

# Tax Gap Update PowerPoint

Franchise Tax Board Meeting  
Thursday, September 9, 2021

## Slide 1: Tax Gap Update

Presenters' Names: Craig Scott – Legal Division and Ryan Muramoto – Audit Division  
September 9, 2021

## Slide 2: The tax gap is the difference between the amount of taxes legally owed and what is voluntarily paid.

- Underreporting
- Underpaying
- Non-filing

## Slide 3: FTB's Mission Statement

Our mission is to help taxpayers file tax returns timely, accurately, and pay the correct amount to fund services important to Californians.

## Slide 4: Strategic Goal #2

*A graphic showing the FTB Strategic Goal Parthenon is shown on screen.*

Fairly administer the law to ensure taxpayers file and pay the correct amount

## Slide 5: Compliance Action Committee (CAC)

- Provides governance
- Collaborative approach through enterprise participation

## Slide 6: Effective Compliance – A Strategic Approach

*A pie chart is displayed indicating Fiscal Year 2018/2019 Blue Path at 81% and Red Path at 19%.*

- Blue Path  
Revenue that comes from compliant taxpayers
- Red Path  
Revenue that comes from helping taxpayers become compliant

## Slide 7: Measuring the Tax Gap

*A bar chart comparing Fiscal Years 2004/2005 to Fiscal Year 2018/2019. The data is shown below.*

- Fiscal year 2004/05 – \$6.5 billion
- Fiscal year 2018/19 – \$24 billion

## **Slide 8: Four Prong Approach**

- Data Collection
- Education and Outreach
- Focus on Opportunities
- Current Compliance Efforts

## **Slide 9: Data Collection**

- Use internal tools and statistical data
- Reduces number of letters sent
- Proactive vs. reactive approach

## **Slide 10: Education and Outreach**

Use gathered data to help taxpayers self-comply

- FTB's public webpages – self service options
- Gig economy webpage
- Improve our notices so they are clear and informative
- Tax News and tax conferences
- Volunteer Income Tax Assistance (VITA)
- Training staff

## **Slide 11: Focus on Opportunities**

Educational letters and pilot projects

- Educate taxpayers
- Provide helpful resources
- Allows for self-correction

Benefits

- Less intrusive contact vs. opening an audit

## **Slide 12: Focus on Opportunities (Continued)**

Nudge taxpayers so they can self-comply

- Itemized deductions
- Corporate miscellaneous expenses
- California like-kind exchanges
- Corporate non-filers
- Cannabis related businesses

### **Slide 13: Current Compliance Efforts**

Measure the results of each compliance strategy

- Current compliance efforts
  - Head of Household (HOH) validation
  - eLevy and eGarnishment
  - Top 500 List

### **Slide 14: Addressing Tax Gap Remains a Top Priority**

*The EDR2 logo and the top portion of California Form 593, Real Estate Withholding Statement, appears on screen.*

Future compliance efforts

- EDR<sup>2</sup>
- Withholding

### **Slide 15: Questions?**

### **Slide 16: Public Comment**