

# *California Franchise Tax Board*



Kathleen Connell, Chair  
Dean Andal, Member  
B. Timothy Gage, Member

## *1996/97 Operations Report*

*Compiled January 2000*

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# **OPERATIONS REPORT**

**FISCAL YEAR ENDED JUNE 30, 1997**

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## **1996-97 BOARD MEMBERS**

- Hon. Kathleen Connell ..... Controller
- Hon. Johan Klehs ..... Chair, State Board of Equalization
- Hon. Craig L. Brown ..... Director of Finance

## **CURRENT BOARD MEMBERS**

- Hon. Kathleen Connell ..... Controller
- Hon. Dean Andal ..... Chair, State Board of Equalization
- Hon. B. Timothy Gage ..... Director of Finance

**Executive Officer**  
**Gerald H. Goldberg**

Prepared by:  
Franchise Tax Board Budget Office  
January 2000

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# INTRODUCTION

**Programs** This report presents the 1996/97 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  
Student Loan Debt 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.

Because 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.

<sup>1/</sup> Component of Contract Work Program

**Departmental Expenditures**

In 1996/97, the Franchise Tax Board 's expenditures totaled \$338 million; an increase of \$22.8 million (7.2%) over the prior year. Personnel years (PY's) totaled 5,043.9, an increase of 133.8 (2.7%) over 1995/96. The increase was primarily due to two new contracts Travel & Tourism (22.8 PY's) and Statewide Automated Child Support data transfer (19.0 PY's); a one-time program to identify and return Excess SDI tax to qualified taxpayers (38.1 PY's); and an appropriation of 53.9 PY's 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>1996/97</b>	<b>1995/96</b>
Tax Programs		
Personal Income Tax	\$190,005	\$192,259
Bank and Corporation Tax	128,014	104,001
Non-Admitted Insurance Tax	17	38
Total Tax Programs	<hr/> \$318,036	<hr/> \$296,298
Non-Tax Collection Programs	12,473	13,583
Other Non-Tax Programs	7,452	5,274
<b>TOTAL EXPENDITURES BY PROGRAM</b>	<hr/> <b>\$337,961</b>	<hr/> <b>\$315,155</b>

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

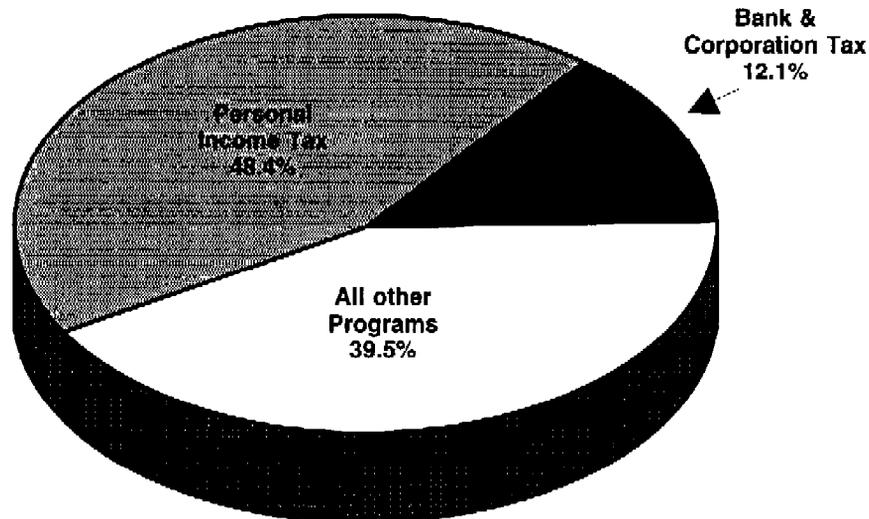
	<b>1996/97</b>	<b>1995/96</b>
Personal Services		
Salary and Wages	\$186,673	\$180,289
Benefits	54,641	52,480
Total Personal Services	<hr/> \$241,314	<hr/> \$232,769
Operating Expenses & Equipment	96,647	82,386
<b>TOTAL EXPENDITURES</b>	<hr/> <b>\$337,961</b>	<hr/> <b>\$315,155</b>
Reimbursements	-10,405	-6,458
<b>NET EXPENDITURES BY OBJECT</b>	<hr/> <b>\$327,556</b>	<hr/> <b>\$308,697</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

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 the charitable organizations designated on the PIT tax returns.

In 1996/97, the tax programs administered by the Franchise Tax Board accounted for \$29.1 billion (60.5%) of the General Fund's Major Tax and License revenue. Approximately \$24.6 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;
- 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 5.7 million tax return booklets, provided for 568,000 downloaded forms, received 938,000 interactive voice response (IVR) phone calls, and manually responded to 648,000 telephone, correspondence and over-the-counter requests for forms, pre-filing assistance, and refund information in 1996/97.

## **Return Processing**

Return Processing activities include:

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

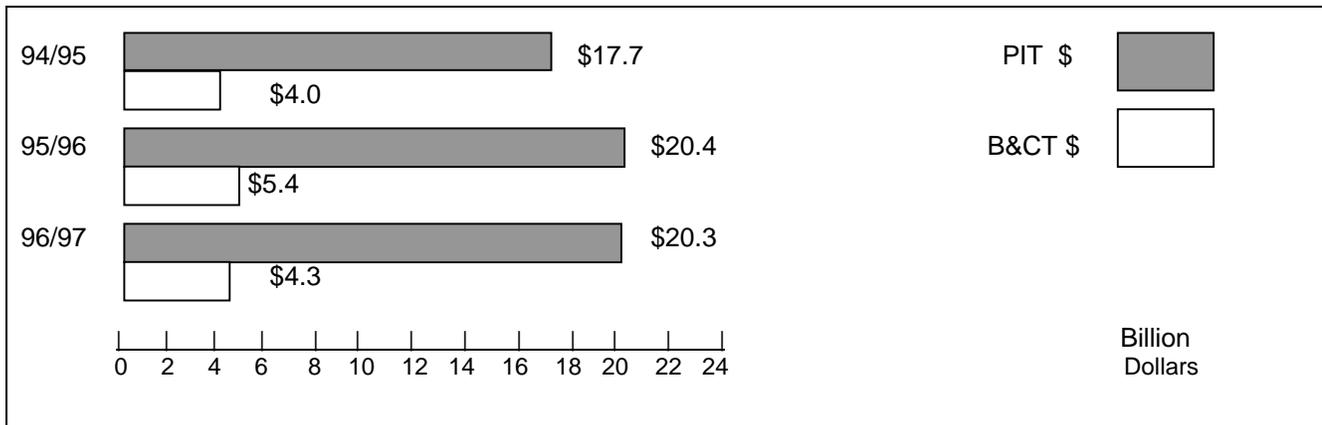
In 1996/97, the department processed 13.4 million personal income tax returns and voluntarily reported self-assessments of \$20.3 billion. Of the returns processed, 7.6 million PIT returns resulted in refunds of \$3.1 billion due to withholding, prepayments, and refundable credits.

Taxpayers and tax preparers filed 364,000 PIT returns electronically, a 39.5 percent increase from 1995/96's level of 261,000 returns. The increase was due to technological enhancements that allowed for the processing of more complex returns. Also in 1996/97, FTB processed 4.9 million PIT returns by an electronic image scanning system, increasing efficiency over the traditional key data entry system.

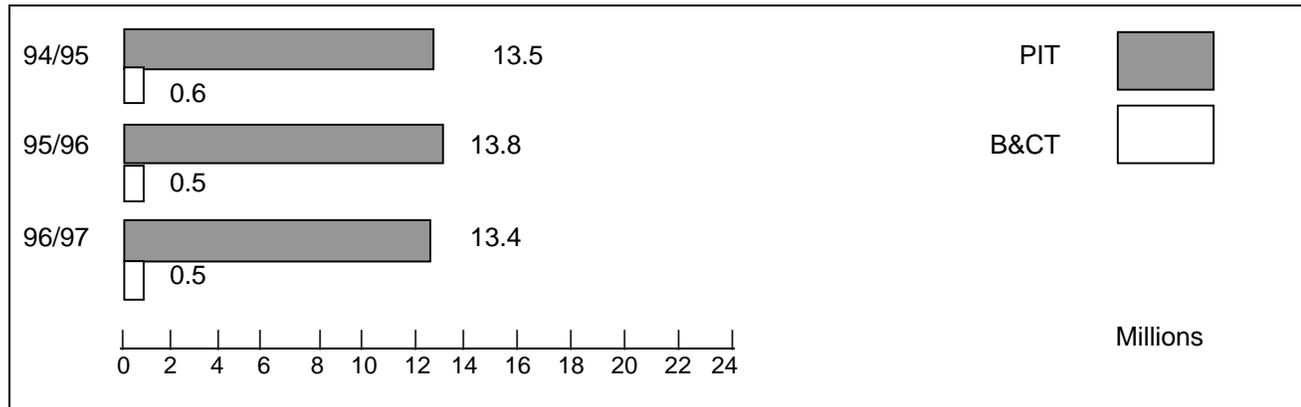
FTB processed 457,000 bank and corporation tax returns, reporting a total tax liability of \$4.3 billion. Additionally, 403,000 estimate tax payments were deposited during 1996/97. There were 13,872 tax payments directly deposited tax payments to FTB via the electronic funds transfer system, improving efficiency over the labor intensive cashiering function. The department also processed 69,300 tax-exempt corporation returns.

# Self-Assessment Activities

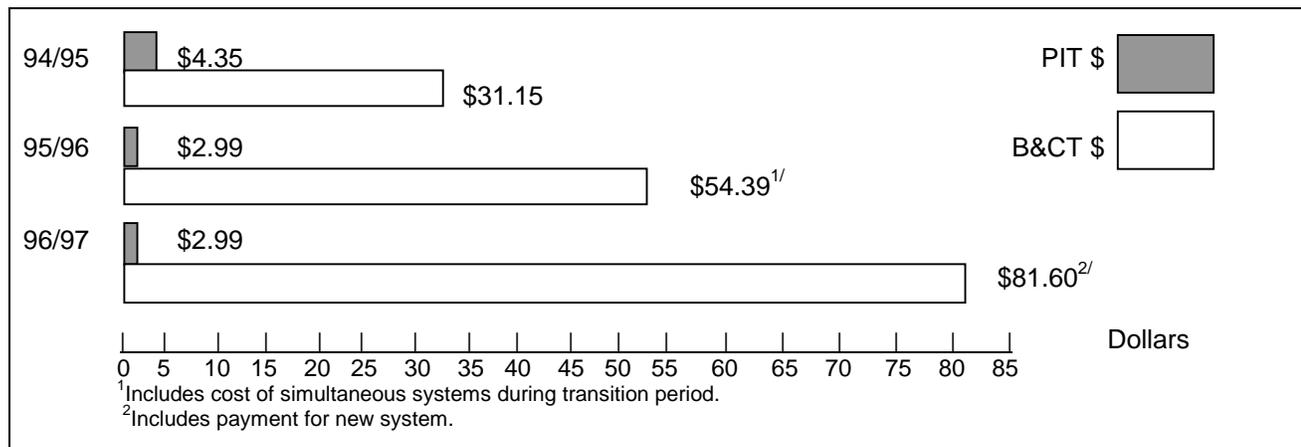
## Amount of Self-Assessed Tax



## 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 who 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.

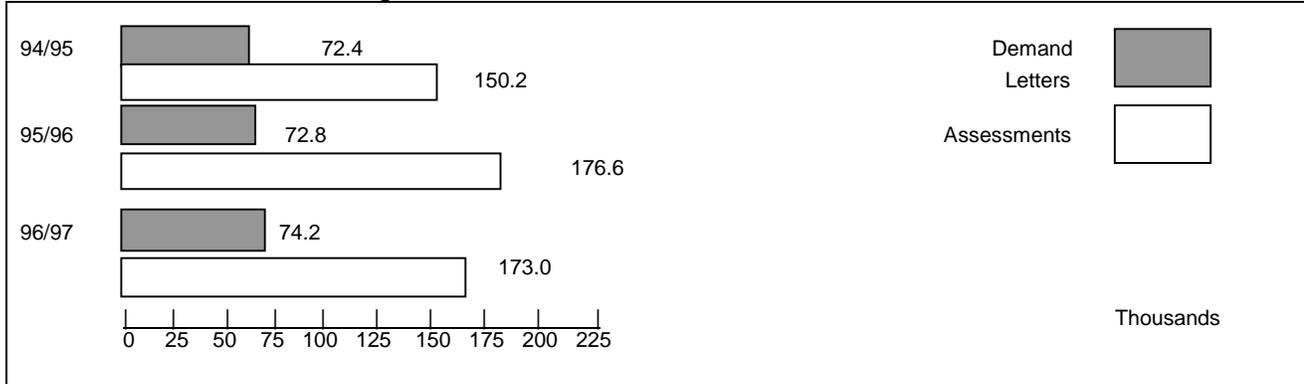
A comparison of filing enforcement activities between 1995/96 and 1996/97 is presented below. Detailed information is provided in Exhibits A, C1, and C2.

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

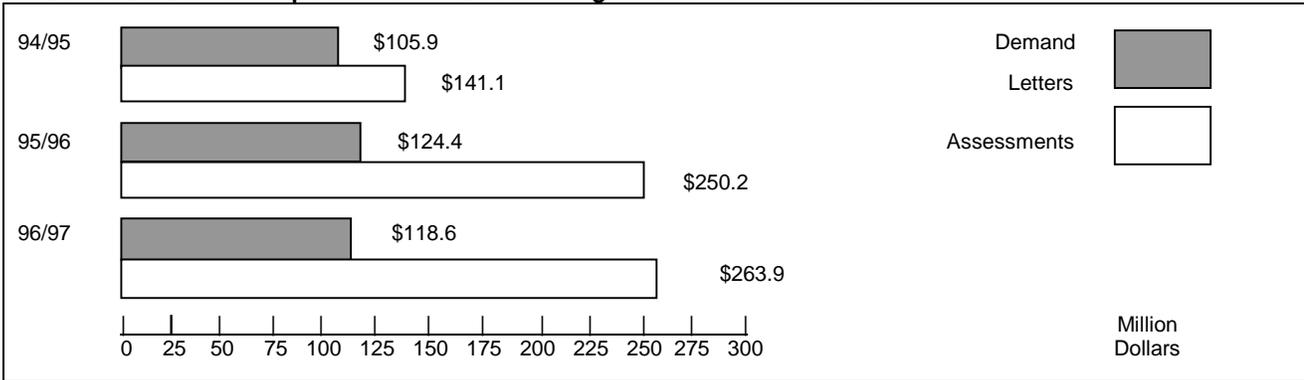
	1996/97	1995/96
<b>Volumes:</b>		
<b>Personal Income Tax:</b>		
Demand-to-File Letters Mailed	566,251	664,169
Returns Filed As Result of Demand Letters	74,228	72,783
Assessment Notices Issued	406,068	380,529
Returns Filed as Result of Assessment Notices	173,025	176,648
<b>Bank &amp; Corporation Tax:</b>		
Demand Letters and Assessments Mailed	53,195	42,580
Returns Filed as Result of Letters and Notices	909	64
Net Assessments from No Returns Filed	37,220	13,886
 <b>Dollars Assessed (thousands)</b>		
<b>Personal Income Tax:</b>		
Returns Filed as Result of Demand Letters	\$118,582	\$124,388
Returns Filed as Result of Assessment Notices	263,930	250,164
Revenues from No-Return Final Assessments	519,109	482,351
<b>Bank &amp; Corporation Tax:</b>		
Returns Filed as Result of Letters and Notices	6,441	2,921
Revenues from No Return, Net Assessments	149,528	251,554
<b>Total Assessed Dollars</b>	<b>\$1,057,590</b>	<b>\$1,111,378</b>

# Filing Enforcement Activities

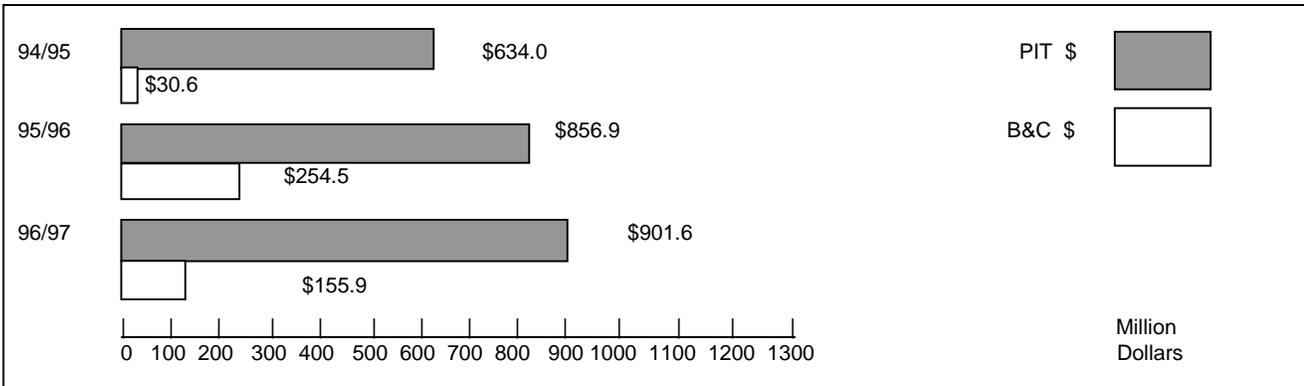
## Returns Filed As A Result of Filing Enforcement Activities



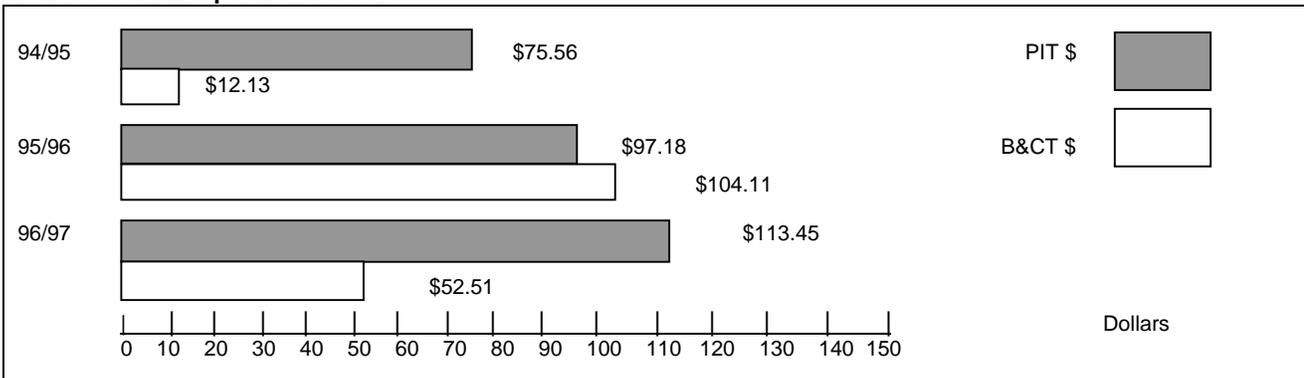
## PIT Self-assessed Tax Reported As A Result of Filing Enforcement Activities



## Net Assessment Dollars



## Net Assessments per Dollar Cost



# Tax Audit Activities

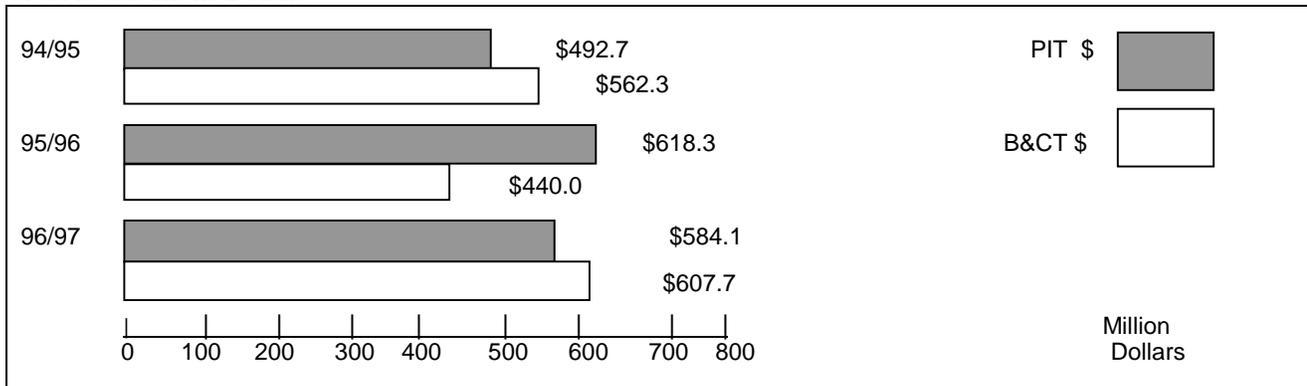
Audit activities determine the correct tax liability for individuals and business entities in accordance with the California Revenue and Taxation Code. These activities include both the detailed examinations of tax returns and supporting documents, and the automated verification of self-assessed tax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

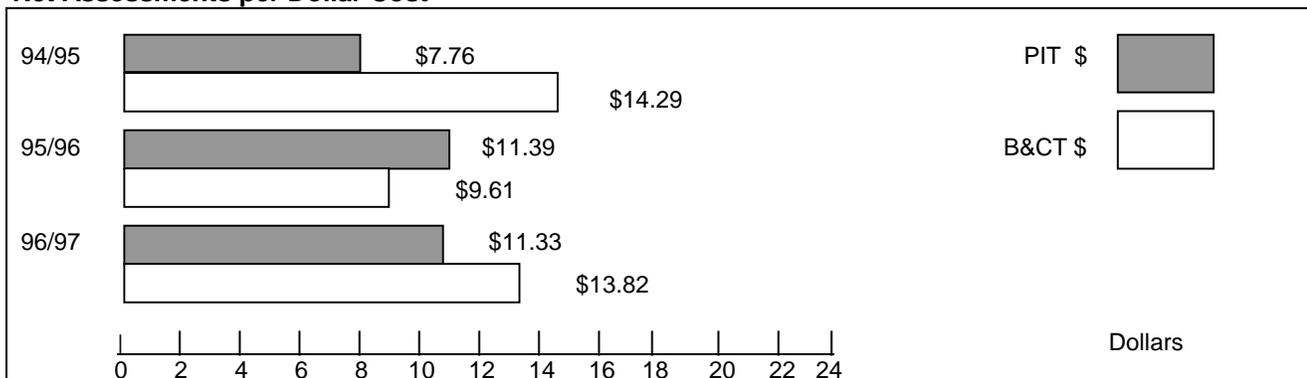
In 1996/97, net assessments from audit activities totaled \$1,191.8 million and operational costs totaled \$108.5 million. This resulted in a benefit-to-cost ratio of \$10.98 to one. The following bar chart compares 1996/97 audit activities with those of the two prior years. Detailed information of audit assessments and costs is shown in Exhibits A, D1, and D2.

## Audit Activities

**Net Assessment Dollars**



**Net Assessments per Dollar Cost**



# Tax Collection Activities

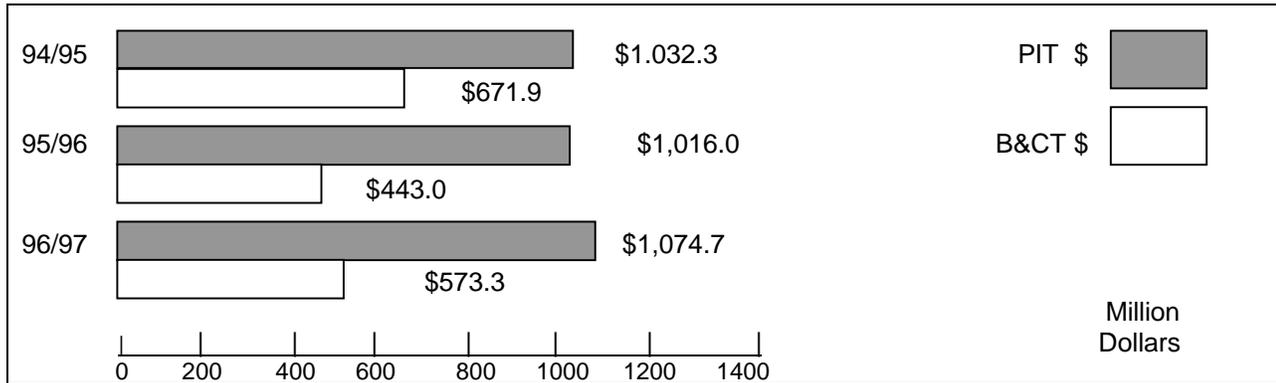
Tax collection activities involve collections against accounts receivable that are established by the department's self-assessment, audit, settlement and filing enforcement activities. Both an automated billing system and central and field office collection staff administer collections. The automated 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 1996-97, \$1.6 billion was collected through automated and manual collection activities, an increase of \$188.9 million from 1995/96's level of \$1,459.1 million. Total cost of operations was \$81.4 million, of which \$64.4 million was for PIT collections and \$17.0 million was for B&CT. The following chart compares 1996/97 collections with those of the two prior years. Detailed collection activity information for 1996/97 is shown in Exhibits A and E.

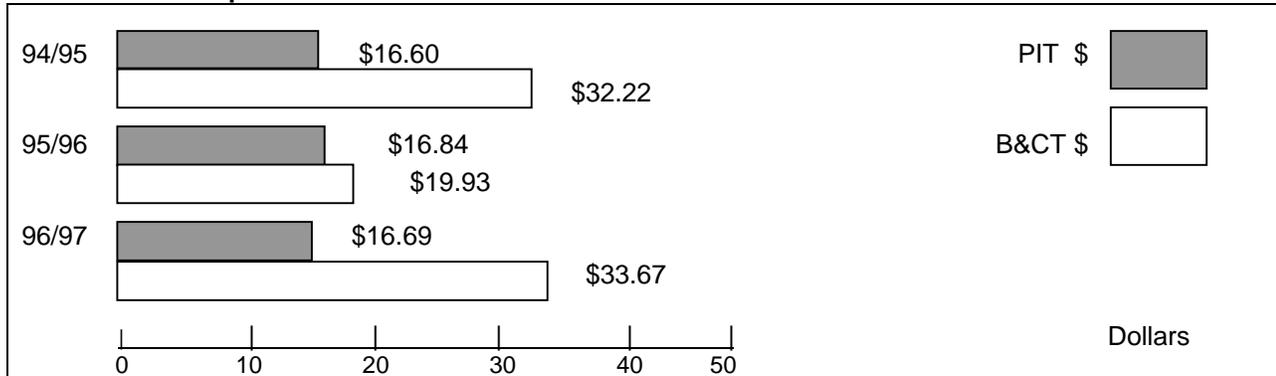
1/ Payments submitted by taxpayers prior to activation of the billing process are not included in 'tax collection revenues'.

## 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 1996/97, 78 cases were settled, sustaining \$97 million (64.2%) of the \$151.1 million in dispute. A summary of 1996/97 settlement activities is presented in the following table.

## 1996/97 SETTLEMENT ACTIVITIES Revenue and Costs in Millions

	PIT	B&CT	TOTAL
Cases Completed	63	90	153
Cases Settled	34	44	78
Revenue in Dispute	\$13.0	\$138.0	\$151.0
Revenue Sustained	\$8.4	\$88.6	\$97.0
Cost	\$0.4	\$1.8	\$2.2
Revenue Sustained per Dollar Cost	\$21.00	\$49.22	\$44.09

# 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 1996/97, FTB collected \$5.9 million at a cost of \$17,000. This compares with \$5.6 million collected in 1995/96, at a cost of \$39,000.

# 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 1996/97, taxpayers made 445,000 contributions for a total of \$2.5 million. A comparison of contributions between 1996/97 and the prior year is presented as follows:

Fund Name	(Thousands)			
	1996/97		1995/96	
	Volume	Dollars	Volume	Dollars
California Election Funds	13	\$116	13	\$101
California Senior Citizens	40	170	42	180
Rare & Endangered Species	66	484	71	505
State Children's Fund	65	380	71	418
Alzheimer's Research	50	292	53	295
Veteran's Memorial	26	99	25	92
Senior's Special Fund	14	59	15	67
Breast Cancer Research	57	311	57	296
Public School Library	52	322	55	321
Firefighter's Memorial	27	111	25	105
Drug Abuse Resistance	34	146	36	141
Military Museum	1	3	10	29
<b>Total Voluntary Contributions</b>	<b>445</b>	<b>\$2,493</b>	<b>473</b>	<b>\$2,550</b>

# 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 empowering FTB 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.
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 12419.2 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, FTB began providing collection services to 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 1996/97, governmental agencies received \$87.6 million from 452,000 intercepted tax refunds and lottery winnings. This represents a \$5.7 million (6.9%) increase from 1995/96. Exhibit F1 provides further comparisons with the prior year's activities.

# 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. Sections 19271 – 19274 of the Revenue and Taxation Code 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 39 counties by June 30, 1997. In 1996/97, there were 350,060 delinquent accounts in the case inventory and collections of \$54.7 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 \$21.5 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 1996/97, FTB had a case inventory of 410,068 delinquent cases and collected \$81.3 million for the DMV while incurring collection costs of \$7.0 million. These amounts equate to an efficiency measure of \$11.63 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.

# Court-Ordered Debt Collections

Sections 19280 - 19283 of the Revenue and Taxation Code authorizes 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 1996/97, 13 counties utilized FTB collection services to close delinquent accounts. In response, FTB mailed 75,000 demand-to-pay notices to delinquent debtors, 37,000 levies were placed on debtors' wages, and 2,000 bank levies were issued. As a result, the Court-Ordered Debt Collections Program collected \$3.8 million at a cost of \$252,000, for a benefit-to-cost ratio of \$14.91 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 1996/97, 3,216 delinquent cases were referred to FTB for collections from the DIR. FTB collected and transferred \$716,000 to DIR at a cost of \$97,000 and a benefit-to-cost ratio of \$7.39 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 1996/97, FTB processed 165,000 HRA claim requests representing a decrease of only 1% from the prior year's volume of 166,800. The decrease is reflective of small raises in income that reduce HRA eligibility. Claims allowed in 1996/97 totaled \$14.4 million, of which \$12.8 million was given to qualified renters and \$1.6 million to eligible homeowners. The department responded to 98,600 IVR telephone calls, 55,300 manually answered calls, and 17,000 in-person contact requests for assistance. A comparison of 1996/97 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 non-election year of 1996/97, 323 audits were completed of which 152 audits related to political candidate and campaign committees, 74 audits related to lobbying entities, 85 audits of ballot measures and general political action committees, and 12 statewide measures. Exhibit G2 illustrates the different audit emphasis between the election year 1995/96 and the non-election year of 1996/97.

# Contract Work

With sophisticated data processing equipment and skilled personnel, FTB is able to provide high quality processing services to other governmental entities. 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 on income verification, tax liability, and filing status.

FTB's contractual service costs are reimbursed by the respective governmental entities. In 1996/97, Contract Work reimbursements totaled \$ 10.4 million.

# EXHIBITS

The details of the 1996/97 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 1996/97 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 1961/62.

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

Exhibit B provides 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 Activities

Fiscal Year Ended June 30, 1997

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	\$901,621,155	\$7,947,191	\$113.45
Residency Determination	38,362	10,984	\$3.49
Investigations	-2,552,493	2,834,892	-\$0.90
<b>Audit Assessment Activities</b>			
Mathematical Verification	59,803,065	8,140,558	\$7.35
Desk Audits	125,272,190	18,584,040	\$6.74
Federal Audit Reports	328,254,628	11,203,068	\$29.30
Field Audits	74,764,624	13,643,668	\$5.48
<b>Total PIT Net Assessment Activities</b>	<u>\$1,487,201,531</u>	<u>\$62,364,401</u>	
<b>Bank &amp; Corporation Tax</b>			
<b>Filing Enforcement Activities</b>			
	\$170,346,016	\$2,970,405	\$57.35
<b>Audit Assessment Activities</b>			
Mathematical Verification	86,620,261	5,979,997	\$14.49
Federal Audit Reports	68,664,050	1,812,347	\$37.89
Non-Appportioning Central Office	8,496,606	2,762,357	\$3.08
Non-Appportioning Field	34,044,008	7,241,723	\$4.70
Appportioning Central Office	10,990,045	5,761,451	\$1.91
Appportioning Field 1/	398,496,982	36,766,158	\$10.84
<b>Exempt Corporation Audits</b>	1,772,154	1,939,341	\$0.91
<b>Total B&amp;CT Net Assessment Activities</b>	<u>\$779,430,122</u>	<u>\$65,233,779</u>	
<b>TOTAL NET ASSESSMENT ACTIVITIES</b>	<u><u>\$2,266,631,653</u></u>	<u><u>\$127,598,180</u></u>	\$17.76
<b>COLLECTION ACTIVITIES:</b>			
<b>Tax Programs</b>			
<b>Personal Income Tax</b>			
Tax Collections	\$1,074,685,617	\$64,384,524	\$16.69
Voluntary Contributions	2,492,744	40,324	\$61.82
<b>Bank and Corporation Tax</b>			
Tax Collections	573,328,713	17,025,416	\$33.67
Non-Admitted Insurance Tax	5,865,792	17,016	\$344.72
<b>Non-Tax Collection Programs</b>			
Inter-Agency Intercept Collections	87,576,947	207,151	\$422.77
Child Support Collections	54,731,892	4,166,450	\$13.14
Vehicle Registration Collections	81,326,662	6,995,552	\$11.63
Court-ordered Debt Collections	3,762,480	252,393	\$14.91
DIR Industrial Health & Safety Collections	715,661	96,839	\$7.39
Student Loan Debt Collections 2/	0	732,608	\$0.00
<b>TOTAL COLLECTION ACTIVITIES</b>	<u><u>\$1,884,486,508</u></u>	<u><u>\$93,918,273</u></u>	\$20.07
<b>OTHER ACTIVITIES:</b>			
<b>Personal Income Tax Program</b>			
Self-Assessment Activities	--	\$62,837,937	
Settlement Activities	--	378,060	
<b>Bank &amp; Corporation Tax Program</b>			
Self-Assessment Activities	--	43,965,720	
Settlement Activities	--	1,789,148	
<b>Homeowners &amp; Renters Assistance Program</b>			
	--	2,053,158	
<b>Political Reform Audit Program</b>			
	--	1,226,257	
<b>Contract Work Program</b>			
	--	4,172,361	
<b>Statewide Debt Collection Program (Pilot Project)</b>	--	22,262	
<b>TOTAL OTHER ACTIVITIES</b>		<u>\$116,444,903</u>	
<b>TOTAL PROGRAM ACTIVITY COST</b>		<u><u>\$337,961,356</u></u>	

1/ Apportioning In-State Field + Apportioning Out-of-State Field  
2/ Program setup in FY 1996/97 for implementation in FY 1997/98

# Exhibit A1: All Programs

## Statement of Operation Costs

Fiscal Year Ended June 30, 1997

	Executive	Technology & Research	Legal	Audit	Accounts Receivable & Tax Policy	Operations	Departmental	Totals
<b>Tax Programs</b>								
<b>Personal Income Tax</b>								
<b>Self-Assessment Activities</b>								
Legislation and Development	\$ 22,457	\$ 3,156,372	\$ 1,094,445	\$ 132,061	\$ 627,659	\$ 2,501,467	\$ 2,110,653	\$ 9,645,114
Return Forms	7,918	1,886,447	78,543	481	351,667	533,743	3,714,047	6,572,846
Return Processing	21,172	768,299	132	103	23,297	17,448,915	5,892,643	24,154,561
Estimate Processing	5,484	223,464	34	3	6,034	1,570,884	813,367	2,619,270
Taxpayer Assistance	37,633	1,715,835	27,387	3,345,861	1,833,195	6,879,191	4,088,248	17,927,350
Claims	4,703	108,283	29	556,025	6,053	813,198	430,505	1,918,796
	<u>\$ 99,367</u>	<u>\$ 7,858,700</u>	<u>\$ 1,200,570</u>	<u>\$ 4,034,534</u>	<u>\$ 2,847,905</u>	<u>\$ 29,747,398</u>	<u>\$ 17,049,463</u>	<u>\$ 62,837,937</u>
<b>Filing Enforcement</b>								
Filing Enforcement	\$ 16,424	\$ 1,879,984	\$ 102	\$ 515,543	\$ 107,418	\$ 2,806,460	\$ 2,621,260	\$ 7,947,191
Residence Determination	25	568	0	5,808	58	16	4,509	10,984
Investigation	7,187	1,548,196	85	25,092	846,401	233,606	174,325	2,834,892
	<u>\$ 23,636</u>	<u>\$ 3,428,748</u>	<u>\$ 187</u>	<u>\$ 546,443</u>	<u>\$ 953,877</u>	<u>\$ 3,040,082</u>	<u>\$ 2,800,094</u>	<u>\$ 10,793,067</u>
<b>Audit Activities</b>								
Math Verification	\$ 13,699	\$ 319,850	\$ 85	\$ 8	\$ 15,074	\$ 6,266,448	\$ 1,525,394	\$ 8,140,558
Desk Audits	46,672	1,930,476	1,800,452	9,276,992	80,671	2,153,101	3,295,676	18,584,040
Federal Audit Reports	24,638	570,694	371,478	6,104,674	27,112	772,772	3,331,700	11,203,068
Field Audits	35,942	1,649,281	537,504	7,842,803	39,654	1,984,733	1,553,751	13,643,668
	<u>\$ 120,951</u>	<u>\$ 4,470,301</u>	<u>\$ 2,709,519</u>	<u>\$ 23,224,477</u>	<u>\$ 162,511</u>	<u>\$ 11,177,054</u>	<u>\$ 9,706,521</u>	<u>\$ 51,571,334</u>
<b>Tax Collections</b>								
	\$ 151,531	\$ 9,278,628	\$ 12,638	\$ 21,012,748	\$ 11,231,676	\$ 9,641,183	\$ 13,056,120	\$ 64,384,524
<b>Settlement Authority</b>								
	872	20,082	310,072	18	960	575	45,481	378,060
<b>Voluntary Contributions</b>								
	68	1,580	0	0	76	46	38,554	40,324
	<u>\$ 396,425</u>	<u>\$ 25,058,039</u>	<u>\$ 4,232,986</u>	<u>\$ 48,818,220</u>	<u>\$ 15,197,005</u>	<u>\$ 53,606,338</u>	<u>\$ 42,696,233</u>	<u>\$ 190,005,246</u>
<b>Bank and Corporation Tax</b>								
<b>Self-Assessment Activities</b>								
Legislation and Development	\$ 10,585	\$ 1,496,967	\$ 1,098,852	\$ 95,381	\$ 618,486	\$ 510,309	\$ 2,112,837	\$ 5,943,417
Return Forms	2,171	327,649	83,090	1	153,582	239,205	731,119	1,536,817
Return Processing	30,302	882,175	188	559,453	80,570	8,796,257	8,931,814	19,280,759
Estimate Processing	632	53,425	4	0	695	189,082	230,707	474,545
Taxpayer Assistance	18,415	463,364	30,850	1,611,307	184,019	4,060,527	4,624,095	10,992,577
Claims	9,976	229,713	62	2,168,598	16,094	993,151	2,320,011	5,737,605
	<u>\$ 72,081</u>	<u>\$ 3,453,293</u>	<u>\$ 1,213,046</u>	<u>\$ 4,434,740</u>	<u>\$ 1,053,446</u>	<u>\$ 14,788,531</u>	<u>\$ 18,950,583</u>	<u>\$ 43,965,720</u>
<b>Filing Enforcement</b>								
	5,643	460,184	35	488,481	111,161	1,000,063	904,838	2,970,405
<b>Audit Activities</b>								
Math Verification	\$ 10,948	\$ 252,092	\$ 68	\$ 140	\$ 12,047	\$ 3,608,785	\$ 2,095,917	\$ 5,979,997
Federal Audit Reports	3,694	85,063	27,076	1,050,833	4,065	150,253	491,363	1,812,347
Non-Appportioning -- Central Office	4,771	194,811	152,711	1,256,740	5,249	416,483	731,592	2,762,357
Non-Appportioning -- Field	15,429	515,754	88,300	3,756,724	17,109	704,035	2,144,372	7,241,723
Appportioning -- Central Office	9,049	863,598	222,027	1,453,076	9,993	1,629,072	1,574,636	5,761,451
Appportioning -- Field	68,563	1,740,493	1,315,697	24,159,228	75,446	45,170	9,361,561	36,766,158
Exempt Corporations	4,162	135,104	15,609	1	29,526	1,168,054	586,885	1,939,341
	<u>\$ 116,616</u>	<u>\$ 3,786,915</u>	<u>\$ 1,821,488</u>	<u>\$ 31,676,742</u>	<u>\$ 153,435</u>	<u>\$ 7,721,852</u>	<u>\$ 16,986,326</u>	<u>\$ 62,263,374</u>
<b>Tax Collections</b>								
	33,732	1,453,617	9,046	5,404,135	3,074,587	1,464,995	5,585,304	17,025,416
<b>Settlement Authority</b>								
	3,755	86,463	1,283,600	6,916	4,132	5,050	399,232	1,789,148
	<u>\$ 231,827</u>	<u>\$ 9,240,472</u>	<u>\$ 4,327,215</u>	<u>\$ 42,011,014</u>	<u>\$ 4,396,761</u>	<u>\$ 24,980,491</u>	<u>\$ 42,826,283</u>	<u>\$ 128,014,063</u>
<b>Non-Admitted Insurance Tax</b>								
	19	429	0	0	21	14,541	2,006	17,016
	<u>\$ 628,271</u>	<u>\$ 34,298,940</u>	<u>\$ 8,560,201</u>	<u>\$ 90,829,234</u>	<u>\$ 19,593,787</u>	<u>\$ 78,601,370</u>	<u>\$ 85,524,522</u>	<u>\$ 318,036,325</u>
<b>Non-Tax Collection Program</b>								
Inter-Agency Intercept Collections	\$ 390	\$ 14,904	\$ 5	\$ 73,647	\$ 35,253	\$ 8,328	\$ 74,624	\$ 207,151
Child Support Collections	8,518	365,132	3,695	1,598,494	1,164,735	368,773	657,103	4,166,450
Vehicle Registration Collections	15,275	522,211	5,545	2,877,862	1,662,250	435,847	1,476,562	6,995,552
Court-ordered Debt Collections	0	26	0	189,757	49,381	39	13,190	252,393
Industrial Health & Safety Collections	235	15,793	2	38,909	24,674	2,726	14,500	96,839
Student Loan Debt Collections	0	0	0	95,733	597,400	16,458	23,017	732,608
Statewide Debt Collections	116	2,678	1	19,262	128	77	0	22,262
	<u>\$ 24,534</u>	<u>\$ 920,744</u>	<u>\$ 9,248</u>	<u>\$ 4,893,664</u>	<u>\$ 3,533,821</u>	<u>\$ 832,248</u>	<u>\$ 2,258,996</u>	<u>\$ 12,473,255</u>
<b>Other Non-Tax Programs</b>								
Homeowners & Renters Assistance	\$ 5,180	\$ 563,375	\$ 32	\$ 102,202	\$ 196,541	\$ 892,776	\$ 293,052	\$ 2,053,158
Political Reform Audit	2938	796,169	18	86	404,299	14,965	7,782	1,226,257
Other Contracts	5,584	248,056	36	2	10,790	2,708,329	1,199,564	4,172,361
	<u>\$ 13,702</u>	<u>\$ 1,607,600</u>	<u>\$ 86</u>	<u>\$ 102,290</u>	<u>\$ 611,630</u>	<u>\$ 3,616,070</u>	<u>\$ 1,500,398</u>	<u>\$ 7,451,776</u>
<b>Total Departmental Costs</b>	<u><b>\$ 666,507</b></u>	<u><b>\$ 36,827,284</b></u>	<u><b>\$ 8,569,535</b></u>	<u><b>\$ 95,825,188</b></u>	<u><b>\$ 23,739,238</b></u>	<u><b>\$ 83,049,688</b></u>	<u><b>\$ 89,283,916</b></u>	<u><b>\$ 337,961,356</b></u>

# Exhibit A2: All Programs

## Statement of Paid Hours and Personnel Years

### Fiscal Year Ended June 30, 1997

	Executive	Technology & Research	Legal	Audit	Accounts Receivable & Tax Policy Services	Operations	Totals	Personnel Year Totals
<b>Tax Programs</b>								
<b>Personal Income Tax</b>								
<b>Self-Assessment Activities</b>								
Legislation and Development	445	109,379	27,300	4,833	18,709	143,087	285,044	138.7
Return Forms	152	67,301	1,961	0	9,888	27,581	96,995	46.9
Return Processing	1,937	77,785	0	11	2,413	1,160,453	1,240,186	611.5
Estimate Processing	186	11,032	0	0	232	107,855	119,073	58.7
Taxpayer Assistance	852	56,770	662	135,722	68,930	351,485	545,491	265.8
Claims	98	3,210	0	20,994	142	38,273	62,575	30.5
	<u>3,670</u>	<u>325,477</u>	<u>29,923</u>	<u>161,560</u>	<u>100,314</u>	<u>1,828,734</u>	<u>2,349,364</u>	<u>1,152.1</u>
<b>Filing Enforcement</b>								
Filing Enforcement	415	62,359	0	22,220	3,408	180,912	265,906	130.1
Residence Determination	0	12	0	218	1	2	232	0.1
Investigation	144	51,352	0	906	20,706	39,785	92,187	44.6
	<u>559</u>	<u>113,723</u>	<u>0</u>	<u>23,344</u>	<u>24,115</u>	<u>220,699</u>	<u>358,325</u>	<u>174.8</u>
<b>Audit Activities</b>								
Math Verification	601	19,885	0	0	749	364,344	384,830	189.8
Desk Audits	974	59,739	44,908	398,395	2,112	119,313	623,329	300.1
Federal Audit Reports	506	16,723	9,253	255,206	630	42,131	323,819	155.5
Field Audits	674	48,576	13,401	250,914	844	118,170	431,735	208.4
	<u>2,755</u>	<u>144,923</u>	<u>67,562</u>	<u>904,515</u>	<u>4,335</u>	<u>643,958</u>	<u>1,763,713</u>	<u>853.8</u>
<b>Tax Collections</b>	<u>3,309</u>	<u>294,459</u>	<u>2,915</u>	<u>916,353</u>	<u>439,205</u>	<u>901,169</u>	<u>2,118,205</u>	<u>1,023.0</u>
<b>Settlement Authority</b>	13	420	7,713	0	16	40	8,186	3.9
<b>Voluntary Contributions</b>	3	110	0	0	4	2,037	2,150	1.2
	<u>10,309</u>	<u>879,112</u>	<u>108,113</u>	<u>2,005,772</u>	<u>567,989</u>	<u>3,596,637</u>	<u>6,599,943</u>	<u>3,208.8</u>
<b>Bank and Corporation Tax</b>								
<b>Self-Assessment Activities</b>								
Legislation and Development	196	53,224	27,389	2,937	18,386	41,910	125,656	60.7
Return Forms	43	13,027	2,083	0	4,229	12,575	27,728	13.4
Return Processing	785	33,914	0	19,372	2,795	448,483	502,554	247.4
Estimate Processing	23	2,315	0	0	29	12,699	15,037	7.4
Taxpayer Assistance	403	14,865	750	58,380	6,797	183,472	257,870	126.2
Claims	200	6,557	0	72,564	423	48,508	127,829	61.9
	<u>1,650</u>	<u>123,902</u>	<u>30,222</u>	<u>153,253</u>	<u>32,659</u>	<u>747,647</u>	<u>1,056,674</u>	<u>517.0</u>
<b>Filing Enforcement</b>	133	15,521	0	20,939	3,605	48,260	84,853	41.3
<b>Audit Activities</b>								
Math Verification	302	9,922	0	0	376	183,195	193,419	95.4
Federal Audit Reports	78	3,523	670	37,701	97	7,849	49,821	24.0
Non-Appportioning -- Central Office	139	7,702	3,789	54,422	173	21,979	88,031	42.5
Non-Appportioning -- Field	279	15,186	2,194	122,463	348	37,042	177,164	85.3
Appportioning -- Central Office	291	27,191	5,500	60,182	363	90,658	183,822	89.4
Appportioning -- Field	1,205	56,908	32,778	681,227	1,500	3,602	775,720	371.2
Exempt Corporations	0	4,253	388	0	817	49,159	53,800	26.5
	<u>2,294</u>	<u>124,685</u>	<u>45,319</u>	<u>955,995</u>	<u>3,674</u>	<u>393,484</u>	<u>1,521,777</u>	<u>734.3</u>
<b>Tax Collections</b>	<u>687</u>	<u>43,387</u>	<u>220</u>	<u>224,728</u>	<u>104,322</u>	<u>170,837</u>	<u>439,859</u>	<u>212.0</u>
<b>Settlement Authority</b>	53	1,746	31,973	1	66	272	34,045	16.4
	<u>4,817</u>	<u>309,241</u>	<u>107,734</u>	<u>1,354,916</u>	<u>144,326</u>	<u>1,360,500</u>	<u>3,137,208</u>	<u>1,521.0</u>
<b>Non-Admitted Insurance Tax</b>	2	39	0	0	2	691	732	0.4
	<u>15,128</u>	<u>1,188,392</u>	<u>215,847</u>	<u>3,360,688</u>	<u>712,317</u>	<u>4,957,828</u>	<u>9,737,883</u>	<u>4,730.2</u>
<b>Non-Tax Collection Program</b>								
Inter-Agency Intercept Collections	9	1,369	0	2,884	1,350	1,757	6,019	2.9
Child Support Collections	183	12,641	73	57,280	27,237	47,072	117,249	56.5
Vehicle Registration Collections	298	15,286	134	104,667	50,107	70,272	190,657	91.8
Court Ordered Debt Collections	20	688	0	7,276	2,072	4,940	12,924	6.2
Industrial Health & Safety Collections	8	2,652	0	1,536	866	1,035	5,231	2.5
Student Loan Debt Collection	13	428	0	2,138	4,559	5,759	8,338	4.0
Statewide Debt Collections	2	41	0	750	4	4	797	0.4
	<u>533</u>	<u>33,105</u>	<u>207</u>	<u>176,531</u>	<u>86,195</u>	<u>130,839</u>	<u>341,215</u>	<u>164.3</u>
<b>Other Non-Tax Programs</b>								
Homeowner's & Renter's Assistance	93	13,148	0	3,065	5,573	43,510	59,816	29.3
Political Reform Audit	60	27,528	0	0	10,268	10,932	38,520	18.5
Other Contracts	323	32,091	10	0	529	174,363	206,787	101.6
	<u>476</u>	<u>72,767</u>	<u>10</u>	<u>3,065</u>	<u>16,370</u>	<u>228,805</u>	<u>305,123</u>	<u>149.4</u>
<b>Total Paid Hours</b>	<u>16,137</u>	<u>1,294,264</u>	<u>216,064</u>	<u>3,540,284</u>	<u>814,882</u>	<u>5,317,472</u>	<u>10,384,221</u>	<u>5,043.9</u>

# Exhibit A3: All Programs

## Selected Historical Statistics

Fiscal Years Ended June 30, 1962 through June 30, 1997

Fiscal Year ended 6-30	TAX PROGRAMS										NON-TAX PROGRAMS						Fiscal Year ended 6-30			
	Total Returns Filed		Volume of	Self Assessed 1/		Departmentally Assessed 1/			TOTAL TAXES ASSESSED		TOTAL TAXES COLLECTED		NON-TAX COLLECTED		HRA Claims Processed	HRA Costs		Political Reform Audi Costs	Other Contract Costs	TOTAL Department Cost
	PIT	B&C	PIT Refunds	Liability	Cost	Enforce.	Audit	Cost	ASSESSED	COST	COLLECTED	COST	COLLECTED	COST						Cost
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 2/	\$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
1997	13,387	533	7,643	\$24,598	\$107	\$1,069	\$1,192	\$130	\$26,859	\$237	\$1,648	\$82	\$153	\$12	165	\$2	\$1	\$4	\$338	1997

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, 1997

	Personal Income Tax	Bank & Corporation Tax 1/	Total
<b>Tax Revenue</b>			
Gross Self-Assessed Tax	\$23,764,637,744	\$5,089,485,128	\$28,854,122,872
Refunds Allowed	-3,087,178,497	-779,525,998	-3,866,704,495
Net Self-Assessed Tax	20,677,459,247	4,309,959,130	24,987,418,377
Returns Filed As a Result of Filing Enforcement Activities	-382,512,251	-6,441,150	-388,953,401
Voluntarily Reported Self-Assessed Tax	\$20,294,946,996	\$4,303,517,980	\$24,598,464,976
<b>Units Processed</b>			
Number of Returns Processed	13,387,203	456,655	13,843,858
Number of Refunds Processed	7,643,096	82,125	7,725,221
Total Number of Units Processed	21,030,299	538,780	21,569,079
<b>Cost of Returns and Refunds Processed</b>			
Cost of Returns and Refunds Processed	\$26,073,357	\$25,018,364	\$51,091,721
Cost of Total Self-Assessed Activities	\$62,837,937	\$43,965,720	\$106,803,657
<b>Paid Hours of Returns and Refunds Processed</b>			
Paid Hours of Returns and Refunds Processed	1,302,761	630,383	1,933,144
Paid Hours of Total Self-Assessed Activities	2,349,364	1,056,674	3,406,038
<b>Statistics</b>			
Total Cost per Paid Hour	\$ 26.75	\$ 41.61	\$ 31.36
Total Paid Hours Per Unit Processed	0.11	1.96	0.16
Total Paid Hours Per Return Processed	0.18	2.31	0.25
Total Cost Per Unit Processed	\$ 2.99	\$ 81.60	\$ 4.95
Average Tax Per Return	\$ 1,516.00	\$ 9,424.00	\$ 1,776.85
Average Refund Allowed Per Claim	\$ 403.92	\$ 9,491.95	\$ 500.53

1/ Does not include 69,313 Exempt Organization returns filed.

# Exhibit C1: Tax Programs

## Filing Enforcement Activities

### Comparative Schedule of Net Assessments

Fiscal Years Ended June 30, 1996 and 1997

	Net Assessments		Change	Percent Change
	1996/97	1995/96		
<b>Personal Income Tax</b>				
<b>Filing Enforcement</b>				
Returns Filed As A Result of:				
Demand-to-File Letters	\$118,581,639	\$124,388,209	-\$5,806,570	-4.7%
Assessment Notices	263,930,612	250,163,858	13,766,754	5.5%
Final Assessments Due to:				
No Return Filed	519,108,904	482,351,347	36,757,557	7.6%
<b>Subtotal Filing Enforcement</b>	<b>\$901,621,155</b>	<b>\$856,903,414</b>	<b>\$44,717,741</b>	<b>5.2%</b>
<b>Residency Determination Investigations</b>	<b>38,362</b>	<b>27,172</b>	<b>11,190</b>	<b>41.2%</b>
	<b>-2,552,493</b>	<b>13,884,396</b>	<b>-16,436,889</b>	<b>-118.4%</b>
Total Personal Income Tax	<u>\$899,107,024</u>	<u>\$870,814,982</u>	<u>\$28,292,042</u>	3.2%
<b>Bank &amp; Corporation Tax</b>				
<b>Filing Enforcement</b>				
Returns Filed As A Result of:				
Letters & Assessments	\$6,441,150	\$2,921,021	\$3,520,129	120.5%
Final Assessments Due to:				
No Return Filed	149,528,074	251,553,587	-102,025,513	-40.6%
<b>Subtotal Filing Enforcement</b>	<b>\$155,969,224</b>	<b>\$254,474,608</b>	<b>-98,505,384</b>	<b>-38.7%</b>
<b>Investigations</b>	<b>21,593</b>	<b>1,231,210</b>	<b>-1,209,617</b>	<b>-98.2%</b>
<b>Secretary of State Penalty Revivor</b>	<b>-97,883</b>	<b>3,463,484</b>	<b>-3,561,367</b>	<b>-102.8%</b>
	<b>13,965</b>	<b>13,919</b>	<b>46</b>	<b>0.3%</b>
Total Bank & Corporation Tax	<u>\$155,906,899</u>	<u>\$259,183,221</u>	<u>-\$103,276,322</u>	-39.8%
<b>Total Filing Enforcement Programs</b>	<b><u>\$1,055,013,923</u></b>	<b><u>\$1,129,998,203</u></b>	<b><u>-\$74,984,280</u></b>	<b>-6.6%</b>
Cost of Filing Enforcement Activities	\$13,763,472	\$14,022,398	-\$258,926	
Cost Benefit Ratio	\$76.65	\$80.59	-\$3.93	
Paid Hours for Filing Enforcement Activities	443,178	541,597	-98,419	

# Exhibit C2: Tax Programs Filing Enforcement Activities

## Comparative Schedule of Returns Filed

Fiscal Years Ended June 30, 1996 and 1997

	Demand Letters and Assessments Issued		Returns Filed		Amount Tax Assessment	
	1996/97	1995/96	1996/97	1995/96	1996/97	1995/96
<b>Personal Income Tax</b>						
Returns Filed As Result of:						
Demand Letters	566,251	664,169	74,228	72,783	\$118,581,639	\$124,388,209
Assessment Notices	406,068	380,529	173,025	176,648	263,930,612	250,163,858
Subtotal	<u>972,319</u>	<u>1,044,698</u>	<u>247,253</u>	<u>249,431</u>	<u>\$382,512,251</u>	<u>\$374,552,067</u>
Final Assessments Due to:						
No Returns Filed	<u>158,815</u>	<u>131,098</u>			<u>519,108,904</u>	<u>482,351,347</u>
<b>Total Personal Income Tax</b>	<u>1,131,134</u>	<u>1,175,796</u>	<u>247,253</u>	<u>249,431</u>	<u>\$901,621,155</u>	<u>\$856,903,414</u>
<b>Bank &amp; Corporation Tax</b>						
Returns Filed As Result of:						
Demand Letters Mailed 1/ Assessment Notices Issued	40,524 12,671	15,531 27,049				
Subtotal	<u>53,195</u>	<u>42,580</u>	909	64	\$6,441,150	\$2,921,021
Final Assessments Due to:						
No Returns Filed	<u>38,129</u>	<u>13,950</u>			<u>149,528,074</u>	<u>251,553,587</u>
<b>Total Bank &amp; Corporation Tax</b>	<u>91,324</u>	<u>56,530</u>	<u>909</u>	<u>64</u>	<u>\$155,969,224</u>	<u>\$254,474,608</u>
<b>Total Tax Programs</b>	<u>1,222,458</u>	<u>1,232,326</u>	<u>248,162</u>	<u>249,495</u>	<u>\$1,057,590,379</u>	<u>\$1,111,378,022</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, 1996 and 1997

	Net Assessments			Percent
	1996/97	1995/96	Change	Change
<b>Personal Income Tax</b>				
Desk Audit	\$125,272,190	\$75,197,249	\$50,074,941	66.6%
Federal Audit Reports	328,254,628	428,869,457	-100,614,829	-23.5%
Field Audits	70,783,680	51,574,009	19,209,671	37.2%
Subtotal	\$524,310,498	\$555,640,715	(\$31,330,217)	-5.6%
Mathematical Verification	59,803,065	62,620,127	-2,817,062	-4.5%
<b>Total Personal Income Tax</b>	<b>\$584,113,563</b>	<b>\$618,260,842</b>	<b>(\$34,147,279)</b>	<b>-5.5%</b>
<b>Bank &amp; Corporation Tax</b>				
Federal Audit Reports	\$68,664,050	\$66,858,827	\$1,805,223	2.7%
Non-Appportioning Audits				
Central Office	8,496,606	-994,941	9,491,547	-954.0%
Field	32,692,164	5,819,499	26,872,665	461.8%
Apportioning Audits				
Central Office	10,990,045	5,414,554	5,575,491	103.0%
Field	398,496,982	282,295,654	116,201,328	41.2%
Exempt Corporation Audits	1,772,154	295,571	1,476,583	499.6%
Subtotal	\$521,112,001	\$359,689,164	\$161,422,837	44.9%
Mathematical Verification	86,620,261	80,323,544	6,296,717	7.8%
<b>Total Bank &amp; Corporation Tax</b>	<b>\$607,732,262</b>	<b>\$440,012,708</b>	<b>\$167,719,554</b>	<b>38.1%</b>
<b>Total Tax Programs</b>	<b>\$1,191,845,825</b>	<b>\$1,058,273,550</b>	<b>\$133,572,275</b>	<b>12.6%</b>
<b>Total Returns Audited</b>	14,574,083	14,914,779	-340,696	-2.3%
<b>Total Returns Changed</b>	2,687,869	2,713,440	-25,571	-0.9%
<b>Cost of Operation</b>	\$113,834,708	\$100,070,047	\$13,764,661	
<b>Paid Hours</b>	3,285,490	3,224,525	60,965	1.9%
<b>Statistics</b>				
Cost Per Paid Hour	\$34.65	\$31.03	\$225.78	
Net Assessments Per Dollar Cost	\$10.47	\$10.58	\$9.70	
Cost Per Return Audited	\$81.78	\$70.95	-\$392.06	
Returns Audited Per Paid Hour	4.4	4.6	-5.6	
Net Assessment Per Return Changed	\$443.42	\$390.01	-\$5,223.58	
Percent Return Changed to Audited	18.44%	18.19%	7.51%	

# Exhibit D2: Tax Programs

## Tax Audit Activities

### Comparative Schedule of Returns Filed

Fiscal Years Ended June 30, 1996 and 1997

	Changes to Tax		No Changes to Tax			Total Audits	
	1996/97	1995/96	1996/97	1/ 1995/96		1996/97	1995/96
<b>Personal Income Tax</b>							
Desk Audit	437,119	319,990	383,915		663,184	821,034	983,174
Federal Audit Reports	115,941	209,407	1,295		113,432	117,236	322,839
Field Audits	3,060	2,789	1,034		1,495	4,094	4,284
Subtotal	<u>556,120</u>	<u>532,186</u>	<u>386,244</u>		<u>778,111</u>	<u>942,364</u>	<u>1,310,297</u>
Mathematical Verification	<u>1,944,046</u>	<u>1,989,658</u>	<u>11,436,709</u>		<u>11,350,079</u>	<u>13,380,755</u>	<u>13,339,737</u>
<b>Total Personal Income Tax</b>	<u><b>2,500,166</b></u>	<u>2,521,844</u>	<u><b>11,822,953</b></u>		<u>12,128,190</u>	<u><b>14,323,119</b></u>	<u>14,650,034</u>
<b>Bank &amp; Corporation Tax</b>							
Federal Audit Reports	3,471	3,978	778		5,421	4,249	9,399
Non-Appportioning Audits							
Central Office	409	470	293		257	702	727
Field	121	26	697		19	818	45
Appportioning Audits							
Central Office	1,156	1,298	399		20,572	1,555	21,870
Field	1,303	510	515		273	1,818	783
Exempt Corporation Audits	2,978	7,294	1,079		933	4,057	8,227
Subtotal	<u>9,438</u>	<u>13,576</u>	<u>3,761</u>		<u>27,475</u>	<u>13,199</u>	<u>41,051</u>
Mathematical Verification	<u>178,265</u>	<u>178,020</u>	<u>59,500</u>		<u>45,674</u>	<u>237,765</u>	<u>223,694</u>
<b>Total Bank &amp; Corporation Tax</b>	<u><b>187,703</b></u>	<u>191,596</u>	<u><b>63,261</b></u>		<u>73,149</u>	<u><b>250,964</b></u>	<u>264,745</u>
<b>Total Tax Programs</b>	<u><b>2,687,869</b></u>	<u>2,713,440</u>	<u><b>11,886,214</b></u>		<u>12,201,339</u>	<u><b>14,574,083</b></u>	<u>14,914,779</u>

1/ No longer includes surveys

# Exhibit E: Tax Programs

## Tax Collection Activities

### Statement of Tax Collection Activities

Fiscal Year Ended June 30, 1997

	Personal Income Tax	Bank & Corporation Tax	Total
<b>Collection Revenue</b>			
Beginning Total Available for			
Collection (7/1/96)	\$2,973,330,419	\$634,974,011	\$3,608,304,430
Added During 1996/97	2,825,311,262	761,022,462	3,586,333,724
Abated During 1996/97	-871,361,078	-90,506,288	-961,867,366
Total Available for Collection	\$4,927,280,603	\$1,305,490,185	\$6,232,770,788
Accounts Collected:			
Automated 1/	\$769,642,051	\$488,816,402	\$1,258,458,453
Manual 2/	305,043,566	84,512,311	389,555,877
Total Collected	\$1,074,685,617	\$573,328,713	\$1,648,014,330
Discharged	518,508,149	40,466,417	558,974,566
Total Accounts Closed	\$1,593,193,766	\$613,795,130	\$2,206,988,896
Ending Total Available for			
Collection (6/30/97)	\$3,334,086,837	\$691,695,055	\$4,025,781,892
<b>Collection Accounts</b>			
Total Number of Accounts (7/1/96)	1,011,110	126,691	1,137,801
Total Number of Accounts (6/30/97)	1,019,522	142,813	1,162,335
Change in Collection Accounts	8,412	16,122	24,534
<b>Cost of Operation</b>			
	\$64,384,524	\$17,025,416	\$81,409,940
<b>Paid Hours</b>			
	2,118,205	439,859	2,558,064
<b>Statistics</b>			
Cost Per Paid Hour	\$30.40	\$38.71	\$31.82
Tax Collected Per Dollar Cost	\$16.69	\$33.67	\$20.24
Percentage of Available Inventory Collected	21.8%	43.9%	26.4%
Percentage of Amount Available Closed	32.3%	47.0%	35.4%
Percent Change between Beginning and Ending Inventory	12.1%	8.9%	11.6%

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, 1996 and 1997

	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1996	Change	Percent Change
<b>Participating Agency Types:</b>				
State agencies	70	88	-18	-20.5%
City agencies	22	26	-4	-15.4%
County agencies	50	53	-3	-5.7%
Federal agencies	1	1	0	0.0%
<b>Total Participants</b>	<u>143</u>	<u>168</u>	<u>-25</u>	<u>-14.9%</u>
<b>Collection Volumes</b>				
State agencies	286,040	245,520	40,520	16.5%
City agencies	9,369	6,916	2,453	35.5%
County agencies	61,770	57,940	3,830	6.6%
Federal agencies	94,912	91,166	3,746	4.1%
<b>Total Collection Volumes</b>	<u>452,091</u>	<u>401,542</u>	<u>50,549</u>	<u>12.6%</u>
<b>Collection Revenues</b>				
State agencies	\$50,210,221	\$46,333,754	\$3,876,467	8.4%
City agencies	992,336	676,233	316,103	46.7%
County agencies	7,672,087	7,363,994	308,093	4.2%
Federal agencies	28,702,303	27,546,950	1,155,353	4.2%
<b>Total Collection Revenues</b>	<u>\$87,576,947</u>	<u>\$81,920,931</u>	<u>\$5,656,016</u>	<u>6.9%</u>
<b>Cost of Operation</b>	\$207,151	\$261,035	-\$53,884	
<b>Paid Hours</b>	6,019	9,741	-3,722	
<b>Statistics</b>				
Cost Per Paid Hour	\$34.42	\$26.80	\$14.48	
Revenue Collected Per Dollar Cost	\$422.77	\$313.83	-\$104.97	
Revenue Collected Per Paid Hour	\$14,550.08	\$8,409.91	-\$1,519.62	
Average Revenue Per Volume	\$193.72	\$204.02	\$111.89	

# Exhibit F2: Non-Tax Collection Program

## Child Support Collections

### Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 1996 and 1997

	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1996	Change	Percent Change
<b>Collection Volumes:</b>				
<b>Demand for Payment Notices Sent</b>	151,762	170,619	-18,857	-11.1%
<b>Levies Issued:</b>				
Bank Accounts	16,180	17,927	-1,747	-9.7%
Wages	256,747	180,329	76,418	42.4%
<b>Total Levies Issued</b>	<u>272,927</u>	<u>198,256</u>	<u>74,671</u>	<u>37.7%</u>
<b>Gross Revenue Collected for Child Support</b>	<b>\$54,731,892</b>	<b>\$49,966,368</b>	\$4,765,524	9.5%
<b>Cost of Operations</b>	\$4,166,450	\$4,795,422	-\$628,972	-13.1%
<b>Paid Hours</b>	117,249	133,117	-15,868	-11.9%
<b>Statistics</b>				
Cost Per Paid Hour	\$35.54	\$36.02	\$39.64	
Revenue Collected Per Dollar Cost	\$13.14	\$10.42	-\$7.58	
Revenue Collected Per Paid Hour	\$466.80	\$375.36	-\$300.32	

# Exhibit F3: Non-Tax Collection Program

## Vehicle Registration Collections Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 1996 and 1997

	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1996	Change	Percent Change
<b>Program Volumes:</b>				
<b>Demand for Payment Notices Sent</b>	1,161,229	503,491	657,738	130.6%
<b>Levies Issued:</b>				
Bank Accounts	28,424	47,942	-19,518	-40.7%
Wages	157,775	214,210	-56,435	-26.3%
Total Levies Issued	<u>186,199</u>	<u>262,152</u>	<u>-75,953</u>	-29.0%
<b>Gross Revenue Collected for DMV</b>	<b>\$81,326,662</b>	<b>\$47,022,210</b>	\$34,304,452	73.0%
<b>Cost of Operations</b>	\$6,995,552	\$8,182,077	-\$1,186,525	-14.5%
<b>Paid Hours</b>	190,657	195,812	-5,155	-2.6%
<b>Statistics</b>				
Cost Per Paid Hour	\$36.69	\$41.79	\$230.17	
Revenue Collected Per Dollar Cost	\$11.63	\$5.75	-\$28.91	
Revenue Collected Per Paid Hour	\$426.56	\$240.14	-\$6,654.60	

# Exhibit G1: Other Non-Tax Programs

## Homeowner and Renter Assistance

### Comparative Schedule of Activities

Fiscal Years Ended June 30, 1996 and 1997

	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1996	Change	Percent Change
<b>Number of Claims Processed</b>				
Allowed from:				
Property Owners	19,089	21,915	-2,826	-12.9%
Renters	138,774	136,843	1,931	1.4%
Not Allowed from:				
Property Owners	689	908	-219	-24.1%
Renters	6,500	7,130	-630	-8.8%
Total Number of Claims Processed	<u>165,052</u>	<u>166,796</u>	<u>-895</u>	-0.5%
<b>Amount of Claims Allowed</b>				
Property Owners	\$1,628,265	\$1,961,415	-\$333,150	-17.0%
Renters	12,819,759	13,168,703	-348,944	-2.6%
Total Amount of Claims Processed	<u>\$14,448,024</u>	<u>\$15,130,118</u>	<u>-\$682,094</u>	-4.5%
<b>Claimant Assistance Contacts</b>				
Voice-Activated Response Phone Calls	98,639	87,687	10,952	12.5%
Manual Telephone Calls	55,292	32,809	22,483	68.5%
Volunteer Contacts	16,956	20,286	-3,330	-16.4%
Total Claimant Assistance Contacts	<u>170,887</u>	<u>140,782</u>	<u>30,105</u>	21.4%
<b>Cost of Operations</b>	\$2,053,158	\$2,039,080	\$14,078	0.7%
<b>Paid Hours</b>	59,816	69,795	-9,979	-14.3%
<b>Statistics</b>				
Total Cost Per Paid Hour	\$34.32	\$29.22	\$5.11	17.5%
Paid Hours Per Claim Processed	0.36	0.42	-0.06	-13.4%
Average Amount of Claim Processed	\$87.54	\$90.71	-\$3.17	-3.5%

# Exhibit G2: Other Non-Tax Programs

## Political Reform Audit

### Comparative Schedule of Activities

Fiscal Years Ended June 30, 1996 and 1997

	Fiscal Year Ended June 30, 1997	Fiscal Year Ended June 30, 1996	Change	Percent Change
<b>Political Reform Audits Completed</b>				
Candidates & Controlled Committees	152	266	-114	-42.9%
General Purpose Committees	85	4	81	2025.0%
Lobbying Entities	74	17	57	335.3%
Statewide Measures	12	12	0	0.0%
Other	0	1	-1	-100.0%
<b>Total Audits Completed</b>	<u>323</u>	<u>300</u>	<u>23</u>	7.7%
<b>Political Reform Audits in Process at FYE</b>				
Candidates & Controlled Committees	40	152	-112	-73.7%
General Purpose Committees	15	17	-2	-11.8%
Lobbying Entities	0	0	0	0.0%
Statewide Measures	4	5	-1	-20.0%
Other	0	0	0	0.0%
<b>Total Audits in Process at FYE</b>	<u>59</u>	<u>174</u>	<u>-115</u>	-66.1%
<b>Cost of Operations</b>	\$1,226,257	\$1,192,607	\$33,650	2.8%
<b>Paid Hours</b>	38,520	34,786	3,734	10.7%
<b>Statistics</b>				
Cost Per Paid Hour	\$31.83	\$34.28	(\$2.45)	-7.1%
Paid Hours per Audit Completed	119.26	115.95	3.30	2.8%
Average Cost per Audit Completed	\$3,796.46	\$3,975.36	(\$178.90)	-4.5%

# **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 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/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, and informal request by correspondence.

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

**Collection, Child Support** Collection of delinquent child support payments on behalf of district attorneys and custodial parents.

**Collection, Court-Ordered Debt** Collection of delinquent penalties, forfeitures, court imposed fines and restitution orders on behalf of superior, municipal, and justice courts.

**Collection, Vehicle Registration** Collection of delinquent registration fees, transfer fees, vehicle license fees, use taxes when a car is purchased, and penalties for parking violations on behalf of the Department of Motor Vehicles.

**Collection, Tax** Collection efforts performed to collect personal Income taxes and bank and corporation taxes owed by the taxpayer on behalf of the State of California.

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

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

**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 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. 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-Apportioning** A corporation whose business income is solely from within California.

**Non-Appportioning Central Office** Audits conducted within FTB's Central Office in Sacramento of non-apportioning corporations.

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

**P** **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).

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

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

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

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

NOTES: