

# 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, 1998. 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 1998, there were 1,309 permanent employees in the central office and district offices. Expenditures of \$104.1 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 facilities. A certificate must be issued for these facilities in order to qualify for tax exemptions. The certification procedures for all of these facilities are admin-

**Table 1**  
**Ohio Department of Taxation Staff Structure**  
**and Number of Employees, Fiscal Year 1998**

Unit of Organization	Number of Employees (June 30, 1998)	Unit of Organization	Number of Employees (June 30, 1998)
<b>Administrative Divisions</b>		<b>District Offices</b>	
Tax Commissioner	9	Administration	11
Legal	47	Akron	42
Human Resources	10	California	10
Tax Analysis & Local Gov't Distributions	7	Chicago	12
Employee Development & Training	7	Cincinnati	47
Communications	2	Cleveland	68
Legislation	2	Columbus	44
Administrative Counsel	6	Dayton	40
Strategic Planning	<u>6</u>	New York	6
<b>Division Total</b>	<b>96</b>	Lima	23
		Toledo	33
<b>Budget and Fiscal Division</b>		Youngstown	22
Budget	7	Zanesville	<u>22</u>
Facilities Management	24	<b>Division Total</b>	<b>380</b>
Revenue Accounting	<u>3</u>		
<b>Division Total</b>	<b>34</b>	<b>Service Center Division</b>	
<b>Information Services</b>		Administration	4
Administration	11	Processing & Extraction	56
Application-Development	35	Accounting & Cashier	17
Operations-Production	14	Data Entry	102
Technical Services	28	Files	23
Information Technical Planning	7	Mail Room	<u>7</u>
Admin./Customer Service	<u>29</u>	<b>Division Total</b>	<b>209</b>
<b>Division Total</b>	<b>124</b>	<b>Corporate Franchise Tax Audit Division</b>	
<b>Property Tax Division</b>		Administration	8
Administration	11	Corporate Auditing	<u>35</u>
Information Processing	8	<b>Division Total</b>	<b>43</b>
Inter-County Central Audit	14	<b>Income Tax Audit Division</b>	
District Support	2	Administration	3
Citation	<u>11</u>	Personal Auditing	<u>43</u>
<b>Division Total</b>	<b>46</b>	<b>Division Total</b>	<b>46</b>
<b>Sales and Use Tax Division</b>		<b>School District Income Tax</b>	<b>9</b>
Administration	7	<b>Estate Tax Division</b>	<b>21</b>
Audit Review	4	<b>Public Utilities Division</b>	<b>9</b>
Document Control & Scan Edit	5	<b>Forms and Noticing Division</b>	<b>2</b>
Sales Tax	43	<b>Billing and Assessments Division</b>	
Central Audit	<u>30</u>	Administration	3
<b>Division Total</b>	<b>89</b>	Business Tax Billing	19
<b>Excise and Motor Fuel Tax Division</b>		Assessment	<u>49</u>
Administration	4	<b>Division Total</b>	<b>71</b>
Fuel Use	24	<b>Taxpayer Services Division</b>	
Motor Fuel	20	Administration	5
Excise Tax	<u>4</u>	Registration	22
<b>Division Total</b>	<b>52</b>	Taxpayer Services	17
<b>Tax Equalization Division</b>		Energy Credits	<u>6</u>
Administration	12	<b>Division Total</b>	<b>50</b>
Appraisal	3	<b>Total Permanent Employees</b>	<b>1,309</b>
Data Collection	9	<b>Temporary Employees in Pay Status</b>	<b><u>147</u></b>
Computer/Statistical Analysis	<u>4</u>	<b>Total Employees</b>	<b>1,456</b>
<b>Division Total</b>	<b>28</b>		

istered 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 1998. 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 is provided only for corporation franchise tax or public utility excise tax, whichever is applicable.

**Table 2  
Expenditures of the Ohio Department of Taxation,  
Fiscal Year 1998**

Unit of Organization	Personal Service	Maintenance and Equipment	Total
Administrative Division	\$4,992,142	\$2,686,334	\$7,678,476
Information Services Division	10,132,164	4,252,446	14,384,610
Property Tax Division	3,763,607	314,733	4,078,340
Sales & Use Tax Division	13,594,325	2,749,280	16,343,605
District Offices	18,048,577	2,266,537	20,315,114
Income Tax Service Division	13,670,702	7,786,386	21,457,088
Income/Corporate Audit Division	9,753,528	1,049,263	10,802,791
Estate Tax Division	921,401	230,728	1,152,129
Tax Equalization Division	1,842,802	188,839	2,031,641
Excise Tax Division	<u>4,533,072</u>	<u>1,365,146</u>	<u>5,898,218</u>
Total	\$81,252,320	\$22,889,692	\$104,142,012

**Table 3  
Number of Pollution Control Facility, Conversion Facility  
and Thermal Efficiency Improvements Facility Final Certificates Issued  
and Value of Exemptions Granted, Fiscal Year 1998**

Type of Facility	Number of Certificates Issued	Value of Exemptions
Air Pollution	185	\$138,520,362
Solid Waste Conversion	3	2,543,230
Thermal Efficiency Improvement	5	1,705,339
<u>Noise Pollution</u>	<u>2</u>	<u>802,691</u>
Total	195	\$143,571,622

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 1998 for the five major divisions of the Department was \$1,157.4 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 \$135.8 million for calendar year 1997. Table 6 indicates that sales and excise tax assessments were \$118.4 million in fiscal year 1998, with \$115.5 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 1998, 11,668 corporate franchise tax assessments were levied amounting to \$109.6 million 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 84,043 taxpayers in fiscal year 1998 and amounted to about \$139.3 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 1995-1998**

Division	A u d i t P r o d u c t i o n			
	FY 1995	FY 1996	FY 1997	FY 1998
Sales and Excise Taxes	\$348,578,779	\$480,791,813	\$490,339,171	\$368,487,648
Income & Corporate Franchise Taxes	378,385,333	475,849,706	355,979,707	401,660,165
Property Tax	154,396,846	190,189,500	300,589,957	358,628,838
Estate Tax	<u>13,529,366</u>	<u>25,712,725</u>	<u>26,013,046</u>	<u>28,624,945</u>
Total	\$894,890,324	\$1,172,543,744	\$1,172,921,881	\$1,157,401,596

**Table 5**  
**Personal Property Tax Assessments,**  
**Calendar Years 1996 and 1997**

Type of Tax	Amount of Assessments	
	Calendar Year 1996	Calendar Year 1997
Tangible Personal Property		
Single-county Corporations, Individuals, & Unincorporated Business	\$17,633,656	\$22,869,940
Inter-county Corporations	<u>86,093,730</u>	<u>111,659,119</u>
Total Tangible Personal Property	\$103,727,386	\$134,529,059
Dealers in Intangibles	<u>1,358,457</u>	<u>1,279,275</u>
Grand Total	\$105,085,843	\$135,808,334

**Table 6**  
**Sales and Excise Tax Assessments Levied and Unpaid**  
**Assessments Certified for Payment, Fiscal Years 1997 and 1998**

Tax Category	Assessments Levied*				Unpaid Assessments Certified for Collection**	
	Fiscal Year 1997		Fiscal Year 1998		Fiscal Year	Fiscal Year
	Amount	Number	Amount	Number	1997	1998
Sales and Use	\$438,861,272	66,137	\$115,477,143	8,564	\$207,473,055	\$103,519,387
Motor Vehicle Fuel	6,704,306	28	1,471,920	25	499,677	2,510,096
Motor Fuel Use	293,300	232	27,964	42	531,057	54,433
Cigarette	0	0	63,013	6	108,167	0
Other Tobacco Prods.	37,528	4	545,361	32	1,676	46,826
Beer and Wine	0	0	21,046	6	146	20,270
Severance	398,248	177	265,340	152	202,463	296,185
Horse Racing	0	0	0	0	0	0
Tire Replacement	13,291	4	4,819	3	280	11,698
IFTA	<u>308,226</u>	<u>394</u>	<u>535,702</u>	<u>395</u>	<u>73,582</u>	<u>150,110</u>
Total	\$446,616,171	66,976	\$118,412,308	9,225	\$208,890,103	\$106,609,005

\* 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 1995 - 1998**

Tax Category	Fiscal Year 1995		Fiscal Year 1996		Fiscal Year 1997		Fiscal Year 1998	
	Amount	Number	Amount	Number	Amount	Number	Amount	Number
Corporate Franchise	\$125,686,176	15,599	\$104,132,844	18,396	\$155,026,431	23,352	\$109,568,979	11,668
Personal Income	<u>156,943,327</u>	<u>124,700</u>	<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>
Total	\$282,629,503	140,299	\$247,604,714	129,204	\$266,855,407	116,773	\$248,870,826	95,711