

1. What is ReadyReturn?

ReadyReturn is a tax-filing method we introduced to California taxpayers as a pilot program in 2005 and 2006.¹ It advances our commitment to reducing the tax-filing burden for taxpayers.

ReadyReturn is based on a simple premise – we can use the information we already have, such as W-2 information, to provide taxpayers with a completed return for their final approval and submission to us. We do most of the work, so taxpayers benefit.

Beginning in January 2008, for tax year 2007, ReadyReturn will be available for taxpayers who meet all of the following criteria:

- Filed a previous-year resident tax return
- Filing status of single
- No dependents
- Standard deduction
- No special credits
- Income from wages only
- One employer
- Four quarters of wage information available to us

2. How will ReadyReturn work?

We will offer ReadyReturn on an “opt in” basis. Unlike the pilot years, where we mailed ReadyReturns and invitations to pre-selected taxpayers, all eligible taxpayers will be able to access ReadyReturn as follows:

- Website – Taxpayers can come to our Website, check for eligibility, and (if eligible) use our online application to e-file their ReadyReturn. Taxpayers who don’t want to e-file may print the ReadyReturn and mail it to us.
- Phone – Taxpayers can call our toll-free interactive voice response (IVR) system, check their eligibility, and (if eligible) request that we mail a paper ReadyReturn to them. This option brings the benefits of ReadyReturn to taxpayers without Internet access and those who prefer to file on paper.

Using either method, ReadyReturn users have the option of filing it, changing it, or completing their own return.

¹ Refer to [Appendix A](#) for a historical overview.

3. How will taxpayers learn about ReadyReturn?

We will market ReadyReturn using the most cost-efficient means available to us, including our tax booklets, our Website, our Voluntary Income Tax Assistance program, other statewide public assistance programs, and the media.

4. How many taxpayers are eligible for ReadyReturn?

Approximately one million taxpayers will be eligible for ReadyReturn in 2008.

5. You have stated that as many as three million people are eligible for ReadyReturn. Why the difference?

Approximately three million taxpayers earn their income from wages only. This includes married taxpayers and taxpayers with multiple employers. For the ReadyReturn service, only taxpayers with a single filing status and wages from one employer will be eligible.

6. Why won't you mail ReadyReturns to all eligible taxpayers?

Mailing a ReadyReturn to all eligible taxpayers is not cost effective for the state. This approach would add significant printing and mailing costs. It could also discourage the use of e-file, leading to higher return processing costs.

7. Will you expand eligibility to include other income types and filing circumstances (such as interest income, married filing status, dependents, etc.)?

Expanding eligibility is currently outside the scope of what we have been directed to provide.

8. How many taxpayers do you estimate will use ReadyReturn?

We estimate approximately 30,000 taxpayers, or 3 percent of the eligible population, will use ReadyReturn in the first year. We estimate participation will grow to 9 percent and 16 percent in the second and third years, respectively, as awareness of ReadyReturn increases.

9. How much will ReadyReturn cost the state?

- One-time Information Technology (IT) development costs – We estimate one-time costs to be approximately \$250,000. This includes, among other things, costs to develop automated processes, account for scalability and security, and develop the new IVR application.
- Ongoing costs – These costs include system maintenance and yearly changes, customer support, and printing/mailing costs. We estimate ongoing costs to range from \$200,000 in the first year of implementation to approximately \$450,000 by the third year.

We will be completing a Feasibility Study Report to more completely assess technical and business impacts and associated costs. Refer to [Appendix B](#) for current estimated costs and benefits.

10. Will ReadyReturn save the state money?

We do not anticipate ReadyReturn saving the state money within the first three years of implementation. This is primarily due to costs we expect to incur for staff support and mailing paper ReadyReturns. As e-file usage for ReadyReturn grows, net costs should begin to decrease.

11. How will the state pay for ReadyReturn?

We will redirect resources from within the Franchise Tax Board (FTB) to pay for ReadyReturn development and support costs. Those resources will be redirected from expenditures such as:

- Enhancements to online applications.
- Development of new online applications for businesses and individuals.
- Improvements to IT infrastructure.

12. Does ReadyReturn encourage under-reporting of income?

For the 2004 tax year pilot, we compared the adjusted gross income (AGI) amount ReadyReturn participants reported on their California tax returns to the amount they reported on their federal tax return. We found that 99.9 percent of the income ReadyReturn participants reported to the IRS was also reported to FTB. Without performing a complete audit of the returns for those who participated, these findings suggest a minimal negative tax effect due to ReadyReturn (less than \$3 per return).

We will continue to provide clear instructions so taxpayers understand the need to report all taxable income on their tax return.

13. Does ReadyReturn discourage taxpayers from taking all deductions and credits they might be entitled to?

We will continue to provide clear instructions that remind taxpayers to consider common deductions and credits that could apply to their particular filing circumstance. For example, we point out that a change in filing status, the birth of a child, and the purchase of a home can affect their tax return and how to make that type of change to their ReadyReturn. We will provide these instructions in print, on our Website, and on our IVR system.

14. Are ReadyReturn filers subject to greater audit scrutiny than other taxpayers?

No. ReadyReturn filers will be treated the same as all other California taxpayers.

15. Can ReadyReturn be used to help close the tax gap?

ReadyReturn does not address non-filers as an initiative to close the tax gap. It is designed to reduce the tax-filing burden. This keeps current taxpayers in the system.

16. How secure is ReadyReturn?

We treat the security and privacy of taxpayer data as our highest priority. We employ the following measures, among others, to accomplish this:

- We employ a strategy of “Defense in Depth,” whereby we rely upon multiple layers of security to resist all classes of attacks.
- We use a combination of IT security technologies to protect taxpayer information such as routers, firewalls, switches, and intrusion detection devices.
- We use the industry standard Secure Sockets Layer (SSL) protocol with 128-bit key length to ensure a secure connection between a taxpayer’s computer and the ReadyReturn application.
- For online authentication, we require shared secrets that only FTB and the taxpayer would know. For IVR-requested paper ReadyReturns, we will not include the taxpayer’s Social Security Number on the return.
- We maintain strict internal policies for protecting taxpayer privacy. Only staff with a right to know **and** need to know may access taxpayer data.

17. Why is ReadyReturn good tax policy?

- The state imposes the duty to file a tax return. We have an obligation to make that process as simple as possible.²
- Taxpayers should have free assistance in completing the simplest of returns.
- The service can benefit low- and middle-income taxpayers who may not have access to computers, or to tax preparers.
- Taxpayers should know what information we have about them.
- ReadyReturn introduces taxpayers to e-file and our related online services. (During the pilot years, over 50 percent of ReadyReturn e-filers filed on paper the previous year.)

18. Where can interested parties get more information?

We will post new information on our Website as it becomes available. Go to **www.ftb.ca.gov** and search for **ReadyReturn**. For specific questions, please contact our Public Affairs Office at (916) 845-4800.

² During the pilot, 93 percent of users felt that ReadyReturn was a service that government should provide.

Appendix A - Historical Overview

ReadyReturn was first approved by the FTB Board as a pilot program for the **2004 tax year** (for returns filed in 2005).³

We mailed “invitational” letters and ReadyReturns to 50,000 taxpayers in mid-February of 2005. Taxpayers had the option to sign the ReadyReturn and send it to us, make changes to it, discard it and complete their own return, or e-file it through our Website (where they could also make changes to it).

By the end of the pilot year, 11,620 taxpayers filed ReadyReturns, or 23 percent of those invited to participate. Surveys were sent to participants, non-participants, and a control group, to help gauge taxpayer interest in the program. Highlights of the pilot year include:

- 5,610 e-filed ReadyReturns.
- 6,010 paper ReadyReturns.
- 98 percent of respondents were satisfied with it.
- 98 percent of respondents said it was easy to use.
- 93 percent of respondents said it saved them time.
- 95 percent of respondents said it was more convenient than how they previously filed.
- Cost of \$222,000.

While the FTB Board approved the full implementation of ReadyReturn in June 2005, the 2005/2006 Budget Act limited ReadyReturn in 2006 to the same scope as the first pilot year.

The second pilot year, for returns filed in 2006 for the **2005 tax year**, produced essentially the same results and participant feedback as the first pilot year. 10,581 taxpayers filed ReadyReturns, or 21 percent of those invited to participate.⁴ The second year costs were \$161,000.

On December 4, 2006, the FTB Board approved the full implementation of ReadyReturn again.

³ The scope of eligibility criteria for the pilot program was the same as the eligibility criteria that will exist for the fully implemented service.

⁴ For the complete reports for both pilot years, go to www.ftb.ca.gov and search for **ReadyReturn**.

California Franchise Tax Board
ReadyReturn Service – Frequently Asked Questions

Appendix B – ReadyReturn Costs and Benefits

Estimated ReadyReturn Costs and Benefits – January 2007			
Category	2007 Tax Year	2008 Tax Year	2009 Tax Year
Costs			
One-time IT Costs- Online Application	\$171,000		
One Time IT Costs- IVR Application	\$70,000		
Yearly IT Costs- Online Application	\$108,000	\$122,000	\$126,000
Yearly IT Costs- IVR Application		\$19,000	\$19,000
Yearly Staff Costs- Taxpayer Calls	\$72,000	\$162,000	\$192,000
Yearly Mailing Costs	\$21,000	\$63,000	\$112,000
Subtotal-Costs	\$442,000	\$366,000	\$449,000
Benefits			
Benefits from Online Filing	\$92,000	\$212,000	\$282,000
Benefits from Paper Filing	\$4,000	\$11,000	\$19,000
Subtotal- Benefits	\$96,000	\$223,000	\$301,000
Net Costs	\$346,000	\$143,000	\$148,000