

Fiscal Year 2009-2010

TITLE OF PROPOSAL

Out-of-State Audit Workload

DIVISION PRIORITY NUMBER

PROGRAM IMPACTED

Sales and Use Tax /Audit

SUMMARY OF REQUEST *(including impact if request denied)*

This proposal request a total of 34.0 new positions (21.0 in fiscal year(FY) 2009-10; 13.0 in FY 2010-11) to be assigned to out-of-state offices. Out-of-state audits have been consistently productive. Analysis indicates that there has been a continued growth in accounts eligible for audit by the out-of-state offices and indicates that this proposed increase of 29.0 new positions (12.0 Associate Tax Auditor (ATA), 12.0 Business Taxes Specialist I (BTS I), 3.0 Supervising Tax Auditor II (STA II), 1.0 Business Taxes Specialist I (BTS I), and 1.0 Staff Information Systems Analyst (SISA) would produce significant additional revenues. Failure to fund the positions will result in failure to produce additional revenues from a known source.

The Board of Equalization (BOE)-1032 Program is an effective complementary tool to the Board's overall audit process. The BOE-1032 Program is an involuntary registration program that successfully reduces the gap of unregistered out-of-state sellers with nexus in California. Our analysis indicates that the addition of 4.0 Tax Technician III (TT III) and 1.0 Business Taxes Compliance Specialist (BTCS) to investigate and register sellers with nexus in California would produce additional revenues and increase compliance.

BACKGROUND/HISTORY

Out-of-state audits tend to be of the largest multi-state companies that are the most difficult to audit based on the nature of the businesses. Historically, our out-of-state auditors have consistently completed highly productive audits. There are a number of out-of-state companies with nexus in California that have been identified as productive audits. The requested positions would provide additional resources to meet this productive audit workload. There is also a large number of unregistered out-of-state sellers with nexus in California that need to be identified and registered.

During the last three and a half years, staff dedicated to the BOE -1032 Program has registered about 1,346 accounts. The BOE-1032 Program averages approximately \$5.8 million annually in revenue, not including the revenue generated from the taxpayers' filing of tax returns for future periods.

STATE LEVEL CONSIDERATIONS *(including impact to other departments)*

This proposal is consistent with the Board's Strategic Plan to maximize voluntary compliance in BOE's programs and to improve the efficiency of BOE's tax and fee programs.

JUSTIFICATION *(including link to Strategic Plan)*

The BOE's out-of-state offices currently have a backlog of audits that are not being addressed due to lack of staffing resources. By allocating additional resources for auditors in BOE's field offices, these audits could be completed.

This proposal is directly in-line with the Board's Strategic Plan. Improve Voluntary Compliance - studies consistently show that an optimum level of audit presence is required to maximize voluntary compliance. Having a California presence in other states is one step in ensuring these companies have access to our agency. Improve Tax and Fee Program Efficiency - out-of-state audits have consistently been an efficient means of producing revenues. Create an Effective and Responsive Infrastructure - Business is continuing to change. The use of the Internet and emergence of a global economy present the opportunity for continual growth. Thus, businesses with nexus in this state increase and this proposal continues to build the infrastructure to address that growth.

COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR 2009-10)

New funding Continuation Redirection

COST	REVENUE <i>(if applicable)</i>
\$ 1,700,000	\$ 7,500,000
POSITIONS <i>(if applicable)</i>	COST SAVINGS <i>(if applicable)</i>
21.0	\$ 0

PREPARED AND APPROVED

PREPARED BY

Cecilia Watkins

DIVISION CHIEF APPROVAL

AUTHOR'S TELEPHONE NUMBER

(916) 445-2137

DATE

May 22, 2008

ACTION

Concept Approved Request Denied

EXECUTIVE DIRECTOR *(signature)*
