

STATE OF CALIFORNIA
Budget Change Proposal - Cover Sheet
 DF-46 (REV 05/11)

Fiscal Year 2012-13	BCP No. 3	Org. Code 0860	Department State Board of Equalization	Priority No. 3
Program 30 Sales and Use Tax			Element	Component

Proposal Title
Tax Gap II

Proposal Summary

This proposal addresses California's estimated \$2.3 billion sales and use tax gap by enhancing the previous efforts included in the Tax Gap I Initiatives plan (BCP #2 FY 2008-09) for fiscal years 2008-09 through 2010-11 as well as undertaking new efforts that focus on improved compliance related to the following three areas: use tax, registered taxpayers, and non-filers and tax evaders. This proposal requests 18.0 positions and \$4.4 million (\$2.9 million General Fund (GF), \$1.5 million Reimbursement) in FY 2012-2013, and 18.0 positions and \$1.7 million (\$1.2 million GF, \$500K Reimbursement) in FY 2013-2014 and ongoing for these efforts. BOE anticipates these tax gap efforts will collectively generate approximately \$15 million by FY 2014-2015 for an ongoing benefit-to-cost ratio of 8.9 to 1.

The BOE has separate initiatives specifically addressing illegal activities that are part of the underground economy. Those efforts are not discussed in this proposal.

Requires Legislation <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Code Section(s) to be Added/Amended/Repealed
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Does this BCP contain information technology (IT) components? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Department CIO	Date
<i>If yes, departmental Chief Information Officer must sign.</i>		

For IT requests, specify the date a Special Project Report (SPR) or Feasibility Study Report (FSR) was approved by the California Technology Agency, or previously by the Department of Finance.

<input type="checkbox"/> FSR <input checked="" type="checkbox"/> SPR	Project No.	Date:
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If proposal affects another department, does other department concur with proposal? Yes No
Attach comments of affected department, signed and dated by the department director or designee.

Budget Officer	Date	Chief, Financial Mgmt. Division	Date
Deputy Director, Administration	Date	Executive Director	Date

Department of Finance Use Only

Additional Review: Capital Outlay ITCU FSCU OSAE CALSTARS Technology Agency

BCP Type: Policy Workload Budget per Government Code 13308.05

PPBA	Date submitted to the Legislature
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STATE BOARD OF EQUALIZATION

Fiscal Year 2012-13

TAX GAP II

A. Proposal Summary

This proposal addresses California's estimated \$2.3 billion sales and use tax gap by enhancing the previous efforts included in the Tax Gap I Initiatives plan (BCP #2 FY 2008-09) for fiscal years 2008-09 through 2010-11 as well as undertaking new efforts that focus on improved compliance related to the following areas: use tax, registered taxpayers, and non-filers and tax evaders. This proposal requests 18.0 positions and \$4.4 million (\$2.9 million General Fund (GF), \$1.5 million Reimbursement) in FY 2012-2013, and 18.0 positions and \$1.7 million (\$1.2 million GF, \$500K Reimbursement) in FY 2013-2014 and ongoing for these efforts. BOE anticipates these tax gap efforts will collectively generate approximately \$15 million by FY 2014-2015 for an ongoing benefit-to-cost ratio of 3.9 to 1.

The BOE has separate initiatives specifically addressing illegal activities that are part of the underground economy. Those efforts are not discussed in this proposal.

B. Background/History

California's tax system is based on the premise that each taxpayer will correctly determine the amount of taxes owed and remit the taxes to BOE. Voluntary compliance is the most effective and efficient method of collecting tax and is improved by demonstrating that tax administration is fair, equitable, and committed to ensuring compliance. As such, in 2007, the Sales and Use Tax Department began to concentrate efforts on addressing the sales and use tax gap and encouraging voluntary compliance. A Tax Gap Plan for fiscal years 2008-09 – 2010-11 was approved and several initiatives were implemented.

The initial plan took a comprehensive approach to improve compliance on taxes owed in three main areas: use tax, unpaid taxes related to non-filers and evaders and registered taxpayers. The plan specifically focused on education and outreach, use tax related to interstate service businesses, audit and collection program improvements and expanded bankruptcy and out-of-state collection efforts. Not only did these efforts impact the taxpayers addressed, the measures likely caused behavioral changes to taxpayers not directly impacted, resulting in an increased voluntary compliance. The revenue generated from these initiatives to date is detailed in the table below.

Staff has evaluated the success of these initiatives and, using that information, new initiatives that are more conducive to a changing economic environment. This proposal requests resources to implement the new initiatives.

STATE BOARD OF EQUALIZATION



BOARD APPROVED

At the September 24, 2011 Board Meeting

Diane G. Olson
Diane G. Olson, Chief
Board Proceedings Division

Resource History
(Dollars in thousands)

Program Budget	2007-08	2008-09	2009-10	2010-11 (Estimated)
Authorized Expenditures	N/A	\$13,024	\$22,708	\$21,426
Actual Expenditures	N/A	\$13,024	\$22,708	\$21,426
Revenues	N/A	\$39,900	\$67,400	\$84,000
Authorized Positions	N/A	134.5	252	252
Filled Positions	N/A	134.5	252	252
Vacancies	N/A	0	0	0

C. State Level Considerations

BOE collects taxes and fees that provide approximately 35.6 percent of the annual revenue for state government and essential funding for counties, cities, and special taxing districts. The BOE administers the state's sales and use, fuel, alcohol, tobacco, and other taxes and collects fees that fund specific state programs, which, in fiscal year 2009-10, produced \$50.7 billion for education, public safety, transportation, housing, health services, social services, and natural resource management.

This proposal, in part, addresses the Legislature's intent to reduce the \$2.3 billion sales and use tax gap and compliments the Legislature's efforts in dealing with tax issues arising from internet sales. This proposal supports BOE's strategic plan by maximizing voluntary compliance with, and improving the efficiency of, BOE's programs.

D. Justification

This proposal generates immediate revenue for the state and increases tax revenues long-term through increased voluntary compliance by consumers as well as businesses, focusing on two main areas of non-compliance: Use Tax and Registered Taxpayers. The following table summarizes the benefit to cost ratios for the Use Tax and Registered Taxpayers programs. Workload justification for the requested positions is detailed in Exhibit I, pages 11-18.

Tax Gap Revenue and Cost Summary

	<u>FY 2012-13</u>	<u>FY 2013-14</u>	<u>FY 2014-15</u>
<u>Use Tax</u>			
1. Use Tax Educational Outreach Campaign			
Positions	5.5	5.5	5.5
Anticipated Revenue	9,650,000	9,650,000	9,650,000
Expenditures	3,137,000	582,000	582,000
Benefit-to-Cost Ratio	3.1:1	16.6:1	16.6:1
<u>Registered Taxpayers</u>			
2. Desk Audit Program			
Positions	9.5	9.5	9.5
Anticipated Revenue	3,400,000	3,400,000	3,400,000
Expenditures	919,000	809,000	809,000
Benefit-to-Cost Ratio	3.7:1	4.2:1	4.2:1
3. Bankruptcy Expansion			
Positions	3.0	3.0	3.0
Anticipated Revenue	1,900,000	1,900,000	1,900,000
Expenditures	330,000	297,000	297,000
Benefit-to-Cost Ratio	5.8:1	6.4:1	6.4:1
Total All Efforts			
Positions	18.0	18.0	18.0
Anticipated Revenue	14,950,000	14,950,000	14,950,000
Expenditures	4,386,000	1,688,000	1,688,000
Benefit-to-Cost Ratio	3.4:1	8.9:1	8.9:1

USE TAX

While California's sales tax generally applies to the sale of merchandise, use tax applies to the use, storage, or other consumption of those same kinds of items in the state. Generally, if sales tax would apply when you buy physical merchandise in California, use tax applies when you make a similar purchase without tax from a business located outside the state.

Over \$1.1 billion of the \$2.3 billion tax gap is use tax that is not reported or paid to the state due to the fact that most Californians are unaware of the use tax laws. To maximize the use tax voluntary compliance, this BCP proposes dedicating additional resources to use tax education and outreach to ensure that taxpayers understand their use tax reporting obligations and are provided the tools necessary to comply.

1. Use Tax Educational Outreach Campaign

This element requests \$3.1 million (\$2.1 million GF, \$1.0 million Reimbursements) and 5.5 permanent positions in FY 2012-13 and \$583,000 (\$382K GF, \$201K Reimbursements) in FY 2013-14 and ongoing for education and outreach efforts that will generate revenue of approximately \$9.7 million annually. The long term benefit to cost ratio is 16.6:1.

Specifically, this element:

- Expands the current outreach program, and
- Establishes a statewide media campaign.

Education and outreach is a critical component in the success of voluntary compliance of tax programs. Although BOE's use tax education efforts are ongoing, the current program needs to be expanded to reach more of the general public.

This element includes one-time funding of \$2.5 million for a statewide media/marketing campaign to educate Californians on the use tax laws. A professional public relations firm will be retained through contract to execute the media/marketing campaign. This comprehensive campaign will include market research services that, at a minimum, will involve focus groups and a statewide, statistically significant survey of taxpayers; paid media advertisements; and an extensive social media component. Collateral materials will be developed to reinforce the message.

5.5 positions are requested to enhance BOE's current education and outreach efforts, including:

- Establishment of a Use Tax Advisory Group, comprised of external stakeholders that will assist staff in the development of use tax educational materials and target audiences.
- Address compliance by both business and tax practitioners, and to clarify any confusion about sales and use tax responsibility.
- Act as a liaison between External Affairs Department and Tax Policy Division with respect to the technical aspects of the application of use tax and the implementation and administration of use tax programs.

Staff will utilize new third party data sources as well as third party data already received (both new and existing data, such as data from other governmental agencies or marketing firms) to identify individuals that are likely to have purchases subject to use tax and provide them educational materials, reporting requirements and methods, instructions for the use tax look-up table on the Franchise Tax Board income tax return, as well as an individual use tax return for self-reporting their use tax liability. This program is intended for outreach and educational purposes only, it is not intended to determine whether purchases were actually subject to tax nor it is intended to provide estimated billings.

Increased revenue of \$9.65M is projected based on an increase in use tax filings, both on the Franchise Tax Board income tax return use tax line and via the BOE's Qualified Purchaser Program due to increased exposure to the programs and use tax laws in general.

	Number of returns	Estimated amount of tax	Total
Additional use tax filings on income tax returns	98,322	\$75	\$7,374,150
Additional Qualified Purchaser use tax filing	4,466	\$510	\$2,277,660
Total			\$9,651,810

This element of the proposal:

- Generates up to \$9.65 million annually, beginning in FY 2012-13 with an ongoing potential benefit-to-cost ratio of up to 16.6 to 1.
- Encourages taxpayer voluntary compliance due to increased awareness of the use tax program through education and outreach.
- Reaches out to the general public for use tax awareness, but inherently will increase public awareness of the BOE and its programs.
- Provides resources to address a segment of the tax gap.
- Requires funding of \$3.14 million in FY 2012-2013, \$583,000 in FY 2013-2014 and \$583,000 and ongoing.
- May require reporting of past due amounts from a segment of California consumers that may not have been aware of the use tax.

REGISTERED TAXPAYERS

Registered taxpayers include both retailers and those businesses and individuals that are registered to report sales and/or use tax directly to the BOE. The tax gap with respect to this segment is comprised of those registrants that under-report, either knowingly or unknowingly, and of those registrants that report their liabilities correctly but fail to pay amounts due. Approximately \$560 million of the \$2.3 billion tax gap is from the current population of registered taxpayers. This initiative includes two elements: a new Desk Audit Program and an expansion of the current bankruptcy program.

2. Desk Audit Program

This element of the proposal requests 9.5 permanent positions and \$919,000 (\$633K GF, \$286K Reimbursements) in FY 2012-13 and \$810,000 (\$558K GF, \$252K Reimbursements) in FY 2013-14 and ongoing to implement a desk audit program which is expected to generate revenues of approximately \$3.4 million annually. The long term benefit to cost ratio is 4.2:1.

The availability of vast amounts of third party data has enabled the BOE to consider expanding the use of this data currently utilized for field audit selection purposes to develop a desk audit program. Third party data can be compared to amounts reported by taxpayers on their sales and use tax returns. Rather than forwarding all of the discrepancies found to

district field audit staff for investigation, desk auditors will contact taxpayers and handle the investigation remotely. While excessive discrepancies and those related to complex businesses would still require a field visit, a desk audit program allows for the efficient completion of a significant portion of these third party data based audits. Additionally, desk audits would provide a less invasive experience for taxpayers and allow for the department to handle the examination without incurring travel expenses.

In 2010, BOE staff piloted desk audit activities with the Consumer Motor Vehicle Recovery Corporation (CMVRC) Fee. In this effort, BOE staff compared the data received from the Department of Motor Vehicles against sales amounts reported by registered vehicle dealers. Approximately \$477,000 in billings were issued in most of the accounts examined, with few disputed. Tax shortage determinations were issued on 87 of 102 accounts examined.

The resources requested in this component allow for the continuation of the CMVRC desk audit project and an expansion of desk audit activities using additional third party data.

Revenue for this component is based on the pilot of the CMVRC project and the expected results based on the expansion of the number of accounts and periods examined. Additionally, the auditors assigned to the desk audit function are expected to produce the statewide average for the specific audit classification.

	CMVRC	3 yr Average Revenue per Associate Tax Auditor	Number of Positions	Desk Auditor Revenue	Total Revenue for Element
CMVRC	\$1,300,500				\$1,300,500
Desk Audit		\$699,000	3	\$2,097,000	\$2,097,000
Total					\$3,400,500

This element of the proposal:

- Generates up to \$3.4 million annually, beginning in FY 2012-13 with an ongoing benefit-to-cost ratio of up to 4.2 to 1.
- Provides an efficient means to conduct audits that are less intrusive to taxpayers than traditional field audits and can be completed in less time.
- Provides resources to address a segment of the tax gap.
- Requires funding of \$919,000 in FY 2012-2013, and \$810,000 in FY 2013-2014 and ongoing.

3. Expanded Bankruptcy Collections

This element requests 3.0 permanent positions and \$330,000 (\$240,000 GF, \$90,000 Reimbursement) in FY 2012-13 and \$297,000 (\$216,000 GF, \$81,000 Reimbursement) in FY 2013-14 and ongoing to identify and adapt to the ongoing economic challenges facing the business community in order to effectively manage tax recovery from bankrupt debtors. These efforts will generate revenues of approximately \$1.9 million annually, resulting in a long-term benefit to cost of 6.4:1.

The number of registered taxpayers filing bankruptcy has dramatically increased since fiscal year 2007-2008 due to the downturn of the economy and financial stress on business taxpayers. This increase translates into approximately 2,500 additional cases over the last three fiscal years and larger claim amounts. While the increase in caseload has gone up for each of the bankruptcy areas, (chapter 7 (Liquidation under Bankruptcy Code), chapter 9 (Municipality), chapter 11 (Reorganization), chapter 12 (Family Farmer or Fisherman), and chapter 13 (Individual Debt Adjustment)), chapters 11 and 13 will be the most productive for tax recovery purposes. These bankruptcies are the largest and most complicated and take the longest time to resolve. Due to the complex nature of these cases, bankruptcy staff needs to provide additional training to field collection staff on post bankruptcy collection processes.

The resources requested in this area will ensure that BOE's core obligations are met on legal cases and will improve the overall management of the bankruptcy caseload. Based on historical averages, it is estimated that each position will recover \$643,813 (estimated revenue for three positions would be \$1.9 million) through timely action on bankruptcy claims, litigation and other adverse events related to bankruptcies. These new positions will be incorporated into the existing bankruptcy group and allow BOE to fairly and efficiently collect the additional revenues due to the State of California.

This element of the proposal:

- Generates up to \$1.9 million annually, beginning in FY 2012-13 with an ongoing benefit-to-cost ratio of up to 6.4 to 1.
- Provides resources to address growing workload in the area of bankruptcy collections.
- Requires funding of \$330,000 in FY 2012-2013, \$297,000 in FY 2013-2014 and ongoing.

E. Outcomes and Accountability

This proposal addresses the two components of the sales and use tax gap: use tax and registered taxpayers, the outcomes will be measured by increases in use tax revenue generated by individuals and businesses; revenue generated from audit assessments, and decreased accounts receivable.

Projected Outcomes

Workload Measure	2012-13	2013-14	2014-15
Use Tax Education and Outreach	Revenue up to \$9.65 million	Revenue up to \$9.65 million	Revenue up to \$9.65 million
Desk Audit Program	3,200 accounts examined	3,200 accounts examined	3,200 accounts examined
Bankruptcy Expansion	1,639 actions	1,639 actions	1,639 actions

F. Analysis of All Feasible Alternatives

Alternative 1: Approve all components as requested.

This alternative will allow BOE to address the tax gap in the most efficient manner.

Pros:

- Provides taxpayers and the general public quality information and education on use tax laws.
- Enhances enforcement efforts of existing laws.
- Generates revenue of approximately \$15 million in FY 2012-13 and ongoing.

Cons:

- Requires a budget augmentation of \$4.4 million in FY 2012-13 and \$1.7 million ongoing.

Alternative 2: Approve all components on a 3-year limited-term basis.

This alternative will allow BOE to address areas of the tax gap on a limited-term basis.

Pros:

- Provides taxpayers and the general public quality information and education on use tax laws.
- Allows BOE to evaluate the outcomes of these initiatives before permanent funding is established.
- Generates revenue of approximately \$15 million in FY 2012-13 and ongoing.

Cons:

- Requires a budget augmentation of \$4.4 million in FY 2012-13 and \$1.7 million in FY 2013-14 and FY 2014-15.
- Staff turnover is higher in limited-term positions, putting the revenue outcome at risk.

Alternative 3: Allow BOE to redirect positions internally as a pilot to determine the viability of pursuing each of these initiatives. Provide one-time funding of \$2.5 million for outreach campaign.

Pros:

- Provides taxpayers and the general public quality information and education on use tax laws.
- Allows BOE to evaluate viability of pursuing these tax gap initiatives without a budget augmentation for new staff.
- Provides a means to obtain information and take compliance enforcement initiative for a difficult-to-address segment of the tax gap.

Cons:

- Still requires a budget augmentation of \$2.5 million for the critical outreach media campaign in FY 2012-2013.
- Redirects revenue generating positions from other programs and initiatives to pursue these initiatives which may result in initial lost revenue due to higher staff turnover.

Alternative 4: Deny this request.

Pros:

- Does not require a budget augmentation.

Cons:

- Does not provide taxpayers with needed education on the use tax laws.

- Does not result in projected revenue of approximately \$15 million in FY 2012-13 and ongoing to close the tax gap.

G. Implementation Plan

July 2012 – begin filling positions. Initiate training.

July 2012 – initiate procurement to advertising/marketing award for media campaign.

H. Supplemental Information

None Facility/Capital Costs Equipment Contracts Other

Contract: Use Tax Educational Outreach Campaign. \$2.5 million paid media campaign.

I. Recommendation

Alternative 1 is recommended. This will allow BOE to address the tax gap in the areas of use tax and registered taxpayers. This alternative will generate approximately \$15 million in revenue for FY 2012-13 annually and thereafter.

Exhibit I: Workload Justification

Workload Justification for each area of workload in the tables, the descriptions following should be in the same order as they are listed in the table.

1. Use Tax Educational Outreach Campaign

The following is a summary of the requested resources:

Classifications	BY 2012-2013	BY+1 2013-2014	BY+2 2014-2015
External Affairs Department			
<u>Taxpayer Information Section</u>			
Tax Technician III	2.0	2.0	2.0
<u>Outreach Services</u>			
Business Tax Specialist I	2.0	2.0	2.0
Sales and Use Tax Department			
<u>Data Analysis Section</u>			
Business Taxes Specialist I	.5	.5	.5
<u>Audit and Information Section</u>			
Business Taxes Specialist I	1.0	1.0	1.0
Total Personnel Years	5.5	5.5	5.5

External Affairs Department

Taxpayer Information Section (TIS):

The literature, billings, instructions for the use tax table, and other information distributed for the Tax Gap 2 efforts will include the BOE "800" number, which is within the Taxpayer Information Section (TIS). The increase use of the BOE "800" number will result in an increase in the number of calls from consumers, taxpayers and tax professionals seeking assistance with their questions concerning: tax law, registration requirements, payment methods and many other complex compliance related questions.

2.0 Tax Technicians III (TT III) - Permanent, F/T

Workload Detail

Classification	Activity	Time Measure		On-going Activities
		M = Minute H = Hours	Occurrences Per Year	Total Hours
Tax Technician III	Assist Tax Technicians with the more difficult taxpayer and public inquiries received on the BOE toll free 800 phone number concerning complex compliance questions.	H	14,300	2,860
	Answer taxpayer and public inquiries received on the BOE toll free 800 phone number.	H	5,000	760
	Assign Tax Area Codes for Business Address Changes.	H	200	50
	Total Tax Technician III Hours			3,670
	Total TT III Positions Needed (1,800 Hours/Position)			2.0

Outreach Services Division

In order to ensure the most effective implementation of this legislation the BOE Outreach Services Division will need to develop in a comprehensive statewide outreach and education program to address compliance by both business and tax practitioners (tax attorneys and tax preparers), and to clarify any confusion about sales and use tax responsibility.

2.0 Business Taxes Specialist I (BTS I) – Permanent, F/T

Workload Detail

Classification	Activity	Time Measure		On-going Activities
		M = Minute H = Hours	Occurrences Per Year	Total Hours
Business Taxes Specialist I	Outreach Annual Work Plan	H		160
	External Stakeholders Database Development	H		440
	Survey Creation, Compilation, Analysis, Report	H		120
	Stakeholder Meeting and Event Participation	H		1200
	Pre-workshop planning (logistics, publicity)	H		1372
	Conducting Workshops	H		260
	Total Business Taxes Specialist I Hours			3552
	Total BTS I Positions Needed (1,800 Hours/Position)			2.0

Sales and Use Tax Department

Data Analysis Section

This position will compile and reconcile relevant data into databases for use with both the desk audit and outreach components. Information will be utilized for different programs depending upon the type of data sought and received.

0.5 Business Taxes Specialist I (BTS I)

Workload Detail						
Classification	Activity	Time Measure		Ongoing Activities		
		H=Hours	Percentage of Time Per Activity	Occurrences Per Year	Per	Total Hours
BTS I	Identify useful data sources for identifying potential consumers with purchases subject to use tax.	400	40%			400
	Data match to BOE's current data sources to provide educational leads.	400	40%			400
	Reporting activities related to program performance and compliance.	200	20%			200
	Total BTS I Hours					1000
	Total BTS I positions requested (1,800 hours per position)					0.5

Audit and Information Section (AIS)

The Business Taxes Specialist (BTS) I in AIS acts as a liaison between the External Affairs Department and the Tax Policy Division with respect to the technical aspects of the application of use tax and the implementation and administration of use tax programs.

1.0 Business Taxes Specialist I (BTS I)

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H=Hours	Percentage of Time Per Activity	Occurrences Per Year	Total Hours
BTS I	Implement and administer programs and policies, including the coordination of efforts with other departments and divisions.	900	50%		900
	Draft publications, notices, and guidance to staff.	360	20%		360
	Prepare technical responses to inquiries from tax professionals and the general public.	360	20%		360
	Resolve issues with the different district offices and headquarter sections.	180	10%		180
	Total BTS I Hours				1800
	Total BTS I positions requested (1,800 hours per position)				1.0

2. Desk Audit Program

The following summarizes the requested positions:

Classifications	BY 2012-2013	BY+1 2013-2014	BY+2 2014-2015
Sales and Use Tax Department			
<u>Data Analysis Section</u>			
Business Taxes Specialist I	.5	.5	.5
<u>Audit Determination & Refund Section</u>			
Associate Tax Auditor	3.0	3.0	3.0
<u>Tax Policy Division</u>			
Business Taxes Specialist I	1.0	1.0	1.0
<u>Consumer Use Tax Section</u>			
Tax Technician I	3.0	3.0	3.0
<u>Return Analysis Section</u>			
Business Taxes Representative	2.0	2.0	2.0
Total Personnel Years	9.5	9.5	9.5

Sales and Use Tax Department

Data Analysis Section

This position will compile and reconcile relevant data into databases for use with both the desk audit and outreach components. Information will be utilized for different programs depending upon the type of data sought and received.

0.5 Business Taxes Specialist (BTS I)

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H=Hours	Percentage of Time Per Activity	Occurrences Per Year	Total Hours
BTS I	Identify and solicit specific Third Party Data.	400	40%		400
	Data match to BOE's current data sources. Identify desk audit leads.	400	40%		400
	Reporting activities related to program performance and compliance.	200	20%		200
	Total BTS I Hours				1,000
	Total BTS I positions requested (1,800 hours per position)				0.5

Audit Determination and Refund Section

The efforts of this position will result in the creation of the documents necessary to support a recommendation resulting in a determination or refund in conjunction with the Desk Audit Program. The ATA is also responsible for evaluations and recommendations pertaining to the BOE Reward Program for identifying additional tax revenues.

1.0 Associate Tax Auditor (ATA)

Workload Detail

Classification	Activity	Time Measure		Ongoing Activities	
		H=Hours	Percentage of Time Activity	Occurrences Per Year	Total Hours
ATA	Using information gathered from sources from outside and within the BOE, prepares Headquarters Billing Orders (HBO) for any tax understatements. This includes contacting taxpayers, evaluating data supplied from multiple sources, creating electronic audit schedules to support the conclusions arrived at by analyzing the data, creating comments that verify the conclusion and preparing the entire package for uploading to the BOE computer system.	4320	80%		4320
	Evaluate and make recommendations of reward program submissions relating to identification of understated sales and use taxes. This includes creating a written report supporting the findings, notifying the originator of the results and initiating the payment as necessary.	810	15%		810
	Act as a resource to stakeholders including taxpayers and BOE personnel regarding questions that pertain to the Headquarters Desk Audit operation.	270	5%		270
	Total ATA Hours				5400
	Total ATA positions requested (1,800 hours per position)				3.0

Tax Policy Division

The Business Taxes Specialist (BTS) I in the Tax Policy Division is responsible for creating, facilitating, and administering high level projects including the development of procedures, policies and processes for desk auditing.

1.0 Business Taxes Specialist I (BTS I)

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H=Hours	Percentage of Time Per Activity	Occurrences Per Year	Total Hours
BTS I	Create and facilitate projects resulting from the desk audit component.	1800	60%		1080
	Administer the implementation of new programs and policies.	1800	20%		360
	Oversee workload planning and reporting responsibilities.	1800	20%		360
	Total BTS I Hours (1800 hrs per PY)	1800			1800
	Total BTS I Position requested (1800 hrs per PY)				1.0

Consumer Use Tax

The activities performed by this position will result in refined data, spreadsheets and reports that will be forwarded to other sections for further review and decision making. These efforts generally will result in tax assessments and revenues.

3.0 Tax Technician I (TT I)

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H=Hours	Percentage of Time Per Activity	Occurrences Per Year	Total Hours
TTI	Review and evaluate DMV Consumer Motor Vehicle Recovery Corporation Fee data. Refine and verify data for completeness. Prepare spreadsheets and reports that Business Taxes Representatives will subsequently review and use to issue determinations.	4860	90%		4860
	Print and collate DMV documents for other sections as needed.	540	10%		540
	Total TTI Hours				5400
	Total TTI positions requested (1,800 hours per position)				3.0

Return Analysis Section

The Business Taxes Representative in the Return Analysis Section performs desk reviews of tax returns filed using DMV-CMVRC data and other external, third party information. This

position sends inquiries to taxpayers about the discrepancies found during the comparative analysis. The Business Taxes Representative communicates the discrepancies, reviews taxpayers' responses, and issue determinations on filing periods with insufficient reply.

2.0 Business Taxes Representative (BTR)

Workload Detail					
Classification	Activity	Time Measure		Ongoing Activities	
		H=Hours	Percentage of Time Per Activity	Occurrences Per Year	Total Hours
BTR	Using information gathered from sources outside and within the BOE, conduct desk reviews of accounts with discrepancies in returns filed. Explain the discrepancies to taxpayers and assess the adequacy of taxpayer's response. Issue determinations on accounts with insufficient response.	2700	75%		2700
BTR	Examine and question taxpayers using public data. Review taxpayer's business profile and web presence online for appropriate registration and return filings. Examine and update taxpayer's registration information. Contact taxpayers about their e-commerce activity, new or changes in selling locations, or changes to business activities (i.e. wholesaler selling retail, etc.).	900	25%		900
	Total BTR Hours				3600
	Total BTR positions requested (1,800 hours per position)				2.0

3. Expanded Bankruptcy Collections

The following summarizes the requested positions:

Classification	BY 2012-2013	BY 2013-2014	BY+1 2014-2015
Legal Department			
Special Operations Branch			
Business Taxes Compliance Specialist	3.0	3.0	3.0
Total Personnel Years	3.0	3.0	3.0

Legal Department

Special Operations Branch

To ensure that our core obligations are met on legal cases and improve the overall management of the bankruptcy caseload, the Special Operations Branch is requesting three additional Business Taxes Compliance Specialist positions. These new positions will be incorporated into the existing bankruptcy group and allow fair and efficient collection of the additional revenues due to the State of California.

3.0 Business Taxes Compliance Specialists (BTCS)

Workload Detail

Classification	Activity	Time Measure		On-going Activities	
		H = Hours	Time Per Occurrence	Occurrences Per Year	Total Hours
Business Taxes Compliance Specialist (BTCS)	Specialized Bankruptcy Actions	H	5	510	2550
	Specialized Legal Actions	H	8	175	1400
	Refer Cases for Litigation	H	25	54	1350
	Monitor Bankruptcy Payments	H	0,5	600	300
	Automatic Stay Enforcement	H	1	300	300
	Total BTCS Hours				5900
Total BTCS Positions Requested (1,800 Hours Per Position)					3.0

DF-46 (REV 05/11)

Fiscal Summary
(Dollars in thousands)

BCP No.	Proposal Title			Program		
3	Tax Gap II			30 Sales and Use Tax		
Personal Services	Positions			Dollars		
	CY	BY	BY + 1	CY	BY	BY + 1
Total Salaries and Wages	0 0	18 0	18 0		\$994	\$994
Salary Savings	-0 0	--0 9	--0 9		-\$50	-\$50
Net Total Salaries and Wages	0 0	17 1	17 1		\$944	\$944
Total Staff Benefits					\$361	\$361
Salary Savings					-\$18	-\$18
Net Total Staff Benefits					\$343	\$343
Distributed Administration						
Total Personal Services	0 0	17 1	17 1		\$1 287	\$1 287
Operating Expenses and Equipment						
General Expense					\$224	\$47
Distributed Administration						
Printing						
Communications					\$23	\$14
Postage						
Travel-In State					\$68	\$68
Travel-Out of State						
Training					\$14	\$14
Facilities Operations					\$204	\$204
Utilities					\$3	\$3
Consulting & Professional Services Interdepartmental ¹						
Consulting & Professional Services External ²					\$2 500	
Data Center Services					\$45	\$45
Information Technology					\$18	\$6
Equipment ³						
Other/Special Items of Expense ⁴						
Total Operating Expenses and Equipment					\$3 099	\$401
Total State Operations Expenditures					\$4 386	\$1 688
Fund Source	Item Number					
	Org	Ref	Fund			
General Fund	0860	001	0001		\$2 928	\$1 155
Special Funds ⁵						
Federal Funds						
Other Funds (Specify):						
Reimbursements	0860	001	0995		\$1 458	\$533
Total Local Assistance Expenditures						
Fund Source	Item Number					
	Org	Ref	Fund			
General Fund						
Special Funds ⁵						
Federal Funds						
Other Funds (Specify)						
Reimbursements						
Grand Total, State Operations and Local Assistance					\$4 386	\$1 688

¹ Itemize positions by classification on the Personal Services Detail worksheet

² Provide benefit detail on the Personal Services Detail worksheet

³ Provide list on the Supplemental Information worksheet

⁴ Other/Special items of Expense must be listed individually. Refer to the Uniform Codes Manual for a list of standard titles

⁵ Attach a Fund Condition Statement that reflects special fund or bond fund expenditures (or revenue) as proposed

Supplemental Information

(Dollars in thousands)

BCP No. 3	Proposal Title Tax Gap II
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Equipment	CY	BY	BY +1
Standard Complement		\$526	
Laser Printer		\$2	
Total		\$528	

Consulting & Professional Services	CY	BY	BY +1
Outreach Contract (One-time costs)		\$2,500	
Total		\$2,500	

Facility/Capital Costs	CY	BY	BY +1
Total			

One-Time/Limited-Term Costs Yes No

Description	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
General Expense	ALL	\$224	ALL	\$47	ALL	\$47
Communications	ALL	\$23	ALL	\$14	ALL	\$14
Information Technology	ALL	\$18	ALL	\$6	ALL	\$6
Data Center Services	ALL	\$45	ALL	\$45	ALL	\$45
Facilities	ALL	\$207	ALL	\$207	ALL	\$208
Total	0.0	\$517	0.0	\$319	0.0	\$320

Full-Year Cost Adjustment Yes No

Provide the incremental change in dollars and positions by fiscal year.

Item Number	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
Total	0.0		0.0		0.0	

Future Savings Yes No

Specify fiscal year and estimated savings, including any decrease in positions.

Item Number	BY		BY +1		BY +2	
	Positions	Dollars	Positions	Dollars	Positions	Dollars
Total	0.0		0.0		0.0	