



STATE OF CALIFORNIA
Franchise Tax Board

11-17-16

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
Tina McGee, Legislative Analyst's Office
E. Dotson Wilson, Chief Clerk, Office of the Chief Clerk of the Assembly
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Fiona Ma, Chair, Board of Equalization
Michael Cohen, Director, Department of Finance
Mark Monroe, Department of Finance
Jeanne Harriman, Chief, Finance & Executive Services Division, Franchise Tax Board

Enclosure

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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 workplans 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

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Accounts Receivable Management Program

Background

FTB's collection program is responsible for 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, routing the accounts to collectors. The division workloads are organized as automated/reactive and proactive and collected \$3.2 billion during fiscal year 2015-16. For 2014-15, the overall cost benefit ratio (CBR) totaled \$15 to \$1. For 2015-16, the CBR totaled \$17 to \$1.

- **Automated/Reactive Collections**
 - In 2015-16, approximately \$2.7 billion, representing 84 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 2015-16, the overall average CBR for automated/reactive collections totaled \$20 to \$1.
 - For 2015-16, the installment agreement process generated \$546 million, representing 20 percent of the total revenue for automated/reactive revenue collections.

- **Proactive Collections**
 - In 2015-16, proactive collection revenue totaled \$516 million, representing 16 percent of total revenue collected by the Accounts Receivable Management Division. Contributing to the increase in proactive revenue for 2015-16 were several large payments totaling \$120 million in the Business Entities workloads. 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 2015-16, the overall average CBR for proactive collections totaled \$9 to \$1.

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

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- 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 three non-tax debt collection programs. The first is responsible for collecting delinquent vehicle registration fees, known as Vehicle Registration Collections. The second is responsible for collections for courts throughout the State of California, known as Court Ordered Debt. The third, Interagency Intercept Collections, offsets income tax refunds, lottery winnings and unclaimed property claims to delinquent California state and local debts. These non-tax workloads are budgeted separately and are not included in the Tax Program collection revenue figures or in the workplan. For 2015-16, Vehicle Registration Collection Program revenue totaled \$144 million, Court Ordered Debt Program revenue totaled \$103 million, and Interagency Intercept Collections totaled \$308 million. In addition, the bureau administers Multistate and Federal Treasury Offset Programs.

The **PIT Billing, Compliance, and Collection Bureau** provides direct taxpayer assistance for personal income taxpayers. The assistance ranges from general assistance to processing the most complex and sensitive accounts with balances exceeding \$25,000. Bureau staff are located in the personal income tax collection contact center and utilize an automated call distribution (ACD) system to assist taxpayers in resolving outstanding collections and compliance issues.

The bureau is the first point of contact when an individual receives a collection 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).

The **Field and Complex Account Collection Bureau** includes the personal income tax 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 face-to face contact with taxpayers and third parties

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to collect the most difficult PIT and BE accounts that could not be resolved from a desk collection setting. In addition, the field offices provide public counter service to over 100,000 taxpayers, practitioners, and non-tax debt customers each year.

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 tax and non tax 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 and non-tax collection activities as well as supporting overhead activities. Please refer to Exhibit X for a description of workplan activities.

Current Issues

During 2015-16, FTB's collection program generated \$3.2 billion, which is nine percent above projected revenue and ten percent above revenue collected in 2014-15. Fiscal year 2015-16 was the highest revenue year in the history of the program.

At the end of 2015-16, the total accounts receivable balance was at \$8.7 billion. Accounts receivable for personal income tax increased from \$6.0 billion to \$7.0 billion. Business entity tax accounts receivable decreased from \$1.9 billion to \$1.7 billion. The overall increase in accounts receivable was ten percent. The increase is in part due to an increase in audit, filing enforcement and self-assessed cases entering into the collection cycle. In addition, the billing notices from the 2016 filing season were released earlier this year, increasing the accounts receivable at the end of the year. Also, there was a ten percent increase in the number of taxpayers entering an installment agreement between July 2015 and 2016.

During 2015-16, revenue for personal income tax collections was \$2.6 billion, an increase of \$178 million from 2014-15. In 2015-16, the value of pre-collection notices increased significantly, resulting in a corresponding increase in revenue for personal income tax. Revenue for business entity tax collections was \$594 million in 2015-16, an increase of \$122 million from 2014-15. The increase was attributable to several large payments totaling \$120 million received for business entity accounts.

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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.

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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 five 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.
- **Criminal Investigation Bureau** – identifies, investigates, prosecutes, deters tax evasion and fraud and encourages compliance with California income tax laws. The Criminal Investigation Bureau reorganized into the Audit Division at the start of 2015-16. The costs, hours and revenue are not included in the Supplemental Report.

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 314,000 tax returns were examined during 2015-16, which accounted for \$2.34 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.

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- 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.

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 2015-16, FTB's audit program generated \$2.34 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.

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In 2015-16, FTB efforts to reduce the tax gap were geared toward addressing non-compliance in the higher CBR traditional audit workloads.

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.

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Filing Compliance Program

Background

The FTB's Filing Division administers the filing compliance program, 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.

1. The FTB receives more than 500 million income records from 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 is on file. Notices requesting a tax return, proof that a return is not required or an explanation of why a return is not required is mailed to taxpayers with no record of a tax return on file. If no response is received, by either filing the 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 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. They conduct analysis on the most complex accounts by processing incoming filing enforcement correspondence, and responding to taxpayer and tax professional 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 2015-16, the filing enforcement program issued approximately 886,000 Personal Income Tax Requests/Demands for Returns, 645,000 Personal Income Tax Notices of Proposed Assessment, 121,000 Business Entity Demands for Returns and 77,000 Business Entity Notices of Proposed Assessment.

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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 educate withholding agents and the withholding agents collect withholding on payments to taxpayers at the time they have a taxable event in California. Staff also validate withholding forms and payments posted to the withholding system, and withholding credits allocated to taxpayers. Taxpayers claim these credits when they file their returns. Staff respond to taxpayer or representative phone calls and written inquiries regarding all aspects of non wage withholding. The section also performs audits and compliance reviews to ensure appropriate withholding is withheld and remitted to FTB. They respond to questions from taxpayers, tax representatives, and withholding agents regarding notices and general withholding information questions. The compliance and education 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 and/or improper refund claims and discover taxpayers who file false claims, underreport their taxes or do not file their tax returns. Fraudulent and/or improper refund claims include stolen identity refund fraud (return filed without the taxpayer's knowledge), withholding credits, and Earned Income Tax Credit. The section's fraud workloads arise from returns that are processed through the Return Analysis system, 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 Identity Theft. The accounts are worked both manually and using automation to perform mass transactions and letter generation.

With the implementation of the EDR solutions (Case Management and Return Analysis), FTB now has a way to track the individual steps (assignments) taken to review a tax return for fraud or identity theft.

During 2015-16, the fraud program staff members manually analyzed approximately 274,000 suspicious returns related to fraud, Earned Income Tax Credit fraud or identity theft. The Discovery group has varied responsibilities, ranging from preparer compliance to performing enforcement activities for the California Tax Education Council (CTEC). The main focus is to actively pursue tax preparer compliance initiatives focused on changing the behavior of tax preparers that may be knowingly or unknowingly preparing returns incorrectly. The team is responsible for proactively identifying new fraudulent schemes and models using all available tax data and data modeling tools. In addition, the team conducts studies and analysis to identify ways to improve the filing enforcement program's effectiveness and determining the usefulness of potential new income sources. This group analyzes taxpayer behavior to measure the direct and indirect effects of FTB's compliance

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activities on taxpayer behavior and coordinates tax gap studies and analysis to identify personal income tax and business entity underreporting.

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 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 faced a new challenge to help protect California from improper and abusive refund claims. FADS utilized current tools and modeling abilities to help in this endeavor.

With the increase in employer breaches and preparer breaches stealing vital personal identifying information on taxpayer there has been a significant increase in the number of stolen identity refund fraud returns filed. The fraud program identifies fraudulently filed tax returns by utilizing current tools and by working closely with the employers and preparer community.

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.

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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 Notice of Tax Return Change (NTRC) or Return Information Notice (RIN) 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.

During 2015-16, the validation staff processed approximately 2.5 million personal income tax returns and 86,000 fiduciary returns, resulting in the issuance of approximately 513,000 NTRC/RINs. Staff also analyzed and applied 506,000 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, Limited Liability Partnerships and tax exempt organizations. 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.

During 2015-16, staff handled approximately 348,000 business entity returns, and analyzed and applied 152,000 payments. Business Entity Return Validation Section also assisted in resolving approximately 87,000 transactions related to Exempt Organizations,

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including application processing, audits, and answering taxpayer questions via phones and correspondence.

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 2015/2016			Planned FY 2016/2017			Proposed FY 2017/2018		
	DIRECT	SUPPORT/ OVERHEAD	TOTAL HOURS	DIRECT	SUPPORT/ OVERHEAD	TOTAL HOURS	DIRECT	SUPPORT/ OVERHEAD	TOTAL HOURS
AUTOMATED/ REACTIVE COLLECTIONS									
Direct	945,482	-	945,482	1,073,051	-	1,073,051	1,073,051	-	1,073,051
Total Automated/ Reactive Hours	945,482	-	945,482	1,073,051	-	1,073,051	1,073,051	-	1,073,051
Total Automated/ Reactive PYs			511			580			580
PROACTIVE COLLECTIONS									
Direct	514,470	-	514,470	611,753	-	611,753	611,753	-	611,753
Total Proactive Hours	514,470	-	514,470	611,753	-	611,753	611,753	-	611,753
Total Proactive PYs			278			331			331
OTHER COLLECTIONS WORKLOADS									
Filing Assistance & Public Counter	22,750	2,270	25,020	28,747	3,620	32,367	28,747	3,620	32,367
CalEMA Disaster Center Support	-	2,517	2,517	-	2,084	2,084	-	2,084	2,084
Missing Year Assessments	1,531	-	1,531	2,633	-	2,633	2,633	-	2,633
Illegal Activity Support	210	-	210	400	-	400	400	-	400
Income Tax Protestor-FAN	4,561	-	4,561	6,322	-	6,322	6,322	-	6,322
Total Other Collections Workloads Hours	29,052	4,787	33,839	38,102	5,704	43,806	38,102	5,704	43,806
Total Other Collections Workloads PYs			18			24			24
SUPPORT/OVERHEAD									
Supervision/Management		228,742	228,742		268,250	268,250		268,250	268,250
Meetings & Misc./Projects/Activities		171,965	171,965		205,521	205,521		205,521	205,521
Training	18,604	98,999	117,602	23,472	91,968	115,440	23,472	91,968	115,440
Total Support/Overhead Hours	18,604	499,706	518,310	23,472	565,739	589,211	23,472	565,739	589,211
Total Support/Overhead PYs			280			318			318
GRAND Total Hours	1,507,608	504,492	2,012,101	1,746,377	571,443	2,317,820	1,746,377	571,443	2,317,820
GRAND Total PYs			1,088			1,253			1,253
Collection Program Revenue (In Thousands)			\$3,174,092			\$3,005,400			\$3,005,400
Collection Program Cost (In Thousands)			\$189,306			\$217,891			\$217,782
Cost Benefit Ratio			17			14			14

Exhibit II
Collection Program
Schedule of Revenue ¹

data in thousands

	Workplan Revenue ²	Actual Revenue	Revenue Allocation		Cost	CBR
			Total PIT	Total BE		
PY 2015/16						
Collection Program Revenue	\$2,916,700	\$3,174,092	\$2,580,351	\$593,741	\$189,306	\$17 to \$1
Automated/Reactive		\$2,658,033				
Proactive		\$516,059				

	Workplan Revenue	Revenue Allocation		Cost	CBR	
		Total PIT	Total BE			
CY 2016/17						
Collection Program Revenue		\$3,005,400	\$2,551,400	\$454,000	\$217,891	\$14 to \$1
Automated/Reactive		\$2,602,236				
Proactive		\$403,164				

	Workplan Revenue	Revenue Allocation		Cost	CBR	
		Total PIT	Total BE			
BY 2017/18						
Collection Program Revenue		\$3,005,400	\$2,551,400	\$454,000	\$217,782	\$14 to \$1
Automated/Reactive		\$2,602,236				
Proactive		\$403,164				

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.

**Exhibit III
Audit Program Workplan**

	Actual FY 2015-16			Planned FY 2016-17			Proposed FY 2017-18		
	DIRECT	SUPPORT/ OVERHEAD	TOTAL ¹	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL
AUDIT									
Audit Direct	1,207,400		1,207,400	1,166,109		1,166,109	1,201,069		1,201,069
Audit Select - Modeling	31,365		31,365	33,805		33,805	33,805		33,805
Claims	74,127		74,127	251,852		251,852	251,852		251,852
Protest and Legal Support	65,362		65,362	91,358		91,358	57,368		57,368
Total Audit Hours	1,378,254		1,378,254	1,543,124		1,543,124	1,544,094		1,544,094
Total Audit Positions			745			834			835
SUPPORT/OVERHEAD									
Management/Supervision		214,182	214,182		235,825	235,825		235,175	235,175
Meetings & Misc./Projects/Activities		70,810	70,810		78,390	78,390		64,690	64,690
Training		106,705	106,705		103,661	103,661		102,635	102,635
Total Support/Overhead Hours		391,697	391,697		417,876	417,876		402,500	402,500
Total Support/Overhead Positions			212			226			218
GRAND Total Hours	1,378,254	391,697	1,769,951	1,543,124	417,876	1,961,000	1,544,094	402,500	1,946,594
GRAND Total Positions			957			1,060			1,052
Audit Program Revenue (In Thousands)			\$2,344,055			\$1,543,763			\$1,546,751
Audit Program Costs (In Thousands)			\$206,027			\$220,000			\$207,996
Cost Benefit Ratio (\$x to \$1)			11			7			7

¹ 2015-16 revenue is an anomaly. Historically, revenue averages \$1.4 to \$1.5 billion. There was a large case closed in Pass Through Entities program in the amount of \$375 million, and claims revenue was beyond expectations.

Exhibit IV
Audit Program
Schedule of Revenue*

data in thousands

PY 2015-16	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Audit Program Revenue	\$1,395,182	\$2,344,055	\$930,667	\$1,413,388	\$206,027	\$11 to \$1
Direct Audit		\$1,252,340			\$197,333	
Claims /1		\$1,091,715			\$8,694	
CY 2016-17	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Audit Program Revenue /2		\$1,543,763	\$706,193	\$837,570	\$220,000	\$7 to \$1
Direct Audit		\$1,086,614			\$154,852	
Claims /1		\$457,149			\$65,148	
BY 2017-18	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Audit Program Revenue /2		\$1,546,751	\$705,356	\$841,395	\$207,996	\$7 to \$1
Direct Audit		\$1,090,356			\$146,624	
Claims /1		\$456,396			\$61,373	

*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, increased complexity of audit issues, and a decrease in large IRS revenue assessments.

Exhibit V
Filing Compliance Program Workplan
Filing Enforcement

	Actual FY 2015-16			Planned FY 2016-17			Proposed FY 2017-18		
	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL
FILING ENFORCEMENT									
Incoming Mail Processing		360	360		377	377		377	377
Quality Assurance	52,391		52,391	54,920		54,920	54,920		54,920
Voluntary Disclosure/Filing Compliance	1,520		1,520	1,594		1,594	1,594		1,594
Complex FE	4,859		4,859	5,093		5,093	5,093		5,093
Correspondence	54,755		54,755	57,399		57,399	57,399		57,399
Taxpayer Assistance	4,365		4,365	4,575		4,575	4,575		4,575
Total Filing Enforcement Hours	117,890	360	118,249	123,581	377	123,958	123,581	377	123,958
Total Filing Enforcement Positions			64			67			67
SUPPORT/OVERHEAD									
Management/Supervision		14,850	14,850		15,566	15,566		15,566	15,566
Meetings & Misc./Projects/Activities		15,112	15,112		15,842	15,842		15,842	15,842
Training		5,073	5,073		5,318	5,318		5,318	5,318
Total Support/Overhead Hours		35,035	35,035		36,726	36,726		36,726	36,726
Total Support/Overhead Positions			19			20			20
GRAND Total Hours	117,890	35,394	153,284	123,581	37,103	160,684	123,581	37,103	160,684
GRAND Total Positions			83			87			87
Total Filing Enforcement Revenue (In Thousands)			\$892,000			\$865,000			\$859,000
Total Filing Enforcement Costs (In Thousands)			\$27,936			\$29,285			\$29,285
Cost Benefit Ratio (\$x to \$1)			32			30			29

Exhibit V
Filing Compliance Program Workplan
Non Wage Withholding

	Actual FY 2015-16			Planned FY 2016-17			Proposed FY 2017-18		
	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL
NON WAGE WITHHOLDING									
Data Entry & Validation	43,185		43,185	43,185		43,185	43,185		43,185
Legislation & Analysis	30		30	30		30	30		30
Taxpayer Assistance	28,419		28,419	28,919		28,919	28,919		28,919
Nonadmitted Insurance	448		448	448		448	448		448
WASS Project	4,904		4,904	3,054		3,054	3,054		3,054
Tax Gap Activities	-		-	-		-	-		-
Withhold Forms & Publications Support	1,529		1,529	1,529		1,529	1,529		1,529
Discovery & Compliance	4,136		4,136	5,636		5,636	5,636		5,636
Audit	10,294		10,294	10,294		10,294	10,294		10,294
Total Non Wage Withholding Hours	92,945		92,945	93,095		93,095	93,095		93,095
Total Non Wage Withholding Positions			50			50			50
SUPPORT/OVERHEAD									
Management/Supervision		14,201	14,201		14,201	14,201		14,201	14,201
Administrative Support		-	-		-	-		-	-
Meetings & Misc./Projects/Activities		12,212	12,212		12,212	12,212		12,212	12,212
Training		5,774	5,774		3,774	3,774		3,774	3,774
Total Support/Overhead Hours		32,187	32,187		30,187	30,187		30,187	30,187
Total Support/Overhead Positions									
GRAND Total Hours	92,945	32,187	125,132	93,095	30,187	123,282	93,095	30,187	123,282
Grand Total Positions			68			67			67
Non Wage Withholding Revenue (In Thousands)			\$2,321,000			\$2,262,000			\$2,297,000
Non Wage Withholding Costs (In Thousands)			\$14,075			\$13,367			\$13,867
Cost Benefit Ratio (\$x to \$1)			165			163			166

Exhibit V
Filing Compliance Program Workplan
Fraud and Tax Gap

	Actual FY 2015-16			Planned FY 2016-17			Proposed FY 2017-18		
	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL
TAX GAP & UNDERREPORTING									
Sports	3,622		3,622	3,622		3,622	3,622		3,622
Filing Enforcement Analysis	506		506	506		506	506		506
Tax Gap	16,073		16,073	12,373		12,373	12,373		12,373
Studies & Projects	1,268		1,268	1,268		1,268	1,268		1,268
Total Tax Gap & Underreporting Hours	21,469		21,469	17,769		17,769	17,769		17,769
Total Tax Gap & Underreporting Positions			12			10			10
FRAUD PROGRAM									
Fraud Analysis	6,724		6,724	6,824		6,824	6,824		6,824
Referrals	99		99	99		99	99		99
Fraud Support Workloads	115,957		115,957	128,007		128,007	128,007		128,007
Fraud QR	3,266		3,266	6,366		6,366	6,366		6,366
EITC	18,472		18,472	18,472		18,472	18,472		18,472
Total Fraud - Fraud Program Hours	144,518		144,518	159,768		159,768	159,768		159,768
Total Fraud - Fraud Program Positions			78			86			86
SUPPORT/OVERHEAD									
Management/Supervision		19,509	19,509		19,809	19,809		19,809	19,809
Tax Forms Review		157	157		157	157		157	157
Meetings & Misc./Projects/Activities		7,527	7,527		7,527	7,527		7,527	7,527
Training		12,324	12,324		12,324	12,324		12,324	12,324
Total Support/Overhead Hours		39,517	39,517		39,817	39,817		39,817	39,817
Total Support/Overhead Positions			21			22			22
GRAND Total Hours	165,987	39,517	205,503	177,537	39,817	217,353	177,537	39,817	217,353
GRAND Total Positions			111			117			117
Total Fraud and Tax Gap Revenue (In Thousands)			\$131,000			\$121,000			\$121,000
Total Fraud and Tax Gap Costs (In Thousands)			\$8,874			\$9,386			\$9,386
Cost Benefit Ratio (\$x to \$1)			15			13			13

Exhibit VI
Filing Compliance Program
Schedule of Revenue*

data in thousands

PY 2015-16	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Filing Compliance Program	\$3,011,000	\$3,344,000	\$2,669,000	\$675,000	\$50,884	\$66 to \$1
Filing Enforcement Revenue	\$855,000	\$892,000	\$797,000	\$95,000	\$27,936	\$32 to \$1
Non Wage Withholding Revenue	\$2,063,000	\$2,321,000	\$1,741,000	\$580,000	\$14,075	\$165 to \$1
Fraud and Tax Gap Revenue	\$93,000	\$131,000	\$131,000	\$0	\$8,874	\$15 to \$1
CY 2016-17	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Filing Compliance Program		\$3,248,000	\$2,590,000	\$658,000	\$52,538	\$63 to \$1
Filing Enforcement Revenue		\$865,000	\$772,000	\$93,000	\$29,285	\$30 to \$1
Non Wage Withholding Revenue		\$2,262,000	\$1,697,000	\$565,000	\$13,867	\$163 to \$1
Fraud and Tax Gap Revenue		\$121,000	\$121,000	\$0	\$9,386	\$13 to \$1
BY 2017-18	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Filing Compliance Program		\$3,277,000	\$2,609,000	\$668,000	\$52,538	\$64 to \$1
Filing Enforcement Revenue		\$859,000	\$765,000	\$94,000	\$29,285	\$29 to \$1
Non Wage Withholding Revenue		\$2,297,000	\$1,723,000	\$574,000	\$13,867	\$166 to \$1
Fraud and Tax Gap Revenue		\$121,000	\$121,000	\$0	\$9,386	\$13 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 2015-16			Planned FY 2016-17			Proposed FY 2017-18		
	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL	DIRECT	SUPPORT/ OVERHEAD	TOTAL
PERSONAL INCOME TAX									
Routine & Complex Resolution	61,167		61,167	61,167		61,167	61,167		61,167
Research & Statistics	13,123		13,123	13,123		13,123	13,123		13,123
Analysis & Verification	138,834		138,834	210,457		210,457	210,457		210,457
EITC	335		335	335		335	335		335
Total PIT Program Hours	213,459	-	213,459	285,082	-	285,082	285,082	-	285,082
Total PIT Program Positions			115			154			154
CORP PROCESSING									
Return & Payment Processing	129,803		129,803	102,751		102,751	102,751		102,751
Quality Review/Technical Assistance		28,098	28,098		28,098	28,098		28,098	28,098
Total Corp Processing Hours	129,803	28,098	157,901	102,751	28,098	130,849	102,751	28,098	130,849
Total Corp Processing Positions			85			71			71
PROGRAM SUPPORT									
Claims/Offsets/Settlements Audit Support	-		-	-		-	-		-
Auditors		9,226	9,226		9,226	9,226		9,226	9,226
Project Analysts		18,672	18,672		18,672	18,672		18,672	18,672
Production Support		39,971	39,971		39,610	39,610		39,610	39,610
New Home/First Time Buyer Credit		-	-		-	-		-	-
Inventory Control		11,657	11,657		11,657	11,657		11,657	11,657
Total Program Support Hours	-	79,526	79,526	-	79,165	79,165	-	79,165	79,165
Total Program Support Positions			43			43			43
EXEMPT ORGANIZATIONS									
EO Taxpayer Assistance		6,848	6,848		6,848	6,848		6,848	6,848
EO Audits/Determinations/Rtn & Noncompliance Resolution	60,076		60,076	61,844		61,844	61,844		61,844
EO Support		13,715	13,715		13,715	13,715		13,715	13,715
Total Exempt Organizations Hours	60,076	20,563	80,639	61,844	20,563	82,407	61,844	20,563	82,407
Total Exempt Organizations Positions			44			45			45
SUPPORT/OVERHEAD									
Management/Supervision		81,719	81,719		79,869	79,869		79,869	79,869
Meetings & Misc./Projects/Activities		43,257	43,257		41,607	41,607		41,607	41,607
Training		79,410	79,410		78,243	78,243		78,243	78,243
Total Support/Overhead Hours	-	204,386	204,386	-	199,719	199,719	-	199,719	199,719
Total Support/Overhead Positions			110			108			108
GRAND Total Hours	403,339	332,572	735,911	449,677	327,544	777,221	449,677	327,544	777,221
GRAND Total Positions			398			420			420
Tax Return Validation Revenue (In Thousands)			\$1,933,834			\$2,042,390			\$2,042,390
Tax Return Validation Costs (In Thousands)			\$61,439			\$64,888			\$64,888
Cost Benefit Ratio (\$x to \$1)			31			31			31

Exhibit VIII
Tax Return Validation Program
Schedule of Revenue*

data in thousands

PY 2015-16	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Tax Return Validation Revenue	\$2,088,373	\$1,933,834	\$1,295,668	\$638,165	\$61,439	\$31 to \$1

CY 2016-17	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Tax Return Validation Revenue		\$2,042,390	\$1,368,401	\$673,989	\$64,888	\$31 to \$1

BY 2017-18	Workplan Revenue	Actual Revenue	Revenue Allocation		Cost	CBR
			PIT	BE		
Tax Return Validation Revenue		\$2,042,390	\$1,368,401	\$673,989	\$64,888	\$31 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 2015-16	Workplan Revenue	Actual Revenue	Revenue Allocation	
			PIT	BE
	\$800,488 -			
1) Enterprise Data to Revenue Project (BCP 2)	\$1,145,976	\$952,258	\$855,925	\$96,333
2) AB 1424 - Top 500 (BCP 3)	\$70,000	\$101,540	\$88,518	\$13,022
CY 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	\$1,195,027	\$967,972	\$227,055
2) Accounts Receivable Management Program (BCP 3) /1	\$108,000	\$108,000	\$81,000	\$27,000
	\$1,081,389 -		\$869,445 -	\$211,944 -
	\$1,303,027		\$1,048,972	\$254,055
BY 2017-18				
None				

* 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 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 business entities 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 and Compliance - The Compliance team's primary focus is to encourage self-compliance of nonwage withholding through education and assessments. The team determines and identifies potential penalty cases for withholding agents who fail to withhold on Non Wage California source income payments. The team also provides education and outreach to industries via phone, email and 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.

Earned Income Tax Credit (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 - Fraud 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 the Fraud 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 - 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 delinquency control (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 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.