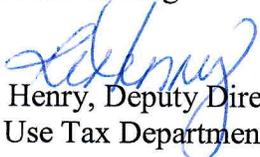


Memorandum

To : Honorable Judy Chu, Ph.D., Chair
Honorable, Betty T. Yee, Vice Chairwoman
Honorable Bill Leonard
Honorable Michelle Steel
Honorable John Chiang

Date: August 8, 2008

From :  Randie L. Henry, Deputy Director
Sales and Use Tax Department

Subject : **Electronic Services Update**

This is to update you on the Board of Equalization's (BOE) electronic services (e-services) projects, activities and outreach efforts. This update covers the activities since the last report given at the March 18, 2008 Board meeting.

Fiscal Year 2007-08, E-Filing Infrastructure Project

This project has been successfully completed as of July 21, 2008 when the remaining two sub-projects were implemented:

- Schedules B and C – allows sales and use tax accounts that do business from multiple locations (that are required to complete schedules B and/or C) to e-file.
- Automation of Prepayment Delinquency Notices – provides for the automatic generation of notices for delinquent sales and use tax prepayments.

Fiscal Year 2008-2010, E-Services Expansion Project

Pre-planning work has begun on this project. Project management plans are in process, procurement/solicitation documents are being developed, and internal project teams are being established to begin preparing for the development of scope and business requirements for the components noted below.

The E-filing Program will be expanded to include the following:

- Fuel Retailers and Distributors
- Underground Storage Tank and Maintenance Fee
- Electronic Waste Recycling Fee
- California Tire Fee
- Cigarette and Tobacco Products Tax.

Electronic services will be expanded to include the following on-line services for all tax and fee programs:

- Internet Registration
- Requests for extensions, relief from penalty and interest and declaration of timely mailing
- Requests for Installment Payment Agreements

BOE-file Enhancements

The following enhancements were made to our e-file system, BOE-file:

- **Simplified E-Client Registration** - A simplified E-Client registration process was implemented on May 19, 2008. Taxpayers can now choose their own User ID and password and complete the E-Client registration process by entering their account number, name and Express Login Code.
- **Streamlined E-Filing for Sales and Use Tax Long Form** - The e-file 401 (sales and use tax long form) screens were updated on May 19, 2008 to have the same look and feel of the existing e-file 401 EZ return. The new version is now one page with buttons allowing taxpayers to navigate to the Deductions, Exemption, and District Tax pages.
- **Phone Number Added** - The Taxpayer Information Section's toll free telephone number was placed on all BOE-file system pages.

Electronic Transition Plan

This plan will transition eligible sales and use taxpayers from paper to e-filing over the next eighteen months. The following activities relate to the first two groups identified in the plan, new seller's permit holders and quarterly prepayment accounts:

- A special notice and publication 159, E-file Guide, were sent in late June 2008 to approximately 90,000 single location quarterly prepayment sales and use accounts. The mailing notified this group of taxpayers that they would be transitioning from paper to e-filing effective with their 3rd quarter 2008 return.
- Effective July 1, 2008, all new seller's permit registrants that are eligible to e-file are being notified that e-filing is the method they will use to file their tax returns and prepayments.
- A special reminder notice (1/3 sheet flyer) was inserted in the July 2008 prepayment mailing to the single location quarterly prepayment sales and use accounts who had previously received the special notice notifying them that they would be transitioning from paper to e-filing effective with their 3rd quarter return.
- Information regarding the transition plan was placed on the BOE's website under the "Spotlight".
- New e-filing web pages, including a new login page were placed on the BOE's website to help facilitate the transition from paper to e-filing for taxpayers.

Outreach and Education

The following are some key outreach activities since our last report:

- **Basic Sales and Use Tax Class** - the "Sample Return Scenario", part of the Basic Sales and Use Tax Class taught in district offices was updated to demonstrate how to e-file a return. The class is currently being translated into Spanish and will be available for distribution by September 1, 2008.
- **E-file Guide** - the updated E-file Guide is currently being translated in Spanish, Chinese, Korean and Vietnamese.
- **Taxpayer E-filing Assistance Clinics** - Clinics were held during the last week in April 2008 and July 2008. These clinics provide e-file assistance to taxpayers coming into a district office.

- **Outreach Events** - BOE staff provided e-file information at the following events:
 - Small Business Fairs in Contra Costa, San Fernando Valley, Huntington Beach and Norwalk
 - Spanish Small Business Fair in Santa Ana
 - American Indian Chamber Expo in Rancho Mirage
 - CHARO, a community-based nonprofit organization, in Riverside
 - Professional Business Women of California Conference in San Francisco
 - Small Business Symposium in Oakland

Upcoming events in August and September include Joint Tax E-Services Seminars, Small Business Fairs, California Hispanic Chamber event and IRS Seminars.

- **E-Services Contacts** – contacts from district offices and headquarters areas met in May to discuss new and upcoming e-services, share information and discuss outreach strategies for increasing e-filing participation.

E-filing participation continues to increase as evidenced by more than 35,000 e-filed returns received in July 2008. This is the largest single month in e-file history. This is a significant increase from July 2007 with 13,172 e-filed returns and July 2006 with 8,459 e-filed returns. In fiscal year (FY) 2007-08, the number of e-filed returns increased 87% over FY 2006-07. E-filing participation is expected to increase significantly during fiscal year 2008-09 as a result of the Electronic Transition Plan.

This is a very exciting time in our organization, and I thank you for your continued support of our e-services programs. If you have any questions regarding the information provided, please feel free to contact me at (916) 445-1441 or Mr. Jeffrey McGuire at (916) 324-1825.

RLH:mlm:lsc

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