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MEMORANDUM

To: Gerald H. Goldberg

January 19, 2005

From: Anne Miller

Subject: FY 2005/2006 Budget Summary

This memorandum provides a summary of the FTB budget. The 2005/06 Governor's Budget for FTB is \$701 million and includes authority for 5,285 PYs (Personnel Years). This is \$96 million more than the approved 2004/05 Budget Act of \$605 million and is 82 PYs higher than the authorized PY level of 5,203.

The major budget changes include:

- **Abusive Tax Shelters** – The Budget is proposing \$1.799 million and 17.1 positions to increase staffing for the Abusive Tax Shelter Taskforce. The additional funding to combat abusive tax shelters is expected to generate \$43 million in revenue in 2005-06 and \$60 million in 2006-07.
- **CA Child Support Automation Project** – The Franchise Tax Board's budget includes an augmentation of \$26.1 million General Fund, \$52.9 million reimbursements, and 15.5 positions to continue the federally mandated development of a single, statewide child support enforcement system in 2005-06. It also includes an augmentation of \$170,000 General Fund and \$330,000 reimbursements for activities related to the State disbursement unit.
- **Senior Citizens' Tax Assistance Program Changes** – The Budget proposes to replace the current Senior Citizens' Property Tax Assistance Program with an expansion in the Senior Citizens' Property Tax Deferral Program. In addition, the benefits and eligibility for the Senior Citizen Renters' Tax Assistance are being scaled back. The changes in these programs will result in savings of \$575,000 and 12.0 positions in the Franchise Tax Board's budget for 2005-06.

- Tax Gap Enforcement – The Budget proposes a package of five measures to reduce the tax gap at a cost of \$8.6 million annually and 99.2 positions. These measures will generate an estimated \$34 million 2005-06, increasing to nearly \$44 million in 2006-07.
- Unallocated reduction – The Franchise Tax Board has been instructed to reduce its budget by \$7.84 million with the flexibility to implement the reduction through layoffs, hiring freeze, procurement reductions, or other administrative means as the department may choose.

If you have any questions regarding this information, please contact me at 4905.

Director, Financial Management Bureau