

**FRANCHISE TAX BOARD**  
**Fiscal Year 2006/07**

**Budget Change Proposal**  
**ReadyReturn**

**BCP No. 4**  
**Date: July 25, 2005**

**A. Nature of Request**

This proposal will reduce the Franchise Tax Board's (FTB) budget to acknowledge a savings of 2.8 PYs and \$92,000 by transitioning ReadyReturn from a pilot project to a permanent program beginning in FY 2006/07. The primary objectives of ReadyReturn are to reduce the taxpayers' filing burden and enhance FTB's efforts to administer the tax system as efficiently as possible.

**B. Background/History**

On August 25, 2004, the three-member Franchise Tax Board directed FTB staff to develop and implement the ReadyReturn pilot and in February 2005, the pilot was deployed.

FTB staff selected over 50,000 taxpayers to participate in the first year. Selected taxpayers participated in the ReadyReturn program by accepting, adjusting, or rejecting a tax return completed by the department using available electronic income and withholding data. Instructions provided with the return directed the taxpayers how to view and electronically-file (e-file) the tax return via FTB's ReadyReturn Website.

In June 2005, FTB completed its preliminary study to determine the effectiveness of the ReadyReturn pilot. Overall, the initial evaluation results indicated positive findings for the three ReadyReturn pilot measures:

1. Burden reduction

Survey results show us that ReadyReturn successfully reduced the taxpayers' filing burden, as illustrated below.

- Over 90% of ReadyReturn survey respondents indicated that ReadyReturn was easy to understand and saved them time.
- 90% of survey respondents who used ReadyReturn online indicated that using it lowered their stress about filing. Over 70% of those respondents who filed a paper ReadyReturn indicated that it lowered their stress about filing.

2. Taxpayer response and acceptance

Taxpayers were very supportive of the ReadyReturn program. As of May 31, 2005, FTB received approximately 9,400 ReadyReturns<sup>1</sup>.

---

<sup>1</sup> As of July 2005, almost 11,100 taxpayers filed their ReadyReturn. This includes 5,600 electronically filed ReadyReturns and 5,500 paper filed ReadyReturns. The paper ReadyReturns are still being counted.

- Over 90% of ReadyReturn survey respondents were very receptive to the ReadyReturn concept and will use it again next year, if made available.
- 90% of survey respondents who used ReadyReturn online indicated that they believe that government should provide this type of service. Over 80% of those respondents who filed a paper ReadyReturn indicated that they believe that government should provide this type of service.

### 3. Efficient tax administration

Overall, the ReadyReturn pilot had a positive impact on FTB's efforts to administer the tax system as efficiently as possible. ReadyReturn was instrumental in introducing thousands of paper filers to the e-file concept. Of the online ReadyReturn users, 56% converted from paper filing last year to e-filing this year.

Based on the results of the pilot and the study, FTB staff recommended to the three-member Board the permanent implementation of the ReadyReturn program. On June 15, 2005, the Board unanimously voted to make the ReadyReturn pilot a permanent program.

On July 19, 2005 Assembly Bill 139 was chaptered (CH. 74) and mandates that the ReadyReturn program remain a pilot for FY 2005/06. Below is the ReadyReturn specific language contained in AB 139:

#### *SEC. 75.5.*

*(a) The ReadyReturn pilot program, available to taxpayers filing the simplest tax returns with the Franchise Tax Board, may continue to operate as a pilot program during the 2005-06 fiscal year, unless later enacted legislation authorizes the continuation of the program.*

*(b) The ReadyReturn pilot program authorized herein shall be operated during the 2005-06 fiscal year in the same manner it was operated during the 2004-05 fiscal year.*

For full implementation, FTB will absorb \$279,000 for system changes and processing costs.

### **C. State Level Considerations**

By reducing FTB operating costs, a graduated savings for the State will occur annually beginning in FY 2006/07.

### **D. Justification**

This request meets both the FTB Strategic Goal #2 – Promote Fair and Effective Tax Administration and Goal #4 – Deliver Efficient and High – Quality Business Results. FTB will contribute to both goals by increasing the ease of filing returns and paying taxes and capitalizing on opportunities to improve efficiency through implementation of electronic processes and services.

Additionally, FTB's operations will be in compliance with the policy of the three-member Board, who directed FTB staff to make the ReadyReturn pilot a permanent program.

The savings attributed to full implementation of ReadyReturn are shown in the table below:

<b>ReadyReturn Savings</b>			
<b>Fiscal Year</b>	<b>2006/07</b>	<b>2007/08</b>	<b>Total</b>
<b>Volume</b>	<b>30,000</b>	<b>60,000</b>	<b>90,000</b>
<b>Savings</b>	<b>\$92,000</b>	<b>\$211,000</b>	<b>\$303,000</b>

The FY 2006/07 and FY 2007/08 volumes are based on an increasing visibility to the ReadyReturn program.

**E. Analysis of All Feasible Alternatives**

**Alternative #1 - Reduce FTB's budget by \$92,000 and 2.8 PYs and implement the FTB ReadyReturn program as a permanent filing program for FY 2006/07.**

This proposal, which is fully supported by the three-member Franchise Tax Board, will reduce taxpayer burden, promote efficiency and effectiveness in tax administration and provide estimated savings of \$92,000 beginning in FY 2006/07.

**Alternative #2 - Continue ReadyReturn as a pilot program.**

The continuation of ReadyReturn as a pilot program is consistent with the direction received from the Legislature.

**Alternative #3 - Discontinue the ReadyReturn program.**

If the ReadyReturn program is discontinued, FTB loses the opportunity to reduce taxpayer burden and to increase efficiencies through the use of electronic processes and services.

**F. Timetable**

FTB will make the ReadyReturn program permanent January 2, 2007 with work beginning July 1, 2006.

**G. Recommendation**

FTB recommends Alternative #1. This alternative will reduce taxpayer burden, increase efficiency and save the state of California money, with savings of \$92,000 and 2.8 PYs beginning in FY 2006/07.

**STATE OF CALIFORNIA  
 BUDGET CHANGE PROPOSAL - COVER SHEET  
 FOR FISCAL YEAR 2006/07  
 DF-46 (REV 03/03)**

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

BCP # 4	PRIORITY NO	ORG CODE 1730	DEPARTMENT Franchise Tax Board
PROGRAM 10 Tax Programs	ELEMENT 10 Personal Income Tax	COMPONENT	

**TITLE OF PROPOSED CHANGE:**

ReadyReturn

**SUMMARY OF PROPOSED CHANGE:**

This proposal will reduce the Franchise Tax Board's (FTB) budget to acknowledge a savings of 2.8 PYs and \$92,000 by transitioning ReadyReturn from a pilot project to a permanent program beginning in FY 2006/07. The primary objectives of ReadyReturn are to reduce the taxpayers' filing burden, determine if taxpayers will accept and use this new filing alternative, and enhance FTB's efforts to administer the tax system as efficiently as possible.

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

PREPARED BY:	DATE	REVIEWED BY:	DATE
PROGRAM APPROVED BY:			
DEPARTMENT DIRECTOR:		NC/SPR:	DATE

**Pending Board Approval**

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.

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

**DOF ANALYST USE  
 (ADDITIONAL REVIEW)**

CAPITAL OUTLAY  TIRU  FSCU  OSAE  CALSTARS



				<u>Current Year</u>	<u>Budget Year</u>	<u>Budget Yr +1</u>
<b>TOTAL OPERATING EXPENSES AND EQUIPMENT</b>				<u>\$ 0</u>	<u>-\$ 8,000</u>	<u>-\$ 44,000</u>
SPECIAL ITEMS OF EXPENSE d/				<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
<b>PROGRAM ADMINISTRATION</b>				\$ 0	\$ 0	\$ 0
Distributed Admin				\$ 0	\$ 0	\$ 0
<b>TOTAL STATE OPERATIONS EXPENDITURES</b>				<u>\$ 0</u>	<u>-\$ 92,000</u>	<u>-\$ 303,000</u>
<b><u>Source of Funds</u></b>				<b><u>Appropriation No.</u></b>		
	Org	- Ref	- Fund			
General Fund	<u>1730</u>	<u>001</u>	<u>0001</u>	\$ 0	-\$ 92,000	-\$ 303,000
	_____	_____	_____	0	0	0
	_____	_____	_____	0	0	0
	_____	_____	_____	0	0	0
	_____	_____	_____	0	0	0
	_____	_____	_____	0	0	0
Reimbursements	<u>1730</u>	<u>501</u>	<u>0995</u>	0	0	0
<b>Totals</b>				<u>\$ 0</u>	<u>-\$ 92,000</u>	<u>-\$ 303,000</u>
<b>LOCAL ASSISTANCE</b>				\$( 0)	\$( 0)	\$( 0)
<b><u>Source of Funds</u></b>				<b><u>Appropriation No.</u></b>		
	Org	- Ref	- Fund			
General Fund	<u>1730</u>	<u>001</u>	<u>0001</u>	\$ 0	\$ 0	\$ 0
	_____	_____	_____	0	0	0
	_____	_____	_____	0	0	0
	_____	_____	_____	0	0	0
	_____	_____	_____	0	0	0
Reimbursements	_____	_____	_____	0	0	0
<b>Totals</b>				<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

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	BY	BY + 1		CY	BY	BY + 1
<b>Filing Division</b>								
Tax Program Assistant	TEMP	0.0	-2.8		\$1,730 \$2,103	\$ 0	-\$ 64,000	
Total Filing Division		.0	-2.8	.0		\$ 0	-\$ 64,000	\$ 0
Adjust for Part Year Positions		.0	.0					
Net Positions/ PYs before salary savings		.0	-2.8	.0				
<b>Total Salaries and Wages</b>	Positions	.0	-2.8	.0		\$ 0	-\$ 64,000	\$ 0
	Part Yr Adj	.0	.0	.0				
	P.Y.s	.0	-2.8	.0				

**Schedule of Staff Benefits Costs  
FOR FISCAL YEAR 2006/07**

Staff Benefits	2005/06	2006/07	2007/08
OASDI /1	\$ 0	-\$ 4,000	\$ 0
Dental /2	0	0	0
Health /3	0	0	0
Retirement /4	0	0	0
Vision /5	0	0	0
Medicare /6	0	-1,000	0
Worker's Comp /7	0	-1,000	0
Industrial Disability /8	0	0	0
Non Industrial Disability /9	0	0	0
Unemployment Insurance /10	0	-14,000	0
<b>Total Staff Benefits</b>	<b>\$ 0</b>	<b>-\$ 20,000</b>	<b>\$ 0</b>

- 1/ For permanent and overtime, 6.2% of net salary.
- 2/ For permanent, \$543 per net personnel year.
- 3/ For permanent, \$6,558 per net personnel year.
- 4/ For permanent, 17.022% of net salary.
- 5/ For permanent, \$85 per net personnel year.
- 6/ 1.45% of net salary for permanent.
- 7/ 1.1% of net salary for permanent.
- 8/ 0.1% of net salary for permanent.
- 9/ 0.17% of net salary for permanent.
- 10/ 22.57% of net salary for temporary help.