

# Memorandum

To : Honorable. John Chiang, Chair  
Honorable Claude Parrish, Vice Chairman  
Ms. Betty T. Yee, Acting Board Member  
Honorable Bill Leonard  
Honorable Steve Westly

Date : October 4, 2006

From : Ramon J. Hirsig  
Executive Director



Subject : **Budget Change Proposal No. 13 – E-Filing Infrastructure Project**

Attached for your review is Budget Change Proposal No. 13, E-Filing Infrastructure Project for fiscal year 2007-08. This item is on the October 11, 2006 Board Meeting agenda.

If you have any questions or need additional information, contact me at 916-327-4975 or Ms. Karen Johnson at 916-445-4272.

RJH:rh:mlm  
BCP2007-08cover.doc

Attachment

cc: Ms. Audrey Noda  
Mr. Neil Shah  
Ms. Margaret Pennington  
Mr. Alan LoFaso  
Ms. Marcy Jo Mandel  
Mr. Eric Reslock  
Mr. Perry Kenny  
Ms. Sylvia Tang

**E-Filing Infrastructure Project  
Fiscal Year (FY) BCP No. 13**

**Purpose**

Consistent with the state's policy regarding eGovernment and in accordance with the Board of Equalization's (BOE) commitment to provide reliable e-services that empower taxpayers to self-manage their interactions with government.

This Budget Change Proposal will allow the BOE to expand electronic filing (E-Filing) of returns to include the group of taxpayers responsible for paying 89 percent of sales and use taxes. This group of taxpayers file the most complex and detailed returns which could generate the potential for significant processing savings while providing for faster and more accurate allocation of state and local taxes to over 500 jurisdictions. It will also allow the BOE to automate prepayment delinquency notices for the purpose of accelerating revenue collection by approximately \$20 million each quarter.

This project is a key piece in BOE's five year plan (with required funding) to create a fully self-managed e-services system for all tax and fee payers and provides the foundation infrastructure for future phases that include E-Filing for all special tax and fee programs, online registration and account maintenance, access to account balances, and ability to file appeals and claims for refund.

Implementing the E-Filing Infrastructure Project will benefit California tax and fee payers, the BOE, state, and local governments and industry groups. Industry groups surveyed have indicated a readiness to take advantage of the opportunity to use more e-services in dealing with the BOE. This project supports this opportunity, provides timely and reliable e-services to tax and fee payers, and has the potential for savings in processing costs.

	<b>FY 2007-08</b>	<b>FY 2008-09</b>
<b>Expenditures</b>	<b>\$1,538,000 (New)</b>	<b>\$508,000 (New)</b>
<b>Positions</b>	<b>3.0 (New)</b> (1 limited term and 2 permanent)	<b>4.0 (New)</b>

**Background**

The BOE is committed to providing electronic services to tax and fee payers and continues to make services more accessible through a five year plan as described below:

**Year one (FY 2005-06)**

- BOE's no-fee E-Filing option, BOE-file was implemented for single location sales and use tax returns.

**Year two (FY 2006-07)**

- E-Filing of EZ return for sales and use tax accounts, single location quarterly prepayments, acceptance of credit cards for E-Filed sales and use tax returns and all special taxes returns, and credit cards for accounts receivable liabilities for all tax and fee programs.

**Year three (FY 2007-08)**

- Expand E-Filing to sales and use tax multiple location taxpayers (Schedules B and C) that remit 89% of sales and use taxes.
- Expand E-Filing to allow Electronic Funds Transfer (EFT) sales and use tax accounts to E-File
- Automate the delinquency process for prepayment accounts

**Year four (FY 2008-09) and five (FY 2009-2010)**

- E-Filing for all other tax and fee payers, electronic registration, account maintenance, and a variety of other electronic services.

**BOARD OF EQUALIZATION**  
**Sales and Use Tax Program**  
**ELECTRONIC FILING INFRASTRUCTURE PROJECT**  
**Fiscal Year 2007-08**

**A. NATURE OF REQUEST**

This proposal requests three (3.0) positions (one limited term) and \$1,538,000 (\$1,000,000 General Fund and \$538,000 Reimbursements) in Fiscal Year (FY) 2007-08, and four (4.0) positions and \$508,000 (\$330,000 General Fund and \$178,000 Reimbursements) in FY 2008-09 and ongoing to allow the Board of Equalization (BOE) to enhance its infrastructure to accommodate the expansion of electronic filing (E-Filing) to include the group of taxpayers (with the most complex returns) responsible for paying 89 percent of sales and use tax revenue. See Exhibit 1 for revenue information by reporting basis.

The BOE believes that, over the long term, providing reliable electronic services (e-services), available 24x7x365, empowers taxpayers and their representatives to take more control of their interaction with government. This empowerment leads to an increased sense of cooperation between BOE and its tax and fee payers, promotes voluntary compliance with tax law, and increases BOE's ability to accomplish its primary mission of efficiently collecting and allocating tax and fee revenue. Providing timely and reliable e-services to taxpayers allows ease and convenience as well as the potential for saving in processing costs depending upon the level of participation.

The BOE is committed to providing an accessible, adaptable and customer-focused environment through electronic services. This commitment involves a five year plan (dependent upon funding) that is in its second year of development. During the first year (FY 2005-06) of the plan, the BOE implemented its no-fee E-Filing system, BOE-File, that is available to approximately 650,000 single location sales and use tax accounts. Year two (FY 2006-07) involves the addition of the EZ sales and use tax returns; single location quarterly prepayments; acceptance of credit cards for E-Filed sales and use tax returns and all special taxes returns; and credit cards for accounts receivable liabilities for all tax and fee programs.

This FY 2007-08 request (E-Filing Infrastructure Project), expands E-File functionality to allow sales and use taxpayers on a mandatory electronic funds transfer (EFT) basis and taxpayers with multiple locations that are required to allocate local tax, Schedules B (Exhibit 3) and/or C (Exhibit 4) taxpayers to E-File. The project will also add the pre-filing of scheduled returns with previously paid prepayment amounts, allow returns to be filed with less than full payment (no remittance/partial remittance) and automate the delinquent prepayment processes. Years four (FY 2008-09) and five (FY 2009-2010) of the plan include E-Filing for all other tax and fee payers as well as electronic registration, account maintenance, and a variety of other electronic services. Exhibit 2 depicts the BOE's electronic services implementation timeline.

While the BOE has made great strides in providing E-Filing to taxpayers, the components have been implemented internally with limited resources that are frequently working on higher priority projects, such as implementing legislative mandates. The BOE is confident that greater savings can be achieved by adding additional functionality and eligible taxpayers to its overall e-services in a more timely manner. However, without the additional resources requested, the timeline for adding the additional e-services will continue to be subject to competing priorities.

**B. BACKGROUND/HISTORY**

Over 822,000 businesses file Sales and Use Tax returns with BOE annually and pay over \$38 billion in taxes (Year 2004). Until recently, tax return processing has been primarily a paper process with all of the problems inherent in such a process (e.g., taxpayer errors in completing the forms, key data errors, postal delays, and storage and retrieval of paper files). Traditional paper sales and use tax returns are routed through several BOE areas while E-Filed returns avoid many of the BOE manual processing functions allowing for faster processing and the potential for cost savings. See Exhibit 5 for a comparison.

Implementing the E-Filing Infrastructure Project will benefit California tax and fee payers, the BOE, and State, Local and County governments. Many states have implemented E-Filing for sales and use tax. For example, Texas implemented its system in 1991, Florida in 1995, Wisconsin in 1996, Washington in 1998 and Minnesota in 2001. The systems are free to taxpayers and are, in most cases, voluntary. Some states have discontinued sending paper returns to taxpayers. Each state reports significant improvement through lower error rates, lower costs, faster processing. Based on a recent survey of these states, those with voluntary systems are experiencing participation rates averaging between 20% - 50%. Others have mandated participation for some or all of their taxpayers and have seen near 100% participation. With funding for development and outreach, the BOE anticipates similar results.

**C. STATE LEVEL CONSIDERATIONS**

This proposal is consistent with the state's policy regarding eGovernment, to use technology to make government smarter, faster and more cost-efficient; to provide direct services to citizens via the Internet; to streamline governmental operations and facilitate program delivery thereby supporting a customer-focused and citizen-centered government. The BOE embraces this concept and seeks to move forward in a timely way. Industry groups have indicated a readiness to take advantage of the opportunity to use more e-services in dealing with government. This proposal meets all of these goals.

**D. FACILITY/CAPITAL OUTLAY CONSIDERATIONS**

None.

**E. JUSTIFICATION**

As BOE moves forward with the development of its new *Strategic Plan*, e-services is a key piece for the future. The BOE's current *Strategic Plan* issues and strategies addressed by this proposal are:

1. Issue 1 – Demonstrating Quality Services and Best Value
  - (a) *Strategy 3* – Define our future business direction for gathering, processing, and using taxpayer information and ensure that agency program plans move us in that direction.
  - (b) *Strategy 5* – Provide convenient, timely access to accurate information while ensuring the continued integrity of our operations and confidentiality of taxpayer information.
  - (c) *Strategy 7* – Identify and streamline existing organizational processes that impact customer service.

**E. JUSTIFICATION (Continued)**

2. Issue 3 – Capitalizing on Technology

(a) *Strategy 5* – Assess and plan for technology needs and obsolescence and obtain funding support through the state budget process.

(b) *Strategy 7* – Continue and expand IT partnerships with other entities.

The BOE has and continues to invest extensively in its infrastructure and continually responds to taxpayers, Board Members, the Legislature, and program staff requests. However, existing staff resources are not sufficient to allow BOE to move forward with its e-services plan in a timely manner.

**F. OUTCOMES AND ACCOUNTABILITY**

This BCP is supported by a Feasibility Study Report (FSR) which provides the detail of the project roles and responsibilities and project schedule.

The BOE will use the same strategy for this project as was employed in its highly successful Revenue Database Consolidation (RDC) project. It will use a combination of contractors and BOE staff to make necessary modifications to support the new functionality, and to temporarily backfill behind Technology Services Division (TSD) staff who will be performing the modifications.

The BOE uses a System Development Life Cycle (SDLC) that encompasses business analysis/conceptual design, business analysis/logical design, physical design, construction, unit testing, release/integration testing, system testing, and acceptance testing. The BOE has successfully executed all phases of this SDLC and project management methodology for several large and complex projects.

In addition, the BOE adheres to the Department of Finance project management oversight and reporting framework, and the Statewide Information Management Manual project management methodology and reporting. All reports including the FSR and Post Implementation Evaluation Report (PIER) are the responsibility of the Project Manager and the BOE's Chief, TSD. Fiscal oversight is the responsibility of the BOE's Chief, Financial Management Division.

**G. ANALYSIS OF ALL FEASIBLE ALTERNATIVES**

**Alternative 1 – Develop the E-Filing Infrastructure Project using a combination of contract and state employees.**

This alternative requests 3.0 positions and \$1,538,000 (\$1,000,000 General Fund and \$538,000 Reimbursements) in FY 2007-08, and 4.0 positions and 508,000 (\$330,000 General Fund and \$178,000 Reimbursements) in 2008-09 and ongoing (see Exhibit 6 for cost detail). With this modest investment, the BOE can expand E-Filing of returns to include the group of taxpayers responsible for paying 89 percent of sales and use taxes. In addition, this group of taxpayers file the most complex and detailed returns which could generate the potential for significant processing savings while providing for faster and more accurate allocation of state and local taxes.

BOE proposes to leverage the existing E-File and mainframe systems by hiring California Multiple Award Schedule contractors and using existing BOE staff to manage, design, construct and test the additional functionality described below:

**G. ANALYSIS OF ALL FEASIBLE ALTERNATIVES (Continued)**

- Electronically accept transactions for single location accounts that are on a mandatory EFT basis (adds new functionality to the mid-tier, as well as to the payment and revenue subsystems in IRIS).
- Expand E-File eligibility to include multiple location sales and use taxpayers that file a Schedule B and/or Schedule C (adds new functionality to mid-tier).
- Develop a process for IRIS and E-File to accept returns without full payment (adds new functionality to mid-tier, as well as to the revenue and difference subsystems in IRIS).
- Display previously paid prepayment amounts at the time a quarterly prepayment account is filing a quarterly tax return (adds new functionality to mid-tier, as well as to the payment and revenue subsystems in IRIS).
- Provide enhancements to BOE XML schema to enable taxpayers and the Electronic Return Originators (ERO) to take advantage of the enhanced functionality (adds new functionality to the mid-tier).
- Automatically generate and mail notices of prepayment delinquency within 10 days past the due date.

Pros:

- Consistent with BOE's current and future vision for e-services.
- Faster processing of taxpayer data.
- Expands taxpayer base eligible to E-File.
- Faster and more accurate allocation of state and local taxes.
- More accurate taxpayer data.
- Reduces manual processing of returns, thereby increasing the potential for cost savings.

Cons:

- Requires budget augmentation.

**Alternative 2 - Maintain existing E-Filing functionality for single location sales and use tax accounts.**

Pros:

- Eliminates need for budget augmentation.
- Increases ability to address other technology projects.

Cons:

- Eliminates the opportunity for additional operational efficiencies and cost savings.
- Is not consistent with the BOE's current and future vision for e-services.
- Does not increase efficiency and effectiveness because it continues the manual processing of paper returns.
- Does not improve accuracy of tax and fee payer data.
- Does not provide the functionality for additional taxpayers to E-File.

**G. ANALYSIS OF ALL FEASIBLE ALTERNATIVES (Continued)**

**Alternative 3 – Develop the E-Filing Infrastructure Project using all contract staff.**

Pros:

- Helps BOE meet the project schedule and reduce risk of delay.
- Consistent with BOE's current and future vision for e-services.
- Faster processing of taxpayer data.
- Expands taxpayer base eligible to E-File.
- Faster and more accurate allocation of state and local taxes.
- More accurate taxpayer data.
- Reduces manual processing of returns, thereby increasing the potential for cost savings

Cons:

- Increases the costs of the project.
- Outsourcing maintenance is not part of the BOE's strategy for staffing technology projects because it does not provide for long-term expertise and stability needs.

**Alternative 4 - Develop the E-Filing Infrastructure Project using all state employees.**

Pros:

- Cost of state employees is less expensive than hiring contract staff.
- Additional permanent state employees are hired earlier in the process limiting (not eliminating) the amount of knowledge transfer needed.
- Consistent with BOE's current and future vision for e-services.
- Faster processing of taxpayer data.
- Expands taxpayer base eligible to E-File.
- Faster and more accurate allocation of state and local taxes.
- More accurate taxpayer data.
- Reduces manual processing of returns, thereby increasing the potential for cost savings.

Cons:

- Difficult to recruit limited-term state positions required for life of project.
- Hiring limited-term state employees is difficult and problematic for the following reasons:
  - It is very difficult to recruit employees who are interested in limited-term programming positions.
  - The BOE mainframe system is a highly complex environment that requires the highest quality skill in a Natural/Adabas environment. This skill set is difficult to find in state service. BOE uses intensive internal formal and on-the-job training to train our permanent employees. This training is not cost and time effective to use for limited-term employees.
  - Because BOE's mainframe system is a complex relationally integrated database, experienced programmers are needed to understand and become proficient in this environment in an expedient manner. These quality programmers are not generally available for limited-term positions.

**H. TIMETABLE**

Secure project funding by July 1, 2007. Detailed project schedule outlined in the FSR.

**I. RECOMMENDATION**

Alternative 1 is recommended. This alternative will provide one-time and on-going funding and positions necessary to develop, implement, support and continually improve the E-File system and implement a process to generate accelerated revenue. Authorization of 3.0 positions and \$1,538,000 (\$1,000,000 General Fund and \$538,000 Reimbursements) in FY 2007-08, and 4.0 positions and 508,000 (\$330,000 General Fund and \$178,000 Reimbursements) in 2008-09 and ongoing will allow the BOE to expand the E-Filing infrastructure and provides E-Filing to the group of taxpayers responsible for paying 89 percent of sales and use tax.

STATE OF CALIFORNIA  
 BUDGET CHANGE PROPOSAL--FISCAL DETAIL  
 STATE OPERATIONS  
 FISCAL YEAR 2007-08  
 (Dollars in Thousands)

**Title of Proposed Change:** E-Filing Infrastructure Project

**Program/Element/Component:** 30 Sales and Use Tax Program/All Elements

	PERSONNEL YEARS			CY	BY	BY + 1
	CY	BY	BY + 1			
<b>TOTAL SALARIES AND WAGES</b> <i>_a/</i>		3.0	4.0		\$198	\$257
Salary Savings		-2	-2		-10	-13
<b>NET TOTAL SALARIES AND WAGES</b>		2.8	3.8		188	244
Staff Benefits <i>_a/</i>					66	86
<b>NET TOTAL SALARIES AND WAGES</b>		2.8	3.8		254	330
<b>TOTAL PERSONAL SERVICES</b>		2.8	3.8		\$254	\$330

**OPERATING EXPENSE AND EQUIPMENT**

General Expense					\$23	\$33
Printing					86	
Communications					4	4
Postage						
Travel--In-State						
Travel--Out-of -State						
Training					2	3
Facilities Operations					9	11
Consulting & Professional Services: Interdepartmental						
Consulting & Professional Services: External					1,026	16
Department of Technology Services Data Center Services/Lease Servers					132	110
Data Processing					2	1
Equipment						
Other Items of Expense: (Specify Below)						

*\_a/* See page 16 of 17 for itemized staff benefits and classification detail.

	<u>CY</u>	<u>BY</u>	<u>BY + 1</u>
<b>TOTAL OPERATING EXPENSE AND EQUIPMENT</b>		<b>\$1,284</b>	<b>\$178</b>
<b>TOTAL EXPENDITURES (State Operations)</b>		<b>\$1,538</b>	<b>\$508</b>

**Source of Funds**

General Fund	(0001)	\$1,000	\$330
Special Funds:			
Breast Cancer Fund	(0004)		
State Emergency Telephone	(0022)		
Propane Surcharge Fund	(0051)		
Motor Vehicle Fuel Account	(0061)		
Occupational Lead Prevention Fund	(0070)		
Childhood Lead Poisoning Prev. Fund	(0080)		
Cig. and Tobacco Prod. Surtax Fund	(0230)		
Oil Spill Prevention and Admin. Fund	(0320)		
Integrated Waste Management	(0387)		
Underground Storage Tank Fund	(0439)		
Energy Resources Programs Account	(0465)		
CA. Children and Families First Trust Fund	(0623)		
Federal Trust Fund	(0890)		
Timber Tax Fund	(0965)		
Gas Consumption Surcharge Fund	(3015)		
Water Rights Fund	(3058)		
Elec. Waste Recovery and Recycling Acct.	(3065)		
Cig. and Tobacco Prod. Compliance Fund	(3067)		
Federal Funds			
Other Funds			
Reimbursements	(0995)	\$538	\$178
Net Total Augmentation (Source of Funds)		<b>\$1,538</b>	<b>\$508</b>

DETAIL OF STAFF BENEFITS  
AND PERSONAL SERVICES

Staff Benefits Detail:	CY	BY	BY + 1
	(Whole Dollars)		
OASDI		\$14,382	\$18,666
Health Insurance		19,526	25,342
Retirement		27,905	36,217
Workers' Compensation		3,572	4,636
Industrial Disability Leave		180	234
Non-Industrial Disability Leave		237	307
Unemployment Insurance		164	212
Other		493	639
<b>TOTAL</b>		<b>\$66,459</b>	<b>\$86,253</b>

Classification	Positions			Salary Range	Amount		
	CY	BY	BY + 1		CY	BY	BY + 1
Administration Department:							
Technology Services Division:							
Staff Programmer Analyst _b/			2.0	\$62,604			\$125,208
Sales and Use Tax Department:							
Business Taxes Specialist I _c/		3.0	2.0	65,868		197,604	131,736
Blanket Funds:							
Overtime (Various)							
Temporary Help							
<b>TOTAL SALARIES AND WAGES</b>		<b>3.0</b>	<b>4.0</b>			<b>\$197,604</b>	<b>\$256,944</b>

\_a/ The salary is the mid-step of the salary range for the stated classification.

\_b/ 2.0 permanent positions effective July 1, 2008.

\_c/ 1.0 one-year limited-term position effective July 1, 2007 through June 30, 2008 and 2.0 permanent positions effective July 1, 2007.

**SUPPLEMENTAL INFORMATION**  
 Dollars in Thousands

	<u>Current Year</u>	<u>Budget Year</u>	<u>Budget Year + One</u>
<b>Proposed Equipment:</b>			
	_____	_____	_____
Total	=====	=====	=====
<b>Proposed Contracts:</b>			
Consult. & Prof. Services - External		\$1,026	\$16
	_____	_____	_____
Total	=====	=====	=====
<b>One-Time Costs:</b>			
General Expense		\$23	\$16
Printing		86	
Communications		2	2
Data Processing		2	1
	_____	_____	_____
Total	=====	=====	=====
<b>Future Savings:</b>			
N/A			
	_____	_____	_____
Total	=====	=====	=====
<b>Full-Year Cost Adjustments:</b>			
N/A			
	_____	_____	_____
Total	=====	=====	=====

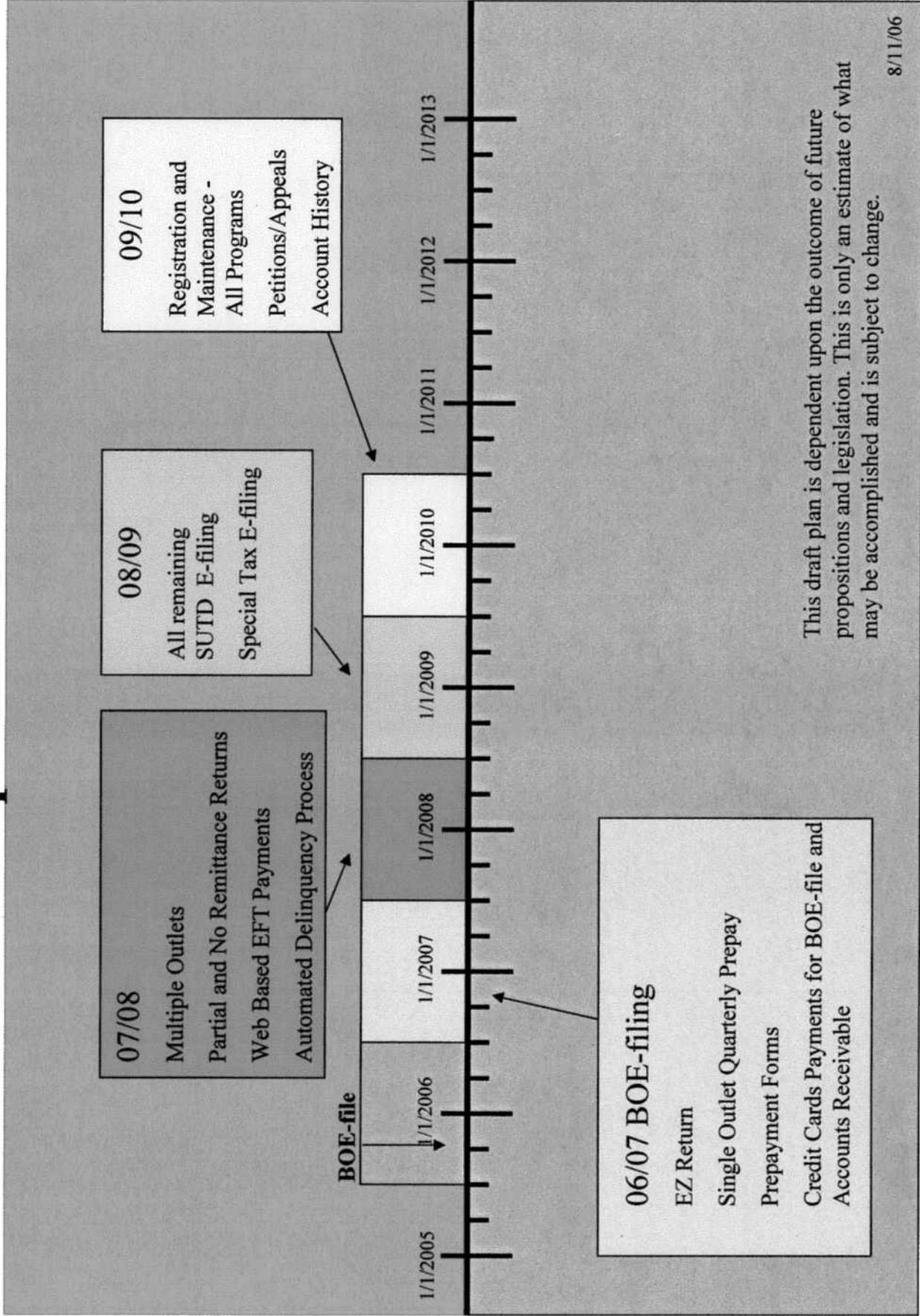
**Board of Equalization  
Revenue by Reporting Basis**

<b>Account Type</b>	<b>Number of Accounts*</b>	<b>Percent of Total</b>	<b>Revenue (Billions)</b>	<b>Revenue %</b>	<b>Planned E-file Eligibility</b>
<b>Single Location</b>					
Monthly, Quarterly and Yearly	640,828	77.9%	1.69	4%	Current
Quarterly Prepay (with EFT)	121,412	14.8%	14.16	37%	07-08
<b>Multiple Locations</b>	54,640	6.6%	19.98	52%	07-08
<b>Future Efforts</b>					
Other "Scheduled Accounts"	5,554	0.7%	2.59	7%	TBD
<b>Total Accounts</b>	<b>822,434</b>	<b>100%</b>	<b>38.42</b>	<b>100%</b>	

\*Sales and use tax accounts based on year 2004 mainframe statistics

# E-Services Implementation Timeline

Exhibit 2



**SCHEDULE B - DETAILED ALLOCATION BY COUNTY OF 1% COMBINED STATE AND UNIFORM LOCAL SALES AND USE TAX**

<b>DUE ON OR BEFORE</b> Jul 31, 2006 for Apr through Jun 2006	2206
[ FOID ]	SC OHC
YOUR ACCOUNT NO.	1

72
03368

PLEASE READ INSTRUCTIONS ON BACK BEFORE PREPARING THIS SCHEDULE

Combined state and uniform local sales and use tax on retail sales of merchandise (not involving installation) made at your permanent place of business in California or combined state and local tax on property purchased ex-tax and used at this place of business should be entered on line B2 below the county schedule.

A	B	C	A	B	C
COUNTY IN WHICH TAXABLE TRANSACTION OCCURRED	CODE	AMOUNT OF 1% COMBINED STATE AND LOCAL TAX	COUNTY IN WHICH TAXABLE TRANSACTION OCCURRED	CODE	AMOUNT OF 1% COMBINED STATE AND LOCAL TAX
ALAMEDA	01	.00	PLACER	31	.00
ALPINE	02	.00	PLUMAS	32	.00
AMADOR	03	.00	RIVERSIDE	33	.00
BUTTE	04	.00	SACRAMENTO	34	.00
CALAVERAS	05	.00	SAN BENITO	35	.00
COLUSA	06	.00	SAN BERNARDINO	36	.00
CONTRA COSTA	07	.00	SAN DIEGO	37	.00
DEL NORTE	08	.00	SAN FRANCISCO	38	.00
EL DORADO	09	.00	SAN JOAQUIN	39	.00
FRESNO	10	.00	SAN LUIS OBISPO	40	.00
GLENN	11	.00	SAN MATEO	41	.00
HUMBOLDT	12	.00	SANTA BARBARA	42	.00
IMPERIAL	13	.00	SANTA CLARA	43	.00
INYO	14	.00	SANTA CRUZ	44	.00
KERN	15	.00	SHASTA	45	.00
KINGS	16	.00	SIERRA	46	.00
LAKE	17	.00	SISKIYOU	47	.00
LASSEN	18	.00	SOLANO	48	.00
LOS ANGELES	19	.00	SONOMA	49	.00
MADERA	20	.00	STANISLAUS	50	.00
MARIN	21	.00	SUTTER	51	.00
MARIPOSA	22	.00	TEHAMA	52	.00
MENDOCINO	23	.00	TRINITY	53	.00
MERCED	24	.00	TULARE	54	.00
MODOC	25	.00	TUOLUMNE	55	.00
MONO	26	.00	VENTURA	56	.00
MONTEREY	27	.00	YOLO	57	.00
NAPA	28	.00	YUBA	58	.00
NEVADA	29	.00			
ORANGE	30	.00			

B1. Total 1% combined state and local tax for all counties listed above .....	B1. \$	.00
B2. Total 1% combined state and local tax on sales made and merchandise consumed at your permanent place of business in California. (Do not include any tax allocated to the above counties) .....	B2. \$	.00
B3. Total 1% combined state and local tax reported on Schedule F .....	B3. \$	.00
B4. Total 1% combined state and local tax reported on Schedule L .....	B4. \$	.00
B5. Total 1% combined state and local tax liability (add lines B1, B2, B3, and B4) This total tax must agree with line 17 on the return form .....	B5. \$	.00

BOARD USE ONLY Tax Area Code			
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**SCHEDULE B  
DETAILED ALLOCATION BY COUNTY OF COMBINED STATE  
AND UNIFORM LOCAL SALES AND USE TAX**

If your business activities come within one or more of the categories listed below, part or all of your state and local sales and use tax should be allocated among the counties listed on Schedule B, Detailed Allocation by County of Uniform Local Sales and Use Tax. Enter in Column C, after the name of the appropriate county, the amount of local tax allocable to the county according to the instructions below that are applicable to your business.

**1. AUCTIONEERS** (Ref. Regulations 1802 and 1803)

For auction events at temporary sales locations where taxable gross sales are \$500,000 or more, the combined state and local sales tax should be reported on the BOE-530-B, Combined State and Local Tax Allocation for Temporary Sales Locations and Certain Auctioneers. For all other auction events at temporary sales locations, the amount of combined state and local sales tax on sales made away from your permanent place of business should be entered in Column C of this form, opposite the name of each county in which auctions were held. Enter on line B2 any amount of combined state and local tax that is applicable to auction sales, over-the-counter sales or other transactions at your permanent place of business.

**2. OUT-OF-STATE RETAILERS WHO HAVE BEEN AUTHORIZED BY THIS BOARD TO OPERATE UNDER SECTION 6015** (Regulation 1802)

Enter in Column C the amount of combined state and local tax on sales made by representatives who operate from locations in each county.

**3. VENDING MACHINE OPERATORS** (Regulations 1574 and 1802)

Enter in Column C, the amount of combined state and local tax on sales made from vending machines located in each county. Enter on line B2 any amount of combined state and local tax which is applicable to sales of equipment or other transactions at your permanent place of business.

**4. OUT-OF-STATE SELLERS ENGAGED IN BUSINESS IN CALIFORNIA WHO HAVE NO PLACE OF BUSINESS IN-STATE** (Regulations 1802 and 1803)

Sales of goods delivered by these sellers from stocks located in California are subject to the combined state and local sales tax. Include the amounts of such tax on line B2 of this form.

Sales of goods by these sellers, delivered from out-of-state locations with title passing to a California purchaser at a point outside of California are subject to combined state and local use tax. For transactions of \$500,000 or more by sellers engaged in business in California, the combined state and local use tax should be reported on Schedule F, Detailed Allocation of 1% Combined State and Uniform Local Sales and Use Tax. For all other sales, enter the amount of combined state and local use tax in Column C opposite the county of destination.

Sellers not engaged in business in California, but who voluntarily collect and report use tax may report transactions of \$500,000 or more on Schedule F, Detailed Allocation of 1% Combined State and Uniform Local Sales and Use Tax, in accordance with the above, or continue to report on Schedule B.

**5. CONSTRUCTION CONTRACTORS** (Regulation 1806)

A contractor must report the combined state and local tax with respect to materials and fixtures involved in construction contracts according to the county location of the jobsite where use occurred. Enter this tax in Column C opposite the appropriate county.

Enter on line B2 any amount of combined state and local tax applicable to retail store sales or regular retail sales at your permanent place of business which do not involve a construction contract.

**6. PERSONS MAKING EX-TAX PURCHASES FOR USE AT LOCATIONS WHERE A SELLER'S PERMIT IS NOT REQUIRED** (Regulation 1803)

A person who purchases tangible personal property without payment of combined state and uniform local tax is liable for combined state and local use tax on such purchases. If the property is used at a location for which a seller's permit **is not** required, and is a purchase of less than \$500,000, enter the amount in Column C of this form opposite the county where the property is used. If property is used at a location for which a seller's permit **is not** required and is a purchase of \$500,000 or more, local tax should be reported on Schedule F, Detailed Allocation of 1% Combined State and Uniform Local Sales and Use Tax.

Line B2. **COMBINED STATE AND LOCAL TAX AT PERMANENT PLACE OF BUSINESS.** Enter here the amount of combined state and local tax on sales made and merchandise consumed at your permanent place of business in California. Do not include any combined state and local use tax reported by counties in Column C.

NOTE: If you are furnished with Schedule C, Detailed Allocation by Suboutlet of Combined State and Uniform Local Sales and Use Tax, the amount entered on line B2 must agree with the total amount of Combined State and Local Tax shown on Schedule C.

**7. MOTOR VEHICLE LEASES**

If you are a lessor of motor vehicles who is not required to use Schedule F, you should report the 1% combined state and local tax on Schedule B (the tax should be reported in the county where the vehicle is registered).

**8. BAD DEBT LENDERS**

If you are claiming a deduction for Bad Debt-Lender, you are required to complete Schedule L. In most cases, the Schedule L total needs to be entered on line "B4" as a negative number. However, if bad debt-lender recoveries exceed losses, the Schedule L total would be a positive amount.

**SCHEDULE C-DETAILED ALLOCATION BY  
SUBOUTLET OF COMBINED STATE AND UNIFORM LOCAL SALES AND USE TAX**

The original copy of this schedule must be attached to your return.  
Read instructions before preparing.

Please round cents to the  
nearest whole dollar.

TAXING JURISDICTION IN WHICH BUSINESS ESTABLISHMENTS ARE LOCATED  COLUMN 1		SUB- OUTLET NO.	TAX AREA CODE  COLUMN 2		AMOUNT OF 1% COMBINED STATE AND LOCAL TAX COLUMN 3
				IN LIEU	
22253 FOOTHILL BLVD	HAYWARD	0059	07032	025	.00
		*			
2211 MONUMENT BLVD	CONCORD	0028	07032	025	.00
		*			
13013 SAN PABLO AVE.	SAN PABLO	0025	07042	025	.00
		*			
2417 N SAN FERNANDO BLVD	BURBANK	0026	19007	036	.00
		*			
478 W ARROW HWY	COVINA	0027	19010	036	.00
		*			
1801 LINCOLN BLVD	SANTA MONICA	0013	19033	036	.00
		*			
9302 GARFIELD AVE	SOUTH GATE	0060	19036	036	.00
		*			
16360 WHITTIER BLVD	WHITTIER	0032	19041	036	.00
		*			
10991 SANTA MONICA BLVD	LOS ANGELES	0006	19050	036	.00
8181 SUNLAND BLVD	SUN VALLEY	0018	19050	036	.00
1637 S VERMONT AVE	LOS ANGELES	0021	19050	036	.00
10691 W PICO BLVD	LOS ANGELES	0022	19050	036	.00
210 S GAFFEY ST	SAN PEDRO	0031	19050	036	.00
5605 RESEDA BLVD	TARZANA	0042	19050	036	.00
7201 S SAN PEDRO ST	LOS ANGELES	0044	19050	036	.00
TOTAL FOR THIS TAX CODE *					.00

DRAFT  
NOT A VALID COPY  
DO NOT SEND



**TOTAL:** This Schedule C total must agree with line 17 of your return unless you are provided with either form BOE-531, Schedule B, or form BOE-531-L, Schedule L. If you receive Schedule B, please enter this Schedule C total on line B2 of Schedule B. If you receive Schedule L, please enter this Schedule C total on line L2 of Schedule L.

OWNER'S NAME

ACCOUNT NUMBER	INDUSTRY	TAX CODE	ZIP CODE	PERIOD	PAGE
	62	SR Y		2206	1

**INSTRUCTIONS****SCHEDULE C - DETAILED ALLOCATION****BY SUBOUTLET OF THE 1% COMBINED STATE AND UNIFORM LOCAL SALES AND USE TAX****GENERAL**

When a consolidated sales and use tax return is filed, covering more than one seller's permit, the 1% combined state and local taxes must be allocated among the cities and unincorporated areas of counties in which sales outlets are located. Schedule C lists the addresses of all your places of business for which seller's permits have been issued. Locations within a single city, or within the unincorporated area of a single county, are grouped. Each group is separated from the following group by a space and an asterisk (\*).

**COLUMN 1-TAXING JURISDICTION IN WHICH BUSINESS ESTABLISHMENTS ARE LOCATED**

Street addresses for your places of business are entered here as shown by our records. The taxing jurisdiction indicates the city in which the business is situated, or the county of location if the business is not within a city. A county having the same name as one of its cities can be distinguished from the city by the Tax Area Code entry in Column 2. County codes show as "998" in digits 3, 4 and 5, while city codes show as different numbers. Entries in the column headed "Sub-outlet Number" provide numerical identification of your sales outlets for Board records.

If you have closed any of the places listed, either before or during the period covered by this return, enter the word "closed" just **below** the street address. Enter the amounts of the 1% combined state and local tax just as you do for other places of business, or the word "None" if no taxable transactions occurred during the reporting period.

If, during the reporting period, you have operated any place of business in California which is not listed here, enter at the end of the list the street address and name of the Post Office serving the area. If in a city with a different name than the Post Office, enter the name of the city also. If the location has no street number, enter the street or road and the name of the Post Office. State whether the location is inside the city or town whose name corresponds to that of the Post Office (e.g., Highland Road, three miles outside Greenburg).

**COLUMN 2-TAX AREA CODE**

You need not make any entry in this column. Code numbers shown here identify the taxing jurisdiction in which each business establishment is located.

**COLUMN 3-AMOUNT OF 1% COMBINED STATE AND LOCAL TAX**

Enter in this column the amount of the 1% combined state and local tax for each business establishment, opposite the business address. "Total for this tax code" appears where two or more places of business are located in one taxing jurisdiction. Enter in Column 3, the total combined state and local taxes for all places of business in that taxing jurisdiction opposite the asterisk (\*). If you have only one business establishment in a local taxing jurisdiction, enter **only** the figures directly opposite the address and do not make any entry opposite the asterisk. Enter the word "None" opposite the address of any establishment operated during the period covered by this return if no tax liability accrued at that location.

**TOTAL AMOUNT OF COMBINED STATE AND LOCAL TAX**

The total of Column 3 for all pages of Schedule C should agree with line 17 of your return, unless you have received a Schedule B or Schedule L. Schedule B is used for allocating the 1% combined state and local taxes on transactions not occurring at a permanent place of business. Schedule L is used to de-allocate the 1% combined state and local tax on lender bad debt deductions. If you are preparing a Schedule L, this Schedule C total must be entered on line L2 of Schedule L. If you are preparing a Schedule B, this Schedule C total must be entered on line B2 of Schedule B.

**IF YOU HAVE QUESTIONS OR NEED ADDITIONAL INFORMATION,  
PLEASE CONTACT OUR INFORMATION CENTER AT 800-400-7115.**

**Board of Equalization  
Return Processing Functions  
Comparison of Paper and E-Filed Returns**

<b>Function</b>	<b>Paper Returns</b>	<b>E-File Returns</b>
<b>Print Returns</b>	<b>X</b>	<b>*</b>
<b>Mail Returns (Outgoing)</b>	<b>X</b>	<b>*</b>
<b>Receive Returns (Incoming)</b>	<b>X</b>	
<b>Cashier Funds/Batch Returns</b>	<b>X</b>	
<b>Data Entry</b>	<b>X</b>	
<b>Mainframe Validation</b>	<b>X</b>	<b>X</b>
<b>Return Analysis Verification/Desk Audit</b>	<b>X</b>	<b>X</b>
<b>Local Revenue Allocation</b>	<b>X</b>	<b>X</b>
<b>Microfilm</b>	<b>X</b>	
<b>Filing and Storage</b>	<b>X</b>	

\* E-Filed returns will bypass these functions if the taxpayer has chosen to discontinue receipt of paper returns.

**Administration Department, Technology Services Division Resource Needs  
Budget Change Proposal # 13**

The new functionality provided for by this project will require on-going system maintenance support from the Technology Services Division (TSD). This is new workload that cannot be absorbed by existing resources. Baseline analysis of the current number of TSD programming staff as compared to the number of programs currently being supported by them indicates that it takes an average of one (1) programmer to maintain and support 55,000 lines of code and an average of one (1) system test analyst to perform 156 test iterations. Therefore, to support the new functionality, TSD will need two (2) additional positions beginning in FY 2008/09.

**Programming Tasks**

- Analyze change requests
- Maintain/enhance 250 new programs and sub-program (estimate 60,000 lines of new code)
- Execute unit and integration testing
- Maintain program documentation for 250 programs and sub-programs
- Troubleshoot and research issues and problems

**System Testing Tasks**

- Analyze change requests
- Create test data
- Maintain/enhance new system test scripts
- Execute system and regression testing (estimate 145 new test iterations)
- Maintain test documentation for system testing
- Troubleshoot and research issues and problems

	Workload Indicators		Workload Impact		
	Programs and Subprograms Maintained	Lines of Code	Programmers	Programs per Programmer	Line of Code per Programmer
<b>Programming Support</b>					
Current	964	220,000	4	241	55,000
Proposed	1,214	280,000	5	243	56,000
<b>System Testing</b>					
Current	390		2.5	156	
Proposed	535		3.5	153	

**Sales and Use Tax Department Resource Needs  
Budget Change Proposal # 13**

Three (3) additional positions (one on a one-year limited-term basis for FY 2007-08 and two permanent beginning in FY 2007-08 and on-going) are needed to perform project implementation tasks, (e.g., identify business needs, develop business requirements). There is also a new workload associated with maintenance and modifications to the E-File system as well as continued outreach and education for the 20% to 25% turnover of sales and use taxpayers every year. This function is significant since the BOE will have to constantly provide outreach and education regarding E-Filing to a new group of taxpayers on a on-going basis. Currently, the paper process does not require any particular education effort for these businesses beyond pamphlets or brochures provided based on type of business. The program area staff will perform the following tasks.

<b>Task</b>	<b>Total Hours Required FY 2007-08</b>	<b>Total Hours Required FY 2008-09</b>
<b>Project Implementation</b> <ul style="list-style-type: none"> <li>▪ Analysis of Program Requirements</li> <li>▪ Facilitation of Joint Application Development Sessions to Develop Business Requirements</li> <li>▪ Staff Testing of New Functionality</li> <li>▪ Project Reporting and Documentation</li> <li>▪ Implementation Planning and Roll-Out</li> <li>▪ Facilitation of Focus Group Discussions and Testing of New Functionality</li> </ul>	4590	0
<b>Enhancement of E-Filing System – On-going</b>	N/A	720
<b>E-Filing Surveys/Focus Group Feedback – On-going</b>	N/A	360
<b>Facilitation of Return Modifications to E-File Screens*</b>	N/A	720
<b>Outreach Efforts</b> <ul style="list-style-type: none"> <li>▪ External – Taxpayers/Tax Professionals Speaking Engagements Seminars Tax Preparation Classes Advertisements Articles Pamphlets/Brochures</li> <li>▪ Internal – BOE Staff On-going Training</li> </ul>	810	1800
<b>Total</b>	<b>5400**</b>	<b>3600</b>

\*Modifications include, but are not limited to, special taxing jurisdictions, new exemptions, and schedule, interest, and tax rate changes.

\*\*Includes hours for three positions one (1) limited-term and two (2) permanent

**Additional Project Costs  
Budget Change Proposal # 13**

<b>Function</b>	<b>FY 2007-08</b>	<b>FY 2008-09</b>
<b>Contract Programmers</b> 10,980 x \$90/hour	\$988,200	\$0
<b>Project Oversight</b> 300 hours x \$125/hour 125 hours x \$125/hour	\$37,500	\$15,625
<b>Department of Technology Services</b> Server Lease \$57,000(partial year)/Data Center Services \$75,000 Server Lease (full year)	\$132,000	\$110,000
<b>Outreach Efforts</b> Printing and Mailing of Custom Mailers/Inserts	\$86,000	\$0
<b>Total</b>	<b>\$1,243,7000</b>	<b>\$125,625</b>