

Fiscal Year 2014/15	BCP No. 6	Org. Code 7730	Department Franchise Tax Board	Priority No. 6
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Program Tax Programs	Element N/A	Component N/A
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Proposal Title
Tax Gap

Proposal Summary
 The Franchise Tax Board (FTB) is requesting \$1.86 million and 23 positions for fiscal year 2014/15, \$1.88 million in funding and 24 positions in 2015/16, to continue to address key factors contributing to the overall tax gap of California. The initiatives in the proposal will generate an additional \$13.9 million in General Fund revenue in 2014/15 and \$20.4 million in 2015/16 and annually thereafter. The proposal will focus on the following tax gap initiatives:

1. Federal Audit Revenue Agents Reports (RAR) and Automated Audit Workloads
2. Withholding Services and Compliance Workloads
3. Fiduciary e-File (Form 541) Workloads

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 No	Code Section(s) to be Added/Amended/Repealed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 California Technology Agency, 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	Date	Reviewed By	Date
Department Director	Date	Agency Secretary	Date

Department of Finance Use Only

Additional review: Capital Outlay CSU FSCU OS/E CALSTARS Technology Agency

Pending Board Approval

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA	Date submitted to the Legislature
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Fiscal Summary
(Dollars in thousands)

BCP No 6	DATE 08/14/2013	Proposal Title: Tax Gap	PROGRAM Tax Programs
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	Positions			FY 2013/14	FY 2014/15	FY 2015/16
	CY	BY	BY + 1	CY	BY	BY + 1
Total Salaries & Wages /1	.0	23.0	24.0	\$ 0	\$ 1,103,000	\$ 1,208,000
Total Staff Benefits /2				\$ 0	\$ 570,000	\$ 612,000
Total Personal Services				\$ 0	\$ 1,673,000	\$ 1,820,000

Operating Expenses and Equipment

General Expense /3	\$ 0	\$ 48,000	\$ 23,000
Printing /4	0	1,000	1,000
Communications /5	0	15,000	15,000
Postage	0	0	0
Travel-In-State	0	0	0
Travel Out-of-State	0	0	0
Training	0	0	0
Facilities Operations /6	0	71,000	0
Utilities	0	0	0
Cons & Prof Svs - Interdept'l	0	0	0
Cons & Prof Svs - External	0	0	0
Data Center Services	0	0	0
Information Technology /7	0	48,000	20,000
Equipment	0	0	0
Other/Special Items of Expense	0	0	0
Total Operating Expense & Equipment	\$ 0	\$ 183,000	\$ 59,000

TOTAL STATE OPERATIONS EXPENDITURES

\$ 0 \$ 1,856,000 \$ 1,879,000

Fund Source

	<u>Item No.</u>					
	Org	Ref	Fund			
General Fund	7730	001	0001	\$ 0	\$ 1,856,000	\$ 1,879,000
				0	0	0
				0	0	0
				0	0	0
				0	0	0
				0	0	0
				0	0	0
Totals				\$ 0	\$ 1,856,000	\$ 1,879,000

Total Local Assistance Expenditures

\$(0) \$(0) \$(0)

Fund Source

	<u>Item No.</u>					
	Org	Ref	Fund			
General Fund				\$ 0	\$ 0	\$ 0
				0	0	0
				0	0	0
				0	0	0
				0	0	0
				0	0	0
Totals				\$ 0	\$ 0	\$ 0

Grand Total, State Operations and Local Assistance

\$ 0 \$ 1,856,000 \$ 1,879,000

- /1 Itemized positions by classification on the Personal Services Detail worksheet.
- /2 Benefit detail on the Personal Services Detail worksheet.
- /3 General Expense @ \$910 per position. Plus minor equipment @ \$1184 per new position.
- /4 Printing Costs @ \$27 per position.
- /5 Communication costs @ \$644 per position.
- /6 Facilities Costs.
- /7 Software and Hardware for PCs for new positions.

PERSONAL SERVICES DETAIL
(Whole Dollars)

BCP No 6	DATE 08/14/2013	Proposal Title: Tax Gap	PROGRAM Tax Programs
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Positions		Positions			Salary Range		CY	Dollars	
		CY 2013/14	BY 2014/15	BY + 1 2015/16				BY	BY + 1
Audit Division									
Assoc Tax Auditor	PERM	0.0	5.0	5.0	\$ 4,619	\$ 6,074	\$ 0	\$ 321,000	\$ 321,000
Tax Program Tech II,Ftb	PERM	0.0	8.0	8.0	\$ 2,951	\$ 3,696	\$ 0	\$ 319,000	\$ 319,000
Tax Program Supervisor	PERM	0.0	1.0	1.0	\$ 3,101	\$ 3,884	\$ 0	\$ 42,000	\$ 42,000
Administrator I	PERM	0.0	1.0	1.0	\$ 5,076	\$ 6,670	\$ 0	\$ 70,000	\$ 70,000
Tax Technician, Ftb - Rg B	PERM	0.0	3.0	3.0	\$ 2,817	\$ 3,528	\$ 0	\$ 114,000	\$ 114,000
Total Audit Division		.0	18.0	18.0			\$ 0	\$ 866,000	\$ 866,000
Adjust for Part Year Positions		.0	.0	.0					
Net Positions		.0	18.0	18.0					
Legal Division									
Tax Counsel III Spec	PERM	0.0	0.0	1.0	\$ 7,682	\$ 9,762	\$ 0	\$ 0	\$ 105,000
Total Legal Division		.0	.0	1.0			\$ 0	\$ 0	\$ 105,000
Adjust for Part Year Positions		.0	.0	.0					
Net Positions		.0	.0	1.0					
Filing Division									
Asst Info Systems Analyst - Rg B	PERM	0.0	3.0	3.0	\$ 3,204	\$ 4,010	\$ 0	\$ 130,000	\$ 130,000
Tax Auditor - Rg B	PERM	0.0	2.0	2.0	\$ 3,841	\$ 5,050	\$ 0	\$ 107,000	\$ 107,000
Total Filing Division		.0	5.0	5.0			\$ 0	\$ 237,000	\$ 237,000
Adjust for Part Year Positions		.0	.0	.0					
Net Positions		.0	5.0	5.0					
Total Salaries and Wages									
Positions		.0	23.0	24.0			\$ 0	\$ 1,103,000	\$ 1,208,000
Part Yr Adj		.0	.0	.0					
Net Positions		.0	23.0	24.0					

Staff Benefits Detail

	2013/14	2014/15	2015/16
OASDI /8	\$ 0	\$ 69,000	\$ 75,000
Health/Dental/Vision Insurance /9	0	251,000	262,000
Retirement - Miscellaneous /10	0	227,000	249,000
Worker's Compensation /11	0	6,000	7,000
Industrial Disability Leave/12	0	0	0
Non Industrial Disability Leave /13	0	1,000	1,000
Unemployment Insurance /14	0	0	0
Medicare /15	0	16,000	18,000
Total Staff Benefits	\$ 0	\$ 570,000	\$ 612,000

8/ For permanent and overtime, 6.2% of salary.

9/ Health - For Permanent \$10,150 per position; Dental - For permanent \$587 per position;
Vision - for permanent \$106 per position.

10/ For permanent, 20.503% of salary.

11/ 0.55% of salary for permanent.

12/ 0.03% of salary for permanent.

13/ 0.06% of salary for permanent.

14/ 8.8% of salary for temporary help.

15/ 1.45% of salary for permanent.

FISCAL YEAR 2014/15
 SUPPLEMENTAL INFORMATION
 (\$ in Thousands)

Identify all proposed items which fit into the categories listed below.

	<u>Current Year</u>	<u>Budget Year</u>	<u>Budget Year + One</u>
<u>Proposed Equipment</u>	\$ 0	\$ 0	\$ 0
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Proposed Contracts</u> (Both external and interdepartmental)	\$ 0	\$ 0	\$ 0
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>One-Time Costs</u> General Expense - Minor Equipment (chair, calculator, telephone, data connection) Information Technology (PC's & Software)	\$ 0 0	\$ 27 27	\$ 1 1
Total	<u>\$ 0</u>	<u>\$ 54</u>	<u>\$ 2</u>
<u>Future Savings</u>	\$ 0	\$ 0	\$ 0
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Full-Year Cost Adjustments</u>	\$ 0	\$ 0	\$ 0
Total	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>Facilities/Capital Costs</u> - indicate one-time or ongoing Facilities - reconfiguring and purchasing additional workstations (one-time)	\$ 0	\$ 71	\$ 0
Total	<u>\$ 0</u>	<u>\$ 71</u>	<u>\$ 0</u>

A. Proposal Summary

The Franchise Tax Board (FTB) is requesting \$1.86 million and 23 positions for fiscal year 2014/15, \$1.88 million in funding and 24 positions in 2015/16, to continue to address key factors contributing to the overall tax gap of California. The initiatives in the proposal will generate an additional \$13.9 million in General Fund revenue in 2014/15 and \$20.4 million in 2015/16 and annually thereafter. The proposal will focus on the following tax gap initiatives:

1. Federal Audit Revenue Agents Reports (RAR) and Automated Audit Workloads
2. Withholding Services and Compliance Workloads
3. Fiduciary e-File (Form 541) Workloads

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. Underreporting or overdeducting, nonfilers, underpayments, and fraud are all components that make up the tax gap. Although we may never completely close the tax gap, FTB is taking the following steps to reduce it:

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

This proposal focuses on continuing tax gap initiatives within the Audit and Filing 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.

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, 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 audit program's resources, certain established workloads at 4:1 CBR that would normally have been completed will go unassigned. With approval of additional resources the 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 4:1 CBR workloads.

Two Audit workloads will be discussed in this proposal.

- The Federal/State Audit program utilizes Revenue Agents Reports (RARs) from the IRS, modified to reflect California differences as the basis for audit assessments. The RAR workload utilizes automated technology and paraprofessional classifications to provide revenue at a relatively low cost.

Analysis of Problem

- The Automated Audit Program audits personal income taxpayers with statutory issues and single-issue correspondence audits.

Filing Program

The Filing Program provides citizens resources and services to enable the accurate filing of income tax returns and payments. We accomplish this by education and outreach, creating tax forms, and offering both self service options and contact center services and processing. We also ensure taxpayer compliance through return and payment validation, noticing, and enforcement activities.

Two Filing workloads will be discussed in this proposal.

- Withholding Services and Compliance Section (WSCS) educates withholding agents and collects withholding on payments to taxpayers at the time they have a taxable event in California. WSCS collects approximately \$1.5 billion in revenue per fiscal year based on the following programs:
 - Withholding program for income tax on sellers of California real estate, nonresident entertainers, independent contractors, partners, and beneficiaries.
 - Backup withholding program.
 - Non-admitted insurance tax program.
 - Bulk sales certificates program.

Even with our current education and outreach activities, these programs are a highly unknown area of the law and often taxpayers are caught off guard with penalties when they do not comply with the nonwage withholding laws and requirements.

- The e-Programs Section is the business owner of Filing Division's electronic return filing, payment and refund processing, and online self-service programs. The section is responsible for electronic return filing options, 199Ne-Postcard, Web Pay, and other e-file program and electronic payment processing systems. Staff ensure that FTB's products for external constituents such as Personal Income Tax (PIT) e-file, Business Entity (BE) e-file, Paperless K-1, and Electronic Funds Withdrawal (PIT and BE) work seamlessly. Technical staff also continually monitor FTB's eView program which allows staff to review or print individual and business e-file returns.

FTB received over 12 million PIT returns filed electronically in 2011/12. This number increased to over 13 million PIT returns filed electronically in 2012/13. Respectively, FTB processed over 3.5 million electronic payments for both PIT and BE; and 4.2 million electronic payments for both PIT and BE the following year. Electronic payments brought in over \$19 billion in 2011/12 and over \$30 billion in 2012/13.

As a result of FTB's successful implementation of other e-file forms, in January 2014, we are implementing Fiduciary e-file (541) in conjunction with the IRS deployment of their 1041 Modernized e-File (MeF) Program. Currently, FTB does not have adequate resources to support full implementation of Fiduciary e-file (541) to ensure that our e-file and online applications are functional and serve the needs of taxpayers.

Analysis of Problem

Resource History (Dollars in thousands)

	2008/09	2009/10	2010/11	2011/12	2012/13
Federal Audit Revenue Agents Reports (RAR) & Automated Audit Workloads					
Authorized Expenditures	\$8,450	\$8,900	\$10,200	\$10,200	\$10,600
Actual Expenditures	\$8,450	\$8,883	\$10,158	\$10,105	\$10,516
Revenues (net assessments)	\$421,772	\$513,011	\$557,338	\$468,787	\$543,815
Authorized Positions	161.0	157.0	160.0	164.0	164.0
Filled Positions	134.5	149.8	150.1	153.0	158.6
Vacancies	26.5	7.2	9.9	11.0	5.4
Withholding Services & Compliance Workloads					
Authorized Expenditures	\$2,803	\$2,414	\$3,161	\$3,362	\$3,042
Actual Expenditures	\$2,491	\$2,366	\$2,916	\$2,970	\$2,825
Revenues	\$607,000	\$548,000	\$682,000	\$867,000	\$1,265,000
Authorized Positions	62.5	62.5	65.5	65.5	57.5
Filled Positions	54.1	57.0	61.3	59.7	56.8
Vacancies	8.4	5.5	4.2	5.8	0.7
Fiduciary e-File (Form 541) Workloads					
Authorized Expenditures	\$3,243	\$2,792	\$2,458	\$2,529	\$2,333
Actual Expenditures	\$3,088	\$1,979	\$2,408	\$2,432	\$2,329
Authorized Positions	47.0	51.0	22.0	36.5	33.5
Filled Positions	48.4	33.6	35.4	34.2	32.8
Vacancies	0.0	17.4	0.0	2.3	0.7

Workload History

Workload Measure	2008/09	2009/10	2010/11	2011/12	2012/13
Federal Audit Revenue Agents Reports (RAR) Workloads					
Audit & Claim Volume	330,144	330,089	424,642	344,880	334,761
Withholding Services & Compliance Workloads					
Potential Cases for Audits	N/A	N/A	N/A	N/A	3,000
Cases Closed	N/A	N/A	45	42	77
Fiduciary e-File (Form 541) Workloads					
PIT e-file returns received	>10.5 million	>11 million	>11.5 million	>12.5 million	>13 million
BE e-file returns received	>277k	>369k	>485k	>635k	>787k

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 our State. Our commitment to taking action to address the tax gap issues in California has made both IRS and other state agencies seek our 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 we provide 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 our operational infrastructure to provide the best products and services to taxpayers' in the most efficient and effective manner possible.

D. Justification

The first two initiatives encompass enforcement techniques aimed at known compliance problems that represent a portion of the tax gap problem. The third initiative, will allow FTB to expand our e-filing form options in conformity with federal action which will result in enhanced taxpayer convenience, faster tax processing, reduced cycle time, and the potential for more current resolution of taxpayer uncertainties.

1) Federal Audit Revenue Agents Reports (RAR) and Automated Audit Workloads

(18 permanent positions and \$1.4 million funding in 2014/15, 19 permanent positions and \$1.5 million funding in 2015/16, generate \$12.9 million revenue in 2014/15 and \$19.4 million revenue in 2015/16, and annually thereafter)

The Federal/State and Special Audit Section processes over 200,000 incoming Federal Audit Revenue Agents Reports (RAR) from the IRS each year. Over the years the volume and complexity of audits has increased and require more auditor and technician review. Five years ago the section averaged 168,000 audit adjustments. Of those, 31,000 cases required an auditor or technician to review it and manually make adjustments. In 2012/13, we conducted manual audits on 75,000 cases. This is requiring more personnel hours and the complexity of the adjustments has increased. More knowledge of the tax law and more staff are required to keep up with the case load. Existing resources have been reallocated to the higher CBR workloads. We are requesting additional audit resources to work established RAR workloads at 4:1 CBR. 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. With approval of additional resources, this will produce \$18.3 million in additional ongoing cash revenue.

The Automated Audit Program has also identified additional cost effective single-issue audits by continuing to work lower CBR 4:1 workloads. We are requesting additional audit resources to work ongoing levels of inventory. These positions will produce \$1.1 million in additional ongoing cash revenue.

We are requesting one legal position in 2015/16 to provide the necessary staff resources for the expected increased legal workloads. The Legal Division provides upfront analysis and guidance to audit staff on certain legal issues. This proactive assistance ensures that cases are better developed and the department's position is substantiated. We also anticipate a proportionate increase in docketed protests, appeals, and litigation.

In total, this initiative will generate \$12.9 million in the first year, and \$19.4 million the next full year of implementation and 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.

2) Withholding Services and Compliance Workloads

(2 permanent positions and \$170,000 funding in 2014/15, generate \$1.0 million revenue annually)

The WSCS program also has an audit program to identify areas of noncompliance with nonwage withholding requirements. The audit program was implemented in 2006 to provide awareness and enhance compliance for withholding agents through education and outreach. After two years of education and outreach, in 2008, the program began assessing Notices of Balance Due and Statements of Tax Due to noncompliant agents for failure to withhold and remit withholding to the FTB. Currently, we have five audit staff dedicated to trying to make an enforcement presence in a state of 1.3 million businesses regarding a highly unknown area of law.

Analysis of Problem

We are requesting two additional audit staff because we have ongoing workloads that require additional resources in order to increase compliance with nonwage withholding statutes. Each additional auditor can close approximately 25 cases a year with revenue potential of \$500,000. Adding two additional withholding auditors would result in the collection of \$1 million additional withholding liabilities and penalties.

WSCS' current level of resources leaves a significant number of unaddressed inventory. The compliance level for nonresident withholding has improved over the past years and our 2012/13 compliance revenue reached \$1 billion. We attribute the increase in compliance and revenue to our focus on education and outreach and enforcement activities.

Over the past four years, WSCS continued to refine its audit program by evaluating and modifying its modeling process in order to accurately identify potential noncompliance withholding agents. Currently we have established five major workloads, including real estate escrow, entertainment, distributions by flow-through entities, back-up withholding, and property managers. We currently have an inventory of 3,000 unassigned audits in multiple industries. However, with only five auditors, we have very limited resources to scope and identify the best audit candidates and we can only focus on one to two industries at a time.

In 2012/13, one of our business goals was to increase awareness of withholding requirements in the property management industry. We completed a pilot of field audits on property managers and closed about 27 cases with a 52 percent rate of noncompliance. Our findings show that this industry is unaware of nonwage withholding requirements and it is necessary to continue our enforcement effort in this industry. For 2013/14 and after, our goal is to apply what we learned from property manager audits and expand our enforcement efforts to entertainers, real estate escrow, and other industries.

Approving these resources will allow FTB to address the workloads not currently being worked, increase the awareness of nonwage withholding requirements, and increase revenue to benefit the state's General Fund.

3) Fiduciary e-File (Form 541) Workloads

(3 permanent positions and \$259,000 funding in 2014/15)

The e-Programs Section is the business owner of Filing Division's electronic return filing, payment and refund processing, and online self-service programs. In January 2014, we are adding Fiduciary e-File (541) program, in conjunction with the IRS deployment of 1041 Modernized e-File (MeF) Program. Implementing 541 e-file will provide approximately 300,000 estate and trust taxpayers an opportunity to file electronically. Based on prior year statistics, once an electronic filing application is available, up to 30 percent of filers will consider taking advantage of the application.

We are requesting three additional staff to support the Fiduciary e-file (541) program. An estate or trust return (Form 541) is due when 1) income is received by an estate or trust; 2) income is accumulated or currently distributed to the beneficiaries; 3) an applicable tax liability of the estate or trust occurs; or 4) an event occurs requiring the filing of an amended tax return for the estate or trust. These circumstances may occur at any time during the year and FTB must be prepared to respond to taxpayers when they are filing their return to ensure compliance is maximized at the lowest cost and earliest timeframe.

These staff will:

- Serve as FTB liaisons with assigned external e-file software developers in order to resolve e-file system issues, software errors and production processing support and facilitate approval of software through annual Participant Acceptance Testing.
- Work with internal customers to analyze and resolve system issues/problems related to incoming e-file inquiries.

Analysis of Problem

- Address taxpayer issues occurring during e-file.
- Support the completion of mandated reports related to e-file activities including
 - Compiling e-stats
 - Conducting research and outreach regarding our various programs to internal and external stakeholders including other areas of the department, other states, the IRS, Tax Practitioners and tax software developers.
- Analyze and review tax forms during the annual review period and during the year to analyze and document impacts changes will have on e-file program specifications.
- Provide on-going maintenance support of the new Fiduciary e-File program.
- Work with applications which include MyFTB Account, Refund Status, CalFile, External Authentication for Secure E-Services (EASE) Project, and Web Pay. Making sure these applications are functional and serve the needs of taxpayers is important in receiving payments, and making sure the payments are processed to our taxpayer and business entities tax systems properly.

E. Outcomes and Accountability

In an effort to address the tax gap as an enterprise issue, FTB Executive Management established the Tax Gap Action Committee (TGAC). The Technology and Audit Division Chiefs are the executive sponsors of this committee. Membership of the committee includes Bureau Directors from across the enterprise whose programs are impacted by the tax gap. The TGAC reports directly to the executive sponsors and eventually to the Executive Officer. The implementation and on-going progress of the initiatives addressed in the BCP will be monitored by the TGAC who will regularly report to Executive Management the challenges and successes of those initiatives. While the action committee is also tasked with monitoring the use of resources associated with this proposal, the ultimate responsibility still remains with the department's Chief Financial Officer.

Projected Outcomes (Dollars in thousands)

Workload Measure	2013/14	2014/15	2015/16
Federal Audit Revenue Agents Reports (RAR) Workloads			
Audit & Claim Volume	300,000	300,000	300,000
Revenue		\$12,900	\$19,400
Withholding Services & Compliance Workloads (767)			
Potential Audits	3,000	3,000	3,000
Cases Closed	80	130	130
Revenue		\$1,000	\$1,000
Fiduciary e-File (Form 541) Workloads			
PIT e-file returns received	>13 million	>13.5 million	>13.7 million
BE e-file returns received	>926k	>1.0 million	>1.1 million
Fiduciary e-file returns received	>90,000	>105,000	>120,000

F. Analysis of All Feasible Alternatives

Alternative 1: Approve the full \$1.86 million and 23 permanent positions in 2014/15, \$1.88 million and 24 permanent positions in 2015/16.

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 Federal Audit RARs and Automated Audit workloads, Withholding and Compliance workloads, and Fiduciary e-file workloads. The state will generate approximately \$13.9 million the first year and \$20.4 million in revenue thereafter for the General Fund.

Alternative 2: Approve partial funding for \$429,000 and 5 positions to expand Fiduciary e-file and Withholding and Compliance Services workloads.

If partial funding is approved, FTB will be able to address the tax gap issues in relation to working cases and bring in approximately \$1 million in revenue. However, by not providing additional resources for the Federal Audit RAR and Automated Audit workloads, the Audit Program will continue to operate with its current level of resources and work the highest CBR workloads available, leaving lower level 4:1 CBR work unassigned. Consequently, the state will forgo \$19.4 million in additional cash revenue annually.

Alternative 3: Approve partial funding for \$1.4 and 18 positions to expand Federal Audit RAR and Automated Audit workloads.

If partial funding is approved for Audit, FTB will be able to dedicate resources specifically for RAR and Automated Audit workloads. The benefit will be in generating an additional \$19.4 million in revenue. However, by not funding the resources for Withholding Services and Compliance, and Fiduciary e-file workloads, FTB will forgo an additional \$1 million in revenue.

Alternative 4: Do not approve proposal.

If the proposal is not approved, FTB will continue to work at its current level, leaving the tax gap to continue growing. The state will miss the opportunity to bring in an additional \$20.4 million in revenue resulting in the compliant taxpayers of California to continue to experience the increasing burden of paying more than their fair share of taxes.

G. Implementation Plan

- June 2014 – 607 documents to establish 23 positions are prepared and approved by the FTB Budget Officer and forwarded to the Department of Finance.
- June 2014 – DOF notifies FTB of position approval.
- July 1, 2014 – Funding is provided and positions are established. FTB begins hiring.
- June 2015 – 607 document to establish one position for BY+1 is prepared and approved by the FTB Budget Officer and forwarded to the Department of Finance.
- June 2015 – DOF notifies FTB of position approval.
- July 1, 2015 – Position is established. FTB begins hiring.

H. Supplemental Information *(Check box(es) below and provide additional descriptions.)*

- None Facility/Capital Costs Equipment Contracts Other One-Time
- Facilities – Modular Reconfiguration and Relocation of Staff.
 - Other – Minor Equipment.

I. Recommendation

Approve Alternative 1: Approve \$1.86 in funding and 23 permanent positions for 2014/15, \$1.88 million and 24 permanent positions in 2015/16, to expand current tax gap programs. By expanding our current programs, \$13.9 million in revenue will be generated beginning in 2014/15, increasing to \$20.4 million in 2015/16 and annually thereafter.



**Proposed
JULY 1, 2014**

Revenue Agent Report Audit Program
Bruce A Hopkins
348-4357-005 AD II
(108)

Revenue Agent Report Audit Program
1 PS II 4365
003 Ramos, Francisco V
1 PSI 4364
007 Evangelista, Estela F
(2)

108	Filled Perm Positions
0	TH Blanket (Perm EE)
108	
0	Retired Annuitant
0	Seasonal
0	Student Assistant
0	Perm Intermittent
1	Vacant Encumbered
4	VACANT

Last updated 8/14/13

RAR Group O #348
Ozra Nayebkhil
348-4358-005 AD I
(60)

(11)
2 PS I 4364
004 Nailon, Jerry J
009 Yeager, Kristen K
006 VACANT
8 ATA 4361
004 Schwartz, Dore F
006 Fletcher, Thulisile S
007 Lau, Sandra
009 Ramos, Elvira
010 McMillon, Evangeline R
011 Scott, Esther L
015 Nunnemaker, Linda A
026 Sarumi, Olayemi M
1 TA 4362
003 Ali, Magdi M
911 VACANT Due to BL 12-03
348-9587-096

RAR Group _ #348
NEW
348-4358-XXX AD I
(01)

Staffing TBD

RAR Group H #348
Lucy Sivatjian
348-4358-006 AD I
(16)

1 PS I 4364
003 Torres, Leticia R
1 ATA 4361
016 Wheeler, Maureen S
1 TA 4362
001 Lozano, Claudine R
12 TT 7505
001 Doan, Thanh S
007 Bay, Debra A
015 Duarte, Gregory J
024 Huang, Angel F
029 Chu, Michael K
030 Gonzalez-Lopez, Paulette A
042 Le, Scott C
045 Corson, Donna A
064 Vaghefi, Rosa G
069 Crawley, Cynthia L
046 Wakefield, Melanie

RAR Group E #348
Nepoh I Lappia
348-4358-003 AD I
(19)

2 ATA 4361
001 Goto, Garret K
003 Self, Cynthia M
1 TA 4362
004 Trettenero, Jennifer L
15 TT* 7505
004 Curren, Jeff S
005 Beaushaw, Allen D
006 McWilliams, Julie R
008 Simon, Michael P
009 Breck, Frank C
013 Dougherty, Marcia K
026 Costa, Matthew J
035 Yang, Ber
039 Ho, Helen T
049 Cassada, Robert M
053 Guerrero, Jose D
067 Langston, Thomas R
XXX New
XXX New
XXX New

* 3 New Tax Tech positions will either report to Nepoh Lappia or Lucy Sivatjian. TBD.

Assess/ Res #348
Lorena S McLaughlin
348-1103-002 OSM I
(48)

Team 1
(3)
3 TPT II 9588
004 Paniewski, Slavek
021 Christian, Janine E
023 Burbank, Richard G

Assess/ Res #348
Team 5
NEW #348
348-9589-XXX TPS
(09)

8 TPT II 9587
XXX New
XXX New
XXX New
XXX New
XXX New
XXX New
XXX New

Assess/ Res #348
Team 2
Stacy C Dobbs #348
348-9589-010 TPS
(14)

4 TPT II 9588
002 Tjhin, Rohjati
016 Saelee, Rachel C
018 Watts, Linda M
032 Duong, Hung C
9 TPT I 9587
028 Van, Sandy W
042 Davis, Alisha F
043 Eisenhour, Gary R
049 Kuang, Suzanne L
050 Lu, Janette
051 Kwan, Diane K
068 Le, Tritam T
078 VACANT
082 VACANT
104 Bollman, John B
144 Woods, Adrienne D

Assess/ Res #348
Team 3
Cheryl S Lebleu #348
348-9589-012 TPS
(14)

3 TPT II 9588
011 Le, Luyen B
014 Gallardo-Lopez, Brenda
035 Bolus, Therese E
10 TPT I 9587
001 Cataldi, Lawrence E
020 Abucay, Darel D
036 Delima, Monica B
038 Vu, Kathy D
062 Moreno-Amaya, Dina A
090 Nguyen, Susan
094 Gedney, Jason R
109 Mountain, Robin C
111 Chandrasekaran, Madras K
143 Valdez, Andres D

Assess/ Res #348
Team 4
John A Alberti II #348
348-9589-004 TPS
(16)

3 TPT II 9588
006 Sheperd, Laura L
012 Castillo, Amity P
022 Nguyen, Nam V
12 TPT I 9587
012 Tandoc, Carlo Enrico N
017 Saechao, Saan C
032 Wilson, Christina J
033 Wells, Dan W
039 Hasmat, Sana
040 Tran, Selena T
046 Pathammavong, Philavanh
066 Tsai, Tyng J
084 Pritchard, Bonnie J
093 Escolar, Marie J
110 Jellis, Erika D
113 Balderas, Sandra N

Allocations	
1 AD II	4357
3 AD I	4358 + 1
1 OSMI	1103
3 TPS	9587 + 1
1 PS II	4365
5 PS I	4364
11 ATA	4361
3 TA	4362
25 TT	7505 + 3
13 TPT II	9588 + 8
37 TPT I	9587 + 1
103 + 13 = 116	



Audit Division

**Proposed
JULY 1,
2014**

U

Special Audit Unit #348
Suzanne V Ramirez
348-4357-002 **AD II**
(57)

57 Filled Perm Positions
0 TH Blanket (Perm EE)
0 Retired Annuitant
0 Seasonal
0 Student Assistant
0 Perm Intermittent
0 Vacant Encumbered
5 VACANT

Last updated 8/14/13

U

Special Desk
Audit Group #348
Eucharía Acholonu
348-4358-011 **AD I**
(16)

U

Automated Audit Group
Ruth C Wagner
348-4358-002 **AD I**
(40)

6 ATA **4361**
002 Corken, Ethan T
XXX New
XXX New
XXX New
XXX New
XXX New

3 TA **4362**
005 Nalbandyan, Alena
010 Carney, Patrick J
015 Sierra-Mauricio, Edward

1 TPT II **9588**
015 Ruiz, Kelly D

5 TT **7505**
031 Williams, Rhonda D
032 Wong, Henry H

034 VACANT
036 Ferdinand, George L
038 Gopalan, Maya
044 Lam, Wendy

U

Automated Audit
Assessment/Resolution
Teams
Elizabeth J Martinez
348-1103-001 **OSM I**
(38)

0 TA **4362**
006 VACANT
2 TPT II **9588**
017 Helfand, Valerie L
027 Martinez, Olga
(02)

U

AA Assessment/Resolution
Team #1
Aaron A Dixon #348
348-9589-002 **TPS**
(12)

U

AA Assessment/Resolution
Team #2
John A Alberti II
#348
348-9589-004 **TPS**
(12)

U

AA Assessment/Resolution
Team #3
Vonetta L Benoit #348
348-9589-014 **TPS**
(13)

3 TPT II **9588**
005 Jinks, Pauline K
007 Pevy, Bonnie J
031 Tiongson, Terryjohn B

8 TPT I **9587**
005 Brown, Rebecca L
017 VACANT Due to BL 12-03 (348-9587-085)
019 VACANT
030 Copelin, Julie A
067 Herrmann, Mary A
070 VACANT Due to BL 12-03 (348-9587-073)
102 Gutierrez, Amanda L
105 VACANT
107 Gebremedhin, Engeda B
016 Bali, Shelly
025 Masters, Holly
137 Nguyen, Ba

3 TPT II **9588**
009 Gower, Tracy B
029 Lewis, Jenny G
033 Krader, Robyn M

8 TPT I **9587**
015 Elich, Denise M
022 Laconsay, Evangelina C
026 Nguyen, Tuong C
044 Huynh, Ai L
045 Jones, James E
063 Chadd, David G
100 Agutos, Marina A
106 Tung, Chai T

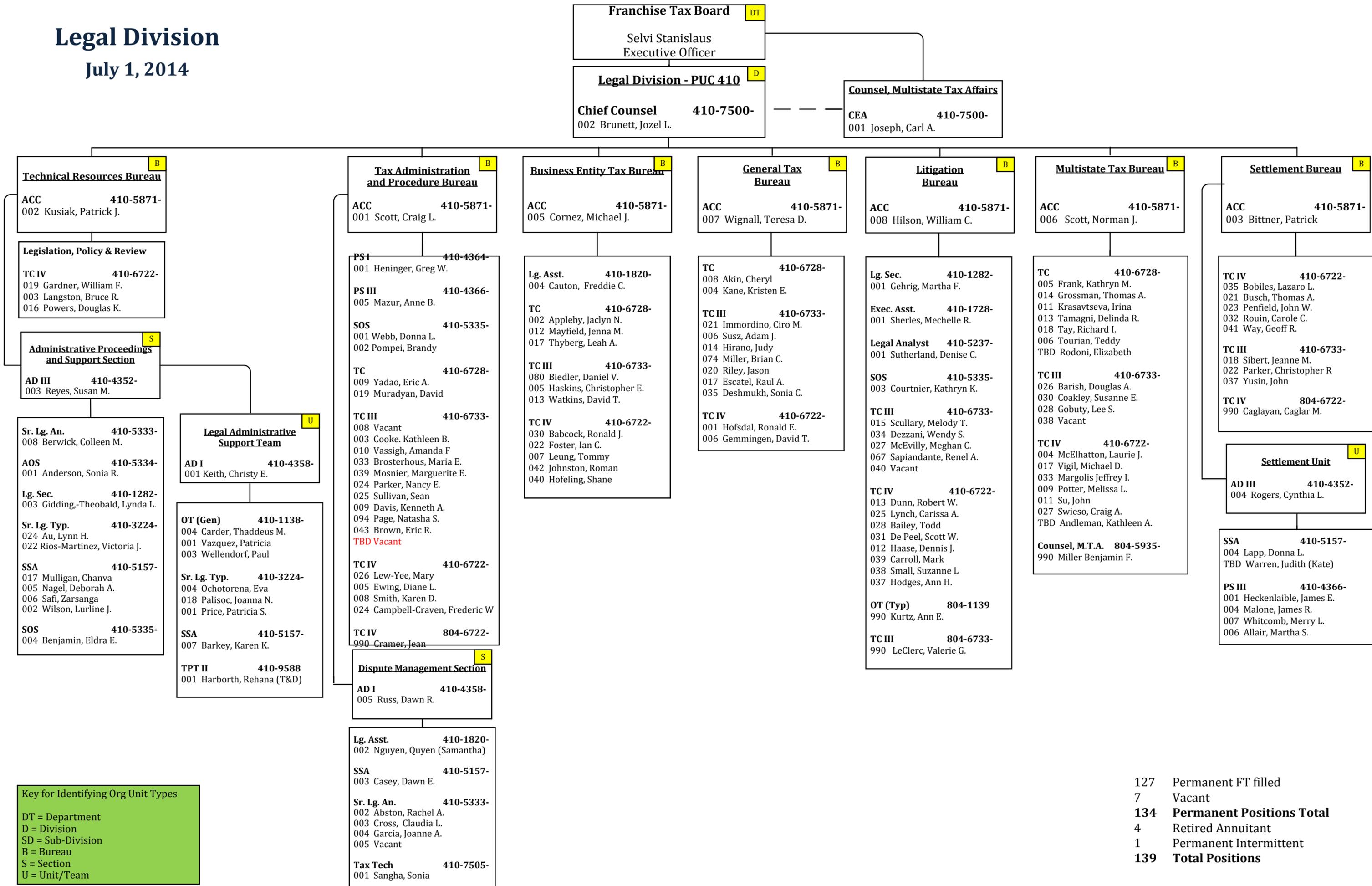
3 TPT II **9588**
008 Kane, Patricia M
010 Tolle, Emily E
025 Doria, Carlos M

9 TPT I **9587**
006 Dardani, Alma F
014 Abucay, Sean A
018 Carrillo, Anthony C
027 VACANT Due to BL 12-03 348-5157-008
081 Pope, Kia S
087 Damon, Cory C
098 Quinones Ledesma, Mayra V
099 Letunic, Mariana S
108 Pearson, Jodie I
131 Drouillard, Gail D

Allocations	
(59 + 5 = 64)	
1 ADII	4357
2 ADI	4358
1 OSM I	1103
3 TPS	9589
1 ATA	4361 + 5
4 TA	4362
12 TPT II	9588
29 TPT I	9587
6 TT	7505

Legal Division

July 1, 2014



Unit 767
Withholding Services & Compliance Section
002 Monica Trefz
Admin III 4352
(65)

Permanent:	60
Vacant:	02
Temps:	02
Total Positions:	64
14/15 TG BCP	2

Withholding Service Program U
ADM II 4357
001 Yvonne M Crankfield
(41)

Withholding Compliance Program U
ADM II 4357
005 Sunu Clera Yen
(23)

Wass Project Team
Sr Ops Spec 5346
001 Elizabeth A Kilby
Staff Ops spec 5335
002 Michelle M Watson
011 Karen Dillin

Public Service U
ADM I 4358
009 Jacqueline Logan
(19)

Operations Support U
ADM I 4358
911 Sara Brooks
(17)

Discovery and Education & Outreach Team U
ADM I 4358
002 Elizabeth Cates-Gentry
(14)

Audit Team U
ADM II 4357
005 Kenneth J Verdon
(7)

Program Support
Prog Spec II 4365
001 Linda Castles
(1)

Public Service Team I
Comp Rep 8619
010 Cody Flowers
Tax Tech
008 Atija Brewer
009 Debra L Davis
015 Analisa B Espinoza
095 Lawrence W O'connor
103 Kirk G Willis
092 Megan Karnesky
911 Jennifer R Bowman
911 David Pham

Public Service Team II
Comp Rep 8619
003 James Mike Bailey
Tax Tech
003 Kashma Rikhye
017 Brian Barnes
021 Kasey Velez
049 Yelena I Sushch
067 Elizabeth A Godzick
097 Raul U Fernandez
911 Kasey Burns
911 Paola Basso

(18)

Technical Support
Sr Comp Rep 8620
001 Diane K Brown
Comp Rep
011 Robert E Carter
Tax Tech
013 Vacant
065 Mark Feist
070 Robert K Phelps

Bureau Support
Comp Rep 8619
018 Chad Overstrom
TPTI 9587
005 Enriqueta Gallegos
007 Gloria R Lagpacan
009 Latia E Smith
015 Hemlata J Patel
032 Tracey L Nielson
036 Bobby Finch
500 Kamini K Patel
911 Reina Mapa
Seasonal 1120
990 Tanisha Knox
990 Stephanie G
McLaughlin

(16)

Discovery Team
Sr Comp Rep 8620
003 Connie Childs
Comp Rep 8619
001 Brian D Maydahl
002 Jose Gutierrez
005 Robert P Rabang
007 Sonia A Caramazza
008 Jessica K Pham
013 Bethany G Kinney
015 Vacant
016 Deidra A Cervantes

Education & Outreach Team
Staff Ops Spec 5335
007 Mona Lorenzo
002 Maureen E Feaster
Assoc Ops Spec 5334
001 Eugene Hao
Sr Comp Rep 8620
002 Prenita Devi

(13)

Audit Team
Program Spec 4364
002 Tiffaney Armstrong
ATA 4361
002 Daisy Sanchez
001 Megha Gupta
Tax Auditor 4362
003 Georgina N Fong
004 Becky Gong
XXX Vacant
XXX Vacant

NITS
Comp Rep 8619
004 Carol Anderson

(8)

Filing Methods and Budget Bureau
 Phillip Gray
 CEA II
 735-7500-001
 67.5

Perm Filled Positions:	60.5
Perm paid from temp help:	7
Temp Positions:	0
Total Positions:	67.5
14/15 TG BCP	3

e-Programs and Budget Section
PUC 735
 Allen Wilson
 AD III
 735-4352-002
 35.5

Tax Forms Development And Distribution Section
PUC 723
 Holly Browning
 AD III
 723-4352-001
 31

e-Programs Project Specialist
 Sr. ISA 735-1337
 002 Alison Adams
 1

e-Programs Service and Analysis Unit
 Chris Reali
 DPM II
 735-1384-001
 12

e-File Processing and Analysis Unit
 Sean E McDaniel
 DPM II
 735-1384-002
 10

Filing Analysis and Budget Unit
 Amelia Russell
 AD II
 735-4357-001
 11.5

Tax Forms Development Unit
 Leander Jones Jr.
 AD II
 723-4357-001
 13

Customer and Publication Services Unit
 Mark Roth
 AD I
 723-4358-001
 15

Tax Forms Policy Specialists II
 PS II 723-4365
 002 Hope S Jones
 003 Tsion S Getachew
 2

e-Services Project Specialist
 Sr. ISA 1337
 006 Jonna J Pedrioli
Interactive e-Services
 Sr. ISA 1337
 Henry Barrientos
Staff ISA 1312
 001 Amy Clement
 002 Clifford H Fortuno
 004 Brian K Scott
 006 Kellidee S Little
 007 Diana L Hembree
 010 Donna Bartkowiak
 012 Irma Garcia
 013 Jennifer Withers
AISA 1470
 911 Sheila Schwartz 11
 Staff ISA 1312
 Vacant per BL 12-03

e-Filing Project Specialist
 Sr. ISA 1337
 004 Roberta M Henry
e-File Processing Team
 Sr. ISA 1337
 003 Catherine Maydahl
 Staff ISA 1312
 003 Norma Gutierrez
 011 Mary I Fuentes
 AISA 1470
 011 Christine R Diller
 013 Sharon R Yamamoto
 001 Michael B Yu
 016 Jeffrey L Presler
 xxx Vacant
 xxx Vacant
 xxx Vacant
CR 8619
 001 Heather Maire
 (T&D AISA)
 9

Program Support
SOS 5335
 004 Trent D Younger
SOS 5335
 003 Edward Matulis
SSA (-5) 5157
 500 Margaret A Mohr
Resource Management Team
Sr. SOS 5346
 001 Alfred Lung
AOS 5334
 001 Mui Phu
 003 Abel Rodriguez
 004 Genessa R Maestas
 005 Howard N Foust
SSA 5157
 002 Alisa A Mellendez-Collier
 911 Jenny Mocc
Timekeeper
OT (Typing) 1139
 911 Carmen Luna 10.5
 SOS 5335
 Vacant per BL 12-03
 AOS 5334
 Vacant per BL 12-03
 OT 1139
 Vacant per BL 12-03

Tax Forms Senior Technical Specialist
PS II 4365
 004 Richard P Padilla
Tax Forms Technical Leads
PS I 4364
 001 Julie J Harris
 005 Clifton Sams
 006 Kim T Vo
 007 Kristee E O'Neil
Tax Forms Analysts
ATA 4361
 001 Janet L Kawamoto
 003 Ernest Feliciano
 004 Elizabeth C Snyder
 006 Angelica M Arbis
 008 Christina Gutierrez
 911 Chanel Yates
 911 Muoi Si 12
 ATA 4361
 Vacant per BL 12-03
 ATA 4361
 Vacant per BL-12-03

Computerized Tax Processors and Publication Services
SISA 1312
 001 Keith Kerns
SOS 5335
 004 Elsa Tovar
AOS 5334
 006 Jayson Gottman
 007 Clarita Landes
SSA 5157
 002 Lisa I Stanley
Translation Team
SOS 5335
 001 Lupe Ramos de Flores
 002 Yessika Ramirez
AOS 5334
 003 Marialina Zumbado
e-Programs Customer Service
CR 8619
 004 Alfonso C Rivera
Tax Tech 7505
 001 Lisa K Locke
 002 Clifton L Nessmith
 006 Matthew D Brown
 911 Amanda Abella
 911 Raul A. Guzman 14
 TT 7505
 Vacant per BL 12-03
 TT 7505
 Vacant per BL 12-03