

Should the State Consolidate Its Revenue Agencies?



Legislative Analyst's Office

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Revenue and Taxation
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The Administration's Proposal

- Consolidate all or parts of FTB, BOE, and EDD into a new Department of Revenue
- The Board of Equalization would serve primarily as a tax appeals board
- A Governor's appointee would head the new department

LAO Studies on Consolidation

- **Tax Agency Consolidation: Remittance and Return Processing (2005)**
 - Examines efficiencies from consolidating collections and return processing
- **A Report on Tax Agency Information and Data Exchange (2007)**
 - Reviews data sharing between state revenue agencies aimed at the “tax gap”

LAO Conclusion: Remittance and Return Processing

- **If starting over, one agency would make sense**
- **With three agencies, consolidation would require significant short-term costs and generate modest long-term savings**
- **Promoting electronic filing would yield greater benefits**

LAO Conclusion: Information and Data Sharing

- **Data sharing is limited by organizational and technical barriers**
- **Few incentives for agencies to share data**
- **Legislature provided \$250,000 to help the three agencies review practices/problems**

Three-Agency Task Force

- **Identify potential sources of useful data and resolve barriers to data sharing**
- **Review new IT projects for data sharing potential**
- **Consider the costs and benefits of a common identifier**

Future Directions

- **Legislature will need to provide oversight to extend the scope of interagency coordination**
- **Bring DMV into coordination process**
- **Further simplify system for taxpayers**

Conclusion

- **Better coordination and expanding/refining use of IT could reap many of the benefits of consolidation**
- **Consolidating the agencies could accelerate this process**