

**STATE OF CALIFORNIA
BUDGET CHANGE PROPOSAL - COVER SHEET
FOR FISCAL YEAR 2008/09
DF-46 (REV 07/06)**

**Department of Finance
915 L Street
Sacramento, CA 95814
IMS Mail Code: A-15**

BCP # 14	PRIORITY NO	ORG CODE 1730	DEPARTMENT Franchise Tax Board
PROGRAM 10 Tax Programs	ELEMENT 10 Personal Income Tax	COMPONENT	

TITLE OF PROPOSED CHANGE:

Compliance Enhancement Measures.

SUMMARY OF PROPOSED CHANGE:

The Franchise Tax Board is requesting funding of \$9.9 million and a total of 138.7 positions for FY 2008/09 to develop new compliance enhancement measures that would further help close the tax gap. This proposal will result in an estimated \$71 million in FY 2008/09 growing to \$125.3 million in FY 2009/10.

REQUIRES LEGISLATION <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO	CODE SECTION(S) TO BE AMENDED/ADDED	BUDGET IMPACT-PROVIDE LIST AND MARK IF APPLICABLE <input checked="" type="checkbox"/> ONE-TIME COST <input checked="" type="checkbox"/> FULL-YEAR COSTS <input checked="" type="checkbox"/> FACILITIES/CAPITAL COSTS <input type="checkbox"/> FUTURE SAVINGS <input checked="" type="checkbox"/> REVENUE
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PREPARED BY:	DATE	REVIEWED BY:	DATE
Pending Board Approval			
PROGRAM APPROVAL:	DATE		DATE

DOES THIS BCP CONTAIN INFORMATION TECHNOLOGY (IT) COMPONENTS? YES OR NO
 IF YES, DEPARTMENTAL CHIEF INFORMATION SIGNATURE DATE
 DEPARTMENT DIRECTOR: AGENCY SECRETARY:

FOR INFORMATION TECHNOLOGY REQUESTS, SPECIFY THE DATE SPECIAL PROJECT REPORT (SPR) OR FEASIBILITY STUDY REPORT (FSR) WAS APPROVED BY THE DEPARTMENT OF FINANCE.
 DATE PROJECT # FSR OR SPR

IF PROPOSAL AFFECTS ANOTHER DEPARTMENT, DOES OTHER DEPARTMENT CONCUR WITH PROPOSAL? N/A
 YES NO
 ATTACH COMMENTS OF AFFECTED DEPARTMENT SIGNED AND DATED BY THE DEPARTMENT DIRECTOR OR DESIGNEE.

DEPARTMENT OF FINANCE ANALYST USE (ADDITIONAL REVIEW)

CAPITAL OUTLAY OTROS FSCU OSAE CALSTARS

DATE SUBMITTED TO THE LEGISLATURE: PPBA:

BCP #14	DATE	Title of Proposed Change:	Personnel Years			CY	BY	BY + 1
			CY	BY	BY + 1			
PROGRAM	01/02/2008	Compliance Enhancement Measures						
Tax Programs	ELEMENT	COMPLEMENT						
	Personal Income Tax							
Total Salaries & Wages a/			.0	138.7	138.7	\$ 0	\$ 6,157,000	\$ 6,157,000
Salary Savings			.0	-7.0	-7.0	\$ 0	-\$ 304,000	-\$ 304,000
Net Total Salaries and Wages			.0	131.7	131.7	\$ 0	\$ 5,853,000	\$ 5,853,000
Staff Benefits b/						\$ 0	\$ 2,568,000	\$ 2,568,000
Total Personal Services						\$ 0	\$ 8,421,000	\$ 8,421,000
Operating Expenses and Equipment								
General Expenses /1						\$ 0	\$ 442,000	\$ 113,000
Printing /2						0	11,000	11,000
Communications /3						0	158,000	158,000
Postage /4						0	269,000	316,000
Travel-In-State						0	0	0
Travel Out-of-State						0	0	0
Training						0	0	0
Facilities Operations /5						0	52,000	52,000
Utilities						0	0	0
Cons & Prof Svs - Interdept'l /6						0	40,000	40,000
Cons & Prof Svs - External /7						0	100,000	100,000
Consolidated Data Center						0	0	0
Data Processing /8						0	367,000	26,000
Equipment						0	0	0
Other Items of Exp (Specify Below)						0	0	0
Total Operating Expense & Equipment						\$ 0	\$ 1,439,000	\$ 816,000

a/ Itemized detail on Page II-3 by classification as in Salaries and Wages Supplement.

b/ Detail provided on following pages.

- /1 General Expense @ \$813 per position. Plus minor equipment @ \$1116 per position. PCs @\$1260 per position.
- /2 Printing Costs @ \$77 per position.
- /3 Communication costs @ \$1136 per position.
- /4 Postage Costs for additional mailings.
- /5 Facilities Costs: incremental price increase \$374 per position.
- /6 Issue # 1 DMV Contract.
- /7 Issue #2 Vendor Address Contract and #3 Consulting Services.
- /8 Software for PCs @ \$485 per PC, \$180 on-going cost for PCs . \$300K for CPU, memory resources, and DASD storage.

		<u>CY</u>	<u>BY</u>	<u>BY + 1</u>
TOTAL OPERATING EXPENSES AND EQUIPMENT		\$ 0	\$ 1,439,000	\$ 816,000
SPECIAL ITEMS OF EXPENSE d/		\$ 0	\$ 0	\$ 0
PROGRAM ADMINISTRATION		\$ 0	\$ 461,000	\$ 461,000
Distributed Admin		\$ 0	-\$ 461,000	-\$ 461,000
TOTAL STATE OPERATIONS EXPENDITURES		\$ 0	\$ 9,860,000	\$ 9,237,000
<u>Source of Funds</u>	<u>Appropriation No.</u>			
	Org - Ref - Fund			
General Fund	1730 001 0001	\$ 0	\$ 9,860,000	\$ 9,237,000
		0	0	0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
Reimbursements	1730 501 0995	0	0	0
Totals		\$ 0	\$ 9,860,000	\$ 9,237,000
LOCAL ASSISTANCE		\$(0)	\$(0)	\$(0)
<u>Source of Funds</u>	<u>Appropriation No.</u>			
	Org - Ref - Fund			
General Fund	1730 001 0001	\$ 0	\$ 0	\$ 0
		0	0	0
		0	0	0
		0	0	0
		0	0	0
Reimbursements		0	0	0
Totals		\$ 0	\$ 0	\$ 0

d/ Special Items of expense must be titled. Please refer to the Uniform Codes Manual for a list of the standardized Special Items of expense objects which may be used.

**DETAIL OF STAFF BENEFITS
AND PERSONAL SERVICES**

Positions	Positions			Salary Range		Amount			
	CY 2007/08	BY 2008/09	BY + 1 2009/10			CY	BY	BY + 1	
Administrative Services Division									
Assoc Personnel Analyst	LT 24 Mo	0.0	1.0	1.0	\$ 4,400	\$ 5,348	\$ 0	\$ 58,000	\$ 58,000
Assoc Ops Spec	PERM	0.0	2.0	2.0	\$ 4,400	\$ 5,348	\$ 0	\$ 117,000	\$ 117,000
Mailing Machines Operator I	TEMP LT 24 Mo	0.0	0.2	0.2	\$ 2,280	\$ 2,770	\$ 0	\$ 6,000	\$ 6,000
Total Administrative Services Division		.0	3.2	3.2			\$ 0	\$ 181,000	\$ 181,000
Adjust for Part Year Positions		.0	.0	.0					
Net Positions/ PYs before salary savings		.0	3.2	3.2					
Finance & Executive Services Division									
Assoc Ops Spec	OT						\$ 0	\$ 44,000	\$ 44,000
Assoc Budget Analyst	PERM	0.0	1.0	1.0	\$ 4,400	\$ 5,348	\$ 0	\$ 58,000	\$ 58,000
Acctg Officer Spec	LT 24 Mo	0.0	1.0	1.0	\$ 3,841	\$ 4,670	\$ 0	\$ 51,000	\$ 51,000
Total Finance & Executive Services Division		.0	2.0	2.0			\$ 0	\$ 153,000	\$ 153,000
Adjust for Part Year Positions		.0	.0	.0					
Net Positions/ PYs before salary savings		.0	2.0	2.0					
Accounts Receivable Management Division									
Administrator II	LT 24 Mo	0.0	1.0	1.0	\$ 5,573	\$ 7,113	\$ 0	\$ 76,000	\$ 76,000
Administrator II	PERM	0.0	1.0	1.0	\$ 5,573	\$ 7,113	\$ 0	\$ 76,000	\$ 76,000
Administrator I	LT 24 Mo	0.0	4.0	4.0	\$ 5,076	\$ 6,476	\$ 0	\$ 277,000	\$ 277,000
Administrator I	PERM	0.0	2.0	2.0	\$ 5,076	\$ 6,476	\$ 0	\$ 139,000	\$ 139,000
Sr Compliance Rep.,Ftb	LT 24 Mo	0.0	6.0	6.0	\$ 4,619	\$ 5,616	\$ 0	\$ 368,000	\$ 368,000
Sr Compliance Rep.,Ftb	PERM	0.0	4.0	4.0	\$ 4,619	\$ 5,616	\$ 0	\$ 246,000	\$ 246,000
Compliance Rep, Ftb - Rg B	LT 24 Mo	0.0	46.0	46.0	\$ 3,204	\$ 3,708	\$ 0	\$ 1,908,000	\$ 1,908,000
Compliance Rep, Ftb - Rg B	PERM	0.0	46.0	46.0	\$ 3,204	\$ 3,708	\$ 0	\$ 1,908,000	\$ 1,908,000
Tax Technician, Ftb - Rg B	LT 24 Mo	0.0	2.0	2.0	\$ 2,817	\$ 3,426	\$ 0	\$ 75,000	\$ 75,000
Tax Program Tech I, Ftb	LT 24 Mo	0.0	4.0	4.0	\$ 2,638	\$ 3,209	\$ 0	\$ 140,000	\$ 140,000
Total Accounts Receivable Management Division		.0	116.0	116.0			\$ 0	\$ 5,213,000	\$ 5,213,000
Adjust for Part Year Positions		.0	.0	.0					
Net Positions/ PYs before salary savings		.0	116.0	116.0					
Filing Division									
Tax Technician, Ftb - Rg B	LT 24 Mo	0.0	4.0	4.0	\$ 2,817	\$ 3,426	\$ 0	\$ 150,000	\$ 150,000
Tax Technician, Ftb - Rg B	PERM	0.0	2.0	2.0	\$ 2,817	\$ 3,426	\$ 0	\$ 75,000	\$ 75,000
Tax Program Tech I, Ftb	LT 24 Mo	0.0	3.0	3.0	\$ 2,638	\$ 3,209	\$ 0	\$ 105,000	\$ 105,000
Tax Program Assistant - Rg B	LT 24 Mo	0.0	3.0	3.0	\$ 2,074	\$ 2,519	\$ 0	\$ 83,000	\$ 83,000
Tax Program Assistant - Rg B	PERM	0.0	2.0	2.0	\$ 2,074	\$ 2,519	\$ 0	\$ 55,000	\$ 55,000
Tax Program Assistant - Rg B	TEMP LT 24 Mo	0.0	0.5	0.5	\$ 2,074	\$ 2,519	\$ 0	\$ 14,000	\$ 14,000
Total Filing Division		.0	14.5	14.5			\$ 0	\$ 482,000	\$ 482,000
Adjust for Part Year Positions		.0	.0	.0					
Net Positions/ PYs before salary savings		.0	14.5	14.5					
Technology Services Division									
Asst Info Systems Analyst - Rg B	PERM	0.0	3.0	3.0	\$ 3,204	\$ 3,893	\$ 0	\$ 128,000	\$ 128,000
Total Technology Services Division		.0	3.0	3.0			\$ 0	\$ 128,000	\$ 128,000
Adjust for Part Year Positions		.0	.0	.0					
Net Positions/ PYs before salary savings		.0	3.0	3.0					
Total Salaries and Wages									
	Positions	.0	138.7	138.7			\$ 0	\$ 6,157,000	\$ 6,157,000
	Part Yr Adj	.0	.0	.0					
	P.Y.s	.0	138.7	138.7					

**Schedule of Staff Benefits Costs
FOR FISCAL YEAR 2008/09**

Staff Benefits

	2007/08	2008/09	2009/10
OASDI /1	\$ 0	\$ 363,000	\$ 363,000
Dental /2	0	72,000	72,000
Health /3	0	1,012,000	1,012,000
Retirement /4	0	963,000	963,000
Vision /5	0	13,000	13,000
Medicare /6	0	85,000	85,000
Worker's Comp /7	0	46,000	46,000
Industrial Disability /8	0	2,000	2,000
Non Industrial Disability /9	0	11,000	11,000
Unemployment Insurance /10	0	1,000	1,000
Total Staff Benefits	\$ 0	\$ 2,568,000	\$ 2,568,000

1/ For permanent and overtime, 6.2% of net salary.

2/ For permanent, \$545 per net personnel year.

3/ For permanent, \$7,711 per net personnel year.

4/ For permanent, 16.633% of net salary.

5/ For permanent, \$110 per net personnel year.

6/ 1.45% of net salary for permanent.

7/ 0.8% of net salary for permanent.

8/ 0.05% of net salary for permanent.

9/ 0.21% of net salary for permanent.

10/ 5.68% of net salary for temporary help.

**FRANCHISE TAX BOARD
Fiscal Year 2008/2009**

**Budget Change Proposal
Compliance Enhancement Measures**

**BCP No. 14
Date: January 2, 2008**

A. NATURE OF REQUEST

The Franchise Tax Board is requesting funding of \$9.9 million and a total of 138.7 positions for FY 2008/09 to develop new revenue raisers that would further help close the tax gap. This proposal will result in an estimated \$71 million in FY 2008/09 growing to \$125 million in FY 2009/10.

B. BACKGROUND/HISTORY

Over the years California's income Tax Gap has grown to approximately \$6.5 billion. The Tax Gap is the difference between what taxpayers should pay and what is actually paid. This proposal seeks to augment the department's budget in order to pursue the following initiatives that will help close the tax gap and raise revenue for the State. See Attachment I for summary of costs and revenue associated with each of the proposals discussed below.

1. New Data Source Pilot: DMV Luxury Auto Registration

Cost: 14.5 positions / \$1.0 million in costs

Revenue: \$27 million in revenue in FY 2008/09 and FY 2009/10

In FY 2006/07, FTB requested an ad hoc report from Department of Motor Vehicles (DMV) listing all auto registrations (valued at \$40K or more) in California. Initially, the DMV data will be used to determine the taxpayer's ability to pay on outstanding tax debts where the taxpayer was previously determined to have a limited ability to pay, or the case was determined uncollectible or cost-prohibitive.

The first year of the pilot will focus on collection strategies, however this information will be valuable to both filing enforcement and audit.

The first year of the pilot has a revenue projection of \$27M cash in the door. This revenue forecast is based on the potential size of the extract and tax gap figures. The extract will be used as a source of better address, for possible asset information, to analyze existing collection decisions and to set missing years assessments on accounts. While during the initial phase of the pilot the missing year piece will be handled by Collections, there is the future potential to work jointly with Filing Enforcement.

Of the \$7.3 billion in accounts determined to be in an uncollectible status, we are

estimating the extract to have the potential of collecting \$7.8 million.

Since the extract is being pulled from DMV's registration system it is a unique source of address information that would not be available to an outside vendor.

2. Vendor Contract – Identify Good/Mailable Addresses For Non-filers With Bad Addresses

Cost: 35 positions / \$2.6 million

Revenue: \$7.1 million in revenue in FY 2008/09 / \$23 million in FY 2009/10

Each year, FTB uses contract dollars to purchase good/mailable addresses from vendors in order to send notices to non-filers with bad addresses. Bad addresses are defined as addresses that are incomplete, erroneous, or missing. Normally, FTB issues notices to approximately 110,000 non-filers through this process each year. Last year, FTB did not have a contract in place to purchase good addresses.

This budget change proposal provides the opportunity to contact those non-filers that were not contacted last fiscal year and to contact an additional 110,000 non-filers per fiscal year for fiscal year 2008-09 and later.

Total revenue associated with this proposal is \$320 million realized over the next 10 fiscal years.

3. IRS Information Return Master File (IRMF)

Cost: 26.2 positions / \$2.1 million

Revenue: \$13.4 million in FY 2008/09 / \$46.8 million in FY 2009/10 / \$58.4 million in FY 2010/11

The IRMF is a database created from returns under the Information Returns reporting requirements of the Internal Revenue Code (IRC). The file contains payer and payee interest, partnership / S Corporations, distributions, gambling winnings and miscellaneous other categories. The individual's W-2 information is added if the individual has an information return on the database. The information is extracted on an annual basis by payee's state code. If multiple addresses are present, then each participating state receives all information returns.

This is a massive file with some states receiving as many as 254 cartridges; and it is divided into 26 segments using the last two digits of the Payee's Taxpayer Identification Number as the indicator for the divisions. Tax agencies will receive a separate reel(s)/cartridge(s) for each segment.

State and Federal laws require that entities engaged in a trade or business file information returns with the Internal Revenue Service (IRS) and FTB for certain payments made in the course of a trade or business. FTB uses the data from these returns to determine whether a taxpayer needs to file a California income tax return. The IRS sends IRMF data to FTB each year. It contains all of the

information returns that payers report to the IRS for taxable activities associated to California. For many years, this information was not considered to have much value because it is compiled much later than FTB's data related to CA taxpayers. However, upon further analysis, the department found that there were significantly more records received by the IRS related to CA taxpayers than FTB received (2004 IRMF – includes 165 M records – 120 M of those records are 1099s / FTB received only 80 M 1099s). FTB believes the IRMF data will result in identification and notification of approximately 60,000 additional non-filers each year.

In addition to using the IRMF data to identify non-filers, FTB plans make the data available to FTB's Audit and Collection programs as well as those at EDD and BOE. We are convinced that these programs will also benefit from the addition income records contained on the IRMF. However, the sheer size of the IRMF file (170 million records) and that fact that it contains records that are already reported to FTB introduce technical challenges to making the data available. We will want to provide the data to online, batch and analytical applications while ensuring that those processes and the databases that contain the IRMF data continue to perform adequately. We want to do this will avoiding the need to create redundant data stores for the IRMF data. We also must identify those IRMF records that have been previously reported to FTB so that we don't overstate the amount income reported to each taxpayer. Finally we have to the flexibility to provide the entire portfolio of IRMF records for a taxpayer or just those records that were not previously reported. To meet the challenges of making the IRMF data widely available we are asking for an augmentation of \$250,000. The augmentation would be used to engage the services of a consultant to help determine the best way to make the data available using our current architecture and database technologies. Our goal would be to provide the data to all customers without impacting the performance of the systems that receive the IRMF data or those who store the data.

4. Fund Discretionary Workload in Collection Program

Cost: 60 positions / \$4.1 million

Revenue: \$18.5 million

There are unfunded workloads within the Collections Program that can be augmented to generate revenue and assist with the overall Tax Gap activities of the department. Those workloads are identified by CBR level on Attachment I with the related costs at revenue at each level.

5. Mandatory E-pay –PIT payments of \$20,000 or more

Cost: 3 positions / \$161,000

Revenue: \$5 million in FY 2008/09 / \$10 million in FY 2009/10

Proposal will require personal income taxpayers with estimated tax or extension payments in excess of \$20,000 or tax liabilities in excess of \$80,000 to make all payments through an electronic method prescribed by FTB. Low utilization by

taxpayers of current technologies to make state franchise and income tax payments contributes to increased processing costs resulting in significant loss of interest to the State.

Electronically transmitted payments eliminate deposit delays and loss of interest due to their deposit immediately upon receipt. This proposal would improve the cashing and processing functions of FTB. The department would expect to see reduced processing times in receiving, information validation, and key data entry functions in addition to increased accuracy in the application of payments to taxpayers' accounts. The reduction in deposit delays and lost interest would increase overall revenue to the state. This proposal would provide greater security for taxpayer transactions and help prevent taxpayer identify theft.

Requiring electronic payment by certain personal income taxpayers at this threshold would affect less than 1.8% of taxpayers making payments, but represents over 50% of the total funds deposited.

This proposal would add Revenue and Taxation Code section 19011.5 to require personal income taxpayers with estimated tax or extension payments in excess of \$20,000 or tax liabilities in excess of \$80,000 to make all payments through an electronic method prescribed by FTB.

If enacted in the 2008 legislative session as an administrative measure, this proposal would be effective and operative beginning January 1, 2009, and would apply to tax payments made on or after that date.

Review of Other State Statutes: Laws from the states of *New Jersey, Illinois, Massachusetts, Michigan, Minnesota, and New York* were reviewed due to their similarities to California's economy, business entity types, and tax laws. While all of the states provide electronic payment options, only *New Jersey, Massachusetts, and Illinois* have mandatory EFT requirements.

New Jersey requires any taxpayer with a prior year liability of \$10,000 or more in any one tax to remit payments for all taxes by using EFT methods. *Massachusetts* limits mandatory EFT requirements to business taxes and withholding payments, but does not have mandatory EFT requirements for PIT payments.

Illinois requires EFT PIT tax payments that exceed \$200,000. *Illinois* also participates in an IRS pilot program that allows taxpayers to remit both federal and state tax payments through EFTPS.

C. STATE LEVEL CONSIDERATIONS

These proposals are directed at addressing non-compliant taxpayers. FTB is continuing to take action to close the tax gap and FTB has made considerable strides over the last two years to combat a variety of elements contributing to this ever-

growing issue. Impact to the State and many of its departments could be substantial if these efforts are not continued and developed.

D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS

The program areas represented in this proposal have the space available to accommodate the additional staff, although alterations are necessary at the cost of\$

E. JUSTIFICATION

This proposal reflects initiatives that will further address the Tax Gap burden on the taxpayers of California and will – at the same time – generate much needed revenue for the State. These actions are closely aligned with FTB’s mission, overall strategic and Tax Gap plan.

Consistent with FTB’s Strategic plan goal # 2, “Increase Fairness and Compliance with the Tax Law” our request for resources in the areas of Audit Workload Growth and Fraud Prevention and Detection aligns with our belief that a more holistic approach including long-term strategic efforts, along with quick strikes will create the best chance for reducing this problem that is shortchanging all Californians

Consistent with our 2006 Tax Gap Plan: “A Strategic Approach to Reducing California’s Tax Gap”, we are committed to using new, innovative methods to combat this issue in order to benefit all taxpayers in our state.

F. TIMETABLE

Implement the resources identified within this proposal on July 1, 2008.

Franchise Tax Board
FY 2008/09 Compliance Enhancement Measures BCP

Item #	Revised 1/2/08	Revenue		Costs (In Thousands)			
		(In Thousands)		08/09		09/10	
		08/09	09/10	\$	Positions	\$	Positions
Category 1 - Revenue Generating Workloads							
1	New Data Source Pilot: DMV Luxury Auto Reg	\$ 27,000	\$ 27,000	\$ 993	14.5	\$ 954	14.5
2	Vendor Contract for Address Information	\$ 7,100	\$ 23,000	\$ 2,564	35.0	\$ 2,470	35.0
3	New Data Source - IRS Information Return Master File (IRMF)	\$ 13,400	\$ 46,800	\$ 2,072	26.2	\$ 1,749	26.2
4	Fund Discretionary Workload in Collection Program						
	Fund Collection Wkld down to \$4:\$1	\$ 9,400	\$ 9,400	\$ 1,688	25.0	\$ 1,621	25.0
	Fund Collection Wkld down to \$3:\$1	\$ 5,500	\$ 5,500	\$ 1,446	21.0	\$ 1,388	21.0
	Fund Collection Wkld down to \$2:\$1	\$ 3,600	\$ 3,600	\$ 936	14.0	\$ 902	14.0
	Subtotal Item 4	\$ 18,500	\$ 18,500	\$ 4,070	60.0	\$ 3,911	60.0
Category 1 Subtotal:		\$ 66,000	\$ 115,300	\$ 9,699	135.7	\$ 9,084	135.7
Category 2 - Savings Related to Legislative Changes 1/							
6	Mandatory E-pay - PIT payments of \$20K or more 1/2	\$ 5,000	\$ 10,000	\$ 161	3.0	\$ 153	3.0
Category 2 Subtotal:		\$ 5,000	\$ 10,000	\$ 161	3.0	\$ 153	3.0
Category 1 & 2 Total:		\$ 71,000	\$ 125,300	\$ 9,860	138.7	\$ 9,237	138.7

Agency Revenue Targets:

6% = \$34M / 9% = \$51M / 12% = \$68M

1/ Assumes bill would be enacted in 2008 legislative session and effective as of 1/1/09.

2/ Assumes legislation is introduced in Feb 08 under an urgency clause and is enacted with an effective date of 1/1/08.

3/ FTB has also identified additional revenue via the FY 08/09 Tax Gap BCP #3. Total revenues associated with this BCP proposal total \$22 million in FY 08/09 and \$38.5 million in FY 09/10.

**ATTACHMENT 1
COMPLIANCE ENHANCEMENT MEASURES**

FY 2008/09

(Dollars in thousands)

Allotments 01/02/2008	Issue #1 New Data Source Pilot: DMV Luxury Auto Registration		Issue #2 Vendor Contract for Address Information		Issue #3 New Data Source - IRS Information Return Master File (IRMF)		Issue #4 Fund Discretionary Workload in Collection Program		Issue #6 Mandatory E-Pay - PIT payments of \$20K & Above		Total Compliance Enhancement Measures	
	PY's	Amount	PY's	Amount	PY's	Amount	PY's	Amount	PY's	Amount	PY's	Amount
	Personal Services											
Total Salaries & Wages	14.5	\$ 645,000	35.0	\$ 1,539,000	26.2	\$ 1,126,000	60.0	\$ 2,744,000	3.0	\$ 103,000	138.7	\$ 6,157,000
Salary Savings	-0.7	\$ (32,000)	-1.8	\$ (77,000)	-1.3	\$ (56,000)	-3.0	\$ (134,000)	-0.2	\$ (5,000)	-7.0	\$ (304,000)
Net Salaries and Wages	13.8	\$ 613,000	33.2	\$ 1,462,000	24.9	\$ 1,070,000	57.0	\$ 2,610,000	2.8	\$ 98,000	131.7	\$ 5,853,000
Staff Benefits		\$ 264,000		\$ 650,000		\$ 476,000		\$ 1,130,000		\$ 48,000		\$ 2,568,000
Total Personal Services		\$ 877,000		\$ 2,112,000		\$ 1,546,000		\$ 3,740,000		\$ 146,000		\$ 8,421,000
Operating Expense & Equipment												
General Expense /1		\$ 47,000		\$ 112,000		\$ 84,000		\$ 189,000		\$ 10,000		\$ 442,000
Printing /2		\$ 1,000		\$ 3,000		\$ 2,000		\$ 5,000				\$ 11,000
Communications /3		\$ 16,000		\$ 40,000		\$ 30,000		\$ 69,000		\$ 3,000		\$ 158,000
Postage /4				\$ 167,000		\$ 87,000		\$ 15,000				\$ 269,000
Travel-In-State /5/												\$ -
Travel-Out-of-State /6												\$ -
Training /7												\$ -
Facilities Operations /8		\$ 5,000		\$ 13,000		\$ 10,000		\$ 23,000		\$ 1,000		\$ 52,000
Utilities												\$ -
Cons & Prof Svs - Interdept'l		\$ 40,000										\$ 40,000
Cons & Prof Svs - External				\$ 100,000								\$ 100,000
Data Processing		\$ 7,000		\$ 17,000		\$ 313,000		\$ 29,000		\$ 1,000		\$ 367,000
Equipment												\$ -
Total OE&E		\$ 116,000		\$ 452,000		\$ 526,000		\$ 330,000		\$ 15,000		\$ 1,439,000
Total Expenditures		\$ 993,000		\$ 2,564,000		\$ 2,072,000		\$ 4,070,000		\$ 161,000		\$ 9,860,000
FUNDING												
General Fund (1730-001-0001)		\$ 993,000		\$ 2,564,000		\$ 2,072,000		\$ 4,070,000		\$ 161,000		\$ 9,860,000
Reimbursements (1730-501-0995)												
Total		\$ 993,000		\$ 2,564,000		\$ 2,072,000		\$ 4,070,000		\$ 161,000		\$ 9,860,000
Anticipated 2008/09 Revunes/Benefits		\$ 27,000,000		\$ 7,100,000		\$ 13,400,000		\$ 18,500,000		\$ 5,000,000		\$ 71,000,000
Anticipated 2009/10 Revenue/Benefits		\$ 27,000,000		\$ 23,000,000		\$ 46,800,000		\$ 18,500,000		\$ 10,000,000		\$ 125,300,000

/1 General Expenses @ \$813 for 138.7 PCs @ \$1,260, and minor Equipment @ \$1,116 per position.

/2 Printing Cost @ \$77 x 138.7 on-going.

/3 Communications @ 1,136 x 138.7 positions on-going.

/4 Postage Costs for additional mailings (Issues #2, 3, 4) on-going.

/5 Facilities Costs: incremental price increase @ \$374 per PY 138.7 on-going.

/6 DMV Contract for Issue #1 on-going.

/7 Consultant Services for Issue #2 (Vendor Address) @ \$100K on-going & #3 (Data Availability) @ \$250K one-time.

/8 Data Processing 138.7 @ \$485 one-time and \$180 per position on-going. \$300K for CPU, memory and DASD (issue #3) one-time.