

chair **Betty T. Yee**
member **Jerome E. Horton**
member **Michael Cohen**

State of California
Franchise Tax Board

11.16.15

To: Hon. Mark Leno, Chair
Joint Legislative Budget Committee

Mr. Daniel Alvarez
Secretary of the Senate

From: Selvi Stanislaus

**Subject: Supplemental Report of the 2010-11 Budget Package - Item #7730-001-0001
FTB's Audit and Compliance Programs**

Memorandum

Enclosed you will find FTB's Supplemental Report that is required to be prepared and submitted to the chair of the Joint Legislative Budget Committee and chairs of the legislative fiscal committees. This report includes information on the hours, costs, revenues, and cost to benefit ratios associated with FTB's audit and compliance activities. The information is presented for the past, current, and budget years.

The factual contents of the report are true, accurate, and complete to the best of my knowledge.

If you have any questions, please contact Jeanne Harriman at 916.845.6431.



Executive Officer

cc: Peggy Collins, Joint Legislative Budget Committee
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Jeanne Harriman, Chief, Finance & Executive Services Division, Franchise Tax Board

Enclosure

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

The Supplemental Report of the 2010 Budget Act directed the Franchise Tax Board (FTB) to provide an annual report on its audit and compliance activities. The 2010 Budget Act requests the following information:

FTB shall provide (a) description of the methodological approach used to conduct its audit and compliance activities, including the work plans relating to these activities:

(b) The number of hours and costs, costs associated with direct audit and compliance activities, as well as supporting overhead activities;

(c) The revenues associated with its audit and compliance activities;

(d) The average and marginal benefit/cost ratios of all its audit and compliance activities; and

(e) Data regarding the revenue and cost impacts associated with any increase or decrease in resources devoted to audit and compliance activities.

Increases in resources related to workload growth augmentations devoted to audit and compliance activities will be reported as a component of items (b) and (c). Increases in resources related to specific program enhancements of audit and compliance activities will be reported as a component of item (e).

Items (b), (c), (d), and (e) should include prior-year actual data, current-year estimated data, and budget-year projected data. The information shall also be provided as part of any budget change proposal submitted to the Legislature regarding resources for auditing or compliance activities.

This report contains the requested information for FTB's audit and compliance activities and includes the following Exhibits:

- Exhibit I – Collection Program Workplan
- Exhibit II – Collection Program Schedule of Revenue
- Exhibit III – Audit Program Workplan
- Exhibit IV – Audit Program Schedule of Revenue
- Exhibit V – Filing Compliance Program Workplan
- Exhibit VI – Filing Compliance Program Schedule of Revenue
- Exhibit VII – Tax Return Validation Program Workplan
- Exhibit VIII – Tax Return Validation Program Schedule of Revenue
- Exhibit IX – Budget Change Proposal Schedule of Revenue
- Exhibit X – Glossary of Workplan Activities

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

Accounts Receivable Management Program

Background

The collection program of FTB involves collection of accounts receivable that the department establishes by its self-assessment, audit, and filing enforcement activities. The Accounts Receivable Management Division within FTB administers the collection program. The Accounts Receivable Collections System (ARCS), an automated billing/collection system, manages the collection process by issuing billings, notices, liens, levies, attachment of assets, and when further action is necessary, routes the accounts to collectors. The division workloads are organized as automated/reactive and proactive and collected \$2.9 billion during fiscal year 2014/15. For 2013/14, the overall cost benefit ratio (CBR) totaled \$14 to \$1. For 2014/15, the CBR totaled \$15 to \$1. Beginning in 2014/15, the business entities revenue reporting methodology changed to eliminate possible over counting due to system transactions and adjustments. A new report was created to track revenue based on the business entities accounting system, rather than the collection system as was previously done. This report tracks both credits and any associated debits, resulting in a more accurate reporting of business entities revenue. From this point forward, business entities actual and projected revenue amounts are reported using the new methodology.

- **Automated/Reactive Collections**

- In 2014/15, approximately \$2.5 billion, representing 86 percent of total revenue collected by the Accounts Receivable Management Division was attributed to the automated notices and levies issued through ARCS and the immediate reactive staff response to taxpayer inquiries about those notices and levies. As part of that response, reactive collection staff negotiates payment in full or establishes and maintains installment agreements on the delinquent accounts. In 2014/15, the overall average CBR for automated/reactive collections totaled \$18 to \$1.
- For 2014/15, the installment agreement process generated \$524 million, representing 21 percent of the total revenue for automated/reactive revenue collections.

- **Proactive Collections**

- In 2014/15, proactive collection revenue totaled \$363 million, representing 14 percent of total revenue collected by the Accounts Receivable Management Division. Proactive staff handles accounts that were not resolved in the automated and reactive processes. Accounts are assigned through the ARCS system based on specific criteria, and collectors initiate contact with delinquent taxpayers to ensure that all taxpayers pay the proper amount of tax they owe. For 2014/15, the overall average CBR for proactive collections totaled \$6 to \$1.

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

The following six bureaus within the division are tasked with the department's diverse revenue collection activities.

- Statewide Collection Bureau
- Personal Income Tax (PIT) Billing, Compliance, and Collection Bureau
- Business Entity (BE) Collection Bureau
- Field and Complex Account Collection Bureau
- Special Programs Bureau
- Advisory, Analysis and Services Bureau

The **Statewide Collection Bureau** proactively collects revenue from personal income taxpayers to ensure that all taxpayers pay the proper amount of tax they owe. The bureau also administers the two non-tax debt collection programs. The first is for motor vehicle license fees, known as Vehicle Registration Collections and the second is collections for courts throughout the State of California, known as Court Ordered Debt. These non-tax workloads are budgeted separately and are not included in the Tax Program collection revenue figures or in the workplan. For 2014/15, Vehicle Registration Collection Program revenue totaled \$134 million and Court Ordered Debt Program revenue totaled \$108 million. In addition, the bureau administers the Private Debt Collection Program, which contracts with an outside vendor to collect from delinquent taxpayers, and Interagency Intercept, State, Multistate, and Federal Treasury Offset Programs.

The **PIT Billing, Compliance, and Collection Bureau** provides direct taxpayer assistance for personal income taxpayers, ranging from general assistance to processing the most complex and sensitive accounts with balances exceeding \$25,000. Bureau staff assist taxpayers in resolving outstanding collections and compliance issues through the personal income tax collection contact center, which utilizes an automated call distribution (ACD) system. The bureau is the first point of contact when an individual receives a billing notice or collection action, such as a bank levy or wage garnishment. In addition, taxpayers can resolve outstanding debts through a self-service interactive voice response (IVR) system and electronic installment agreement application (eIA), accessed from the FTB website. The bureau also processes correspondence received from taxpayers or their representative and implemented a Live Chat option to assist taxpayers.

The **Business Entity Collection Bureau** administers the Business Entity Collection Program. The bureau's primary responsibility is to ensure all corporations, partnerships, and limited liability companies (LLC's) meet their obligation to pay the proper amount owed. The bureau uses available resources and collection tools (ACD, IVR, Live Chat, business suspension, and bank levy) to collect the proper amount of taxes, increase taxpayer compliance, and educate taxpayers to prevent future liabilities. The bureau includes a business entity contact center and proactive collectors working assigned accounts, including the most complex and sensitive business entity accounts with balances exceeding \$25,000. The bureau also processes correspondence received from taxpayers and/or their representative(s).

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

The **Field and Complex Account Collection Bureau** includes the PIT complex account resolution teams, which handle proactive collections on the most complex and sensitive personal income tax accounts with balances exceeding \$25,000. This bureau also administers collection on the Top 500 Delinquent Personal Income Tax and Business Entity accounts. Field office collectors make field collection calls on the most difficult to collect PIT and BE accounts that could not be resolved from FTB's central office. In addition, the field offices provide public counter service to taxpayers.

The **Special Programs Bureau** provides specialized collection expertise for the Accounts Receivable Management Division. The bureau manages the specialized collection activities such as liens, bankruptcy, offers in compromise, innocent spouse, business transfer accounts and decedent collections.

The **Analysis, Advisory and Services Bureau** provides centralized support for the collection program. The bureau provides divisional budget and financial reporting, professional collector training, expert technical collection guidance regarding collection policy and law, collection systems analysis and direct support to collection staff by processing account transactions, Installment Agreement (IA) requests and correspondence.

Workplan Development

The collection program workplan (Exhibit I) is developed using various analytical tools, including historical trend analysis, current accounts receivable inventories, and changes in audit and filing enforcement activities. The workplan is the basis for allocating collection resources to collect in an efficient manner and includes the hours and costs associated with direct tax collection activities as well as supporting overhead activities. Please refer to Exhibit X for a description of workplan activities.

Current Issues

During 2014/15, FTB's collection program generated \$2.9 billion, which is two percent above projected revenue and 1 percent above revenue collected in 2013/14. Fiscal year 2014/15 was the highest revenue year in the history of the program.

At the end of 2014/15, the total accounts receivable balance was at \$7.9 billion. Accounts receivable for personal income tax decreased from \$6.5 billion to \$6.0 billion. Business entity tax accounts receivable decreased from \$2.3 billion to \$1.9 billion. The overall decrease in accounts receivable was ten percent. The decrease is in part due to a repositioning of accounts that were considered uncollectible and no longer cost effective to pursue.

During 2014/15, revenue for personal income tax collections was \$2.4 billion, an increase of \$164 million from the previous year. In FY 2014/15, the value of pre-collection notices increased by \$142 million resulting in a rise in revenue for personal income tax. Revenue for business entity tax collections was \$472 million in 2014/15, a decrease of \$141 million from 2013/14. The decrease, in part, was attributable to the change in methodology used to track revenue for business entity accounts.

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

Revenue

The collection program revenue, cost, and CBR for prior year actual data, current year estimated data, and budget year projected data is provided in Exhibit II. Refer to Exhibit IX for the schedule of revenue associated with Budget Change Proposals.

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

Audit Program

Background

The Audit program incorporates FTB's strategic goals. The program works with taxpayers and their representatives to administer and enforce the law effectively to ensure that all taxpayers meet their obligations to file and pay the proper amount owed. The program utilizes innovative methods to promote these objectives through customer service, education, self-compliance letters, initiatives, and partnerships with other federal and state agencies. In performing these activities, the program considers the effects on taxpayers, increases the timeliness and effectiveness of enforcement actions, and focuses on adherence to FTB Regulation Section 19032, Audit Procedures, to complete audits in a timely manner. When new issues arise, FTB collaborates with subject matter experts to operate its programs in an efficient manner and seeks better use of technology and data. FTB continues to seek new opportunities to form partnerships with taxpayers and other agencies and promote best audit practices.

FTB's Audit Division administers the audit program, which is organized into four operating units:

- **National Business Audit Bureau** – audits business entities including corporations, banks, and financials that conduct business both within and outside of California.
- **Individual & Pass Through Entity Audit Bureau** – audits individual taxpayers and pass through entities including partnerships, S-corporations, limited liability companies, estates, and trusts. Conducts specialized programs including federal/state and automated audit programs.
- **Audit Services, Administration, & Protest Bureau** – provides protest, and audit services and administrative activities for audit programs.
- **Technical Resource & Services Bureau** – provides technical service and support to FTB programs and stakeholders.

The primary responsibility of the audit positions is to conduct examinations of taxpayer income tax returns, determine the propriety of self-assessed tax liabilities, issue notices of proposed assessment to taxpayers, and resolve taxpayer disputes.

Approximately 392,000 tax returns were examined during 2014/15, which accounted for \$1.49 billion in net assessments and denied refund claims.

The audit program benefits the state in several ways:

- An audit presence and issuance of assessments or penalties encourages compliance and ensures taxpayers meet their obligations to pay the correct amount of tax.
- The enforcement of tax law secures unreported tax revenues needed to fund state operations.
- Auditing provides self-compliant taxpayers with assurance that everyone with a valid tax liability pays their correct amount.

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

Workplan Development

The audit program workplan (Exhibit III) covers all activities conducted within the Audit Division and includes the hours and costs associated with direct audit activities as well as supporting overhead activities. Please refer to the Glossary of Workplan Activities (Exhibit X) for a description of workplan activities. Personnel hours are allocated to these activities based on legislative mandates, audit program priorities and budgeted revenue goals.

The methodology to calculate CBRs, as well as the matrix format, is in the manner prescribed by the California State Auditor and the Department of Finance. Workload CBRs are obtained through the comparison of certain direct and indirect costs to expected revenue benefits. The revenue used to calculate CBR is based on net tax assessments (less tax abatements). The costs used in the calculation of CBR include direct audit and support costs incurred within the Audit Division, as well as indirect costs associated with producing audit assessments incurred elsewhere in the department (such as Legal). However, costs included in the calculation of CBR do not include collection costs or some departmental fixed costs. The audit program regularly evaluates its modeling process and individual audit models to identify potentially higher CBR workloads. Audit models are then ranked according to CBR, and resources are generally allocated to the models based upon that ranking.

The primary purpose of the CBR schedule is to provide a format for prioritizing audit workloads and to provide management with performance measures for program decisions. A secondary purpose of the CBR is to give a sense of the relative value of audits that have been identified but cannot be undertaken because of resource constraints. The CBR schedule is not meant to be a financial accounting document since costs frequently do not occur in the same accounting period as assessments, and assessments issued in one year can be reversed and may reflect a revenue decrease several years after issuance.

Current Issues

During 2014/15, FTB's audit program generated \$1.49 billion in net assessments and denied refund claims. The audit program continues to address high profile and significant workloads in addition to its operational workloads.

Tax Gap

The tax gap is the difference between the amount of taxes legally owed and voluntarily paid. Addressing issues that cause taxpayers to underreport, under pay, or to not file their returns remains a top priority for FTB. These priorities are complemented by efforts to educate the citizens of California regarding prevalent areas of noncompliance. FTB continues to apply new tools or data sources that will aid in the detection of taxpayers who contribute to the tax gap by utilizing or promoting schemes to evade taxes.

In 2014/15, FTB efforts to reduce the tax gap were geared toward addressing non-compliance in the higher CBR traditional audit workloads.

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

FTB continues to pursue abusive tax shelter transactions. FTB's ongoing partnership with other states, the IRS, and other agencies enhances the sharing and exchanging of abusive tax shelter information, training, and informant leads. FTB focuses audit resources to identify, evaluate and examine these transactions and the related tax shelter penalties.

Self-compliance letters are developed in connection with projects initiated to efficiently resolve compliance issues while avoiding much of the expense and burden to the taxpayer and FTB associated with conventional audits. These projects are typically undertaken when FTB has information suggesting that taxpayers understated their tax liability. Taxpayers are given an opportunity to self assess by filing a corrected tax return and pay the additional tax (and sometimes penalties), or request a conventional audit.

Revenue

The audit program revenue, cost, and CBR for prior year actual data, current year estimated data, and budget year projected data is provided in Exhibit IV. The revenue estimates are subject to revision based on our on-going analysis of revenue trends in our audit models. Refer to Exhibit IX for the revenue schedule associated with Budget Change Proposals.

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

Filing Compliance Program

Background

The filing compliance program is administered within FTB's Filing Division, which is currently organized into three operating sections:

- Filing Enforcement
- Non Wage Withholding
- Fraud and Discovery

Filing Enforcement

The filing enforcement program identifies and contacts individuals and business entities that have a requirement to file a California tax return and have not filed. The Integrated Non-filer Compliance (INC) system uses various income sources to contact wage earners, self-employed individuals, individuals with unreported capital gains, nonresidents with California source income, individuals who have partnership income, and any other individuals with unreported income.

More than 500 million income records are provided to FTB by the Internal Revenue Service (IRS), Employment Development Department (EDD), Board of Equalization (BOE), financial institutions, and other sources. The income information is loaded into the INC system and compared against our accounting systems to determine if a tax return has been filed. Taxpayers with no record of a tax return on file are sent a letter requesting a tax return, proof that a return was filed or an explanation of why a return is not required. If no response is received, either by the filing of a return or sending correspondence, the INC system continues by issuing a Notice of Proposed Assessment. If the issue is not resolved, a balance due is created and the balance due is pursued by collection staff.

Staff are involved throughout the filing enforcement cycle, performing quality assurance to ensure the correct income is associated to the correct taxpayer and perfecting account information prior to notices being issued, performing review and account analysis on the most complex accounts, processing incoming filing enforcement correspondence, and responding to taxpayer and representative phone calls and written inquiries.

The business entity nonfiler program also uses various income sources, including information from the IRS, BOE, EDD, and financial institutions, to identify potential nonfiler corporations, Limited Liability Companies, Limited Liability Partnerships and Limited Partnerships.

During 2014/15, the filing enforcement program issued approximately 910,000 Personal Income Tax Requests/Demands for Returns, 592,000 Personal Income Tax Notices of Proposed Assessment, 100,000 Business Entity Demands for Returns and 35,000 Business Entity Notices of Proposed Assessment.

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

Non Wage Withholding

The withholding services and compliance program administers non wage withholding, including the withholding program for income tax on sellers of California real estate, nonresident entertainers, nonresident independent contractors, nonresident partners and beneficiaries, and the backup withholding. The program also administers the non-admitted insurance tax program and the bulk sales certificates program. Staff educates withholding agents and the withholding agents collect withholding on payments to taxpayers at the time they have a taxable event in California. Staff also validates withholding forms and payments posted to the withholding system, and withholding credits are allocated to taxpayers. Taxpayers claim these credits when they file their returns. Staff responds to taxpayer or representative phone calls and written inquiries regarding all aspects of non wage withholding. The section also performs audits to ensure appropriate withholding is withheld and remitted to FTB and responds to questions from taxpayers, tax representatives, and withholding agents regarding notices and general withholding information questions. The discovery and compliance teams identify industries that can benefit from education and outreach activities and tailor the appropriate communication methods to reach them.

Fraud and Discovery

The fraud and discovery program uses innovative selection methods and conducts studies to detect and prevent fraudulent claims and discover taxpayers who file false claims, underreport their taxes or do not file their tax returns. The section's fraud workloads arise from referrals from several FTB business areas, as well as discovery and modeling activities to identify potential fraud patterns and schemes, for example as they relate to questionable W-2, Earned Income Tax Credits, and Child and Dependent Care claims. The accounts are worked both manually and using automation to perform mass transactions and letter generation.

During 2014/15, the fraud program manually analyzed approximately 4,900 fraud referrals, 132,000 W-2 fraud cases, 320 Child and Dependent Care fraud cases and 50,900 potential identity theft related cases (44,900 cases and 6,000 other assignments).

The discovery workloads focus on improving the filing enforcement program's effectiveness and determining the usefulness of potential new income sources. This group also analyzes taxpayer behavior to measure the direct and indirect effects of FTB's compliance activities on taxpayer behavior and coordinates tax gap studies and analysis to identify personal income tax and business entity underreporting. The Discovery group also actively pursues tax preparer compliance initiatives focused on changing the behavior of tax preparers that may be knowingly or unknowingly preparing returns incorrectly. In addition, the team is responsible for proactively identifying new fraudulent schemes and models using all available tax data and data modeling tools.

Workplan Development

The workplans for the filing compliance program (Exhibit V) are developed using historical trend analysis, workload inventories, legislative changes, and budget augmentations and reductions. Once the workplans are developed, resources are allocated based on

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

management discretion considering CBR, inventories on hand, and seasonal variances. The workplans include the hours and costs associated with filing compliance activities as well as supporting overhead activities. Please refer to Exhibit X for a description of workplan activities.

Current Issues

With the addition of the new refundable Earned Income Tax Credit, the fraud and discovery program faces a new challenge to help protect California from improper and abusive refund claims. FADS will utilize the current tools and modeling abilities to help in this endeavor.

Revenue

The filing compliance program revenue, cost, and CBR for prior year actual data, current year estimated data, and budget year projected data is provided in Exhibit VI. Refer to Exhibit IX for the revenue schedule associated with Budget Change Proposals.

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

Tax Return Validation

Background

The tax return validation activities are administered within FTB's Filing Division. The validation program resolves routine math errors, complex taxpayer errors, incomplete tax returns, keying errors, and validates e-file returns and payments. All of these activities are necessary to perfect tax returns and payments prior to the data loading to our main tax accounting systems used by the audit, collection, and filing compliance programs.

Personal Income Tax Validation

The section responsible for personal income tax return validation reviews, corrects, and approves tax assessments and refunds. The section issues return correction notices, called Tax Return Change (TRC) Notices for all personal income tax returns that do not meet the mathematical or logical criteria of the return processing system. Tax returns that cannot be processed by the automated system are referred for manual resolution. Online validation is performed on all tax returns and documents, including original returns, amended returns, fiduciary returns, and payments. Section staff also identify and refer possible fraud cases to the Fraud and Discovery Section and analyze highly complex accounts and make appropriate account adjustments. The section processes both paper and electronically transmitted documents. The Data Inspector Team links and unlinks records from TI, INC, WASS and Third Party data such as IRS, which create entities in the Taxpayer Folder. These Member Records are linked using a series of algorithms that reference demographic information such as name, name variations, address and phone numbers as it is received from multiple legacy and/or third party sources. In general terms, one or multiple members will be linked together to create either a Person entity or an Organization entity.

During 2014/15, the validation staff processed approximately 2.2 million personal income tax returns and 50,000 fiduciary returns, resulting in the issuance of approximately 360,000 RINs. Staff also analyzed and applied 329,000 payments.

Business Entity Return Validation

The Business Entity Return Validation Section is responsible for reviewing and perfecting both paper and electronically submitted business entity returns and payments. The section validates returns received from Corporations, Partnerships, Limited Liability Companies and Limited Liability Partnerships. The returns worked by the staff are returns that do not meet the processing and posting criteria for the automated front-end processing to the Business Entity Tax System. It is important to note that business entity returns and payments that do not pass front-end automated processing criteria are often the most complex and require significant manual intervention. After staff perfects the payments and returns, they generate return correction notices similar to personal income tax. This section also administers FTB's Exempt Organizations program. They review tax exempt applications, determine if organizations qualify as tax exempt, and audit tax exempt organizations. With tax exempt issues, they provide technical expertise to FTB, the Secretary of State Office, the Attorney General Office, and the general public. They process tax exempt applications, handle exempt organization correspondence, and are FTB's tax exempt call center.

Franchise Tax Board

Annual Report to the Legislature

December 1, 2015

During 2014/15, staff handled approximately 353,000 business entity returns, and analyzed and applied 109,000 payments. Business Entity Return Validation Section also assisted in resolving approximately 94,000 transactions related to Exempt Organizations, including processing returns, audits, and answering taxpayer questions.

Revenue related to tax return validation for both personal income tax and business entity validation programs was \$519 million. During 2014/15, the tax return validation program exceeded their workplan estimate for revenue.

Workplan Development

The tax return validation program primary workloads are mandated by statute and state policy. The workloads are the result of returns and payments not being successfully processed through the automated systems due to errors on the returns or returns being processed for prior years. The workplan is not dependent upon the relative CBR of the available work, rather the validation program allocates their resources based on workload priorities as determined by legislative mandates, department policies, statute of limitations, and current year processing return volumes to minimize interest paid. Further prioritization is determined based on volumes within each specialized workload. The tax return validation workplan (Exhibit VII) includes the hours and costs associated with direct tax return validation as well as supporting overhead activities. Please refer to Exhibit X for a description of workplan activities.

Revenue

The tax return validation program revenue, cost, and CBR for prior year actual data, current year estimated data, and budget year projected data is provided in Exhibit VIII. Tax return validation revenue is the result of a processing correction or billing notice for a personal income tax or business entity tax return. FTB receives 89 percent of the tax return validation revenue within four years of the initial billing. This process, which loads payment and tax return data to our main accounting systems, facilitates our collection and audit work. Refer to Exhibit IX for the revenue schedule associated with Budget Change Proposals.

**Exhibit I
Collection Program Workplan**

TAX PROGRAM CATEGORY	Actual FY 2014/2015			Planned FY 2015/2016			Proposed FY 2016/2017		
	DIRECT	SUPPORT/ OVERHEAD	TOTAL HOURS	DIRECT	SUPPORT/ OVERHEAD	TOTAL HOURS	DIRECT	SUPPORT/ OVERHEAD	TOTAL HOURS
AUTOMATED/ REACTIVE COLLECTIONS									
Direct	1,038,755	-	1,038,755	1,093,819	-	1,093,819	1,093,819	-	1,093,819
Total Automated/ Reactive Hours	1,038,755	-	1,038,755	1,093,819	-	1,093,819	1,093,819	-	1,093,819
Total Automated/ Reactive Positions			594			591			591
PROACTIVE COLLECTIONS									
Direct	577,618	-	577,618	625,733	-	625,733	625,733	-	625,733
Total Proactive Hours	577,618	-	577,618	625,733	-	625,733	625,733	-	625,733
Total Proactive Positions			330			338			338
OTHER COLLECTIONS WORKLOADS									
Filing Assistance & Public Counter	18,649	2,142	20,791	37,425	3,660	41,085	37,425	3,660	41,085
CalEMA Disaster Center Support	-	396	396	-	337	337	-	337	337
Missing Year Assessments	1,669	-	1,669	1,922	-	1,922	1,922	-	1,922
Illegal Activity Support	183	-	183	201	-	201	201	-	201
Income Tax Protestor-FAN	5,522	-	5,522	6,624	-	6,624	6,624	-	6,624
Total Other Collections Workloads Hours	26,023	2,538	28,561	46,172	3,997	50,169	46,172	3,997	50,169
Total Other Collections Workloads Positions			16			27			27
SUPPORT/OVERHEAD									
Supervision/Management		227,973	227,973		266,400	266,400		266,400	266,400
Meetings & Misc./Projects/Activities		28,538	28,538		201,302	201,302		201,302	201,302
Training	15,605	91,444	107,049	25,666	80,947	106,613	25,666	80,947	106,613
Total Support/Overhead Hours	15,605	347,955	363,560	25,666	548,649	574,315	25,666	548,649	574,315
Total Support/Overhead Positions			208			310			310
GRAND Total Hours	1,658,001	350,493	2,008,494	1,791,390	552,646	2,344,036	1,791,390	552,646	2,344,036
GRAND Total Positions			1,148			1,267			1,267
Collection Program Revenue (In Thousands)			\$2,873,970			\$2,826,730			\$2,826,730
Collection Program Cost (In Thousands)			\$196,084			\$244,812			\$244,790
Cost Benefit Ratio (\$x to \$1)			15			12			12

Exhibit II
Collection Program
Schedule of Revenue ¹

data in thousands

PY 2014/15	Workplan Revenue ²	Actual Revenue	Revenue Allocation		Cost	CBR
			Total PIT	Total BE		
Collection Program Revenue	\$2,819,189	\$2,873,970	\$2,402,423	\$471,547	\$196,084	\$15 to \$1
Automated/Reactive		\$2,510,788				
Proactive		\$363,182				

CY 2015/16	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			Total PIT	Total BE		
Collection Program Revenue		\$2,826,730	\$2,392,980	\$433,750	\$244,812	\$12 to \$1
Automated/Reactive		\$2,470,680				
Proactive		\$356,050				

BY 2016/17	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			Total PIT	Total BE		
Collection Program Revenue		\$2,826,730	\$2,392,980	\$433,750	\$244,790	\$12 to \$1
Automated/Reactive		\$2,470,680				
Proactive		\$356,050				

1.) These revenue estimates are reported at a point-in-time. Semi-annually, program area staff continue to evaluate the revenue estimates with additional data that is captured throughout the fiscal year and modifications are made as appropriate.

2.) Original Workplan revenue projection. Projection adjusted to \$2,761,788

**Exhibit III
Audit Program Workplan**

	Actual FY 2014/15			Planned FY 2015/16			Proposed FY 2016/17		
	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL
AUDIT									
Audit Direct	1,186,596		1,186,596	1,274,662		1,274,662	1,274,662		1,274,662
Audit Select - Modeling	32,284		32,284	33,357		33,357	33,357		33,357
Claims	87,905		87,905	201,226		201,226	201,226		201,226
Protest and Legal Support	65,025		65,025	72,724		72,724	72,724		72,724
Total Audit Hours	1,371,810		1,371,810	1,581,969		1,581,969	1,581,969		1,581,969
Total Audit Positions			742			855			855
SUPPORT/OVERHEAD									
Management/Supervision		207,050	207,050		234,176	234,176		234,176	234,176
Meetings & Misc./Projects/Activities		60,114	60,114		67,126	67,126		67,126	67,126
Training		143,406	143,406		107,329	107,329		107,329	107,329
Total Support/Overhead Hours		410,570	410,570		408,632	408,632		408,632	408,632
Total Support/Overhead Positions			222			221			221
GRAND Total Hours	1,371,810	410,570	1,782,380	1,581,969	408,632	1,990,600	1,581,969	408,632	1,990,600
GRAND Total Positions			963			1,076			1,076
Audit Program Revenue (In Thousands)			\$1,491,770			\$1,395,182			\$1,389,015
Audit Program Costs (In Thousands)			\$208,760			\$199,332			\$198,937
Cost Benefit Ratio (\$x to \$1)			7			7			7

Exhibit IV
Audit Program
Schedule of Revenue*

data in thousands

PY 2014/15	Workplan	Actual	Revenue Allocation		Cost	CBR
	Revenue	Revenue	PIT	BE		
Audit Program Revenue	\$1,400,000	\$1,491,770	\$742,851	\$748,920	\$208,760	\$7.1 to \$1
Direct Audit		\$652,579			\$198,233	
Claims /1		\$839,191			\$10,527	
CY 2015/16	Workplan	Actual	Revenue Allocation		Cost	CBR
	Revenue	Revenue	PIT	BE		
Audit Program Revenue /2		\$1,395,182	\$684,118	\$711,064	\$199,332	\$7 to \$1
Direct Audit		\$1,084,412			\$154,932	
Claims /1		\$310,770			\$44,400	
BY 2016/17	Workplan	Actual	Revenue Allocation		Cost	CBR
	Revenue	Revenue	PIT	BE		
Audit Program Revenue /2		\$1,389,015	\$681,094	\$707,921	\$198,937	\$7 to \$1
Direct Audit		\$1,078,245			\$154,428	
Claims /1		\$310,770			\$44,509	

*Revenue figures denote net assessments and denied refund claims. These revenue estimates are reported at a point-in-time. Semi-annually, program area staff continue to evaluate the revenue estimates with additional data that is captured throughout the fiscal year and modifications are made as appropriate.

1/ Claims workload validates the amount of refund claimed by the taxpayer and ensures only the appropriate refund amount is issued based on the applicable tax laws.

2/ Workplan revenue has been adjusted for economic impacts, and increased complexity of audit issues.

Exhibit V
Filing Compliance Program Workplan
Filing Enforcement

	Actual FY 2014/15			Planned FY 2015/16			Proposed FY 2016/17		
	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL
FILING ENFORCEMENT									
Incoming Mail Processing		5,336	5,336		5,336	5,336		5,336	5,336
Quality Assurance	50,921		50,921	52,421		52,421	52,421		52,421
Voluntary Disclosure/Filing Compliance	2,132		2,132	2,132		2,132	2,132		2,132
Complex FE	7,009		7,009	8,509		8,509	8,509		8,509
Correspondence	40,027		40,027	40,027		40,027	40,027		40,027
Taxpayer Assistance	6,168		6,168	6,168		6,168	6,168		6,168
Total Filing Enforcement Hours	106,256	5,336	111,592	109,256	5,336	114,592	109,256	5,336	114,592
Total Filing Enforcement Positions			60			62			62
SUPPORT/OVERHEAD									
Management/Supervision		12,977	12,977		12,977	12,977		12,977	12,977
Meetings & Misc./Projects/Activities		13,994	13,994		13,994	13,994		13,994	13,994
Training		3,830	3,830		3,830	3,830		3,830	3,830
Total Support/Overhead Hours		30,801	30,801		30,801	30,801		30,801	30,801
Total Support/Overhead Positions			17			17			17
GRAND Total Hours	106,256	36,137	142,394	109,256	36,137	145,394	109,256	36,137	145,394
GRAND Total Positions			77			79			79
Total Filing Enforcement Revenue (In Thousands)			\$881,000			\$855,000			\$865,000
Total Filing Enforcement Costs (In Thousands)			\$25,309			\$25,340			\$25,340
Cost Benefit Ratio (\$x to \$1)			35			34			34

Exhibit V
Filing Compliance Program Workplan
Non Wage Withholding

	Actual FY 2014/15			Planned FY 2015/16			Proposed FY 2016/17		
	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL
NON WAGE WITHHOLDING									
Data Entry & Validation	37,950		37,950	46,950		46,950	46,950		46,950
Legislation & Analysis	85		85	85		85	85		85
Taxpayer Assistance	28,231		28,231	28,231		28,231	28,231		28,231
Nonadmitted Insurance	492		492	492		492	492		492
WASS Project	5,413		5,413	5,413		5,413	7,263		7,263
Withhold Forms & Publications Support	716		716	716		716	716		716
Discovery & Compliance	7,907		7,907	7,907		7,907	7,907		7,907
Audit	11,479		11,479	11,479		11,479	11,479		11,479
Total Non Wage Withholding Hours	92,272		92,272	101,272		101,272	103,122		103,122
Total Non Wage Withholding Positions			50			55			56
SUPPORT/OVERHEAD									
Management/Supervision		14,021	14,021		14,021	14,021		14,021	14,021
Meetings & Misc./Projects/Activities		11,824	11,824		11,824	11,824		11,824	11,824
Training		3,365	3,365		3,365	3,365		3,365	3,365
Total Support/Overhead Hours		29,210	29,210		29,210	29,210		29,210	29,210
Total Support/Overhead Positions			16			16			16
GRAND Total Hours	92,272	29,210	121,483	101,272	29,210	130,483	103,122	29,210	132,333
Grand Total Positions			66			71			72
Non Wage Withholding Revenue (In Thousands)			\$2,092,000			\$2,063,000			\$2,113,000
Non Wage Withholding Costs (In Thousands)			\$13,191			\$13,282			\$13,339
Cost Benefit Ratio (\$x to \$1)			159			155			158

Exhibit V
Filing Compliance Program Workplan
Fraud and Tax Gap

	Actual FY 2014/15			Planned FY 2015/16			Proposed FY 2016/17		
	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL
TAX GAP & UNDERREPORTING									
Sports	2,130		2,130	2,130		2,130	2,130		2,130
Filing Enforcement Analysis	1,312		1,312	1,312		1,312	1,312		1,312
Tax Gap	14,672		14,672	14,672		14,672	16,522		16,522
Studies & Projects	3,291		3,291	3,291		3,291	6,991		6,991
Total Tax Gap & Underreporting Hours	21,406		21,406	21,406		21,406	26,956		26,956
Total Tax Gap & Underreporting Positions			12			12			15
FRAUD PROGRAM									
Fraud Analysis	5,571		5,571	5,571		5,571	5,571		5,571
Referrals	412		412	412		412	412		412
Fraud Support Workloads	81,633		81,633	122,333		122,333	126,033		126,033
Fraud QR	1,155		1,155	3,005		3,005	3,005		3,005
EITC			-	49,100		49,100	49,100		49,100
Total Fraud - Fraud Program Hours	88,770		88,770	131,320		180,420	135,020		184,120
Total Fraud - Fraud Program Positions			48			98			100
SUPPORT/OVERHEAD									
Management/Supervision		14,566	14,566		18,266	18,266		20,116	20,116
Tax Forms Review		185	185		185	185		185	185
Meetings & Misc./Projects/Activities		5,854	5,854		5,854	5,854		5,854	5,854
Training		5,066	5,066		5,066	5,066		5,066	5,066
Total Support/Overhead Hours		25,671	25,671		29,371	29,371		31,221	31,221
Total Support/Overhead Positions			14			16			17
GRAND Total Hours	110,175	25,671	135,846	152,725	29,371	231,196	161,975	31,221	242,296
GRAND Total Positions			73			125			131
Total Fraud and Tax Gap Revenue (In Thousands)			\$72,000			\$93,000			\$122,000
Total Fraud and Tax Gap Costs (In Thousands)			\$6,088			\$8,401			\$8,804
Cost Benefit Ratio (\$x to \$1)			12			11			14

Exhibit VI
Filing Compliance Program
Schedule of Revenue*

data in thousands

PY 2014/15	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Filing Compliance Program	\$2,911,000	\$3,045,000	\$2,406,000	\$639,000	\$44,587	\$68 to \$1
Filing Enforcement Revenue	\$834,000	\$881,000	\$765,000	\$116,000	\$25,309	\$35 to \$1
Non Wage Withholding Revenue	\$2,014,000	\$2,092,000	\$1,569,000	\$523,000	\$13,191	\$159 to \$1
Fraud and Tax Gap Revenue	\$63,000	\$72,000	\$72,000	\$0	\$6,088	\$12 to \$1
CY 2015/16	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Filing Compliance Program		\$3,011,000	\$2,373,000	\$638,000	\$47,024	\$64 to \$1
Filing Enforcement Revenue		\$855,000	\$733,000	\$122,000	\$25,340	\$34 to \$1
Non Wage Withholding Revenue		\$2,063,000	\$1,547,000	\$516,000	\$13,282	\$155 to \$1
Fraud and Tax Gap Revenue		\$93,000	\$93,000	\$0	\$8,401	\$11 to \$1
BY 2016/17	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Filing Compliance Program		\$3,100,000	\$2,452,000	\$648,000	\$47,484	\$65 to \$1
Filing Enforcement Revenue		\$865,000	\$745,000	\$120,000	\$25,340	\$34 to \$1
Non Wage Withholding Revenue		\$2,113,000	\$1,585,000	\$528,000	\$13,339	\$158 to \$1
Fraud and Tax Gap Revenue		\$122,000	\$122,000	\$0	\$8,804	\$14 to \$1

* Filing Enforcement revenue is actual cash collected. Non Wage Withholding revenue is gross withholding collected before any refunds. Fraud and Tax Gap revenue is pre-processing "amount stopped" and post-processing "amount billed" discounted by collectability. These revenue estimates are reported at a point-in-time. Semi-annually, program area staff continue to evaluate the revenue estimates with additional data that is captured throughout the fiscal year and modifications are made as appropriate.

**Exhibit VII
Tax Return Validation Program Workplan**

	Actual FY 2014/15			Planned FY 2015/16			Proposed FY 2016/17		
	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL
PERSONAL INCOME TAX									
Routine & Complex Resolution	148,298		148,298	148,298		148,298	148,298		148,298
Research & Statistics	10,760		10,760	10,760		10,760	10,760		10,760
Analysis & Verification		22,851	22,851		73,108	73,108		125,608	125,608
EITC	-		-	10,400		10,400	10,400		10,400
Total PIT Program Hours	159,058	22,851	181,909	169,458	73,108	242,566	169,458	125,608	295,066
Total PIT Program Positions			98			131			159
CORP PROCESSING									
Return & Payment Processing	158,693		158,693	171,193		171,193	171,193		171,193
Quality Review/Technical Assistance		33,577	33,577		33,577	33,577		40,977	40,977
Total Corp Processing Hours	158,693	33,577	192,270	171,193	33,577	204,770	171,193	40,977	212,170
Total Corp Processing Positions			104			111			115
PROGRAM SUPPORT									
Claims/Offsets/Settlements Audit Support	-		-	-		-	-		-
Auditors		9,076	9,076		9,076	9,076		9,076	9,076
Project Analysts		13,919	13,919		13,919	13,919		15,769	15,769
Production Support		41,831	41,831		54,331	54,331		54,331	54,331
New Home/First Time Buyer Credit		1	1		1	1		1	1
Inventory Control		10,192	10,192		10,192	10,192		10,192	10,192
Total Program Support Hours	-	75,018	75,018	-	87,518	87,518	-	89,368	89,368
Total Program Support Positions			41			47			48
EXEMPT ORGANIZATIONS									
EO Taxpayer Assistance		7,511	7,511		7,511	7,511		7,511	7,511
EO Audits/Determinations/Rtn & Noncompliance Resolution	52,126		52,126	52,126		52,126	52,126		52,126
EO Support		11,700	11,700		11,700	11,700		11,700	11,700
Total Exempt Organizations Hours	52,126	19,211	71,336	52,126	19,210	71,336	52,126	19,210	71,336
Total Exempt Organizations Positions			39			39			39
SUPPORT/OVERHEAD									
Management/Supervision		77,929	77,929		77,929	77,929		79,779	79,779
Meetings & Misc./Projects/Activities		47,690	47,690		47,690	47,690		47,690	47,690
Training		40,980	40,980		40,980	40,980		40,980	40,980
Total Support/Overhead Hours	-	166,599	166,599	-	166,599	166,599	-	168,449	168,449
Total Support/Overhead Positions			90			90			91
GRAND Total Hours	369,877	317,256	687,134	392,777	380,013	772,790	392,777	443,613	836,390
GRAND Total Positions			371			418			452
Tax Return Validation Revenue (In Thousands)			\$1,856,332			\$2,088,373			\$2,255,443
Tax Return Validation Costs (In Thousands)			\$59,900			\$60,407			\$61,743
Cost Benefit Ratio (\$x to \$1)			31			35			37

Exhibit VIII
Tax Return Validation Program
Schedule of Revenue*

data in thousands

PY 2014/15	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Tax Return Validation Revenue	\$1,860,211	\$1,856,332	\$1,287,841	\$568,491	\$59,900	\$31 to \$1

CY 2015/16	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Tax Return Validation Revenue		\$2,088,373	\$1,440,978	\$647,396	\$60,407	\$35 to \$1

BY 2016/17	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Tax Return Validation Revenue		\$2,255,443	\$1,556,256	\$699,187	\$61,743	\$37 to \$1

*Although the CBR is presented in the above chart, CBRs do not drive the tax return validation program workplan. The tax return validation and payment processing workloads are statutorily mandated or policy driven. Tax return validation revenue is the natural result of a processing correction or billing notice for a personal income tax or business entity tax return. These revenue estimates are reported at a point-in-time. Semi-annually, program area staff continue to evaluate the revenue estimates with additional data that is captured throughout the fiscal year and modifications are made as appropriate.

Exhibit IX
Franchise Tax Board
Budget Change Proposal Schedule of Revenue*

data in thousands

PY 2014/15	Workplan Revenue	Actual Revenue	Revenue Allocation	
			PIT	BE
	\$519,221 -			
1) Enterprise Data to Revenue Project (BCP 1)	\$684,648	\$744,033	\$637,598	\$106,435
2) Accounts Receivable Management Program (BCP 2) /1	\$108,000	\$118,600	\$86,600	\$32,000

CY 2015/16	Workplan Revenue	Revenue Allocation	
		PIT	BE
	\$800,488 -	\$648,395 -	\$152,093 -
1) Enterprise Data to Revenue Project (BCP 2)	\$1,145,976	\$924,752	\$221,224
2) AB 1424 - Top 500 (BCP 3)	\$70,000	\$65,400	\$4,600
	\$870,488 -	\$713,795 -	\$156,693 -
	\$1,215,976	\$990,152	\$225,824

BY 2016/17	Workplan Revenue	Revenue Allocation	
		PIT	BE
	\$973,389 -	\$788,445 -	\$184,944 -
1) Enterprise Data to Revenue Project (BCP 1)	\$1,195,027	\$967,972	\$227,055
2) Accounts Receivable Management Program (BCP 3) /1	\$108,000	\$81,000	\$27,000
	\$1,081,389 -	\$869,445 -	\$211,944 -
	\$1,303,027	\$1,048,972	\$254,055

* Revenue figures on this schedule are included in the totals on Exhibits II, IV, VI, and VIII.

1/ This was a workload growth BCP. Revenue associated with this initiative is not tracked separately, but is included in the overall revenue.

Exhibit X Glossary of Workplan Activities

Collection Program

Automated/Reactive Collections

Direct – Automated/reactive collection activities taken to collect on taxpayer accounts which occur after a balance becomes due on an account. Automated collection activities are activities that result from purely system-automated processes and include resources that support automated system functions. Reactive collection activities involve manual interventions that are a result of automated processes.

Proactive Collections

Direct – Proactive collection activities taken to collect on taxpayer accounts which occur after a balance becomes due on an account. Proactive staff handles accounts that were not resolved in the automated and reactive processes.

Other Collections Workloads

Filing Assistance & Public Counter - Time associated with activities at the public counter to assist taxpayers with preparation of tax returns.

CalEMA Disaster Center Support - Relief activities in support of the California Emergency Management Agency deployment of FTB staff to California fires, earthquakes, and floods.

Missing Year Assessments - Identifying all missing assessments associated with a specific taxpayer.

Illegal Activity Support - Professional activities related to filing enforcement assessments for individuals arrested by law enforcement agencies.

Income Tax Protestor-FAN - Professional activities related to Post-Notices of Proposed Assessment (NPA) actions for Filing Enforcement, including all the tasks to respond to taxpayers who have received NPAs.

Support/Overhead

Management/ Supervision - Time associated with performing duties as a manager or supervisor. This function consists of the direct time of all levels of management.

Meetings & Misc./Projects/Activities – Attend staff meetings and other activities that support the division and FTB as a whole.

Training - Time associated with the employee development training for professional, technical, and clerical positions.

Audit Program

Audit

Audit Direct - Audit of personal income tax and business entities taxpayers.

Audit Select - Modeling - The development of the audit selection models in PASS and other stand-alone systems. Maintenance and system enhancements for audit IT programs.

Exhibit X Glossary of Workplan Activities

Claims - Audit of claims for refund personal income tax and business entities taxpayers filed in the form of amended returns.

Protest and Legal Support - Activities related to the resolution of an audit after a Notice of Proposed Assessment (NPA) has been issued; includes hearings, analysis and further factual development.

Support/Overhead

Management/Supervision - Time associated with performing duties as a manager or supervisor. This function consists of the direct time of all levels of management.

Meetings & Misc./Projects/Activities - Attend staff meetings and other activities that support the division and FTB as a whole.

Training - Time associated with the employee development training for professional, technical, and clerical positions.

Filing Compliance Programs

Filing Enforcement

Filing Enforcement

Incoming Mail Processing - Sort and deliver all returns, requests, demands and NPAs.

Quality Assurance - Process work lists by analyzing and perfecting INC cases to ensure that the correct income is associated to the correct taxpayer. Perfect taxpayer information (name, address, date of birth/death).

Voluntary Disclosure/Filing Compliance - Support processing and analysis for R&TC 19192 for qualified taxpayers that are eligible for the Voluntary Disclosure Program and the Filing Compliance Agreement Program.

Complex FE - Review and analyze accounts and returns of the most complex, sensitive and largest dollar accounts for corporations and individuals.

Correspondence - Responds to both Personal Income Tax and Business Entity Filing Enforcement correspondence and analyzes taxpayers' responses to NPAs, Requests and Demands to determine filing requirements. Resolves accounts that have a different SSN or entity number based on taxpayers' response.

Taxpayer Assistance - Answer calls and make personal income tax filing requirement determinations based on Mortgage Interest and K-1 income sources.

Support/Overhead

Management/Supervision - Time associated with performing duties as a manager or supervisor. This function consists of the direct time of all levels of management.

Meetings & Misc./Projects/Activities - Attend staff meetings and other activities that support the division and FTB as a whole.

Exhibit X

Glossary of Workplan Activities

Training - Time associated with the employee development training for professional, technical, and clerical positions.

Non Wage Withholding

Non Wage Withholding

Data Entry & Validation - Data entry and validation of withhold-at-source returns and payments. Includes allocation of withholding credits to taxpayer accounts, processing waivers requests, and conducting audits and assessing penalties to gain compliance and generate revenue.

Legislation & Analysis - Remain up to date on laws and regulations governing our programs, regularly review forms, bills and legislative proposals to determine program impacts, implementation concerns, and developments that may alter our current practices.

Taxpayer Assistance - Answer phone calls and correspondence from withholding agents, payees, taxpayers, and other third parties. Develop and present education and outreach material for external stakeholders in order to gain compliance and increase revenue.

Nonadmitted Insurance - Post payments, process and validate returns for Nonadmitted Insurance Program. Answer phone calls and correspondence from policyholders, agents, and brokers. Assess penalties and interest on late payments. Issue billing notices.

WASS Project - Identify business requirements, review use cases, develop communication tools, create training module, create procedures, perform user acceptance testing, and provide project management support.

Withhold Forms & Publications Support - Review and update withhold-at-source forms and publication due to new laws, procedures, and processes.

Discovery & Compliance - The Discovery team's primary focus is to research industry types and other sources to determine if withholding is required on California source income. The team also provides education and outreach to industries via phone, email, mailings.

Audit - The audit team is responsible for conducting withholding audits to ensure withholding agents are in compliance with withholding requirements, including issues related to nonresident, real estate, and backup withholding.

Support/Overhead

Management/Supervision - Time associated with performing duties as a manager or supervisor. This function consists of the direct time of all levels of management.

Meetings & Misc./Projects/Activities - Attend staff meetings and other activities that support the division and FTB as a whole.

Training - Time associated with the employee development training for professional, technical, and clerical positions.

Exhibit X

Glossary of Workplan Activities

Fraud and Discovery

Tax Gap & Underreporting

Sports - All tasks related to nonresident athletes performing personal services in California.

Filing Enforcement Analysis - Conduct complex review and analysis of the Filing Enforcement Program to improve its effectiveness of the automated system. Analyzes and validates data to determine usefulness as a new income source. Identifies and secures new taxpayer profiler information and test for non-filer patterns. Identifies areas of non-compliance with filing requirements and determine ways to address the non-compliance. Receive and respond to Filing Enforcement correspondence from customers and claimants or their representatives.

Tax Gap - Perform audits, research and analysis to detect trends and opportunities to address California's tax gap.

Studies & Projects - Conduct and recommend studies and projects to measure the direct and indirect effects of FTB compliance activities on taxpayer behavior.

Fraud Program

Fraud Analysis - Provide education and outreach to tax practitioners on W-2 and CDC and demonstrates how to identify fraudulent claims. Fraud staff also works with the California Tax Education Council (CTEC) to identify unregistered preparers and provide them with information on how to become registered and will issue penalties for non-compliance.

Referrals - Fraud receives referrals from several different areas within FTB when questionable claims are identified. A large number of referrals are received from tax preparer agencies. When the agencies have W-2s that look questionable, they contact FTB and we are able to identify if information is reported on EDD files.

Fraud Support Workloads - Fraud support staff consists of Tax Program Assistants that handle the daily incoming mail by sorting and distributing to staff. They also handle the account correspondence after resolution and file appropriately according to the case number. They also assist with any other support functions we may have during peak filing season; such as reviewing accounts received and separating based on criteria given. Fraud Technician Teams consist of Tax Program Technician I and Tax Program Technician II, Tax Technician and Compliance Representative staff. They review refund-due Personal Income Tax returns to investigate and resolve possible fraudulent refund claims or Identity Theft activity. This is done by researching provided information, contacting taxpayers and/or employers, and verifying wage and withholding data against 3rd party sources.

Fraud QR - Used to report time spent on quality review activities of the various fraud technician workloads. The activities being reviewed are things like answering phones, working taxpayer correspondence, and work list account processing.

EITC - Fraud technicians will review returns claiming an EITC credit that fallout for suspected fraud. Technicians will use existing data sources to validate the claim, with the goal of preventing fraud and identity theft on these returns. Fraud technicians will answer phone calls from taxpayers who have received notices regarding the need for further information to validate their refund.

Exhibit X Glossary of Workplan Activities

Support/Overhead

Management/Supervision - Time associated with performing duties as a manager or supervisor. This function consists of the direct time of all levels of management.

Tax Forms Review - FADS staff assigned to this task serve as a subject matter expert in the review of forms used by Fraud to ensure we have captured needed data to validate pending refunds, deductions, or credits. Departmental forms are reviewed annually or in response to new legislation. The review of tax forms for FADS program requires fraud technical knowledge to ensure laws, requirements, and critical data is captured on tax forms to allow the refund, deductions, or credits. This review may require collaboration with other business areas to ensure the content meets programmatic needs.

Meetings & Misc./Projects/Activities - Attend staff meetings and other activities that support the division and FTB as a whole.

Training - Time associated with the employee development training for professional, technical, and clerical positions.

Tax Return Validation Program

Personal Income Tax

Routine & Complex Resolution - Processing of the routine and complex remit and non-remit Personal Income Tax keyed, e-filed, and scanned returns requiring math error resolution and verification of taxpayer data, multiple taxpayer problems, estimate payment discrepancies, multiple and identical returns, and State Disability Insurance discrepancies, tax year moves and consolidation of accounts, including verification of tax withholding.

Research & Statistics - Extraction and/or coding of information from tax returns for use in statistical reports that are required by DOF.

Analysis & Verification - Assures that the quality of departmental and section output meets established criteria. This includes review of notices over \$10,000, identifying and applying unclaimed payments to specific tax years so they can offset liabilities or be refunded. Also included are the allocations of Partnership Payments (national partnership workload). Process microfiche request for purging tax years for the department, typing notices and bills, and scheduling refunds.

EITC - California's Earned Income Tax Credit (EITC). SB 80 was signed by the Governor in June and puts into effect California's first Earned Income Tax Credit for tax year 2015. This credit is targeted to provide a refundable credit for wage earners and focuses on the lowest California earners, with income less than \$6,580 if no dependents and \$13,870 if there are 3 or more dependents.

Corp Processing

Return & Payment Processing - Processing remit, non-remit, refund and e-File returns for Corporations, Partnerships, LLCs, Combined and amended returns. Procedure development and processing for LLC claims for refund from SF Superior Court denying FTB appeal on two cases. Transfer of payment from LLC returns to Non-Resident LLC member's account. Processing payments, bills, and electronic funds transfers for Corporations, Partnerships, and LLCs.

Quality Review/Technical Assistance - Quality review and lead duties for Corporations, Partnerships, Combined and LLCs. Technical and system analysis resulting in submitting a system change request.

Exhibit X

Glossary of Workplan Activities

Program Support

Claims/Offsets/Settlements Audit Support - Process most complex returns, primarily amended returns, over \$25,000 refunds, and specialized workloads. Provide production staff with technical guidance and direction pertaining to tax law. Processing claims, handling the voluntary compliance initiative program, processing requests for interest computation, Corporation offsets, settlements and posting notice of proposed assessments (NPAs).

Auditors - Process most complex returns, primarily amended returns, over \$25,000 refunds, and specialized workloads. Provide production staff with technical guidance and direction pertaining to tax law.

Project Analysts - Provide analytical support by managing section projects and activities related to the maintenance & enhancement of various system applications and programs, assist in procedure writing in accordance to legislative analysis, and provide legislative proposal costing.

Production Support - Technical support including Personal Computer Telecom representative, and SWAT (Someone Waiting at Terminal) assistance. Specialized workload (Payments, Amendeds, and Data Aging Research) staff support.

New Home/First Time Buyer Credit - Work associated with validating New Home/First Time Buyer Credit.

Inventory Control - Movement of inventory of returns/trucks into, through, and out of the section, and production of management inventory reports. Mail pickup/delivery. Issuing non-qualifying ID numbers and temporary ID numbers.

Exempt Organizations

EO Taxpayer Assistance - Answering phone calls and data entry for: applications, revivors, correspondence, PASS, and parent/sub-coding.

EO Audits/Determinations/Rtn & Noncompliance Resolution - Application determination, evaluating form 3500A, processing exemption applications and federal denials, processing Exempt Organization returns: Form 199, 109, and 100. General filing exemption, including account review and sending letters. Issuing assessments and revocations from registry of charitable trusts. Receiving DLC responses, including review, account clean-up and referral to Auditor. Processing revivor requests for suspended Exempt Organizations and Form 3500A. Account transactions, auditor adjustments and correspondence. Various audit activities including: qualified audits, audits resulting from informant contacts, audits resulting from IRS RAR reports, case referrals from the Attorney General's Office, claims for refund and audits resulting from delinquency control (DLC) responses. Activity follow-up including: application control and referral, district office support, contact organizations with no federal letter, denials, and refiles.

EO Support - Lead duties for auditor teams and quality review of support staff. Design, build, test, implement, and monitor Exempt Organizations database. Program, legislative, and development support, ADCORR, correspondence, reports.

Support/Overhead

Management/Supervision - Time associated with performing duties as a manager or supervisor. This function consists of the direct time of all levels of management.

Exhibit X

Glossary of Workplan Activities

Meetings & Misc./Projects/Activities – Attend staff meetings and other activities that support the division and FTB as a whole.

Training - Time associated with the employee development training for professional, technical, and clerical positions.