

State of California
Franchise Tax Board

2007 - 2011

Strategic Plan



Franchise Tax Board Members

John Chiang, Chair

Betty T. Yee, Member

Michael C. Genest, Member

Executive Officer's Message

As the newly appointed Executive Officer, I am pleased to present the Franchise Tax Board's 2007-2011 Strategic Plan. Our executive management team conducts our strategic planning. They bring their knowledge, expertise, and dedication to a process the department has done successfully for over 25 years.

This year, we further developed the department's vision, goals, and strategies to guide us on our continuous path to excellence as a tax agency. Excellence is the one word that best describes our focus and vision for serving California's taxpayers and our stakeholders in the coming years.

Along with the strategic goals in this plan, we will also identify and work on other more tactical initiatives and projects that support our strategic goals. During the year, we will report on our accomplishments in achieving these initiatives.

Perhaps more than ever before, we recognize the importance of responding to California's diverse demographics and changing taxpayer needs. We need to make the tax system and our operations more transparent to the public and easier to use. To do this, we will focus on making more of our information and processes available and understandable to all taxpayers, including those for whom English is their second language. The taxpaying public must be confident that we administer the tax system in a way that is equitable and fair to all.



Franchise Tax Board Names Selvi Stanislaus New Executive Officer *Selvi Stanislaus was appointed Executive Officer of the Franchise Tax Board by the three-member board on January 11, 2006. She becomes the department's fourth executive officer and is the first woman to hold the position.*

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Fairness, combined with excellent customer service, will continue to be our goal. We balance our effective approaches for voluntary compliance, which makes up 86 percent of the taxes we collect, with enforcement measures for those less inclined to pay their fair share. The tax gap—the difference between taxes owed and taxes actually paid, estimated at \$6.5 billion this year—must be narrowed. We at FTB are committed to using our processes, technology, and our people to help close that gap.

Ultimately, it is about people: you and me paying our fair share of taxes and FTB facilitating that process. And that is why in my new role as Executive Officer, I will see that we give special consideration to the crucial foundation required to achieve the goals and strategies set forth in this plan—FTB's workforce. Our employees are the key to producing and implementing the innovative solutions that allow us to excel in tax administration.

I am proud to lead the Franchise Tax Board into the future. One of my fundamental operating principles is, "Whatever the cost of putting a thing right, it can never be more than the cost of leaving it wrong." While we will undoubtedly face many challenges, we will continue to strive for excellence. I look forward to leading us on that journey in partnership with the three-member Franchise Tax Board and our stakeholders.

Sincerely,

A handwritten signature in black ink that reads "Selvi Stanislaus".

Selvi Stanislaus,
Executive Officer

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Our Organization and Who We Serve

The three-member Franchise Tax Board is comprised of California's State Controller, the Chair of the State Board of Equalization, and the Director of the Department of Finance. The executive officer, appointed by the Board and confirmed by the Senate, directs the department staff. Our department is part of the State & Consumer Services Agency and we are responsible for administering two of California's major tax programs: the Personal Income Tax and the Corporation Tax. We are also responsible for several non-tax programs and delinquent debt collection functions. In the fall of 1999, the Legislature and the Administration made FTB responsible for the procurement, development, and implementation of the statewide child support automation development project.

The Franchise Tax Board Members



John Chiang,
Chair



Betty T. Yee,
Member



Michael C. Genest,
Member

We serve California by administering programs that bring in about \$55 billion annually—more than 65 percent of California's annual General Fund revenue (statistics for 2005-06 fiscal year). Each year, our department processes more than 15 million personal income tax returns and one million business returns. We employ over 5800 permanent and 2000 seasonal and intermittent employees nationwide. Headquartered in Sacramento, our California office locations include Los Angeles, Oakland, San Diego, San Francisco, San Jose, Santa Ana, Van Nuys, and West Covina. Our out-of-state office locations include Houston, Chicago, and Manhattan.



At FTB, we foster an environment that encourages our employees to consider the effects of their day-to-day decisions and activities on FTB's mission, values, and goals. Through our governance structure, we provide a clear and consistent approach to support our current and future business needs. This structure also ensures that we target resources from an enterprise perspective to deliver maximum business value.

Our Mission and Values

The mission of the Franchise Tax Board is to collect the proper amount of tax revenue, and operate other programs entrusted to us, at the least cost; serve the public by continually improving the quality of our products and services; and perform in a manner warranting the highest degree of public confidence in our integrity, efficiency, and fairness.



Our Values

Accountability – We are accountable for being efficient and providing quality products and services to our customers.

Communication – We listen and communicate openly, promptly, and accurately to keep each other and our customers informed.

Enterprise Thinking – We make decisions that take the entire organization into consideration.

Individuality – We value a diverse workforce and the unique opinions and contributions of others.

Innovation – We are flexible, think outside the box, and embrace change in an innovative and creative manner.

Integrity – We treat each other and our customers with fairness, honesty, and respect.

Leadership – When we lead, we communicate expectations clearly, trust others to get the job done, and help employees reach their goals.

Teamwork – We work in a team environment to strengthen our organization, achieve our business goals, and build cooperative working relationships.

Our Vision and Strategic Goals

Our Vision

We remain focused on excellence in tax administration. To excel we will respond to the changing needs of a global and multi-lingual environment in California. We will deliver services that stand out for meeting customer needs in a customer-centered, fair, and efficient way.

Transparency and open government will be our standard mode of operation; citizens should be able to openly participate in the activities of their government, including FTB's. We will ensure citizens have access to staff, information, and decision-making processes at FTB.

We will help taxpayers voluntarily comply with tax laws in a way that lessens the burden of paying taxes.

The tax gap, the difference between taxes owed and taxes actually paid, will narrow as we leverage our skilled workforce and the latest technologies to ensure that we all pay our fair share of taxes.

Our Strategic Goals

Our six strategic goals reflect our vision of how we see ourselves creating public value in the coming years. The underlying strategies indicate how we will meet our goals while responding to our mandates.

Our goals are strategic, high-level, and enduring; factors including excellent customer service and providing efficient business results will always remain relevant.

Our Enterprise Performance Measures

We focus on a few key performance measures. Our key measures tell us how we achieve success in meeting our goals and realizing our vision in three critical areas—revenue, employees, and customers. These key measures are:

- Cash deposited over target
- Employee engagement
- Customer satisfaction



Goal 1

Improve Customer Service

We commit to providing all customers excellent service. Our customers are becoming more diverse and we must work to identify their needs. Generally, we've found that customers want four key things—products and services that are easy to use, accuracy, timeliness, and choices in the products and services we deliver.

Strategies

- 1 Increase our understanding of our diverse customer needs, measure their satisfaction with our current services, and improve those services identified.
- 2 Improve the speed in which we process tax returns and handle exceptions, including claims for refund, tax return errors, etc.
- 3 Provide taxpayer education and outreach to increase voluntary compliance with the tax laws.
- 4 Provide customer service options emphasizing self-service and e-service options.
- 5 Increase the ease and reduce the burden of filing returns and paying taxes for taxpayers and their agents.
- 6 Help customers prevent problems before they occur.
- 7 Provide products and services to meet the needs of our customers with English as a second language.

Goal 2

Increase Fairness and Compliance with Tax Law

We work to ensure that all taxpayers pay their fair share of taxes—no more, no less—through means that are fair and equitable. We facilitate voluntary participation in the tax system. For those who still do not pay their fair share of taxes, we take appropriate enforcement action.

Strategies

- 1 Provide fair and impartial treatment for every taxpayer.
- 2 Train staff to maintain a strong working knowledge of the tax law.
- 3 Issue timely, accurate, and understandable notices and advice.
- 4 Identify and implement approaches to resolve tax gap issues, such as abusive tax shelters.
- 5 Improve audit selection and speed up the audit and appeal cycle.

Goal 3

Increase Transparency

We strive to make our organizational goals and operations more transparent. Transparency means making our information and processes more accessible and understandable to taxpayers. Transparency delivers services in a way so our internal organizational boundaries disappear. Transparency increases public trust in government and increases voluntary compliance with the tax laws.

Strategies

- 1 Provide taxpayers with access to their tax data in convenient self-service applications.
- 2 Expand information on our Internet site.
- 3 Write reports and publications so customers can easily understand them.
- 4 Provide services in a manner that makes organizational boundaries transparent to customers.
- 5 Expand our tools and services to assist taxpayers to file accurate, complete, and error-free tax returns.

Goal 4

Create a Great Place to Work, Contribute, and Learn

We strive for a high level of employee engagement and innovation. We improve the long-term viability of our organization through recruiting the most qualified employees, fostering innovation, providing training and development, and ensuring collaborative and effective communication.

Strategies

- 1 Identify and implement actions to attract and retain highly skilled employees.
- 2 Ensure that all employees have their own development plan and know that their contribution makes a difference.
- 3 Recruit and maintain a diverse workforce to serve our diverse customers.
- 4 Ensure continuity and critical knowledge and skills among FTB managers and staff.
- 5 Encourage innovation throughout FTB.
- 6 Trust and empower employees to make decisions about how they perform their work to achieve desired outcomes.
- 7 Maintain mentoring programs.
- 8 Ensure the safety and security of our staff and facilities.
- 9 Recognize employees and teams for their accomplishments and contributions.

Goal 5 Demonstrate Operational Excellence

We demonstrate operational excellence by delivering efficient, high quality business results. Our employees continue to identify and implement ways to reduce operating costs while maintaining or increasing the quality of our products and services. We use data generated from our programs to make informed business decisions regarding where best to allocate resources across the FTB enterprise. This ensures that we reach our goals and provide customers the services they need.

Strategies

- 1 Streamline processes and modernize our IT systems for reliability, ease of use, cost effectiveness, speed, and ability to react to change.
- 2 Continually increase productivity of all employees.
- 3 Ensure the utmost availability and quality of our services and systems to keep FTB running smoothly.
- 4 Increase IT systems agility through widespread adoption of standardized software, standard platforms, and solutions.
- 5 Deploy our information technology and compliance resources in alignment with our strategic goals.
- 6 Decrease paper-based processes and move toward a digital office and electronic processes.
- 7 Pursue partnerships with other state and federal organizations to deliver seamless, customer-centered products and services.



Goal 6 Protect Taxpayer Information and Privacy

Our job of safeguarding confidential information is essential to continued taxpayer confidence and support. The issue of information privacy and security has been propelled to the forefront of public interest due to the rise in identity theft and the theft or loss of confidential information from public and private organizations.

Strategies

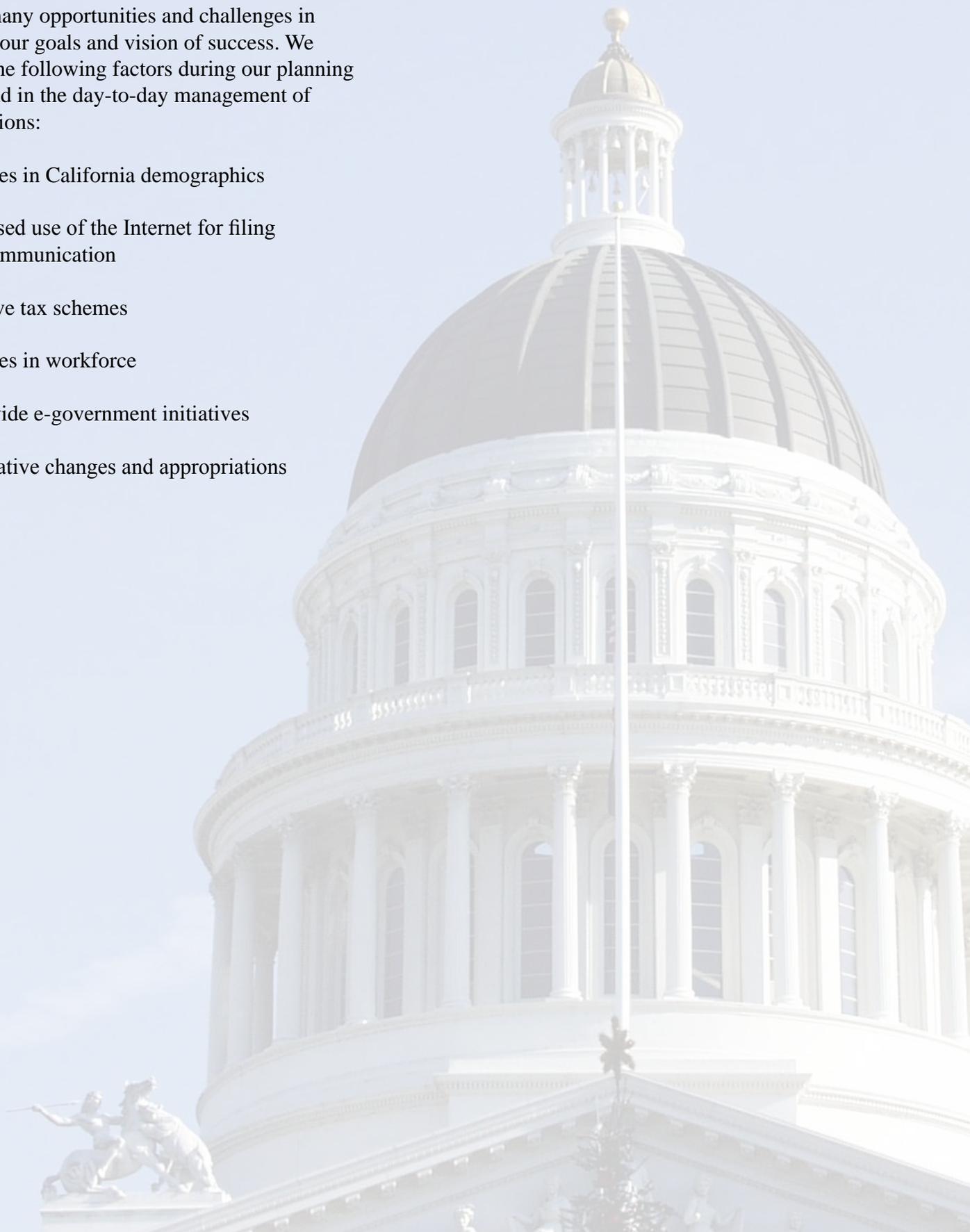
- 1 Educate our staff and overseers on security and privacy risks.
- 2 Control and reduce our exposure to threats and vulnerabilities.
- 3 Address public concerns regarding intrusion by asking taxpayers only for information that is relevant and reasonable.
- 4 Expand our security and privacy compliance audits and controls.
- 5 Expand our engagement with government and industry to influence information security and privacy laws.
- 6 Drive continuous improvement of emergency response and business recovery plans.
- 7 Use industry best practices for information security at all levels, from the firewalls to the desktops.
- 8 Ensure transaction integrity so that information is not subject to interception or tampering during transmission.
- 9 Use appropriate authentication for e-government services that involve the exchange of sensitive information.



Factors That Could Affect Achievement of Our Goals

We face many opportunities and challenges in achieving our goals and vision of success. We consider the following factors during our planning process and in the day-to-day management of our operations:

- Changes in California demographics
- Increased use of the Internet for filing and communication
- Abusive tax schemes
- Changes in workforce
- Statewide e-government initiatives
- Legislative changes and appropriations



FTB History in Brief

In 1929, the Legislature created the office of the Franchise Tax Commissioner to administer California's new Bank and Corporation Franchise Tax Act. The name derived from the fact that a corporation doing business in California pays "for the privilege of exercising its corporate franchise within this state." This was the first agency created for tax administration since the adoption of the state constitution in 1879, a major departure from the accepted pattern of assigning new taxes to the Board of Equalization and the State Controller.

Six years later, California followed the federal lead and began requiring individuals to pay personal income tax. The Franchise Tax Commissioner declared the first filing year a success when 370,000 personal income tax returns were filed and \$11.8 million was collected. Reorganization in 1950 replaced the commissioner with the three-member Franchise Tax Board.

In the 1990's, the California Legislature expanded the scope of FTB's responsibilities by adding several non-tax debt collection activities that the department now has incorporated into its overall mission. In 1999, the Legislature further expanded this non-tax role by assigning FTB the technology implementation responsibility for the California Child Support Automation Project. The Department of Child Support Services is FTB's client for this project.

In 2005, we focused more attention and resources on the state's estimated \$6.5 billion tax gap. Toward that effort, the Tax Amnesty Program generated over \$800 million in revenue for the State of California.



With the passage of the mandatory e-file law in 2004, the number of electronically filed returns almost doubled; now, e-filed returns account for approximately 60 percent of all individual returns filed in 2006.

In 2006

- We answered more than 3 million calls in our call centers with an average wait time of six minutes.
- We received over 6.5 million visitors to our Website, who accessed over 7.7 million forms.
- We processed more than 15 million personal income tax returns and over one million business entity returns.
- We processed more than 8.9 million electronically filed personal income tax returns, and over 10,500 electronically filed business entity returns.

Here are just a few additional highlights of our success in serving our stakeholders in 2006:

- Increased the use of e-file for individuals to 60 percent of all returns filed.
- Implemented electronic filing of business entity returns.
- Translated four state income tax publications into other languages.
- Cracked down on abusive tax shelter transactions.

FTB Budget

- FTB's budget for fiscal year 2006-07 totals \$691.2 million. Of this amount, \$439.9 million is devoted to tax programs.
- FTB's budgeted staffing provides for 5,153 personnel years in 2006-07.
- Most of our budget is for personnel costs, with \$372.9 million approved for salaries, wages, and benefits in 2006-07. An additional \$318.3 million is designated for operating expenses and equipment building lease/purchase costs.

The Members of the Franchise Tax Board adopted these Principles of Tax Administration:

The primary function of the Franchise Tax Board is to administer the Revenue and Taxation Code. Tax policy for raising revenue is determined by elected officials.

With this in mind, it is the duty of the Franchise Tax Board to carry out that policy by correctly applying the laws enacted by the Legislature; to determine the reasonable meaning of various Code provisions in light of the legislative purpose in enacting them; and to perform this work in a fair and impartial manner, with neither a government nor a taxpayer point of view.

At the heart of administration is interpretation of the Code. It is the responsibility of each person in the Franchise Tax Board, charged with the duty of interpreting the law, to try to find the true meaning of the statutory provision and not to adopt a strained construction in the belief that he or she is “protecting the revenue.” The revenue is properly protected only when the true meaning of the statute is ascertained and applied.

The Franchise Tax Board also has the responsibility of applying and administering the law in a reasonable, practical manner. Issues should only be raised when they have merit, never arbitrarily or for trading purposes. At the same time, employees should never hesitate to raise a meritorious issue. It is also important that care be exercised not to raise an issue or to ask a court to adopt a position inconsistent with an established Franchise Tax Board position.

Administration should be both reasonable and vigorous. It should be conducted with as little delay as possible and with great courtesy and considerateness. It should never try to overreach, and should be reasonable within the bounds of law and sound administration. It should, however, be vigorous in requiring compliance with law and it should be relentless in its attack on unreal tax devices and fraud.

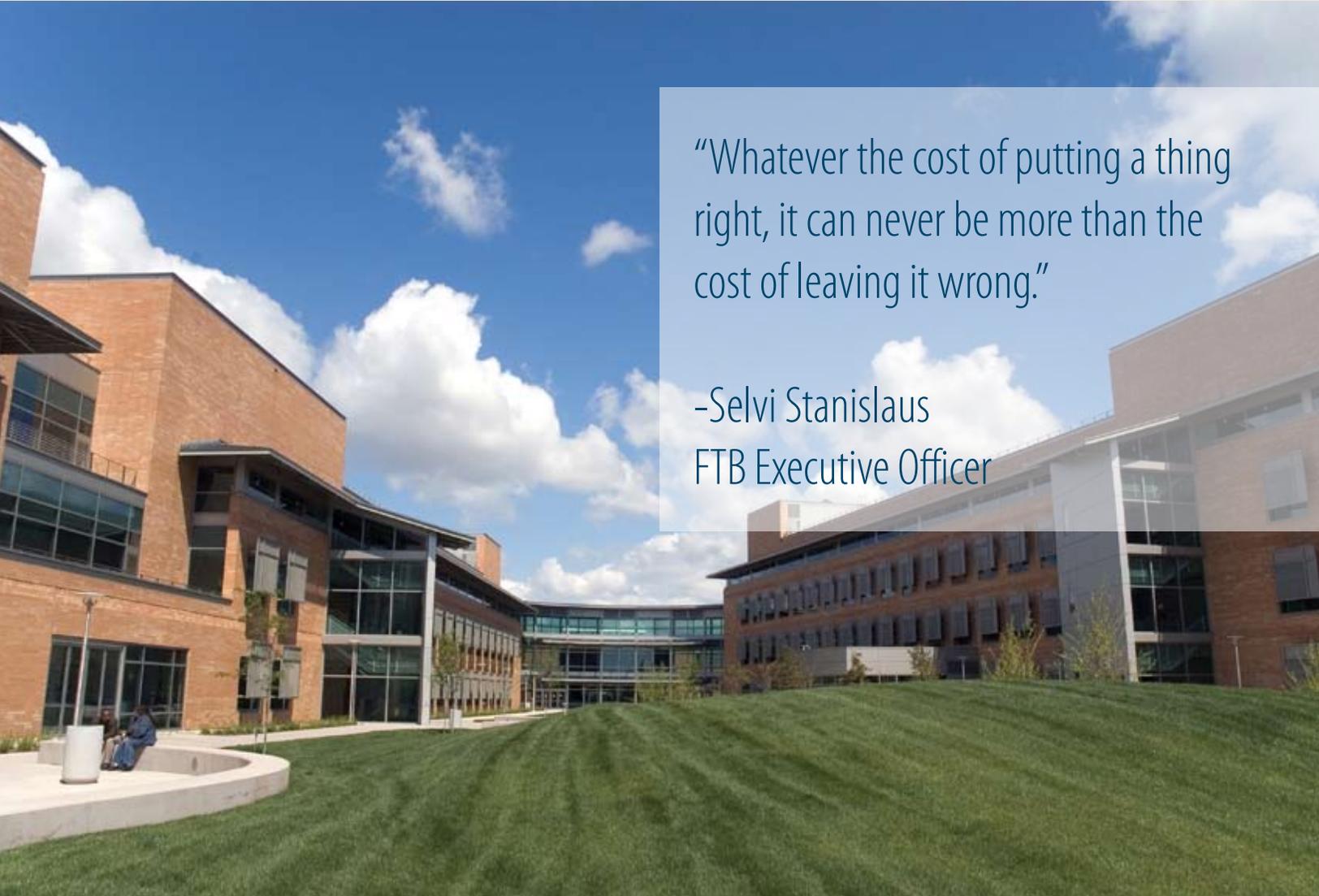


For additional information regarding strategic planning at the Franchise Tax Board or to obtain additional copies of the printed plan, contact:

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For the most up-to-date version of the Franchise Tax Board's Strategic Plan, visit our website at:

www.ftb.ca.gov



“Whatever the cost of putting a thing right, it can never be more than the cost of leaving it wrong.”

-Selvi Stanislaus
FTB Executive Officer

