

CALIFORNIA FRANCHISE TAX BOARD



1997/98
Operations Report
Compiled March 2000

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

OPERATIONS REPORT

FISCAL YEAR ENDED JUNE 30, 1998

1997-98 BOARD MEMBERS

Hon. Kathleen Connell Controller
Hon. Ernest J. Dronenburg Chair, State Board of Equalization (1997)
Hon. Dean Andal Chair, State Board of Equalization (1998)
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
March 2000

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INTRODUCTION

Programs This report presents the 1997/98 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^{1/}
Child Support Collections Program
Vehicle Registration Collections Program
Court-Ordered Debt Collections Program
Industrial Health and Safety Collections Program
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 of 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 for 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

Departmental Expenditures

In 1997/98, the Franchise Tax Board 's expenditures totaled \$351.6 million; an increase of \$13.6 million (4.0%) over the prior year. Personnel years (PY's) totaled 5,082.7, an increase of 38.0 (0.8%) over 1996/97. The increase was primarily due to the expansion of Child Support Collections (16.4 PY's), the Y2K century change project (32.2 PY's), workload growth and maintenance (15.4 PY's) and offset by the discontinuation of the Travel and Tourism Program (-25.2 PY's).

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

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

	1997/98	1996/97
Tax Programs		
Personal Income Tax	\$194,874	\$190,005
Bank and Corporation Tax	135,300	128,014
Non-Admitted Insurance Tax	35	17
Total Tax Programs	\$330,209	\$318,036
Non-Tax Collection Programs	15,698	12,473
Other Non-Tax Programs	5,676	7,452
TOTAL EXPENDITURES BY PROGRAM	\$351,583	\$337,961

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

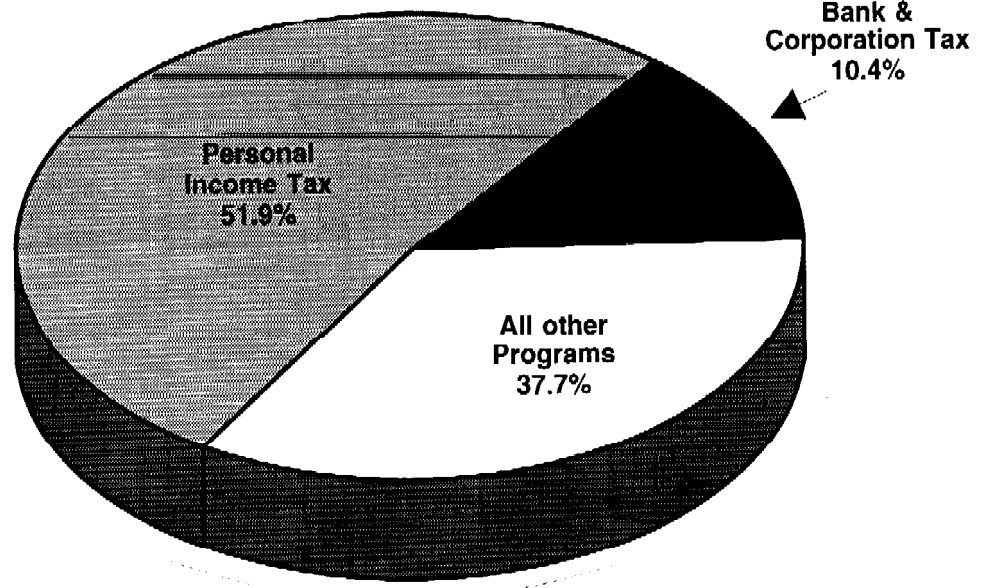
	1997/98	1996/97
Personal Services		
Salary and Wages	\$190,855	\$186,673
Benefits	55,629	54,641
Total Personal Services	\$246,484	\$241,314
Operating Expenses & Equipment	105,099	96,647
TOTAL EXPENDITURES	\$351,583	\$337,961
Reimbursements	-12,375	-10,405
NET EXPENDITURES BY OBJECT	\$339,208	\$327,556

California's General Fund^{1/}

The General Fund received \$53.5 billion in revenue from all major tax and license revenue sources. As illustrated below, the Franchise Tax Board was again a principal contributor of revenues to the General Fund. The General Fund is the state's primary funding source for general government services. At the end of fiscal year (FY) 1997/98 the General Fund had a cash surplus of \$935 million.

Major Tax and License Revenue

Fiscal Year Ended June 30, 1998



Major Tax & License Revenues
(Millions)

	Fiscal Year		Change	Percent Change
	1997/98	1996/97		
Personal Income Tax 2/	\$27,781.5	\$23,270.2	\$4,511.3	19.4%
Bank & Corporation Tax	5,587.7	5,803.6	-215.9	-3.7%
Subtotal	\$33,369.2	\$29,073.8	\$4,295.4	14.8%
Other Programs	20,109.4	18,977.2	1132.2	6.0%
Total	\$53,478.6	\$48,051.0	\$5,427.6	11.3%

1/ Statistics extracted from the 1997/98 Controller's Annual Financial Report.

2/ In 1997/98, \$18.4 billion of General Fund Revenues came from Personal Income Tax withholding; a \$2 billion increase from the 1996/97 level of \$16.4 billion.

TAX PROGRAMS

The Franchise Tax Board tax program activities consist of the administration of the state's personal income tax, bank and corporation tax, and non-admitted insurance tax. The related tax program activities include taxpayer assistance and tax return processing (self-assessment activities), filing enforcement, audit, and tax collections. Tax program activities also include the collection and disbursement of voluntary contributions to the charitable organizations designated on the PIT tax returns.

In 1997/98, the tax programs administered by the Franchise Tax Board accounted for \$33.4 billion (62.4%) of the General Fund's Major Tax and License revenue. Of this amount, approximately \$27.8 billion was reported by taxpayers on their voluntarily^{1/} filed tax returns.

1/ 'Non-voluntary' filing refers to returns filed as a result of filing enforcement 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 5.8 million tax return booklets, provided for 2.1 million downloaded forms, received 636,000 interactive voice response (IVR) phone calls, and manually responded to 1 million telephone, correspondence and over-the-counter requests for forms, pre-filing assistance, and refund information in 1997/98.

Return Processing

Return Processing activities include:

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

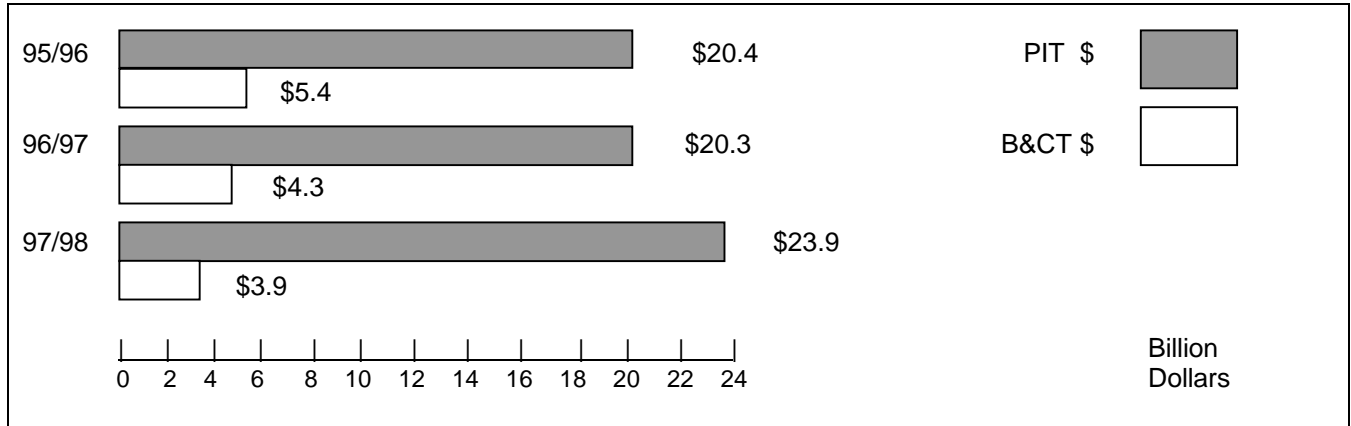
In 1997/98, the department processed 13.8 million personal income tax returns and reported self-assessments of \$23.9 billion. Of the returns processed, 7.8 million PIT returns resulted in refunds of \$3.3 billion due to withholding, prepayments, and refundable credits.

Taxpayers and tax preparers filed 838,600 PIT returns electronically, a 130.8 percent increase from the 1996/97 level of 364,000 returns. The increase was due to technological enhancements that allowed for the processing of more complex returns. Also in 1997/98, FTB processed 4.8 million PIT returns by an electronic image scanning system, increasing efficiency over the traditional key data entry system.

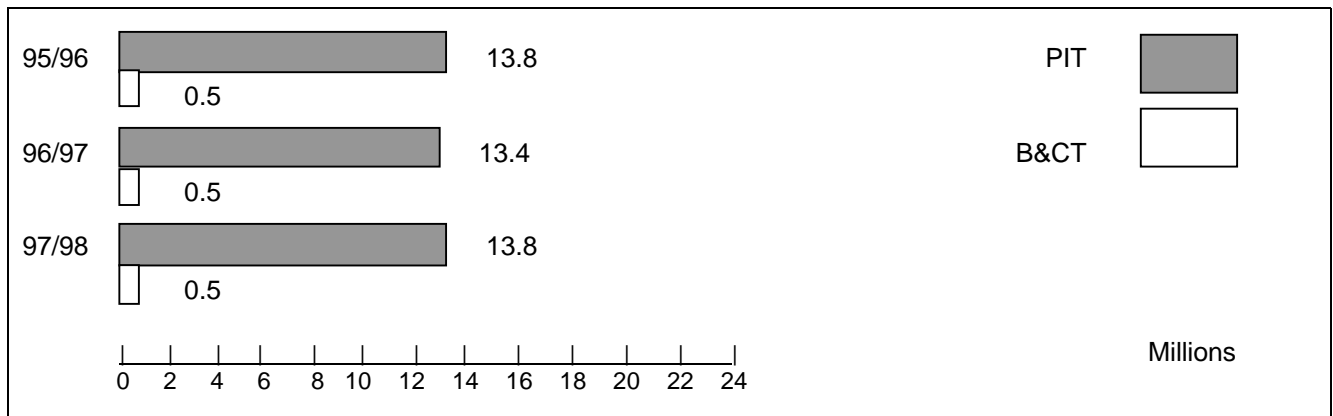
FTB processed 529,000 bank and corporation tax returns, reporting a total tax liability of \$3.9 billion. Additionally, 431,000 estimate tax payments were deposited during 1997/98. Almost 50,000 banks and corporations deposited tax payments directly to FTB via the electronic funds transfer system, improving efficiency over the labor intensive cashiering function. The department also processed 74,600 tax-exempt corporation returns.

Self-Assessment Activities

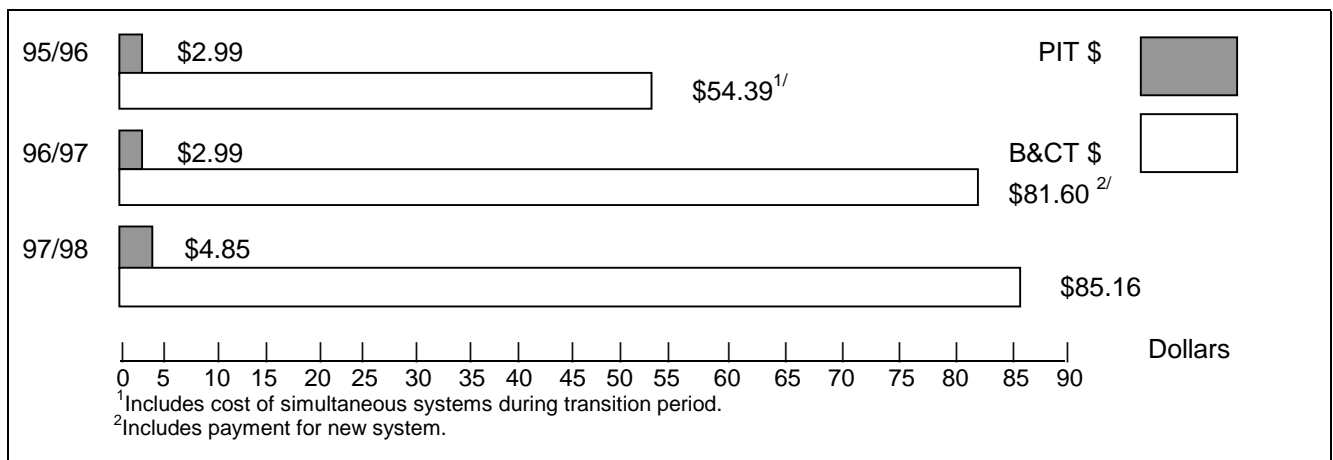
Amount of Self-Assessed Tax



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.

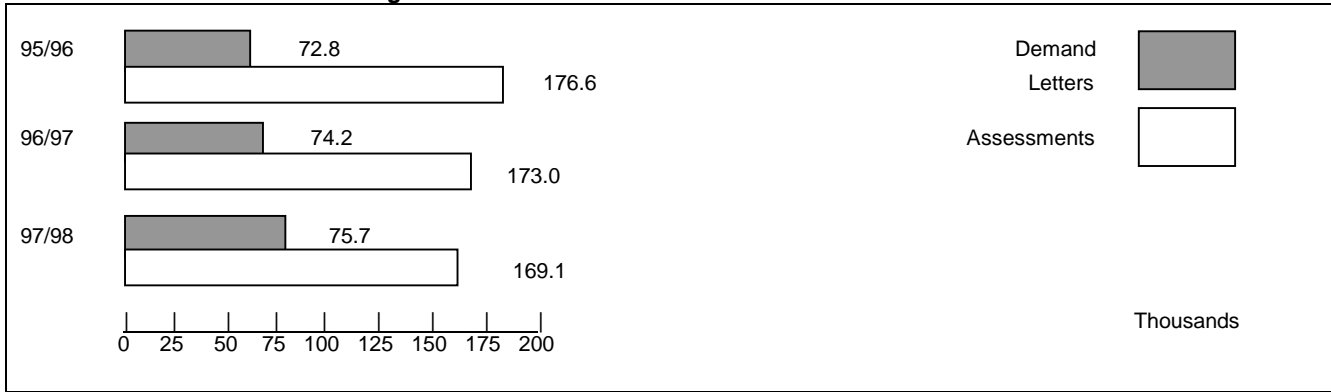
A comparison of filing enforcement activities between 1996/97 and 1997/98 is presented below. Additional filing enforcement statistics are provided in Exhibits A, C1 and C2.

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

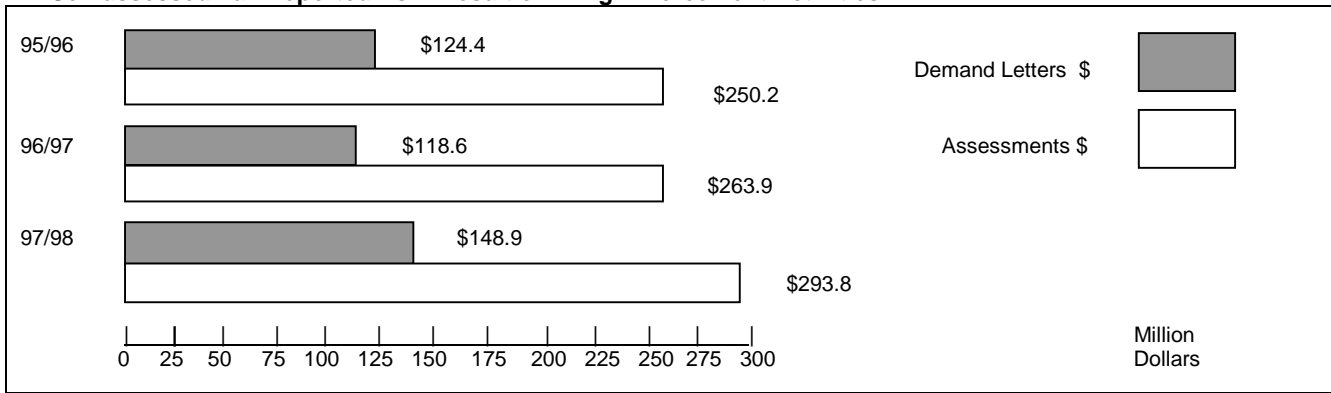
	1997/98	1996/97
Volumes:		
Personal Income Tax:		
Demand-to-File Letters Mailed	607,372	566,251
Returns Filed As Result of Demand Letters	75,737	74,228
Assessment Notices Issued	405,661	406,068
Returns Filed as Result of Assessment Notices	169,060	173,025
Bank & Corporation Tax:		
Demand Letters and Assessments Mailed	44,214	53,195
Returns Filed as Result of Letters and Notices	2,286	909
Net Assessments from No Returns Filed	150,819	37,220
 Dollars Assessed (thousands)		
Personal Income Tax:		
Returns Filed as Result of Demand Letters	\$148,882	\$118,582
Returns Filed as Result of Assessment Notices	293,833	263,930
Revenues from No-Return Final Assessments	512,058	519,109
Bank & Corporation Tax:		
Returns Filed as Result of Letters and Notices	2,403	6,441
Revenues from No Return, Net Assessments	182,250	149,528
Total Assessed Dollars	\$1,139,426	\$1,057,590

Filing Enforcement Activities

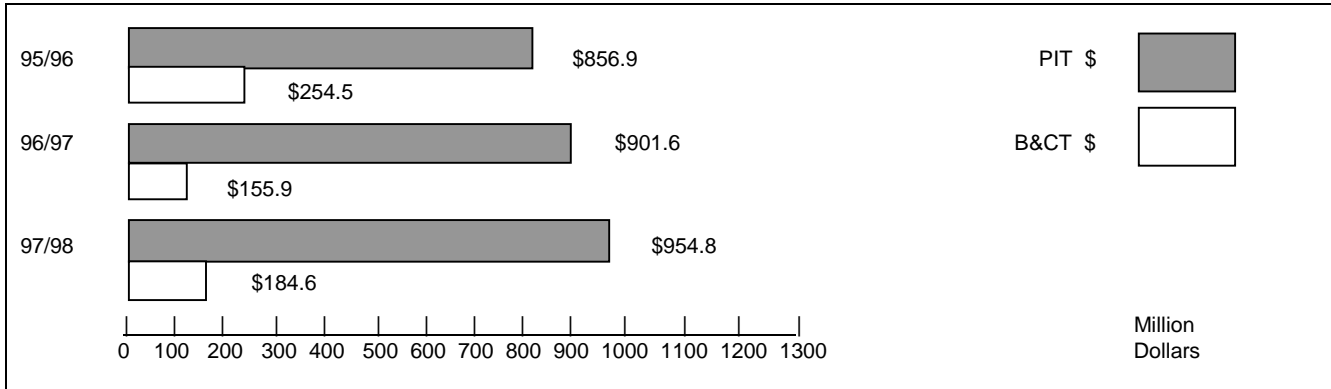
Returns Filed As A Result of Filing Enforcement Activities



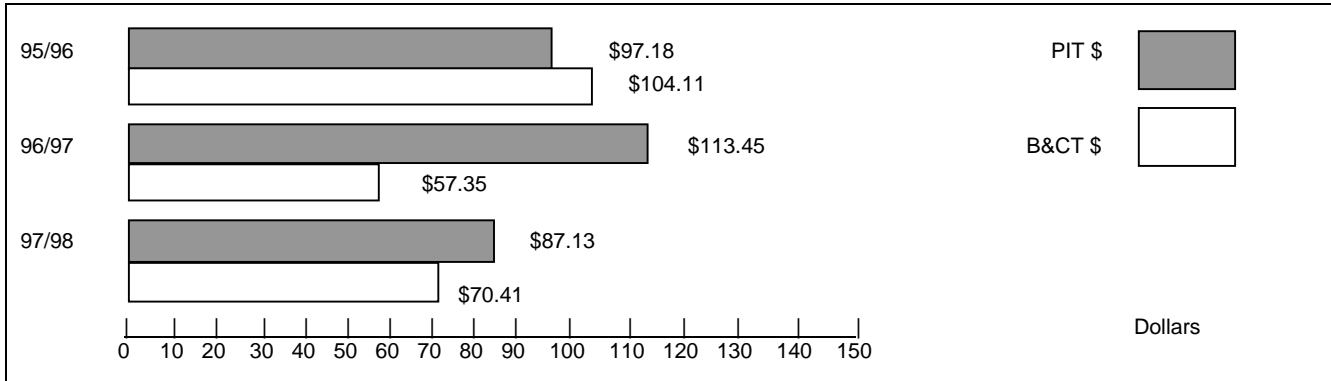
PIT Self-assessed Tax Reported As A Result of Filing Enforcement Activities



Net Assessment Dollars



Net Assessments Per Dollar Cost



Tax Audit Activities

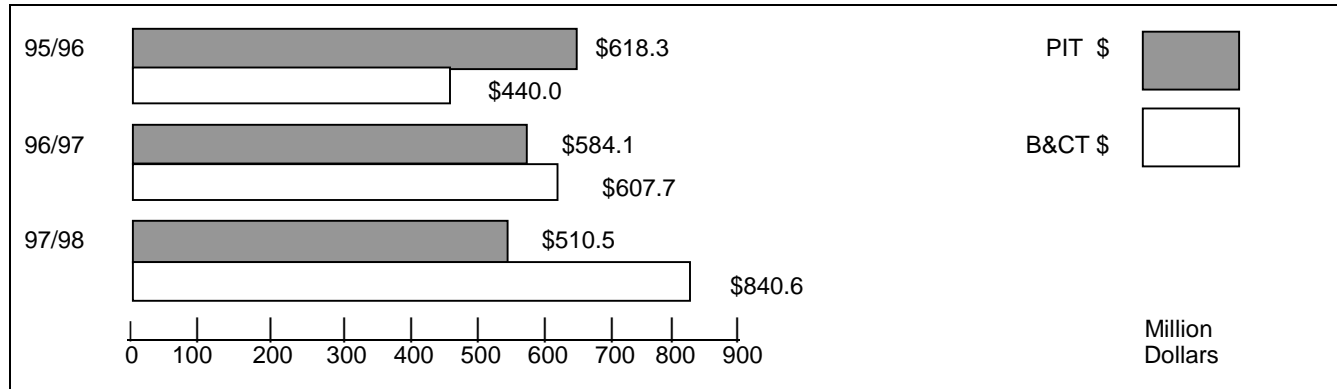
Audit activities determine the correct tax liability for individuals and business entities in accordance with the California Revenue and Tax Code. These activities include both the detailed examination of tax returns and supporting documents, and the automated verification of self-assessed tax returns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

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

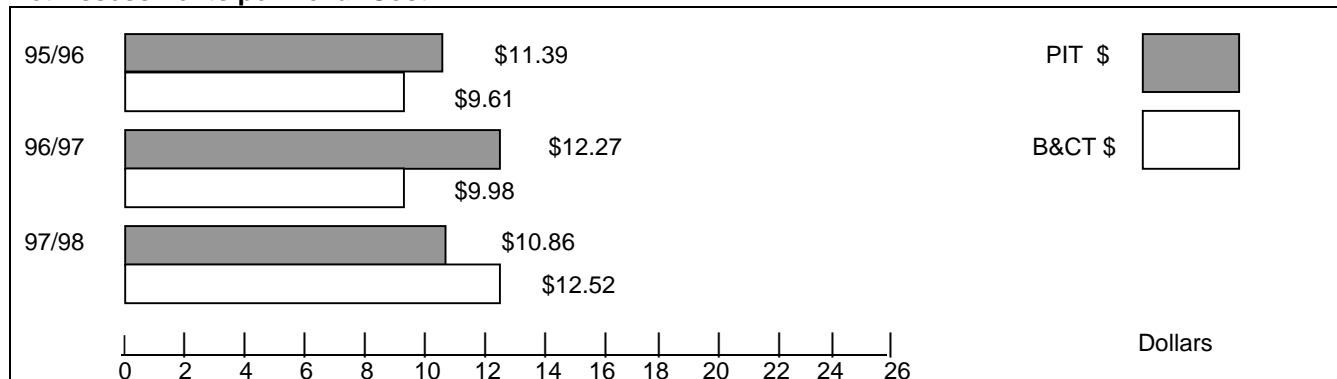
In 1997/98, net assessments from audit activities totaled \$1,320 million and operational costs totaled \$114.1 million. This resulted in an overall benefit-to-cost ratio of \$11.57 to one. The following bar chart compares 1997/98 audit activities with those of the two prior years. Detailed information of audit assessments and costs is shown in Exhibits A, D1 and D2.

Audit Activities

Net Assessment Dollars



Net Assessments per Dollar Cost



Tax Collection Activities

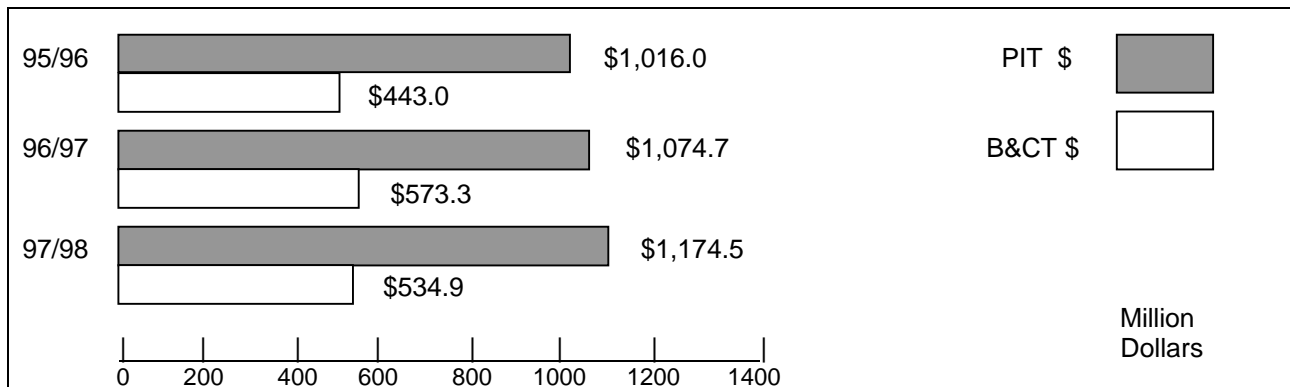
Tax collection activities involve collections of accounts receivable that are established by the department's self-assessment, audit, settlement, and filing enforcement activities. An automated billing system combined with central and field office collection staff administers collections, the automated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

In 1997/98, \$1.7 billion was collected through automated and manual collection activities, an increase of \$60 million from 1996/97's level of \$1.6 billion. Total cost of operations was \$88.2 million, of which \$69.3 million was for PIT collections and \$18.9 million was for B&CT. The following chart compares 1997/98 collections with those of the two prior years. Detailed collection activity information for 1997/98 is shown in Exhibits A and E.

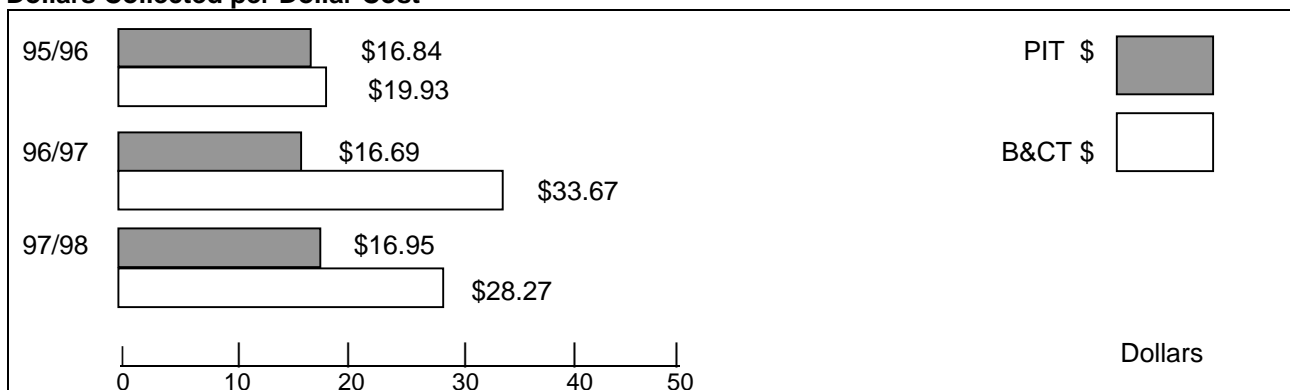
1/ Payments submitted by taxpayers prior to activation of the billing process are not included in 'tax collection revenues'.

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 1997/98, 104 cases were settled, sustaining \$278.6 million (68.1%) of the \$409.2 million in dispute. A summary of 1997/98 settlement activities is presented in the following table.

1997/98 SETTLEMENT ACTIVITIES Revenue and Costs in Millions

	PIT	B&CT	TOTAL
Cases Completed	101	104	205
Cases Settled	45	59	104
Revenue in Dispute	\$15.2	\$394.0	\$409.2
Revenue Sustained	\$8.5	\$270.1	\$278.6
Cost	\$0.7	\$1.6	\$2.3
Revenue Sustained per Dollar Cost	\$12.14	\$168.81	\$121.13

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 1997/98, FTB collected \$5.9 million at a cost of \$35,300.

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 1997/98, taxpayers made 433,000 contributions for a total of \$2.7 million. A comparison of contributions between 1997/98 and the prior year is presented as follows:

Fund Name	(Thousands)			
	1997/98		1996/97	
	<u>Volume</u>	<u>Dollars</u>	<u>Volume</u>	<u>Dollars</u>
California Election Funds	1	\$13	13	\$116
California Senior Citizens	41	190	40	170
Rare & Endangered Species	69	559	66	484
State Children's Fund	67	430	65	380
Alzheimer's Research	53	330	50	292
Veteran's Memorial	2	15	26	99
Senior's Special Fund	5	63	14	59
Breast Cancer Research	63	377	57	311
Public School Library	51	324	52	322
Firefighter's Memorial	29	134	27	111
Drug Abuse Resistance	37	168	34	146
Military Museum	15	50	1	3
Total Voluntary Contributions	<u>433</u>	<u>\$2,653</u>	<u>445</u>	<u>\$2,493</u>

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 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 1997/98, governmental agencies received \$96.3 million from intercepted tax refunds and lottery winnings. This represents a \$8.7 million (10%) increase from 1996/97. 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. Revenue and Tax Code, Sections 19271 - 19274 authorize 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 49 counties by June 30, 1998. In 1997/98, there were 445,527 delinquent accounts in the case inventory and collections of \$63 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 \$24.6 million, while federal, state and county governments received \$38.4 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 administrative authority to take administrative collection actions, such as bank and wage levies. Instead, DMV must file actions against debtors in small claims court.

At the end of FY1997/98, FTB had an inventory of 814,520 delinquent cases and collected \$87.3 million for the DMV while incurring collection costs of \$6.7 million. These amounts equate to an efficiency measure of \$13.09 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 1997/98, 14 counties utilized FTB collection services to close delinquent accounts. In response, FTB mailed 94,700 demand-to-pay notices to delinquent debtors, 111,000 levies were placed on debtors' wages, and 3,800 bank levies were issued. As a result, the Court-Ordered Debt Collections Program collected \$6.7 million from 48,000 delinquent accounts, at a cost of \$540,300, or a benefit-to-cost ratio of \$12.48 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 1997/98, 2,353 delinquent cases were referred to from the DIR to FTB for collections. FTB collected and transferred \$679,000 to DIR at a cost of \$45,000 and a benefit-to-cost ratio of \$15.08 to \$1.00.

Student Loan Collections

Chapter 1001, Statutes of 1996 authorized FTB to collect delinquent student loans on behalf of the California Student Aid Commission (CSAC). In 1997/98, FTB received 241,704 delinquent student loan cases from the CSAC. FTB mailed 156,000 demand-to-pay notices to delinquent debtors, placed 3,226 levies on debtors' bank accounts, and issued 118,000 levies on wages. As a result, the Student Loan Collections Program collected \$14.5 million at a cost of \$2,600,000, or a benefit-to cost ratio of \$5.58 to \$1.00.

Additional information is provided in Exhibit F4.

OTHER NON-TAX PROGRAMS

Homeowner and Renter Assistance

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

In 1997/98, FTB processed 166,600 HRA claim requests representing an increase of 0.9% above the prior year's volume of 165,000. Claims allowed in 1997/98 totaled \$13.6 million, of which \$12.2 million was given to qualified renters and \$1.4 million to eligible homeowners. The department responded to 61,200 IVR telephone calls, 63,000 manually answered calls, and 16,800 in-person contact requests for assistance. A comparison of 1997/98 HRA activities with those of the prior year is provided in Exhibit G1.

Political Reform Audit

The Political Reform Act of 1974 requires complete public disclosure of receipts and expenditures by political candidates and lobbyists. As a result, the act authorizes FTB to conduct, on behalf of the Fair Political Practices Commission, randomly selected field audits of reports, statements, and issues to ensure accuracy and completeness. FTB also investigates and reports information to the commission regarding the delinquent non-filing of such reports and statements.

During the election year of 1997/98, 357 audits were completed of which 207 audits related to political candidate and campaign committees, 66 audits related to lobbying entities, 58 audits of ballot measures and general political action committees, and 26 statewide measures. Exhibit G2 illustrates the different audit emphasis between the election year 1997/98 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 such as income verification, tax liability, and filing status.

FTB's contractual service costs are reimbursed by the respective governmental entities. In 1997/98, Contract Work reimbursements totaled \$ 12.4 million.

EXHIBITS

The details of the 1997/98 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 1997/98 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 1962/63.

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

Exhibit B displays 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 F4 present schedules of operations and costs related to Non-Tax Collection Programs.

Exhibits F1 through F4 include Inter-Agency Intercept Collections, Child Support Collections, Vehicle Registration Collections, and Student Loan Debt 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, 1998

Program Activities:	Revenue Measurement	Cost (Exhibit A1)	Measurement per Dollar Cost
NET ASSESSMENT ACTIVITIES:			
Personal Income Tax			
Filing Enforcement Assessment Activities			
Filing Enforcement	\$954,772,726	\$7,385,713	\$129.27
Residency Determination	-19,467	305,299	-\$0.06
Investigations	1,264,844	3,267,474	\$0.39
Audit Assessment Activities			
Mathematical Verification	75,646,472	8,813,064	\$8.58
Desk Audits	65,748,724	16,970,439	\$3.87
Federal Audit Reports	340,397,536	7,671,541	\$44.37
Field Audits	28,709,761	13,543,970	\$2.12
Total PIT Net Assessment Activities	\$1,466,520,596	\$57,957,500	
Bank & Corporation Tax			
Filing Enforcement Activities			
	\$207,940,701	\$2,622,228	\$79.30
Audit Assessment Activities			
Mathematical Verification	-18,229,157	4,705,376	-\$3.87
Federal Audit Reports	89,091,168	3,523,743	\$25.28
Non-Appportioning Central Office	5,727,028	3,350,519	\$1.71
Non-Appportioning Field	15,641,639	7,590,910	\$2.06
Apportioning Central Office	6,456,854	6,491,745	\$0.99
Apportioning Field 1/	683,328,317	39,597,993	\$17.26
Exempt Corporation Audits	27,521,202	1,841,941	\$14.94
Total B&CT Net Assessment Activities	\$1,017,477,752	\$69,724,455	
TOTAL NET ASSESSMENT ACTIVITIES	\$2,483,998,348	\$127,681,955	\$19.45
COLLECTION ACTIVITIES:			
Tax Programs			
Personal Income Tax			
Tax Collections	\$1,174,557,231	\$69,282,361	\$16.95
Voluntary Contributions	2,652,893	44,849	\$59.15
Bank and Corporation Tax			
Tax Collections	534,972,365	18,922,198	\$28.27
Non-Admitted Insurance Tax	5,902,676	35,333	\$167.06
Non-Tax Collection Programs			
Inter-Agency Intercept Collections	96,307,822	155,230	\$620.42
Child Support Collections	63,036,043	5,695,672	\$11.07
Vehicle Registration Collections	87,318,499	6,671,621	\$13.09
Court-ordered Debt Collections	6,740,207	540,268	\$12.48
DIR Industrial Health & Safety Collections	678,880	45,017	\$15.08
Student Loan Debt Collections 2/	14,464,612	2,590,152	\$5.58
TOTAL COLLECTION ACTIVITIES	\$1,986,631,228	\$103,982,701	\$19.11
OTHER ACTIVITIES:			
Personal Income Tax Program			
Self-Assessment Activities	--	\$66,907,959	
Settlement Activities	--	681,230	
Bank & Corporation Tax Program			
Self-Assessment Activities	--	45,048,141	
Settlement Activities	--	1,604,990	
Homeowners & Renters Assistance Program			
	--	1,903,294	
Political Reform Audit Program			
	--	1,125,894	
Contract Work Program			
	--	2,646,613	
TOTAL OTHER ACTIVITIES		\$119,918,121	
TOTAL PROGRAM ACTIVITY COST		\$351,582,777	

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

2/ Program implemented in FY 1997/98

Exhibit A1: All Programs

Statement of Operation Costs

Fiscal Year Ended June 30, 1998

	Executive	Technology & Research	Legal
Tax Programs			
Personal Income Tax			
Self-Assessment Activities			
Legislation and Development	\$ 24,221	\$ 2,465,345	\$ 1,135,085
Return Forms	7,006	872,344	86,085
Return Processing	45,130	1,426,574	0
Estimate Processing	4,440	221,988	0
Taxpayer Assistance	37,806	885,601	0
Claims	4,752	111,308	0
	<u>\$ 123,355</u>	<u>\$ 5,983,160</u>	<u>\$ 1,221,170</u>
Filing Enforcement			
Filing Enforcement	\$ 10,201	\$ 1,754,307	\$ 0
Residence Determination	435	11,419	0
Investigation	7,184	171,669	0
	<u>\$ 17,820</u>	<u>\$ 1,937,395</u>	<u>\$ 0</u>
Audit Activities			
Math Verification	\$ 16,050	\$ 376,004	\$ 2,148
Desk Audits	39,463	1,634,919	2,416,871
Federal Audit Reports	17,069	403,096	302,194
Field Audits	30,460	1,425,138	553,111
	<u>\$ 103,042</u>	<u>\$ 3,839,157</u>	<u>\$ 3,274,324</u>
Tax Collections	\$ 142,573	\$ 9,894,940	\$ 73,475
Settlement Authority	1,551	36,342	541,150
Voluntary Contributions	74	1,720	0
	<u>\$ 388,415</u>	<u>\$ 21,692,714</u>	<u>\$ 5,110,119</u>
Bank and Corporation Tax			
Self-Assessment Activities			
Legislation and Development	\$ 9,809	\$ 240,731	\$ 912,988
Return Forms	2,481	58,137	88,451
Return Processing	31,218	893,756	0
Estimate Processing	558	44,319	0
Taxpayer Assistance	18,419	431,469	0
Claims	12,627	295,913	0
	<u>\$ 75,112</u>	<u>\$ 1,964,325</u>	<u>\$ 1,001,439</u>
Filing Enforcement	5,043	437,474	0
Audit Activities			
Math Verification	\$ 9,544	\$ 223,561	\$ 0
Federal Audit Reports	7,054	221,019	21,438
Non-Appportioning -- Central Office	5,847	184,358	98,806
Non-Appportioning -- Field	12,569	393,813	120,365
Apportioning -- Central Office	11,006	588,547	221,011
Apportioning -- Field	63,898	2,001,984	1,346,177
Exempt Corporations	3,953	92,617	12,848
	<u>\$ 113,871</u>	<u>\$ 3,705,899</u>	<u>\$ 1,820,645</u>
Tax Collections	34,193	1,433,809	8,061
Settlement Authority	3,347	78,401	1,215,471
	<u>\$ 231,566</u>	<u>\$ 7,619,908</u>	<u>\$ 4,045,616</u>
Non-Admitted Insurance Tax	67	1,571	0
	<u>\$ 620,048</u>	<u>\$ 29,314,193</u>	<u>\$ 9,155,735</u>
Non-Tax Collection Program			
Inter-Agency Intercept Collections	\$ 358	\$ 8,386	\$ 0
Child Support Collections	9,991	446,174	7,933
Vehicle Registration Collections	13,777	576,600	32,551
Court-ordered Debt Collections	923	23,777	1
DIR Industrial Health & Safety	206	4,821	0
Student Loan Debt Collections	3,600	866,084	0
	<u>\$ 28,855</u>	<u>\$ 1,925,842</u>	<u>\$ 40,485</u>
Other Non-Tax Programs			
Homeowners & Renters Assistance	\$ 4,113	\$ 438,627	\$ 0
Political Reform Audit	0	0	0
Other Contracts	5,358	235,381	0
	<u>\$ 9,471</u>	<u>\$ 674,008</u>	<u>\$ 0</u>
Total Departmental Costs	<u>\$ 658,374</u>	<u>\$ 31,914,043</u>	<u>\$ 9,196,220</u>

Audit	Accounts Receivable & Tax Policy Services	Operations	Departmental	Totals
\$ 103,867	\$ 1,631,621	\$ 2,977,038	\$ 1,618,189	\$ 9,955,366
3	1,185,198	575,164	3,545,187	6,270,987
20	786,599	22,052,220	3,514,436	27,824,979
2	12,050	1,706,628	425,149	2,370,257
51,572	5,023,257	9,259,796	3,289,168	18,547,200
569,843	12,896	960,130	280,241	1,939,170
<u>\$ 725,307</u>	<u>\$ 8,651,621</u>	<u>\$ 37,530,976</u>	<u>\$ 12,672,370</u>	<u>\$ 66,907,959</u>
\$ 65,060	\$ 802,046	\$ 4,743,448	\$ 10,651	\$ 7,385,713
161,025	1,181	166	131,073	305,299
27,455	2,629,114	51,681	380,371	3,267,474
<u>\$ 253,540</u>	<u>\$ 3,432,341</u>	<u>\$ 4,795,295</u>	<u>\$ 522,095</u>	<u>\$ 10,958,486</u>
\$ 2,541	\$ 44,036	\$ 7,156,657	\$ 1,215,628	\$ 8,813,064
7,955,880	205,273	1,854,540	2,863,493	16,970,439
4,996,478	46,326	579,221	1,327,157	7,671,541
6,918,315	84,520	1,917,224	2,615,202	13,543,970
<u>\$ 19,873,214</u>	<u>\$ 380,155</u>	<u>\$ 11,507,642</u>	<u>\$ 8,021,480</u>	<u>\$ 46,999,014</u>
\$ 17,622	\$ 32,522,042	\$ 10,090,027	\$ 16,541,682	\$ 69,282,361
37	4,210	593	97,347	681,230
0	200	39,587	3,268	44,849
<u>\$ 20,869,720</u>	<u>\$ 44,990,569</u>	<u>\$ 63,964,120</u>	<u>\$ 37,858,242</u>	<u>\$ 194,873,899</u>
\$ 81,162	\$ 1,748,118	\$ 603,655	\$ 1,913,561	\$ 5,510,024
1	487,729	362,428	688,873	1,688,100
617,233	172,100	9,930,639	7,624,860	19,269,806
1	1,513	204,888	152,085	403,364
689,036	397,078	5,198,260	4,070,820	10,805,082
2,994,564	53,936	1,389,696	2,625,029	7,371,765
<u>\$ 4,381,997</u>	<u>\$ 2,860,474</u>	<u>\$ 17,689,566</u>	<u>\$ 17,075,228</u>	<u>\$ 45,048,141</u>
2	274,309	1,331,449	573,951	2,622,228
\$ 4	\$ 25,901	\$ 3,263,412	\$ 1,182,954	\$ 4,705,376
2,227,391	19,145	77,958	949,738	3,523,743
1,719,423	15,870	525,291	800,924	3,350,519
4,550,773	34,950	386,803	2,091,637	7,590,910
1,487,066	29,869	2,392,116	1,762,130	6,491,745
26,254,680	176,381	24,429	9,730,444	39,597,993
2	72,884	1,329,745	329,892	1,841,941
<u>\$ 36,239,339</u>	<u>\$ 375,000</u>	<u>\$ 7,999,754</u>	<u>\$ 16,847,719</u>	<u>\$ 67,102,227</u>
31,564	9,873,873	1,596,657	5,944,041	18,922,198
728	9,083	1,280	296,680	1,604,990
<u>\$ 40,653,630</u>	<u>\$ 13,392,739</u>	<u>\$ 28,618,706</u>	<u>\$ 40,737,619</u>	<u>\$ 135,299,784</u>
1	182	29,498	4,014	35,333
<u>\$ 61,523,351</u>	<u>\$ 58,383,490</u>	<u>\$ 92,612,324</u>	<u>\$ 78,599,875</u>	<u>\$ 330,209,016</u>
\$ 0	\$ 77,610	\$ 14,549	\$ 54,327	\$ 155,230
5	3,847,995	499,303	884,271	5,695,672
6	4,159,102	383,989	1,505,596	6,671,621
1	278,341	129,353	107,872	540,268
0	558	2,732	36,700	45,017
2	1,491,863	138,175	90,428	2,590,152
<u>\$ 14</u>	<u>\$ 9,855,469</u>	<u>\$ 1,168,101</u>	<u>\$ 2,679,194</u>	<u>\$ 15,697,960</u>
\$ 2,339	\$ 319,063	\$ 825,649	\$ 313,503	\$ 1,903,294
0	1078278	7615	40,001	1,125,894
1	27,613	1,743,196	635,064	2,646,613
<u>\$ 2,340</u>	<u>\$ 1,424,954</u>	<u>\$ 2,576,460</u>	<u>\$ 988,568</u>	<u>\$ 5,675,801</u>
<u>\$ 61,525,705</u>	<u>\$ 69,663,913</u>	<u>\$ 96,356,885</u>	<u>\$ 82,267,637</u>	<u>\$ 351,582,777</u>

Exhibit A2: All Programs

Statement of Paid Hours and Personnel Years

Fiscal Year Ended June 30, 1998

	Executive	Technology & Research	Legal
Tax Programs			
Personal Income Tax			
Self-Assessment Activities			
Legislation and Development	545	78,929	28,274
Return Forms	159	28,385	2,145
Return Processing	2,618	84,195	0
Estimate Processing	232	11,573	0
Taxpayer Assistance	1,071	27,212	0
Claims	117	2,990	0
	<u>4,742</u>	<u>233,284</u>	<u>30,419</u>
Filing Enforcement			
Filing Enforcement	458	63,926	0
Residence Determination	11	328	0
Investigation	225	5,727	0
	<u>694</u>	<u>69,981</u>	<u>0</u>
Audit Activities			
Math Verification	768	19,522	68
Desk Audits	1,001	49,668	60,352
Federal Audit Reports	499	12,799	7,504
Field Audits	704	42,169	13,815
	<u>2,972</u>	<u>124,158</u>	<u>81,739</u>
Tax Collections			
	3,814	322,993	2,022
Settlement Authority			
	26	673	13,481
Voluntary Contributions			
	5	120	0
	<u>12,253</u>	<u>751,209</u>	<u>127,661</u>
Bank and Corporation Tax			
Self-Assessment Activities			
Legislation and Development	202	5,505	22,664
Return Forms	56	1,427	2,205
Return Processing	939	31,224	0
Estimate Processing	32	2,087	0
Taxpayer Assistance	437	11,099	0
Claims	316	8,036	0
	<u>1,982</u>	<u>59,378</u>	<u>24,869</u>
Filing Enforcement			
	150	15,208	0
Audit Activities			
Math Verification	281	7,141	0
Federal Audit Reports	163	5,227	537
Non-Appportioning -- Central Office	172	5,573	2,469
Non-Appportioning -- Field	326	10,481	3,015
Apportioning -- Central Office	369	20,890	5,494
Apportioning -- Field	1,499	48,163	33,502
Exempt Corporations	101	2,559	321
	<u>2,911</u>	<u>100,034</u>	<u>45,338</u>
Tax Collections			
	894	44,582	198
Settlement Authority			
	60	1,515	30,354
	<u>5,997</u>	<u>220,717</u>	<u>100,759</u>
Non-Admitted Insurance Tax			
	2	61	0
	<u>18,252</u>	<u>971,987</u>	<u>228,420</u>
Non-Tax Collection Program			
Inter-Agency Intercept Collections	9	233	0
Child Support Collections	286	13,214	193
Vehicle Registration Collections	326	15,521	797
Court Ordered Debt Collections	30	839	0
DIR Industrial Health & Safety	5	132	0
Student Loan Debt Collection	138	24,827	0
	<u>794</u>	<u>54,766</u>	<u>990</u>
Other Non-Tax Programs			
Homeowner's & Renter's Assistance	108	11,567	0
Political Reform Audit	63	1,602	0
Other Contracts	189	11,933	0
	<u>360</u>	<u>25,102</u>	<u>0</u>
Total Paid Hours	<u>19,406</u>	<u>1,051,855</u>	<u>229,410</u>

Audit	Accounts Receivable & Tax Policy Services	Operations	Totals	Personnel Year Totals
3,209	50,667	132,087	293,711	144.1
0	37,640	17,325	85,654	41.6
0	37,139	1,287,385	1,411,337	702.7
0	697	112,761	125,263	62.4
1,807	197,159	349,957	577,206	282.8
20,037	354	39,934	63,432	31.1
<u>25,053</u>	<u>323,656</u>	<u>1,939,449</u>	<u>2,556,603</u>	<u>1,264.7</u>
2,136	51,752	128,707	246,979	121.5
5,567	33	7	5,946	2.8
859	61,017	53,647	121,475	59.1
<u>8,562</u>	<u>112,802</u>	<u>182,361</u>	<u>374,400</u>	<u>183.4</u>
0	2,355	391,035	413,748	206.2
328,775	6,096	93,735	539,627	259.6
219,996	1,497	26,540	268,835	128.6
218,548	2,175	102,345	379,756	183.7
<u>767,319</u>	<u>12,123</u>	<u>613,655</u>	<u>1,601,966</u>	<u>778.1</u>
94	1,245,448	480,969	2,055,340	992.5
0	79	15	14,274	6.8
0	14	2,409	2,548	1.2
<u>801,028</u>	<u>1,694,122</u>	<u>3,218,858</u>	<u>6,605,131</u>	<u>3,226.7</u>
2,465	55,231	23,020	109,087	52.4
0	15,291	11,252	30,231	14.6
22,671	6,378	445,166	506,378	251.7
0	95	14,814	17,028	8.5
23,514	14,771	185,597	235,418	116.5
100,268	1,520	60,102	170,242	82.5
<u>148,918</u>	<u>93,286</u>	<u>739,951</u>	<u>1,068,384</u>	<u>526.2</u>
0	10,896	54,477	80,731	39.9
0	844	143,212	151,478	75.5
78,403	488	3,762	88,580	42.3
57,352	517	24,964	91,047	44.0
139,688	979	21,248	175,737	84.2
46,619	1,108	114,732	189,212	93.0
730,375	4,497	764	818,800	390.1
0	2,362	48,942	54,285	27.0
<u>1,052,437</u>	<u>10,795</u>	<u>357,624</u>	<u>1,569,139</u>	<u>756.1</u>
1,042	367,145	68,232	482,093	231.1
0	179	34	32,142	15.3
<u>1,202,397</u>	<u>482,301</u>	<u>1,220,318</u>	<u>3,232,489</u>	<u>1,568.6</u>
0	7	1,239	1,309	0.7
<u>2,003,425</u>	<u>2,176,430</u>	<u>4,440,415</u>	<u>9,838,929</u>	<u>4,796.0</u>
0	4,228	465	4,935	2.4
0	110,312	30,443	154,448	75.2
0	137,440	21,917	176,001	86.0
0	7,530	7,613	16,012	7.7
0	2,550	118	2,805	1.3
0	36,326	13,281	74,572	28.2
<u>0</u>	<u>298,386</u>	<u>73,837</u>	<u>428,773</u>	<u>200.8</u>
0	9,066	37,371	58,112	28.3
0	31,951	355	33,971	15.3
0	926	88,659	101,707	42.3
0	41,943	126,385	193,790	85.9
<u>2,003,425</u>	<u>2,516,759</u>	<u>4,640,637</u>	<u>10,461,492</u>	<u>5,082.7</u>

Exhibit A3: All Programs

Selected Historical Statistics

Fiscal Years Ended June 30, 1963 through June 30, 1998

Fiscal Year ended 6-30	TAX PROGRAMS									
	Total Returns Filed		Volume of PIT Refunds	Self Assessed Tax Liability		Departmentally Assessed			TOTAL TAXES ASSESSED	
	PIT	B&CT		Cost	Filing Enforce.	Audit	Cost	ASSESSED	COST	
1963	4,765	116	73	\$559	\$4	\$8	\$29	\$6	\$596	\$10
1964	5,043	156	12	\$642	\$4	\$9	\$32	\$7	\$684	\$11
1965	5,150	123	24	\$706	\$5	\$10	\$39	\$7	\$755	\$12
1966	5,340	119	20	\$777	\$5	\$12	\$36	\$7	\$825	\$12
1967	5,673	128	21	\$874	\$6	\$12	\$43	\$7	\$929	\$13
1968	5,629	135	22	\$1,463	\$7	\$10	\$46	\$7	\$1,519	\$13
1969	5,587	149	68	\$1,614	\$7	\$13	\$48	\$9	\$1,675	\$14
1970	5,841	152	32	\$1,670	\$8	\$29	\$61	\$10	\$1,760	\$16
1971	5,969	190	127	\$1,696	\$9	\$30	\$70	\$11	\$1,795	\$18
1972	5,895	221	221	\$1,776	\$12	\$26	\$92	\$13	\$1,893	\$23
1973	7,239	217	4,360	\$2,375	\$20	\$34	\$95	\$12	\$2,503	\$29
1974	7,824	238	5,975	\$2,475	\$20	\$40	\$95	\$15	\$2,610	\$32
1975	8,207	247	5,678	\$3,378	\$20	\$7	\$111	\$13	\$3,495	\$32
1976	8,376	247	5,650	\$4,027	\$23	\$23	\$125	\$15	\$4,175	\$37
1977	8,909	257	5,972	\$4,326	\$24	\$17	\$154	\$18	\$4,496	\$40
1978	9,287	277	6,245	\$5,377	\$27	\$51	\$232	\$20	\$5,660	\$45
1979	9,836	299	7,768	\$6,227	\$29	\$78	\$171	\$22	\$6,475	\$50
1980	10,739	348	8,079	\$7,560	\$34	\$79	\$235	\$26	\$7,875	\$57
1981	10,950	372	8,452	\$8,880	\$41	\$102	\$280	\$29	\$9,263	\$67
1982	11,346	406	8,224	\$9,947	\$30	\$164	\$368	\$33	\$10,479	\$60
1983	11,395	445	7,624	\$9,361	\$29	\$213	\$459	\$35	\$10,034	\$61
1984	11,340	446	5,773	\$10,284	\$32	\$219	\$483	\$39	\$10,986	\$69
1985	11,976	469	6,908	\$12,303	\$38	\$164	\$568	\$45	\$13,034	\$80
1986	12,140	498	7,292	\$13,261	\$40	\$275	\$540	\$53	\$14,075	\$91
1987	12,821	530	6,926	\$15,713	\$41	\$300	\$683	\$60	\$16,696	\$99
1988	13,082	535	8,057	\$15,571	\$48	\$342	\$808	\$61	\$16,721	\$107
1989	13,702	543	8,641	\$17,537	\$51	\$334	\$893	\$62	\$18,764	\$112
1990	14,167	535	8,951	\$18,689	\$57	\$527	\$832	\$67	\$20,048	\$124
1991	14,651	513	7,467	\$19,053	\$67	\$393	\$926	\$73	\$20,372	\$140
1992	14,643	531	7,793	\$20,790	\$70	\$330	\$1,101	\$78	\$22,220	\$147
1993	14,431	501	9,194	\$20,164	\$65	\$963	\$991	\$91	\$22,119	\$156
1994	13,699	509	7,347	\$22,017	\$72	\$153	\$1,168	\$103	\$23,338	\$175
1995	13,407	562	7,469	\$21,939	\$74	\$667	\$1,055	\$116	\$23,661	\$192
1996	13,791	491	7,462	\$25,816	\$95	\$1,130	\$1,058	\$119	\$28,004	\$214
1997	13,902	533	7,643	\$24,605	\$107	\$1,176	\$1,216	\$130	\$26,997	\$237
1998	14,317	544	7,784	\$27,836	\$112	\$1,165	\$1,314	\$122	\$30,315	\$234

1/ All amounts in millions.

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

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

TOTAL TAXES COLLECTED		NON-TAX PROGRAMS		NON-TAX PROGRAMS				TOTAL Department Cost	Fiscal Year ended 6-30
COST	COLLECTED	COST	COLLECTED	HRA Claims Processed	HRA Costs	Political Reform Audit Costs	Other Contract Costs		
3/	3/	--	--	--	--	--	--	\$10	1963
3/	3/	--	--	--	--	--	--	\$11	1964
3/	3/	--	--	--	--	--	--	\$12	1965
3/	3/	--	--	--	--	--	--	\$12	1966
3/	3/	--	--	--	--	--	--	\$13	1967
\$17	\$2	--	--	35	\$0	--	--	\$15	1968
\$27	\$2	--	--	83	\$1	--	--	\$17	1969
\$35	\$2	--	--	68	\$1	--	--	\$19	1970
\$48	\$2	--	--	66	\$1	--	--	\$20	1971
\$59	\$3	--	--	189	\$1	--	--	\$26	1972
\$67	\$3	--	--	329	\$2	--	--	\$34	1973
\$68	\$4	--	--	330	\$2	--	--	\$37	1974
\$109	\$7	--	--	328	\$2	\$1	\$1	\$41	1975
\$131	\$8	--	--	317	\$2	\$3	\$1	\$50	1976
\$193	\$9	--	--	362	\$2	\$2	\$2	\$55	1977
\$244	\$10	--	--	254	\$3	\$2	\$2	\$61	1978
\$310	\$10	--	--	526	\$2	\$2	\$2	\$65	1979
\$282	\$11	--	--	519	\$3	\$1	\$4	\$76	1980
\$368	\$13	--	--	601	\$3	\$2	\$3	\$88	1981
\$476	\$17	--	--	476	\$2	\$1	\$3	\$83	1982
\$579	\$18	--	--	424	\$2	\$1	\$3	\$85	1983
\$564	\$19	--	--	367	\$2	\$1	\$3	\$93	1984
\$735	\$23	--	--	344	\$2	\$1	\$4	\$109	1985
\$736	\$27	--	--	312	\$2	\$1	\$3	\$124	1986
\$964	\$34	--	--	282	\$2	\$1	\$2	\$139	1987
\$1,024	\$38	--	--	259	\$2	\$2	\$2	\$151	1988
\$1,193	\$43	--	--	241	\$2	\$1	\$3	\$160	1989
\$1,176	\$52	--	--	237	\$2	\$1	\$2	\$181	1990
\$1,169	\$56	--	--	216	\$2	\$1	\$2	\$200	1991
\$1,382	\$62	--	--	195	\$2	\$1	\$2	\$214	1992
\$1,232	\$65	--	\$1	180	\$1	\$1	\$2	\$226	1993
\$1,432	\$69	\$60	\$8	166	\$2	\$1	\$2	\$256	1994
\$1,704	\$83	\$66	\$11	170	\$2	\$1	\$2	\$290	1995
\$1,459	\$83	\$180	\$13	113	\$2	\$1	\$2	\$315	1996
\$1,648	\$82	\$153	\$12	165	\$2	\$1	\$4	\$338	1997
\$1,718	\$88	\$267	\$16	167	\$2	\$1	\$3	\$344	1998

Exhibit B: Tax Programs Self-Assessment Activities

Statement of Return Processing Activities

Fiscal Year Ended June 30, 1998

	Personal Income Tax	Bank & Corporation Tax 1/	Total
Tax Revenue			
Gross Self-Assessed Tax	\$27,616,669,604	\$5,077,700,758	\$32,694,370,362
Refunds Allowed	<u>-3,278,139,780</u>	<u>-1,137,958,243</u>	<u>-4,416,098,023</u>
Net Self-Assessed Tax	24,338,529,824	3,939,742,515	28,278,272,339
Returns Filed As a Result of Filing			
Enforcement Activities	<u>-442,714,154</u>	<u>-2,400,712</u>	<u>-445,114,866</u>
Voluntarily Reported Self-Assessed Tax	<u>\$23,895,815,670</u>	<u>\$3,937,341,803</u>	<u>\$27,833,157,473</u>
Units Processed			
Number of Returns Processed	13,816,826	529,389	14,346,215
Number of Refunds Processed	<u>7,783,917</u>	<u>103,096</u>	<u>7,887,013</u>
Total Number of Units Processed	<u>21,600,743</u>	<u>632,485</u>	<u>22,233,228</u>
Cost of Returns and Refunds Processed	\$29,764,149	\$26,641,571	\$56,405,720
Cost of Total Self-Assessed Activities	\$66,907,959	\$45,048,141	\$111,956,100
Paid Hours of Returns and Refunds Processed	1,474,769	676,620	2,151,389
Paid Hours of Total Self-Assessed Activities	2,556,603	1,068,384	3,624,987
Statistics			
Total Cost per Paid Hour	\$ 26.17	\$ 42.16	\$ 30.88
Total Paid Hours Per Unit Processed	0.12	1.69	0.16
Total Paid Hours Per Return Processed	0.19	2.02	0.25
Total Cost Per Unit Processed	\$ 3.10	\$ 71.22	\$ 5.04
Average Tax Per Return	\$ 1,729.47	\$ 7,437.52	\$ 1,940.10
Average Refund Allowed Per Claim	\$ 421.14	\$ 11,037.85	\$ 559.92

1/ Does not include the 74,605 Exempt Organization returns filed.

Exhibit C1: Tax Programs Filing Enforcement Activities

Comparative Schedule of Net Assessments

Fiscal Years Ended June 30, 1997 and 1998

	Net Assessments		Change	Percent Change
	1997/98	1996/97		
Personal Income Tax				
Filing Enforcement				
Returns Filed As A Result of:				
Demand-to-File Letters	\$148,881,921	\$118,581,639	\$30,300,282	25.6%
Assessment Notices	293,832,687	263,930,612	29,902,075	11.3%
Final Assessments Due to:				
No Return Filed	<u>512,058,118</u>	<u>519,108,904</u>	<u>-7,050,786</u>	-1.4%
Subtotal Filing Enforcement	\$954,772,726	\$901,621,155	\$53,151,571	5.9%
Residency Determination	-19,467	38,362	-57,829	-150.7%
Investigations	<u>1,264,844</u>	<u>-2,552,493</u>	<u>3,817,337</u>	<u>-149.6%</u>
 Total Personal Income Tax	 <u>\$956,018,103</u>	 <u>\$899,107,024</u>	 <u>\$56,911,079</u>	 6.3%
Bank & Corporation Tax				
Filing Enforcement				
Returns Filed As A Result of:				
Letters & Assessments	\$2,403,820	\$6,441,150	-\$4,037,330	-62.7%
Final Assessments Due to:				
No Return Filed	<u>182,249,891</u>	<u>149,528,074</u>	<u>32,721,817</u>	21.9%
Subtotal Filing Enforcement	\$184,653,711	\$155,969,224	28,684,487	18.4%
Investigations	25,812	21,593	4,219	19.5%
Secretary of State Penalty	23,250,623	-97,883	23,348,506	-23853.5%
Revivor	<u>4,903</u>	<u>13,965</u>	<u>-9,062</u>	<u>-64.9%</u>
 Total Bank & Corporation Tax	 <u>\$207,935,049</u>	 <u>\$155,906,899</u>	 <u>\$52,028,150</u>	 33.4%
 Total Filing Enforcement Programs	 <u><u>\$1,163,953,152</u></u>	 <u><u>\$1,055,013,923</u></u>	 <u><u>\$108,939,229</u></u>	 10.3%
 Cost of Filing Enforcement Activities	 \$13,580,714	 \$13,763,472	 -\$182,758	
Cost Benefit Ratio	\$85.71	\$76.65	\$9.05	
 Paid Hours for Filing Enforcement				
Activities	455,131	443,178	11,953	

Exhibit C2: Tax Programs Filing Enforcement Activities

Comparative Schedule of Returns Filed

Fiscal Years Ended June 30, 1997 and 1998

	Demand Letters and Assessments Issued		Returns Filed		Amount Tax Assessment	
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97
Personal Income Tax						
Demand Letters	607,372	566,251	75,737	74,228	\$148,881,921	\$118,581,639
Assessment Notices	405,661	406,068	169,060	173,025	293,832,687	263,930,612
Subtotal	<u>1,013,033</u>	<u>972,319</u>	<u>244,797</u>	<u>247,253</u>	<u>\$442,714,608</u>	<u>\$382,512,251</u>
Final Assessments Due to: No Returns Filed	<u>160,864</u>	<u>158,815</u>			<u>512,058,118</u>	<u>519,108,904</u>
Total Personal Income Tax	<u>1,173,897</u>	<u>1,131,134</u>	<u>244,797</u>	<u>247,253</u>	<u>\$954,772,726</u>	<u>\$901,621,155</u>
Bank & Corporation Tax						
Demand Letters Mailed 1/ Assessment Notices Issued	30,788	40,524				
Subtotal	<u>44,214</u>	<u>53,195</u>	<u>2,279</u>	<u>909</u>	<u>\$2,403,820</u>	<u>\$6,441,150</u>
Final Assessments Due to: No Returns Filed	<u>154,667</u>	<u>38,129</u>			<u>182,249,891</u>	<u>149,528,074</u>
Total Bank & Corporation Tax	<u>198,881</u>	<u>91,324</u>	<u>2,279</u>	<u>909</u>	<u>\$184,653,711</u>	<u>\$155,969,224</u>
Total Tax Programs	<u>1,372,778</u>	<u>1,222,458</u>	<u>247,076</u>	<u>248,162</u>	<u>\$1,139,426,437</u>	<u>\$1,057,590,379</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, 1997 and 1998

	Net Assessments		Change	Percent Change
	1997/98	1996/97		
Personal Income Tax				
Desk Audit	\$65,748,724	\$125,272,190	-\$59,523,466	-47.5%
Federal Audit Reports	340,397,536	328,254,628	12,142,908	3.7%
Field Audits	28,709,761	70,783,680	-42,073,919	-59.4%
Subtotal	\$434,856,021	\$524,310,498	(\$89,454,477)	-17.1%
Mathematical Verification	75,646,472	59,803,065	15,843,407	26.5%
Total Personal Income Tax	\$510,502,493	\$584,113,563	(\$73,611,070)	-12.6%
Bank & Corporation Tax				
Federal Audit Reports	\$89,091,168	\$68,664,050	\$20,427,118	29.7%
Non-Appportioning Audits				
Central Office	5,727,028	8,496,606	-2,769,578	-32.6%
Field	15,641,639	32,692,164	-17,050,525	-52.2%
Apportioning Audits				
Central Office	6,456,854	10,990,045	-4,533,191	-41.2%
Field	683,328,317	398,496,982	284,831,335	71.5%
Exempt Corporation Audits	27,521,202	1,772,154	25,749,048	1453.0%
Subtotal	\$827,766,208	\$521,112,001	\$306,654,207	58.8%
Mathematical Verification	12,829,779	86,620,261	-73,790,482	-85.2%
Total Bank & Corporation Tax	\$840,595,987	\$607,732,262	\$232,863,725	38.3%
Total Tax Programs	\$1,351,098,480	\$1,191,845,825	\$159,252,655	13.4%
Total Returns Audited	14,735,126	14,574,083	161,043	1.1%
Total Returns Changed	2,743,891	2,687,869	56,022	2.1%
Cost of Operation	\$114,101,241	\$108,501,920	\$5,599,321	
Paid Hours	3,171,105	3,093,362	77,743	2.5%
Statistics				
Cost Per Paid Hour	\$35.98	\$35.08	\$72.02	
Net Assessments Per Dollar Cost	\$11.84	\$10.98	\$28.44	
Cost Per Return Audited	\$91.69	\$81.78	\$988.88	
Returns Audited Per Paid Hour	4.6	4.7	2.1	
Net Assessment Per Return Changed	\$492.40	\$443.42	\$2,842.68	
% Return Changes to Returns Audited	18.62%	18.44%	34.79%	

Exhibit D2: Tax Programs

Tax Audit Activities

Comparative Schedule of Returns Audited

Fiscal Years Ended June 30, 1997 and 1998

	Changes to Tax		No Changes to Tax		Total Audits	
	1997/98	1996/97	1997/98	1996/97	1997/98	1996/97
Personal Income Tax						
Desk Audit	358,396	437,119	175,515	383,915	533,911	821,034
Federal Audit Reports	138,106	115,941	2,212	1,295	140,318	117,236
Field Audits	1,449	3,060	1,177	1,034	2,626	4,094
Subtotal	497,951	556,120	178,904	386,244	676,855	942,364
Mathematical Verification	2,090,513	1,944,046	11,746,240	11,436,709	13,836,753	13,380,755
Total Personal Income Tax	2,588,464	2,500,166	11,925,144	11,822,953	14,513,608	14,323,119
Bank & Corporation Tax						
Federal Audit Reports	3,673	3,471	1,317	778	4,990	4,249
Non-Appportioning Audits						
Central Office	391	409	448	293	839	702
Field	36	121	372	697	408	818
Appportioning Audits						
Central Office	1,025	1,156	555	399	1,580	1,555
Field	1,022	1,303	238	515	1,260	1,818
Exempt Corporation Audits	4,636	2,978	1,680	1,079	6,316	4,057
Subtotal	10,783	9,438	4,610	3,761	15,393	13,199
Mathematical Verification	144,644	178,265	61,481	59,500	206,125	237,765
Total Bank & Corporation Tax	155,427	187,703	66,091	63,261	221,518	250,964
Total Tax Programs	2,743,891	2,687,869	11,991,235	11,886,214	14,735,126	14,574,083

Exhibit E: Tax Programs Tax Collection Activities

Statement of Tax Collection Activities

Fiscal Year Ended June 30, 1998

	Personal Income Tax	Bank & Corporation Tax	Total
Collection Revenue			
Beginning Total Available for Collection (7/1/97)	\$3,330,932,305	\$691,695,055	\$4,022,627,360
Added During 1997/98	2,863,734,983	666,897,355	3,530,632,338
Abated During 1997/98	<u>-930,966,847</u>	<u>-132,285,485</u>	<u>-1,063,252,332</u>
Total Available for Collection	\$5,263,700,441	\$1,226,306,925	\$6,490,007,366
Accounts Collected:			
Automated 1/	\$850,268,432	\$412,992,255	\$1,263,260,687
Manual 2/	<u>324,288,799</u>	<u>121,980,110</u>	<u>446,268,909</u>
Total Collected	\$1,174,557,231	\$534,972,365	\$1,709,529,596
Discharged	<u>628,946,511</u>	<u>105,468,159</u>	<u>734,414,670</u>
Total Accounts Closed	<u>\$1,803,503,742</u>	<u>\$640,440,524</u>	<u>\$2,443,944,266</u>
Ending Total Available for Collection (6/30/98)	<u><u>\$3,460,196,699</u></u>	<u><u>\$585,866,401</u></u>	<u><u>\$4,046,063,100</u></u>
Collection Accounts			
Total Number of Accounts (7/1/97)	1,019,522	188,971	1,208,493
Total Number of Accounts (6/30/98)	<u>997,759</u>	<u>256,616</u>	<u>1,254,375</u>
Change in Collection Accounts	<u><u>-21,763</u></u>	<u><u>67,645</u></u>	<u><u>45,882</u></u>
Cost of Operation	\$69,282,361	\$18,922,198	\$88,204,559
Paid Hours	2,055,340	482,093	2,537,433
Statistics			
Cost Per Paid Hour	\$33.71	\$39.25	\$34.76
Tax Collected Per Dollar Cost	\$16.95	\$28.27	\$19.38
Percentage of Available Inventory Collected	22.3%	43.6%	26.3%
Percentage of Amount Available Closed	34.3%	52.2%	37.7%
Percent Change between Beginning and Ending Inventory	3.9%	-15.3%	0.6%

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, 1997 and 1998

	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997	Change	Percent Change
Participating Agency Types:				
State agencies	76	70	6	8.6%
City agencies	22	22	0	0.0%
County agencies	49	50	-1	-2.0%
Federal agencies	1	1	0	0.0%
Total Participants	<u>148</u>	<u>143</u>	<u>5</u>	3.5%
Collection Volumes				
State agencies	293,096	286,040	7,056	2.5%
City agencies	12,155	9,369	2,786	29.7%
County agencies	68,197	61,770	6,427	10.4%
Federal agencies	96,518	94,912	1,606	1.7%
Total Collection Volumes	<u>469,966</u>	<u>452,091</u>	<u>17,875</u>	4.0%
Collection Revenues				
State agencies	\$56,164,465	\$50,210,221	\$5,954,244	11.9%
City agencies	1,371,499	992,336	379,163	38.2%
County agencies	8,777,707	7,672,087	1,105,620	14.4%
Federal agencies	29,994,151	28,702,303	1,291,848	4.5%
Total Collection Revenues	<u>\$96,307,822</u>	<u>\$87,576,947</u>	<u>\$8,730,875</u>	10.0%
Cost of Operation	\$155,230	\$207,151	-\$51,921	
Paid Hours	4,935	6,019	-1,084	
Statistics				
Cost Per Paid Hour	\$31.45	\$34.42	\$47.90	
Revenue Collected Per Dollar Cost	\$620.42	\$422.77	-\$168.16	
Revenue Collected Per Paid Hour	\$19,515.26	\$14,550.08	-\$8,054.31	
Average Revenue Per Volume	\$204.93	\$193.72	\$488.44	

Exhibit F2: Non-Tax Collection Program Child Support Collections

Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 1997 and 1998

	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997	Change	Percent Change
Demand for Payment Notices Sent	192,384	151,762	40,622	26.8%
Levies Issued:				
Bank Accounts	13,237	16,180	-2,943	-18.2%
Wages	403,179	256,747	146,432	57.0%
Total Levies Issued	416,416	272,927	143,489	52.6%
Gross Revenue Collected for Child Support	\$63,036,043	\$54,731,892	\$8,304,151	15.2%
Collection Volumes	646,293	210,234	\$436,059	207.4%
Cost of Operations	\$5,695,672	\$4,166,450	\$1,529,222	36.7%
Paid Hours	154,448	117,249	37,199	31.7%
Statistics				
Cost Per Paid Hour	\$36.88	\$35.54	\$41.11	
Revenue Collected Per Dollar Cost	\$11.07	\$13.14	\$5.43	
Revenue Collected Per Paid Hour	\$408.14	\$466.80	\$223.24	

Exhibit F3: Non-Tax Collection Program Vehicle Registration Collections

Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 1997 and 1998

	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997	Change	Percent Change
Demand for Payment Notices Sent	1,339,317	1,161,229	178,088	15.3%
Levies Issued:				
Bank Accounts	22,996	28,424	-5,428	-19.1%
Wages	197,571	157,775	39,796	25.2%
Total Levies Issued	220,567	186,199	34,368	18.5%
Gross Revenue Collected for DMV	\$87,318,499	\$81,326,662	\$5,991,837	7.4%
Cases Closed	662,526	622,203	40,323	6.5%
Cost of Operations	\$6,671,621	\$6,995,552	-\$323,931	-4.6%
Paid Hours	176,001	190,657	-14,656	-7.7%
Statistics				
Cost Per Paid Hour	\$37.91	\$36.69	\$22.10	
Revenue Collected Per Dollar Cost	\$13.09	\$11.63	-\$18.50	
Revenue Collected Per Paid Hour	\$496.13	\$426.56	-\$408.83	

Exhibit F4: Non-Tax Collection Program Student Loan Collections

Schedule of Collection Activities

Fiscal Year Ended June 30, 1998

First Year of
Operations

**Fiscal Year
Ended
June 30, 1998**

Demand for Payment Notices Sent	155,567
Levies Issued:	
Bank Accounts	3,226
Wages	118,137
Total Levies Issued	<u>121,363</u>
Gross Revenue Collected for Student Loan Debts	\$14,464,612
Cases Closed	129,721
Cost of Operations	\$2,590,152
Paid Hours	74,572
Statistics	
Cost Per Paid Hour	\$34.73
Revenue Collected Per Dollar Cost	\$5.58
Revenue Collected Per Paid Hour	\$193.97

Exhibit G1: Other Non-Tax Programs Homeowner and Renter Assistance

Comparative Schedule of Activities

Fiscal Years Ended June 30, 1997 and 1998

	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997	Change	Percent Change
Number of Claims Processed				
Allowed from:				
Property Owners	17,388	19,089	-1,701	-8.9%
Renters	142,012	138,774	3,238	2.3%
Not Allowed from:				
Property Owners	598	689	-91	-13.2%
Renters	6,573	6,500	73	1.1%
Total Number of Claims Processed	<u>166,571</u>	<u>165,052</u>	<u>1,519</u>	0.9%
Amount of Claims Allowed				
Property Owners	\$1,394,682	\$1,628,265	-\$233,583	-14.3%
Renters	<u>12,180,306</u>	<u>12,819,759</u>	<u>-639,453</u>	-5.0%
Total Amount of Claims Processed	<u>\$13,574,988</u>	<u>\$14,448,024</u>	<u>-\$873,036</u>	#DIV/0! -6.0%
Claimant Assistance Contacts				
Voice-Activated Response Phone Calls	61,220	98,639	-37,419	-37.9%
Manual Telephone Calls	62,985	55,292	7,693	13.9%
Volunteer Contacts	<u>16,800</u>	<u>16,956</u>	<u>-156</u>	-0.9%
Total Claimant Assistance Contacts	<u>141,005</u>	<u>170,887</u>	<u>-29,882</u>	#DIV/0! -17.5%
Cost of Operations	\$1,903,294	\$2,053,158	(\$149,864)	-7.3%
Paid Hours	58,112	59,816	-1,704	-2.8%
Statistics				
Total Cost Per Paid Hour	\$32.75	\$34.32	-\$1.57	-4.6%
Paid Hours Per Claim Processed	0.35	0.36	-0.01	-3.7%
Average Amount of Claim Processed	\$81.50	\$87.54	-\$6.04	-6.9%

Exhibit G2: Other Non-Tax Programs

Political Reform Audit

Comparative Schedule of Activities

Fiscal Years Ended June 30, 1997 and 1998

	Fiscal Year Ended June 30, 1998	Fiscal Year Ended June 30, 1997	Change	Percent Change
Political Reform Audits Completed				
Candidates & Controlled Committees	207	152	55	36.2%
General Purpose Committees	58	85	-27	-31.8%
Lobbying Entities	66	74	-8	-10.8%
Statewide Measures	26	12	14	116.7%
Total Audits Completed	<u>357</u>	<u>323</u>	<u>34</u>	10.5%
Political Reform Audits in Process at FYE				
Candidates & Controlled Committees	20	40	-20	-50.0%
General Purpose Committees	40	15	25	166.7%
Lobbying Entities	4	0	4	0.0%
Statewide Measures	3	4	-1	-25.0%
Total Audits in Process at FYE	<u>67</u>	<u>59</u>	<u>8</u>	13.6%
Cost of Operations	\$1,125,894	\$1,226,257	(\$100,363)	-8.2%
Paid Hours	33,971	38,520	-4,549	-11.8%
Statistics				
Cost Per Paid Hour	\$33.14	\$31.83	\$1.31	4.1%
Paid Hours per Audit Completed	95.16	119.26	-24.10	-20.2%
Average Cost per Audit Completed	\$3,153.76	\$3,796.46	(\$642.70)	-16.9%

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 Sacramento office.
- Apportioning - Field** An audit of an apportioning corporation conducted at the corporation's place of business.
- Assessment, Proposed (PA)** Preliminary determination of additional tax liability by an audit of the taxpayer's return. The PA provides a time period during which the taxpayer may dispute part or all of the additional tax prior to the assessment's finality.
- Assessment, Self** Net tax liability as disclosed by the taxpayer on his or her tax return.
- B**
- Bank and Corporation Tax** The administration, enforcement and collection of 1) franchise taxes on corporations doing business in California and 2) income taxes on corporations not doing business in California but having income from California sources.
- C**
- Cancellation** The partial or complete withdrawal of a proposed tax assessment.
- Claim** A taxpayer request for reduction or cancellation of self-assessed tax by means of an amended return, formal request for refund, or informal request by correspondence.
- Collection, Non-Tax** Collection of delinquent non-tax debts payable to other state and local governmental agencies.
- Collection, Child Support** Collection of delinquent child support payments on behalf of district attorneys and custodial parents.

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

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

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

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

D **Desk Audits** Audits of personal income tax returns conducted by telephone and correspondence from FTB's 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-Appportioning** A corporation whose business income is solely from within California.
- Non-Appportioning Central Office** Audits conducted within FTB's central office in Sacramento of non-apportioning corporations.
- Non-Appportioning Field** Audits conducted in a California location other than at the central office of non-apportioning corporations. Activities include both the field audit and central office support activities.

P **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

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