

Memorandum

To: California Legislature
From: Wilson Wong
Date: December 4, 2007
Re: Equitable Tax Assistance

The California Franchise Tax Board's (FTB) proposal for a program called ReadyReturn to provide free and simple tax filling methods to citizens sparked a heated debated over the government's role in tax policies. Tax software companies and taxpayer groups argued ReadyReturn constitutes a conflict of interest for the FTB, yet proponents contend the program builds equitable "financial literacy" and improves governmental efficacy. This memo will explore the issues of accountability, efficiency and responsiveness and the involved political processes and provide recommendations to institute a modified program.

ISSUES

The FTB is attempting to contend with competing priorities to provide adequate responsiveness to citizen needs, while sustaining fiscal and ethical accountability to all stakeholders. These issues are detailed below:

- **Accountability**—The major issue of providing a government tax assistance program is a conflict of interest, in which the FTB's dual role as tax collector and tax preparer could potentially impose inequities or unfairness. Goal incongruence within the program can complicate service delivery goals and possibly affect the overall program quality (Goldsmith & Eggers, 2004). In addition, while the measure seeks to provide equitable access to tax assistance, it does not define measurable goals or objectives that are crucial for defining success (Bolman & Deal, 2003).
- **Efficiency vs. Responsiveness**— One of the major hopes for ReadyReturn is to remove complexity from government processes and improve efficiency by increasing tax return rates. However, the program burdens the democratic process if adequate support already exists in the private sector and imposes greater governmental restrictions on private industries. ReadyReturn impresses complications on the process based on diverse and multiple inputs from the environment—social, economic and political forces (Theodoulou & Kofinis, 2004). Further, the mixture of increasing "fuzzy boundaries" between organizations underscores challenges in meeting demands for services (Kettl, 2002).
- **Decision-Making in the Political Process**— Big government fears and issues of how best to organize and manage ReadyReturn involve a complicated political process. Policy coalitions have tremendous influence on the decision-making process, yet stakeholders were not consulted in developing the new policies (Theodoulou & Cahn, 1995). Drastic changes in policy are complicated and made with limited knowledge (little information exists on actual benefits of tax assistance); as a result, "incremental" instead of radical changes in policies may be necessary to appease a broader set of constituents (Theodoulou & Kofinis, 2004).

RECOMMENDATIONS

Increasing the role of government brings issues of sustaining accountability, while remaining efficient in service delivery. The following are recommendations on how best to make certain the tax assistance program is objective and really meets the needs of the citizens:

- **Create Outcome-Based Objectives**— An increasing trend in current administrations is for governments to put the needs of citizens first, rather than just the bureaucracy (Kettl, 2002). However, defined program results and measures of performance should be established to ensure objectivity and accountability towards maintaining program goals (Lee et. al., 2008). Furthermore, continual evaluation of those goals also needs to be an integral part of the process to accurately assess whether the tax assistance program is fulfilling its goals (Bolman & Deal, 2003).
- **Build Consensus with Stakeholders**— The initial policy was not developed with all stakeholders' input (i.e., other tax companies, Congress members, business members, etc). Goal incongruence between each group complicates service delivery outcomes & goals and possibly affects the overall quality of the program (Goldsmith & Eggers, 2004). Establish a forum for informal and formal groups to build consensus on their needs for the tax assistance program, which helps produce mutual norms to increase performance and effectiveness (Bolman & Deal, 2003). To ensure broader support, select key representatives from each major stakeholder groups to participate in the forum.
- **Maintain Choice for Taxpayers**—Policy makers must maintain a duty to public service and effectiveness, but sustain a principle of fairness and equity (Svara, J. 2007). To provide fairness and promote applicant buy-in, participation in the taxpayer assistance program should not be mandatory. This helps ensure that aid exists if needed, but taxpayers do not need to use a service if they believe they will not benefit from it.

CONCLUSION

By expanding and providing a variety of services, central management in government strengthens its role in helping citizens and improving performance (Theodoulou & Kofinis, 2004). The new ReadyReturn program would be an overall benefit to taxpayers—saving time and money, while also aiding in promoting financial literacy. However, there are no real clear objective measures or goals to help determine whether ReadyReturn is successful and all involved stakeholders were not consulted in developing the policy. Measurable outcomes would show transparency, but the difficulties of implementing a government tax preparation service include broad social, economic and political implications for all stakeholders. A paced change within the existing system can introduce taxpayer benefits, improved efficiency, and bolster community needs.

References

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