



## Memorandum

To: Honorable Jerome E. Horton, Chairman  
Senator George Runner (Ret.), First District  
Honorable Fiona Ma, CPA, Second District  
Honorable Diane L. Harkey, Fourth District  
Honorable Betty T. Yee, State Controller

Date: October 20, 2015

From: Cynthia Bridges  
Executive Director

Subject: **Board of Equalization – Accomplishments Report for Fiscal Year (FY) 2014-15**

We are pleased to report the Board of Equalization's (BOE) accomplishments for FY 2014-15 presented in the context of the BOE's Strategic Plan 2010-15. Consistent with BOE's mission to serve the public through fair, effective, and efficient tax administration, these accomplishments enhance operational efficiency and effectiveness in order to better serve customers, the public, and BOE employees, as well as safeguard taxpayer rights. The BOE's accomplishments as they relate to the Strategic Plan are summarized below.

### **Goal 1 - Improve the Taxpayer Experience**

**Avaya Phone System Expansion.** The Special Taxes and Fees Department's Collection Section was integrated with the Avaya phone system. The Avaya system serves as a hub for incoming calls, routing tax and fee payers to the assigned representative and provides a specific queue for the BOE's Fire Prevention Fee program, so that collection-related inquiries can be promptly handled. This change allows staff to provide improved customer service and address account liabilities in a more efficient manner.

**Automated License Renewal.** The BOE successfully implemented phase II of the Automated License Renewal (ALR) project. Phase II allows online renewal and replacement of Use Fuel flat rate decals by taxpayers registered under the Flat Rate Fuel Tax and International Fuel Tax Agreement (IFTA) programs. Over 18,600 IFTA taxpayers and 200 Use Fuel Flat Rate taxpayers have been processed through the new ALR system to renew their licenses for 2015. In addition, the system allowed 5,785 IFTA taxpayers to electronically request additional decals for new vehicles added to their fleets.

**Phase II of Redistricting Project Completed.** Pursuant to California Citizens Redistricting Commission's redrawing of the equalization district boundaries, the BOE completed reallocation of taxpayer accounts both within and across equalization and administrative districts. Among the prominent changes:

- The Van Nuys district office moved to Glendale
- 479,010 Taxpayer accounts redistributed in Los Angeles and San Bernardino counties
- 237,618 Accounts moved from the Sacramento district to the Santa Rosa district and from the Ventura district to the San Jose district

**New Web Based IFTA Processing System.** The BOE joined the six-state IFTA Processing Consortium (IPC), allowing it to use and share the cost of the new web-based IPC system. The system allows IFTA carriers the capability to view their account information, file returns, and pay taxes online. An interface between the IPC system and the BOE's Integrated Revenue Information System (IRIS) allows the transfer of billing, finance, and refund data from the IPC system and tracking of appealed audit cases for IFTA accounts. The IPC system allowed IFTA taxpayers to file and pay over 61,300 IFTA tax returns electronically and has issued over 18,600 billings that can be easily paid online. IFTA applies only to fuel taxes.

**Open BOE Data Portal Enhancements.** The Open Data Portal on BOE's website was updated to include the current Annual Report, expanded historical data for taxable sales by county, and separate data-sets for gasoline and jet fuel sales. Also, new interactive features were added to create customized views and downloadable formats for the convenience of researchers and other interested parties. The Open BOE Data Portal won the 2015 Best of California Award for Best Application Serving the Public.

**Property Tax Guidance to County Assessors and Taxpayers.** New webpages were created on BOE's website to provide information to county assessors and taxpayers regarding BOE's Assessment Practices Survey program and the property tax provisions for solar properties. In addition, the BOE adopted a revised assessment appeal application for use in all 58 counties. This form is used by approximately 150,000 California taxpayers annually to appeal the assessed values of their properties, and can be filed electronically.

**Field Office Move and Enhancements.** The BOE relocated the Van Nuys district office to Glendale and offers taxpayers an improved customer service lobby with self-service kiosks. Additionally, security equipment upgrades were performed in 50 percent of field offices statewide for access control, surveillance, and intrusion prevention systems.

**Frequently Asked Questions (FAQs) for Special Taxes and Fees Programs.** Fourteen FAQs pages relating to Special Taxes and Fee Programs were added to the BOE website. The FAQs were standardized to include general information for each tax or fee program, including registration, reporting, and payments.

## **Goal 2 - Maximize Voluntary Compliance**

**Outreach Events and Educational Materials.** The BOE held various outreach events to educate its customers about their tax and fee obligations, with the purpose of maximizing voluntary compliance. The following events were held throughout the state during FY 2014-15:

- 81 Basic Sales and Use Tax Classes
- 23 Translated Basis Sales and Use Tax Classes
- 15 Tax Return Preparation Classes
- 73 Electronic Return Filing Classes (online)
- 40 Small Business Tax Seminars
- 12 Nonprofit and Exempt Organization Seminars
- 10 Volunteer Income Tax Assistance (VITA) Events
- 11 Cigarette and Tobacco Retailer Classes
- 12 Telephone Town Halls and Webinars

In addition, the following educational materials and forms were created and distributed to the taxpayers or posted on BOE's website:

- 191 eBlasts
- 11 Newsletters
- 61 New publications
- 301 Revised publications
- 90 New forms
- 715 Form updates
- 29 Special notices

**Taxpayer Educational Videos.** The BOE produced educational videos for the benefit of taxpayers to inform them about taxpayer rights, appeals hearings, online services, registration, returns, payments, open data portal, and how to offer feedback during their interactions with the BOE. These videos are streamed on KBOE monitors in field offices or are available on BOE's website.

**Business Taxes Outreach Campaigns.** The BOE ran educational media campaigns for use tax, manufacturing exemption, and tax refunds to qualified itinerant vendors. The "12 Days of Use Tax" social media campaign won the State Information Officers Council (SIOC) silver award. A well-publicized tobacco contraband news conference was aired over television networks.

**Property Tax Education and Outreach.** BOE's Property Tax Department issued guidance via Letters to Assessors on the following issues: Property Tax Exemption—Space Flight Property; Assessment of Possessory Interests in Retirement Systems Property; New Construction—Portion of a Property; Effective Administrative Practices—Mining Properties; Effective Administrative Practices—Welfare Exemption; and Welfare Exemption Low-Income Housing Partial Exemption. The BOE also adopted and authorized publication of Assessors' Handbook Section 506, Property Tax Audits and Audit Program. In addition, staff presented at 10 nonprofit seminars and workshops and educated the nonprofit sector about the various property tax exemptions administered at the state and local level. The presentations emphasized the administration of the welfare exemption (e.g., eligibility, filing requirements and the county assessors' role).

**Tax Recovery and Criminal Enforcement (TRaCE) Website and Online Reporting of Crimes.** As a member of the TRaCE Task Force, the BOE launched the new TRaCE website which provides general information about the TRaCE program. The website now features the "Report a Crime Online" tool, also available on mobile devices, leading to a central intake system for reporting crimes related to tax evasion, labor fraud, piracy, counterfeiting, and human trafficking. The central intake system went live in late December 2014 with triaging capability in March 2015. BOE received 179 complaints through the central intake system resulting in 9 complaints triaged to outside agencies, 53 search warrants served, and 12 arrests.

### **Goal 3 - Invest in a Skilled, Motivated and Diverse Workforce**

**Continuing Recruitment Efforts.** BOE continued its statewide outreach to develop and bring knowledgeable assistance and advice to people interested in a career in state service. Multiple job fairs and conferences were sponsored by our Board Members, where BOE's human resources personnel and program staff were present to offer information and advice. Two videos were created to assist in recruitment efforts – one for prospective new employees, and one for promoting to supervisory classifications at the BOE. The Human Resources Division's Examination and Recruitment Section participated in the State Civil Service Improvement Project and submitted a



proposal to increase inter-agency collaboration on conducting examinations for service-wide classifications.

**Employee Training and Development.** To ensure quality service to the public by developing the skills and abilities of BOE employees, and to facilitate upward mobility of staff into professional classifications, the Human Resources Division, Employee Services Branch offered various services and employee development programs throughout the year. The following are highlights of the services provided and employee development efforts:

- Offered 85 Professional Development courses
- Organized 11 Leadership Academy classes
- Offered 34 Desktop Application classes
- Arranged three Accounting and Business Law college credit courses (onsite)
- Visited eight field offices to assist employees with job applications, resumes, cover letters, and carried out mock interviews
- Facilitated 79 mentoring relationships
- Organized two professional development days for field office staff
- Piloted the administration of written exams on weekdays (instead of the standard Saturday administration)

The above were in addition to the specialized professional training provided by the Business Taxes and Fee programs.

#### **Goal 4 - Enhance Operational Effectiveness**

**System Changes to Implement New Legislation.** System changes relating to BOE's online registration, electronic returns, payments, and other automated process systems were successfully implemented in response to changes in tax and fee programs mandated by new legislation. The following statutory changes required modifications to BOE systems:

- Expansion of Oil Spill Prevention and Administration Fee (SB 861)
- Natural Gas Tax Rate Changes (AB 1907)
- Managed Audit Program Expansion (AB 2009)
- Modification to the Lumber Assessment Fee Threshold (AB 2031)
- Fire Prevention Fee Penalty Modification (AB 2048)

**Centralized Revenue Opportunity System (CROS) Project.** The CROS project is working to create a single technology solution that will replace our legacy systems. When completed, CROS will improve the efficiency of BOE operations and enhance the taxpayer experience. The CROS team has:

- Cleansed more than 25 million data records in the existing database
- Documented hundreds of interfaces, over 15,000 business rules, 13,809 data quality rules, and inventoried over a 100 systems and more than 5,000 reports and forms

- Created a data dictionary documenting 20,914 data elements and pre-converted more than a billion records
- Published web-based dashboards to convey progress and project health
- Strengthened the subject matter expertise in preparation for implementation

Final Proposals from the bidders for the project have been received. According to our plan the CROS project implementation date is summer of 2016.

**Special Taxes and Fees Intranet Website Redesign.** Special Taxes and Fees Department (STFD) unveiled a revised and upgraded intranet website containing links to program information for all STFD-administered programs, forms, publications, educational materials, STFD division and branch functions, contact information, and a SharePoint site. The site is directly linked from eBOE, so all BOE employees with internet access can easily download extensive, detailed information regarding the Department.

**Automated Claim Payment Process.** The BOE implemented the automation of the BOE's refund claim payment process for the Fire Fee and the Diesel Fuel Tax programs. Automating BOE's claim payment process increased efficiency and resulted in a shorter cycle time on claim for refund payments to BOE customers. It is now possible for the State Controller's Office to issue a refund within three days of submission, compared to three weeks under the manual process.

**Digital BOE: Electronic Liens (eLiens) Phase III Implemented.** The BOE completed the latest phase of the eLien project. Eight new counties were added to the eLien system. The eLien system enables electronic exchange of information between the BOE and County Recorder's offices for the purpose of filing, extension, and release of liens. Electronic lien recording and release leads to a more efficient business process, saving paper, staff time, and improved customer service.

**Wide-Area Network (WAN) Upgrade.** The BOE implemented enterprise network routing hardware and higher capacity network circuits at headquarters, the BOE Technology Recovery site, and in 38 remote sites. The WAN upgrades provide high availability, and increased capacity, which results in better performance of enterprise applications such as the Automated Compliance Management System (ACMS), Integrated Revenue Information System (IRIS), Outlook, and the internet for staff in field locations.

**Contracting and Purchasing.** The BOE expanded CAL-Card use agency-wide enabling staff to make point of sale purchases, implemented electronic contract and purchase requests to reduce the use of paper and speed the approval process, and upgraded existing systems to mirror the Financial Information System for California (FI\$Cal). All this while handling an unprecedented 4,200 requests for \$35 million in BOE acquisitions, and maintaining exemplary small business and disabled veteran business enterprise contracting, purchasing, and advocacy.

**Workplace Security Enhancements.** The BOE implemented security improvements in the areas of building and work-place access, threat response, and operations, enabling or improving compliance with Internal Revenue Service (IRS) tax information security standards through procedural and structural adjustments in offices, including replacement of the visitor badge process with IRS compliant self-expiring badges.

**Board Meeting Web Broadcast Improvements.** Board meeting broadcasts were supplemented with new broadcast equipment, improved on-screen graphics designed to enhance the viewers' experience, and more reliable data connections in the Sacramento and Culver City control rooms. In addition, new video monitors were installed in the Culver City Board Member quiet rooms, the Board Proceedings staff room, and the lobby area conference room.

**New Travel Guide for BOE Employees.** The new edition of the travel guide for employees contains current travel-related State rules, regulations, and individual bargaining unit provisions in a consolidated document. Input from program areas and district offices was incorporated to increase the usefulness of the new guide for BOE travelers.

cc: Ms. Shellie Hughes  
Ms. Kari Hammond  
Mr. Sean Wallentine  
Mr. Jim Kuhl  
Mr. Russell Lowery  
Ms. Yvette Stowers  
Mr. David Gau  
Mr. Randy Ferris  
Ms. Lynn Bartolo  
Mr. Wayne Mashihara  
Mr. Jeffrey L. McGuire  
Ms. Brenda Fleming  
Ms. Edna Murphy  
Mr. Dean Kinnee

# Agency Highlights Fiscal Year 2014-15

Executive Director's Report  
Board Meeting • October 27, 2015  
Sacramento, CA

# BOE's Mission Statement

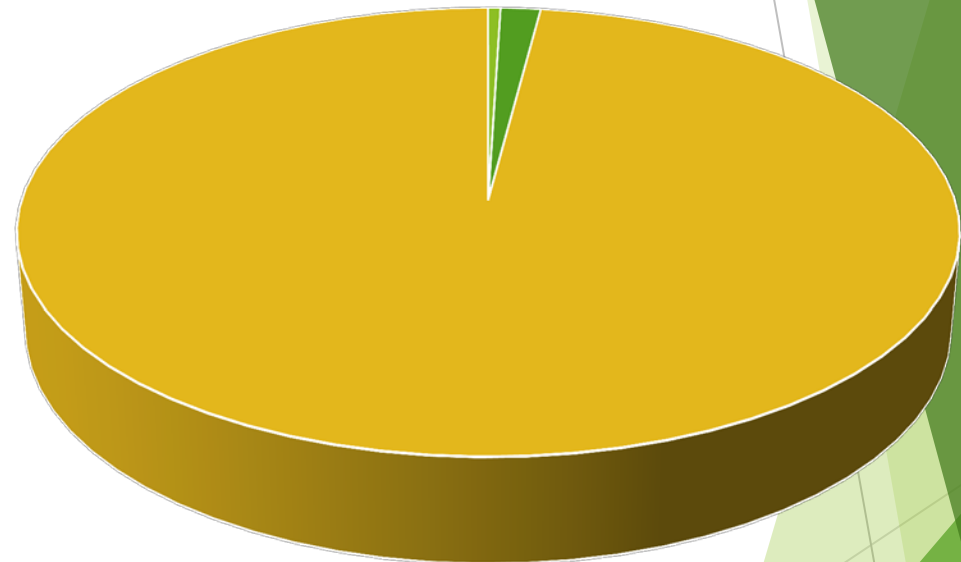
- ▶ The mission of the Board of Equalization is to serve the public through fair, effective, and efficient tax administration.
- ▶ Strategic Goals: 2010-15 Plan
  - ▶ Improve the taxpayer experience
  - ▶ Maximize voluntary compliance
  - ▶ Invest in a skilled, motivated, and diverse workforce
  - ▶ Enhance operational effectiveness



# Taxes & Fees Collected

- ▶ \$60.4 Billion in Total Revenue
  - ▶ 30% of state revenues
  - ▶ 84% from Sales & Use Taxes
  - ▶ 98% voluntary remittances
- ▶ Cost of Operations, 93 cents for every \$100 in Revenue Generated
- ▶ Revenue per PY, \$13,495,812
- ▶ Costs per PY, \$125,293

Receipts by Function



■ Audit ■ Compliance ■ Voluntary

Preliminary Data

# Receipts by Functions

## Voluntary vs. Non-Voluntary



\*Cash, Modified Accrual Basis

# Program Data

- Permits
  - 293,620 New Permits, Licenses and Accounts Issued
  - 1,963,060 Active Permits, Licenses, and Accounts as of June 30, 2015
- Returns
  - 2.6 Million Returns Processed
  - 86.3% of Returns Filed Electronically
- Accounts Receivable
  - \$1.9 Billion as of June 30, 2015

# Customer Service and Educational Outreach

- ▶ Over 78 Million External Customer Page Views to our Website
- ▶ Over 157,000 Visitors to our Field Offices
- ▶ Customer Service Center
  - ▶ 600,000 Calls
  - ▶ 17,000 Emails
- ▶ SCOP
  - ▶ Nearly 72,000 Onsite Visits
- ▶ Hundreds of Outreach Events
  - ▶ Reaching thousands of taxpayers

# Program Enhancements

- ▶ Automated License Renewal for Flat Rate Fuel Tax and IFTA
- ▶ Joined the Six State IFTA Processing Consortium
- ▶ Tax Recovery & Criminal Enforcement (TRaCE)Website
- ▶ Manufacturer's Partial Exemption



# Program Enhancements

- ▶ Continuing Recruitment Efforts
- ▶ Automated Refund Claim Payments for Fire Fee and Diesel Tax Programs
- ▶ Electronic Liens (eLiens)
- ▶ CROS Pre-Implementation Initiatives

# Awards

- ▶ BOE's Open Data Portal Won a 2015 Best of California Award
- ▶ BOE's Use Tax Social Media Campaign Won SiOC Silver Award