

**“VOLUNTARY”** appears at least 20 times in this 16 page document.



# Strategic Plan

2012 – 2016



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## A Letter from the Executive Officer

I am pleased to present the 2012 – 2016 Strategic Plan for the California Franchise Tax Board (FTB).

Dramatic shifts in the economies of the world, as well as the changes we see in California’s demographic and cultural landscape, have caused us to take a fresh look at FTB’s mission, goals, and strategies. You will see our new plan is an optimistic one. We specifically crafted the plan to reflect our desire to establish productive and positive relationships with our customers.



Some readers may ask why we use the term “customer” in this plan. The argument is made that taxpayers are bound by law to pay taxes and, thus, they are not customers. As we concede the point about the law, we also believe that by treating taxpayers and their representatives as customers, we will achieve our mission to provide services that result in **voluntary** compliance with the law.

Although we are a tax collection agency, we realize the vast majority of taxes are collected through **voluntary** compliance and the vast number of taxpayers we serve file and pay **voluntarily** according to the law. During this time of continued economic uncertainty, we will strive to maintain and increase that population.

This plan will guide us well into the ninth decade of service to the taxpayers of California. I invite you to get familiar with our goals, strategies, values, and principles that provide a solid foundation for continued public service.

Sincerely,

A handwritten signature in black ink that reads "Selvi Stanislaus". The signature is written in a cursive, flowing style.

Selvi Stanislaus

# Our Organization

## Who We Are

We administer two of California's major tax programs: Personal Income Tax and Corporation Tax. In addition, we collect funds for several nontax programs and delinquent debt collection functions including: Political Reform Act audits, delinquent vehicle registration, court-ordered debt, and labor law violations.

## Our Board Members

The three-member Franchise Tax Board is comprised of the California State Controller, the Chair of the State Board of Equalization, and the Director of the Department of Finance. Our Board members are:



**John Chiang**  
State Controller, Chair  
California State Controller



**Jerome E. Horton**  
Chair  
State Board of Equalization



**Ana J. Matosantos**  
Director  
Department of Finance

Our department is part of the State and Consumer Services Agency. Our Executive Officer is appointed by the Board and confirmed by the California State Senate. She is responsible for FTB's day-to-day operations and direction of the department staff. For more information about FTB, go to [ftb.ca.gov](http://ftb.ca.gov).

## We Serve California

We administer programs that bring in roughly \$55 billion annually—more than 65 percent of California's annual General Fund revenue. Each year, our department processes more than 17 million personal income tax returns and more than 1 million business entity tax returns. We employ over 5300 permanent and 2000 seasonal and intermittent employees nationwide. Headquartered in Sacramento, our California office locations include Los Angeles, Oakland, San Diego, San Francisco, San Jose, Santa Ana, Van Nuys, and West Covina. Our out-of-state office locations include Houston, Chicago, and Manhattan.

We administer our tax programs in collaboration with California's two other tax agencies, Board of Equalization (BOE) and Employment Development Department (EDD). Nearly 100 million records containing income, asset, demographic and tax return information is exchanged.

We foster an environment that encourages our employees to consider the effects of their day-to-day decisions and activities on our mission, values, and goals. Through our governance structure, we provide a clear and consistent approach to support our current and future business needs. This structure also ensures that we target resources from an enterprise perspective to deliver maximum business value.



## Our Values

Our core values serve as a timeless foundation rooted into our culture and organization. We embody these principles in our active commitment to efficiently provide exceptional customer service, enforce equity with fairness, value our employees and encourage them to grow as leaders to serve the public's needs.

<p><b>Leadership</b></p> <p>When we lead, we communicate expectations clearly, trust others to get the job done, and help employees reach their goals.</p>	<p><b>Individuality</b></p> <p>We value a diverse workforce and the unique opinions and contributions of others.</p>	<p><b>Innovation</b></p> <p>We are flexible, think outside the box, and embrace change in an innovative and creative manner.</p>	<p><b>Integrity</b></p> <p>We treat each other and our customers with fairness, honesty, and respect.</p>
<p><b>Enterprise Thinking</b></p> <p>We make decisions that take the entire organization into consideration.</p>	<p><b>Teamwork</b></p> <p>We work in a team environment to strengthen our organization, achieve our business goals, and build cooperative working relationships.</p>	<p><b>Communication</b></p> <p>We listen and communicate openly, promptly, and accurately to keep each other and our customers informed.</p>	<p><b>Accountability</b></p> <p>We are accountable for being efficient and provide quality service to our customers.</p>

# Mission Statement

Our mission is to provide the services and information to help taxpayers file accurate and timely tax returns and pay the proper amount owed. To accomplish this mission, we develop knowledgeable and engaged employees, administer and enforce the law with fairness and integrity, and responsibly manage the resources allocated to us.

## Vision

Our vision is to achieve the highest level of excellence in tax administration, which will result in more taxpayers who file on time, file accurately, and pay the proper amount. FTB is a place where our employees, innovative technology solutions, and processes work together to provide leading edge customer service, operational effectiveness, and expert enforcement of tax law.

California's future is filled with uncertainty as well as challenge. Amid a few signs of improving financial health, the state's general economic outlook remains cloudy, leading to continued fiscal concerns about the size and scope of state government in the next five years.

Yet FTB, as the agency responsible for bringing in most of the revenue for the state of California, looks forward to the future with optimism. We see great opportunities to achieve our vision in spite of the economic challenges ahead. We envision:

- More self-service options to help taxpayers voluntarily file and pay the proper amount of tax owed.
- Enhanced use of technology and refined processes that increase the effectiveness of our tax programs and reduce intrusiveness.
- Employees who are well trained, empowered, and engaged in the work they do.

This new plan reflects a continuity flowing from our earlier strategic visions. But we now recognize that reaching for the highest levels of excellence requires us to focus on who our customers are and what we can do better to help them comply with their tax obligations.

Our vision for the future is an optimistic one despite the fiscal challenges ahead. We positioned our department to address these challenges by establishing a culture and governance structure that is forward thinking and committed to meeting the goals in this plan.

An important effort that helps shape our vision for the future is the successful completion of the Enterprise Data to Revenue (EDR) Project, the largest information technology (IT) project in FTB's history. This effort provides a long-term platform for significant operational improvements in tax return processing, as well as expanded use of data, to better serve taxpayers and perform our responsibilities. We expect these improvements to lead directly to a variety of positive results for taxpayers and the state of California, including faster account resolution and fewer data errors, plus significant new revenue.

As we look forward to the future, our vision is focused through the lens of voluntary compliance. We intend our efforts—whether through customer service or enforcement—to be viewed by taxpayers as useful tools to help them voluntarily file on time and pay the proper amount owed as the law requires. Our expectation, over the course of the next five years, is to have fewer taxpayers who fall outside the path of voluntary compliance.



## Foundational Principles

This strategic plan affirms a set of principles that provide an important part of our foundation on how we conduct business. These principles support our mission and will guide our work to achieve the goals and implement the strategies in this plan. We will:

- Protect taxpayer information and privacy.
- Carry out our fiduciary responsibilities for taxpayers by managing their accounts with accuracy and financial integrity.
- Operate with transparency to maintain public trust and confidence.
- Conduct our business in accordance with the Statement of Principles of Tax Administration, Taxpayers' Bill of Rights, and our organizational values.

## Strategic Planning Process

We build on past planning efforts to further develop our vision, goals, and strategies that continue to guide us on our path to excellence.

In addition to the enterprise perspective that our Governance Council brings to the planning process, each strategic goal is owned by an Action Committee. Action Committees address the operational or business level objectives and strategies to help achieve the broader strategic goals.

Our annual strategic planning cycle is integrated into our IT planning, as well as the budget cycle. Our Governance Council and Action Committee Chairs convene to develop key initiatives to make the strategic goals tangible and results-oriented.

In October 2010, the Governance Council and Action Committee Chairs began the process to develop this strategic plan that will guide our organization beyond 2011. The members examined factors influencing our ability to perform our mission including challenges, risks, and opportunities we expect to face. This included external factors such as future IT, demographic and economic landscape, the state's fiscal condition, and workforce issues. These issues shape and influence us to change in light of our current environment, vision, and priorities. We embrace this process to ensure the right outcome measures and enterprise business plans are in place to achieve our strategic goals.

Our goals reflect our vision and how we see ourselves creating public value in the next five years. The strategies we outlined indicate how we will meet our goals and respond to our mandates.

# Our Goals

## Taxpayer Centric Service

**We will enhance services that we provide to help taxpayers fulfill their tax obligations.**

The vast majority of taxpayers follow the law to voluntarily file and pay the correct amount of tax on time. That is why we treat taxpayers as customers and commit to a taxpayer centric approach to provide high-quality services and information they need to stay on track. Voluntary compliance contributes to most of California's revenue, so the services we provide that result in such compliance are essential components of our business activities. We seek to understand the needs of taxpayers and their representatives, and we strive to offer a variety of high-quality, simple, and easy-to-use services.

### Strategies

- Determine customer needs and use customer feedback to improve service delivery channels.
- Expand customer service options and provide new tools through effective use of technology.
- Foster a culture that promotes the highest quality of service and increased levels of customer satisfaction.
- Improve the clarity of our communication and response times to taxpayers and tax professionals.

## Effective Enforcement

**We will administer and enforce the law effectively to ensure that all taxpayers meet their obligations to file and pay the proper amount owed.**

Although the vast majority of taxpayers voluntarily comply with their tax obligation, some do not file, file correctly, or pay their taxes as the law requires. For this group, it is our responsibility to enforce the law through a variety of measures with fairness and flexibility to help these taxpayers return to voluntary compliance as soon as possible.

### Strategies

- Provide noncompliant taxpayers with the necessary tools to help move them to voluntary compliance.
- Identify, obtain, and use new and existing data sources to improve compliance and payment.
- Strengthen partnerships with other government departments to share data, expertise, and tools for the tax and nontax programs mandated to us.
- Increase the timeliness and effectiveness of enforcement actions.





# Our Goals

## Strong Organization

**We will invest in a strong organizational culture that develops employees as leaders, challenges and empowers them in their jobs, and helps them achieve their fullest potential.**

Our employees are the most valuable asset of our organization. As our work environment undergoes significant change in the next five years, we are committed to develop employees at all levels to be successful in their jobs. We consistently practice our organizational values that drive day-to-day operations.

### Strategies

- Identify training needs and provide employees the opportunity to develop and grow.
- Establish workforce planning as an operational norm.
- Create a leadership development program to address the needs of leaders at all levels.
- Create an environment where employees have greater ownership and accountability for their work and the opportunity to make increasingly independent decisions.

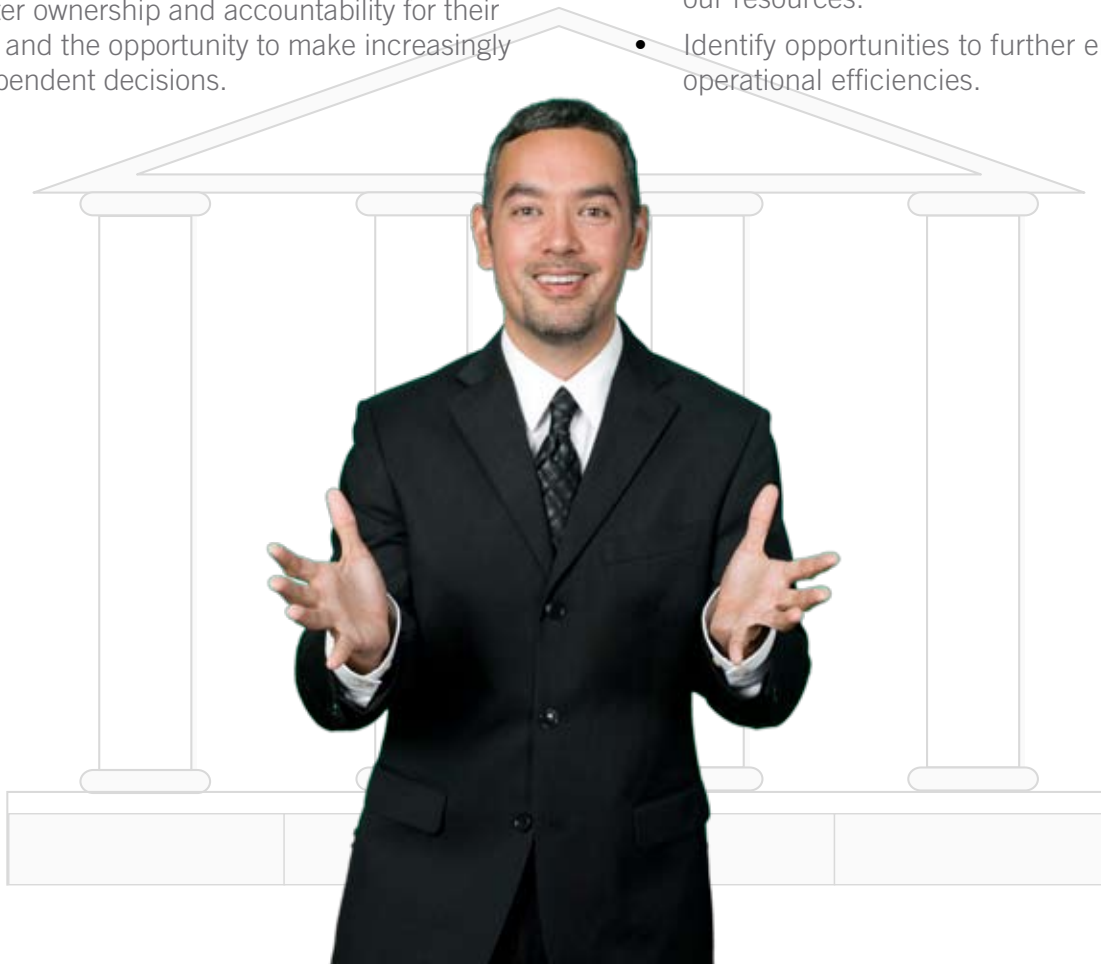
## Operational Excellence

**We will build an operational infrastructure in order to continuously provide excellent and cost effective products and services to our customers.**

As innovation occurs and best practices evolve in tax and business administration, we will embrace change in a creative and responsible manner to enhance our operational infrastructure.

### Strategies

- Implement the EDR Project to meet cost efficiency and benefit goals.
- Modernize IT systems and processes to support enterprise administration, including financial and human resources management.
- Use data efficiently and effectively to inform business operating decisions.
- Develop an appropriate organizational and governance structure to effectively manage our resources.
- Identify opportunities to further enhance operational efficiencies.



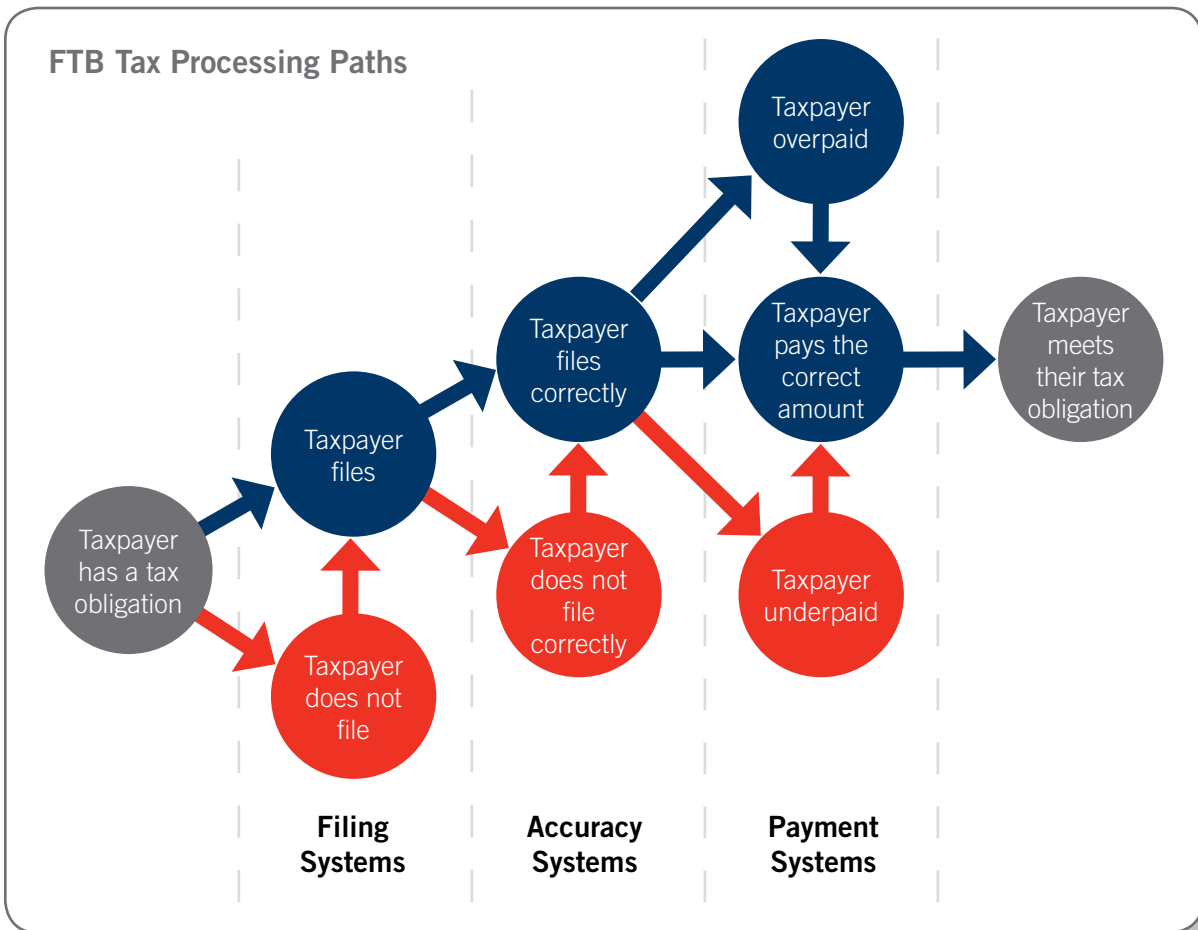
# Outcome Measures

We measure our performance to stay on track to achieve the desired results described in our mission statement, goals, and strategies. We focus to provide services that help taxpayers:

- File their tax returns.
- File accurately.
- Pay the proper amount owed.

When a taxpayer successfully completes these three things, we are able to close out the taxpayer’s obligation for that tax year. Annually we close 16 million tax years, resulting in the collection of roughly \$55 billion in revenue. The vast majority of this work is accomplished through **voluntary** compliance, the most effective way to conduct our business.

The process shown below is our business model for effective and efficient tax administration. Our people, processes, and technologies work together to help taxpayers follow a path, which begins with having a tax obligation and ends with meeting that obligation. When taxpayers follow this path **voluntarily**, correctly, and timely, shown below as the “blue path,” we achieve the desired outcome collecting the proper amount of taxes at the least cost. But when taxpayers fall off this path into areas shown in “red,” costs and time increase for both the taxpayer and FTB, and reduce California’s timely tax collections.



Our commitment to continuous improvement requires we strive to be more cost effective and responsive in providing services that taxpayers need to file and pay. We measure progress in achieving our desired outcomes by looking at how many taxpayers close out their tax obligations and pay the proper amount, and the costs and time it takes for us to accomplish this.

We adopted several key measures as shown below, to reflect our progress to improve compliance, customer service, and organizational effectiveness. When there is improvement in the desired direction, this tells us we are on the right track to achieve our mission and doing a good job for the citizens of California.

Desired Outcomes	What It Means
1. Increase the percentage of taxpayers who file on time, file accurately, and pay the proper amount owed.	Measures our success at helping taxpayers meet their tax obligation. The percentage will increase as we successfully achieve our mission, goals, and strategies.
2. Increase the percentage of dollars collected to dollars available to collect.	Measures our <b>voluntary</b> and <b>involuntary</b> collection of the proper amount owed. The percentage will increase as we successfully achieve our mission, goals, and strategies.
3. Reduce the average cost to close a tax year.	Measures our operational cost to close out a taxpayer’s obligation. Costs will decrease as process efficiencies result in operational savings and as more taxpayers use e-services. We measure the costs, both for taxpayers who follow the <b>voluntary</b> compliance path (lower cost), and for those who fall off this path (higher cost).
4. Reduce the average number of days to close a tax year.	Measures the time it takes us, through <b>voluntary</b> and involuntary compliance channels, to close a tax year. The time for taxpayers who <b>voluntarily</b> comply will be reduced through faster filing options and processes, better tools and education, and fewer taxpayer errors. Taxpayers who fall into the enforcement process have tax years that are open for longer periods of time. By increasing the timeliness and effectiveness of enforcement actions, we will reduce the close-out time for these taxpayers as well.
5. Increase the percentage of taxpayers who feel we provide the products, services, and information needed to pay the proper amount owed.	Measures the quality, availability, and usefulness of our customer service programs and tools. The percentage will increase as we successfully achieve our goals and strategies. An increase in this measure is tied to higher rates of <b>voluntary</b> compliance.
6. Improve our index of organizational effectiveness.	Measures our success at improving our organization and the capabilities of our employees. We will improve in these areas through leadership development, training, and effective governance.

We developed a performance measurement program to compile and report these measures on a regular basis. Information is available at [ftb.ca.gov](http://ftb.ca.gov).

# Factors That Could Affect Achieving Goals

We face many opportunities and challenges to achieve our goals and vision. We consider the following factors during our planning process and in the day-to-day management of our operations:

- Changes in California demographics.
- Increased Internet filing and communication.
- The California economy and statewide fiscal condition.

- Changes in workforce.
- How technology transforms the relationship between government and citizens in general.
- Legislative changes and appropriations.



## History

California's current state tax system was established in the late 1920s and early 1930s. The severe fiscal disruptions that accompanied the depression, however, led to the adoption of both the personal income tax and the state sales and use tax. Today, we contribute well over 65 percent of California's General Fund revenues through personal income and business entity tax programs. The Board of Equalization (BOE) and Employment Development Department (EDD) contributes to the remainder of general tax and license revenues through the collection of payroll, state's sales and use tax, fuel, alcohol, tobacco, and other taxes. BOE and EDD also collect fees that fund other specific state programs. In addition, BOE acts as the appellate body for corporate and personal income tax appeals.

Combined, these three separate entities collect nearly 100 percent of California's General Fund for major tax and license revenues, with FTB collecting roughly \$55 billion for the General Fund.

The partnership between FTB, BOE, and EDD provides a platform to exchange information regarding audits, collections, and offset agreements to reduce the tax gap and increase California's tax compliance. These three entities meet, often with the Internal Revenue Service, to discuss tax issues. As a result of these meetings, all three entities:

- Use a universal Offer in Compromise form.
- Conduct online compliance examinations on the State Personnel Board's website.
- Share tax data audit results and assets for collection.
- Provide state and federal tax information at [taxes.ca.gov](https://taxes.ca.gov).



## Statistics at a Glance

### In 2010:

- We received and processed almost 16.8 million Personal Income Tax (PIT) returns and 1.4 million Business Entity (BE) returns.
- Over 75 percent of PIT returns were filed electronically, up from 60 percent in 2006.
- We answered 2 million calls in our call centers, and improved services by offering a “virtual hold” tool for taxpayers, saving 10 million minutes of hold time.
- As part of our commitment to “go green,” we stopped mailing state tax booklets saving \$1 million annually. In addition, 23 percent of those taxpayers who had been sent booklets previously filed electronically.
- We leveraged the channels of Social Media (Facebook, Twitter, and YouTube) to increase our promotions and hands-on instruction for e-file, CalFile, and ReadyReturn, at no cost to the state of California.
- We continued to post the Top 250 Delinquent Taxpayer list. Since the program began in 2007, we have collected \$81 million in state taxes.

### Our Budget

The total approved Fiscal Year 2011/2012 operating budget is \$614 million and includes authority for over 5300 positions. Most of our budget is for personnel costs, with \$444 million approved for salaries, wages and benefits. An additional \$170 million is designated for operating expenses and equipment building lease/purchase costs.

### Enterprise Data to Revenue Project

The EDR Project will improve our business results by modernizing our IT systems. We will:

- ✓ Image returns and correspondence received.
- ✓ Increase data capture and enhanced validation of tax documents.
- ✓ Introduce a Business Process Management system for tax return processing.

- ✓ Build an Enterprise Data Warehouse for tax return data.
- ✓ Modernize our Business Entities Tax System.
- ✓ Develop an address and notification service.
- ✓ Create an internal and external single view of data through the Taxpayer Folder.

The project objective is to narrow the tax gap with the main source of funding coming from increased tax revenue benefits. We expect the EDR Project to reduce our processing costs and provide benefits of \$4.7 billion over the next five years, with a one-time cost of approximately \$399 million. EDR is deliberately structured so that increased revenues pay for project costs each year. We plan to complete the EDR Project in 2016 and once complete, we estimate the annual benefits at \$1 billion.

# Statement of Principles of Tax Administration

## The Members of the Franchise Tax Board adopted these Principles of Tax Administration:

The primary function of the Franchise Tax Board is to administer the Revenue and Taxation Code. Tax policy for raising revenue is determined by elected officials.

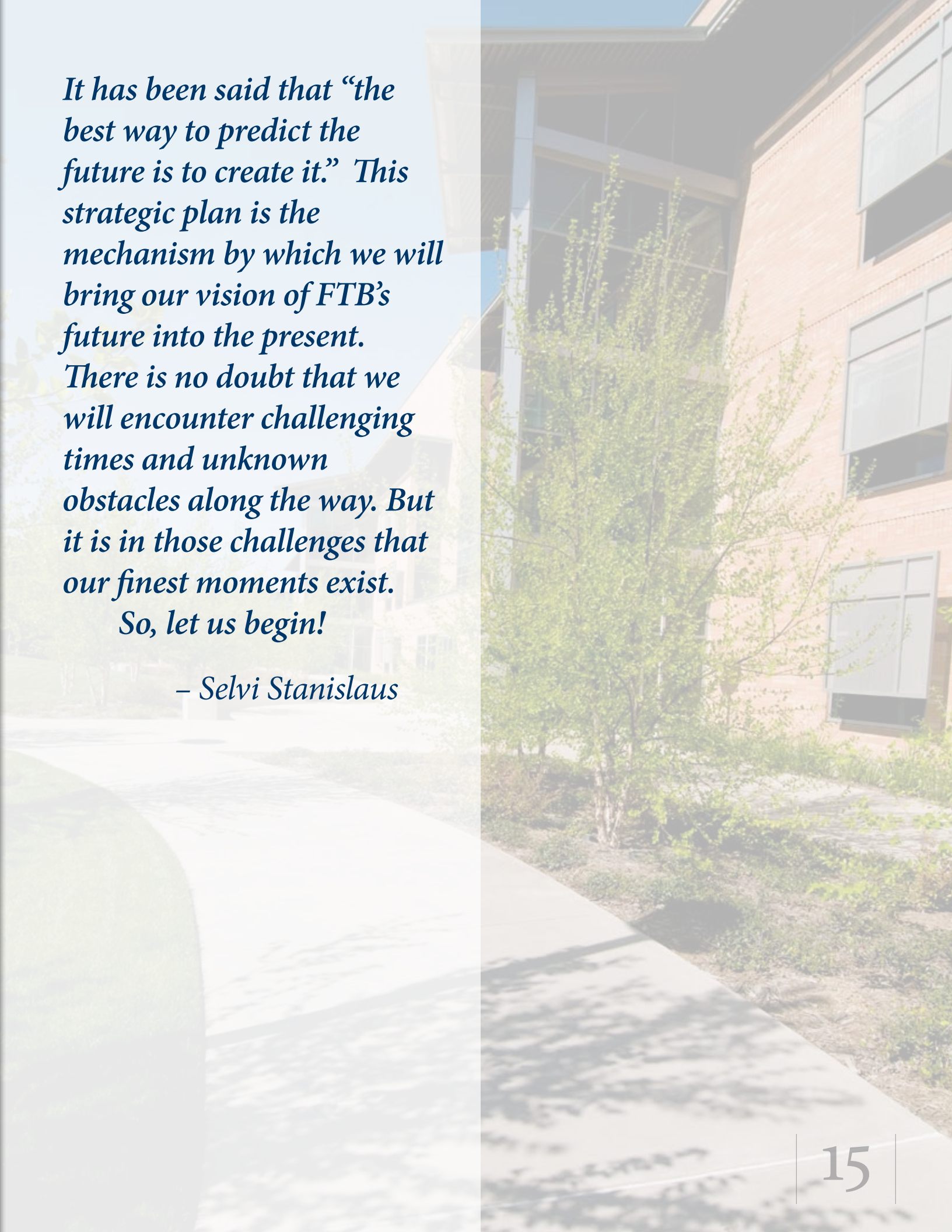
It is our duty to correctly apply the laws enacted by the Legislature; to determine the reasonable meaning of various Code provisions, and to perform in a fair and impartial manner.

Interpretation of the Code is the heart of administration. It is the responsibility of each person in the Franchise Tax Board, charged with the duty of interpreting the law, to try to find the true meaning of the statutory provision and not to adopt a strained construction in the belief that he or she is “protecting the revenue.” The revenue is properly protected only when the true meaning of the statute is ascertained and applied.

We must also apply the law in a reasonable and practical manner. Issues are raised when they have merit, and are never raised arbitrarily or for trading purposes. Employees are encouraged to raise meritorious issues. We also exercise care not to raise an issue or to ask a court to adopt a position inconsistent with an established Franchise Tax Board position.

We believe in treating our taxpayers with courtesy and considerateness. As such, administration should be reasonable, vigorous, and timely. It should never try to overreach, and should be reasonable within the bounds of law and sound administration. It should, however, be vigorous in requiring compliance with law and it should be relentless in its attack on unreal tax devices and fraud.





*It has been said that “the best way to predict the future is to create it.” This strategic plan is the mechanism by which we will bring our vision of FTB’s future into the present. There is no doubt that we will encounter challenging times and unknown obstacles along the way. But it is in those challenges that our finest moments exist. So, let us begin!*

*– Selvi Stanislaus*

# Strategic Plan 2012 – 2016

