

# Department of Taxation

## Role and Overview

The Ohio Department of Taxation (TAX) administers and enforces 24 different state and local taxes, including the state personal income tax, state and local sales taxes, and an array of business taxes and excise taxes, and supervises 88 county auditors in the administration of local property taxes. TAX has 1,191 employees and is headquartered in Columbus. There are approximately 200 telecommuters throughout the state. Collections from taxes that the department administers generate nearly \$25 billion annually to support nearly all functions of state government and many local government functions, including education, health care, transportation, and law enforcement. Recent accomplishments include: closure of regional service centers resulting in a staff reduction of 113 and a cost savings of \$9 million per year; reduction in staff by attrition in many areas as operational divisions were reorganized and realigned and staff/management ratios were increased; incorporating 2D barcoding on paper tax returns, reducing the amount of manual key-entry and number of intermittent staff needed to process tax returns; deploying the automated call distribution system to the operational divisions resulting in better taxpayer service and allowing TAX to answer nearly 800,000 taxpayer calls without the agents in the service centers; partnering with the Ohio Society of CPAs in offering a series of monthly webinars on various tax topics; and soliciting of e-mail addresses from taxpayers to facilitate future electronic communication instead of relying on traditional mail and delivery services.

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

## Agency Priorities

- Process tax returns, payments, and refund requests filed by individuals and businesses, totaling nearly \$25 billion a year, to support virtually all functions of state government and many functions and all forms of local governments including school districts.
- Conduct audit and compliance programs to ensure the correct amounts have been paid by taxpayers. In fiscal year 2012, these programs generated \$625 million in cash payments in addition to taxes paid voluntarily.
- Provide customer service to help taxpayers fulfill their tax filing responsibilities. During fiscal year 2012, TAX handled 800,000 taxpayer telephone calls, responded to 36,000 email inquiries and assisted 8,600 walk-in customers.
- Improve operations and modernize the legacy computer systems by moving forward with various initiatives.
- Continue to identify efficiency gains that will enable TAX to operate in the most economical way possible, including opportunities for shared services.
- Find ways to simplify the Ohio tax code, with the goal of stimulating job growth.
- Improve customer service by leveraging technology.

## Funding Recommendation for 2014 and 2015

- GRF: Funding for fiscal year 2014 is \$71.2 million (or a 4.0% decrease from fiscal year 2013). Funding for fiscal year 2015 is \$68.1 million (or a 4.4% decrease from fiscal year 2014).
- All Funds: Funding for fiscal year 2014 is \$1.7 billion (or a 0.3% increase from fiscal year 2013). Funding for fiscal year 2015 is \$1.7 billion (or a 0.1% decrease from fiscal year 2014).

## The Executive Recommendation will fund the following objectives:

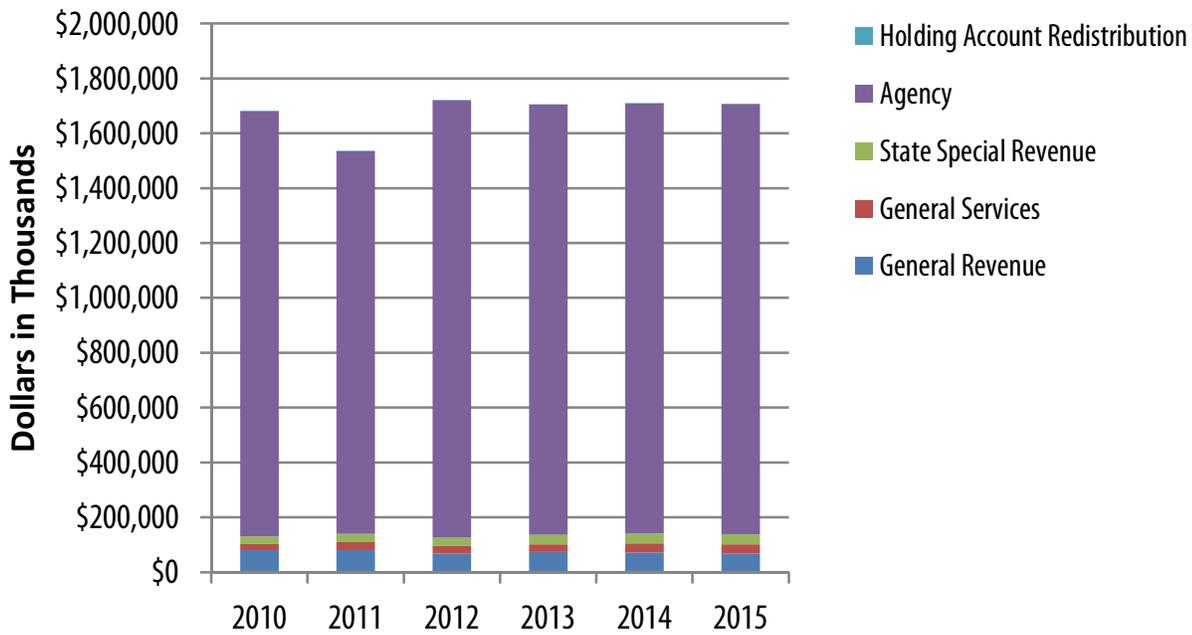
- Implement the tax fairness and simplification proposals approved as part of H.B. 487. A few of these proposals follow: closing a loophole that allowed tax-free transfer of recreational vehicles and similar assets; reducing the number of types of vendor licenses from six to three and requiring all vendors to display their license; and extending the \$50 penalty for dishonored tax payments to electronic payments, not just checks.
- Support legislative action on two proposals carved out as part of H.B. 487 and currently pending in the legislature: a revamped tax on banks and other financial institutions, and a modernized, multi-tiered severance tax on oil and natural gas extractions, with new severance tax revenues dedicated to an income tax cut.
- Implement the new integrated tax administration software system
- Increase the number of taxes that can be filed electronically, either through the Ohio Business Gateway or the department website. To date, income tax, sales tax, the commercial activity tax, and the casino gross receipts tax are filed electronically by most, if not all, of the respective taxpayer base.

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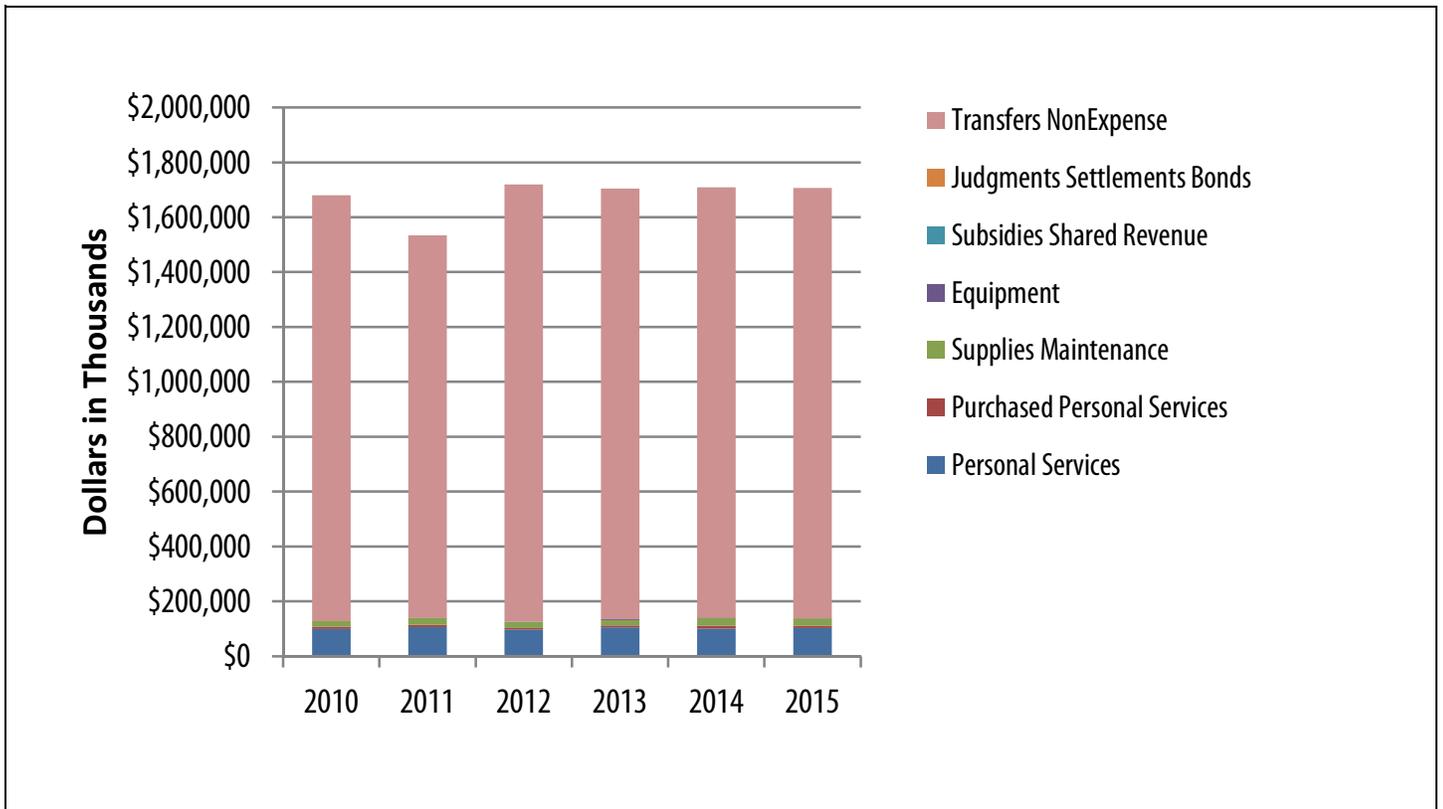
- Increase the number of taxpayers who file their personal income tax returns electronically. For tax year 2007, 63 percent of all personal income tax returns were filed electronically. For tax year 2011, the percentage of personal income tax returns that were filed electronically exceeded 80 percent. TAX will continue to educate taxpayers on the benefit of filing electronically: fewer math errors; increased legibility; faster issuance of refunds; and taxpayer savings through lower processing costs at TAX.
- Establish the capability for bulk file upload through Ohio Business Gateway so as to accommodate third party payroll processors to file employer withholding tax returns electronically.
- Develop more self-service options for taxpayers. Currently, taxpayers can order forms through an automated phone system or download them through the department website. During fiscal year 2013, taxpayers will be able to download Form 1099G electronically.
- Deploy the redesigned TAX internal and external websites.
- Support the Department of Development Services in its administration of various tax credit and grant programs by verifying eligibility based on income and tax status, and ascertaining compliance based on tax filings.
- Transition to the State email system while preserving the security of confidential taxpayer information.
- Evaluate tax refund requests submitted by taxpayers so as to identify and deny fraudulent claims and to establish the validity of the refund's basis. In fiscal year 2012, \$4.4 million in refunds were denied or recovered by the Personal Income Tax Division's Suspicious Filers Unit, and more than \$133 million was saved through business tax refund reductions resulting from audits and desk reviews.

Budget Fund Group Information



(in Thousands) Budget Fund Group	Actual			Est.	% Change	Recommended		FY 2015	%Change
	FY 2010	FY 2011	FY 2012	FY 2013	FY 12-13	FY 2014	% Change		
General Revenue	80,784	80,487	67,486	74,202	10.0%	71,247	-4.0%	68,147	-4.4%
General Services	21,718	29,862	28,640	27,659	-3.4%	33,493	21.1%	33,493	0.0%
State Special Revenue	27,869	30,129	30,260	34,423	13.8%	36,287	5.4%	36,987	1.9%
Agency	1,550,212	1,393,832	1,593,597	1,567,800	-1.6%	1,567,800	0.0%	1,567,800	0.0%
Holding Account Redistribution	10	5	15	100	566.7%	100	0.0%	100	0.0%
<b>Total</b>	<b>1,680,593</b>	<b>1,534,316</b>	<b>1,719,997</b>	<b>1,704,183</b>	<b>-0.9%</b>	<b>1,708,927</b>	<b>0.3%</b>	<b>1,706,527</b>	<b>-0.1%</b>

Expense Account Category Information



(in Thousands) Expense Account Category	Actual			Est.	% Change	Recommended			
	FY 2010	FY 2011	FY 2012	FY 2013	FY 12-13	FY 2014	% Change	FY 2015	%Change
Personal Services	98,942	106,164	96,592	104,624	8.3%	100,427	-4.0%	103,095	2.7%
Purchased Personal Services	8,060	8,534	6,232	7,174	15.1%	10,080	40.5%	7,886	-21.8%
Supplies & Maintenance	21,272	23,598	21,825	20,022	-8.3%	28,785	43.8%	26,099	-9.3%
Equipment	1,655	1,726	1,276	3,764	194.9%	1,036	-72.5%	847	-18.2%
Judgments, Settlements, & Bonds	10	5	0	0	0.0%	0	0.0%	0	0.0%
Transfers & Non-Expense	1,550,655	1,394,289	1,594,072	1,568,600	-1.6%	1,568,600	0.0%	1,568,600	0.0%
<b>Total</b>	<b>1,680,593</b>	<b>1,534,316</b>	<b>1,719,997</b>	<b>1,704,183</b>	<b>-0.9%</b>	<b>1,708,927</b>	<b>0.3%</b>	<b>1,706,527</b>	<b>-0.1%</b>

**Program Series 1: Tax Administration (9100A)**

This program series encompasses five main programs including Taxpayer Services (9100B), Tax Processing (9110B), Tax Compliance (9120B), Tax Policy and Analysis (9130B), and Local Government Services (9140B). These programs are necessary to provide the delivery of service to taxpayers in an effort to increase tax compliance. Tax compliance is achieved through the filing of both paper and electronic returns as well as through investigations. TAX thoroughly monitors legislative activity in the tax area and provides analysis of the revenue impact of these initiatives. In addition, TAX staff members provide the necessary legal services for the management of bankruptcy cases, tax appeals, and overall tax counsel. A large portion of TAX's operating budget is directed towards Local Government Services. Staff members provide information and assistance to local government units and school districts as well as provides for the administration of certain local taxes.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2013	FY 2014	% Change	FY 2015	% Change
GRF	110321	Operating	73,988,500	71,068,330	-3.9%	67,968,332	-4.4%
GRF	110404	Tobacco Settlement Enforcement	198,000	178,200	-10.0%	178,200	0.0%
GRF	110412	Child Support Administration	15,646	0	-100.0%	0	0.0%
2280	110628	Tax Reform System Implementation	13,505,754	15,500,000	14.8%	17,500,000	12.9%
4330	110602	Tape File Account	195,899	175,000	-10.7%	175,000	0.0%
5APO	110632	Discovery Project	2,421,200	0	-100.0%	0	0.0%

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Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2013	FY 2014	% Change	FY 2015	% Change
5BP0	110639	Wireless 911 Administration	0	290,000	0.0%	290,000	0.0%
5MN0	110638	Stars DVLP and Implementation	0	5,000,000	0.0%	3,000,000	-40.0%
5N50	110605	Municipal Income Tax Administration	336,575	150,000	-55.4%	150,000	0.0%
5N60	110618	Kilowatt Hour Tax Administration	148,500	100,000	-32.7%	100,000	0.0%
5V80	110623	Property Tax Administration	10,553,310	11,978,310	13.5%	11,978,310	0.0%
5W40	110625	Centralized Tax Filing and Payment	198,000	0	-100.0%	0	0.0%
5W70	110627	Exempt Facility Administration	49,500	49,500	0.0%	49,500	0.0%
4350	110607	Local Tax Administration	18,533,682	20,000,000	7.9%	20,700,000	3.5%
4360	110608	Motor Vehicle Audit	1,459,609	1,459,609	0.0%	1,459,609	0.0%
4370	110606	Litter/Natural Resource Tax Administration	19,800	38,800	96.0%	38,800	0.0%
4380	110609	School District Income Tax	5,802,044	5,802,044	0.0%	5,802,044	0.0%
4C60	110616	International Registration Plan	682,415	682,415	0.0%	682,415	0.0%
4R60	110610	Tire Tax Administration	244,193	244,193	0.0%	244,193	0.0%
5V70	110622	Motor Fuel Tax Administration	5,035,374	5,035,374	0.0%	5,035,374	0.0%
6390	110614	Cigarette Tax Enforcement	1,370,471	1,750,000	27.7%	1,750,000	0.0%
6880	110615	Local Excise Tax Administration	775,015	775,015	0.0%	775,015	0.0%
<b>Total for Tax Administration</b>			<b>135,533,487</b>	<b>140,276,790</b>	<b>3.5%</b>	<b>137,876,792</b>	<b>-1.7%</b>

**Program Series 2: Revenue Distribution (9150A)**

The Refunds and Distributions Program (9150B) 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 owed to taxpayers, provides reimbursement to counties, and handles misdirected tax payments.

Fund	ALI	ALI Name	Estimated	Recommended			
			FY 2013	FY 2014	% Change	FY 2015	% Change
5CZ0	110631	Vendor's License Application	250,000	250,000	0.0%	250,000	0.0%
6420	110613	Ohio Political Party Distributions	500,000	500,000	0.0%	500,000	0.0%
4250	110635	Tax Refunds	1,546,800,000	1,546,800,000	0.0%	1,546,800,000	0.0%
7095	110995	Municipal Income Tax	21,000,000	21,000,000	0.0%	21,000,000	0.0%
R010	110611	Tax Distributions	50,000	50,000	0.0%	50,000	0.0%
R011	110612	Miscellaneous Income Tax Receipts	50,000	50,000	0.0%	50,000	0.0%
<b>Total for Revenue Distribution</b>			<b>1,568,650,000</b>	<b>1,568,650,000</b>	<b>0.0%</b>	<b>1,568,650,000</b>	<b>0.0%</b>

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Appropriation Line Item Analysis for Fiscal Years 2014 and 2015

Line Item Restructuring Analysis

To more accurately reflect the funding source for this item , the TAX budget moves appropriation from Fund 5AP0 (ALI 110632) to GRF line item 110321. Previously Fund 5AP0 had been supported by GRF transfers. The resulting structure increases the department’s requested GRF appropriation levels each fiscal year.

To illustrate changes in funding levels due to this restructuring, estimated fiscal year 2013 spending in the following table is converted from the previous line-item structure to the current line-item structure.

			Estimated	Recommended			
Fund	ALI	ALI Name	FY 2013	FY 2014	% Change	FY 2015	% Change
GRF	110321	Operating	\$71,635,700	\$67,954,251	-5.1%	\$67,954,251	0.0%
5AP0	110632	Discovery Project	\$0	\$0	0.0%	\$0	0.0%

TAX’s budget consolidates funding for the Ohio Business Gateway into a new line-item with the DAS budget. Under the previous structure, TAX received appropriation in Fund 5W40 (ALI 110625) to pay DAS for services rendered as part of the Ohio Business Gateway. Under the current structure, the appropriation will instead go directly to DAS. The resulting structure has no net impact on the GRF.

To illustrate changes in funding levels due to this restructuring, estimated fiscal year 2013 spending in the following table is converted from the previous line-item structure to the current line-item structure.

			Estimated	Recommended			
Fund	ALI	ALI Name	FY 2013	FY 2014	% Change	FY 2015	% Change
GRF	100456	State IT Services	\$2,354,753	\$1,739,038	-26.1%	\$1,739,038	0.0%
GRF	100459	Ohio Business Gateway	\$5,676,426	\$4,049,094	-28.7%	\$4,049,094	0.0%
5W40	110625	Centralized Tax Filing & Payment	\$0	\$0	0.0%	\$0	0.0%

TAX’s budget moves appropriation from GRF line-item 110412 (Child Support Administration) to GRF line-item 110321 (Operating). The resulting change will streamline the chart of accounts structure for TAX and will have no net impact on GRF.

To illustrate changes in funding levels due to this restructuring, estimated fiscal year 2013 spending in the following table is converted from the previous line-item structure to the current line-item structure.

			Estimated	Recommended			
Fund	ALI	ALI Name	FY 2013	FY 2014	% Change	FY 2015	% Change
GRF	110321	Operating	\$69,230,146	\$65,547,130	-5.3%	\$65,547,132	0.0%
GRF	110412	Child Support Administration	\$0	\$0	0.0%	\$0	0.0%

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Fund	ALI	ALI Name	Actual			Estimated	Recommended			
			FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	% Change	FY 2015	% Change
GRF	110321	Operating	80,658,618	80,279,191	67,319,604	73,988,500	71,068,330	-3.9%	67,968,332	-4.4%
GRF	110404	Tobacco Settlement Enforcement	109,844	204,245	166,053	198,000	178,200	-10.0%	178,200	0.0%
GRF	110412	Child Support Administration	15,880	4,000	0	15,646	0	-100.0%	0	0.0%
<b>Total General Revenue</b>			<b>80,784,342</b>	<b>80,487,436</b>	<b>67,485,657</b>	<b>74,202,146</b>	<b>71,246,530</b>	<b>-4.0%</b>	<b>68,146,532</b>	<b>-4.4%</b>
2280	110628	Tax Reform System Implementation	4,486,170	12,711,784	12,632,995	13,505,754	15,500,000	14.8%	17,500,000	12.9%
4330	110602	Tape File Account	57,493	99,424	181,433	195,899	175,000	-10.7%	175,000	0.0%
SAP0	110632	Discovery Project	5,356,281	6,191,457	3,548,654	2,421,200	0	-100.0%	0	0.0%
5BPO	110639	Wireless 911 Administration	0	0	0	0	290,000	0.0%	290,000	0.0%
5BQ0	110629	Commercial Activity Tax Administration	103,506	0	0	0	0	0.0%	0	0.0%
5BW0	110630	Tax Amnesty Promotion and Administration	0	0	701,206	0	0	0.0%	0	0.0%
5CZ0	110631	Vendor's License Application	132,775	185,025	202,000	250,000	250,000	0.0%	250,000	0.0%
5MNO	110638	Stars DVLP and Implementation	0	0	0	0	5,000,000	0.0%	3,000,000	-40.0%
5N50	110605	Municipal Income Tax Administration	248,925	429,586	342,034	336,575	150,000	-55.4%	150,000	0.0%
5N60	110618	Kilowatt Hour Tax Administration	21,961	22,747	175,000	148,500	100,000	-32.7%	100,000	0.0%
5W80	110623	Property Tax Administration	11,177,596	10,222,148	10,606,455	10,553,310	11,978,310	13.5%	11,978,310	0.0%
5W40	110625	Centralized Tax Filing and Payment	127,673	0	200,000	198,000	0	-100.0%	0	0.0%
5W70	110627	Exempt Facility Administration	5,770	0	50,000	49,500	49,500	0.0%	49,500	0.0%
<b>Total General Services</b>			<b>21,718,150</b>	<b>29,862,171</b>	<b>28,639,777</b>	<b>27,658,738</b>	<b>33,492,810</b>	<b>21.1%</b>	<b>33,492,810</b>	<b>0.0%</b>
4350	110607	Local Tax Administration	16,900,464	16,988,073	17,400,718	18,533,682	20,000,000	7.9%	20,700,000	3.5%
4360	110608	Motor Vehicle Audit	731,379	878,058	1,021,300	1,459,609	1,459,609	0.0%	1,459,609	0.0%
4370	110606	Litter/Natural Resource Tax Administration	0	0	20,000	19,800	38,800	96.0%	38,800	0.0%
4380	110609	School District Income Tax	4,923,700	5,212,446	4,907,414	5,802,044	5,802,044	0.0%	5,802,044	0.0%
4C60	110616	International Registration Plan	400,422	546,445	473,532	682,415	682,415	0.0%	682,415	0.0%
4R60	110610	Tire Tax Administration	116,271	110,915	238,129	244,193	244,193	0.0%	244,193	0.0%
5V70	110622	Motor Fuel Tax Administration	3,413,767	4,429,545	3,788,088	5,035,374	5,035,374	0.0%	5,035,374	0.0%
6390	110614	Cigarette Tax Enforcement	431,570	989,963	1,527,729	1,370,471	1,750,000	27.7%	1,750,000	0.0%
6420	110613	Ohio Political Party Distributions	356,899	318,259	307,250	500,000	500,000	0.0%	500,000	0.0%
6880	110615	Local Excise Tax Administration	594,812	655,578	575,518	775,015	775,015	0.0%	775,015	0.0%
<b>Total State Special Revenue</b>			<b>27,869,284</b>	<b>30,129,282</b>	<b>30,259,678</b>	<b>34,422,603</b>	<b>36,287,450</b>	<b>5.4%</b>	<b>36,987,450</b>	<b>1.9%</b>
4250	110635	Tax Refunds	1,529,754,807	1,369,879,140	1,581,196,812	1,546,800,000	1,546,800,000	0.0%	1,546,800,000	0.0%
7095	110995	Municipal Income Tax	20,456,756	23,953,121	12,399,943	21,000,000	21,000,000	0.0%	21,000,000	0.0%
<b>Total Agency</b>			<b>1,550,211,563</b>	<b>1,393,832,261</b>	<b>1,593,596,755</b>	<b>1,567,800,000</b>	<b>1,567,800,000</b>	<b>0.0%</b>	<b>1,567,800,000</b>	<b>0.0%</b>
R010	110611	Tax Distributions	10,000	5,000	15,000	50,000	50,000	0.0%	50,000	0.0%
R011	110612	Miscellaneous Income Tax Receipts	0	0	0	50,000	50,000	0.0%	50,000	0.0%
<b>Total Holding Account Redistribution</b>			<b>10,000</b>	<b>5,000</b>	<b>15,000</b>	<b>100,000</b>	<b>100,000</b>	<b>0.0%</b>	<b>100,000</b>	<b>0.0%</b>
<b>Grand Total Department of Taxation</b>			<b>1,680,593,339</b>	<b>1,534,316,150</b>	<b>1,719,996,867</b>	<b>1,704,183,487</b>	<b>1,708,926,790</b>	<b>0.3%</b>	<b>1,706,526,792</b>	<b>-0.1%</b>