

flexible, and appropriately scaled architecture for the exchange of information with internal and external customers, while at the same time measuring information technology performance to ensure efficiency and value. The division also identifies emerging technologies and trends to improve employee productivity and reduce operating costs, advises management of information technology best practices, and delivers timely and quality services to customers in a professional and courteous manner.

The statistics listed below provide an overview of ISD's activities during Fiscal Year 2005:

- Constructed a warehouse of data from internal and external sources to assist in identifying non-filers and under-payers of Ohio taxes for tax discovery and revenue enhancement.
- Launched **The Finder**, a Web-based application that enables taxpayers to locate their exact taxing district by address, zip code or Global Positioning Systems (GPS) coordinates.
- Completed telescript routing modifications in the taxpayer service centers, which enables the routing of tax-specific calls to specialized agents.
- Developed a new assessment system.
- Developed a new corporation franchise delinquent system.
- Created a system to calculate the interest and penalties of corporation franchise taxpayers that qualify for the safe harbor exemption.
- Implemented an improved sales tax review process that matches account data to contact data and provides for distribution of revenue to counties.
- Developed an external interface on the department's Web site to calculate cigarette minimum prices at the manufacturer, wholesale or retail levels.
- Began the planning and analysis of House Bill 66 (tax reform).
- Implemented an automated audit system for personal property tax audits.
- Implemented an enhanced Remote Access network to improve performance and reduce costs for Taxation employees.
- Implemented a new Offset system to interface with Bureau of Worker's Compensation.
- Completed 1,108 customer service requests.
- Processed 3,080 security requests.
- Processed over 2.6 million individual electronic returns.
- Processed 18,000 credit card transactions for a total of \$8.3 million.
- Processed over \$88 million in Automated Clearing House debit payments.
- Processed over \$12 billion in Automated Clearing House credit payments.
- Processed 1.0 million direct deposit requests.
- Maintained network availability at 99.98 percent.
- Maintained mainframe availability at 99.91 percent.

The value of ISD comes from its ability to apply technology to increase the effective use of information in order to drive positive innovation. In

this way, the division supports the department's mission of providing quality service to Ohio taxpayers.

## Internal Audit Division

Internal Audit is a division within the Ohio Department of Taxation whose mission 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 ODT's exposure. In order to investigate internal controls, and to remain objective and independent, the Internal Audit Division reports directly to the Tax Commissioner. The Internal Audit Division is free of all operational and management responsibilities that might impair their 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 department records, functions, property, and personnel in order to investigate and/or maintain sound internal controls.

In addition to other investigatory issues, the Internal Audit Division serves as the contact for several other state agencies. The division coordinates the activities in the Internal Accounting Control Program (IACP) administered by the Office of Budget and Management. The division also serves as the contact and liaison for representatives from the Auditor of State's office and the Collections Enforcement Section of the Attorney General's office.

The Internal Audit Division helps ODT provide quality service to taxpayers by effectively monitoring the department's internal controls and making recommendations for improvement.

## Legislation Division

The Legislation Division is the legislative coordinating unit for the Department of Taxation, monitoring 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, prepares and presents testimony on tax policy issues, and coordinates special events such as bill-signing ceremonies. The division also provides information to the general public, state agencies, and elected officials about tax policy and the department's policies and procedures.

Other responsibilities include routing legislation to the operating divisions for analysis and maintaining the Legislative Repository, an information database that serves as a resource to department staff.

A snapshot of the division's workload during Fiscal Year 2005 shows that the division focused on a number of bills that made important changes to Ohio's tax system.

Among them were the biennium budget bill, House Bill 66, which included a comprehensive tax reform proposal; two Streamlined Sales Tax bills, Senate Bill 218 and Senate Bill 26, both of which addressed aspects of the transition to destination-based sourcing; and House Bill 2, a bill granting tax filing extensions to all active duty National Guard members and members of the U.S. Armed Forces reserve units (see **Summary of Legislation** chapter). In total, the Legislation Division monitored 195 bills during FY 2005.

The Legislation Division helps the Department of Taxation provide quality service by supporting the process of transforming tax policy into law. The division is also an important resource both for Ohio's elected leaders and the general public.

## Ohio Department of Taxation's Partners

The Ohio Department of Taxation (ODT) 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 of the Attorney General's office performs collection activities on delinquent tax accounts.

The **Treasurer of State** receives all revenue collected by the department. Income tax and other refund checks, as well as electronic deposits to taxpayers' accounts, are generated by the **Auditor of State** based on data provided by ODT. The **Ohio Department of Development** certifies to the department certain credits available to corporations. Pursuant to provisions of the Ohio Revised Code, ODT 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 pursuant to provisions of the Ohio

Revised Code regarding businesses with liquor permits. The agencies work to ensure that holders of liquor permits remain current in their sales tax and employer withholding tax filings and payments.

The partnerships and collaborations established with other agencies support the Department of Taxation by fairly applying the tax law and by assisting in tax collection and litigation. The department, in turn, also helps several governmental agencies accomplish their missions by distributing revenue, monitoring business tax compliance, and withholding some taxpayer refunds pursuant to statute.

## Operations Center

The Operations Center is the central processing unit for the majority of the business and individual tax returns filed with the Department of Taxation. Over 8.9 million tax returns were processed in 2003 alone. The primary function of the Operations Center is to facilitate voluntary compliance. This is accomplished through receiving and recording tax returns, documents and remittances, by issuing refunds, storing and retrieving tax documents, and through bank deposits of taxpayer payments for purposes of fund distribution to state and local governments. The payments processed from tax returns are the primary source of revenue for the State of Ohio, providing income to elementary/secondary schools, colleges and universities, law enforcement, human services, general government, and property tax relief.

The Operations Center's goals are:

- To provide timely service to each taxpayer and to perform in a manner that instills public confidence and satisfaction;
- To deposit monies in a timely manner;
- To maintain high productivity while providing a quality work product; and
- To utilize technology for a more cost efficient operation.

The Operations Center has experienced record-breaking use of electronic filing since its introduction in 1998. Electronic filing (TeleFile) was first introduced to Ohio taxpayers in 1998 when 232,548, or 4.0 percent, took advantage of that filing option. Electronic filing (through practitioners) was first introduced to taxpayers in 1999 and was readily accepted by both taxpayers and tax practitioners alike. The number of electronically filed returns filed in 1999 grew to 19 percent of the total filed. Electronic filing has experienced a steady increase each year thereafter, particularly after the introduction in tax year 2002 of Ohio's free Web-based service, Ohio I-File. In tax year 2004, electronic filing accounted for more than 2.9 million, or nearly 51 percent, of the income tax returns filed.

Electronic filing not only allows taxpayers to get their refund faster, 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 paper filed returns, saved the citizens of Ohio millions of dollars in processing costs during the 2004 filing season. For example, it cost about \$3.4 million to process over 2.9 million electronically filed returns. By contrast, it cost more than \$8.8 million to process approximately