

Role and Overview

The Ohio Department of Taxation (ODT) administers the state's tax laws to ensure compliance in the filing and payment of taxes and to determine tax liability. The department's mission is to provide quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law.

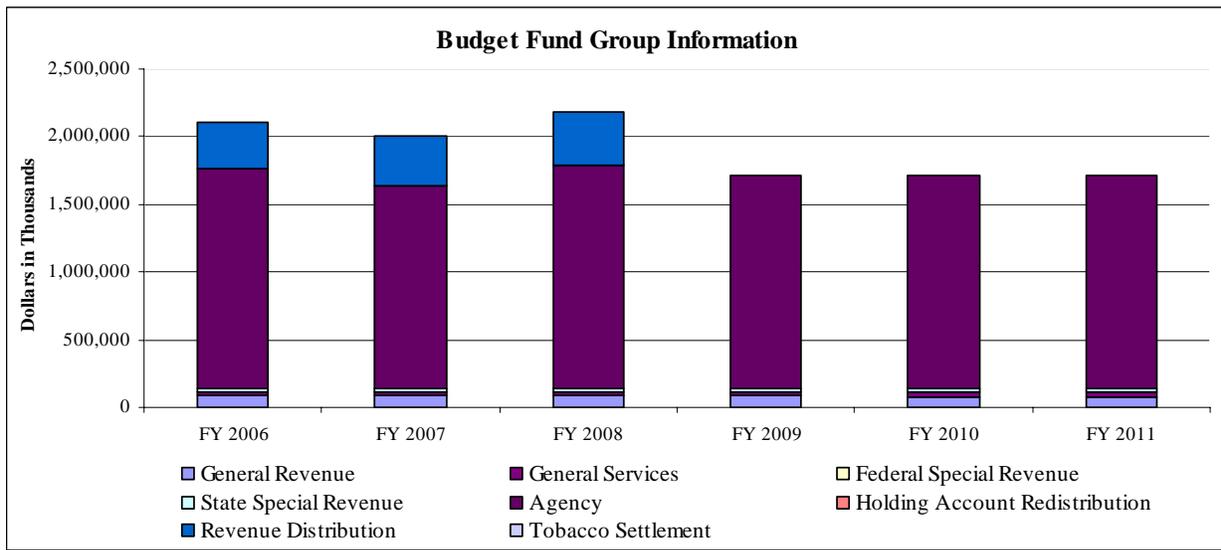
A tax commissioner, who is appointed by the Governor, heads the department. The department has an annual operating budget of approximately \$144 million, which supports about 1,330 employees. ODT administers the following taxes: Alcoholic Beverage (state and county), Cigarette (state and county), Commercial Activity, Corporate Franchise, Dealers in Intangibles, Estate, Horse Racing, Income (individual and employer withholding), Kilowatt-Hour, Motor Fuel Use/International Fuel Tax Agreement, Motor Vehicle Fuel, Municipal Tax on Electric Companies, Natural Gas Consumption (MCF), Other Tobacco Products (snuff, cigars and chewing tobacco), Pass-Through Entity, Public Utility Excise, Public Utility Property, Replacement Tire Fee, Resort Area Excise, Sales and Use (state, county and transit authority), School District Income, Severance, and Tangible Personal Property. In addition, ODT supervises the administration of the locally levied Real Property Tax.

Additional information regarding the Department of Taxation is available at <http://www.tax.ohio.gov/>.

Agency Priorities

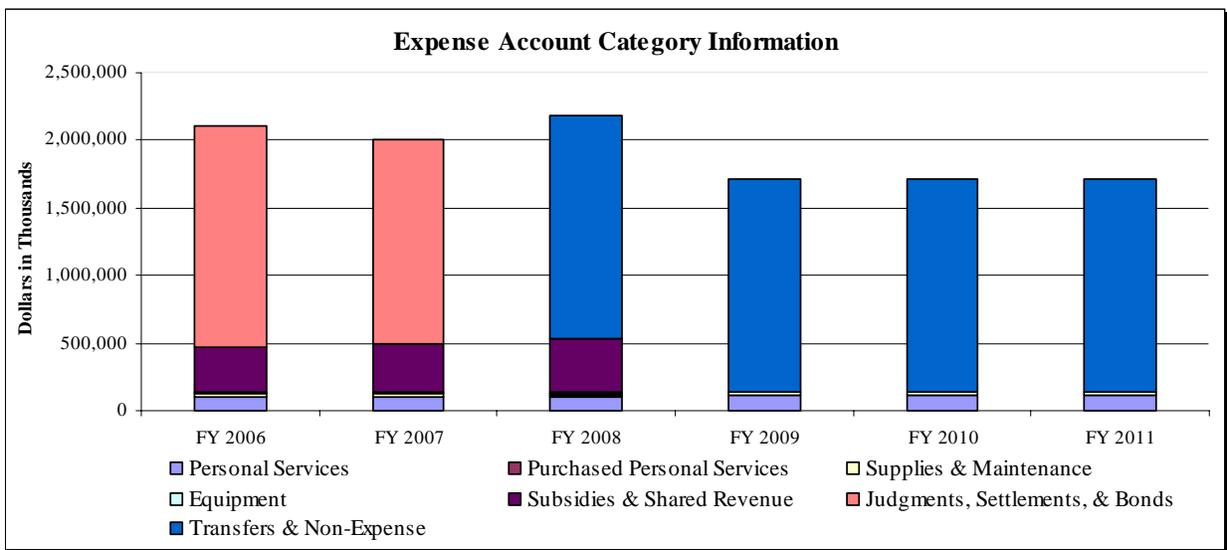
- Improve tax returns and refunds filed by individuals to support virtually all functions of state government.
- Improve departmental efficiency by updating departmental practices and infrastructure.
- Increase compliance to enhance the revenues available for essential state services.
- Improve taxpayer services by expanding education and outreach activities.
- Continue implementation of tax reform.

Summary of Budget History and Recommendations



State of Ohio
Department of Taxation

| (In Thousands) BUDGET FUND GROUP | ACTUAL | | | EST. | % | RECOMMENDED | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|--------------|------------------|------------|------------------|------------|
| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 08-09 | FY 2010 | % | FY 2011 | % |
| General Revenue | 93,592 | 93,166 | 84,890 | 90,840 | 7.0 | 81,756 | -10.0 | 81,756 | 0.0 |
| General Services | 18,669 | 17,306 | 23,097 | 21,665 | -6.2 | 28,935 | 33.6 | 28,935 | 0.0 |
| Federal Special Revenue | 0 | 25 | 25 | 0 | -100.0 | 0 | 0.0 | 0 | 0.0 |
| State Special Revenue | 26,436 | 25,492 | 28,670 | 29,587 | 3.2 | 33,507 | 13.2 | 33,507 | 0.0 |
| Agency | 1,628,223 | 1,501,810 | 1,651,590 | 1,567,800 | -5.1 | 1,567,800 | 0.0 | 1,567,800 | 0.0 |
| Holding Account Redistribution | 0 | 0 | 0 | 100 | 0.0 | 100 | 0.0 | 100 | 0.0 |
| Revenue Distribution | 335,336 | 363,882 | 394,012 | 0 | -100.0 | 0 | 0.0 | 0 | 0.0 |
| Tobacco Settlement | 200 | 297 | 228 | 0 | -100.0 | 0 | 0.0 | 0 | 0.0 |
| TOTAL | 2,102,455 | 2,001,978 | 2,182,511 | 1,709,992 | -21.7 | 1,712,098 | 0.1 | 1,712,098 | 0.0 |



| (In Thousands) EXPENSE ACCOUNT CATEGORY | ACTUAL | | | EST. | % | RECOMMENDED | | | |
|---|------------------|------------------|------------------|------------------|--------------|------------------|------------|------------------|------------|
| | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 08-09 | FY 2010 | % | FY 2011 | % |
| Personal Services | 96,965 | 101,213 | 104,160 | 109,147 | 4.8 | 109,725 | 0.5 | 109,718 | 0.0 |
| Purchased Personal Services | 6,556 | 4,559 | 5,749 | 4,050 | -29.6 | 6,204 | 53.2 | 5,173 | -16.6 |
| Supplies & Maintenance | 26,117 | 23,929 | 23,184 | 22,845 | -1.5 | 25,252 | 10.5 | 25,316 | 0.3 |
| Equipment | 8,748 | 6,126 | 3,298 | 4,450 | 34.9 | 2,267 | -49.1 | 3,241 | 42.9 |
| Subsidies & Shared Revenue | 335,325 | 363,882 | 394,012 | 0 | -100.0 | 0 | 0.0 | 0 | 0.0 |
| Judgments, Settlements, & Bonds | 1,628,745 | 1,502,269 | 0 | 100 | 0.0 | 100 | 0.0 | 100 | 0.0 |
| Transfers & Non-Expense | 0 | 0 | 1,652,107 | 1,569,400 | -5.0 | 1,568,550 | -0.1 | 1,568,550 | 0.0 |
| TOTAL | 2,102,455 | 2,001,978 | 2,182,511 | 1,709,992 | -21.7 | 1,712,098 | 0.1 | 1,712,098 | 0.0 |

PROGRAM SERIES 01: Tax Administration

This program series provides for all operations related to tax administration. The primary functions are receipt, processing, and the handling of filed documents, determination of tax liability, and compliance related activities.

Program 01.01: Taxpayer Services

This program provides for the delivery of service to taxpayers in an effort to increase tax compliance. The services under this program include the operation of regional service centers, telephone and email support, and technical seminars and presentations to industry, trade, and tax practitioner groups.

The Executive Recommendation will fund the following objectives:

- Support continued improvements in efficiency and effectiveness of the delivery of services to taxpayers. This program currently handles 1.7 million phone calls, 82,000 e-mails, and more than 50,000 walk-in requests annually;
- Contribute to the Department of Taxation mission “To provide quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law;” and
- Maintain current quality of service while supporting a reduction in staffing from approximately 175 full-time equivalents (FTEs).

| FUND | | | | RECOMMENDED | |
|--------------------------|------|--------|-----------|-------------------|-------------------|
| GROUP | FUND | ALI | ALI NAME | FY 2010 | FY 2011 |
| GRF | GRF | 110321 | Operating | 17,430,571 | 17,547,830 |
| TOTAL FOR PROGRAM | | | | 17,430,571 | 17,547,830 |

Program 01.02: Tax Processing

This program provides for all processing services including the receipt, opening, and distribution for all types of tax filings. Returns are reviewed, keyed, or scanned into Taxation's automated tax applications and filed for audit purposes. The program includes processes for both paper forms and electronic transactions.

The Executive Recommendation will fund the following objectives:

- Support all mail and electronic processing of tax services, including the receipt, opening or accessing, and disposition of all tax filings. In calendar year 2007, this program handled approximately 14 million documents;
- Fund new technology which will allow the department to maintain the current quality of service while reducing its dependence in intermittent processing staff; and
- Allow the department to provide revenues to support state operations and tax refunds to eligible taxpayers in an efficient and accurate manner.

| FUND | | | | RECOMMENDED | |
|--------------------------|------|--------|-----------|-------------------|-------------------|
| GROUP | FUND | ALI | ALI NAME | FY 2010 | FY 2011 |
| GRF | GRF | 110321 | Operating | 10,956,548 | 10,529,694 |
| TOTAL FOR PROGRAM | | | | 10,956,548 | 10,529,694 |

Program 01.03: Tax Compliance

This program provides for the review of returns, audits of taxpayer records, and the issuance of notices and assessments to taxpayers who have not paid tax liabilities. The program also provides for the matching of persons delinquent in child support payments with taxpayers due an Ohio income tax refund. Tax compliance is also pursued through investigations of suspected criminal offenses related to tax law, often resulting in combined efforts between ODT and the Internal Revenue Service, as well as federal, state, and local law enforcement agencies.

The Executive Recommendation will fund the following objectives:

- Fund the tax compliance initiatives of the Audit, Enforcement, Estate, Corporate Franchise, Personal Income, and Sales & Use divisions of the Department of Taxation;

State of Ohio
Department of Taxation

- Support the management of billing and assessment functions for the Individual Income, Employer Withholding, Corporate Franchise, Sales & Use, and School District Income taxes;
- Fund continued enforcement costs of the Department of Taxation related to the Tobacco Master Settlement Agreement; and
- Support department activities related to the investigation of fraud, coordinated efforts with other enforcement agencies, tracking of evidence, and testimony for trial cases.

| FUND | | | | RECOMMENDED | |
|--------------------------|------|--------|--------------------------------|-------------------|-------------------|
| GROUP | FUND | ALI | ALI NAME | FY 2010 | FY 2011 |
| GRF | GRF | 110321 | Operating | 43,350,723 | 43,606,446 |
| GRF | GRF | 110404 | Tobacco Settlement Enforcement | 295,231 | 295,231 |
| GSF | 2280 | 110628 | Tax Reform System Implementatn | 13,600,000 | 13,600,000 |
| GSF | 5AP0 | 110632 | Discovery Project | 2,000,000 | 2,000,000 |
| GSF | 5W70 | 110627 | Exempt Facility Administration | 60,000 | 60,000 |
| SSR | 4360 | 110608 | Motor Vehicle Audit | 1,000,000 | 1,000,000 |
| SSR | 4370 | 110606 | Litter/natural Resrce Tax Admn | 200,000 | 200,000 |
| SSR | 4C60 | 110616 | International Registration Pln | 706,855 | 706,855 |
| SSR | 4R60 | 110610 | Tire Tax Administration | 200,000 | 200,000 |
| SSR | 5V70 | 110622 | Motor Fuel Tax Administration | 4,700,000 | 4,700,000 |
| SSR | 6390 | 110614 | Cigarette Tax Enforcement | 1,900,000 | 1,900,000 |
| TOTAL FOR PROGRAM | | | | 68,012,809 | 68,268,532 |

Program 01.04: Tax Policy and Analysis

This program provides administrative, advisory, and technical assistance, while working closely with other state agencies, industry, trade groups, and professional organizations. This in turn facilitates the promulgation of good tax policy through the drafting of sound statutes and Tax Commissioner rules. As part of this program, the agency monitors legislative activity in the tax area and provides analysis of the revenue impact of these initiatives. This program provides for the legal counsel necessary for the management of bankruptcy cases, information releases, tax appeals, and overall tax counsel.

The Executive Recommendation will fund the following objectives:

- Support the development and analysis of various courses of action regarding any and all taxes with the goal of raising sufficient revenue for state programs and services while maintaining a fair and neutral tax structure;
- Fund the collection and publication of statistical and historical tax data from Ohio and other states;
- Provide legal advice to the department and handles filings in bankruptcy court and the adjudication of tax appeals; and
- Fund the provision of seminars on tax policy issues throughout Ohio.

| FUND | | | | RECOMMENDED | |
|--------------------------|------|--------|-----------|------------------|------------------|
| GROUP | FUND | ALI | ALI NAME | FY 2010 | FY 2011 |
| GRF | GRF | 110321 | Operating | 9,703,214 | 9,757,085 |
| TOTAL FOR PROGRAM | | | | 9,703,214 | 9,757,085 |

Program 01.05: Local Government Services

This program provides information and assistance to local governmental units and school districts, as well as providing for the administration of certain local taxes such as county permissive sales and use and municipal income taxes.

The Executive Recommendation will fund the following objectives:

- Support the collection and administration of various taxes such as local sales taxes, individual and school district income taxes, and the real, personal, and public utility taxes. These taxes provide revenues that allow local governments to provide a wide range of services for residents of Ohio;
- Fund compliance efforts associated with the collection and administration of these taxes. Approximately 70 percent of audits performed by the department are focused on sales and property taxes, which generate the largest percentage of local government revenue;
- Fund staffing levels at approximately 380 FTEs.

| FUND | | | | RECOMMENDED | |
|--------------------------|------|--------|--------------------------------|-------------------|-------------------|
| GROUP | FUND | ALI | ALI NAME | FY 2010 | FY 2011 |
| GRF | GRF | 110412 | Child Support Administration | 19,512 | 19,512 |
| GSF | 4330 | 110602 | Tape File Account | 125,000 | 125,000 |
| GSF | 5N50 | 110605 | Municipal Income Tax Admin | 600,000 | 600,000 |
| GSF | 5N60 | 110618 | Kilowatt Hour Tax Administratn | 100,000 | 100,000 |
| GSF | 5V80 | 110623 | Property Tax Administration | 12,000,000 | 12,000,000 |
| GSF | 5W40 | 110625 | Centralized Tax Filing & Pymnt | 200,000 | 200,000 |
| SSR | 4350 | 110607 | Local Tax Administration | 18,000,000 | 18,000,000 |
| SSR | 4380 | 110609 | School District Income Tax | 5,500,000 | 5,500,000 |
| SSR | 6880 | 110615 | Local Excise Tax Administratn | 800,000 | 800,000 |
| TOTAL FOR PROGRAM | | | | 37,344,512 | 37,344,512 |

PROGRAM SERIES 02: Revenue Distribution

This program series provides for the distribution of refunds to taxpayers and the distribution of revenue to local governments.

Program 02.01: Refunds and Distributions

This program distributes funds to qualified parties from the check-offs made by taxpayers on their state individual income tax returns. The program also issues tax refunds due taxpayers, provides reimbursement to counties, and handles misdirected tax payments.

The Executive Recommendation will fund the following objectives:

- Fund the distribution of tax refunds, local government funds, portions of the municipal income tax, misdirected tax payments, and political party check-offs.

| FUND | | | | RECOMMENDED | |
|--------------------------|------|--------|-------------------------------|----------------------|----------------------|
| GROUP | FUND | ALI | ALI NAME | FY 2010 | FY 2011 |
| GSF | 5CZ0 | 110631 | Vendor's License Application | 250,000 | 250,000 |
| SSR | 6420 | 110613 | Ohio Politcl Prty Distributns | 500,000 | 500,000 |
| 090 | R010 | 110611 | Tax Distributions | 50,000 | 50,000 |
| 090 | R011 | 110612 | Misc Income Tax Receipts | 50,000 | 50,000 |
| AGY | 4250 | 110635 | Tax Refunds | 1,546,800,000 | 1,546,800,000 |
| AGY | 7095 | 110995 | Municipalincome Tax | 21,000,000 | 21,000,000 |
| TOTAL FOR PROGRAM | | | | 1,568,650,000 | 1,568,650,000 |

LINE ITEM SUMMARY - Department of Taxation

| FUND | ALI | ALI NAME | FY 2006 ACTUAL | FY 2007 ACTUAL | FY 2008 ACTUAL | FY 2009 ESTIMATE | FY 2010 RECOMMENDED | % CHANGE | FY 2011 RECOMMENDED | % CHANGE |
|--------------------------------------|--------|--------------------------------|-------------------|-------------------|-------------------|---------------------|------------------------|--------------|------------------------|-------------|
| GRF | 110321 | Operating | 93,557,151 | 93,094,736 | 84,875,363 | 90,490,062 | 81,441,056 | -10.0 | 81,441,055 | 0.0 |
| GRF | 110404 | Tobacco Settlement Enforcement | 0 | 0 | 0 | 328,034 | 295,231 | -10.0 | 295,231 | 0.0 |
| GRF | 110412 | Child Support Administration | 34,775 | 71,451 | 14,508 | 21,680 | 19,512 | -10.0 | 19,512 | 0.0 |
| GRF | 110901 | Property Tax Allocation | 0 | 0 | 0 | 0 | 0 | -100.0 | 0 | .0 |
| GRF | 110906 | Tangible Tax Exemption | 0 | 0 | 0 | 0 | 0 | -100.0 | 0 | .0 |
| TOTAL General Revenue | | | 93,591,926 | 93,166,187 | 84,889,871 | 90,839,776 | 81,755,799 | -10.0 | 81,755,798 | 0.0 |
| 2250 | 110626 | Dept. of Taxation Enforcement | 0 | 0 | 11,161 | 0 | 0 | .0 | 0 | .0 |
| 2280 | 110628 | Tax Reform System Implementatn | 0 | 2,010,182 | 528,211 | 0 | 13,600,000 | .0 | 13,600,000 | 0.0 |
| 4330 | 110602 | Tape File Account | 79,202 | 103,885 | 110,318 | 140,000 | 125,000 | -10.7 | 125,000 | 0.0 |
| 5AP0 | 110632 | Discovery Project | 0 | 0 | 0 | 0 | 2,000,000 | .0 | 2,000,000 | 0.0 |
| 5BQ0 | 110629 | Commercial Activity Tax Admin | 3,899,356 | 494,503 | 5,940,050 | 6,000,000 | 0 | -100.0 | 0 | .0 |
| 5BW0 | 110630 | Tax Amnesty Promotion & Admin | 1,044,871 | 882,946 | 0 | 0 | 0 | .0 | 0 | .0 |
| 5CZ0 | 110631 | Vendor's License Application | 93,925 | 131,525 | 126,850 | 1,000,000 | 250,000 | -75.0 | 250,000 | 0.0 |
| 5N50 | 110605 | Municipal Income Tax Admin | 299,100 | 230,021 | 495,188 | 500,000 | 600,000 | 20.0 | 600,000 | 0.0 |
| 5N60 | 110618 | Kilowatt Hour Tax Administratn | 72,543 | 24,085 | 96,999 | 175,000 | 100,000 | -42.9 | 100,000 | 0.0 |
| 5V80 | 110623 | Property Tax Administration | 12,052,460 | 12,904,828 | 14,120,683 | 13,500,000 | 12,000,000 | -11.1 | 12,000,000 | 0.0 |
| 5W40 | 110625 | Centralized Tax Filing & Pymnt | 1,102,193 | 515,151 | 1,602,488 | 200,000 | 200,000 | 0.0 | 200,000 | 0.0 |
| 5W70 | 110627 | Exempt Facility Administration | 25,000 | 8,708 | 64,652 | 150,000 | 60,000 | -60.0 | 60,000 | 0.0 |
| TOTAL General Services | | | 18,668,652 | 17,305,834 | 23,096,600 | 21,665,000 | 28,935,000 | 33.6 | 28,935,000 | 0.0 |
| 3J60 | 110601 | Motor Fuel Compliance | 105 | 24,895 | 25,000 | 0 | 0 | .0 | 0 | .0 |
| TOTAL Federal Special Revenue | | | 105 | 24,895 | 25,000 | 0 | 0 | .0 | 0 | .0 |
| 4350 | 110607 | Local Tax Administration | 16,121,773 | 15,975,057 | 16,555,683 | 17,250,000 | 18,000,000 | 4.3 | 18,000,000 | 0.0 |
| 4360 | 110608 | Motor Vehicle Audit | 1,255,728 | 1,316,405 | 1,196,373 | 1,200,000 | 1,000,000 | -16.7 | 1,000,000 | 0.0 |
| 4370 | 110606 | Litter/natural Resrcr Tax Admn | 592,026 | 551,055 | 673,550 | 800,000 | 200,000 | -75.0 | 200,000 | 0.0 |
| 4380 | 110609 | School District Income Tax | 2,588,788 | 2,478,857 | 3,448,790 | 3,600,000 | 5,500,000 | 52.8 | 5,500,000 | 0.0 |

LINE ITEM SUMMARY - Department of Taxation

| FUND | ALI | ALI NAME | FY 2006 ACTUAL | FY 2007 ACTUAL | FY 2008 ACTUAL | FY 2009 ESTIMATE | FY 2010 RECOMMENDED | % CHANGE | FY 2011 RECOMMENDED | % CHANGE |
|---|--------|--------------------------------|----------------------|----------------------|----------------------|----------------------|------------------------|-------------|------------------------|-------------|
| 4C60 | 110616 | International Registration Pln | 693,398 | 547,015 | 843,114 | 706,855 | 706,855 | 0.0 | 706,855 | 0.0 |
| 4R60 | 110610 | Tire Tax Administration | 56,887 | 30,037 | 69,608 | 150,000 | 200,000 | 33.3 | 200,000 | 0.0 |
| 5V70 | 110622 | Motor Fuel Tax Administration | 4,299,239 | 4,098,826 | 4,990,342 | 5,000,000 | 4,700,000 | -6.0 | 4,700,000 | 0.0 |
| 6390 | 110614 | Cigarette Tax Enforcement | 161,071 | 46,912 | 157,670 | 100,000 | 1,900,000 | 1800.0 | 1,900,000 | 0.0 |
| 6420 | 110613 | Ohio Politcl Prty Distributns | 390,766 | 373,059 | 440,797 | 600,000 | 500,000 | -16.7 | 500,000 | 0.0 |
| 6880 | 110615 | Local Excise Tax Administratn | 276,309 | 74,981 | 293,622 | 180,000 | 800,000 | 344.4 | 800,000 | 0.0 |
| TOTAL State Special Revenue | | | 26,435,985 | 25,492,202 | 28,669,550 | 29,586,855 | 33,506,855 | 13.2 | 33,506,855 | 0.0 |
| 4250 | 090635 | Tax Refunds | 0 | 0 | 0 | 0 | 0 | .0 | 0 | .0 |
| 4250 | 110635 | Tax Refunds | 1,591,439,659 | 1,466,070,061 | 1,607,934,383 | 1,546,800,000 | 1,546,800,000 | 0.0 | 1,546,800,000 | 0.0 |
| 7095 | 110995 | Municipalincome Tax | 36,783,212 | 35,739,874 | 43,655,400 | 21,000,000 | 21,000,000 | 0.0 | 21,000,000 | 0.0 |
| TOTAL Agency | | | 1,628,222,870 | 1,501,809,935 | 1,651,589,782 | 1,567,800,000 | 1,567,800,000 | 0.0 | 1,567,800,000 | 0.0 |
| R010 | 110611 | Tax Distributions | 0 | 0 | 0 | 50,000 | 50,000 | 0.0 | 50,000 | 0.0 |
| R011 | 110612 | Misc Income Tax Receipts | 0 | 0 | 0 | 50,000 | 50,000 | 0.0 | 50,000 | 0.0 |
| TOTAL Holding Account Redistribution | | | 0 | 0 | 0 | 100,000 | 100,000 | 0.0 | 100,000 | 0.0 |
| 7060 | 110960 | Gasoline Excise Tax | 335,335,538 | 363,882,394 | 394,012,233 | 0 | 0 | .0 | 0 | .0 |
| TOTAL Revenue Distribution | | | 335,335,538 | 363,882,394 | 394,012,233 | 0 | 0 | .0 | 0 | .0 |
| T087 | 110402 | Tobacco Settlement Enforcement | 200,008 | 296,495 | 227,571 | 0 | 0 | .0 | 0 | .0 |
| TOTAL Tobacco Settlement | | | 200,008 | 296,495 | 227,571 | 0 | 0 | .0 | 0 | .0 |
| TOTAL Department of Taxation | | | 2,102,455,085 | 2,001,977,943 | 2,182,510,606 | 1,709,991,631 | 1,712,097,654 | 0.0 | 1,712,097,653 | 0.0 |