



Responsibilities and Organization of the Department

The Tax Commissioner

Section 5703.05 of the Ohio Revised Code vests all powers, duties and functions of the Department of Taxation in the Tax Commissioner. The Tax Commissioner is appointed by the Governor, is subject to confirmation by the Ohio Senate, and serves at the pleasure of the Governor.

In general, the Tax Commissioner is responsible for the administration of most state-collected taxes and several locally-collected taxes as well as supervision of the real property tax. Broadly speaking, the principal powers and duties of the Tax Commissioner include:

- making all tax assessments, valuations, findings, determinations, computations and orders;
- reviewing, re-determining or correcting previous assessments, valuations or findings;
- promulgating rules and regulations and preparing and distributing tax return forms and other reporting tools;
- auditing returns, levying assessments and penalties, and granting or denying tax refunds; and
- issuing, revoking or suspending certain licenses and permits.

In addition, the Tax Commissioner has certain specific duties. These include:

- the actual collection of Ohio individual income, school district income, horse racing, sales, commercial activity and corporation franchise taxes as well as certain excise taxes;
- the operation of a central collection and reporting system for municipal income taxes on electric companies and telephone companies;
- the maintenance of a continuous study of the practical operation of the taxation and revenue laws of the state, the probable revenue effect of legislation introduced to change existing laws, and proposed measures providing for other forms of taxation; and
- revenue distribution to local governments, including shares of motor fuel tax revenue, property tax relief reimbursements, and distributions from the Local Government Fund, the Public Library Fund, and certain other funds.

To efficiently perform these functions, the Tax Commissioner is authorized by law to create divisions and sections of employees and organize the work of the department in a manner that, in the commissioner's judgment, will result in an efficient and economical administration of tax laws. The organization chart contained in this chapter indicates the current structure of the department as of June 30, 2012. The department had five deputy tax commissioners, one also

serving as chief legal counsel and another also serving as the department's chief ethics officer. Senior management also includes a chief information officer and a number of executive administrators who oversee various divisions within the department.

The department also has a problem resolution officer on staff, under the direction of the chief ethics officer, who provides additional assurance to taxpayers that their rights are being protected. To serve those in other states that have a business or residential nexus with Ohio, the department maintains regional audit centers near New York City, Chicago, and Los Angeles.

At the close of fiscal year 2012, the department had 1,178 permanent employees. During the fiscal year, the department spent about \$125.2 million to fulfill the department's various functions and responsibilities. Further details on department staffing levels and expenditures are shown in Tables 1 and 2, in this chapter.

Further details on the organization of the department are included in the pages that follow. For purposes of this report, the divisions are grouped into four main areas: customer services, compliance services, other tax administration services and support services.

Customer Services

The vast majority of Ohio taxpayers make an honest effort to meet their responsibilities under the law. When they need help, they usually turn to the Department of Taxation's customer service divisions.

Taxpayer Services Division

For many taxpayers, the Taxpayer Services Division is the first stop – a single point of contact for taxpayers with questions about individual income, school district income, sales and use, employer withholding, employer school district withholding, corporation franchise, pass-through entity and trust taxes.

This division serves as a multi-channel contact center that responds to taxpayer inquiries by letter, telephone, e-mail, fax machine and in person. This division strives for "first call resolution" to taxpayer inquiries, which range from general and technical taxability issues, tax return issues, filing requirements, business registrations, billings and assessments. The division also serves as the help desk for the Ohio Business Gateway, fields requests for forms, handles inquiries about refunds and answers questions from tax practitioners.

During fiscal year 2012, the Taxpayer Services Division handled 795,236 phone calls and 36,244 e-mail queries. Agents also assisted 8,637 walk-in taxpayers with completing returns, making payments, or answering general tax questions. The division also has a small central registration unit dedicated to

answering business registration-related telephone calls and entering of business registrations into the system for employer withholding, school district withholding and some sales tax vendor licenses. Other responsibilities include maintaining the cumulative vendor accounts, updating of demographic information, maintaining vendor registration for liquor permit holders and safekeeping information and data purification.

When time permits, Taxpayer Services assists several other divisions with their workload to avoid backlog, which in turn decreases the need for taxpayers to contact the department.

Problem Resolution Officer

The problem resolution officer is a special resource for taxpayers. This individual serves as a liaison between the Ohio Department of Taxation and taxpayers when the normal lines of communication break down. Revised Code section 5703.52 states that the officer or additional persons designated for the office is to "receive and review inquiries and complaints concerning matters that have been pending before the department for an unreasonable length of time or matters to which a taxpayer has been unable to obtain a satisfactory response after several attempts to communicate with the employee of the department assigned to the taxpayer's case or the employee's immediate supervisor."

The problem resolution officer works with the appropriate employees and the taxpayer to determine the precise circumstances of his or her issue and to arrive at the appropriate resolution. Education and explanation regarding the applicable laws and rules is a key part of this process. Most tax situations can be reviewed by the problem resolution officer, except for appeals of final determinations of the Tax Commissioner or cases certified to the Ohio Attorney General for collection. The officer is available to assist taxpayers by mail, telephone or through e-mail received through the department's Web site.

Compliance Services

While most people voluntarily comply with Ohio's tax laws, there are exceptions. For these exceptions – and to fairly ensure that compliance is applied equally to all taxpayers – the department bills for unpaid taxes and operates a system of appeals that can either reduce liability or lead to collection for unpaid tax debts.

Compliance Division

The Compliance Division handles billing, assessment and certification for collection as part of the major compliance programs run by the Department of Taxation.

Examples of compliance programs run by this division include the mailing of delinquency notices when taxpayers fail to submit a return and the mailing of billing notices to taxpayers who fail to pay an amount that appears to be due. The Compliance Division runs these and other compliance programs for a range of taxes, including individual income, school district income, employer withholding, school district employer withholding, corporation franchise, sales and use, and pass-through entity taxes.

The division generates bills for actual or potential tax liabilities arising from an audit or from an apparent taxpayer mistake. Such mistakes include the failure to file a return,

compute taxes correctly, pay the amount owed, report federal adjusted gross income consistently, or report all income.

When taxpayers do not respond to a billing notice, the Compliance Division then issues an assessment. Assessments are the Tax Commissioner's final notice to a taxpayer of a tax deficiency or delinquency. An assessment informs a taxpayer of his or her legal rights if the assessment remains outstanding, and that the debt will be certified to the Ohio Attorney General's office for collection if an appeal is not filed in a timely fashion.

The Compliance Division also certifies debts for collection by the Ohio Attorney General and serves as the department's liaison to the Ohio Attorney General's office on issues concerning collection of deficient or delinquent taxes.

In fiscal year 2012, the Compliance Division certified 179,177 personal income tax and 70,343 school district income tax assessments to the Ohio Attorney General's Office for total certified amounts of \$301,288,931 and \$23,983,641, respectively.

The Compliance Division is also responsible for responding to all taxpayer billing, assessment and certification correspondence and reviewing appeals of assessments that did not begin with an audit. This enables taxpayers to resolve certain issues in an informal manner that supports the department's focus on timely, quality customer service.

Office of Chief Counsel

The Office of Chief Counsel is responsible for the tax legal affairs of the Department of Taxation. It is divided into four areas, described below:

Tax Appeals Division

The Tax Appeals Division conducts most of the administrative appeal hearings within the department and issues the Tax Commissioner's final determination in these tax matters, which serves as the department's final assessment of the taxpayer. The Tax Appeals Division had 17 hearing officers and supervisors and three support staff as of June 30, 2012, an increase of one hearing officer from fiscal year 2011. In fiscal year 2012, the division had an opening balance of 6,989 cases and received an additional 3,822 during the fiscal year. A total of 7,662 final determinations were finalized, for an end-of-year balance of 3,197 cases on hand. The outstanding inventory of cases has improved from fiscal year 2011, when Tax Appeals started the year with 16,233 cases, received 10,099 more during the year, finalized 9,343 final determinations, and ended with a balance of 16,989 cases.

Appeals Management Division

The Appeals Management Division serves as a liaison with the Attorney General's office for all litigation that involves the department except personnel actions. Much of the work of the division involves the mediation of appeals at the Board of Tax Appeals and the Ohio Supreme Court. This division also includes a Resolution Unit that works with the Offers in Compromise program and settlements concerning assessments certified for collection to the Attorney General's office. The Appeals Management Division had 10 employees as of June 30, 2012.

Case information is tracked on a fiscal year basis. As of June 30, 2012, Appeals Management had 1,292 cases on

appeal at the Board of Tax Appeals; two in the state appeals court system and six at the Ohio Supreme Court. This was an increase in cases from fiscal year 2011, when the division had 904 cases on appeal at the Board of Tax Appeals, nine in the state appeals court system, 17 at the Ohio Supreme Court and one at the United States Supreme Court.

Bankruptcy Division

The Bankruptcy Division is charged with pursuing delinquent taxes from both individual and corporate taxpayers who have filed for bankruptcy. The division receives notices of filings each month from bankruptcy courts both in and outside of Ohio that must be researched for outstanding tax debts. When taxes are owed, the division must file a proof of claim in the appropriate bankruptcy court prior to the bar date. Collection of tax debts from these proofs may take months or years, as courts can place delinquent taxpayers on a payment plan. After a bankruptcy case is closed or discharged, the division must determine whether taxes still remain due or are effectively discharged by the bankruptcy process. The Bankruptcy Division works closely with the Ohio Attorney General’s Office to assist with collection processes and to answer informal and formal objections concerning both tax and bankruptcy related issues. The Bankruptcy Division had 11 employees as of June 30, 2012.

In fiscal year 2012, the division received 13,024 notices of bankruptcies filed. It processed a total of 4,610 proofs of claim, which amounted to \$136,124,156. By comparison, during fiscal year 2011, 13,398 notices of bankruptcy were received and 4,032 proofs of claim were processed amounting to \$101,006,356.

Legal Counsels

The Office of Chief Counsel also has legal counsels assigned to other department divisions, where they are responsible for drafting and reviewing legislation, rules, and information releases. The counsels also draft formal and informal tax opinions.

Audit Division

The Audit Division conducts audits relating to most of Ohio’s major business taxes, which includes sales and use tax, commercial activity tax, corporation franchise tax, pass-through entity tax, employer withholding tax, and tangible personal property tax. During the fiscal year ending June 30, 2012, the Audit Division completed the following number of audits for each of these tax types:

Tax Type	Total Audits
Sales and Use	1,400
Personal Property	8
Corporation Franchise	477
Pass-Through Entity	668
Employer Withholding	238
Commercial Activity	227
Total	3,018

Enforcement Division

The Department of Taxation’s Enforcement Division is comprised of 25 sworn police officers who enforce the criminal provisions of Ohio tax laws. The Enforcement Division was created in 1971, primarily to combat cigarette smuggling and organized crime. Since that time, the division has grown

in size and responsibility. The Enforcement Division now enforces most of the taxes administered by the department, including the cigarette tax, other tobacco products tax, motor fuel tax, income tax, employer withholding taxes and the sales and use tax.

In 2002, 2005, 2008 and again in 2011, the Enforcement Division achieved accreditation from the Commission on Accreditation for Law Enforcement Agencies. In 2011, the division attained Advanced Accreditation status and was highlighted as among the top third of accredited agencies in the United States. The Enforcement Division is the only revenue type division in the world to achieve this distinction. The accreditation means the division has met stringent guidelines related to policies and procedures governing the operation of a law enforcement agency. The Enforcement Division through its activities also generates revenue for state services. During calendar year 2011, Enforcement’s efforts brought in approximately \$7 million. For calendar year 2012, Enforcement efforts are on track to bring in approximately \$9 million in revenue.

Tax Discovery Division

Most of the department’s compliance efforts concern the amount of tax that should be paid by individuals and entities that are already well known to the department. In contrast, tax discovery can be thought of as the effort to identify legally-owed tax belonging to individuals and entities that may not be known to the department, at least in the context of a particular tax.

The Tax Discovery Division is charged with creating new tax programs, based on existing tax laws, in order to generate revenue for the state of Ohio. It runs programs within the unit, measures the success of the program, and then either refers the program to the affected operating division or keeps and maintains the program within the Discovery division. In addition, Discovery, which was formed in 2005, can be charged with administering special programs as requested by the Tax Commissioner’s office.

Through the identification of additional tax liability by Tax Discovery, the department’s cash collections were \$34.4 million in FY 2012; primarily in the individual income, pass-through entity, trust, employer withholding, and sales and use tax areas.

Tax Administration Services

Other divisions are less visible to taxpayers, but still vital to the administration of state taxes in Ohio.

A number of these divisions oversee one or several specific taxes. This oversight includes developing rules and procedures for one or more taxes, prescribing forms, processing returns that have been suspended for some reason and interpreting law and policy to resolve taxpayer issues.

These divisions are:

- Business Tax, which is responsible for the corporation franchise tax, the pass-through entity and trust withholding tax, and the municipal income tax for electric light companies and telephone companies.
- Commercial Activity Tax.
- Estate Tax.
- Excise, Motor Fuel and Public Utilities Tax. This division oversees the taxes on alcoholic beverages, cigarettes

and other tobacco products, horse racing, kilowatt-hour, motor fuel, natural gas distribution and severance. Because of the specialized nature of these taxes, the division processes returns, handles taxpayer calls, issues variances and assessments, and conducts audits on its own. This division also oversees the public utility property and public utility excise taxes as well as some responsibilities associated with the personal property tax.

- Individual Income and School District Income Tax.
- Sales and Use, which monitors sales and use tax compliance by out-of-state businesses and handles tax matters pertaining to liquor permits.
- Tax Equalization, which is responsible for overseeing the appraisal of real property for tax purposes by Ohio's county auditors.

The efforts of these divisions are chronicled, to some extent, in the "Taxes Administered" section of this book.

Other divisions are responsible for one or more aspects of taxation that apply to many of Ohio's specific taxes. They are described below.

Tax Processing and Data Capture

Tax Processing and Data Capture is the central processing unit for the majority of the business and individual tax returns filed with the Department of Taxation. The primary function of Tax Processing and Data Capture is to facilitate voluntary compliance. This is accomplished through:

- receiving and recording tax returns, documents and remittances;
- storing and retrieving tax documents; and
- depositing taxpayer payments to the bank so that funds are available for distribution to state and local governments.

As part of this mission, Tax Processing and Data Capture has overseen the growing number of ways taxpayers may submit tax returns electronically rather than on paper. For the 2012 calendar year through Nov. 2, 2012, income tax returns transmitted electronically accounted for 4,374,047 of the 5,356,671 total reports or approximately 82% of all income tax reports received. The electronic methods included:

- TeleFile, the ability to submit a return by touchtone telephone. TeleFile was the department's first electronic filing method when it was first offered for the 1997 taxable year. This filing method accounted for 35,231 returns.
- The Internal Revenue Service's e-file program, which became available through tax practitioners and software packages starting in 1999. This filing method included 3,808,510 returns.
- Ohio I-File, a Web-based solution introduced in 2003 for the 2002 filing year. I-File asks taxpayers a series of questions, and then compiles a state or school district income tax return based on those answers. The Ohio I-File system recorded 530,306 returns for income tax.
- Ohio eForms was discontinued in calendar year 2012 because of program cost and low use by the public.

School District returns received during calendar year 2012 through Nov. 2, 2012 totaled 766,062 reports. Electronic transmissions accounted for 614,657 or approximately 80% of all

reports.

Electronic filing not only allows taxpayers to get their refund faster through direct deposit, but it also substantially reduces both the taxpayer and processing errors generally found on paper-filed returns. The ease and efficiency associated with electronically filed returns – versus the labor-intensive manual process associated with returns filed on paper – is believed to save the citizens of Ohio millions of dollars in processing costs annually.

The Personal Income and School District Income Tax Division annually conducts extensive testing with more than 30 software vendors for both the electronic products and both 1D and 2D barcoding on paper returns. The Ohio I-File and TeleFile systems are updated and tested annually to assure maximum accuracy and optimum taxpayer experience.

Tax Processing and Data Capture processed approximately 5.6 million paper documents in fiscal year 2012. Listed below is volume by tax type:

Tax Type	Volume
CAT	133,000
Corporation Franchise	18,000
Employer Withholding	
/EWSD	1,490,000
Personal & School District	
Income Tax	3,485,000
PTE	150,000
Sales	256,000
Tax Equalization	61,000
Total Documents Processed	5,593,000

Additionally, Tax Processing and Data Capture receives business tax returns that are filed through the Ohio Business Gateway (OBG), which provides businesses a single portal for filing certain business taxes. In calendar year 2012, ODT received approximately 1.8 million returns filed through the OBG (see chart below).

Electronic Returns Processed that were Filed Through the Ohio Business Gateway

CAT	265,175
Employer Withholding	430,975
Employer Withholding SD	151,101
Sales	908,322

From businesses, the department also received 60,363 sales tax returns that were filed electronically through eForms and another 97,958 sales tax returns that were filed through TeleFile in calendar year 2012.

Forms Printing Unit

First founded in 1998 as the Forms and Noticing Division with three full-time employees, the objective of the division was to centralize the production and ordering of hundreds of forms utilized by tax practitioners and taxpayers, to bring consistency to the layout and editing of tax forms and instructions, and to develop scanning guidelines for third-party software vendors and payroll processing companies.

In 2012, the now four-member section was renamed the Forms Printing Unit and moved under Personal/School District Income Tax Division. Over 14 years, the unit has:

- created scannable forms for the IT 1040, IT 1040EZ and SD 100 and promoted 2D barcoding, which allow the forms to be quickly and accurately scanned as opposed to being processed by hand;
- developed fill-in versions of many forms, which allow taxpayers to fill out tax forms using their computer;
- reduced the department's printed materials by more than 70%;
- in 2011, consolidated our income tax, school district and TeleFile booklets into one income tax publication;
- streamlined the forms portion of the agency's Web site to allow taxpayers to more easily look up tax forms and instructions.

The unit is currently responsible for composing forms/instructions, distributing forms and maintaining an inventory. The distribution of forms includes both individual (taxpayers and tax practitioners) and bulk fulfillments. The bulk fulfillments include:

- other divisions/sections within the department (i.e., Taxpayer Services and Communications)
- libraries
- post offices
- banks
- senior centers
- Volunteer Income Tax Assistance
- American Association of Retired Persons
- Internal Revenue Service
- other governmental agencies and tax practitioners.

The unit works directly with the business/technical divisions to determine the content of forms and instructions, though it has latitude to edit for readability, consistency and grammatical errors. The unit generally works on an individual basis with divisions to update and edit their forms and instructions on an as-needed basis. However, with regards to the IT 1040, IT 1040EZ, TeleFile and school district income tax forms, a yearly review committee is formed that represents several sections within the agency.

In addition, the unit also acts as a forms liaison with third-party software vendors and payroll processing companies. The unit receives re-creations of our tax forms from vendors and then reviews them for accuracy. If vendors submit payment coupons, those are sent to data entry to be tested on the scanner. In recent years, the unit has revised forms and promoted 2D barcoding to be scanned and imaged by a full-page scanner for more efficient data capture.

The unit ultimately is responsible for making sure that the most up-to-date forms and instructions are available on the department's Web site. The forms section is one of the most visited sections of the agency's Web site: <http://tax.ohio.gov/forms/index.stm>

Revenue Accounting

The Revenue Accounting Division ensures that tax dollars are properly deposited and distributed in accordance with the law.

One of the primary duties of Revenue Accounting is the distribution of tax revenue. In fiscal year 2012, Revenue Accounting distributed more than \$4.6 billion, including:

- revenue into the Local Government Fund and the Public Library Fund;
- revenue from locally-enacted taxes, including county sales and use taxes, school district income taxes, resort area taxes, municipal income tax receipts from electric light companies and telephone companies, and Cuyahoga County beer, wine, cigarette and liquor taxes;
- revenue shared from specific state taxes including the motor fuel tax, dealers in intangibles tax (ended January 2012) and the horse racing tax;
- property and manufactured home tax relief efforts from the 10 percent rollback, the 2.5 percent rollback and the homestead exemption;
- property tax replacement fund distributions, including those associated with the kilowatt-hour tax, the natural gas distribution tax and the commercial activity tax;
- revenue from income tax check-off programs, including the political party check-off and the following refund donation check-offs: Non-game and Endangered Wildlife, Natural Areas and Preserves, Injured Military, and Historical Society.

In addition, Revenue Accounting records most of the revenue receipts and refund deposits for the department for the individual income tax, employer withholding tax, sales and use tax, corporation franchise tax, school district income tax, motor fuel and use tax, the International Fuel Tax Agreement, the commercial activity tax and the municipal income tax for electric light companies and telephone companies.

The division also handles the accounting and reversals for all tax payment errors. This includes checks, electronic funds transfers (EFTs), payments made through the Ohio Business Gateway (OBG), and Treasurer of State debits and credits.

Revenue Accounting reconciles EFT payments, OBG payments, and credit.

Revenue Accounting has the additional responsibility of assisting the Office of Budget and Management with the state Comprehensive Annual Financial Report.

Tax Analysis Division

The Tax Analysis Division serves as the research arm of the Ohio Department of Taxation, providing packaged data, quantitative analysis, revenue forecasts, and policy analysis to internal and external customers. The customers for Tax Analysis products include the Governor's office, members of the General Assembly, other divisions of the department, and all levels of local government.

Each session of the Ohio General Assembly, the division provides revenue estimates for scores of bills that have proposed tax law changes and many proposals that never reach bill form. This activity is augmented by analyses of federal legislation that may impact Ohio state or local government finances.

Tax Analysis assists the Office of Budget and Management (OBM) in forecasting tax revenues, tracking revenue on a monthly basis and assisting OBM with any updates of its forecasts. Tax Analysis also provides estimates of the Governor's

tax proposals in the executive budget and the Tax Expenditure Report, traditionally “Book Two” of the executive budget.

Tax Analysis produces the tax data series that appears on the department’s Web site – a data series that puts Ohio in the forefront when it comes to scope and quality. The division produces similar data for other publications, including *Property Taxation and School Funding*, an educational aid for decision makers. The division also assembles the statistics, tables, graphs, and interstate comparison data for departmental publications such as *Ohio’s Taxes: A Brief Summary of Major State and Local Taxes in Ohio* and this annual report.

The division provides a number of services to local governments, including dozens of estimates of school district income tax revenues each year and, in conjunction with the Revenue Accounting Division, estimates of the distributions to the three local government funds. The division also provides informal consulting to school districts and other local governments on property tax questions and permissive sales tax questions. Tax Analysis staffers frequently make presentations to county auditors, school officials, and other local governments, discussing such topics as property tax law, school district income taxes, state revenue sharing, tax reform, and the impact of utility property tax law changes.

Support Services

Other divisions of the Department of Taxation serve in more of a support role.

Budget and Fiscal Division

The Budget and Fiscal Division performs internal financial operations and facilities management functions that help the department run its day-to-day operations. The division prepares and monitors the department’s operating budget with primary responsibilities that include centralized purchasing, invoice payment, travel expense reimbursement, telecommunication management, asset management and financial reporting. The division also administers the department’s payment cards, petty cash funds and contracts.

Communications Office

The Communications Office supports the department’s mission of helping taxpayers understand their responsibilities through the timely delivery of information to external and internal audiences. The office is the first point of contact for news media with questions about the department or requests for interviews. The office also:

- issues news releases and coordinates other events with state and local media to highlight significant events and policy changes at the department.
- manages the department’s Web site, tax.Ohio.gov, with support from Information Services and liaisons throughout the agency.
- oversees several periodic publications, including this annual report, the quarterly *Ohio State Tax Report* and certain brochures.
- manages content on the department’s internal Web site and develops other informational resources for department employees, including a monthly employee newsletter.

Office of Agency Performance

The Office of Agency Performance consists of the following areas:

Human Resources Division

The mission of the Human Resources Division is to develop and maintain the effective workforce needed to complete the department’s mission.

Human Resources places a primary concern on helping leaders within the department build competent, effective and efficient work teams and units. The goal is accomplished by Human Resources’ development of plans, policies, implementation strategies, and evaluative and strategic reviews.

The division also creates, implements, and assesses a wide range of human resource actions in the areas of recruitment, employment, compensation, labor and employee relations, performance management, employee development, and executive resources.

Organizational Development

Organizational Development coordinates and provides practical and applied professional skills and career development opportunities for all Taxation employees. The division works within the department’s tax and administrative divisions to assess their ongoing organizational and staff development needs and then presents or assists with the development and delivery of appropriate and timely training.

Organizational Development coordinates, facilitates and participates in both process improvement initiatives and Kaizen events in-house and for other agencies. Results from these events have substantially saved taxpayer dollars. The division also coordinates the department’s involvement in the statewide Public Practice Continuing Legal Education Coalition, including presenting a minimum of two Public Practice CLE seminars per year. Organizational Development also coordinates special projects, conferences, department-wide health and wellness initiatives, corporate citizenship programs and employee recognition programs.

Internal Audit

The mission of the department’s Internal Audit Division is to independently examine and evaluate the ongoing control processes of the department and to provide counsel and recommendations for improvements whenever needed. The division also investigates areas with a high potential for risk and offers suggestions and recommendations to minimize the department’s exposure. The Internal Audit Division reports to the Executive Administrator of the Office of Agency Performance and has open access to discuss matters directly with the Tax Commissioner’s deputies. The Internal Audit Division is free of all operational and management responsibilities that might impair an ability to make independent reviews of all aspects of the department’s operations. Additionally, the division has been authorized to have free and unrestricted access to all departmental records, functions, property, and personnel in order to investigate and/or maintain sound internal controls. The division serves as the contact and liaison for representatives from the Auditor of State and Office of Budget and Management’s Internal Audit offices.

Facilities Management

This section is responsible for managing, equipping and maintaining the department’s office facilities, including safety

and security. This section also administers mail operations, disposal of all fixed assets, central supply services and vehicle fleet program.

Information Services Division

The Information Services Division supports the department's business program areas through the development and support of computer information systems. This division provides a secure, flexible and appropriately-scaled architecture for the exchange of information with internal and external customers.

During fiscal year 2012, Information Services worked on various legislated initiatives, including general amnesty, use tax amnesty, and casino tax. The division also provided enhanced taxpayer self services using Taxation's web site, continued to convert various tax forms to allow for electronic scanning enabling quicker forms processing, and enhanced its discovery infrastructure in order to identify non-filers and under reporters.

Additionally, we continued our focus on the security of our internal and externally facing systems and applications, upgraded various hardware and software, and concentrated on keeping our infrastructure available and reliable. All measured systems were available at least 98% of the time, and most were available more than 99% during fiscal year 2012.

Legislation Division

The Legislation Division is the legislative coordinating unit for the Department of Taxation. It monitors all tax-related legislation as it progresses through the General Assembly. The division serves as the primary resource to members of the General Assembly, providing three main services:

- analyzing and reviewing proposed legislation;
- assisting with constituent inquiries or problems; and
- providing briefings or background information concerning tax issues.

The division's staff attends legislative committee hearings and prepares and presents testimony on tax policy issues. The division also provides information to the general public, state agencies, and elected officials about tax policy and the department's policies and procedures.

Ohio Department of Taxation's Partners

The Ohio Department of Taxation accomplishes many of its goals through collaborative partnerships with other governmental agencies.

The **Internal Revenue Service** provides data from federal returns which is used to check the accuracy of Ohio income tax returns. For example, the adjusted gross income reported by taxpayers on their federal returns is routinely compared with the adjusted gross income as reported on the Ohio returns. Discrepancies are researched by the department and taxpayers are contacted, if necessary, to verify their correct income.

Two sections of the Office of the **Ohio Attorney General** play key roles in the administration of Ohio taxes. The Taxation Section litigates cases for the Tax Commissioner at the

Ohio Board of Tax Appeals and the Ohio Supreme Court, as well as at other state and federal courts. The Collections Enforcement Section performs collection activities on delinquent tax accounts.

The state **Office of Budget and Management (OBM)** receives all revenue collected by the department. Income tax and other refund checks, as well as electronic deposits to taxpayers' accounts, are generated by OBM based on data provided by the Department of Taxation.

The **Ohio Department of Development** certifies to the Department of Taxation certain credits available to Ohio taxpayers, such as the job creation tax credit, the job retention tax credit, the research and development investment tax credit, the technology investment tax credit, and the Ohio historic preservation tax credit.

The Department of Taxation also withholds income tax refunds from parents who are delinquent in their child support. Those amounts are forwarded to the **Ohio Department of Job and Family Services** which, in turn, disburses the money to the county child support enforcement agencies.

The Department of Taxation and the **Ohio Department of Commerce** share information on businesses with liquor permits according to procedures spelled out in the Ohio Revised Code. The agencies work to ensure that holders of liquor permits remain current in their sales tax and employer withholding tax filings and payments.

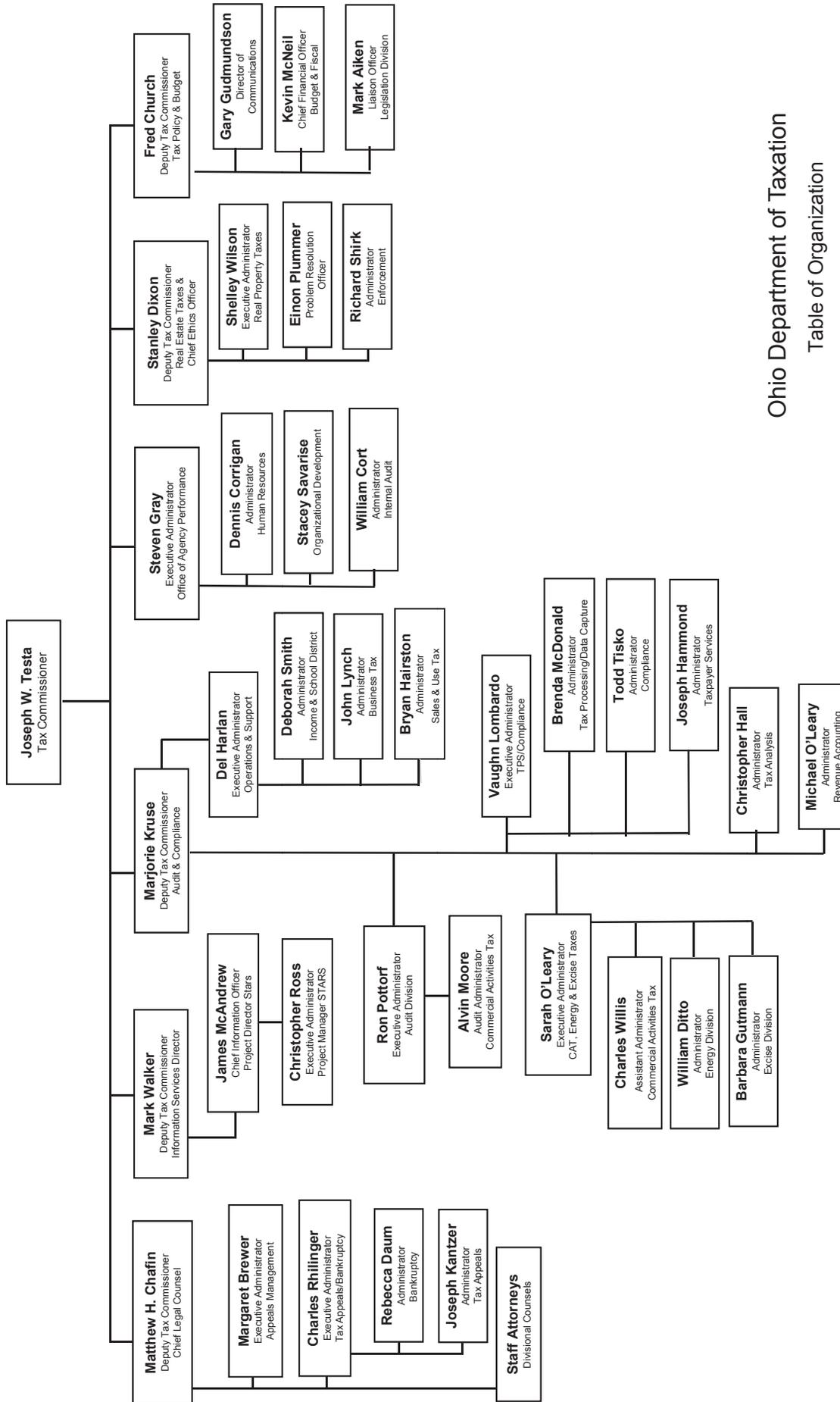
Administrative Tables

The tables that follow illustrate various aspects of the Department of Taxation's structure and mission, including its organization, expenditures and staffing. The tables also document the growth of electronic filing and the number of assessments recorded through the department's compliance programs. A final table provides totals of cash collected through these compliance programs in the most current fiscal year.



Ohio's Tax Commissioners, 1939 to present

Tax Commissioner	Began service	Ended service	Appointed by
William S. Evatt	June 3, 1939	Dec. 31, 1944	John W. Bricker
C. Emory Glander	Jan. 1, 1945	Jan. 31, 1951	Frank J. Lausche
John W. Peck	Feb. 1, 1951	Jan. 31, 1954	Frank J. Lausche
Stanley J. Bowers	Feb. 1, 1954	April 14, 1963	Frank J. Lausche
Louis J. Schneider	April 15, 1963	Dec. 29, 1964	James A. Rhodes
Gerald A. Donahue	Jan. 4, 1965	March 12, 1966	James A. Rhodes
Gail W. Porterfield	March 13, 1966	Jan. 10, 1971	James A. Rhodes
Robert J. Kosydar	Jan. 11, 1971	Jan. 12, 1975	John J. Gilligan
Gerald S. Collins	Jan. 13, 1975	Sept. 10, 1975	James A. Rhodes
Edgar L. Lindley	Sept. 11, 1975	Jan. 9, 1983	James A. Rhodes
Joanne Limbach	Jan. 10, 1983	Jan. 13, 1991	Richard F. Celeste
Roger W. Tracy	Jan. 14, 1991	Jan. 11, 1999	George V. Voinovich
James J. Lawrence	Jan. 11, 1999	June 30, 1999	Bob Taft
Thomas M. Zaino	July 1, 1999	Oct. 31, 2003	Bob Taft
J. Patrick McAndrew	Nov. 1, 2003	Jan. 11, 2004	Bob Taft
William W. Wilkins	Jan. 12, 2004	Jan. 7, 2007	Bob Taft
Richard A. Levin	Jan. 8, 2007	Jan. 9, 2011	Ted Strickland
Joseph W. Testa	Jan. 10, 2011		John R. Kasich



Ohio Department of Taxation
Table of Organization
July 2012

Table 1

Ohio Department of Taxation Staff Structure & Number of Employees: Fiscal Year 2012			
Unit of Organization	Number of Employees June 30, 2012	Unit of Organization	Number of Employees June 30, 2012
Administrative Divisions		Taxpayer Services Divisions	
Tax Commissioner	10	Taxpayer Services	106
Human Resources	14	Compliance	101
Tax Analysis	7	Tax Processing & Data Capture	79
Organizational Development	9		
Legislation	3		
Communications	3		
Business Program Management	4		
		Divisions Total	286
Total	50	Commercial Activity, Energy & Excise Tax Divisions	
Audit		Administration/Support	2
Administration/Support	19	Commercial Activity Tax	35
South Central Region	73	Excise Tax	9
Northwest Region	95	Energy Tax	21
Northeast Region	89		
New York	7	Divisions Total	67
Chicago	8	Personal Income & School District, Business & Sales & Use Tax Divisions	
Los Angeles	16	Administration/Support	8
		Forms/Printing	5
Total	307	Personal Income & School District Tax	64
Budget & Fiscal		Business Tax	74
	22	Sales & Use Tax	50
Chief Counsel			
	50	Divisions Total	201
Enforcement		Total Permanent Employees	
	27		1,178
Facilities Management			
	21		
Information Services			
	125		
Internal Audit			
	2		
Tax Equalization			
	20		

Chart 1

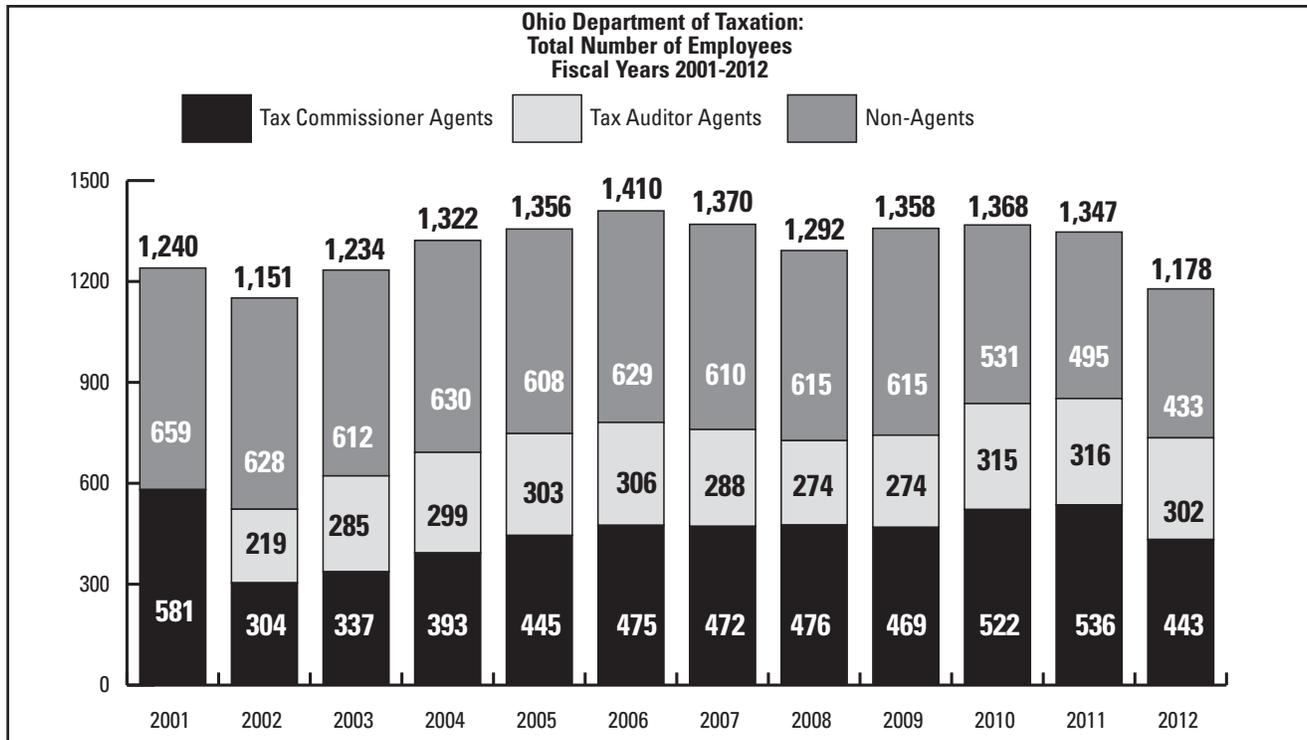


Table 2

**Expenditures of the Ohio Department of Taxation By Division:
Fiscal Year 2012**

Division	Personal Service	Maintenance	Equipment	Total
Administration	\$8,628,850	\$1,964,571	\$65,316	\$10,658,737
Audit	25,524,436	5,880,507	350,916	31,755,859
Business	5,286,612	1,217,968	72,682	6,577,262
Chief Counsel	4,548,129	1,047,831	62,529	5,658,489
Commercial Activity Tax	2,530,153	582,915	34,785	3,147,853
Compliance	5,180,105	1,193,431	71,217	6,444,753
Enforcement	2,440,864	562,344	33,558	3,036,765
Estate	428,589	98,741	5,892	533,222
Excise, Motor Fuel & Pub Util	2,916,748	671,982	40,100	3,628,830
ISD	19,190,242	3,280,448	195,759	22,666,448
Personal Income & Schl Dist	5,691,711	1,311,298	78,251	7,081,261
Processing	5,417,383	1,248,097	74,479	6,739,959
Sales	3,435,609	791,521	47,234	4,274,363
Tax Discovery	2,112,975	486,803	29,050	2,628,827
Tax Equalization	1,714,488	394,996	23,571	2,133,056
Taxpayer Services	6,598,131	1,520,126	90,713	8,208,970
	\$101,645,025	\$22,253,579.51	\$1,276,051	\$125,174,655

Table 3

Ohio Individual Income & School District Income Tax Return Filing: Tax Years 2002 - 2011										
State Returns	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Form IT 1040 (Paper)	2,430,889	2,259,825	2,118,800	1,742,348	1,523,984	1,602,623	1,397,111	1,062,006	832,387	752,607
Form IT 1040 EZ (Paper)	663,406	593,326	491,338	678,362	683,055	520,271	462,551	393,760	307,791	241,881
Total Paper	3,094,295	2,853,151	2,610,138	2,420,710	2,207,039	2,122,894	1,859,662	1,455,766	1,140,178	1,000,647
IRS e-file program	1,616,387	1,837,659	2,069,667	2,348,393	2,575,570	2,838,958	2,953,002	3,224,756	3,565,641	3,809,172
Telefile	534,787	435,883	375,944	292,217	227,173	142,087	98,220	67,499	48,710	35,262
I-File	118,444	213,815	303,896	346,302	405,071	413,833	494,013	489,254	504,783	533,425
eForm IT 1040						20,601	21,350	16,630	20,258	n/a
eForm IT 1040 EZ						24,078	20,787	14,183	21,554	n/a
Total Electronic	2,269,618	2,487,357	2,749,507	2,986,912	3,207,814	3,439,557	3,587,372	3,812,322	4,160,946	4,378,455
Total State Returns	5,363,913	5,340,508	5,359,645	5,407,622	5,414,853	5,562,451	5,447,034	5,268,088	5,301,124	5,379,102
Percentage filed on paper	57.7%	53.4%	48.7%	44.8%	40.8%	38.2%	34%	27.6%	21.5%	18.6%
Percentage filed electronically	42.3%	46.6%	51.3%	55.2%	59.2%	61.8%	66%	72.4%	78.5%	81.4%
School District Returns										
Form SD 100 (paper)	361,426	351,214	336,504	321,717	307,221	324,053	293,600	213,687	173,843	152,549
Total Paper	361,426	351,214	336,504	321,717	307,221	324,053	293,600	213,687	173,843	152,549
IRS w/SDIT	127,252	151,649	183,777	224,825	266,247	318,190	366,276	443,999	473,693	526,736
I-File			27,479	41,142	56,171	66,077	77,187	82,120	86,280	88,306
eForm SD100						5,023	4,937	4,323	4,924	n/a
Total Electronic	127,252	151,649	211,256	265,967	322,418	389,290	448,400	530,442	564,897	615,042
Total School Returns	488,678	502,863	547,760	587,684	629,639	713,343	742,000	744,129	738,740	767,725
Percentage filed on paper	74.0%	69.8%	61.4%	54.7%	48.8%	45.4%	39.5%	28.7%	23.5%	19.8%
Percentage filed electronically	26.0%	30.2%	38.6%	45.3%	51.2%	54.6%	60.5%	71.3%	76.5%	80.2%
All Returns										
Grand Total	5,852,591	5,843,371	5,907,405	5,995,306	6,044,492	6,275,794	6,189,034	6,012,217	6,039,864	6,146,827
Grand Total Paper	3,455,721	3,204,365	2,946,642	2,742,427	2,514,260	2,446,947	2,153,262	1,669,453	1,314,021	1,153,330
Grand Total Electronic	2,396,870	2,639,006	2,960,763	3,252,879	3,530,232	3,828,847	4,035,772	4,342,764	4,725,843	4,993,497
Percentage filed on paper	59%	55%	49.9%	45.7%	41.6%	39%	35%	27.8%	21.8%	18.9%
Percentage filed electronically	41%	45%	50.1%	54.3%	58.4%	61%	65%	72.2%	78.2%	80.1%

Chart 2

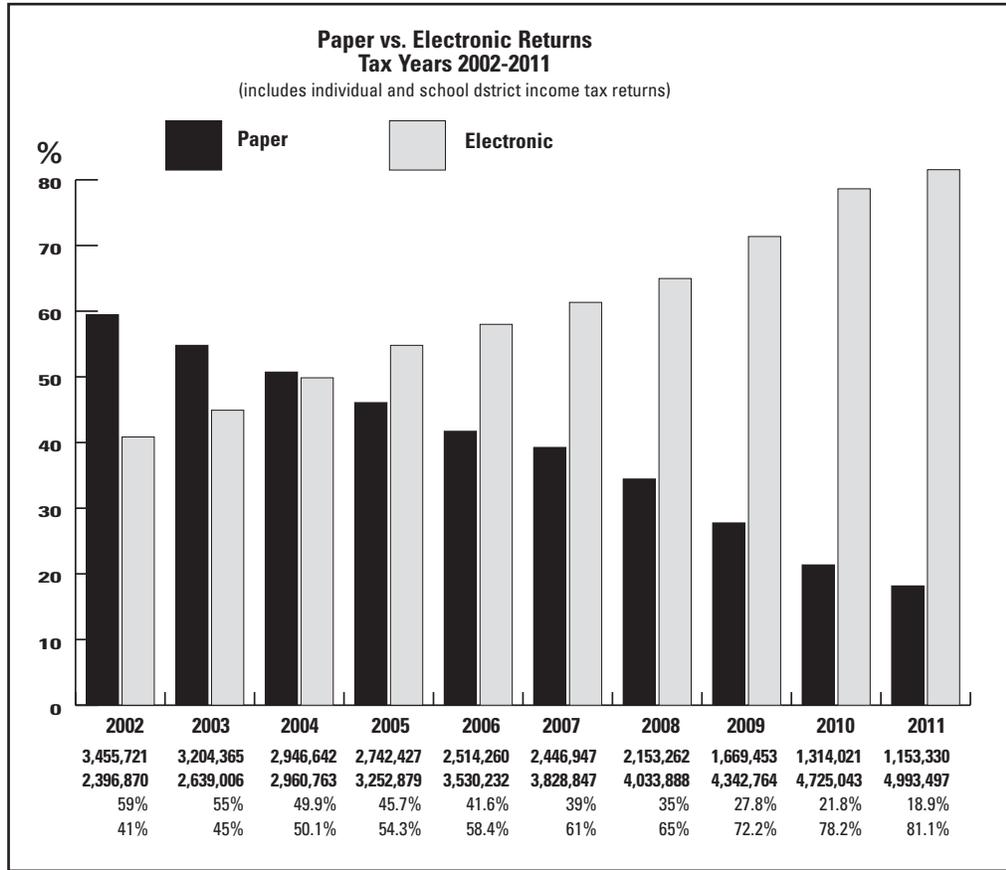


Table 4

**Sales and Excise Tax Assessments Levied, and Unpaid
Assessments Certified for Collection:
Fiscal Years 2011- 2012**

This table shows tax assessments levied against taxpayers for the fiscal years indicated, but not assessments collected. The number of assessments certified for collection in a fiscal year include assessments levied in a prior year, after taxpayers have exhausted all avenues of appeal.

Tax Category	Assessments Levied				Unpaid Assessments Certified for Collection	
	FY 2011		FY 2012		FY 2011	FY 2012
	Amount	Number	Amount	Number		
Sales & Use	\$598,404,195	168,280	\$620,032,924	175,121	\$389,054,278	\$368,636,274
Motor Vehicle Fuel ²	7,726,461	53	15,597,866	29	3,151,189	1,099,578
Cigarette	0	0	663,794	21	0	510
Other Tobacco Products	8,840,320	219	910,849	96	2,330,611	1,331,493
Alcoholic Beverage	181,715	80	69,453	83	43,231	36,083
Severance	120,630	61	0	0	0	0
Horse Racing	0	0	0	0	0	0
Replacement Tire Fee	0	0	0	0	0	0
IFTA	358,284	112	677,462	108	528,054	239,247
Kilowatt-Hour ¹	0	0	0	0	0	11,210
Master Settlement Agreement	68,050	79	80,440	52	92,167	121,743
Total	\$615,699,655	168,884	\$638,032,788	175,510	\$395,199,530	\$371,476,138

Table 5

Tax	Individual Income Tax and Corporation Franchise Tax Assessments Levied: Fiscal Years 2011 - 2012			
	Fiscal Year 2011		Fiscal Year 2012	
	Amount	Number	Amount	Number
Corporation Franchise	\$254,708,598	26,362	\$69,283,151	847
Individual Income	400,603,543	192,717	395,791,490	222,341
Total	\$655,312,141	219,079	\$465,074,641	223,188

¹ Date of assessment was June 19, 2009.

² \$10,251,243.05 of the amount issued, represents five (5) responsible party assessments

Table 6

Cash Collections from Ohio Department of Taxation Audit and Compliance Programs, FY 2012									
(figures in millions)									
Tax	Delinquent Programs	Automated Billing Programs	Assessment Collections	Audit Collections	Desk Exams	Discovery/Nexus	Discovery	Total	% of Total
Sales and Use	\$90.2	\$20.3	\$90.1	\$9.9	n/a	n/a	\$0	\$210.5	33.7%
Corporate Franchise	0	3.0	8.0	14.5	12.2	n/a	n/a	37.7	6.0%
Personal Income	0.7	61.0	112.6	n/a	n/a	n/a	32.7	207.0	33.1%
Employer Withholding	0.3	3.9	9.7	0.3	1.3	n/a	0.6	16.1	2.6%
Commercial Activity Tax	43.9	10.7	30.1	13.9	0	5.4	n/a	104.0	16.7%
Excise	0	0.7	0.2	0	0.2	n/a	n/a	1.1	0.2%
Pass-Through Entity	n/a	n/a	n/a	6.3	7.2	n/a	1.0	14.5	2.3%
School District Income Tax	0.3	3.8	21.5	n/a	n/a	n/a	0.1	25.7	4.1%
Energy	2.9	4.7	0.5	0.1	0.1	n/a	n/a	8.3	1.3%
Total	\$138.3	\$108.1	\$272.7	\$45.0	\$21.0	\$5.4	\$34.4	\$624.9	100%