

# RESPONSIBILITIES OF THE DEPARTMENT

The Ohio Revised Code (Section 5703.05) states that “all powers, duties, and functions of the department of taxation are vested in and shall be performed by the Tax Commissioner . . .” The Tax Commissioner is appointed by the Governor, subject to confirmation by the Ohio Senate, and serves at the pleasure of the Governor. The Tax Commissioner is responsible for the administration of most state-collected taxes, several locally-collected taxes, and the supervision of the real property tax. In addition, the Tax Commissioner administers the energy credit program, which reduces the winter heating bills of qualified individuals. The Tax Commissioner also has responsibility for several programs distributing revenues to local governments, including: (1) motor fuel tax distributions; (2) local property tax relief reimbursements; and (3) distributions of the library and local government support fund, the local government fund, and the local government revenue assistance fund.

The Tax Commissioner is empowered to make “all tax assessments, valuations, findings, determinations, computations, and orders” which the Department is by law authorized and required to make, review or redetermine and to correct previous assessments, valuations, or findings. The Tax Commissioner also is charged with promulgating rules and regulations and preparing and distributing tax returns and other reporting forms. The Tax Commissioner is responsible for auditing returns, levying assessments and penalties, granting or denying tax refunds, and may issue, revoke, or suspend certain licenses and permits. In two instances, the personal income tax and the horse racing tax, the Tax Commissioner is assigned the actual collection of taxes in addition to other administrative duties. The Tax Commissioner is also required to maintain a continuous study of the practical operation of the taxation and revenue laws of the state, the probable revenue effect of possible changes in existing laws, and the possible enactment of measures providing for other forms of taxation.

To efficiently perform these numerous functions, the Tax Commissioner is authorized by law to

create the divisions and sections of employees which are deemed proper. The organization chart on page *x* indicates the structure of the department as of June 30, 1999. In addition to four Deputy Tax Commissioners, the Tax Commissioner has 11 operating divisions responsible for specific taxes: Sales and Use; Personal Property; Public Utility; Personal Income Auditing; Corporate Auditing; Income Tax Services; Taxpayer Services and Compliance; School District Income Tax; Excise; Tax Equalization; and Estate. There are 11 administrative staff sections: Administrative Counsel and Internal Audit; Budget and Fiscal; Employee Training and Development; Human Resources; Enforcement; Legal; Tax Analysis and Local Government Distributions; Legislation; Communications; Information Services; and Strategic Planning provides support for the entire department. The Strategic Planning Division has been created to implement and determine the Tax Department's goals and what resources are necessary to meet those goals. The department has appointed a Problem Resolution Officer within the Legislation Division to provide additional assurance to taxpayers that their rights are being protected. There are nine district offices located in major cities throughout Ohio, regional offices in Chicago, New York and Los Angeles, and a Districts' Administrator in the central office in Columbus. A map indicating the locations of the district offices and the counties which they serve is shown on page *xi*.

At the close of fiscal year 1999, there were 1,297 permanent employees in the central office and district offices. Expenditures of \$106.3 million were made during the fiscal year to fulfill the various functions and responsibilities of the Department. Further detail of numbers of employees and expenditures is shown in Tables 1 and 2.

Table 3 shows data from applications for tax exemptions for pollution control and energy conversion facilities. Qualified facilities include: (1) air and noise pollution control facilities; (2) energy conversion facilities; (3) thermal efficiency improvement facilities; (4) solid waste energy conversion facilities; and (5) coal conversion fa-

**Table 1**  
**Ohio Department of Taxation Staff Structure**  
**and Number of Employees, Fiscal Year 1999**

Unit of Organization	Number of Employees (June 30, 1999)	Unit of Organization	Number of Employees (June 30, 1999)
<b>Administrative Divisions</b>		<b>District Offices</b>	
Tax Commissioner	3	District Activities	10
Human Resources	13	Akron	43
Tax Analysis	7	California	11
Employee Development & Training	7	Chicago	12
Communications	1	Cincinnati	45
Legislation	3	Cleveland	61
Administrative Counsel	4	Columbus	41
Strategic Planning	<u>5</u>	Dayton	40
<b>Division Total</b>	<b>43</b>	New York	10
<b>Legal</b>	<b>28</b>	Lima	21
<b>Bankruptcy</b>	<b>8</b>	Toledo	30
<b>Investigation &amp; Enforcement</b>	<b>23</b>	Youngstown	23
		Zanesville	<u>21</u>
		<b>Division Total</b>	<b>368</b>
<b>Budget and Fiscal Division</b>		<b>Income Tax Operations</b>	<b>5</b>
Administration	3		
Budgeting/Accounts Payable	4	<b>Service Center Division</b>	
Facilities Management	26	Administration	5
Revenue Accounting	<u>3</u>	Processing & Extraction	46
<b>Division Total</b>	<b>36</b>	Accounting & Cashier	19
<b>Information Services</b>		Data Entry	84
Administration	9	Files	22
Application-Development	38	Mail Room	<u>2</u>
Operations-Production	11	<b>Division Total</b>	<b>185</b>
Technical Services	32		
Information Technical Planning	10	<b>Corporate Franchise Tax Audit Division</b>	
Admin./Customer Service	<u>27</u>	Administration	4
<b>Division Total</b>	<b>127</b>	Corporate Auditing	<u>21</u>
<b>Property Tax Division</b>		<b>Division Total</b>	<b>25</b>
Administration	11		
Information Processing	7	<b>Income Tax Audit Division</b>	
Inter-County Central Audit	11	Administration	4
District Support	4	Income Tax Audit	<u>49</u>
Citation	<u>11</u>	<b>Division Total</b>	<b>53</b>
<b>Division Total</b>	<b>44</b>		
<b>Sales and Use Tax Division</b>		<b>School District Income Tax</b>	<b>8</b>
Administration	8	<b>Estate Tax Division</b>	<b>21</b>
Audit Review	4	<b>Public Utilities Division</b>	<b>10</b>
Document Control & Scan Edit	6	<b>Forms and Noticing Division</b>	<b>6</b>
Sales Tax	53	<b>Taxpayer Services and Compliance</b>	<b>2</b>
Central Audit	<u>32</u>	<b>Compliance Division</b>	
<b>Division Total</b>	<b>103</b>	Administration	6
<b>Excise and Motor Fuel Tax Division</b>		Clerical Support	29
Administration	5	Business Tax Billing	16
Fuel Use	23	Assessment	<u>23</u>
Motor Fuel	18	<b>Division Total</b>	<b>74</b>
Excise Tax	<u>5</u>		
<b>Division Total</b>	<b>51</b>	<b>Taxpayer Services Division</b>	
<b>Tax Equalization Division</b>		Administration	5
Administration	13	Customer Assistance	20
Appraisal	5	Operations	18
Data Collection	9	Energy Credits	<u>3</u>
Computer/Statistical Analysis	<u>4</u>	<b>Division Total</b>	<b>46</b>
<b>Division Total</b>	<b>31</b>	<b>Total Permanent Employees</b>	<b>1,297</b>
		<b>Temporary Employees in Pay Status</b>	<b><u>215</u></b>
		<b>Total Employees</b>	<b>1,512</b>

ilities. A certificate must be issued for these facilities in order to qualify for tax exemptions. The certification procedures for all of these facilities are administered by the Tax Commissioner. There is a similar program for water pollution control facilities, but that program is administered by the Ohio Environmental Protection Agency.

Applications for certificates are filed by businesses with the Department of Taxation. If the Tax Commissioner, after obtaining the opinion of the Director of Environmental Protection or Director of the Department of Development, finds that the facility meets the statutory requirements, a certificate is issued for the facility. If the facility does not meet the qualifications, the certificate is not granted.

Sometimes only a portion of a facility qualifies and a certificate is issued for only that portion of the facility.

Table 3 summarizes the activities of the Department regarding the certificate program for fiscal year 1999. The table shows the number of applications acted upon during the fiscal year and gives a breakdown of the applications based on the type of facility. As long as the certificates are in force, the value of the certified facility is exempt from real and personal property taxes and is excluded from computation of the corporate franchise tax. In addition, material used to construct a certified facility is exempt from all sales and use taxes. In the case of coal conversion facilities, an exemption

**Table 2  
Expenditures of the Ohio Department of Taxation,  
Fiscal Year 1999**

Unit of Organization	Personal Service	Maintenance and Equipment	Total
Administrative Division	\$7,973,982	\$1,121,281	\$9,095,263
Information Services Division	12,185,796	3,059,103	15,244,899
Property Tax Division	2,997,678	248,344	3,246,022
Sales & Use Tax Division	12,252,822	4,779,101	17,031,923
District Offices	15,779,297	2,343,543	18,122,840
Income Tax Service Division	14,533,836	7,141,798	21,675,634
Income/Corporate Audit Division	10,215,455	708,452	10,923,907
Estate Tax Division	1,125,276	121,111	1,246,387
Tax Equalization Division	1,581,891	125,707	1,707,598
Excise Tax Division	3,146,408	1,242,629	4,389,037
Public Utilities Division	655,407	91,603	747,010
School District Income Tax Division	1,344,973	865,862	2,210,835
Energy Credits Division	<u>492,241</u>	<u>180,773</u>	<u>673,014</u>
Total	\$84,285,062	\$22,029,307	\$106,314,369

**Table 3  
Number of Pollution Control Facility, Conversion Facility  
and Thermal Efficiency Improvements Facility Final Certificates Issued  
and Value of Exemptions Granted, Fiscal Year 1999**

Type of Facility	Number of Certificates Issued	Value of Exemptions
Air Pollution	97	\$72,591,262
Solid Waste Conversion	3	528,852
Thermal Efficiency Improvement	<u>5</u>	<u>6,145,424</u>
Total	105	\$79,265,538

is provided only for corporation franchise tax or public utility excise tax, whichever is applicable.

Table 4 shows the total audit production for the Sales, Income, Property, and Estate Tax Divisions. Note that these figures generally exceed those shown in the assessments tables (tables 5 through 7), primarily because the production totals include revenue from corrected returns and other activities which are not included in the actual assessments. Total audit production in fiscal year 1999 for the five major divisions of the Department was \$996.1 million.

Tables 5 through 7 indicate assessments issued for the various taxes administered by the Department. Personal property tax assessments shown in Table 5 for tangible and intangible taxes totaled \$93.4 million for calendar year 1998. Table 6 indicates that sales and excise tax assessments were \$179.1 million in fiscal year 1999, with \$153.2 million of that amount from the sales and use tax alone.

Table 7 shows assessments levied for both the corporate franchise and personal income taxes. Corporate franchise tax assessments are levied against corporations that: (1) do not file the required annual return; (2) file an incorrect return; or (3) fail to remit the full amount of the tax due. In fiscal year 1999, 1,434 corporate franchise tax assessments were levied amounting to \$64.9 mil-

lion in additional taxes, penalties, and interest due from corporations. These assessments must be paid within 30 days after the corporation receives the assessment notice. The assessments may be appealed by the taxpayers.

Personal income tax assessments are levied against employers who fail to remit income tax withheld from their employees and individuals who either fail to file a tax return during the required time period or fail to pay the full amount of the tax legally due. Personal income tax assessments were levied against 122,563 taxpayers in fiscal year 1999 and amounted to about \$98.6 million in additional taxes, penalties, and interest due from individual taxpayers. These assessments become due and payable within 30 days after they are received by the taxpayer. A taxpayer may appeal the assessment within 30 days after its receipt.

If an assessment (either corporate franchise or personal income tax) is appealed, the assessed amount must still be paid within 30 days of its receipt. The only exception to this is on an assessment resulting from an audit of a timely filed return. When such an audit finds a liability greater than that shown on the original return, that portion of the assessment which represents the additional liability does not have to be paid during the appeal process if the appeal is based upon a differing interpretation of the Ohio Revised Code.

**Table 4**  
**Total Audit Production for Sales, Income, Property, and**  
**Estate Tax Divisions, Fiscal Years 1996-1999**

Division	A u d i t P r o d u c t i o n			
	FY 1996	FY 1997	FY 1998	FY 1999
Sales and Excise Taxes	\$480,791,813	\$490,339,171	\$368,487,648	\$423,738,658
Income & Corporate Franchise Taxes	475,849,706	355,979,707	401,660,165	410,704,402
Property Tax	190,189,500	300,589,957	358,628,838	131,569,639
Estate Tax	<u>25,712,725</u>	<u>26,013,046</u>	<u>28,624,945</u>	<u>30,044,459</u>
Total	\$1,172,543,744	\$1,172,921,881	\$1,157,401,596	\$996,057,158

**Table 5**  
**Personal Property Tax Assessments,**  
**Calendar Years 1997 and 1998**

Type of Tax	Amount of Assessments	
	Calendar Year 1997	Calendar Year 1998
Tangible Personal Property		
Single-county Corporations, Individuals, & Unincorporated Business	\$22,869,940	\$21,017,743
Inter-county Corporations	<u>111,659,119</u>	<u>\$71,703,821</u>
Total Tangible Personal Property	\$134,529,059	\$92,721,563
Dealers in Intangibles	<u>1,279,275</u>	<u>666,882</u>
Grand Total	\$135,808,334	\$93,388,445

**Table 6**  
**Sales and Excise Tax Assessments Levied and Unpaid**  
**Assessments Certified for Payment, Fiscal Years 1998 and 1999**

Tax Category	Assessments Levied*				Unpaid Assessments Certified for Collection**	
	Fiscal Year 1998		Fiscal Year 1999		Fiscal Year	Fiscal Year
	Amount	Number	Amount	Number	1998	1999
Sales and Use	\$115,477,143	8,564	\$153,245,841	7,906	\$103,519,387	\$15,286,387
Motor Vehicle Fuel	1,471,920	25	24,291,634	24	2,510,096	577,097
Motor Fuel Use	27,964	42	6,837	46	54,433	71,542
Cigarette	63,013	6	22,535	2	0	19,411
Other Tobacco Prods.	545,361	32	739,393	90	46,826	95,036
Beer and Wine	21,046	6	0	0	20,270	141
Severance	265,340	152	317,051	126	296,185	87,336
Horse Racing	0	0	0	0	0	0
Tire Replacement	4,819	3	0	0	11,698	3,659
IFTA	<u>535,702</u>	<u>395</u>	<u>442,632</u>	<u>329</u>	<u>150,110</u>	<u>85,742</u>
Total	\$118,412,308	9,225	\$179,065,925	8,523	\$106,609,005	\$16,226,351

\* Represents only assessments levied and not assessments collected.

\*\* Data do not relate to current assessments shown in "Assessments Levied" column. It represents those assessments certified for collection after taxpayers have exhausted all avenues of appeal. Total number of such assessments were 33,035 in fiscal year 1997 and 23,252 in fiscal year 1998.

**Table 7**  
**Personal Income Tax and Corporate Franchise Tax Assessments Levied,**  
**Fiscal Years 1996 - 1999**

Tax Category	Fiscal Year 1996		Fiscal Year 1997		Fiscal Year 1998		Fiscal Year 1999	
	Amount	Number	Amount	Number	Amount	Number	Amount	Number
Corporate Franchise	\$104,132,844	18,396	\$155,026,431	23,352	\$109,568,979	11,668	\$64,906,879	1,434
Personal Income	<u>143,471,870</u>	<u>110,808</u>	<u>111,828,976</u>	<u>93,421</u>	<u>139,301,847</u>	<u>84,043</u>	<u>98,581,435</u>	<u>122,563</u>
Total	\$247,604,714	129,204	\$266,855,407	116,773	\$248,870,826	95,711	\$163,488,314	123,997