

09.01.10 | Board Meeting

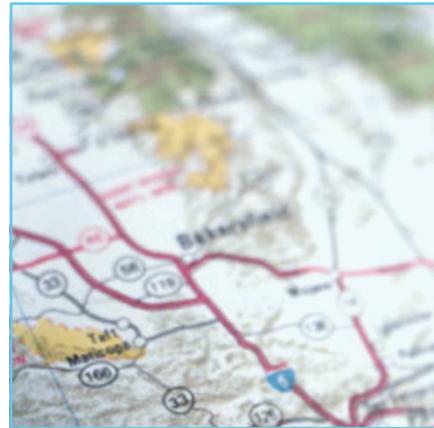
Filing Enforcement Program Success

[FTB]

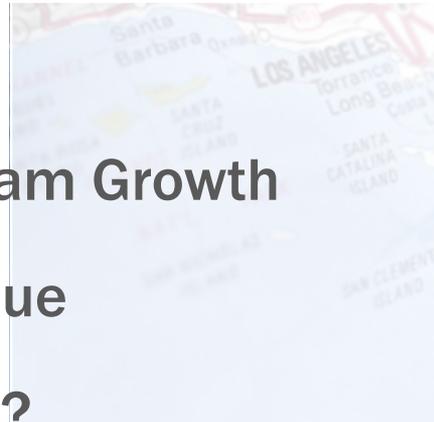
Gina Purcell | Filing Division

Franchise Tax Board

What We'll Cover Today...

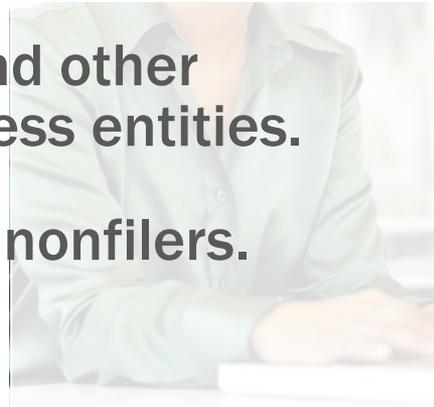


- What We Do
- How Far We've Come → **Program Growth**
- Our Business → **Data = Revenue**
- **Who are California's Nonfilers?**
- Getting Out There → **Finding New Income and Data Sources**
- How We Know It's Working → **Key Success Factors**
- What Next? → **Future Efforts**



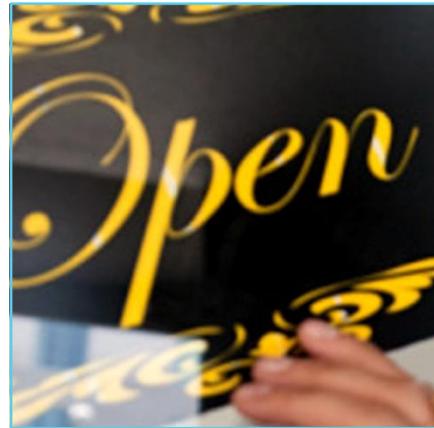
What We Do

- **Gather** income information and other data on individuals and business entities.
- **Identify** and **contact** potential nonfilers.

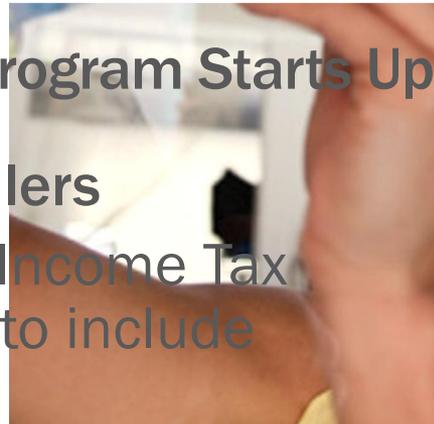


How Far We've Come

FE Program Growth



- **1970s** → Filing Enforcement Program Starts Up
- **1980s** → Self-employed Nonfilers
 - Focus primarily on Personal Income Tax and expanding our contacts to include self-employed individuals.

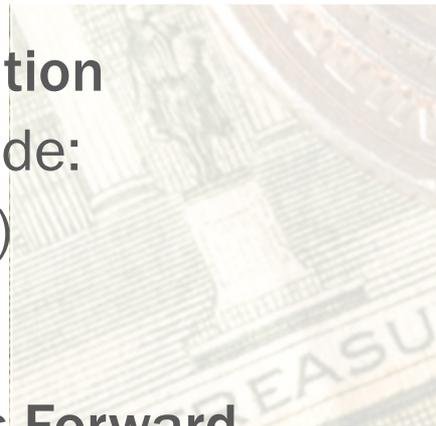


How Far We've Come

FE Program Growth



- **1990s → Tax Gap Gains Attention**
 - FE Program expands to include:
 - Pass-through income (K1s)
 - 1098 mortgage interest
- **2000 and Beyond → FE Leaps Forward**
 - Integrated Nonfiler Compliance (INC) implementation
 - Quality Assurance



How Far We've Come: FE Program Growth



- **2005/2006 → Tax Gap BCP Approved**
 - Five new income sources.
- **2008 → May Revise**
 - Increased funding to purchase address data.
 - Increased Quality Assurance staff to contact more nonfilers and further prevent erroneous contacts.
- **2007/2008 → Tax Gap BCP Approved**
 - New income sources for business entity nonfilers.
 - Expands nonfiler universe to include LLCs and Partnerships.

Our Business

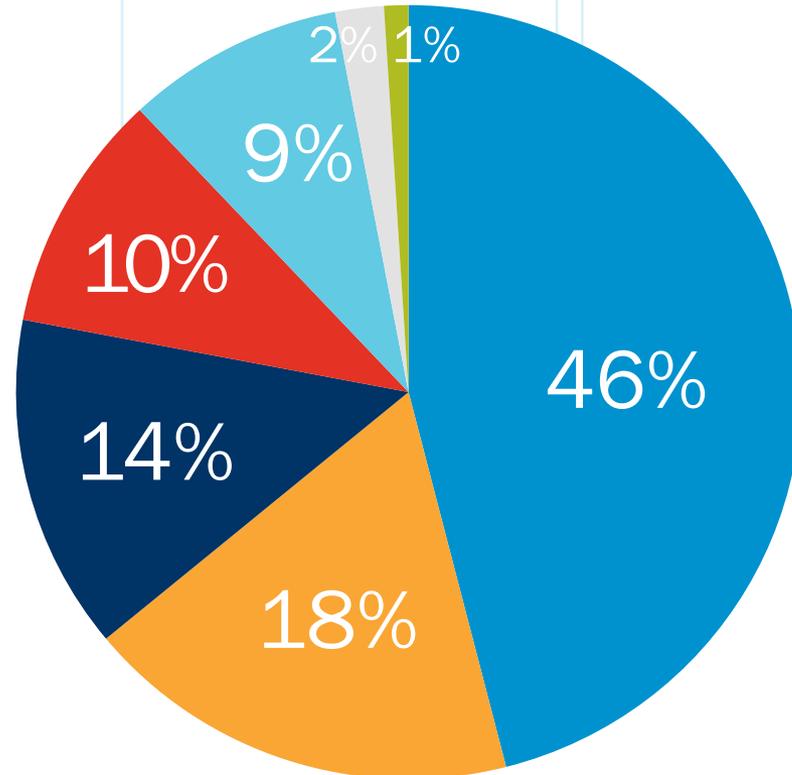
Data = Revenue



- Approximately 500 million income records are received annually.
- Records are extracted, cleansed, associated and loaded for use by the FE Program.
- Several million potential nonfiler cases are created.
- IT support is critical to our success.

Who are California's Nonfilers?

- Wage Earners
- 1099 Income Earners
- Self-Employed Individuals
- 1098 Mortgage Interest Payers
- Federal Return Filers
- Sellers of Real Property
- Partners/Shareholders



Getting Out There

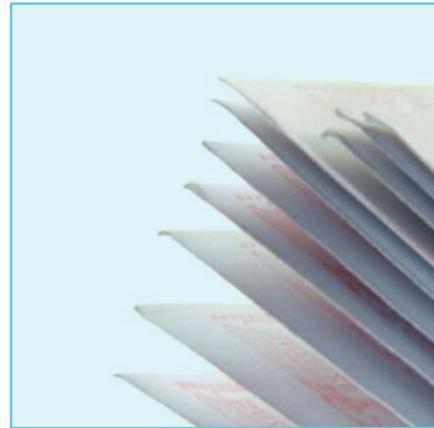
Finding New Income and Data Sources

- Program Evaluation
- New Studies
- Results from Other Studies



How We Know It's Working

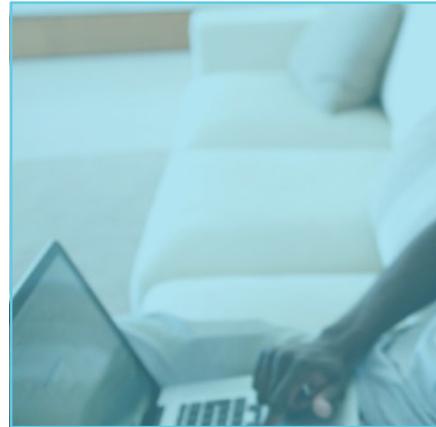
Key Success Factors



- Over **1.2 million** Personal Income Tax notices are issued annually.
- Annual Personal Income Tax revenue is over **\$550 million**.
- Nearly **200,000** Business Entity notices are issued annually.
- Annual Business Entity Tax revenue is over **\$100 million**.
- Revenue Growth – over **\$100 million** increase in revenue over last five years and over **\$200 million** in last ten years.

How We Know It's Working

Key Success Factors



- Over 300,000 tax returns are filed each year.
- Over 60% of nonfilers contacted subsequently file for at least the next three years.
- Over 100,000 incoming calls per year – results in revenue and return filing compliance.
- Quality Assurance - limits erroneous contacts, ensures we are getting to more nonfilers, and promotes equal and fair treatment.

We improved customer service by providing both easy and various ways to respond to FTB:

- Phone
- Fax
- IVR
- Internet
 - Email and automated case resolution.



What's Next?

Future Efforts

LLCs

PARTNERSHIPS

- **Expansion of Business Entity Program**
 - LLCs and Partnerships
- **Expanded Communication**
 - Expanded use of existing data.
 - Different methods of contact.

COMMUNICATION

Contact



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