222,682</u>	<u>\$1,111,378,022</u>	<u>\$658,982,978</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, 1995 and 1996

	Net Assessments			New Exhibit Percent
	1995/96	1994/95	Change	Change
<b>Personal Income Tax</b>				
Desk Audit	\$75,197,249	\$72,521,500	\$2,675,749	3.7%
Federal Audit Reports	428,869,457	234,242,595	194,626,862	83.1%
Field Audits	51,574,009	25,635,732	25,938,277	101.2%
Subtotal	\$555,640,715	\$332,399,827	\$223,240,888	67.2%
Mathematical Verification	62,620,127	160,335,498	-97,715,371	-60.9%
<b>Total Personal Income Tax</b>	<b>\$618,260,842</b>	<b>\$492,735,325</b>	<b>\$125,525,517</b>	<b>25.5%</b>
<b>Bank &amp; Corporation Tax</b>				
Federal Audit Reports	\$66,858,827	\$67,869,209	-\$1,010,382	-1.5%
Non-Appportioning Audits				
Central Office	-994,941	8,691,015	-9,685,956	-111.4%
Field	5,819,499	17,454,438	-11,634,939	-66.7%
Apportioning Audits				
Central Office	5,414,554	7,111,942	-1,697,388	-23.9%
Field	282,295,654	338,187,418	-55,891,764	-16.5%
Exempt Corporation Audits	295,571	3,352,178	-3,056,607	-91.2%
Subtotal	\$359,689,164	\$442,666,200	-\$82,977,036	-18.7%
Mathematical Verification	80,323,544	119,614,037	-39,290,493	-32.8%
<b>Total Bank &amp; Corporation Tax</b>	<b>\$440,012,708</b>	<b>\$562,280,237</b>	<b>-\$122,267,529</b>	<b>-21.7%</b>
<b>Total Tax Programs</b>	<b>\$1,058,273,550</b>	<b>\$1,055,015,562</b>	<b>\$3,257,988</b>	<b>0.3%</b>
<b>Total Returns Audited</b>	<b>14,914,779</b>	<b>14,305,925</b>	<b>608,854</b>	<b>4.3%</b>
<b>Total Returns Changed</b>	<b>2,713,440</b>	<b>2,348,597</b>	<b>364,843</b>	<b>15.5%</b>
<b>Cost of Operation</b>	<b>\$102,223,513</b>	<b>\$105,475,668</b>	<b>-\$3,252,155</b>	
<b>Paid Hours</b>	<b>3,294,923</b>	<b>3,419,309</b>	<b>-124,386</b>	<b>-3.6%</b>
<b>Statistics</b>				
Cost per Paid Hour	\$31.02	\$30.85	\$26.15	
Net Assessments per Dollar Cost	\$10.35	\$10.00	-\$1.00	
Cost per Return Audited	\$70.95	\$73.75	\$5.35	
Returns Audited per Paid Hour	4.5	4.2	-4.9	
Net Assessment per Return Changed	\$390.01	\$449.21	\$8.93	
% Return Changes to Returns Audited	18.19%	16.42%	59.92%	

# Exhibit D2: Tax Programs

## Tax Audit Activities

### Comparative Schedule of Returns Audited

Fiscal Years Ended June 30, 1995 and 1996

Previously Exhibit B-2

	Changes to Tax		No Changes to Tax		Total Audits	
	1995/96	1994/95	1995/96	1994/95	1995/96	1994/95
<b>Personal Income Tax</b>						
Desk Audit	319,990	398,386	663,184	539,912	983,174	938,298
Federal Audit Reports	209,407	201,749	113,432	67,775	322,839	269,524
Field Audits	2,789	2,501	1,495	2,418	4,284	4,919
Subtotal	<u>532,186</u>	<u>602,636</u>	<u>778,111</u>	<u>610,105</u>	<u>1,310,297</u>	<u>1,212,741</u>
Mathematical Verification	<u>1,989,658</u>	<u>1,470,012</u>	<u>11,350,079</u>	<u>11,233,866</u>	<u>13,339,737</u>	<u>12,703,878</u>
<b>Total Personal Income Tax</b>	<u><b>2,521,844</b></u>	<u>2,072,648</u>	<u><b>12,128,190</b></u>	<u>11,843,971</u>	<u><b>14,650,034</b></u>	<u>13,916,619</u>
<b>Bank &amp; Corporation Tax</b>						
Federal Audit Reports	3,978	2,766	5,421	2,568	9,399	5,334
Non-Appportioning Audits						
Central Office	470	5,164	257	15,354	727	20,518
Field	26	611	19	1,863	45	2,474
Apportioning Audits						
Central Office	1,298	905	20,572	22,429	21,870	23,334
Field	510	1,815	273	183	783	1,998
Exempt Corporation Audits	7,294	13,265	933	54,097	8,227	67,362
Subtotal	<u>13,576</u>	<u>24,526</u>	<u>27,475</u>	<u>96,494</u>	<u>41,051</u>	<u>121,020</u>
Mathematical Verification	<u>178,020</u>	<u>251,423</u>	<u>45,674</u>	<u>16,863</u>	<u>223,694</u>	<u>268,286</u>
<b>Total Bank &amp; Corporation Tax</b>	<u><b>191,596</b></u>	<u>275,949</u>	<u><b>73,149</b></u>	<u>113,357</u>	<u><b>264,745</b></u>	<u>389,306</u>
<b>Total Tax Programs</b>	<u><b>2,713,440</b></u>	<u>2,348,597</u>	<u><b>12,201,339</b></u>	<u>11,957,328</u>	<u><b>14,914,779</b></u>	<u>14,305,925</u>



# Exhibit E: Tax Programs

## Tax Collection Activities

### Statement of Tax Collection Activities

Fiscal Year Ended June 30, 1996

Previously Exhibit E

	Personal Income Tax	Bank & Corporation Tax	Total
<b>Collection Revenue</b>			
Beginning Total Available for			
Collection (7/1/95)	\$2,841,067,393	\$530,434,854	\$3,371,502,247
Added During 1995/96	2,546,974,660	697,157,683	3,244,132,343
Abated During 1995/96	-801,594,833	-123,019,762	-924,614,595
Total Available for Collection	\$4,586,447,220	\$1,104,572,775	\$5,691,019,995
Accounts Collected:			
Automated 1/	\$756,989,665	\$338,032,595	\$1,095,022,260
Manual 2/	259,056,672	105,000,000	364,056,672
Total Collected	\$1,016,046,337	\$443,032,595	\$1,459,078,932
Discharged	597,070,464	26,566,169	623,636,633
Total Accounts Closed	\$1,613,116,801	\$469,598,764	\$2,082,715,565
Ending Total Available for			
Collection (6/30/96)	\$2,973,330,419	\$634,974,011	\$3,608,304,430
<b>Collection Accounts</b>			
Total Number of Accounts (7/1/95)	1,033,511	119,246	1,152,757
Total Number of Accounts (6/30/96)	1,011,110	126,691	1,137,801
Change in Collection Accounts	-22,401	7,445	-14,956
<b>Cost of Operation</b>			
	\$60,346,857	\$22,227,597	\$82,574,454
<b>Paid Hours</b>			
	1,823,472	719,968	2,543,440
<b>Statistics</b>			
Cost per Paid Hour	\$33.09	\$30.87	\$32.47
Tax Collected per Dollar Cost	\$16.84	\$19.93	\$17.67
Percentage of Available Inventory Collected	22.2%	40.1%	25.6%
Percentage of Amount Available Closed	35.2%	42.5%	36.6%
Percent Change between Beginning and Ending Inventory	4.7%	19.7%	7.0%

1/ Automated billing and voluntary payments by taxpayers.

2/ Tax Collector activities to secure payment from resistant taxpayers.

# Exhibit F1: Non-Tax Collection Program

## Inter-Agency Intercept Collections

### Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 1995 and 1996

New Exhibit

	Fiscal Year Ended June 30, 1996	Fiscal Year Ended June 30, 1995	Change	Percent Change
<b>Participating Agency Types:</b>				
State agencies	88	90	-2	-2.2%
City agencies	26	25	1	4.0%
County agencies	53	55	-2	-3.6%
Federal agencies	1	1	0	0.0%
<b>Total Participants</b>	<u>168</u>	<u>171</u>	<u>-3</u>	<u>-1.8%</u>
<b>Collection Volumes</b>				
State agencies	245,520	233,325	12,195	5.2%
City agencies	6,916	4,120	2,796	67.9%
County agencies	57,940	57,552	388	0.7%
Federal agencies	91,166	94,963	-3,797	-4.0%
<b>Total Collection Volumes</b>	<u>401,542</u>	<u>389,960</u>	<u>11,582</u>	<u>3.0%</u>
<b>Collection Revenues</b>				
State agencies	\$46,333,754	\$42,345,685	\$3,988,069	9.4%
City agencies	676,233	400,650	275,583	68.8%
County agencies	7,363,994	7,551,891	-187,897	-2.5%
Federal agencies	27,546,950	26,478,305	1,068,645	4.0%
<b>Total Collection Revenues</b>	<u>\$81,920,931</u>	<u>\$76,776,531</u>	<u>\$5,144,400</u>	<u>6.7%</u>
<b>Cost of Operation</b>	\$261,035	\$178,947	\$82,088	
<b>Paid Hours</b>	9,741	6,678	3,063	
<b>Statistics</b>				
Cost per Paid Hour	\$26.80	\$26.80	\$26.80	
Revenue Collected per Dollar Cost	\$313.83	\$429.05	\$62.67	
Revenue Collected per Paid Hour	\$8,409.91	\$11,496.93	\$1,679.53	
Average Revenue per Volume	\$204.02	\$196.88	\$444.17	

# Exhibit F2: Non-Tax Collection Program Child Support Collections Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 1995 and 1996

New Exhibit

	Fiscal Year Ended June 30, 1996	Fiscal Year Ended June 30, 1995	Change	Percent Change
<b>Demand for Payment Notices Sent</b>	170,619	89,381	81,238	90.9%
<b>Levies Issued:</b>				
Bank Accounts	17,927	14,781	3,146	21.3%
Wages	180,329	120,352	59,977	49.8%
<b>Total Levies Issued</b>	<u>198,256</u>	<u>135,133</u>	<u>63,123</u>	46.7%
<b>Gross Revenue Collected for Child Support</b>	<b>\$49,966,368</b>	<b>\$47,022,210</b>	\$2,944,158	6.3%
<b>Cost of Operations</b>	\$4,795,422	\$3,665,424	\$1,129,998	30.8%
<b>Paid Hours</b>	133,117	86,537	46,580	53.8%
<b>Statistics</b>				
Cost per Paid Hour	\$36.02	\$42.36	\$24.26	
Revenue Collected per Dollar Cost	\$10.42	\$12.83	\$2.61	
Revenue Collected per Paid Hour	\$375.36	\$543.38	\$63.21	

# Exhibit F3: Non-Tax Collection Program

## Vehicle Registration Collections Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 1995 and 1996

New Exhibit

	Fiscal Year Ended June 30, 1996	Fiscal Year Ended June 30, 1995	Change	Percent Change
<b>Demand for Payment Notices Sent</b>	503,491	576,110	-72,619	-12.6%
<b>Levies Issued:</b>				
Bank Accounts	47,942	9,735	38,207	392.5%
Wages	214,210	37,445	176,765	472.1%
Total Levies Issued	<u>262,152</u>	<u>47,180</u>	<u>214,972</u>	455.6%
<b>Gross Revenue Collected for DMV</b>	<b>\$47,022,210</b>	<b>\$30,955,851</b>	\$16,066,359	51.9%
<b>Case Inventory</b>	<b>410,000</b>	<b>623,660</b>	-213,660	-34.3%
<b>Cost of Operations</b>	\$8,182,077	\$6,460,152	\$1,721,925	26.7%
<b>Paid Hours</b>	195,812	235,377	-39,565	-16.8%
<b>Statistics</b>				
Cost per Paid Hour	\$41.79	\$27.45	-\$43.52	
Revenue Collected per Dollar Cost	\$5.75	\$4.79	\$9.33	
Revenue Collected per Paid Hour	\$240.14	\$131.52	-\$406.08	

# Exhibit G1: Other Non-Tax Programs

## Homeowner and Renter Assistance

### Comparative Schedule of Activities

Fiscal Years Ended June 30, 1995 and 1996

Previously Exhibit F

	Fiscal Year Ended June 30, 1996	Fiscal Year Ended June 30, 1995	Change	Percent Change
<b>Number of Claims Processed</b>				
Allowed from:				
Property Owners	21,915	24,037	-2,122	-8.8%
Renters	136,843	135,177	1,666	1.2%
Not Allowed from:				
Property Owners	908	938	-30	-3.2%
Renters	7,130	7,683	-553	-7.2%
Total Number of Claims Processed	<u>158,758</u>	<u>159,214</u>	<u>-456</u>	-0.3%
<b>Amount of Claims Allowed</b>				
Property Owners	\$1,961,415	\$2,182,781	-\$221,366	-10.1%
Renters	13,168,703	13,049,641	119,062	0.9%
Total Amount of Claims Processed	<u>\$15,130,118</u>	<u>\$15,232,422</u>	<u>-\$102,304</u>	-0.7%
<b>Claimant Assistance Contacts</b>				
Interactive Voice Response Phone Calls	87,687	88,943	-1,256	-1.4%
Manual Telephone Calls	32,809	26,281	6,528	24.8%
Volunteer Contacts	20,286	25,646	-5,360	-20.9%
Total Claimant Assistance Contacts	<u>140,782</u>	<u>140,870</u>	<u>-88</u>	-0.1%
<b>Cost of Operations</b>	\$2,039,080	\$1,958,470	\$80,610	4.1%
<b>Paid Hours</b>	69,795	65,859	3,936	6.0%
<b>Statistics</b>				
Total Cost per Paid Hour	\$29.22	\$29.74	-\$0.52	-1.8%
Paid Hours per Claim Processed	0.44	0.41	0.03	6.3%
Average Amount of Claim Processed	\$95.30	\$95.67	-\$0.37	-0.4%

# Exhibit G2: Other Non-Tax Programs

## Political Reform Audit

### Comparative Schedule of Activities

Fiscal Years Ended June 30, 1995 and 1996

New Exhibit

	Fiscal Year Ended June 30, 1996	Fiscal Year Ended June 30, 1995	Change	Percent Change
<b>Political Reform Audits Completed</b>				
Candidates & Controlled Committees	266	105	161	153.3%
General Purpose Committees	4	107	-103	-96.3%
Lobbying Entities	17	50	-33	-66.0%
Statewide Measures	12	19	-7	-36.8%
Other	1	2	-1	-50.0%
<b>Total Audits Completed</b>	<u>300</u>	<u>283</u>	<u>17</u>	6.0%
<b>Political Reform Audits in Process at FYE</b>				
Candidates & Controlled Committees	152	27	125	463.0%
General Purpose Committees	17	4	13	325.0%
Lobbying Entities	0	17	-17	-100.0%
Statewide Measures	5	3	2	66.7%
Other	0	2	-2	-100.0%
<b>Total Audits in Process at FYE</b>	<u>174</u>	<u>53</u>	<u>121</u>	228.3%
<b>Cost of Operations</b>	\$1,192,607	\$1,047,187	\$145,420	13.9%
<b>Paid Hours</b>	34,786	35,794	-1,008	-2.8%
<b>Statistics</b>				
Cost per Paid Hour	\$34.28	\$29.26	\$5.03	17.2%
Paid Hours per Audit Completed	115.95	126.48	-10.53	-8.3%
Average Cost per Audit Completed	\$3,975.36	\$3,700.31	\$275.05	7.4%

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# **GLOSSARY**

# GLOSSARY

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**A**      **Abatement** The partial or complete cancellation of a final tax assessment.

**Apportioning** A corporation whose business operations are conducted both within and outside of California and whose income is therefore apportioned to this state for taxing purposes.

**Apportioning - Central Office** An audit of an apportioning corporation conducted by telephone and correspondence from the 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** Taxpayer request for reduction or cancellation of self-assessed tax by means of an amended return, formal request for refund, and informal request by correspondence.

**Collection, Non-Tax** Collection of delinquent non-tax debts payable to other state and local governmental agencies.



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**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 Sacramento office.

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

**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.

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**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, Residence 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, 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 Validation process.

**N Net Assessments** A measurement indicator of the department's effectiveness in determining the correct tax base available for collection to the General Fund. Determined by Gross Assessments, less cancellations and abatements, less reductions of self-assessed tax.

**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.

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**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** **Pass-Through Entities** Business entities having a filing requirement of informational returns, rather than tax returns. Examples include partnerships and tax exempt corporations.

**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, print, 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, perfection, keypunch, EDP controls, computer operation, accounts receivable clean-up, filing in Central Files and the ultimate removal of returns for destruction.

**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).

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**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.

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