

Business Tax Refunds and Overpayments



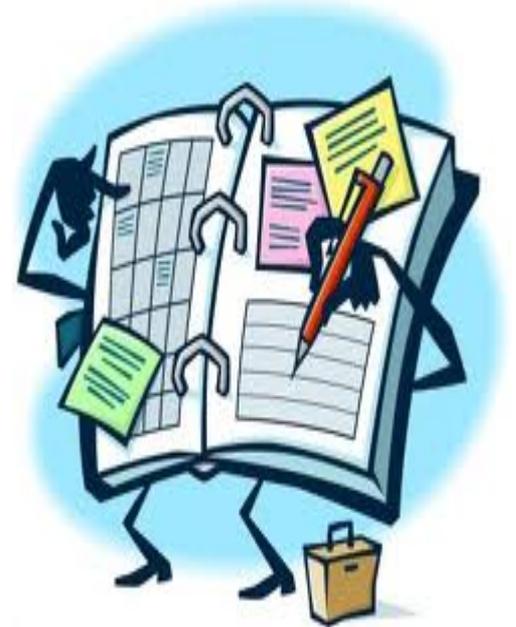
Commercial Activity (CAT) & Sales/Use Tax
Presented by Grant Weaver
Supervisor-Business Tax Division



Department of
Taxation

Agenda

- “The Buckeye Refund”
- Senate Bill 263
- Why do overpayments exist?
- How to file a refund claim
- Refund claim process
- Refund claim appeal process
- Tax Alerts
- Contact us





The Buckeye Refund

- Phrase coined in a “Wall Street Journal” article published on Jan.16, 2013.
- Tax Commissioner ordered the review of all tax computer systems to identify and fix inefficiencies in regards to tax overpayments.
- Ohio’s Governor, John Kasich, instructed the Department of Taxation to refund overpayments within the 4 year statute of limitations and to audit returns for businesses that may have overpaid their taxes.
- Refunds issued to date due to this project:
 - CAT: \$12,192,818
 - Sales/Use Tax: \$ 10,567,650
 - CFT: \$ 7,801,056
 - EWH: \$ 997,643
 - SDWH: \$ 43,922
 - Total: \$ 31,603,089

Senate Bill 263



- Genesis
 - The Department of Taxation approached the General Assembly and proposed legislation in regards to refunding tax overpayments.
 - Legislation was passed unanimously
 - Ohio is the first and only state that statutorily requires refunds of tax overpayments.

Senate Bill 263 - Cont'd

- Enacted on September 17, 2014 – R.C. 5703.77
- No later than 60 days before the expiration of statute, the taxpayer will be notified of any credit account balance.
- Credit balance can be applied as a credit against their liability for the tax or fee in the next reporting period or refunded.
- The refund will be offset by the amount of the taxpayer's tax debt certified to the Attorney General.

Senate Bill 263 - Cont'd

- Senate Bill 263's impact on the refund/overpayment process
 - Prior to SB 263
 - Required to file refund claim
 - No notification
 - If refund claim was not filed, overpayments went out of statute
 - After SB 263
 - Taxpayers must be notified of any overpayments
 - Refund will be issued after offsets are taken in consideration
 - Ohio Business Gateway (OBG)
 - If valid overpayment exists in the preceding tax period, upon filing the current tax period, OBG will display the credit amount and apply it to the current period's liability (CAT only).
 - Taxpayers with a valid sales/use tax credit balance will receive notification and may request that the credit be transferred to the current period. The amount will prepopulate as a credit on OBG.

Business Tax Overpayments

- Why do business tax overpayments exist?
 - Amended returns
 - Siting issues
 - Taxability issues
 - Tax miscalculations
 - Duplicate payments
 - Refundable tax credits (CAT)
 - Overpayment of the annual minimum tax (CAT)
 - Motor vehicle claims (sales/use tax only)
 - Accelerated payments (sales tax only)



How to File a Refund Claim



- CAT
 - Complete form CAT REF
 - Amended return overpayment letter may serve as substitute.
 - May be submitted via mail or uploaded via OBG.
- Sales/Use Tax
 - Complete form ST AR
 - Unrequested refund letter (URAT) may serve as substitute.
 - Must be submitted via mail.
- Statute:
 - Refund claim must be postmarked within four years from the date of the overpayment of the tax (R.C. 5739.07 (Sales) and 5751.08 (CAT))

How to File a Refund Claim – Cont'd

- Supporting Documentation
 - In order to expedite the processing of refund claims, please supply the following documentation (if applicable):
 - Invoices
 - Spreadsheet listing transactions (in electronic format if greater than 25 invoices)
 - Proof of payment
 - State by state sales breakdown
 - Contracts
 - Tax credit certificates and form CAT CS (CAT only)

How to File a Refund Claim – Cont'd

- **Common Sales Tax Refund Claim**
 - Taxability-exemption certificate received after return was filed. The following supporting documentation is needed:
 - Refund Application
 - Invoice(s)
 - Credit memo
 - Exemption certificate
- **Common Use Tax Refund Claim**
 - Taxability-paid use tax on an item that was exempt. The following supporting documentation is needed:
 - Refund Application
 - Invoice(s)
 - Use tax accruals
 - Reason as to why the items are being deemed exempt
- **Common Sales/Use Tax Refund Claim**
 - Customer direct refunds-customers can file a refund claim for taxes paid to a vendor in error.
 - Refund Application
 - Invoice(s) or receipts
 - Proof of Payment
 - Reason as to why the items are being deemed exempt

How to File a Refund Claim – Cont'd

- Common CAT Refund Claims
 - Amended return filed to exclude out of state sales reported on original return. The following supporting documentation is needed:
 - Refund Application
 - State by state breakdown of sales and/or breakdown of Ohio sales by customer/invoice (electronic file format is recommended).
 - Sample of invoices to demonstrate that a “ship to” destination is present.
 - Original/amended return filed to claim a tax credit. The following supporting documentation is needed:
 - Refundable Credits
 - Refund application
 - Form CAT CS (credit schedule)
 - A copy of the tax credit certificate issued by DSA (if applicable)
 - Non-Refundable Credits (amended return only)
 - Refund application
 - Copy of the tax credit certificate issued by DSA (if applicable)
 - A calculation of the tax credit (qualified research expense only)
 - » Copy of federal form 6765.
 - » Address where qualified research was conducted.

How to File a Refund Claim – Cont'd

- Common Mistakes and/or Misconceptions
 - Incomplete Refund Applications
 - No signature
 - No reason stated as to why a refund is being requested.
 - Lack of sufficient supporting documentation
 - No TBOR-1 on file for taxpayer representatives.
 - Statute
 - Four years from the date of overpayment (not based on due date of return).
 - The amendment of a return, resulting in an overpayment, does not preserve statute. A refund claim must be filed.

Refund Claim Review Process



- All claims received will be date stamped by the Business Tax Division and assigned to an agent.
- Agents will review the claim for its validity and, if needed, contact the taxpayer regarding insufficient supporting documentation via phone, email, and/or mail.
- On average, refund claims are processed 4-6 weeks upon receipt.
- Claims may be referred to the Audit Division due to various reasons:
 - Concurrent audit being conducted
 - Multiple taxability issues
 - Refund claim may require a plant tour

Refund Claim Review Process – Cont'd

- Refund claims shall be approved in full/part or denied.
 - Approved in full
 - Tax (plus interest)
 - Approved in part or denied in full
 - Tax (plus interest) on approved portion
 - Claimant is sent an “approved in part” or “denied in full” letter via mail. Taxpayer has 60 days from the date of mailing to respond with additional supporting documentation and/or request a hearing or the claim is final (R.C. 5703.70)
 - Any documentation received during the 60 day appeal period is sent to the Tax Appeals Division for review.
 - Offsets
 - Taxpayers do not have appeal rights for refunds that were fully approved, but subsequently offset.

Refund Claim Appeal Process



- All responses/documentation received in response to a refund approved in part or denial letter shall be transferred to the Tax Appeals Division.
 - Applicant will receive a letter indicating that the claim is being transferred.
- The claimant may request to schedule a hearing.
 - If a hearing is not requested, the refund will be allowed, allowed in part, or denied and a final determination (FD) will be issued based on any additional information submitted.
 - If a hearing is requested, the refund will be assigned to an attorney who will hold a hearing in due course, prior to the issuance of a FD.

Refund Claim Appeal Process – Cont'd

- Presenting your case at the hearing
 - Be prepared – arguments should be provided in writing
 - Provide specifics – not conclusions
 - Provide all additional documentation & evidence
 - Upon request, time will be allowed after the hearing to submit additional information.
- Final Determinations
 - Per R.C. 5703.70(C), a final determination shall be drafted per the outcome of the appeal process.
 - Per R.C. 5717.02, the taxpayer has 60 days to appeal the final determination. Upon expiration of the allotted timeframe, the matter will be concluded and the file closed.

Tax Alerts

- Please subscribe to the Ohio Department of Taxation's tax alerts to stay up to date on CAT and sales/use tax law.



<http://www.tax.ohio.gov/ohtaxalert.aspx>

Contact Us

- General Information for Sales & Use Tax
 - Phone: 1-888-405-4039
 - P.O. Box 530, Columbus, OH 43215
 - Or visit tax.ohio.gov
- General Information for CAT
 - Phone: 1-888-722-8829
 - P.O. Box 16158, Columbus, OH 43216
 - Or visit tax.ohio.gov



Personal and School District Income Tax Refunds and Overpayments

Teakilla Phillips

Tax Commissioner Agent Supervisor 2

Personal & School District Income Tax Division



Department of
Taxation

Why Overpayments Occur?

- Reported withholding
- Tax rate changes
- Duplicate payments/Estimated payments/Credit carry-forwards
- Reconciling to the Federal Return
- How to Claim a Refund



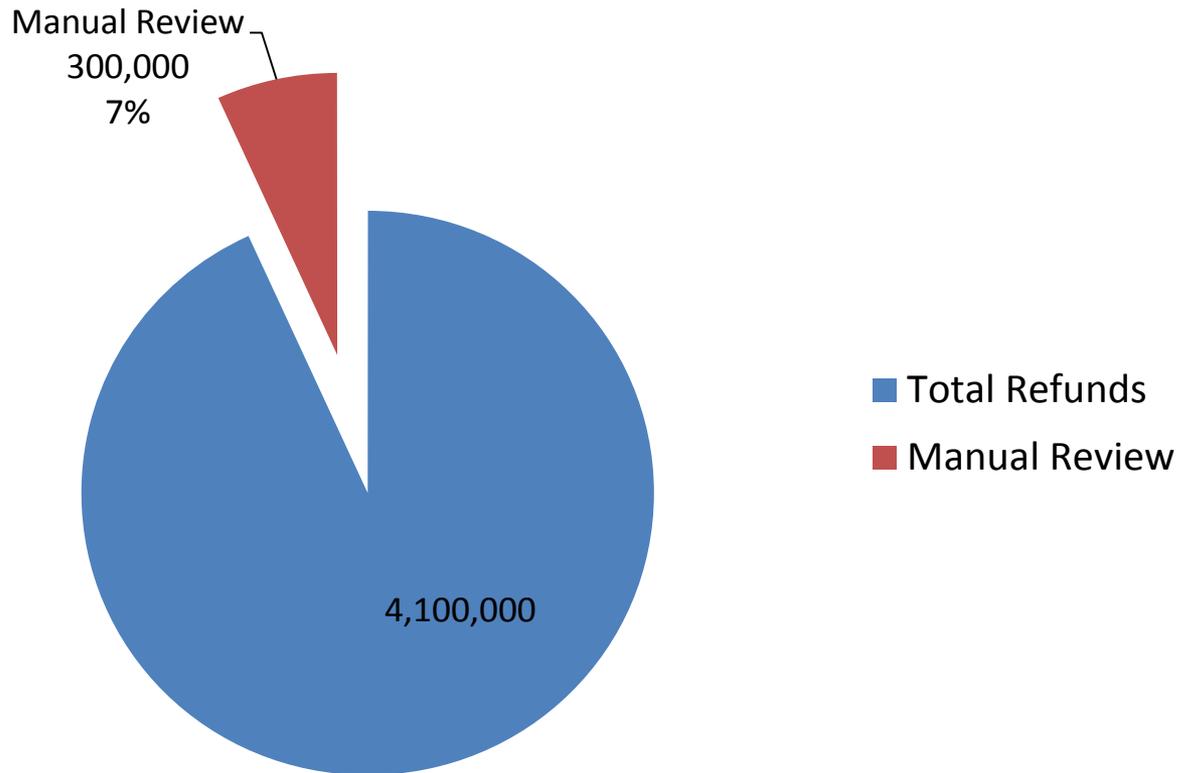
Potential Volumes

Taxable year beginning in

2014

IT 1040 Rev. 11/14

Individual
Income Tax Return



Too Much Withholding - PIT

- IT 4 – Employee's Withholding Exemption Certificate
 - Select option that results in too much withholding
 - Review IT 4 when life changes happen
 - Marriage/Divorce
 - Birth of children
 - Change in jobs

IT 4 (cont'd)



Department of
Taxation

Employee's Withholding Exemption Certificate

IT 4
Rev. 5/07

Print full name _____ Social Security number _____

Home address and ZIP code _____

Public school district of residence _____ School district no. _____

(See *The Finder* at tax.ohio.gov.)

1. Personal exemption for yourself, enter "1" if claimed _____

2. If married, personal exemption for your spouse if not separately claimed (enter "1" if claimed) _____

3. Exemptions for dependents _____

4. Add the exemptions that you have claimed above and enter total _____

5. Additional withholding per pay period under agreement with employer \$ _____

Under the penalties of perjury, I certify that the number of exemptions claimed on this certificate does not exceed the number to which I am entitled.

Signature _____ Date _____

- Teacher example

Too Much Withholding – School District

- Forgot to tell employer you moved
 - Results in too much W/H for one school district



- Employer withholds for wrong school district
 - Results in overpayment in wrong district; underpayment in correct district

The Finder



Department of Taxation

- Home
- File
- Forms
- Individual
- Business
- Professional
- Government
- Researcher
- Contact

Individual Business Professional Contact Us Helpful Resources



- [Online Services](#)
- [ID Confirmation Quiz](#)
- [Filing Season Central](#)
- [File Online: Income Taxes](#)
- [Pay On-Line](#)
- [Get a Form](#)
- [Check Refund Status](#)
- [School District Finder](#)
- [Military](#)
- [How Do I...](#)



Joseph W. Testa
Tax Commissioner

News



Commercial Activity Tax
- Filing Information

- Employers: New W-2 Filing Rule
- Sept. Ohio Virtual Tax Academy
- Withholding Rates Cut
- Average Wholesale Prices - PAT
- Commercial Activity Tax
- Online Registration Reset Needed
- Small Business Tax Cut



The Finder

Welcome to Ohio's Tax Finder

- [Municipal Tax](#)
- [School District Income Tax](#)
- [Sales and Use Tax](#)
- [Tax District Summary](#)

Ohio Tax Mobile App

Download the Ohio Department of Taxation Mobile App From the Apple App store or the Google Play Store.



Identity Theft Quiz

Please [click here](#) if you have been requested to confirm your identification



- FAQs
- Online Services
- Self Help eLibrary
- Information Releases
- Interest Calculator
- Tax Webinars
- Tax Alerts
- Ohio Taxes
- The Finder**
- Means Jobs

The Finder (continued)

Lookup By Address

The system has successfully matched the address you entered:

Input Address [\(Modify\)](#)

Address: 4485 Northland Ridge blvd
Suite, Apt, Lot:
City: columbus
State: Oh
Zip Code: 43229-

Found Address

Address: 4485 NORTHLAND RIDGE BLVD
Suite, Apt, Lot:
City: COLUMBUS
State: OH
Zip Code: 43229-5404
Physical City: COLUMBUS

School District Income Tax Year: 2014

[?](#) **School District Name:** COLUMBUS CSD
[?](#) **School District Number:** 2503
[?](#) **Income Tax Rate:** 0.00%
[?](#) **Department of Education Number:** 043802

Note: Do not use the Department of Education's school district number when filing your Ohio income tax or employer withholding tax returns.

Reference Number: 1114-155290 [?](#)

Tax Rate Changes

- Tax tables changing
 - Rate reduction since 2005
 - 21% over 5 years beginning in 2005
 - Additional 10% in 2013-2014 returns
 - Another 6.3% for 2015 returns
- Withholding table changes
 - Typically happens mid-year



Exemption/Dependent Deduction

Taxable year beginning in

2014

IT 1040 Rev. 11/14
Individual
Income Tax Return

- HB 483
 - Provides for a graduated personal/dependent exemption amount

<u>Ohio Adjusted Gross Income</u>	<u>Personal/Dependent Exemption</u>
up to \$40,000	\$2,200
>\$40,000 - <\$80,000	\$1,950
> \$80,000	\$1,700

Duplicate Payments/Estimated Payments/Credit Carry-Forward

- Issues resulting in overpayment:
 - Duplicating a payment
 - Not claiming all estimated payments made
 - Forgetting or not knowing an estimated payment was cancelled
 - Income not as much as projected
 - Forgetting or not reporting credit carry-forward from prior year return
 - New tax preparer and no copy of prior year return



Ohio Offsets

- Capture refunds and apply to outstanding liabilities provided under Ohio law or federal mandate
- Offset Types
 - Ohio Tax Assessment
 - Back Child Support
 - Public Assistance
 - Attorney General's Office (AGO) Miscellaneous Debts
 - examples: university fees, BMV fees, etc.
 - Bureau of Workers' Compensation
 - Internal Revenue Service

Offset Stats

Calendar year 2015	Number of Offsets	Offset Amounts
Ohio Tax Assessment	146,332	\$24,971,502
Back Child Support	50,382	\$9,523,286
Public Assistance	3,169	\$583,374
AGO Miscellaneous Debts	161,690	\$29,302,188
Bureau of Workers' Compensation	537	\$27,194
Internal Revenue Service	22,156	\$5,342,563

Online Payment Verification

- Verify payments online prior to filing
 - Electronic payments
 - Paper checks
 - Cancelled payments
 - Credit carry-forwards



**Today's
Tax
Tip**

Online Services



Department of
Taxation

Home

File

Forms

Individual

Business

Professional

Government

Researcher

Contact

Individual

Business

Professional

Contact Us

Helpful Resources



- [Online Services](#)
- [ID Confirmation Quiz](#)
- [Filing Season Central](#)
- [File Online: Income Taxes](#)
- [Pay On-Line](#)
- [Get a Form](#)
- [Check Refund Status](#)
- [School District Finder](#)
- [Military](#)
- [How Do I...](#)

Joseph W. Testa
Tax Commissioner



News



Employers: New W-2 Filing Rule

- Employers: New W-2 Filing Rule
- Sept. Ohio Virtual Tax Academy
- Withholding Rates Cut
- Average Wholesale Prices - PAT
- Commercial Activity Tax
- Online Registration Reset Needed
- Small Business Tax Cut

Ohio Tax Mobile App

Download the Ohio Department of Taxation Mobile App From the Apple App store or the Google Play Store.



Identity Theft Quiz

Please [click here](#) if you have been requested to confirm your identification



FAQs



Online Services



Self Help eLibrary



Information Releases



Interest Calculator



Tax Webinars



Tax Alerts



Ohio Taxes



The Finder



Ohio Means Jobs

File faster

The Ohio Department of Taxation has implemented increased security measures to protect Ohioans and the state from identity theft and tax fraud. As a result, all taxpayers using Income Tax Online Services are required to complete a new registration. Each taxpayer will need his or her 2013 Federal Adjusted Gross Income (if an Ohio IT1040 was filed), OR the issue date from an Ohio issued Drivers License or State ID (to register). If you do not have the required components OR if you are filing an Ohio income tax return for the first time, you are not eligible to use Income Tax Online Services.



You may use Online Services to electronically file your state and school district income tax returns free of charge, view and make electronic income tax payments, view and print 1099G and/or 1099INT notices and electronically receive certain notifications that are available for viewing and/or printing.

This free service also gives you the ability to view a list of both your outstanding liabilities and your income tax returns on file through the Income Tax Electronic Services Dashboard as well as update certain contact information (i.e. mailing address, telephone number and/or email address).

To file faster, log in to the online services below. [Watch the I-File Tutorial](#)

Income Tax Online Services



[Log in to secure zone](#)

A red arrow points from the right side of the page towards the "Log in to secure zone" link.

Register



Ohio Department of Taxation » Individual Income Tax » Online Services - Login

Log in to secure zone:

User ID:

Password:



[Log In](#) [Register](#) [Forgot my user ID / password](#)

rel 2014.28.93 - 11/05/2014 on 1

[Home](#) | [Privacy Statement](#) | [Search](#) | [Contact Us](#)

Online Services

Dashboard

File Ohio IT 1040

File Ohio SD 100

File Ohio IT 10

View / Make Payments

View Ohio 1099s

Account Settings

My Profile

My Notification Settings

rel 2013.26.90 - December 3rd, 2013
on QA.1

Welcome to the Ohio Department of Taxation's Individual Income Tax Online Services for taxpayers.

Select a service from the Online Services menu on the left, or take action on a dashboard entry below.

Dashboard - Your data at a glance

Outstanding Balance

Tax Year	Notice ID	Notice Type	Due Date	Amount	Pending Payments	Actions	Help
2011		IT 1040 Return Balance Due	04/17/2012	\$2350.00	\$2350.00		?
2012		IT 1040 Return Balance Due	04/15/2013	\$1304.00	--	Pay	?

Tax Returns Awaiting Action

Tax Year	School Dist	Form	Status	Actions
2011	2307	SD-100WEB	Reminder*	File Now!

* **Reminder:** The school district number listed on your Ohio income tax return requires a school district return to be filed. File the return using the "File Now!" button or select "File Ohio SD 100" from the left menu to create a return for the correct school district. If you did not reside in a taxing school district, [Contact Us](#).

Tax Returns On File

Tax Year	School Dist	Form	Post Date	Actions
2011		IT-1040WEB	Pending	View Transcript
2012		IT-1040WEB	Pending	View Transcript
2013		IT-1040WEB	Pending	View Transcript

The returns available to view reflect line items as filed or adjusted through the current date.

Keep in mind:

- If you wish to change your user ID or password, click on the **My Profile** link under Account Settings to the left on this page. You will also be able to view and update your contact and security information.
- If you wish to sign up for additional services, click on **My Notification Settings**.
- Don't forget to log out when you are done, especially if you are viewing this page from a public location such as a library, school, or work. If you are logged in, you may log out at any time by clicking on **Log Out**.

View All Payments/Credits

Date	Amount	Form Type	Tax Year	School District		
01/01/2013	\$1.00	IT-40P RETURN	2011		<i>pending</i>	cancel
01/01/2013	\$2.00	IT-1040 EST	2012		<i>pending</i>	cancel
01/01/2013	\$1.00	SD-40P RETURN	2011	Pickerington LSD (Frfld, Franklin)	<i>pending</i>	cancel
01/01/2013	\$2.00	SD-100 EST	2012	Ada EVSD (Hardin,Hancock Co.)	<i>pending</i>	cancel

* Cancelled payments

Date	Amount	Form Type	Tax Year	School District		
01/01/2013	\$1.00	IT-40P RETURN	2011		<i>cancelled</i>	undo
01/01/2013	\$2.00	IT-1040 EST	2012		<i>cancelled</i>	undo
01/01/2013	\$1.00	SD-40P RETURN	2011	Pickerington LSD (Frfld, Franklin)	<i>cancelled</i>	undo
01/01/2013	\$2.00	SD-100 EST	2012	Ada EVSD (Hardin,Hancock Co.)	<i>cancelled</i>	undo

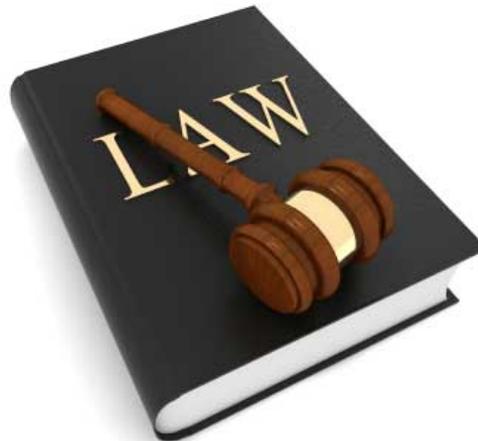
Reconciling to Federal Return

- Key federal return line items:
 - Federal adjusted gross income
 - Exemptions
 - Filing status



ORC Governing Refunds

- 5747.11 Refunds
 - Except as otherwise provided...applications for refund shall be filed with the Tax Commissioner, on the form prescribed, within 4 years of the overpayment of the tax.
 - Upon receipt of the application, the Commissioner shall determine the amount of refund due



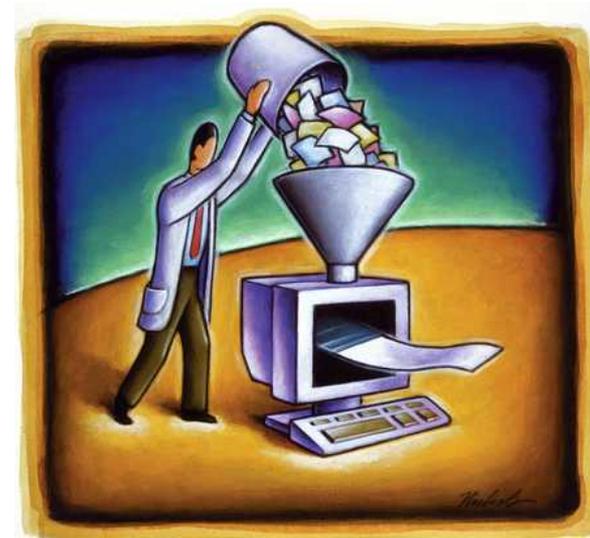
How to Claim the Refund

- File original return
- File amended return
 - 2014 & back; separate form IT 1040X
 - 2015 & forward; universal form IT 1040
 - Answer “Yes” to “Are you filing this as an amended return?”
 - Available for electronic filing
- IT AR – Application for Personal Income Tax Refund
 - Form available at tax.ohio.gov
 - List amount & reason for requested refund
 - May be used if tax period is assessed



Review of the Refund Claim

- System review – 4.1M returns YTD
 - Hundreds of business rules in tax processing system
 - Part of nightly return processing
 - Does not require manual intervention
 - Dependent example
 - Recalculation of return



Review of the Refund Claim (cont'd)

- Manual review – 300,000 returns YTD
 - Did not pass system business rules
 - May need to request additional information
 - Depending on response, or if response is received, overpayment is corrected/released
 - Increases turnaround time for refund



Petition of Assessment/Final Determination

- Form PR – Petition for Reassessment
Mail form to:
Ohio Department of Taxation
Administrative Review Section
P.O. Box 1090
Columbus, OH 43216-1090
- Compliance Division will determine if the information needed to make an adjustment has been received.
 - If so, Compliance Division will make adjustments and send a Notice of Corrected Assessment.
 - If not, Compliance Division will contact the taxpayer via phone or send a petition form letter.
 - If no response is received, a Final Determination letter will be issued affirming the assessment.

Checking Refund Status



- Check your refund status at:
 - www.tax.ohio.gov...“Check Refund Status”
 - Mobile app...“Check My Refund Status”
 - Download mobile app from Apple or Google Play stores
 - Scan barcode to download



Ohio Department of Taxation's Mobile App

Mobile App Features

- Check My Refund
- The Finder
- Other Features



App Store Google Play

Unapplied Payment Program... Not always an Overpayment

Situations where an overpayment exists but taxpayer has not filed a return/requested refund

- 2 pilot programs
 - Approx. 1,500 taxpayers notified via letter
 - Approx. 20% responded/ filed return
 - May or may not have resulted in a refund
 - 2nd notice send to individuals that did not respond
 - Verified income from IRS data
 - May still result in refund
 - May result in bill to taxpayer; need to file return

Coming Soon...

- Next OVTA tentatively scheduled for November 18, 2015
- Topics to include:
 - Legislative impacts to tax year 2015 filing
 - Changes to the 2015 income tax forms
 - New & Renewing School Districts
 - Notifications to Practitioners/Taxpayers upon filing electronically
 - Exemption from Business Income & New Flat Tax
 - Fraud
 - Stats on attempted fraud
 - Changes to tax return processing
 - No “Get out of Jail Free cards!”
 - Changes to Online Services Registration

Contact Us & Information

- Information for Personal & School District Income Tax
 - 800-282-1780 (General #)
 - 614-728-1055 (Tax Practitioner #)
 - Via e-mail at tax.ohio.gov “Contact Us”
 - Survey for your feedback of how we are doing
- Sign up for tax alerts
- Download mobile app