

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 08/15)

Fiscal Year 2016-17	Business Unit 7730	Department Franchise Tax Board	Priority No. 4
Budget Request Name 7730-004-BCP-BR-2016-GB		Program 6280	Subprogram 6280010/6280019

Budget Request Description
 Tax Gap

Budget Request Summary

The Franchise Tax Board (FTB) requests 13 permanent positions and \$1.5 million General Fund in 2016-17 and 7 permanent positions and \$2.3 million General Fund 2017-18 and ongoing to continue to address key factors contributing to the overall tax gap of California. The initiatives in the proposal will generate an additional \$3 million General Fund revenue in 2016-17 and \$4 million annually thereafter.

The proposal will focus on the following tax gap initiatives:

1. Audit Workloads
2. Underground Economy Criminal Investigations

Requires Legislation <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed
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Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <i>If yes, departmental Chief Information Officer must sign.</i>	Department CIO	Date
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For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the Department of Technology, or previously by the Department of Finance.

FSR SPR Project No. Date:

If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Prepared By Department Director	Date	Reviewed By Agency Secretary	Date
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Pending Board Approval

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Dept. of Technology

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA Date submitted to the Legislature

Analysis of Problem

A. Budget Request Summary

The Franchise Tax Board (FTB) requests 13 permanent positions and \$1.5 million General Fund in 2016-17 and 7 permanent positions and \$2.3 million General Fund 2017-18 and ongoing to continue to address key factors contributing to the overall tax gap of California. The initiatives in the proposal will generate an additional \$3 million General Fund revenue in 2016-17 and \$4 million annually thereafter.

The proposal will focus on the following tax gap initiatives:

1. Audit Workloads
2. Underground Economy Criminal Investigations

B. Background/History

The tax gap is described as the difference between what taxpayers should pay and what is actually paid. California's income tax gap has grown over the years to approximately \$10 billion a year. Underreporting or over deducting, nonfilers, and underpayments are the three key components of the tax gap. Generally, the tax gap does not include amounts identified as relating to the underground economy. However, FTB has attempted to determine an approximate overlap of the tax gap and the underground economy and while estimating the overlap is difficult, departmental studies have shown that there could be an overlap between the tax gap and underground economy figures of up to 50 percent. The underground economy can be defined as economic activity of individuals and businesses that deal in cash and/or use other schemes to conceal their activities and true tax liability from government licensing, regulatory, and taxing agencies. Various think tank studies have placed the annual value of the underground economy at ranges between seven to 14 percent of Gross Domestic Product. If this range is correct, California's underground economy could approach \$170 billion a year. Using the average income tax rate of six percent, the approximate loss to California may be upwards of \$10 billion in income tax revenues lost annually.

FTB is taking the following steps to reduce or control the growth of the tax gap:

- Increasing the department's compliance efforts through better use of existing data.
- Modernizing FTB's tax systems to better use data with the Enterprise Data Revenue project.
- Expanding partnerships with other government agencies to enhance compliance efforts.
- Educating taxpayers about the tax gap.
- Educating front-line staff about new tax avoidance schemes.

This proposal focuses on continuing tax gap initiatives within the Audit and Criminal Investigations Programs.

Audit Program

FTB's Audit Program is responsible for conducting examinations of taxpayer income tax returns and claims for refund in order to determine the propriety of self-assessed tax liabilities. The Audit Program encourages self-compliance by administering the income tax audit program in a timely, responsible, and fair manner, and employs various methods to identify areas of noncompliance.

The Audit Program's discretionary workloads are prioritized by cost-to-benefit ratio (CBR) where workload benefits (revenue) are compared to the costs of conducting the audits. The Audit Program regularly evaluates its modeling process and individual audit models to identify potentially higher CBR workloads. Audit workloads are then ranked according to CBR, and resources are generally allocated to the workloads based upon that ranking.

Analysis of Problem

As a result of the Audit Program's most recent evaluation of its audit workplan, it has identified additional higher CBR discretionary workloads available for assignment in the Federal/State Special Audit Program and consistent with traditional practices, has begun to reallocate existing resources to these higher CBR workloads. As a result of this reallocation and without an increase to the program's resources, certain established workloads at 5:1 CBR that would normally have been completed will go unassigned. With approval of additional resources the Federal/State Special Audit Program will be able to foster increased tax compliance and increase state revenues by completing the identified higher CBR workloads without reducing its presence in established 5:1 CBR workloads.

The Federal/State Special Audit Program addresses areas of non-compliance of personal income tax issues identified through Audit's modeling program. The table below shows the historical resource data for the Federal/State Special Audit Program. See Attachment 1 for the Program Workload Measures (workload metrics).

Resource History
(Dollars in thousands)

Program Budget	2010-11	2011-12	2012-13	2013-14	2014-15
Authorized Expenditures	\$10,639	\$10,404	\$11,014	\$11,225	\$12,986
Actual Expenditures	\$10,176	\$10,119	\$10,525	\$10,568	\$11,541
Revenues	\$557,338	\$468,787	\$543,815	\$557,920	\$472,836
Authorized Positions	160.0	164.0	164.0	165.0	177.0
Filled Positions	150.0	153.0	159.0	143.0	154.0
Vacancies	10.0	11.0	5.0	22.0	23.0

Criminal Investigation Program

The Criminal Investigation Bureau conducts all criminal enforcement audits and investigations on behalf of FTB. The principal mission is to identify, investigate, prosecute, deter tax evasion and fraud, and encourage compliance with the California income tax laws and maintain the public's trust through publicity.

The table belows shows the historical resource data for the Criminal Investigation Bureau. See Attachment 1 for the Program Workload Measures (workload metrics).

Resource History
(Dollars in thousands)

Program Budget	2010-11	2011-12	2012-13	2013-14	2014-15
Authorized Expenditures	\$7,240	\$7,460	\$6,956	\$7,674	\$7,770
Actual Expenditures	\$7,060	\$7,153	\$7,136	\$8,026	\$8,333
Revenues	NA	NA	NA	NA	NA
Authorized Positions	63.0	64.0	60.0	61.0	63.0
Filled Positions	60.0	60.0	59.0	61.0	59.0
Vacancies	4.0	4.0	1.0	0.0	4.0

Analysis of Problem

A major component of the Criminal Investigation Program is to gain voluntary compliance through deterrence. By identifying, investigating and prosecuting taxpayers who break the laws and then publicizing the investigation results, other taxpayers who may consider engaging in the same or similar behavior may be convinced to refrain from such activities.

The term underground economy refers to those individuals and businesses that deal in cash and/or use other schemes to conceal their activities, identities and true tax liabilities from government licensing, regulatory, and taxing agencies.¹ The state loses billions of dollars to the underground economy. While the majority of individuals and businesses comply with the tax law, fraud and tax evasion most often occur in cash-driven businesses, businesses selling counterfeit products, and in the tobacco industry.

The Little Hoover Commission's recently released report² found:

- The underground economy is growing and thriving in part because of insufficient resources for enforcement.
- There are many cheaters who break the rules because getting caught is unlikely. If they are caught, few are charged in court.
- When found guilty, the profits from cheating often outweigh the fines and penalties.
- There is also an appalling record of collecting restitution, as the cheaters hide assets to avoid paying anything at all and quickly set up shop again under new ownership. Unfortunately, for some, cheating is business as usual.
- Tax evasion hurts California's economy as legitimate businesses are confronted with unfair competition.
- Funding for public resources is lost.
- Employees are forced to work in conditions without basic protections or may even lose their jobs.

Taking more aggressive action against the underground economy is essentially about fairness. Business owners should know the state stands with them against cheating competitors. Workers should know they stand a chance against employers who misclassify them or short their checks. Taxpayers should expect they will not pay more because some businesses don't pay at all.

California's well-being depends on the success of its businesses. To succeed, businesses need to compete on a level playing field. California has many rules and regulations by which its businesses must abide, and when some entrepreneurs do not play by those rules, it creates an unfair advantage. The underground economy also robs the state of an estimated \$10 billion in uncollected tax revenue³; money that could fund essential government services or reduce taxes for the majority of Californians who play by the rules.

In the recent past, California has created two task forces to combat criminal tax evasion related to underground economic activity. The Revenue Recovery and Collaborative Enforcement Act (RRACE) team was created via Assembly Bill 576 (Ch. 614, Stats. 2013). RRACE authorizes members and other participating agencies to exchange information for the purpose of investigating underground operations that are evading state taxes. The team is made up of the Board of Equalization (BOE), FTB, Employment Development Department (EDD), and the Department of Justice (DOJ).

^{1,2} Little Hoover Commission Report - *Level the Playing Field: Put California's Underground Economy Out of Business*, March 2015.

³ Although an overlap exists between the Underground Economy and the Tax Gap, this figure represents only the annual loss of revenue attributed to the Underground Economy.

Analysis of Problem

Additionally, the Tax Recovery and Criminal Enforcement (TRaCE) Task Force is a pilot program facilitated by AB 576. TRaCE joins existing state and federal resources to collaboratively combat illegal business activities that rob California of public funds and its citizens of public services. The task force is comprised of investigators and special agents from multiple agencies, including FTB, working together to investigate, prosecute and recover revenue lost to the underground economy.

FTB's participation on these and other task forces combat organized elements of the underground economy engaged in the manufacture, importation, distribution, and sale of pirated intellectual property, and other economic crimes resulting in the evasion of business, payroll and/or income taxes.

C. State Level Considerations

FTB has made considerable strides to combat a variety of elements contributing to this ever-growing issue that weakens the economic strength of the state. FTB's commitment to taking action to address the tax gap issues in California has made both IRS and other state agencies seek the department's expertise in this matter. These initiatives will build on FTB's comprehensive effort to narrow the state's \$10 billion tax gap and are supported by FTB's strategic plan. The strategic plan goals this proposal supports are providing taxpayer centric services to enhance services that FTB provides to help taxpayers fulfill their tax obligations; providing effective enforcement by administering and enforcing the law effectively to ensure that all taxpayers meet their obligations to file and pay the proper amount owed; and operational excellence by expanding operational infrastructure to provide the best products and services to taxpayers' in the most efficient and effective manner possible.

D. Justification

These initiatives encompass enforcement techniques aimed at known compliance problems that represent a portion of the tax gap problem.

1) **Audit Workloads**

(6 permanent positions and \$500,000 funding in 2016-17 will generate \$3 million revenue in 2016-17, and \$4 million annually thereafter)

This workload addresses areas of non-compliance of personal income tax issues identified through Audit's modeling program. Issues involve California/Federal differences where the taxpayer has not made the correct California adjustment for foreign income exclusions, unemployment, pensions, IRA distributions, and AGI differences. They also address other modeling workloads which include the Tax Exempt Bond Interest (TEBI) and Mutual Funds workloads. FTB is requesting additional audit resources to resume compliance work on existing workloads as well as working new compliance issues.

In total, this initiative will generate \$3 million in the first year of implementation and \$4 million in each subsequent fiscal year. The expanded audit presence resulting from this proposal will also encourage additional self-compliance in the long-term and protect self-assessed tax revenue already received.

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2) **Underground Economy Criminal Investigations**

(7 permanent positions and \$1 million funding in 2016-17, and 7 permanent positions and \$2 million funding in 2017-18, and ongoing)

The Criminal Investigation Bureau encompasses all criminal enforcement activities within the department. The bureau's principal mission is to identify, investigate, prosecute, deter tax evasion and fraud and encourage compliance with the California income tax laws and maintain the public's trust through publicity.

Under the direction of FTB's Chief Law Enforcement Officer, staff enforce the criminal provisions of the Revenue and Taxation Code. They take over where voluntary compliance and civil enforcement efforts end. Special agents investigate alleged criminal violations of the Revenue and Taxation Code, principally income tax fraud and evasion, and assist in prosecuting non-compliant individuals. The special agents work cases independently on income tax matters only or partner with city, county, state and federal agencies when other criminal matters or charges exist that could impact a tax liability. The special agents' efforts are supported by forensic auditors, collectors, analysts and support staff.

A major component of the Criminal Investigation Bureau is to gain voluntary compliance through deterrence. By identifying, investigating and prosecuting offenders who break the laws and then publicizing the investigation results, other taxpayers who may consider engaging in the same or similar behavior may be convinced to refrain from such activities.

With the increasing attention on the underground economy, improved modeling tools, and enhanced data sharing, the Criminal Investigation Bureau anticipates over 400 case referrals in 2015-16.⁴ Of those reviewed, historical data suggests that up to 60 percent of the referrals, or 225, will have criminal potential. With existing resources, FTB estimates about 64 cases will be opened for investigation and the remainder 161 will not be pursued. Cases opened require hundreds of staff hours devoted to gathering evidence and building a solid case. In order to manage existing workload demands and increased referrals, more staff are needed to keep up with the case load. Of the referrals received, historical data suggests about 14 percent of these cases will deal with the most egregious and aggressive taxpayers operating in the underground economy. With the additional resources requested, FTB will be able to pursue an additional 24 cases annually related to the underground economy.

Individuals in the Criminal Investigation Bureau work in teams and conduct the following activities:

- ✓ FTB special agents investigate suspected violations, gather evidence, locate and examine assets and liabilities, interview witnesses, interrogate suspects, plan and effect search and arrest warrants, work in conjunction with audit, collections, and other local, state, and federal organizations and law enforcement agencies. When a case moves into prosecution phase, agents serve as expert witnesses and assist with prosecution of the case.
- ✓ Forensic auditors review, organize, and analyze criminal case information obtained by special agents to support criminal prosecution. The forensic auditors evaluate evidentiary leads, recommend, and explore possible venues in the investigative process to gather additional facts. They apply their accounting and auditing skills to examine and analyze documents and records

⁴ Source of referrals include, but are not limited to, Office of the Attorney General, Department of Justice, Employment Development Department, Board of Equalization, Department of Insurance, District Attorneys, task forces, and various internal units within FTB.

Analysis of Problem

to detect and trace fraudulent transactions. They prepare extensive analyses of transactional tracing and factual conclusions and testify in court proceedings.

- ✓ Support staff are tasked with the majority of the non-sworn duties to allow agents to focus on case investigation and prosecution. Staff process the case intake and development workloads, evaluate referrals for prosecution potential, and prepare for investigation.
- ✓ Supervisory staff investigate the most difficult and sensitive underground economy cases, and supervise the work of a group of Investigation Specialists and other professional staff assigned to underground economy cases.

For recruitment and training purposes, seven permanent positions would be hired beginning July 2016, and seven permanent positions would be hired in July 2017. This will allow a phased approach to hiring and training new staff who will investigate underground economy cases.

E. Outcomes and Accountability

The implementation and ongoing progress of the initiatives addressed in this proposal will be monitored by the Audit program management and the Criminal Investigation Bureau Chief who will regularly report to Executive management the challenges and successes of these initiatives. While the Audit program management and the Criminal Investigation Bureau Chief are also tasked with monitoring the use of resources associated with this proposal, the ultimate responsibility still remains with the department's Chief Financial Officer.

The expected outcome will increase revenues by issuing additional tax assessments. The initial revenue estimate is \$3 million in 2016-17 and \$4 million in subsequent years. FTB annually reports outcomes of its compliance activities in the Audit and Compliance Activities Supplemental Report to the Legislature.

F. Analysis of All Feasible Alternatives

Alternative 1: Approve \$1.5 and 13 permanent positions in 2016-17, and 7 permanent positions in 2017-18, and ongoing.

The Little Hoover Commission's recently released report found that the underground economy is growing and thriving in part because of insufficient resources for enforcement. In order to be fully effective, FTB needs a holistic approach in addressing the tax gap because it encompasses both money leaving the state coffers and money rightfully going into the state coffers. With the additional resources, FTB will be able to focus on the expansion of specific workloads related to, various audits (6 positions) and criminal investigation workloads (7 positions). The state will generate approximately \$3 million for the general fund in the first year and \$4 million annually thereafter.

Alternative 2: Approve \$1.3 and 10 permanent positions in 2016-17, and 7 permanent positions in 2017-18, and ongoing.

With the additional resources, FTB will be able to focus on the expansion of specific workloads related to audits (3 positions) and criminal investigation workloads (7 positions). The state will generate approximately \$1.5 million for the general fund in the first year and \$2 million annually thereafter.

Alternative 3: Approve \$439,000 and 6 permanent positions in 2016-17, and ongoing.

With additional resources, FTB will be able to focus on the expansion of specific workloads related to audits only. The state will generate approximately \$3 million for the general fund in the first year and \$3 million annually thereafter. The underground economy cases identified by the Criminal Investigation

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Bureau will not be pursued allowing individuals and business entities suspected of committing tax crimes to continue their tax evasion schemes.

Alternative 4: Do not approve this proposal.

The underground economy will continue growing and thriving in California, in part because of insufficient resources for enforcement.

G. Implementation Plan

- June 2016 – FTB prepares documents to establish 13 positions approved by the FTB Budget Officer and forwards to the Department of Finance.
- June 2016 – DOF notifies FTB of position approval.
- July 1, 2016 – Funding is provided and positions are established. FTB begins hiring.
- June 2017 – FTB prepares documents to establish 7 positions approved by the FTB Budget Officer and forwards to the department of finance.
- June 2017 – DOF notifies FTB of position approval.
- July 1, 2017 – Funding is provided and positions are established. FTB begins hiring.

H. Supplemental Information

- Facilities – modular reconfiguration and relocation of staff.

I. Recommendation

Approve Alternative 1: Approve \$1.5 million and 13 permanent positions in 2016-17, and \$2.3 million and 7 permanent positions in 2017-18, and ongoing. In order to be fully effective, FTB needs a holistic approach in addressing the tax gap because it encompasses both money leaving the state coffers and money rightfully going into the state coffers. With the additional resources, FTB will be able to focus on the expansion of specific workloads related to audit workloads and criminal investigations. The state will generate approximately \$3 million revenue for the general fund in 2016-17 and \$4 million annually thereafter.

Tax Gap BCP Workload Metrics

	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	Past Year 4	Past Year 3	Past Year 2	Past Year 1	Past Year	Current Year	Budget Year	Budget Year 1	Budget Year 2	Budget Year 3	Budget Year 4
Criminal Investigation Bureau											
Referrals received	NA	362	280	308	357	375	401	401	401	401	401
Cases reviewed and potential crimes identified during review	NA	217	197	185	200	225	241	241	241	241	241
Criminal cases initiated with existing resources	NA	47	77	62	33	64	68	68	68	68	68
Cases with potential crimes identified but not pursued with existing resources	NA	170	120	123	167	161	173	173	173	172	172
Average % of cases in inventory related to Underground Economy	NA	NA	NA	NA	NA	14.00%	14.00%	14.00%	14.00%	14.00%	14.00%
Number of underground cases in inventory that cannot be addressed	NA	NA	NA	NA	NA	23	24	24	24	24	24
Number of underground cases in inventory that can be opened with additional staff requested.	NA	NA	NA	NA	NA	NA	6 new hires only open 6 due to hiring and training	18 new hires open 6 and prior year hires opens 12	24 staff open 24 cases this year - full production	24	24
Total CIB Case Inventory - All Case Types:											
Beginning	NA	309	314	317	270	247	249	256	267	277	281
Closed	NA	42	74	109	56	62	68	75	82	88	90
New **	NA	47	77	62	33	64	74	86	92	92	92
Ending Inventory	NA	314	317	270	247	249	256	267	277	281	283

** Beginning in 2016/17, new cases include potential growth if FTB is given additional resources.

Audit Division	Past Year 4	Past Year 3	Past Year 2	Past Year 1	Past Year	Current Year	Budget Year	Budget Year 1	Budget Year 2	Budget Year 3	Budget Year 4
CA/Federal differences where the taxpayer has not made the correct CA adjustment for Foreign Income Exclusions, unemployment, pensions, IRA distributions, AGI differences, and Non Residents.	2,395	1,699	1,173	966	231	408	2,908	2,908	2,908	2,908	2,908
Tax Exempt Bond Interest (TEBI) and Mutual Funds workload.	7	800	316	682	2,761	0	1,800	1,800	1,800	1,800	1,800

**Tax Gap BCP
Position Workload Metrics**

Section Name	Classification	Resource Type (Perm, LT, TH, OT)	Tasks (workloads)	2016/17 Volume	2017/18 Volume	Production Rate	Hours	New Positions Requested 2016/17	New Positions Requested 2017/18	Risk Impact if Position(s) Not Approved
Criminal Investigation Bureau	Investigative Specialist I	Perm	These positions will investigate cases involving the underground economy. Tasks include: analyzes financial transactions, determines income and expenses, locates and examines assets and liabilities, gathers evidence, prepares reports and makes recommendations. Interview witnesses and suspects, conducts interrogations, takes affidavits, analyzes and evaluates testimony in the investigation of crimes. Makes arrests, works undercover and participates in surveillance activities. Plans, directs and coordinates enforcement activities with other law enforcement agencies. Appears as a witness in court.	6 cases	18 cases Full Production in 18/19 @ 24 cases opened annually	average 700 hrs per case	11,100	3	3	On average, FTB expects to receive over 400 case referrals annually and more than half of the cases are not pursued due to lack of personnel resources. Cases will not be investigated for alleged criminal violations of the Revenue and Taxation Code, principally income tax fraud and evasion and the underground economy will continue to grow and thrive because of insufficient resources for enforcement.
Criminal Investigation Bureau	Program Specialist I	Perm	The forensic auditors will conduct more complex technical examination of seized business and bank records to reconstruct income and compute tax liabilities to the standard of proof required for criminal tax prosecutions. Auditors will conduct complex examinations and prepare reports for underground economy criminal investigation cases. Prepares audit reports and compiles records and schedules in support of reports submitted for use as evidence in a criminal court proceeding. Testifies in court regarding audit findings. Provides technical support to special agency in preparing case reports for district attorney offices. Provides technical guidance to team members. Conducts research and analysis of relevant tax law. Prepares Notice of Proposed Assessments and special reports. Conducts formal conferences and hearings.	6 cases	18 cases Full Production in 18/19 @ 24 cases opened annually	average 400 hrs per case	7,400	2	2	On average, FTB expects to receive over 400 case referrals annually and more than half of those are not pursued due to lack of personnel resources. Cases will not be investigated for alleged criminal violations of the Revenue and Taxation Code, principally income tax fraud and evasion and the underground economy will continue to grow and thrive because of insufficient resources for enforcement.

**Tax Gap BCP
Position Workload Metrics**

Section Name	Classification	Resource Type (Perm, LT, TH, OT)	Tasks (workloads)	2016/17 Volume	2017/18 Volume	Production Rate	Hours	New Positions Requested 2016/17	New Positions Requested 2017/18	Risk Impact if Position(s) Not Approved
Criminal Investigation Bureau	Investigative Specialist II, Supervisor	Perm	The working supervisor investigates the most difficult and sensitive underground economy cases, and supervises the work of a group of Investigation Specialists and other professional staff which will be assigned to underground economy cases.	NA	NA	NA	3,700	1	1	Given the number of staff and complexity of criminal investigations workloads, additional leadership is required to ensure the required ratio between staff and management.
Criminal Investigation Bureau	Tax Technician	Perm	Support staff assist investigators and forensic auditors by compiling data for lead development of underground economy cases. Technicians enter data into case management system. Perform quality review of information in case management system. Answer phone calls regarding accounts and court actions. Analyze accounts for refunds and credits. Make determination if refund or credit will be released, or if more information is needed. Process incoming correspondence and checks. Participate on search warrants as evidence recorder.	6 cases	18 cases Full Production in 18/19 @ 24 cases opened annually	average 160 hrs per case	3,700	1	1	On average, FTB expects to receive over 400 case referrals annually and more than half of those are not pursued due to lack of personnel resources. Cases will not be investigated for alleged criminal violations of the Revenue and Taxation Code, principally income tax fraud and evasion and the underground economy will continue to grow and thrive because of insufficient resources for enforcement.
Criminal Investigation Bureau	Investigative Specialist I	OT	These positions will investigate cases involving the underground economy. Tasks include: analyzes financial transactions, determines income and expenses, locates and examines assets and liabilities, gathers evidence, prepares reports and makes recommendations. Interview witnesses and suspects, conducts interrogations, takes affidavits, analyzes and evaluates testimony in the investigation of crimes. Makes arrests, works undercover and participates in surveillance activities. Plans, directs and coordinates enforcement activities with other law enforcement agencies. Appears as a witness in court.	varies	varies	varies	500	NA	NA	On average, FTB receives over 400 case referrals annually and more than half of those are not pursued due to lack of personnel resources. Cases will not be investigated for alleged criminal violations of the Revenue and Taxation Code, principally income tax fraud and evasion and the underground economy will continue to grow and thrive because of insufficient resources for enforcement.

**Tax Gap BCP
Position Workload Metrics**

Section Name	Classification	Resource Type (Perm, LT, TH, OT)	Tasks (workloads)	2016/17 Volume	2017/18 Volume	Production Rate	Hours	New Positions Requested 2016/17	New Positions Requested 2017/18	Risk Impact if Position(s) Not Approved
Federal/State Audit	Tax Technician	Perm	The Special Audit Unit in the Federal/State Audit program addresses areas of non-compliance of Personal Income Tax issues identified through our modeling program. Tasks include issuing Initial Contact Letters (ICLs), Notices of Proposed Assessments (NPAs), responding to correspondence/protest, generating telephone calls associated with closing protests/correspondence to taxpayers and/or representatives to explain complex issues, and compliance with the tax laws and will perform the more complex TI transactions to correct taxpayer accounts.					6	0	Without these resources, workloads that would normally have been completed will go unassigned with a resulting revenue loss to the state if the taxpayer does not willingly comply. Revenue loss: \$4 million annually
			CA/Federal differences where the taxpayer has not made the correct CA adjustment for various federal state differences including Foreign Income Exclusions; unemployment; pensions; IRA distributions; AGI Differences	2,500	2,500	3.5	8,750			
			Tax Exempt Bond Interest (TEBI) and Mutual Funds workload.	1,800	1,800	1.5	2,700			
			TOTAL HOURS				11,450			
TOTAL POSITIONS REQUESTED								13	7	

