

Non-Wage Withholding – Outreach Success Stories

History

- Withhold at Source began in the 1950's.
- Program expanded in early 80's, due in part to the recognition of the tax gap.
- In 2003, AB2065 expanded the program to include withholding on resident real property sales.
- 07/08 Tax Gap initiatives created greater opportunity to focus on discovery and education and outreach efforts.

Discovery and Education and Outreach Efforts

- Partnerships have developed with a number of departments/agencies, helping our joint customers understand FTB's nonresident withholding requirements.
- Other organizations, associations and societies have also partnered with FTB to provide their clients and members with FTB's nonresident withholding requirements.
- Withholding workshops for nonresident withholding have been and continue to be conducted throughout the state.
- Staff has participated in a variety of industry conferences relating nonresident withholding requirements.
- Staff has been invited to speak at society and association events.
- Many new industries have been identified through the efforts of the Discovery Team. Through relationship building and education, compliance has significantly improved in the nonresident withholding arena.
- The Discovery Team continues to expand and identify new industries subject to the nonresident withholding requirements.

Performance Measures

- Payee to withhold agent ratio has increased significantly.
- Proactive rather than reactive education and outreach efforts have also had a significant positive impact to revenue.

Future Developments

March 19, 2009

Non-Wage Withholding – Outreach Success Stories

The new Withhold at Source System will replace the Nonresident Withholding System providing:

- Better interfaces with other FTB systems.
- Increased efficiencies allowing us to redirect more resources to discovery and education and outreach activities.

03.19.09



State of California
Franchise Tax Board

Non-Wage Withholding: Outreach Success



Filing Division
Phillip Gray



State of California
Franchise Tax Board

What we'll cover today...

- What We Do
- How Far We've Come: 1950's to Today
- Our Approach: Research + Relationships = Revenue
- Doing Our Homework: the Importance of Research
- Getting Out There: Building Relationships, Establishing Partnerships, Shaking Hands
- How We Know It's Worth It: Key Success Factors
- What Next?: Future Developments



State of California
Franchise Tax Board

What We Do

- **Educate** withholding agents and **collect** withholding on payments to taxpayers at the time they have a taxable event in California.



State of California
Franchise Tax Board

How Far We've Come: 1950's to Today

- **1950s:** Withhold at Source program begins
- **1950-1970s:** Status quo
 - Focus primarily on Hollywood entertainment industry
- **1980s:** Tax Gap gains attention
 - Program expands to include:
 - Nonresident independent contractors
 - Foreign sellers of property



How Far We've Come: 1950's to Today

- **2003: AB 2065 passes**
 - Program expands (again) to include:
 - Withholding on sale of California real property for residents and nonresidents
- **2007/08: Tax Gap BCP approved**
 - Provides additional resources for more expansion



State of California
Franchise Tax Board

Our Approach: Research + Relationships = Revenue

- **Primarily proactive, not reactive**
- **Emphasize education and compliance follows**
- **Outreach and relationships are keys to success**



Doing Our Homework: the Importance of Research

- **Discovery Team Research Tools**
 - Maximize the use of Google search, and other search engines
 - Search trade publications
 - Network



State of California
Franchise Tax Board

Discovery Team research results in identification of industries nationwide for non-wage withholding compliance...

- Racing: Cars, motorcycles, and boats
- Billiards
- Boxing
- Bull riding
- Stock contractors
- Golf
- Skate Boarding
- Fishing tournaments
- Athlete signings
- Video game competitions
- Gambling winnings: card rooms, etc.



The Discovery Team continues its work towards compliance with...

- Staffing agencies
- Modeling agencies
- Hospitals
- Rented venues
- Trucking
- Commercial rental properties
- Paparazzi



State of California
Franchise Tax Board

Getting Out There: Building Relationships, Establishing Partnerships, Shaking Hands

- We reach thousands of potential clients through key partnerships. These groups forward our info to their clients:
 - California Hospital Association
 - California Society of Certified Public Accountants
 - California Society of Healthcare Attorneys



State of California
Franchise Tax Board

Getting Out There: Building Relationships, Establishing Partnerships, Shaking Hands

- **California Society of Accounting and Tax Professionals**
- **California Society of Enrolled Agents**
- **Real Estate Management Association**
- **California Trucking Association**



State of California
Franchise Tax Board

Getting Out There: Building Relationships, Establishing Partnerships, Shaking Hands

- These groups provide a link to our website, on their websites:
 - Employment Development Department
 - Department of Food and Agriculture
 - California Athletic Commission
 - Golden State Gaming Association



State of California
Franchise Tax Board

Getting Out There: Building Relationships, Establishing Partnerships, Shaking Hands

- Team members get the word out in person at:
 - Various society and association meetings and events
 - Industry conferences
 - Workshops sponsored by FTB



State of California
Franchise Tax Board

How We Know It's Worth It: Key Success Factors

- Payee to withhold agent ratio increased from **7:1 to 13:1**
- Proactive research and relationships result in additional...
\$50 million



State of California
Franchise Tax Board

What Next?: Future Developments

- Updated withhold system will provide:
 - Better interfaces with other FTB systems
 - Added ability to issue bills for penalties and interest
- System efficiencies will allow us to devote more resources to
 - Research and relationships
 - Resulting in more revenue



State of California
Franchise Tax Board

Contact
Phil Gray
916.845.6963
Phillip.Gray@ftb.ca.gov