

OPERATIONS REPORT

California Franchise Tax Board



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



1998/99

Compiled May 2000

OPERATIONS REPORT

FISCAL YEAR ENDED JUNE 30, 1999

1998-99 BOARD MEMBERS

Hon. Kathleen Connell Controller
Hon. Dean Andal Chair, State Board of Equalization (1998)
Hon. Johan Klehs..... Chair, State Board of Equalization (1999)
Hon. B. Timothy Gage Director of Finance

CURRENT BOARD MEMBERS

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

Executive Officer
Gerald H. Goldberg

Prepared by:
Franchise Tax Board Budget Office
May 2000

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INTRODUCTION

Programs This report presents the 1998/99 operations of the Franchise Tax Board, which administers the following programs and their components:

Tax Programs:

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

Non-Tax Collection Programs:

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

Other Non-Tax Programs:

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

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 integrity, efficiency, and fairness.

Revenue Collection, Efficiency, Integrity, And Fairness

Since our primary responsibility is to collect revenues, we measure our success by comparing net assessments and collections to cost. We use These comparisons, found throughout this report, to allocate resources to appropriate activities.

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

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

1/ Component of Contract Work Program

Departmental Expenditures

In 1998/99, the Franchise Tax Board 's expenditures totaled \$359.5 million; an increase of \$7.9 million (2.3%) over the prior year. Personnel years (PY's) totaled 5,256.5, an increase of 173.8 (3.4%) over 1997/98. The change in the number of personnel years is reflective of increases to Taxpayer Assistance (73.9 PY's), Audit (122.6 PY's), Filing Enforcement (83.8 PY's) and Tax Collections (114.8 PY's), and offset by decreases to the manual processing of tax returns (-233.3 PY's).

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

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

	1998/99	1997/98
Tax Programs		
Personal Income Tax	\$208,776	\$194,874
Bank and Corporation Tax	128,143	135,300
Non-Admitted Insurance Tax	53	35
Total Tax Programs	<u>\$336,972</u>	<u>\$330,209</u>
Non-Tax Collection Programs	16,516	15,698
Other Non-Tax Programs	6,085	5,676
TOTAL EXPENDITURES BY PROGRAM	<u>\$359,573</u>	<u>\$351,583</u>

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

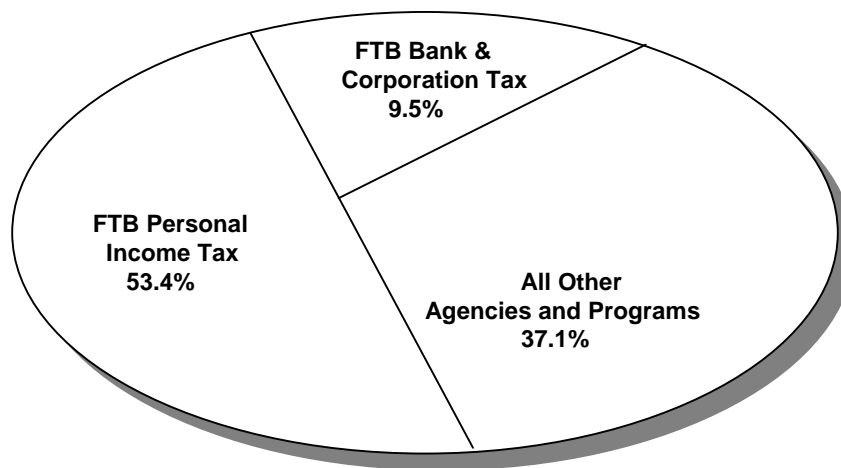
	1998/99	1997/98
Personal Services		
Salary and Wages	\$201,344	\$190,855
Benefits	57,731	55,629
Total Personal Services	<u>\$259,075</u>	<u>\$246,484</u>
Operating Expenses & Equipment	100,498	105,099
TOTAL EXPENDITURES	<u>\$359,573</u>	<u>\$351,583</u>
Reimbursements	-9,799	-12,375
NET EXPENDITURES BY OBJECT	<u>\$349,773</u>	<u>\$339,208</u>

California's General Fund^{1/}

The General Fund received \$57.5 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) 1998/99 the General Fund had a cash surplus of \$848 million.

Major Tax and License Revenue

Fiscal Year Ended June 30, 1999



Major Tax & License Revenues (Millions)

	1998/99	Fiscal Year 1997/98	Change	Percent Change
Personal Income Tax 1/	\$30,728.9	\$27,781.5	\$2,947.4	10.6%
Bank & Corporation Tax	5,459.2	5,587.7	-128.5	-2.3%
Subtotal	\$36,188.1	\$33,369.2	\$2,818.9	8.4%
Other Programs	21,318.8	20,109.4	1,209.4	6.0%
Total	\$57,506.9	\$53,478.6	\$4,028.3	7.5%

Statistics extracted from the 1998/99 Controller's Annual Financial Report.

1/ In 1998/99, \$20.4 billion of General Fund Revenues came from Personal Income Tax withholding; a \$2 billion increase from the 1997/98 level of \$18.4 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 1998/99, the tax programs administered by the Franchise Tax Board accounted for \$36.2 billion (62.9%) of the General Fund's Major Tax and License revenue.

Self-Assessment Activities

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

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

Taxpayer Assistance

Taxpayer assistance refers to all functions that provide taxpayers and tax preparers with the necessary information sources to submit timely and accurately computed documents and payments, thereby leading to better customer service. 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 and publications from the Internet website;
- Expansion of the Interactive Voice Response (IVR) system to 22 applications and answers to frequently asked questions covering about 140 tax topics;

In addition to the above activities, the department distributed 15.8 million tax return booklets, forms and postcards; provided for 7.9 million downloaded forms; received 513 thousand interactive voice response (IVR) phone calls; and manually responded to 1 million telephone, paper and electronic mail correspondence, and over-the-counter requests for forms, pre-filing assistance, and refund information in 1998/99.

Return Processing

Return Processing activities include:

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

In 1998/99, the department processed 14.5 million personal income tax returns and reported self-assessments of \$28.2 billion. Of the returns processed, 8.6 million PIT returns resulted in refunds of \$4.2 billion due to withholding, prepayments, and refundable credits.

Taxpayers and tax preparers filed 1,329,000 PIT returns electronically, a 58.4 percent increase from the 1997/98 level of 839,000 returns. The increase was due to technological enhancements that allowed for the processing of more complex returns. Also in 1998/99, FTB processed 5.4 million PIT returns by an electronic image scanning system, increasing efficiency over the traditional key data entry system.

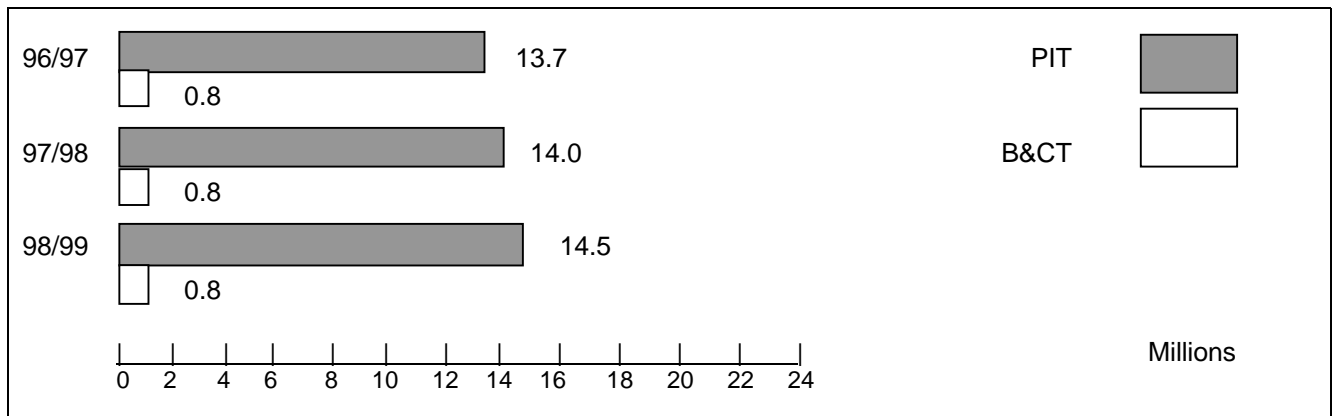
FTB processed 806,078 bank and corporation tax returns, including 474,000 bank and for-profit corporation tax returns, and 236,000 partnership and limited liability company returns for a total tax liability of \$5.7 billion. Additionally, the FTB deposited 461,000 estimate tax payments and processed 76,900 tax-exempt corporation returns in 1998/99.

Self-Assessment Activities

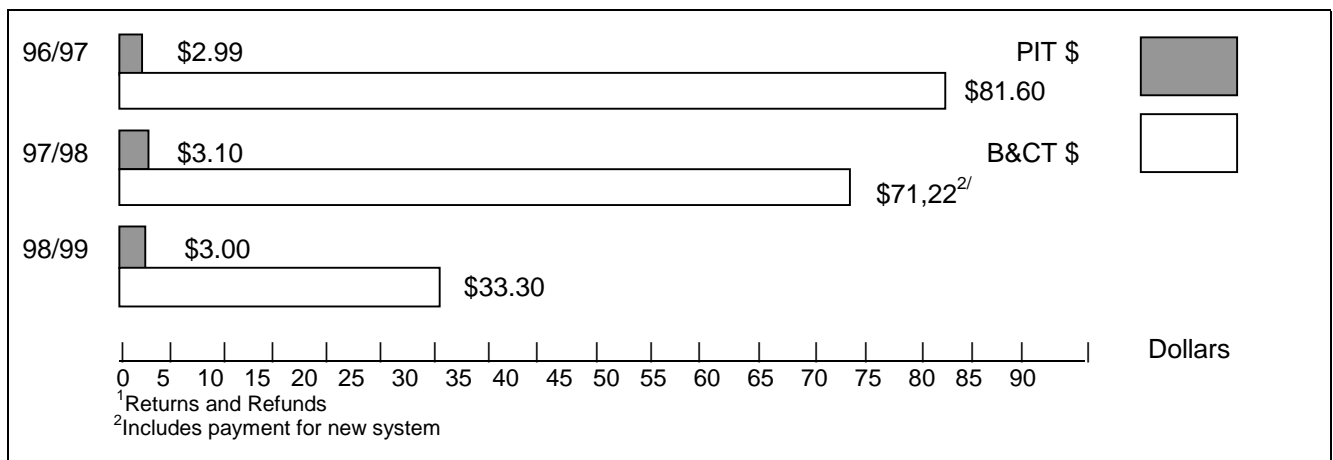
Amount of Self-Assessed Tax



Number of Returns Processed



Cost Per Unit^{1/} Processed



Filing Enforcement Activities

Filing enforcement activities identify individuals and business entities that are required to file a return but have not done so. The department's filing enforcement activities include the use of over 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.

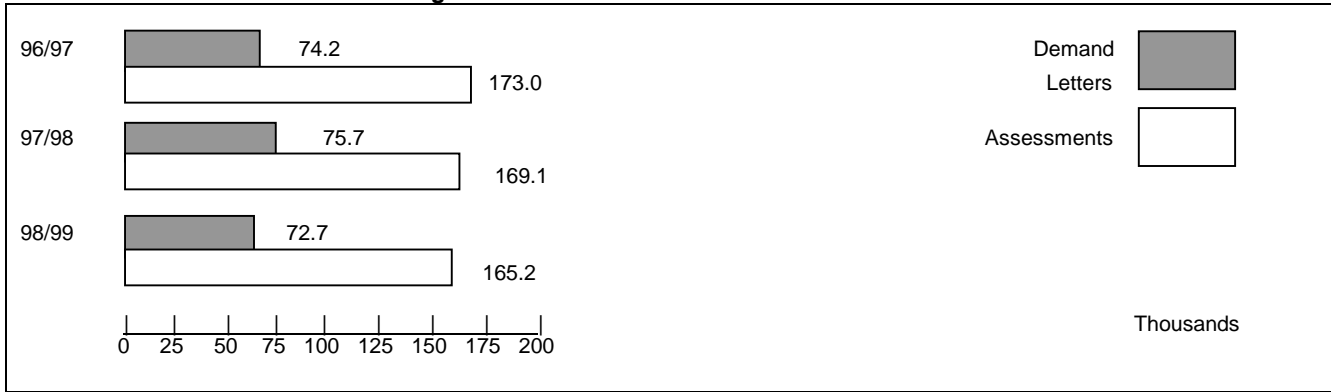
A comparison of filing enforcement activities between 1996/97 and 1997/98 is presented below. Additional filing enforcement statistics are provided in Exhibits A, C1, and C2.

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

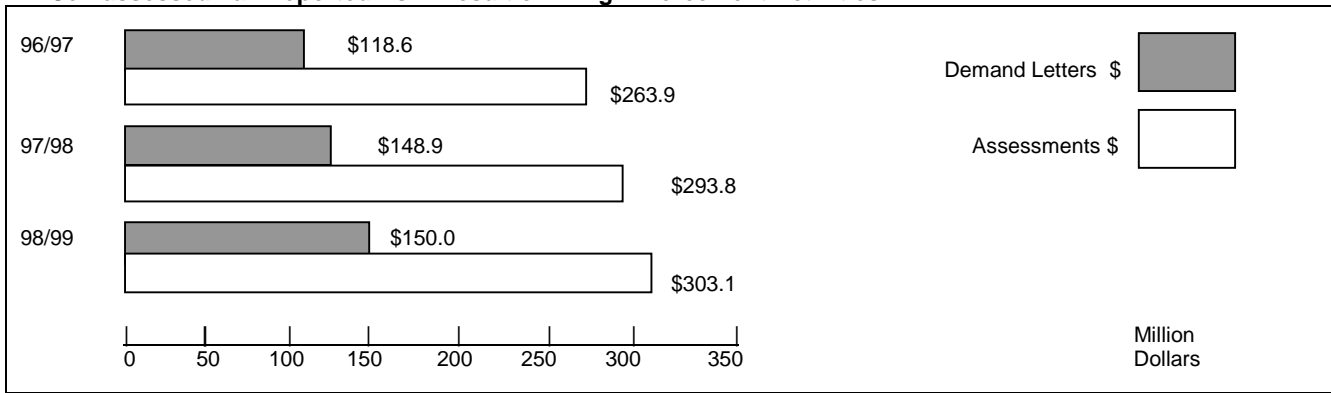
	<u>1998/99</u>	<u>1997/98</u>
Volumes:		
Personal Income Tax:		
Demand-to-File Letters Mailed	718,781	607,372
Returns Filed As Result of Demand Letters	72,664	75,737
Assessment Notices Issued	429,109	405,661
Returns Filed as Result of Assessment Notices	165,162	169,060
Bank & Corporation Tax:		
Demand Letters and Assessments Mailed	73,282	44,214
Returns Filed as Result of Letters and Notices	1,870	2,279
Net Assessments from No Returns Filed	92,800	152,388
Dollars Assessed (thousands)		
Personal Income Tax:		
Returns Filed as Result of Demand Letters	\$149,984	\$148,882
Returns Filed as Result of Assessment Notices	303,092	293,833
Revenues from No-Return Final Assessments	607,513	512,058
Bank & Corporation Tax:		
Returns Filed as Result of Letters and Notices	2,343	2,403
Revenues from No Return, Net Assessments	568,842	182,250
Total Assessed Dollars	<u>\$1,631,774</u>	<u>\$1,139,426</u>

Filing Enforcement Activities

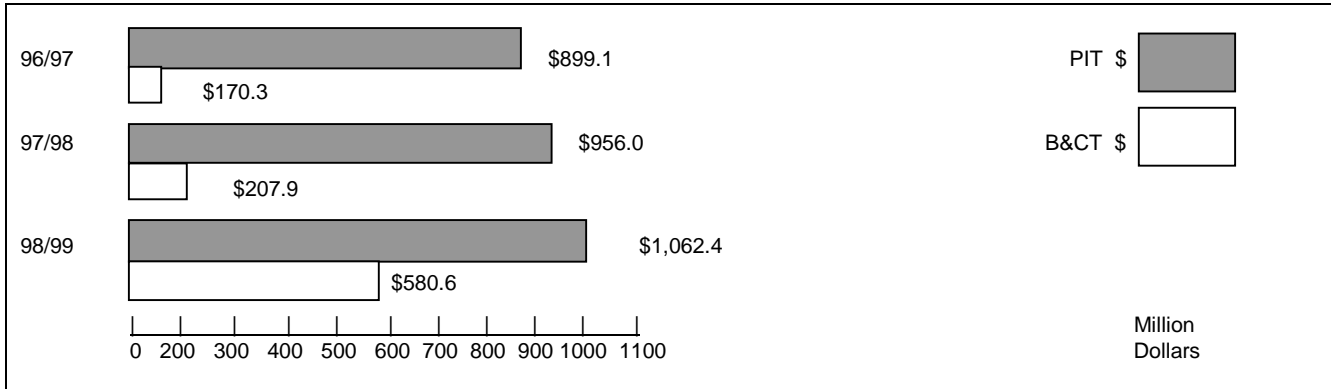
PIT Returns Filed As A Result of Filing Enforcement Activities



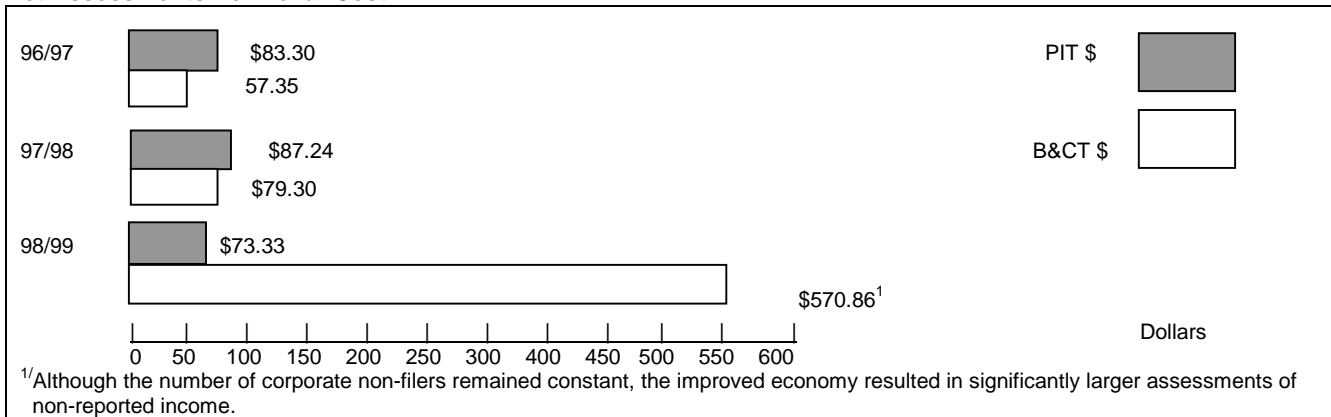
PIT Self-assessed Tax Reported As A Result of Filing Enforcement Activities



Net Assessment Dollars



Net Assessments Per Dollar Cost



¹Although the number of corporate non-filers remained constant, the improved economy resulted in significantly larger assessments of non-reported income.

Tax Audit Activities

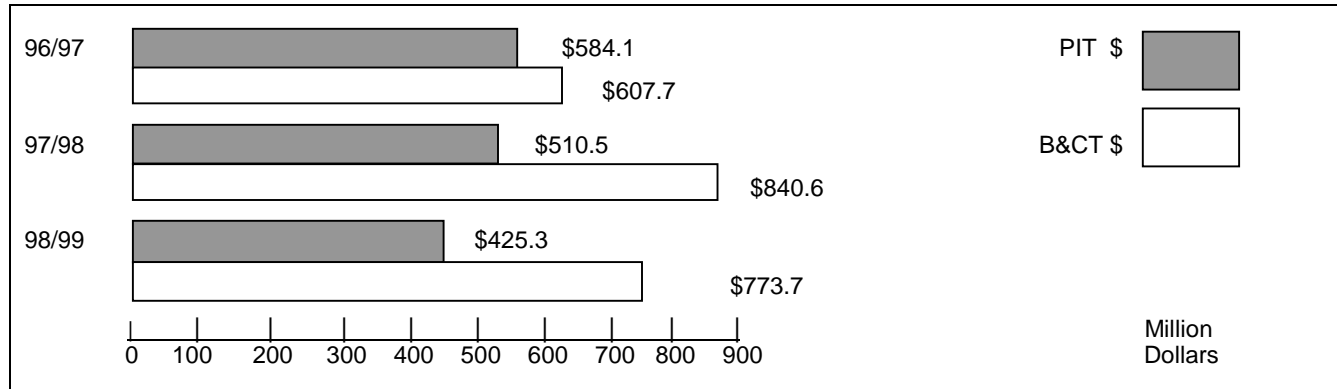
Audit activities determine the correct tax liability for individuals and business entities in accordance with the California Revenue and Tax Code. These activities include both the detailed examination of tax returns and supporting documents, and the automated verification of self-assessed tax returns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

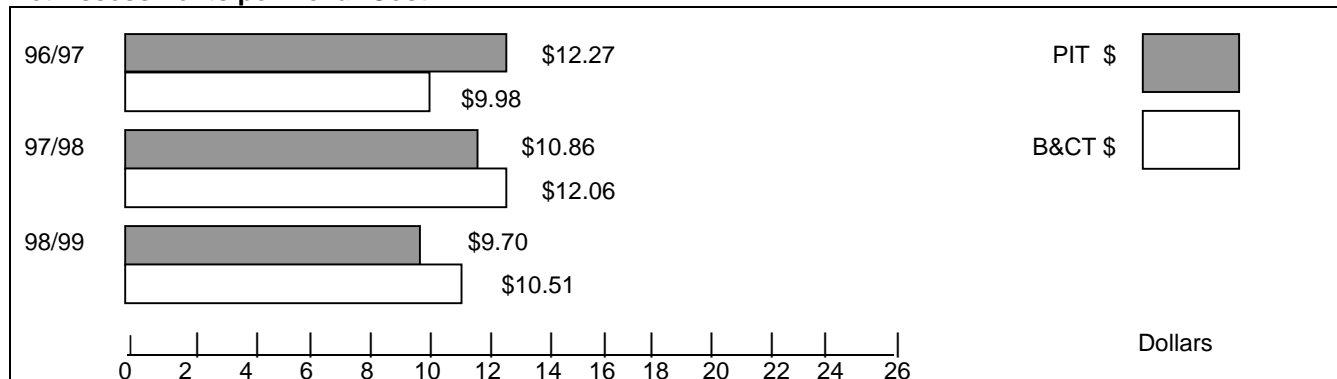
In 1998/99, net assessments from audit activities totaled \$1.2 billion and operational costs totaled \$116.3 million. This resulted in an overall benefit-to-cost ratio of \$10.31 to one. The following bar chart compares 1998/99 audit activities with those of the two prior years. Detailed information 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

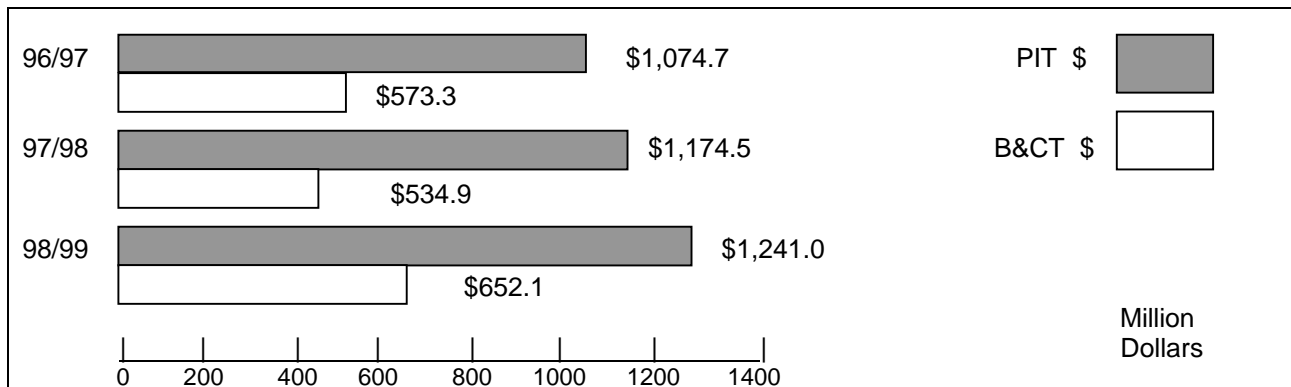
Tax collection activities involve collections of accounts receivable that are established by the department's self-assessment, audit, settlement, and filing enforcement activities. An automated billing system combined with central and field office collection staff administers collections. The automated 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 1998/99, \$1.9 billion was collected through automated and manual collection activities, an increase of \$0.2 million from 1997/98's level of \$1.7 billion. Total cost of operations was \$103.2 million, of which \$81.2 million was for PIT collections and \$22.0 million was for B&CT. The following chart compares 1998/99 collections with those of the two prior years. Detailed collection activity information for 1998/99 is shown in Exhibits A and E.

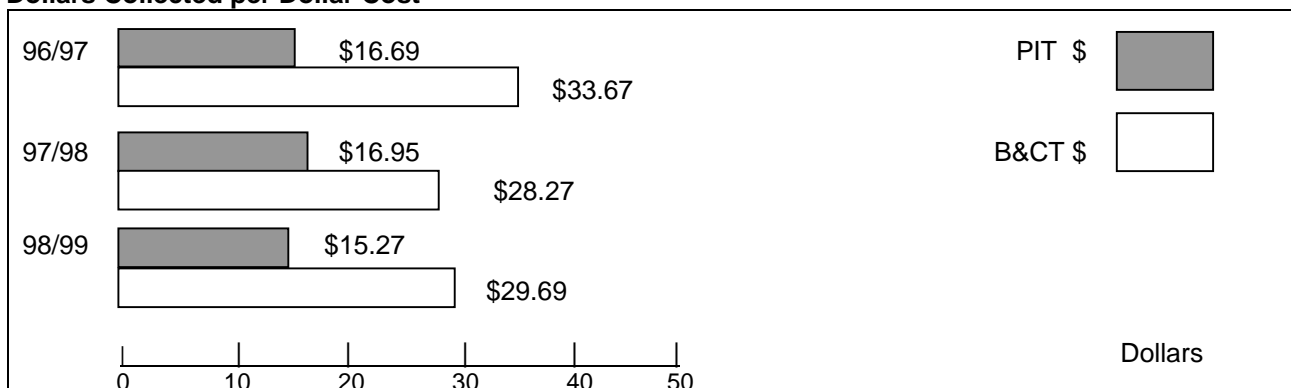
1/ Payments submitted by taxpayers prior to activation of the billing process are not included in 'tax collection revenues'.

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 1998/99, 121 cases were settled, sustaining \$657.2 million (88%) of the \$742.7 million in dispute. A summary of 1998/99 settlement activities is presented in the following table.

1998/99 SETTLEMENT ACTIVITIES Revenue and Costs in Millions

	PIT	B&CT	TOTAL
Cases Completed	145	80	225
Cases Settled	77	44	121
Revenue in Dispute	\$33.9	\$708.8	\$742.7
Revenue Sustained	\$23.1	\$634.1	\$657.2
Cost	\$0.8	\$1.2	\$2.0
Revenue Sustained per Dollar Cost	\$28.88	\$528.42	\$328.60

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 1998/00, FTB collected \$5.2 million at a cost of \$53 thousand.

Voluntary Contributions

Under the Personal Income Tax Law, taxpayers are allowed to contribute amounts in excess of their tax liability to support various charitable organizations and causes. In 1998/99, taxpayers made 433,000 contributions for a total of \$2.7 million. A comparison of contributions between 1998/99 and the prior year is presented as follows:

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

Fund Name	1998/99		1997/98	
	Volume	Dollars	Volume	Dollars
California Election Funds 1/	0	\$0	1	\$13
California Senior Citizens	42	213	41	190
Rare & Endangered Species	66	566	69	559
State Children's Fund	66	472	67	430
Alzheimer's Research	53	357	53	330
Veteran's Memorial 1/	0	0	2	15
Mex.-Amer.Veteran's Memorial 2/	16	52	0	0
Senior's Special Fund	5	64	5	63
Breast Cancer Research	67	464	63	377
Public School Library	46	300	51	324
Firefighter's Memorial	27	134	29	134
Drug Abuse Resistance	35	170	37	168
Military Museum	16	56	15	50
Emergency Food Assistance 2/	48	289	0	0
Total Voluntary Contributions	487	\$3,137	433	\$2,653

1/ Fund discontinued in tax year 1998

2/ New fund for tax year 1999

NON-TAX COLLECTION PROGRAMS

In recent years, the California State Legislature has taken steps to reduce financial debts owed to state and local governments by 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 1998/99, governmental agencies received \$98.2 million from intercepted tax refunds (\$96.7 million) and lottery winnings (\$1.5 million). This represents a \$1.9 million (12%) increase from 1997/98.

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, 1999. In 1998/99, FTB conducted 749,000 collection actions and collected \$67.9 million. This amount does not include money attributed to FTB's collection activities paid directly to the counties by the debtors. The amount also excludes \$37.2 million collected through the Interagency Intercept Program. Non-AFDC custodial parents received \$34.4 million, while federal, state and county governments received \$41.2 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 1998/99, FTB closed 654,000 delinquent cases and collected \$85.2 million^{1/} for the DMV while incurring collection costs of \$5.5 million. These amounts equate to an efficiency measure of \$15.52 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.

^{1/} Does not include \$5.9 million collected through the Interagency Intercept Program.

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 1998/99, 15 counties utilized FTB collection services to close delinquent accounts. In response, FTB mailed 35,000 demand-to-pay notices to delinquent debtors, 53,600 levies were placed on debtors' wages, and 400 bank levies were issued. As a result, the Court-Ordered Debt Collections Program collected \$6.4 million at a cost of \$814,677, or a benefit-to-cost ratio of \$7.85 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 1998/99, 2,590 delinquent cases were referred to from the DIR to FTB for collections. FTB collected and transferred \$911,000 to DIR at a cost of \$107,672 and a benefit-to-cost ratio of \$8.46 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 1998/99, FTB mailed 50,000 demand-to-pay notices to delinquent debtors, placed 466 levies on debtors' bank accounts, and issued 193,000 levies on wages. As a result, the Student Loan Collections Program collected \$23 million at a cost of \$2.4 million, or a benefit-to cost ratio of \$9.62 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 1998/99, FTB processed 151,040 HRA claim requests representing an increase of -9.3% above the prior year's volume of 166,571. Claims allowed in 1998/99 totaled \$12.3 million, of which \$11.1 million was given to qualified renters and \$1.2 million to eligible homeowners. The department responded to 45,000 IVR telephone calls, 75,000 manually answered calls, correspondence and in-person contact requests for assistance.

A comparison of 1998/99 HRA activities with those of the prior year is provided in Exhibit G1.

Political Reform Audit

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

During the year of 1998/99, 261 audits were completed of which 77 audits related to political candidate and campaign committees, 4 audits related to lobbying entities, 149 audits of ballot measures and general political action committees, and 31 statewide measures.

Exhibit G2 illustrates the different audit emphasis between the election year 1997/98 and the non-election year of 1998/99.

Contract Work

FTB is able to provide high quality processing services to other governmental entities utilizing sophisticated data processing equipment and skilled personnel. Data processing services include 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 1998/99, Contract Work reimbursements totaled \$9.8 million.

EXHIBITS

The details of the 1998/99 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 1998/99 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 1963/64.

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, 1999

Program Activities:	Revenue Measurement	Cost (Exhibit A1)	Measurement per Dollar Cost
NET ASSESSMENT ACTIVITIES:			
Personal Income Tax			
Filing Enforcement Assessment Activities			
Filing Enforcement	\$1,060,589,443	\$11,206,173	\$94.64
Residency Determination	2,656	120,647	\$0.02
Investigations	1,842,009	3,161,172	\$0.58
Audit Assessment Activities			
Mathematical Verification	69,471,584	8,409,674	\$8.26
Desk Audits	73,472,852	14,403,166	\$5.10
Federal Audit Reports	234,491,989	6,708,372	\$34.96
Field Audits	47,867,660	14,229,387	\$3.36
Total PIT Net Assessment Activities	\$1,487,738,193	\$58,238,591	
Bank & Corporation Tax			
Filing Enforcement Activities	\$580,588,360	\$1,001,973	\$579.45
Audit Assessment Activities			
Mathematical Verification	25,040,870	3,520,882	\$7.11
Federal Audit Reports	124,690,208	1,815,275	\$68.69
Non-Appportioning Central Office	8,263,011	2,601,791	\$3.18
Non-Appportioning Field	35,638,340	13,521,821	\$2.64
Apportioning Central Office	8,787,554	4,555,101	\$1.93
Apportioning Field 1/	570,598,051	45,814,336	\$12.45
Exempt Corporation Audits	722,423	1,795,547	\$0.40
Total B&CT Net Assessment Activities	\$1,354,328,817	\$74,626,726	
TOTAL NET ASSESSMENT ACTIVITIES	\$2,842,067,010	\$132,865,317	\$21.39
COLLECTION ACTIVITIES:			
Tax Programs			
Personal Income Tax			
Tax Collections	\$1,240,999,053	\$81,270,399	\$15.27
Voluntary Contributions	3,136,737	64,569	\$48.58
Bank and Corporation Tax			
Tax Collections	652,058,163	21,964,972	\$29.69
Non-Admitted Insurance Tax	5,234,446	53,348	\$98.12
Non-Tax Collection Programs			
Inter-Agency Intercept Collections	98,198,708	724,110	\$135.61
Child Support Collections	67,894,827	6,990,811	\$9.71
Vehicle Registration Collections	85,155,660	5,486,859	\$15.52
Court-ordered Debt Collections	6,351,476	814,677	\$7.80
DIR Industrial Health & Safety Collections	911,206	107,672	\$8.46
Student Loan Debt Collections	23,020,127	2,391,928	\$9.62
TOTAL COLLECTION ACTIVITIES	\$2,182,960,403	\$119,869,345	\$18.21
OTHER ACTIVITIES:			
Personal Income Tax Program			
Self-Assessment Activities	--	\$68,405,217	
Settlement Activities	--	797,177	
Bank & Corporation Tax Program			
Self-Assessment Activities	--	30,321,242	
Settlement Activities	--	1,229,877	
Homeowners & Renters Assistance Program			
Political Reform Audit Program	--	2,437,913	
Contract Work Program	--	2,408,735	
TOTAL OTHER ACTIVITIES		\$106,838,351	
TOTAL PROGRAM ACTIVITY COST		\$359,573,013	

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

Exhibit A1: All Programs

Statement of Operation Costs

Fiscal Year Ended June 30, 1999

	Executive	Technology & Research	Legal
Tax Programs			
Personal Income Tax			
Self-Assessment Activities			
Legislation and Development	\$ 72,424	\$ 1,368,489	\$ 973,642
Return Forms	115,577	898,303	78,588
Return Processing	329,378	1,117,909	0
Estimate Processing	21,934	81,971	0
Taxpayer Assistance	197,350	737,524	0
Claims	19,822	74,077	0
Information Exchange	2,976	11,121	0
	<u>\$ 759,461</u>	<u>\$ 4,289,394</u>	<u>\$ 1,052,230</u>
Filing Enforcement			
Filing Enforcement	\$ 117,622	\$ 1,800,360	\$ 0
Residence Determination	1,266	4,732	0
Investigation	33,180	124,037	0
	<u>\$ 152,068</u>	<u>\$ 1,929,129</u>	<u>\$ 0</u>
Audit Activities			
Math Verification	\$ 88,269	\$ 338,078	\$ 0
Desk Audits	151,177	1,372,785	2,452,393
Federal Audit Reports	70,412	266,720	300,932
Field Audits	149,353	1,365,838	505,550
	<u>\$ 459,211</u>	<u>\$ 3,343,421</u>	<u>\$ 3,258,875</u>
Tax Collections			
Settlement Authority	\$ 853,023	\$ 10,474,088	\$ 55,145
Voluntary Contributions	8,367	31,270	752,271
	<u>\$ 709</u>	<u>\$ 2,502</u>	<u>\$ 0</u>
	<u>\$ 2,232,839</u>	<u>\$ 20,069,804</u>	<u>\$ 5,118,521</u>
Bank and Corporation Tax			
Self-Assessment Activities			
Legislation and Development	\$ 35,958	\$ 141,132	\$ 858,144
Return Forms	17,086	63,854	54,675
Return Processing	110,214	459,054	0
Estimate Processing	2,398	23,497	0
Taxpayer Assistance	92,048	311,745	0
Claims	69,181	258,537	0
	<u>\$ 326,885</u>	<u>\$ 1,257,819</u>	<u>\$ 912,819</u>
Filing Enforcement			
	10,517	171,650	0
Audit Activities			
Math Verification	\$ 33,715	\$ 125,999	\$ 0
Federal Audit Reports	19,053	71,205	57,827
Non-Appportioning -- Central Office	27,309	105,003	189,760
Non-Appportioning -- Field	141,926	530,397	94,106
Apportioning -- Central Office	47,811	292,066	207,169
Apportioning -- Field	473,312	1,768,840	1,497,577
Exempt Corporations	18,846	70,431	6,372
	<u>\$ 761,972</u>	<u>\$ 2,963,941</u>	<u>\$ 2,052,811</u>
Tax Collections			
Settlement Authority	230,547	2,734,201	11,812
	<u>\$ 12,909</u>	<u>\$ 48,242</u>	<u>\$ 1,002,525</u>
	<u>\$ 1,342,830</u>	<u>\$ 7,175,853</u>	<u>\$ 3,979,967</u>
Non-Admitted Insurance Tax	498	2,356	0
	<u>\$ 3,576,167</u>	<u>\$ 27,248,013</u>	<u>\$ 9,098,488</u>
Non-Tax Collection Program			
Inter-Agency Intercept Collections	\$ 7,600	\$ 28,403	\$ 0
Child Support Collections	73,756	509,706	7,986
Vehicle Registration Collections	57,261	370,756	0
Court-ordered Debt Collections	8,513	31,816	0
DIR Industrial Health & Safety	1,029	3,845	0
Student Loan Debt Collections	23,956	461,813	264
	<u>\$ 172,115</u>	<u>\$ 1,406,339</u>	<u>\$ 8,250</u>
Other Non-Tax Programs			
Homeowners & Renters Assistance	\$ 25,536	\$ 133,639	\$ 0
Political Reform Audit	12,828	47,951	0
Other Contracts	25,283	228,226	0
	<u>\$ 63,647</u>	<u>\$ 409,816</u>	<u>\$ 0</u>
Total Departmental Costs	<u><u>\$ 3,811,929</u></u>	<u><u>\$ 29,064,168</u></u>	<u><u>\$ 9,106,738</u></u>

Audit	Accounts Receivable & Tax Policy Services	Operations	Departmental	Totals
\$ 84,637	\$ 1,660,772	\$ 2,678,974	\$ 67,384	\$ 6,906,322
0	1,171,135	863,104	7,645,668	10,772,375
264	1,284,197	23,824,245	1,342,574	27,898,567
0	10,311	1,975,490	32	2,089,738
49,907	4,650,408	11,946,699	984,304	18,566,192
591,694	9,245	1,190,598	3,069	1,888,505
0	1,388	267,991	42	283,518
<u>\$ 726,502</u>	<u>\$ 8,787,456</u>	<u>\$ 42,747,101</u>	<u>\$ 10,043,073</u>	<u>\$ 68,405,217</u>
\$ 14,166	\$ 1,934,641	\$ 6,723,702	\$ 615,683	\$ 11,206,173
11,152	590	40	102,867	120,647
21,557	2,357,587	317,884	306,927	3,161,172
<u>\$ 46,875</u>	<u>\$ 4,292,818</u>	<u>\$ 7,041,626</u>	<u>\$ 1,025,477</u>	<u>\$ 14,487,993</u>
\$ 0	\$ 41,170	\$ 7,702,365	\$ 239,792	\$ 8,409,674
8,221,605	340,153	1,864,829	224	14,403,166
5,237,307	603,335	197,771	31,895	6,708,372
7,503,317	71,186	2,174,760	2,459,382	14,229,386
<u>\$ 20,962,229</u>	<u>\$ 1,055,844</u>	<u>\$ 11,939,725</u>	<u>\$ 2,731,293</u>	<u>\$ 43,750,598</u>
\$ 10,429	\$ 31,466,123	\$ 7,714,060	\$ 30,697,531	\$ 81,270,399
1,093	3,903	262	11	797,177
0	331	61,027	0	64,569
<u>\$ 21,747,128</u>	<u>\$ 45,606,475</u>	<u>\$ 69,503,801</u>	<u>\$ 44,497,385</u>	<u>\$ 208,775,953</u>
\$ 78,471	\$ 1,672,540	\$ 639,243	\$ 346	\$ 3,425,834
0	452,632	366,181	673,441	1,627,869
547,092	111,590	9,272,344	163	10,500,457
0	1,119	201,459	3	228,476
579,185	460,810	5,439,806	1,063,939	7,947,533
4,050,791	51,542	880,447	1,280,575	6,591,073
<u>\$ 5,255,539</u>	<u>\$ 2,750,233</u>	<u>\$ 16,799,480</u>	<u>\$ 3,018,467</u>	<u>\$ 30,321,242</u>
640	328,072	389,777	101,317	1,001,973
\$ 483	\$ 15,726	\$ 3,344,908	\$ 51	\$ 3,520,882
1,560,109	8,887	38,009	60,185	1,815,275
1,354,144	12,737	900,719	12,119	2,601,791
4,926,374	67,328	1,010,618	6,751,072	13,521,821
1,441,953	22,300	2,536,114	7,688	4,555,101
23,219,151	230,908	10,778	18,613,770	45,814,336
0	110,019	1,588,992	887	1,795,547
<u>\$ 32,502,214</u>	<u>\$ 467,905</u>	<u>\$ 9,430,138</u>	<u>\$ 25,445,772</u>	<u>\$ 73,624,753</u>
29,151	11,214,362	1,668,499	6,076,400	21,964,972
159,726	6,020	405	50	1,229,877
<u>\$ 37,947,270</u>	<u>\$ 14,766,592</u>	<u>\$ 28,288,299</u>	<u>\$ 34,642,006</u>	<u>\$ 128,142,817</u>
0	232	50,261	1	53,348
<u>\$ 59,694,398</u>	<u>\$ 60,373,299</u>	<u>\$ 97,842,361</u>	<u>\$ 79,139,392</u>	<u>\$ 336,972,118</u>
\$ 0	\$ 155,433	\$ 12,730	\$ 519,944	\$ 724,110
113	4,111,519	743,387	1,544,344	6,990,811
0	3,362,564	286,494	1,409,784	5,486,859
0	599,791	98,937	75,620	814,677
0	80,562	3,076	19,160	107,672
0	1,348,505	316,559	240,831	2,391,928
<u>\$ 113</u>	<u>\$ 9,658,374</u>	<u>\$ 1,461,183</u>	<u>\$ 3,809,683</u>	<u>\$ 16,516,057</u>
\$ 2,850	\$ 345,282	\$ 1,623,685	\$ 306,921	\$ 2,437,913
0	1,092,254	4,066	81,091	1,238,190
1	25,857	1,813,600	315,768	2,408,735
<u>\$ 2,851</u>	<u>\$ 1,463,393</u>	<u>\$ 3,441,351</u>	<u>\$ 703,780</u>	<u>\$ 6,084,838</u>
<u>\$ 59,697,362</u>	<u>\$ 71,495,066</u>	<u>\$ 102,744,895</u>	<u>\$ 83,652,855</u>	<u>\$ 359,573,013</u>

Exhibit A2: All Programs

Statement of Paid Hours and Personnel Years

Fiscal Year Ended June 30, 1999

	Executive	Technology & Research	Legal
Tax Programs			
Personal Income Tax			
Self-Assessment Activities			
Legislation and Development	628	23,959	5,909
Return Forms	245	9,353	2,307
Return Processing	2,441	93,175	22,979
Estimate Processing	192	7,325	1,806
Taxpayer Assistance	1,608	61,378	15,137
Claims	173	6,608	1,630
Information Exchange	27	994	245
	<u>5,314</u>	<u>202,792</u>	<u>50,013</u>
Filing Enforcement			
Filing Enforcement	969	36,995	9,123
Residence Determination	1	41	10
Investigation	261	9,942	2,452
	<u>1,231</u>	<u>46,978</u>	<u>11,585</u>
Audit Activities			
Math Verification	749	28,588	7,050
Desk Audits	1,323	50,484	12,451
Federal Audit Reports	613	23,396	5,770
Field Audits	1,068	40,754	10,051
	<u>3,753</u>	<u>143,222</u>	<u>35,322</u>
Tax Collections			
Settlement Authority	4,481	171,009	42,175
Voluntary Contributions	73	1,275	29,960
	6	237	58
	<u>14,858</u>	<u>565,513</u>	<u>169,113</u>
Bank and Corporation Tax			
Self-Assessment Activities			
Legislation and Development	315	12,007	2,961
Return Forms	84	3,208	791
Return Processing	964	36,805	9,077
Estimate Processing	21	801	198
Taxpayer Assistance	627	23,911	5,897
Claims	481	18,353	4,526
	<u>2,492</u>	<u>95,085</u>	<u>23,450</u>
Filing Enforcement			
	82	3,136	551
Audit Activities			
Math Verification	295	11,259	2,777
Federal Audit Reports	161	6,140	1,514
Non-Appportioning -- Central Office	238	9,075	2,238
Non-Appportioning -- Field	488	18,625	4,593
Appportioning -- Central Office	418	15,938	3,931
Appportioning -- Field	2,430	92,756	23,875
Exempt Corporations	165	6,290	1,551
	<u>4,195</u>	<u>160,083</u>	<u>40,479</u>
Tax Collections			
Settlement Authority	1,427	54,453	13,429
	113	1,232	40,320
	<u>8,309</u>	<u>313,989</u>	<u>118,229</u>
Non-Admitted Insurance Tax			
	3	167	43
	<u>23,170</u>	<u>879,669</u>	<u>287,385</u>
Non-Tax Collection Program			
Inter-Agency Intercept Collections	20	761	188
Child Support Collections	444	16,957	4,182
Vehicle Registration Collections	286	10,893	2,687
Court Ordered Debt Collections	71	2,704	667
DIR Industrial Health & Safety	10	385	95
Student Loan Debt Collection	246	9,373	2,312
	<u>1,077</u>	<u>41,073</u>	<u>10,131</u>
Other Non-Tax Programs			
Homeowner's & Renter's Assistance	264	10,062	2,482
Political Reform Audit	80	3,071	757
Other Contracts	164	9,045	2,329
	<u>508</u>	<u>22,178</u>	<u>5,568</u>
Total Paid Hours	<u>24,755</u>	<u>942,920</u>	<u>303,084</u>

Audit	Accounts Receivable & Tax Policy Services	Operations	Totals	Personnel Year Totals
48,846	66,336	127,616	273,294	132.9
19,068	25,895	49,816	106,684	51.9
189,960	257,975	496,294	1,062,824	516.9
14,933	20,280	39,015	83,551	40.6
125,135	169,939	326,929	700,126	340.5
13,472	18,296	35,198	75,377	36.7
2,026	2,751	5,291	11,334	5.5
<u>413,440</u>	<u>561,472</u>	<u>1,080,159</u>	<u>2,313,190</u>	<u>1,125.0</u>
75,425	102,431	197,058	422,001	205.3
84	115	221	472	0.2
20,269	27,527	52,955	113,406	55.2
<u>95,778</u>	<u>130,073</u>	<u>250,234</u>	<u>535,879</u>	<u>260.7</u>
58,283	79,151	152,272	326,093	158.6
102,925	139,777	268,901	575,861	280.1
47,697	64,775	124,615	266,866	129.8
83,088	112,837	217,077	464,875	226.1
<u>291,993</u>	<u>396,540</u>	<u>762,865</u>	<u>1,633,695</u>	<u>794.6</u>
348,644	473,476	910,873	1,950,658	948.7
170	157	237	31,872	15.5
483	656	1,261	2,701	1.3
<u>1,150,508</u>	<u>1,562,374</u>	<u>3,005,629</u>	<u>6,467,995</u>	<u>3,145.8</u>
24,479	33,243	63,953	136,958	66.6
6,541	8,882	17,089	36,595	17.8
75,036	101,903	196,040	419,825	204.2
1,633	2,217	4,265	9,135	4.4
48,749	66,203	127,361	272,748	132.7
37,417	50,814	97,758	209,349	101.8
<u>193,855</u>	<u>263,262</u>	<u>506,466</u>	<u>1,084,610</u>	<u>527.5</u>
6,394	8,684	16,706	35,553	17.4
22,954	31,173	59,970	128,428	62.5
12,517	16,999	32,702	70,033	34.1
18,501	25,125	48,336	103,513	50.3
37,971	51,566	99,204	212,447	103.3
32,493	44,127	84,891	181,798	88.4
189,105	256,815	494,060	1,058,041	514.5
12,824	17,416	33,506	71,752	34.9
<u>326,365</u>	<u>443,221</u>	<u>852,669</u>	<u>1,826,012</u>	<u>888.0</u>
111,017	150,766	290,044	621,136	302.1
6,392	490	624	49,171	23.9
<u>644,023</u>	<u>866,423</u>	<u>1,666,509</u>	<u>3,616,482</u>	<u>1,758.9</u>
339	460	880	1,892	0.9
<u>1,794,870</u>	<u>2,429,257</u>	<u>4,673,019</u>	<u>10,086,369</u>	<u>4,905.6</u>
1,551	2,106	4,050	8,676	4.2
34,571	46,949	90,319	193,422	94.1
22,210	30,162	58,023	124,261	60.4
5,512	7,486	14,402	30,842	15.0
784	1,065	2,048	4,387	2.1
19,109	25,950	49,922	106,912	51.9
<u>83,737</u>	<u>113,718</u>	<u>218,764</u>	<u>468,500</u>	<u>227.7</u>
20,514	27,859	53,595	114,776	55.8
6,261	8,502	16,357	35,028	17.0
18,441	25,046	48,190	103,215	50.4
45,216	61,407	118,142	253,019	123.2
<u>1,923,823</u>	<u>2,604,382</u>	<u>5,009,925</u>	<u>10,807,888</u>	<u>5,256.5</u>

Exhibit A3: All Programs

Selected Historical Statistics

Fiscal Years Ended June 30, 1964 through June 30, 1999

Fiscal Year ended 6-30	TAX PROGRAMS									
	Total Returns Filed		Volume of	Self Assessed 1/		Departmentally Assessed 1/			TOTAL TAXES	
	PIT	B&CT 3/	PIT Refunds	Liability	Cost	Filing Enforce.	Audit	Cost	ASSESSED	COST
1964	5,043	281	12	\$642	\$4	\$9	\$32	\$7	\$684	\$11
1965	5,150	248	24	\$706	\$5	\$10	\$39	\$7	\$755	\$12
1966	5,340	253	20	\$777	\$5	\$12	\$36	\$7	\$825	\$12
1967	5,673	262	21	\$874	\$6	\$12	\$43	\$7	\$929	\$13
1968	5,629	269	22	\$1,463	\$7	\$10	\$46	\$7	\$1,519	\$13
1969	5,587	289	68	\$1,614	\$7	\$13	\$48	\$9	\$1,675	\$14
1970	5,841	292	32	\$1,670	\$8	\$29	\$61	\$10	\$1,760	\$16
1971	5,969	324	127	\$1,696	\$9	\$30	\$70	\$11	\$1,795	\$18
1972	5,895	306	221	\$1,776	\$12	\$26	\$92	\$13	\$1,893	\$23
1973	7,239	327	4,360	\$2,375	\$20	\$34	\$95	\$12	\$2,503	\$29
1974	7,824	382	5,975	\$2,475	\$20	\$40	\$95	\$15	\$2,610	\$32
1975	8,207	394	5,678	\$3,378	\$20	\$7	\$111	\$13	\$3,495	\$32
1976	8,376	405	5,650	\$4,027	\$23	\$23	\$125	\$15	\$4,175	\$37
1977	8,909	394	5,972	\$4,326	\$24	\$17	\$154	\$18	\$4,496	\$40
1978	9,287	434	6,245	\$5,377	\$27	\$51	\$232	\$20	\$5,660	\$45
1979	9,836	478	7,768	\$6,227	\$29	\$78	\$171	\$22	\$6,475	\$50
1980	10,739	542	8,079	\$7,560	\$34	\$79	\$235	\$26	\$7,875	\$57
1981	10,950	645	8,452	\$8,880	\$41	\$102	\$280	\$29	\$9,263	\$67
1982	11,346	677	8,224	\$9,947	\$30	\$164	\$368	\$33	\$10,479	\$60
1983	11,395	961	7,624	\$9,361	\$29	\$213	\$459	\$35	\$10,034	\$61
1984	11,340	725	5,773	\$10,284	\$32	\$219	\$483	\$39	\$10,986	\$69
1985	11,976	704	6,908	\$12,303	\$38	\$164	\$568	\$45	\$13,034	\$80
1986	12,140	707	7,292	\$13,261	\$40 2/	\$275	\$540	\$53	\$14,075	\$91
1987	12,821	930	6,926	\$15,713	\$41	\$300	\$683	\$60	\$16,696	\$99
1988	13,082	803	8,057	\$15,571	\$48	\$342	\$808	\$61	\$16,721	\$107
1989	13,702	779	8,641	\$17,537	\$51	\$334	\$893	\$62	\$18,764	\$112
1990	14,167	807	8,951	\$18,689	\$57	\$527	\$832	\$67	\$20,048	\$124
1991	14,651	755	7,467	\$19,053	\$67	\$393	\$926	\$73	\$20,372	\$140
1992	14,643	764	7,793	\$20,790	\$70	\$330	\$1,101	\$78	\$22,220	\$147
1993	14,431	731	9,194	\$20,164	\$65	\$963	\$991	\$91	\$22,119	\$156
1994	13,699	749	7,347	\$22,017	\$72	\$153	\$1,168	\$103	\$23,338	\$175
1995	13,407	775	7,469	\$21,939	\$74	\$667	\$1,055	\$116	\$23,661	\$192
1996	13,791	724	7,462	\$25,816	\$95	\$1,130	\$1,058	\$119	\$28,004	\$214
1997	13,902	756	7,643	\$24,605	\$107	\$1,176	\$1,216	\$130	\$26,997	\$237
1998	14,317	765	7,784	\$27,834	\$112	\$1,164	\$1,351	\$122	\$30,349	\$234
1999	14,498	806	8,628	\$33,977	\$100	\$1,643	\$1,199	\$135	\$36,819	\$235

1/ All amounts in millions.

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

3/ Includes Partnerships and Limited Liability Company returns

TOTAL TAXES COLLECTED		NON-TAX PROGRAMS		NON-TAX PROGRAMS				TOTAL Department Cost	Fiscal Year ended 6-30
COLLECTED	COST	COLLECTED	COST	HRA Claims Processed	HRA Costs	Political Reform Audit Costs	Other Contract Costs		
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
\$1,893	\$103	\$274	\$16	151	\$2	\$1	\$2	\$359	1999

Exhibit B: Tax Programs Self-Assessment Activities

Statement of Return Processing Activities

Fiscal Year Ended June 30, 1999

	Personal Income Tax	Bank & Corporation Tax 1/	Total
Tax Revenue			
Gross Self-Assessed Tax	\$32,861,981,480	\$6,961,106,133	\$39,823,087,613
Refunds Allowed	<u>-4,177,178,540</u>	<u>-1,213,792,872</u>	<u>-5,390,971,412</u>
Net Self-Assessed Tax	28,684,802,940	5,747,313,261	34,432,116,201
Returns Filed As a Result of Filing Enforcement Activities	<u>-453,076,369</u>	<u>-2,343,001</u>	<u>-455,419,370</u>
Voluntarily Reported Self-Assessed Tax	<u>\$28,231,726,571</u>	<u>\$5,744,970,260</u>	<u>\$33,976,696,831</u>
Units Processed			
Number of Returns Processed	14,498,432	806,078	15,304,510
Number of Refunds Processed	<u>8,628,348</u>	<u>104,448</u>	<u>8,732,796</u>
Total Number of Units Processed	<u>23,126,780</u>	<u>910,526</u>	<u>24,037,306</u>
Cost of Returns and Refunds Processed	\$29,787,072	\$17,091,530	\$46,878,602
Cost of Total Self-Assessed Activities	\$68,405,217	\$30,321,242	\$98,726,459
Paid Hours of Returns and Refunds Processed	1,138,201	629,174	1,767,375
Paid Hours of Total Self-Assessed Activities	2,313,190	1,084,610	3,397,800
Statistics			
Total Cost per Paid Hour	\$ 29.57	\$ 27.96	\$ 29.06
Total Paid Hours Per Unit Processed	0.10	1.19	0.14
Total Paid Hours Per Return Processed	0.16	1.35	0.22
Total Cost Per Unit Processed	\$ 2.96	\$ 33.30	\$ 4.11
Average Tax Per Return	\$ 1,947.23	\$ 7,127.06	\$ 2,220.04
Average Refund Allowed Per Claim	\$ 484.12	\$ 11,621.03	\$ 617.32

1/ Does not include the 76,852 Exempt Organization returns filed.

Exhibit C1: Tax Programs Filing Enforcement Activities

Comparative Schedule of Net Assessments

Fiscal Years Ended June 30, 1998 and 1999

	Net Assessments		Change	Percent Change
	1998/99	1997/98		
Personal Income Tax				
Filing Enforcement				
Returns Filed As A Result of:				
Demand-to-File Letters	\$149,984,288	\$148,881,921	\$1,102,367	0.7%
Assessment Notices	303,092,081	293,832,687	9,259,394	3.2%
Final Assessments Due to:				
No Return Filed	607,513,074	512,058,118	95,454,956	18.6%
Subtotal Filing Enforcement	\$1,060,589,443	\$954,772,726	\$105,816,717	11.1%
Residency Determination	2,656	-19,467	22,123	-113.6%
Investigations	1,842,009	1,264,844	577,165	45.6%
Total Personal Income Tax	<u>\$1,062,434,108</u>	<u>\$956,018,103</u>	<u>\$106,416,005</u>	11.1%
Bank & Corporation Tax				
Filing Enforcement				
Returns Filed As A Result of:				
Letters & Assessments	\$2,343,001	\$2,403,820	-\$60,819	-2.5%
Final Assessments Due to:				
No Return Filed	568,842,068	182,249,891	386,592,177	212.1%
Subtotal Filing Enforcement	\$571,185,069	\$184,653,711	386,531,358	209.3%
Investigations	44	25,812	-25,768	-99.8%
Secretary of State Penalty	9,402,500	23,255,623	-13,853,123	-59.6%
Revivor	747	4,903	-4,156	-84.8%
Total Bank & Corporation Tax	<u>\$580,588,360</u>	<u>\$207,940,049</u>	<u>\$372,648,311</u>	179.2%
Total Filing Enforcement Programs	<u>\$1,643,022,468</u>	<u>\$1,163,958,152</u>	<u>\$479,064,316</u>	41.2%
Cost of Filing Enforcement Activities	\$15,489,966	\$13,580,714	\$1,909,252	
Cost Benefit Ratio	\$106.07	\$85.71	\$20.36	
Paid Hours for Filing Enforcement				
Activities	571,432	455,131	116,301	

Exhibit C2: Tax Programs Filing Enforcement Activities

Comparative Schedule of Returns Filed

Fiscal Years Ended June 30, 1998 and 1999

	Demand Letters and Assessments Issued		Returns Filed		Amount Tax Assessment	
	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
Personal Income Tax						
Demand Letters	718,781	607,372	72,664	75,737	\$149,984,288	\$148,881,921
Assessment Notices	429,109	405,661	165,162	169,060	303,092,081	293,832,687
Subtotal	<u>1,147,890</u>	<u>1,013,033</u>	<u>237,826</u>	<u>244,797</u>	<u>\$453,076,369</u>	<u>\$442,714,608</u>
Final Assessments Due to: No Returns Filed	<u>191,283</u>	<u>160,864</u>			<u>607,513,074</u>	<u>512,058,118</u>
Total Personal Income Tax	<u>1,339,173</u>	<u>1,173,897</u>	<u>237,826</u>	<u>244,797</u>	<u>\$1,060,589,443</u>	<u>\$954,772,726</u>
Bank & Corporation Tax						
Demand Letters Mailed 1/ Assessment Notices Issued	56,492 16,790	30,788 13,426				
Subtotal	<u>73,282</u>	<u>44,214</u>	<u>1,870</u>	<u>2,279</u>	<u>\$2,343,001</u>	<u>\$2,403,820</u>
Final Assessments Due to: No Returns Filed	<u>94,670</u>	<u>154,667</u>			<u>568,842,068</u>	<u>182,249,891</u>
Total Bank & Corporation Tax	<u>167,952</u>	<u>198,881</u>	<u>1,870</u>	<u>2,279</u>	<u>\$571,185,069</u>	<u>\$184,653,711</u>
Total Tax Programs	<u>1,507,125</u>	<u>1,372,778</u>	<u>239,696</u>	<u>247,076</u>	<u>\$1,631,774,512</u>	<u>\$1,139,426,437</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, 1998 and 1999

	Net Assessments			Percent Change
	1998/99	1997/98	Change	
Personal Income Tax				
Desk Audit	\$73,472,852	\$65,748,724	\$7,724,128	11.7%
Federal Audit Reports	234,491,989	340,397,536	-105,905,547	-31.1%
Field Audits	47,867,660	28,709,761	19,157,899	66.7%
Subtotal	\$355,832,501	\$434,856,021	(\$79,023,520)	-18.2%
Mathematical Verification	69,471,584	75,646,472	-6,174,888	-8.2%
Total Personal Income Tax	\$425,304,085	\$510,502,493	(\$85,198,408)	-16.7%
Bank & Corporation Tax				
Federal Audit Reports	\$124,690,208	\$89,091,168	\$35,599,040	40.0%
Non-Appportioning Audits				
Central Office	8,263,011	5,727,028	2,535,983	44.3%
Field	35,638,340	15,641,639	19,996,701	127.8%
Appportioning Audits				
Central Office	8,787,554	6,456,854	2,330,700	36.1%
Field	570,598,051	683,328,317	-112,730,266	-16.5%
Exempt Corporation Audits	722,423	27,521,202	-26,798,779	-97.4%
Subtotal	\$748,699,587	\$827,766,208	-\$79,066,621	-9.6%
Mathematical Verification	25,040,870	12,829,779	12,211,091	95.2%
Total Bank & Corporation Tax	\$773,740,457	\$840,595,987	-\$66,855,530	-8.0%
Total Tax Programs	\$1,199,044,542	\$1,351,098,480	(\$152,053,938)	-11.3%
Total Returns Audited	15,081,994	14,735,126	346,868	2.4%
Total Returns Changed	2,476,906	2,743,891	-266,985	-9.7%
Cost of Operation	\$117,375,351	\$114,101,241	\$3,274,110	
Paid Hours	3,459,707	3,171,105	288,602	9.1%
Statistics				
Cost Per Paid Hour	\$33.93	\$35.98	\$11.34	
Net Assessments Per Dollar Cost	\$10.22	\$11.84	-\$46.44	
Cost Per Return Audited	\$79.50	\$91.69	-\$438.36	
Returns Audited Per Paid Hour	4.4	4.6	1.2	
Net Assessment Per Return Changed	\$484.09	\$492.40	\$569.52	
% Return Changes to Returns Audited	16.42%	18.62%	-76.97%	

Exhibit D2: Tax Programs

Tax Audit Activities

Comparative Schedule of Returns Audited

Fiscal Years Ended June 30, 1998 and 1999

	Changes to Tax		No Changes to Tax		Total Audits	
	1998/99	1997/98	1998/99	1997/98	1998/99	1997/98
Personal Income Tax						
Desk Audit	240,461	358,396	494,147	175,515	734,608	533,911
Federal Audit Reports	144,101	138,106	2,860	2,212	146,961	140,318
Field Audits	1,189	1,449	2,158	1,177	3,347	2,626
Subtotal	385,751	497,951	499,165	178,904	884,916	676,855
Mathematical Verification	2,075,981	2,090,513	12,090,924	11,746,240	14,166,905	13,836,753
Total Personal Income Tax	2,461,732	2,588,464	12,590,089	11,925,144	15,051,821	14,513,608
Bank & Corporation Tax						
Federal Audit Reports	2,481	3,673	551	1,317	3,032	4,990
Non-Appportioning Audits						
Central Office	486	391	453	448	939	839
Field	58	36	728	372	786	408
Apportioning Audits						
Central Office	791	1,025	510	555	1,301	1,580
Field	831	1,022	192	238	1,023	1,260
Exempt Corporation Audits	945	4,636	887	1,680	1,832	6,316
Subtotal	5,592	10,783	3,321	4,610	8,913	15,393
Mathematical Verification	9,582	144,644	11,678	61,481	21,260	206,125
Total Bank & Corporation Tax	15,174	155,427	14,999	66,091	30,173	221,518
Total Tax Programs	2,476,906	2,743,891	12,605,088	11,991,235	15,081,994	14,735,126

Exhibit E: Tax Programs

Tax Collection Activities

Statement of Tax Collection Activities

Fiscal Year Ended June 30, 1999

	Personal Income Tax	Bank & Corporation Tax	Total
Collection Revenue			
Beginning Total Available for Collection (7/1/98)	\$3,460,196,699	\$585,866,401	\$4,046,063,100
Added During 1998/99	2,928,973,803	1,167,337,969	4,096,311,772
Abated During 1998/99	<u>-928,463,927</u>	<u>-255,962,220</u>	<u>-1,184,426,147</u>
Total Available for Collection	\$5,460,706,575	\$1,497,242,150	\$6,957,948,725
Accounts Collected:			
Automated 1/	\$798,230,243	\$534,317,883	\$1,332,548,126
Manual 2/	<u>442,768,810</u>	<u>117,740,280</u>	<u>560,509,090</u>
Total Collected	\$1,240,999,053	\$652,058,163	\$1,893,057,216
Discharged	<u>614,282,099</u>	<u>61,637,905</u>	<u>675,920,004</u>
Total Accounts Closed	<u>\$1,855,281,152</u>	<u>\$713,696,068</u>	<u>\$2,568,977,220</u>
Ending Total Available for Collection (6/30/99)	<u><u>\$3,605,425,423</u></u>	<u><u>\$783,546,082</u></u>	<u><u>\$4,388,971,505</u></u>
Collection Accounts			
Total Number of Accounts (7/1/98)	997,759	256,616	1,254,375
Total Number of Accounts (6/30/99)	<u>949,744</u>	<u>290,166</u>	<u>1,239,910</u>
Change in Collection Accounts	<u><u>-48,015</u></u>	<u><u>33,550</u></u>	<u><u>-14,465</u></u>
Cost of Operation	\$81,270,399	\$21,964,972	\$103,235,371
Paid Hours	1,950,658	621,136	2,571,794
Statistics			
Cost Per Paid Hour	\$41.66	\$35.36	\$40.14
Tax Collected Per Dollar Cost	\$15.27	\$29.69	\$18.34
Percentage of Available Inventory Collected	22.7%	43.6%	27.2%
Percentage of Amount Available Closed	34.0%	47.7%	36.9%
Percent Change between Beginning and Ending Inventory	4.2%	33.7%	8.5%

1/ Automated billing and voluntary payments by taxpayers.

2/ Tax Collector activities to secure payment from non compliant taxpayers.

Exhibit F1: Non-Tax Collection Program Inter-Agency Intercept Collections

Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 1998 and 1999

	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Change	Percent Change
Participating Agency Types:				
State agencies				
City agencies	76	76	0	0.0%
County agencies	25	22	3	13.6%
Federal agencies	46	49	-3	-6.1%
	1	1	0	0.0%
Total Participants	<u>148</u>	<u>148</u>	<u>0</u>	0.0%
Collection Volumes				
State agencies				
City agencies	384,123	293,096	91,027	31.1%
County agencies	20,891	12,155	8,736	71.9%
Federal agencies	87,634	68,197	19,437	28.5%
	3,793	96,518	-92,725	-96.1%
Total Collection Volumes	<u>496,441</u>	<u>469,966</u>	<u>26,475</u>	5.6%
Collection Revenues				
State agencies				
City agencies	\$80,348,186	\$56,164,465	\$24,183,721	43.1%
County agencies	2,550,098	1,371,499	1,178,599	85.9%
Federal agencies	13,770,409	8,777,707	4,992,702	56.9%
Total Collection Revenues	<u>1,530,015</u>	<u>29,994,151</u>	<u>-28,464,136</u>	-94.9%
	<u>\$98,198,708</u>	<u>\$96,307,822</u>	<u>\$1,890,886</u>	2.0%
Cost of Operation				
	\$724,110	\$155,230	\$568,880	
Paid Hours				
	8,676	4,935	3,741	
Statistics				
Cost Per Paid Hour				
Revenue Collected Per Dollar Cost	\$83.46	\$31.45	\$152.07	
Revenue Collected Per Paid Hour	\$135.61	\$620.42	\$3.32	
Average Revenue Per Volume	\$11,318.43	\$19,515.26	\$505.45	
	\$197.81	\$204.93	\$71.42	

Exhibit F2: Non-Tax Collection Program Child Support Collections

Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 1998 and 1999

	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Change	Percent Change
Demand for Payment Notices Sent				
	186,954	192,384	-5,430	-2.8%
Levies Issued:				
Bank Accounts				
Wages	24,281	13,237	11,044	83.4%
Total Levies Issued	485,140	403,179	81,961	20.3%
	509,421	416,416	93,005	22.3%
Gross Revenue Collected for Child Support 1/ Collection Volumes	\$67,894,827	\$63,036,043	\$4,858,784	7.7%
	748,621	646,293	\$102,328	15.8%
Cost of Operations				
Paid Hours	\$6,990,811	\$5,695,672	\$1,295,139	22.7%
	193,422	154,448	38,974	25.2%
Statistics				
Cost Per Paid Hour				
Revenue Collected Per Dollar Cost	\$36.14	\$36.88	\$33.23	
Revenue Collected Per Paid Hour	\$9.71	\$11.07	\$3.75	
	\$351.02	\$408.14	\$124.67	

1/ Does not include \$37,225,000 collected in 1998/99 nor \$26,334,000 collected in 1997/98 through the Interagency Intercept Program.

Exhibit F-3: Non-Tax Collection Program Vehicle Registration Collections

Comparative Schedule of Collection Activities

Fiscal Years Ended June 30, 1998 and 1999

	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Change	Percent Change
Demand for Payment Notices Sent	1,154,789	1,339,317	-184,528	-13.8%
Levies Issued:				
Bank Accounts	9,242	22,996	-13,754	-59.8%
Wages	<u>163,474</u>	<u>197,571</u>	<u>-34,097</u>	-17.3%
Total Levies Issued	<u>172,716</u>	<u>220,567</u>	<u>-47,851</u>	-21.7%
Gross Revenue Collected for DMV ^{1/}	\$85,155,660	\$87,318,499	-\$2,162,839	-2.5%
Cases Closed	653,835	662,526	-8,691	-1.3%
Cost of Operations	\$5,486,859	\$6,671,621	-\$1,184,762	-17.8%
Paid Hours	124,261	176,001	-51,740	-29.4%
Statistics				
Cost Per Paid Hour	\$44.16	\$37.91	\$22.90	
Revenue Collected Per Dollar Cost	\$15.52	\$13.09	\$1.83	
Revenue Collected Per Paid Hour	\$685.30	\$496.13	\$41.80	

1/ Does not include \$5,919,000 collected in 1998/99 nor \$1,755,000 collected in 1997/98 through the Interagency Intercept Program.

Exhibit F4: Non-Tax Collection Program

Student Loan Collections

Schedule of Collection Activities

Fiscal Year Ended June 30, 1999

	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Change	Percent Change
Demand for Payment Notices Sent	50,034	155,567	-105,533	-67.8%
Levies Issued:				
Bank Accounts	466	3,226	-2,760	-85.6%
Wages	<u>192,831</u>	<u>118,137</u>	<u>74,694</u>	63.2%
Total Levies Issued	<u>193,297</u>	<u>121,363</u>	<u>71,934</u>	59.3%
Gross Revenue Collected for Student Loan Debts	\$23,020,127	\$14,464,612	\$8,555,515	59.1%
Cases Closed	143,331	129,721	13,610	10.5%
Cost of Operations	\$2,391,928	\$2,590,152	-\$198,224	-7.7%
Paid Hours	106,912	74,572	32,340	43.4%
Statistics				
Cost Per Paid Hour	\$22.37	\$34.73	-\$6.13	
Revenue Collected Per Dollar Cost	\$9.62	\$5.58	-\$43.16	
Revenue Collected Per Paid Hour	\$215.32	\$193.97	\$264.55	

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

Comparative Schedule of Activities

Fiscal Years Ended June 30, 1998 and 1999

	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Change	Percent Change
Number of Claims Processed				
Allowed from:				
Property Owners	13,907	17,388	-3,481	-20.0%
Renters	126,918	142,012	-15,094	-10.6%
Not Allowed from:				
Property Owners	822	598	224	37.5%
Renters	9,393	6,573	2,820	42.9%
Total Number of Claims Processed	<u>151,040</u>	<u>166,571</u>	<u>-15,531</u>	-9.3%
Amount of Claims Allowed				
Property Owners	\$1,148,123	\$1,394,682	-\$246,559	-17.7%
Renters	<u>11,143,201</u>	<u>12,180,306</u>	<u>-1,037,105</u>	-8.5%
Total Amount of Claims Processed	<u>\$12,291,324</u>	<u>\$13,574,988</u>	<u>-\$1,283,664</u>	-9.5%
Claimant Assistance Contacts				
Voice-Activated Response Phone Calls	45,193	61,220	-16,027	-26.2%
Manual Phone Calls, Correspondence, and Counter Contacts	<u>74,658</u>	<u>79,785</u>	<u>-5,127</u>	-6.4%
Total Claimant Assistance Contacts	<u>119,851</u>	<u>141,005</u>	<u>-21,154</u>	-15.0%
Cost of Operations	\$2,437,913	\$1,903,294	\$534,619	28.1%
Paid Hours	114,776	58,112	56,664	97.5%
Statistics				
Total Cost Per Paid Hour	\$21.24	\$32.75	-\$11.51	-35.1%
Paid Hours Per Claim Processed	0.76	0.35	0.41	117.8%
Average Amount of Claim Processed	\$81.38	\$81.50	-\$0.12	-0.1%

Exhibit G2: Other Non-Tax Programs

Political Reform Audit

Comparative Schedule of Activities

Fiscal Years Ended June 30, 1998 and 1999

	Fiscal Year Ended June 30, 1999	Fiscal Year Ended June 30, 1998	Change	Percent Change
Political Reform Audits Completed				
Candidates & Controlled Committees	77	207	-130	-62.8%
General Purpose Committees	149	58	91	156.9%
Lobbying Entities	4	66	-62	-93.9%
Statewide Measures	31	26	5	19.2%
Total Audits Completed	261	357	-96	-26.9%
Political Reform Audits in Process at FYE				
Candidates & Controlled Committees	120	20	100	500.0%
General Purpose Committees	4	40	-36	-90.0%
Lobbying Entities	0	4	-4	0.0%
Statewide Measures	18	3	15	500.0%
Total Audits in Process at FYE	142	67	75	111.9%
Cost of Operations	\$1,238,190	\$1,125,894	\$112,296	10.0%
Paid Hours	35,028	33,971	1,057	3.1%
Statistics				
Cost Per Paid Hour	\$35.35	\$33.14	\$2.21	6.7%
Paid Hours per Audit Completed	134.21	95.16	39.05	41.0%
Average Cost per Audit Completed	\$4,744.02	\$3,153.76	\$1,590.26	50.4%

GLOSSARY

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

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

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

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

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

D **Desk Audits** Audits of personal income tax returns conducted by telephone and correspondence from FTB's 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-appportioning corporations.
- Non-Appportioning Field** Audits conducted in a California location other than at the central office of non-appportioning corporations. Activities include both the field audit and central office support activities.

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:

