

Fiscal Year [2010-11]

TITLE OF PROPOSAL

Continuation of Fuel Taxes Compliance and IFTA Projects

DIVISION PRIORITY NUMBER

PROGRAM IMPACTED

Transportation Taxes Program-Transportation Fund

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

This proposal will protect and enhance the tax base of the Transportation Taxes Program. Two successful ongoing Fuel Tax components are included in this request.

First is the continuation of BOE's participation in the Joint Operations Center for National Fuel Compliance (JOC) Project. The funding requested is to continue 2.0 limited-term(LT) positions for three additional years and is fully reimbursed by a \$300,000 annual grant provided by the Federal Highway Administration (FHWA). Participation in this project was originally authorized by FY 2007-08 BCP #10, with the 2.0 LT positions set to expire on June 30, 2010. (Continued on back)

BACKGROUND/HISTORY

The JOC Project is a joint initiative of the Internal Revenue Service (IRS), the FHWA, and the states of California, Texas and North Carolina to deter, identify and eliminate fuel tax evasion. In 2007, BOE joined the Memorandum of Understanding (MOU) between the IRS and the FHWA to implement the JOC Project. Under the MOU, BOE agreed to provide, and has provided two dedicated staff to the JOC project. 2007-08 BCP #10 provided the original three-year authorization for these positions, funded by a grant from FHWA.

Federal Law mandates California's participation in the IFTA Program. Since implementing the program in 1996, BOE has experienced continued growth in registrants and workloads. The 2007-08 BCP #7 redirected existing savings to authorize the permanent and limited-term positions for this program, however due to continued growth, we are unable to meet mandated auditing coverage with existing resources.

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

The JOC project analyzes federal, state and third party fuel tax data to generate leads on possible evasion at both the state and federal level, benefiting BOE's administration of the state's fuel tax laws. In addition, California, as an IFTA jurisdiction, will comply with federally mandated provisions of the IFTA. Continuing participation in these projects furthers BOE's strategic and business planning goals and objectives including improving interagency partnerships; building best practices; leveraging technology; interpreting and applying tax and fee laws correctly, consistently, and fairly; and educating and assisting tax and fee payers to comply voluntarily, while minimizing their compliance burden. This proposal conforms to: Issue 2 - Modernizing Tax Compliance Practices, Strategy 3 - Identify and analyze areas of non-compliance and develop approaches to address targeted problem areas, while maintaining customer-service awareness.

JUSTIFICATION *(including link to Strategic Plan)*

The JOC is an innovative approach to tax compliance issues. This proposal would allow the BOE to continue to be a part of the federal/state fuel taxes compliance project. The JOC is using cutting edge technology and third party resources, funded 100% by the FHWA, to identify trends and address fuel tax compliance issues. The project is anticipated to directly and indirectly provide additional tax revenues for improvement of California's highway system. Since JOC is a fully federally funded project, any revenue generated will be an increase to the State Highway Fund at no cost to the state.

BOE must continue to administer the IFTA Program for an increasing number of taxpayers, issue timely billings, conduct audits as required, and avoid non-compliance sanctions. Approval of this proposal meets IFTA membership requirements that are tied to California's receipt of \$3.0 billion federal matching funds to support highways, highway safety and transit.

COSTS AND BENEFITS (BUDGET YEAR ONLY – FISCAL YEAR [2010-11])

New funding Continuation Redirection

COST	REVENUE <i>(if applicable)</i>
\$ 300,000 (JOC-fully reimbursed) + \$300,000 (IFTA)Transportation	\$ 1.75 million (IFTA)Transportaion Fund
POSITIONS <i>(if applicable)</i>	COST SAVINGS <i>(if applicable)</i>
6.0 (2.0 Cont 3-yr LT, 3.0 LT to Perm, & 1.0 New Perm)	\$ N/A

PREPARED AND APPROVED

PREPARED BY Lou Feletto	DIVISION CHIEF APPROVAL
AUTHOR'S TELEPHONE NUMBER (916) 323-9401	DATE

ACTION

Concept Approved Request Denied

EXECUTIVE DIRECTOR *(signature)*



REQUEST FOR CONECTUAL APPROVAL

Fiscal Year [2010-2011]

SUMMARY OF REQUEST (continued)

The second component addresses the ongoing workload growth in the International Fuel Tax Agreement (IFTA) Program. The funding for this effort is directly from the California Transportation Fund. This request is to convert 3.0 limited-term positions to permanent positions and to establish 1.0 new permanent position to meet continued and ongoing growth in the IFTA program workload.