State of California, Franchise Tax Board
Little Hoover Commission Testimony
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About the State of California, Franchise Tax Board (FTB)

FTB is one of three agencies charged with tax administration for the State of California. Our core function is to administer two of California's major tax programs: Personal Income Tax and Corporation Tax. In addition, we collect funds for several nontax programs including delinquent vehicle registration and court-ordered debt. Annually, we process over 17 million personal income tax returns and over 1.7 million business returns and bring in roughly $70 billion annually.

FTB's Customer Centric Culture

The FTB operates within a strategic governance model that makes customer service a priority. Our model provides vision, strategic leadership, planning and enterprise-level decision making for the internal operations of the FTB. FTB's leadership fosters an environment that seeks employee feedback as well as feedback from external stakeholders that includes the public. FTB's corporate culture, or values, emphasizes enterprise collaboration, continuous innovation and teamwork. We believe our model contributes to the success of the department's programs and activities.

FTB's strategic governance model includes the Governance Council (GC) comprised of the Executive Officer and executives from each division, seven Action Committees (AC's), one Joint Action Committee (JAC), and several sub-committees. AC's and sub-committees are comprised of senior level managers from across the department as well as attorneys from our Legal Division. AC's support various initiatives within the department's Strategic Plan, and provide the focus for enterprise discussions necessary to implement enterprise activities across the department.

FTB's Customer Service Action Committee (CSAC) is centrally focused on efforts to improve customer service, supporting the department's strategic goal of providing Taxpayer Centric Service. The desired outcome of this goal is to enhance the services we provide to help taxpayers fulfill their tax obligations. CSAC addresses enterprise-wide policies and practices affecting how FTB operates with taxpayers and tax representatives including educational efforts, customer service, and providing self service opportunities. CSAC also manages FTB's annual Customer Service Satisfaction Survey which measures taxpayer satisfaction with FTB services.

FTB leadership also values input and feedback from its employees, FTB's greatest asset. In addition to an employee's supervisor there are several online forums where employees can ask questions and make suggestions related to any topic. One suggestion assisted in a new customer service initiative being implemented which allowed the acceptance of credit card payments in our field offices.

FTB's early electronic initiatives set the foundation for the services we offer today

FTB's first electronic program was electronic funds transfer (EFT) for banks and corporations. This was driven by a mandate from our state legislature for certain banks and corporations to make payments electronically. Since we processed our first electronic payment in January 1993, we've leveraged this foundation to offer electronic funds withdrawal (EFW) on e-file returns and Web Pay for individuals and businesses and to implement a legislative mandate for electronic payments by certain individuals.

In 1993, FTB also implemented an Interactive Voice Response (IVR) program. One of the earliest self-service applications we offered was the ability to check the status of an individual tax refund. Establishing this connection between an external user interface and our processing systems opened the door for offering additional account information on the phone, and eventually online. Currently, we receive nearly 8 million IVR calls, of which 3 million speak to a live customer service agent.

FTB offered individual e-file as a pilot in 1994. Following the full implementation the following year, we have expanded our e-file options to include business e-file and a direct e-file option for individuals on our website, CalFile. Building off of the e-file infrastructure has allowed us to quickly bring new services to the public at minimal cost.

FTB's Current Online Services

The initiative for these services has come from many sectors, including the legislature and our three-member governing board, tax professionals and tax software providers, and internal FTB innovations. We have several forums for gathering stakeholder input, including public meetings of our Board, annual Advisory Board meetings, Interested Party Meetings on specific topics, and ongoing outreach through our Taxpayers' Rights Advocate liaison services. The common goal of these services is to help taxpayers comply with their tax obligations while reducing the burden of doing so.

Since the early 1990s, FTB has offered electronic options for taxpayers to file and pay their taxes and to get access to their tax information. As we have expanded these services over the past 20 years, taxpayer usage has grown as well.

FTB provides equal access to its programs, services and facilities. We constantly strive to make our services usable by people of all abilities and disabilities. Individuals or their representatives may request reasonable accommodations when needed. Web content and FTB notices are provided in alternate formats (e.g., large print, audio CDs) upon request.

Check Your Refund Status

Debuting in 1999, FTB's first interactive web application allowed personal income taxpayers to check the status of their refund. This was a direct expansion of the service we already offered by IVR. In 2005, we began offering the service in Spanish and in 2011 we created a mobile-optimized version. Over 2 million refund status checks are made annually.

MyFTB Account

Similar to Check Your Refund Status, MyFTB Account expanded upon functionality already provided by IVR. Beginning in 2002, personal income taxpayers could check their current balance due and view payments we had received. MyFTB Account also provided pre-filing assistance to taxpayers and their authorized representative by showing information about estimated tax payments that were made. Working with taxpayers and representatives from the tax professional community, MyFTB Account has evolved into a more full-featured application where taxpayers and their authorized representatives can:

- Update mailing address and phone number.[1]
- View the total balance on the account, detailed information for each of the ten most recent tax years, and any taxpayer liabilities or penalties.
- View all estimated tax payments, estimated tax transfers, and extension payments.
- View all California wage and withholding information, including employer name, total wages, and total withholding, for the current tax year plus three prior years.

[1] Only taxpayers have the ability to update their contact information online.

- View all FTB-issued 1099-G and 1099-INT information for the current year and two prior years.
- Be advised if we have been unable to reach the taxpayer by mail or if the taxpayer is required to make all payments electronically.

Since the address management function became available in late 2010, approximately 125,000 taxpayers have updated their information online.

In 2011, MyFTB Account was expanded to offer estimated tax information for corporations, partnerships, and limited liability companies. Over 25,000 business contacts were moved from the phone to the website in the first six weeks of implementation, and that number has continued to grow in the four years it has been available.

Web Pay

Web Pay was implemented in 2002 and allows personal income taxpayers to make payments by authorizing FTB to debit their checking or savings account. Web Pay accepts most payment types (estimated, extension, amended, notice of proposed assessment, pending audit tax deposit) for current or prior years and allows the taxpayer to schedule the payment up to one year in advance. This simple interface requires minimal authentication – just the taxpayer's social security number and name so we can apply the payment to the correct account. Web Pay leverages the EFT program to complete the payment on the date the taxpayer selected. We began offering Web Pay for business taxpayers in November 2010.

In 2012, we enhanced Web Pay to allow individual and business taxpayers who complete a one-time registration process to view previously scheduled payments, cancel payments that hadn't been completed, and save their bank account information so they wouldn't need to reenter it each time they needed to make a payment.

Installment Agreement Request

For taxpayers who are unable to pay the amount they owe in full, FTB provides an online service to apply for an Installment Agreement. First offered in 2002, this service lets taxpayers verify their eligibility for an Installment Agreement, specify how much they will pay each month, and check the status of their request. If their request is accepted, we automatically debit the money from their account each month by EFT. Since 2011, over 270,000 Installment Agreement Requests were submitted online.

CalFile

CalFile was implemented in 2003 as a free, direct-to-government filing option for personal income taxpayers to complete and e-file their California tax return. CalFile leveraged the e-file system developed a decade earlier and the direct filing portal we made available for tax software providers in 1998. CalFile supports all filing statuses, a variety of income types, and both standard and itemized deductions. Access is limited to taxpayers whose federal AGI is below the exemption credit threshold values and do not need to provide a copy of their federal tax return when they file for the state.

In 2013, we completely redesigned the application to improve usability and allow taxpayers to save an incomplete return and finish it later. Once a taxpayer completes a one-time registration using information from a previously-filed return, they can import data from our records into their return. Paid preparers can use CalFile to file a return on behalf of their client. In 2014, we added the ability to file both current year and previous year tax returns through CalFile.

Nearly 290,000 taxpayers filed their 2013 returns via CalFile, bringing the total number of returns filed through CalFile to over 2.2 million.

Virtual Hold

In May 2010, FTB's Taxpayer Services Center Section implemented "virtual hold" technology. Rather than wait on hold, virtual hold allows external customers to hang up the phone, maintain their place in the calling queue, and receive a callback just as promptly as if they had remained on the line. In the first 6 months of use, 10 million minutes of hold time were saved, which is a savings of approximately $170,000. We have since expanded Virtual Hold to other taxpayer contact centers. In 2014, customer service agents responded to over 1.1 million virtual hold callbacks and 778,000 virtual hold hours were saved.

Access Your Account

In November 2010, FTB implemented an authentication and authorization solution to provide a front door to many of our online applications. Access Your Account allows taxpayers, business representatives, and tax professionals to establish and manage their online profile. Registration involves providing shared secrets relevant to the role the user is registering for. To date, we have received over 1.5 million registrations. Once registration is complete, users can add other roles, manage their security image and questions, and change their password. Users are required to update their password once a year. Tax professionals, with their client's permission, have a view-only access to their client's MyFTB Account. We developed an Online Account View Access Authorization form that tax professionals could use to record their client's consent. This authorization is not a Power of Attorney (POA) and only documents that the client agreed to have the tax professional access their account online.

Live Chat

In March 2011, FTB launched a live chat communication application for general personal income tax (PIT) questions on our public website. Later that year, we opened it up to include general business entity questions. We expanded it again in 2012 to answer general PIT collections questions and to support the Installment Agreement program. Business entity collections offered live chat assistance beginning in 2013.

In 2014, over 159,000 chats were answered (99 percent of chats offered) with an average chat time of 8.5 minutes.

Entity Status Letter

Since February 2012, businesses are able to generate letters of good standing, verifying a business entity's status for doing business in California. Prior to implementation, a business would need to request a letter by mail or in person at a field office and pay a processing fee. We have successfully converted it to a free, on-line, self-serve application. Over 525,000 entity status look-ups have been performed since implementation.

Online Services Expanding in 2015

FTB is in the midst of a five-year tax system modernization project. The most visible product of this for our external stakeholders will be a major expansion of the information and services available in MyFTB Account, which will also be rebranded as simply "MyFTB." These enhancements are scheduled to be available beginning in the summer of 2015.

More Information for All Taxpayers

All taxpayers will have access to more information than is currently available online. This includes:

- **Tax Returns** – List of years with a return filed, the processing status of the return, the date we received the return, and an image of the return filed.
- **Notices and correspondence** – List of notices sent by FTB and correspondence sent to FTB, including an electronic image of the message.
- **Account activity information**– A history of key account activities, including notices sent, online account access, and actions taken online.
- **Authorized representative information** – List of all representatives authorized to view the account including tax preparers and POA representatives. Businesses will also have a list of all individuals who have registered for access to the account. Taxpayers will be able to manage these relationships by revoking access and preventing future renewal of access.

In addition to more types of information, we will be providing more detail for information we currently provide. For example, the payment history will include the status of the payment, the method the payment was made, and an indicator if the payment was dishonored. The account balance will include notes about the tax years or accounting periods that are included in the balance, such as an indicator if there is something pending that may change the balance. The California wage and withholding information will include indicators of which quarters the employer has reported income information.

More Information for Business Taxpayers

Most of the account information we currently offer is only available for individual taxpayers. Our business taxpayers will have access to the same information and services in 2015. Business representatives and their authorized tax professionals will be able to:

- View the current account balance and a detailed balance by accounting period
- View the history of applied payments
- View estimated tax payments
- Be advised of returned mail and mandatory electronic payment status
- Update the business's mailing address and phone number

More Services

We will offer several new services within MyFTB, including:

- **Authenticated Chat and Message** – Once a taxpayer has logged into MyFTB, they will be able to ask account-specific questions through Live Chat. If it is after business hours, or if the taxpayer needs to provide documentation, they can send us a message with attachments directly from MyFTB. In both services, the taxpayer will need to provide general information to help us route the chat or message to the customer service area best equipped to answer their questions.
- **Contact Management** – Beyond the current functionality of updating their address and phone number, taxpayers will be able to notify us of name changes and any issues with their identification numbers. Taxpayers will also be able to opt-out of paper notices and get alerts by email instead, or opt to receive a text message when a new notice is available in their MyFTB.
- **File Form 588: Nonresident Withholding Waiver Request** – Withholding agents and payees will be able to request a waiver on withholding payments of California source income to nonresident payees.
- **Protest Notice of Proposed Assessment** – Taxpayers and their POA representatives will be able to submit a protest to a notice of proposed assessment or other notice with protest rights. They will also have the ability to withdraw a protest online.

- **Calculate Tax and Future Balance** – We will be providing tools in MyFTB that will help taxpayers project their tax liability, refund or balance due, and the payoff amount for their account balance.
- **POA Management** – Taxpayer and tax professionals will be able to submit POA declarations online. POAs submitted by tax professionals must be approved by the taxpayer before they become active. Once a POA is submitted (either online or by mail/fax) the taxpayer and tax professional POA will be able to view the privileges granted in the POA, manage delegates and contact information, and revoke the POA.

Additional online services

- **Automated Skip Installment Agreement Payment**
  Some home mortgage companies allow you to skip a payment without being penalized for defaulting on your loan. In addition to connecting to a representative to request skipping their Installment Agreement (IA) payment we are considering an automated process that offers customers the ability to skip their IA payment via the IVR and the Web.
- **Automated Bill Delay (2016)**
  Sometimes our customers under certain circumstances run into financial difficulties and have the need to delay payment of their bill. To request the delay we are considering an automated process that would offer customers the ability to delay their bill via the IVR and the Web.

Specialized Services for Tax Professionals

We recognize that tax professionals are our key partners in tax administration and our 2015 enhancements will provide three features for them:

- **Client List** – We will be modifying our Online Account View Access Authorization process so tax professionals will only need to enter their client's information once and they will stay on their client list for 13 months. (Currently, tax professionals must enter their client's information each time they access their account.)
- **POA Access** – Tax professionals who have a POA will not need to enter their client's information to add them to their client list. As long as the POA is active, the taxpayer will be on their list. As a POA, they will also have access to services that are normally reserved for taxpayers, such as updating contact information and viewing notices. The POA's access in their client's MyFTB will match the privileges granted on the POA.
- **Taxpayer Notifications** – Tax professionals with a POA will receive an email whenever their client receives a notice from FTB (based on the privileges granted on the POA). When they log into their Client List, we will indicate which clients we have recently contacted and provide them a link to that client's MyFTB. They will be able to view an electronic copy of the notice we sent.

Protecting Privacy, Security, and Confidentiality

With the scale of these enhancements and our firm commitment to protect information entrusted to us, we are taking additional time to thoroughly vet the security and performance of the expanded MyFTB. While we have built the security of our systems to banking industry standards, we know that there are parties that will try to exploit any vulnerability. Therefore, we will partner with external security experts to conduct additional testing before we make it available to the public.

Advancing in the Mobile Sphere

In 2011, FTB joined in California's statewide effort to expand mobile offerings for our citizens. We created a mobile-optimized site that contained key information for mobile consumers: locations of our field offices and VITA sites, where to find tax booklets, and how to contact us. As mentioned earlier, we also offered a mobile-optimized version of our Check Your Refund Status application.

Moving forward, we have implemented a responsive web design strategy. This approach means all mobile users will experience an interface that adjusts automatically to their device and presents information in an appropriately sized format. We will start by making the top 80 percent of pages responsive, which will make much more information easily accessible on mobile devices. We will then begin modifying our online services to work the same way and pursue a downloadable application for the various mobile operating systems.

The Challenge of Increasing Usage of Electronic Services

While we have been pleased with the usage of our electronic services, we would still like to serve more taxpayers and tax professionals online. Providing the services they want and need is the first step. The second step is making them aware of the services and encouraging them to go paperless.

We have been successful in converting tax returns from paper to e-file, with over 80 percent of PIT returns and more than half of BE and fiduciary returns being e-filed annually. One of the challenges of converting this adoption rate to our electronic services is that most taxpayers only interact with us once a year – when they file. For those who have ongoing contact, it usually involves a paper bill or notice being responded to with a paper check or correspondence. Providing the ability to have this contact electronically, and building awareness of this option, will be a key factor toward increasing the usage of our electronic services.

Conclusion

FTB has demonstrated a commitment to improving customer service. Notably, FTB has created a diverse set of electronic services to help taxpayers and tax professionals. We leveraged early technological initiatives such as EFT, IVR, and e-file to build web applications that meet our stakeholders' evolving needs. We will continue to engage these stakeholders, adapt our services over time, and educate taxpayers and tax professionals about the services we have developed for them.