

Ohio's

State Tax Report

No. 57
Fall, 2000

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Electronic Filing Summary

Over 1.3 million (28 percent) of Ohio returns were processed electronically for tax year 1999. This number includes both electronic filing (E-File) and TeleFile.

Taxpayers were able to file their income tax returns (IT-1040 and IT-1040EZ) and school district income tax returns (SD-100) electronically through tax preparers or qualified software transmitters. E-File was first offered to Ohio taxpayers for tax year 1998 (filed in 1999). A total of 686,719 returns were processed through electronic filing, compared with 952,870 returns filed for tax year 1999, for an increase of 36 percent.

TeleFile returns were up 15 percent this year to 421,483. Last year a total of 365,666 returns were filed by taxpayers using their telephone. Taxpayers who received the TeleFile booklet and met the requirements were eligible to TeleFile.

Both of these filing methods benefit everyone involved. Taxpayers benefit with simpler forms and faster refunds, and these returns can be processed more efficiently by the Department.

Income Tax Changes for Tax Year 2000

Listed below is a brief description of the changes this year to the 2000 Individual Income Tax Return:

EXEMPTIONS/DEPENDENTS

Personal exemptions

Taxpayers get a personal exemption of \$1,100 for themselves and an additional \$1,100 for their spouse if they are filing a joint return.

Dependent Exemptions

Ohio allows a dependent exemption for dependent children and persons other than themselves and their spouse for whom they provide support and claim on their federal income tax return. There is a \$1,100 deduction allowed for each dependent exemption.

OHIO USE TAX

Ohio's "use tax" is little known, but has been a part of our tax laws since 1936. If

(Income Tax Changes—cont'd. on page 3)

2000 Income Tax Reduction Announced

The Office of Budget and Management has certified to the Tax Commissioner that the income tax rate cut for tax year 2000 is 6.929 percent. The table below shows the tax table

that is associated with this rate cut. This table is also available on the Ohio Department of Taxation's website: www.state.oh.us/tax.

2000 INCOME TAX TABLE AFTER 6.929 PERCENT TAX CUT

Taxable Income	Statutory Tax Amount	Statutory Marginal Tax Rate	2000 Tax Amount	2000 Marginal Tax Rate
Under \$5,000	0.00	0.743 %	0.00	0.691 %
5,000 - 10,000	\$37.15	1.486 %	\$34.55	1.383 %
10,000 - 15,000	111.45	2.972 %	103.70	2.766 %
15,000 - 20,000	260.05	3.715 %	242.00	3.458 %
20,000 - 40,000	445.80	4.457 %	414.90	4.148 %
40,000 - 80,000	1,337.20	5.201 %	1,244.50	4.841 %
80,000 - 100,000	3,417.60	5.943 %	3,180.90	5.531 %
100,000 - 200,000	4,606.20	6.900 %	4,287.10	6.422 %
Over 200,000	11,506.20	7.500 %	10,709.10	6.980 %

Each marginal tax rate is calculated by multiplying the statutory rate by 0.93071. The rates are carried out to

three decimal places, with all rates rounded to the nearest one-thousandth percent.

New Homestead Income Brackets

The total income amounts for the homestead exemption schedules have been increased. The revised income brackets apply to tax year 2001 (collected in calendar year 2002) for real property and to tax year 2002 (collected in calendar year 2002) for manufactured or mobile homes.

The homestead exemption is a form of property tax relief for qualified elderly and disabled homeowners. Property tax reductions are granted to low-income homeowners who are either 65 years of age or older, or who are permanently and totally disabled. This exemption includes manufactured homes.

Total Income	Reduce Taxable/Assessable Value by the Lesser of
\$12,300 or less	\$5,000 or 75%
More than \$12,300 but not more than \$18,000	\$3,000 or 60%
More than \$18,000 but not more than \$23,700	\$1,000 or 25%
More than \$23,700	-0-

Applications are available at the county auditors' offices.

Comments from the Commissioner



A second Taxpayer Services Bill is now under construction. As you may recall, House Bill 612, 123rd General Assembly, was the first Taxpayer Services Bill. To develop HB 612, I appointed a six-member Implementation Team (I-Team) to study the numerous suggestions from the survey I conducted last year. The I-Team produced a legislative package

geared toward simplifying and streamlining tax compliance and administration by addressing technical, procedural and policy issues to which the Department is bound by law, but which impose undue burdens on the taxpayer, the Department, or both.

House Bill 612 was very well received in both the Ohio Senate and House of Representatives. The bill sailed

through both chambers without any amendments and was passed unanimously, before being signed into law by Governor Taft on June 29.

This new bill will have the same focus as HB 612. The legislation will ease compliance for taxpayers, as well as ease administration for the Department, and be revenue neutral. Some of the components will be ones that were not included in the first bill, due to time constraints. Administrators, as well as all employees of the Department of Taxation, have been solicited to offer suggestions for this bill. I also invite you to send me your ideas.

Our goal is to have this bill introduced at the beginning of the 124th General Assembly (January, 2001). Please watch for further updates on this legislation.

(Income Tax Changes—cont'd. from front page)

taxpayers buy a taxable item or service from an out-of-state retailer and pay no tax, Ohio requires them to pay the "use tax," which is equal to the sales tax rate in their county. A worksheet is included in the income tax booklet to help them compute the amount of "use tax" owed.

COLLEGE VARIABLE SAVINGS ACCOUNT AND OHIO TUITION CREDITS

As a contributor, taxpayers may deduct amounts contributed in 2000 to a variable college account administered by the Ohio Tuition Trust Authority to the extent the contributions were included in their federal adjusted gross income. A purchaser may deduct the cost of Ohio tuition credits bought in 2000 through the Ohio Tuition Trust Authority. As a recipient and beneficiary of tuition credits in 2000, taxpayers may deduct the increase in value over the original purchase price of prepaid Ohio tuition credits used for higher education in 2000 to the extent the increase was included in their federal adjusted gross income. Limitation: Unmarried taxpayers may deduct the combined purchases of Ohio tuition credits and contributions to a variable college savings account up to a maximum of \$2,000 per beneficiary. Married taxpayers may deduct the combined purchases of Ohio tuition credits and contributions to a variable college savings account up to a maximum of \$2,000 per beneficiary, whether their filing status is married joint or married separate. Qualifying amounts exceeding the \$2,000 limitation may be deducted on future tax returns until all unused portions are deducted.

ROUNDING TO THE NEAREST DOLLAR

A recently enacted law gives the Tax Commissioner authority to require rounding on the individual and school district income tax returns. For the 2000 individual and school district income tax returns, the Tax Commissioner is requiring rounding. When rounding, drop any cents less than 50 cents. Increase amounts from 50-99 cents to the next higher dollar.

ESTIMATED TAX IN 2001

Fewer taxpayers will be required to file estimates for the 2001 tax year. Taxpayers must pay estimated tax if their 2001 tax after withholding will be more than \$500. The prior threshold amount was \$300. Taxpayers required to pay estimated tax must file a 2001 Ohio Estimated Income Tax Return (Form IT1040ES).

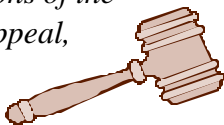
CREDIT CARD PAYMENTS

Taxpayers can now use Discover/NOVUS, MasterCard, or American Express card to pay personal income taxes. Credit card payments may be made by telephone by calling 1-800-2PAY-TAX, or over the Internet by visiting www.officialpayments.com, and clicking on the "Payment Center" link. There is a convenience fee charged for this service. This fee is paid directly to Official Payments Corporation based on the amount of the tax payment.

For complete details on all of these changes, please refer to the 2000 Ohio Income Tax Return Forms and Instruction booklet, which will be available in January, 2001.

Court Decisions

The following are significant decisions of the Ohio Supreme Court, Court of Appeal, and the Board of Tax Appeals (BTA) announced in July, August, and September, 2000 in the area of Personal Property, Franchise, Sales and Use, and Withholding taxes. Court decisions are compiled by Anthony Long, Legal Division.



PERSONAL PROPERTY TAX

Aristech Chemical Corp. v. Tracy (July 17, 2000), 89 Ohio St. 3d 1450.

The Court affirmed the BTA's decision and order upon consideration of a joint motion requesting the Court to affirm the BTA's decision and order.

PPG Industries, Inc. v. Tracy (July 21, 2000), B.T.A. Case No. 97-91, *motion for reconsideration denied*. (Appealed to the Ohio Supreme Court.)

The Board rejected the appellant's use of an alternative valuation method. The Board held that the appellant failed to establish that it had unusual or special circumstances or that the use of the "302" computation created an unjust or unreasonable result. The Board did allow an adjustment for unrecorded disposals based upon the evidence offered at the hearing.

FRANCHISE TAX

International Business Machines Corp. v. Lawrence (Aug. 25, 2000), B.T.A. Case No. 99-616, *motion for reconsideration granted*.

The Board stated that R.C. 5733.12(B) establishes the exclusive means by which a refund of franchise taxes may be obtained (on a properly filed refund claim form). Accordingly, the appellant, who did not file such form, is not entitled to a refund of monies.

SALES AND USE TAX

American Watchmakers-Clockmakers Institute, Inc. v. Tracy (Aug. 25, 2000), Hamilton App. No. C-990880.

The court reversed the Board of Tax Appeals holding the appellant was the consumer of items used to produce printed material. The court also held that R.C. 5739.02(E)(8) requires only that the printed material be "suitable for sale" to qualify for tax exemption.

Critser v. Tracy (Sept. 18, 2000), B.T.A. Case No. 98-1325.

The appellant was assessed as a responsible party for unpaid taxes. The Board stated that its decision in *Hiland* was no longer controlling because of the amendments made in the 1978 Bankruptcy Act. Accordingly, trust fund taxes are not transfers of property to the debtor and a responsible party remains responsible after a bankruptcy petition is filed.

Quail Hollow Management, Inc. v. Lawrence (Sept. 29, 2000), B.T.A. No. 99-594.

The Board relying on its decision in *Findlay Country Club*, held that the refundable, interest-free, initiation deposits required of the appellant's members did not fall within the terms of a "recreation and sports club service" set forth in R.C. 5739.01(NN). The Board also announced decisions in *De Transportation Corp.*, *Akron Management Corp.*, and *Glenmoor Properties, Inc.*, concerning the same issue. (The Tax Commissioner is considering appealing this decision to the Ohio Supreme Court.)

WITHHOLDING TAX

Brejcha v. Lawrence (Sept. 8, 2000), B.T.A. Case No. 99-1054.

The Board stated that this responsible party assessment is derivative in nature and the appellant cannot request review of the penalty assessed against the corporation.

TAXPAYER BILL OF RIGHTS

Basic Distribution Corp. v. Ohio Dept. of Taxation (Aug. 29, 2000), Franklin App. No. 99AP-1309.

The Court of Appeals reversed the Court of Claims and remanded the case back to the Court of Claims for a determination of whether the Department violated R.C. 5703.54; to determine if the appellant acted negligently during the audit (R.C. 5703.54(C)); and then further determine if damages should be awarded under R.C. 5703.54(B)(2). The court also ordered the Court of Claims to examine if the appellant's request for injunctive relief is warranted. (The appellee filed a motion for reconsideration on September 8, 2000. An appeal to the Ohio Supreme Court is also being sought.)

Preparing the Department for the Future

The Department of Taxation is restructuring its workforce to address the prospect of losing nearly half of its management and staff to retirement over the next five years. To replace the knowledge and experience, while keeping up with taxpayers, the Department is moving towards implementing one of Commissioner Zaino's top priorities: the development of a new system of opportunities for our tax professionals.

A new series of career paths for our tax professionals that will provide more career choices and better defined opportunities for advancement will be developed. Commissioner Zaino said, "I believe this approach will help the Department develop the next generation of leadership." There are two targets: 1) a revision of the current classification series for tax agents to reflect a taxpayer service and compliance focus; and 2) the creation of a new classification series for agents to focus solely on auditing.

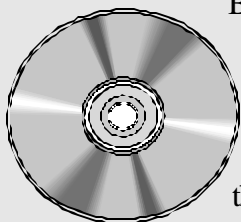
Commissioner Zaino stated, "I believe these changes will benefit our professional tax staff and improve our operations. It will allow agents to dedicate more of their time and talents on a chosen area of interest and skill. With that

concentration will come a body of agents with even more highly developed skills. That will be critical in countering the increasing sophistication of taxpayers."

On October 11, Commissioner Zaino announced the Executive Administrator of the new Audit Division will be Michael W. Johnson. Mr. Johnson, formerly with PricewaterhouseCoopers L.L.P., is re-joining the Department in November. Mr. Johnson worked for the Department for 12 years before leaving in 1996 to open and manage the Ohio State and Local Tax practice office of George S. Olive & Co. In 1997, Mr. Johnson joined PricewaterhouseCoopers L.L.P. He was Senior Manager with the State Tax Consulting group.

"Having worked with Mike in both his private sector and public sector roles, I look forward to his return to the Department. The combination of Mike's knowledge of the Department's operations and his private sector experience makes Mike an ideal candidate to establish and lead our new Audit Division," commented Commissioner Zaino.

Forms Now Available on CD-Rom



Beginning this year, the Ohio Department of Taxation will be providing the most commonly used forms in a new and convenient format, CD-Rom. In September, the Forms Purchasing Division sent a letter to tax practitioners informing them of the new format. Recipients of this letter will receive the CD in December.

The CD contains the major forms filed with the Department. The forms will be presented on the disk in portable document format (PDF). These files can be accessed and printed through Adobe Acrobat Reader (version 3.0 or later). They may also be copied onto a computer for even easier and more direct access. Most

of the forms are also available on the Department's website at www.state.oh.us/tax. The Department will still provide hard copies of the forms to tax practitioners requesting them in that format.

For tax practitioners not on the mailing list, but would like to receive this CD, please write to:

Ohio Department of Taxation
Forms Request
P.O. Box 2476
Columbus, Ohio 43216-2476

It is our hope that practitioners using this new format will find it convenient and easy to use.

Information Releases

The Department has issued thirteen information releases in the last several months. The topics addressed are summarized below. Please visit our website at www.state.oh.us/tax and click on the "Information Release" link to view the information releases in their entirety.

CORPORATE FRANCHISE TAX

IRC Section 482 Study: Safe Harbor to Avoid Ohio Corporate Franchise Tax Report Required or Expanded Combinations—June 23, 2000

Several Ohio tax practitioners have expressed their concerns regarding the Department's statutory authority under Ohio Revised Code ("ORC") section 5733.052 either to require or to expand Ohio corporation franchise tax combinations.

EXCISE AND MOTOR FUEL TAX

Filing Procedures for All Licensed Motor Fuel Dealers—September 8, 2000

Recurring problems have been noted during our review of the monthly motor fuel tax returns and schedules. Please see this information release to verify that returns do not have these recurring problems.

Master Settlement Agreement for All Cigarette Wholesalers and Distributors of Other Tobacco Products—April 20, 2000

The State of Ohio is a signatory to the agreement that was reached with various cigarette manufacturers/importers and states. This agreement is commonly known as the Master Settlement Agreement (MSA).

The following information releases were issued as a result of House Bill 612, the Taxpayer Services Bill, which became effective September 29, 2000.

GENERAL INFORMATION RELEASES

Discretionary Penalty—September 29, 2000

The purpose of this informational release is to explain the changes made to many of the Department's penalty provisions under House Bill 612. Prior to this law change, most of the Department's penalty provisions were mandatory, meaning most tax assessments were issued with a penalty. No discretion was permitted, even in cases of exemplary taxpayer compliance. With H.B. 612, the imposition of penalty by the Tax Commissioner is discretionary.

Sixty Day Appeal Periods—September 29, 2000

The appeal period for assessments and final determinations has been lengthened from thirty (30) days to sixty (60) days.

House Bill 612 brought about this change. The reason for allowing taxpayers additional time to file an appeal is to give them sufficient time to prepare a thorough appeal.

Authorized Delivery Services—September 29, 2000

House Bill 612 enacted R.C. 5703.056 that allows taxpayers to use *authorized delivery services* when filing documents with the Department of Taxation and the Board of Tax Appeals and when making payment to the Treasurer of State. This new Revised Code section expands the designations of "certified mail," "express mail," "United States mail," "United States Postal Service," and similar terms to include authorized delivery services. In other words, even though an individual section of Title 57 may not specifically reference R.C. 5703.056, a taxpayer can use an authorized delivery service any time one of these key terms is used. Only delivery services specifically *authorized* by the Tax Commissioner may be used.

Rounding—September 29, 2000

The purpose of this informational release is to explain the changes made under House Bill 612 that allows for amounts entered on most documents filed with the Tax Commissioner to be rounded. Newly enacted R.C. 5703.055 allows taxpayers to elect to permissively round and authorizes the Tax Commissioner to require rounding. The procedures for rounding are discussed in this information release.

EXCISE AND MOTOR FUEL TAX

Information for All Licensed Motor Fuel Dealers—September 8, 2000

Recently passed House Bill 612 made changes to the reporting of transmix and ethanol; taxing of clear diesel fuel in certain circumstances; definition of kerosene; and the time for filing motor fuel shrinkage refund claims.

Information for All Motor Fuel Refund Permit Holders (Claimants)—September 8, 2000

In an effort to make it easier to receive refunds, the time limit (statutory filing period) to file a refund claim has been extended from 180 days to 365 days for certain claims. Please see the information release for a list of the claims.

Information for All Retail Motor Fuel Dealers (Service Stations)—September 8, 2000

Changes were made in this legislation that affect the requirements of retail service stations. The term "water clear" has been removed from the definition of motor fuel and kerosene in certain sections of the law. The time for filing motor fuel shrinkage refund claims has been increased.

(Releases—cont'd. on next page)

Ohio Legislative Update

The following is a summary of tax-related legislation recently enacted by the 123rd General Assembly.

<u>Bill Number</u>	<u>Effective</u>	<u>Description</u>
H.B. 99	9/29/99	Eliminates interest payment by a taxpayer on certain excess refunds of personal income tax or corporation franchise tax.
H.B. 152	9/21/00	Provides for a monthly charge not exceeding fifty cents on telephone access lines to fund 9-1-1 systems.
H.B. 194	11/24/99	Exempts from taxation residential real property constructed or rehabilitated and held by a non-profit charitable organization for the purpose of transferring the property to qualified low-income families.
H.B. 483	9/21/00	To prescribe a uniform set of procedures and remedies regarding municipal taxation of electric light company income, to provide for the collection of municipal taxes on those companies by the state, and to authorize the Tax Commissioner to work with other states on a simplification plan and the development of a pilot program to test a multi-state system for the collection and administration of existing sales and use taxes.
H.B. 484	10/05/00	To grant tax credits to farms and farmers up to \$1,000 for the cost of equipping existing multi-wheel agricultural tractors with the required lights and reflectors.
H.B. 488	9/14/00	To enact the Uniform Electronic Transactions Act by providing for regulation of electronic records and electronic signatures; to provide for consumer electronic transactions and security procedures between parties; and to provide for the use of electronic records and signatures by state agencies.
H.B. 493	10/27/00	To provide county treasurers with greater flexibility in entering into agreements with delinquent taxpayers, to authorize county treasurers to accept partial payment of taxes under certain circumstances, and to make other changes related to tax foreclosures and tax certificates.
H.B. 589	10/27/00	Permits public utilities to pay only the undisputed portion of property taxes if the utility disputes the Tax Commissioner's valuation.
S.B. 67	10/05/00	Establishes conditions for governmental cable operators to form, and taxes such operators as private cable operators.

(Releases—cont'd. from previous page)

Information for All Licensed Motor Fuel Common Carriers—September 6, 2000

Prior to H.B. 612, ethanol was taxed at the same point as diesel fuel, i.e. when it was used or sold for use as a motor fuel. This legislation changed Section 5735.01(E)(2) to include ethanol in the definition of gasoline.

Information for All Ohio Motor Fuel Terminal Operators—September 6, 2000

Section 5735.01(D) will now define transmix as diesel fuel when it is mixed with diesel fuel and Section 5735.01(E)(3) will now define transmix as gasoline with it is mixed with

gasoline. The release also addresses how ethanol is taxed and the filing procedures for terminal to terminal movements.

SALES AND USE TAX

Letter to Taxpayers—September 15, 2000

Recently passed House Bill 612 has made many operational sales and use tax law changes. These changes will ease taxpayer compliance responsibilities and help us in our tax administration. Listed in this letter to taxpayers is a summary of the sales and use tax law changes that may affect their business operation.

Tax Enforcement News

The following information is a list of convictions secured by the Enforcement Division of the Department from May, 2000 through September, 2000. Tax Enforcement News is compiled by Robert M. Bray, Enforcement Division.

Clifford Barnard of Rossford pleaded guilty to one count of collecting and failing to remit sales tax in Wood County Common Pleas Court. Mr. Barnard was placed on probation for two years and ordered to pay \$5,588 in restitution. Mr. Barnard owns and operates Rossford Car Care in Rossford. Information was received indicating Mr. Barnard was collecting and not remitting sales tax. Undercover purchases were made leading to the execution of a search warrant. Records were then obtained, which led to the charges and conviction.

Dr. Louis Waite, D.D.S., of Bucyrus, pleaded guilty to collecting and failing to remit withholding taxes. He was fined \$750 and costs, and sentenced to thirty days in jail. The jail sentence was suspended on the condition he has no further violations in the next two years. Dr. Waite operates a dental practice in Bucyrus. The Bucyrus Police Department contacted the Enforcement Division and advised Dr. Waite had been convicted by the Bucyrus Income Tax Department for failure to file city income tax. It was discovered Dr. Waite failed to file state withholding returns, which led to the conviction.

Valerie Basham, convicted of collecting and failing to remit sales tax, was sentenced in the Wood County Court. She was ordered to pay \$83,648 to the Ohio Department of Taxation, given five years community control sanctions, six days in the Wood County Justice Center and ordered to pay restitution within a five-year period. Ms. Basham operated Stoney Ridge Communications in Perrysburg. An investigation led to a search warrant. Information from the warrant led to the charge and conviction.

Jack Myers, owner and operator of Jack Myers Body Shop in Findlay, was sent to prison for violating his probation. Mr. Myers, convicted of operating a business while under suspension, failed to complete a rehabilitation program as set forth by the courts.

James Chambers of Pemberville pleaded no contest and was found guilty of filing a false sales tax return in Bowling Green Municipal Court. He was given a thirty-day jail sentence, which was suspended. The judge ordered restitution in the amount of \$2,760, which was immediately paid by Mr. Chambers. Mr. Chambers purchased a 34-foot watercraft, indicating the purchase price on the title to be

\$79,000, when he actually paid \$125,000 for the boat, thereby defrauding the state of \$2,760 in sales tax.

Michael Marchi of Gallipolis was sentenced to twelve months in prison, suspended, and placed on five years probation for trafficking in unstamped cigarettes in the Gallipolis area.

Lloyd Garner of Zanesville pleaded guilty in the Muskingum County Common Pleas Court to one count of failure to pay motor fuel tax, a felony of the 5th degree. An investigation led to a search warrant being conducted at his business, Mag Transportation. It was discovered Mr. Garner purchased 57,624 gallons of dyed diesel fuel and used it for highway transportation. Mr. Garner was placed on probation and ordered to pay \$12,678 in motor fuel tax owed.

Edith Peak of Cincinnati, pleaded guilty to theft relating to filing false income tax returns in order to obtain a fraudulent refund. Ms. Peak was placed on two years probation.

Kimberly Minor of Columbus was sentenced in the Franklin County Common Pleas Court regarding her conviction on filing a false income tax return. She was sentenced to six months work release and ordered to pay \$25,800 within ninety days. If the restitution is not paid, the Judge will impose a sentence of two and one-half years in prison. The Department's Enforcement Division was contacted by the Bexley Police Department. Apparently Ms. Minor did not claim income from checks she had received in excess of \$80,000 over a two-year period. Ms. Minor was also charged by the Bexley Police Department with fraud and grand theft, regarding the way in which Ms. Minor had obtained these checks.

Daniel Viscount of Rocky River pleaded guilty to one count of collecting and failing to remit sales tax and one count of theft. He was sentenced to two years community controlled sanction and given twenty hours of community service. He was also ordered to pay the state \$10,045. A check was presented in court. Mr. Viscount owns Viscount Diversified located in Rocky River. Information was received indicating sales tax was not being remitted to the state. Undercover purchases were made, leading to the execution of a search warrant. The records from the search were reviewed, leading to the charges and conviction.

David Martin of Cincinnati was sentenced to twelve months in prison for his conviction on a charge of filing a fraudulent income tax return to obtain a refund. He also received an additional six months in prison on additional charges filed by the Cincinnati Police Department.

(Enforcement News—cont'd. on next page)

(Enforcement News—cont'd. from previous page)

Joey Adkins of Cleveland pleaded guilty to theft in Cuyahoga County Common Pleas Court. He was sentenced to six months in jail (suspended) and placed on sixty days probation. Mr. Adkins was also ordered to pay \$30,792. A check was presented in court. Mr. Adkins owns Optronics Inc., located in Cleveland. A Cleveland news station ran a story concerning the potential defrauding of a customer by Optronics. After researching the business, it was discovered sales tax was not being remitted to the State. Undercover purchases led to the execution of a search warrant. The records recovered during the warrant led to the charges and conviction.

Alis Gulertekin of Columbus was sentenced in Franklin County Common Pleas Court on a guilty plea to charges of theft and falsely filing an income tax return. Ms. Gulertekin was sentenced to five years probation and ordered to pay restitution in the amount of \$185,000. Immigration subsequently deported Ms. Gulertekin back to Turkey. The Worthington Police Department contacted the Enforcement Division, indicating they were conducting an investigation into the theft of funds from a business. The police department also indicated Ms.

Gulertekin might have falsified her income tax returns by way of embezzling money. Ms. Gulertekin subsequently pleaded guilty to charges.

Brian Pelfrey of Columbus pleaded guilty to one count of obtaining a vendor's license while under suspension. He was sentenced to eight months probation and ordered to pay all sales tax owed to the state. Mr. Pelfrey owned a flower shop in the Columbus area. As part of the Habitual Offenders Program, Mr. Pelfrey had his vendor's license suspended. He subsequently obtained a new vendor's license while under suspension. A search warrant was conducted, leading to the charge and conviction.

Dennis Brickner of Tiffin was sentenced to six months in prison with the possibility of early release in thirty days and ordered to pay the State of Ohio \$7,363 in tax owed. Mr. Brickner owns The Computer Guy located in the Tiffin area. A complaint was received, indicating Mr. Brickner was collecting sales tax and not remitting it to the State of Ohio. Undercover buys were conducted, leading to the execution of a search warrant. Records were reviewed, leading to the charges and convictions.

Assorted Tobacco Violations

Rafat Hejazin	Toledo	No Cigarette License
S & W Mini Mart	Dayton	No Cigarette License
On the Snap Bar & Grill	Franklin	No Cigarette License
National Investment Center	Toledo	Possession of untaxed other tobacco products
Clarks Vending	Franklin	No Cigarette License
Khalil Adya	Toledo	False Entry on Invoice
University Food Market		

Assorted Sales Tax Violations

Mark Kelley	Toledo Textile	Toledo	Vendor Failure to Collect Sales Tax
Diane Alcorn	Klassic Kuts	Sylvania	No Vendor's License
Gordia Williams	Farmers Café	Tiffin	Failure to File Sales Tax Returns
Leonard Baker	Baker Upholstery	Cleveland	No Vendor's License—Failure to Collect Sales Tax
Lou Baggett	Lou's Auto Service	Columbus	No Vendor's License—Failure to Collect Sales Tax
James Murray	Hydro Kleen	New Philadelphia	No Vendor's License—Failure to Collect Sales Tax
Stewart Forman		Toledo	Four counts Failure to File Sales Tax Return

PRO-Files -- Submitted by Peter Angus, Esq./CPA Problem Resolution Officer

Twenty-seven percent of the calls and letters received so far this year by the Problem Resolution Officer (P.R.O.) have concerned tax assessments which are in the hands of the Ohio Attorney General. An understanding of how the Ohio Revised Code divides tax collection duties between the Ohio Department of Taxation and the Ohio Attorney General may enable practitioners to more effectively assist clients who are having collection difficulties.

Tax Bills

Programs are run periodically by the Department of Taxation in all of the major taxes to bill taxpayers who don't file, don't pay or who have discrepancies in computing their liability. Bills are generated, checked by employees of the Department for accuracy, and sent to taxpayers by regular mail.

Tax Assessments

If taxpayers do not respond to billing notices within a reasonable time – typically thirty days – assessments are generated and sent by certified mail. Ohio Revised Code Sections 5733.11 (corporate franchise tax), 5739.13 (sales tax), and 5747.13 (income tax) provide that assessments become final sixty days after they are delivered, unless they are paid or petitioned (appealed).

Certification to the Attorney General

Under the statutes, debts owed to the State more than 45 days must be certified for collection to the Ohio Attorney General. It is the Revenue Recovery Section of the Ohio Attorney General's Office, or special counsel appointed by that office under Revised Code Section 109.08, which handles these matters. Because certification to the Attor-

ney General's Office is required, the Department of Taxation does not have the authority to enter into payment plans.

Tax Judgments

After a copy of the assessment is certified to the Attorney General, it is filed in the county clerk of court's office where the taxpayer lives or, for non-residents, in the Franklin County Clerk of Courts Office. Immediately upon the filing of a certified copy of the assessment or final determination, the clerk of courts enters a judgment against the party assessed in the amount shown on the document. At that point, collection of the debt may be commenced. Collection may involve liens and other post-judgment remedies.

It is best for all concerned if billings and assessments are addressed and resolved promptly. However, when a taxpayer presents information to the Attorney General's Office or special counsel which may affect the basis of an assessment, the information will be forwarded to the Department of Taxation for review. After review, the Department will notify the Attorney General's Office of any recommendation it may have regarding an adjustment to the assessment, and the taxpayer will be notified of this. Practitioners must have a written power of attorney on file with the Attorney General's Office before employees of that office can discuss a tax matter with them.

If you have questions about assessments in collection, please call the Attorney General's Revenue Recovery Section at (614) 752-7541 or visit the website at www.ag.state.oh.us/revenue/revenue.htm.

Zaino Receives Economic Development Award

Ohio Tax Commissioner **Thomas Zaino** was honored by State Development Director C. Lee Johnson for his outstanding achievements in promoting economic development in the State of Ohio. Commissioner Zaino was one of nine individuals recognized at the 2000 Ohio Department of Development Director's Awards Luncheon on October 4, 2000.

"This event affords me the opportunity to honor the exemplary leadership of a select group of Ohioans," Director Johnson said. "These individuals have assisted in cultivating an unmatched business climate within the state. I congratulate these honorees and ask that they continue to assist in fostering the state's position as a global business leader."

Public E-Mail –Submitted by Chris Ross, Information Services Division

Beginning in January, 2001, taxpayers visiting Taxation's website will be given the opportunity to select an option to submit an e-mail request to the Department. In keeping with our mission to provide quality customer service, the Department of Taxation will offer a web based e-mail system for taxpayers to submit their questions and concerns. This new technology enables the Department to cost-effectively institute on-line customer service via e-mail. It will reduce support costs and provide superior service.

Based on pre-determined business rules, certain e-mails will qualify for an auto-response, receiving an answer immediately. The remaining e-mails will be assigned to

either a taxpayer service representative or tax agent through intelligent, skill-based routing. This system also provides the taxpayer with a centralized library of standard responses to commonly asked questions to ensure that every taxpayer receives a current and consistent message. Other system features include: 1) automatic acknowledgement to let the taxpayer know that their message was received, and 2) assigns each incoming e-mail with a unique tracking number.

Advertisement of this new service will be done through the 2000 Income Tax Booklet using the Department's web address (www.state.oh.us/tax), which includes the necessary e-mail form for this service.

More Tax Filing Convenience

Working with private sector providers, the Department has opened two new fronts meant to make filing taxes easier and more convenient.

An agreement signed last month with Official Payments Corporation will allow individual income taxpayers to pony up by credit card. For a fee, taxpayers can make balance due, estimated or extension payments by credit card over the internet or telephone. The company accepts American Express, MasterCard and the Discover Card. Official Payments has set up similar programs with

the IRS and twelve other states.

The Department has also begun working with another company, Natientax Online, to accept a withholding tax return filed directly over the internet. The initial phase of this project involves the largest 5,000 businesses in Ohio. Plans are to expand the online filing options to include all the employer withholding returns and then branch into sales taxes next year. Natientax charges a flat fee of \$3.95 and its filing system has been approved by the IRS.

Extended Hours

For the second year in a row, the Department of Taxation will be expanding its hours of service for individual income tax assistance from Thursday, January 18, 2001 through Monday, April 16, 2001. The Department's toll free number, 1-800-282-1780, will be available from 8:00 a.m. to 7:00 p.m. Monday through Friday and 8:30 a.m. to 12:30 p.m. on Saturday.

The Department will also be providing additional service hours at six Internal Revenue Service walk-in sites located in Cincinnati, Columbus, Cleveland, Dayton, Lima and Toledo.

Department to Offer On-Line Refund Status

Check off another item on the Department's technology "to do" list. Starting in January, taxpayers will be able to verify their refund status on-line and change their school district tax identification number on the Department's website at www.state.oh.us/tax.

To use the new system, taxpayers will need their filing status, social security number and refund amount in whole dollars.

Ohio Department of Taxation
 P.O. Box 530
 Columbus, Ohio 43216-0530

Reporting Requirements Waived for RICs, REITs & REMICs

The Tax Commissioner has waived the 2001 reporting requirement for Real Estate Investment Trusts (REITs), Regulated Investment Companies (RICs) and Real Estate Mortgage Investment Conduits (REMICs). For 2001, principals of these entities are not required to submit any list of names, addresses, and social security or federal identification numbers of investors, shareholders and others who had any interest, or had invested, in the entity at any time during the 2000 calendar year.

Such entities are exempt from taxation for the 2001 calendar year as corporations and are exempt from taxation for the same year as dealers in intangibles, even though they will not be submitting reports.

TAX CALENDAR AT-A-GLANCE

November

- 15 Monthly Income Tax Withholding Return
- 24 Monthly and Semiannual Sales Tax Returns
- 24 Monthly Consumer and Direct Pay Returns

December

- 15 Monthly Income Tax Withholding Return
- 26 Monthly and Semiannual Sales Tax Returns
- 26 Monthly Consumer and Direct Pay Returns

Ohio's State Tax Report is published only as an information service. The articles it contains do not represent official opinions of the Ohio Tax Commissioner. Letters to the editor should be addressed to the Ohio Department of Taxation, P.O. Box 530, Columbus, OH 43216-0530. www.state.oh.us/tax/

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