

YEAR IN REVIEW - 2001

Since July 1999, the Ohio Department of Taxation (ODT) has focused on three primary goals:

- Adopting a Taxpayer Services focus throughout the department;
- Modernizing the department through technology and updated tax policy; and
- Addressing human resources issues.

Many notable ODT activities over the past year clearly supported one or more of these goals.

FOCUS ON TAXPAYER SERVICES AND MODERNIZATION

Taxpayer service and modernization initiatives often proceed together. For example, modernization through technological initiatives make it easier for taxpayers to file taxes, make payments and get answers to questions. Not surprisingly, since the individual income tax is the state's largest tax, both in revenue and the number of taxpayers, the income tax was the focus of many taxpayer service and modernization initiatives. ODT expanded the number of taxpayers eligible to file "paperless" returns, both through telephone filing (telefile) and electronic filing options. In the 2001 income tax filing season, a record number of taxpayers responded by filing in one of these two paperless manners: 29% of individual income tax returns were filed over the Internet or by telephone. Paperless returns save taxpayer dollars, cutting processing costs in half, increasing accuracy, and expediting speedy refunds.

Also, during the 2001 income tax filing season (tax returns due April 15, 2001) the department offered expanded evening and Saturday hours for the first time. Taxpayers welcomed the service with more than 11,000 calls in those extra business hours. ODT offered another new feature – paying tax by credit card – for the first time during this filing season as a convenience for taxpayers.

While we made many advances in customer service for income taxpayers, we did not limit our initiatives to that area. For example, in another first, we packaged more than forty heavily used tax forms and instruction manuals on a compact disc (CD) and made those CD's available to tax practitioners. The CD forms are

easier for tax practitioners to use than paper forms and save significant tax dollars previously spent on printing and mailing the paper forms.

ODT also adopted and published guidelines on the application of "discretionary" penalties, giving effect to one important change that had been in our Taxpayer Services (TPS) bill which passed in 2000. The guidelines will put taxpayers on notice regarding the standards used in applying penalties, and assure consistency in application of penalties by auditors.

The Department continued to co-sponsor, with the Ohio Chamber of Commerce, the Ohio Tax Conference. This year's conference marked its 10th year, with record attendance and surprisingly cooperative weather. Highpoints of the conference included presentations by nationally known speakers Richard Pomp and Paul Frankel, a large cadre of ODT professionals, representatives of surrounding states, and many prominent local speakers. At the conference, the Tax Commissioner awarded the first annual "Ohio Tax Hall of Fame" award to Stanley Bowers, former Ohio Tax Commissioner. Ruth Bowers, the former Commissioner's widow, accepted the award.

The Tax Conference represented just one of the many venues in which ODT personnel made presentations regarding Ohio taxation and administrative practices. Small Business Workshops was another medium that we used to reach out to taxpayers. The Tax Commissioner and other taxation administrators and managers also addressed numerous "tax clubs," tax committees, local government finance officials, and accounting and bar association groups throughout the year. Notable in this effort were the more than 30 presentations that were made to school and local government groups throughout the state explaining the implementation of tax changes related to the enactment of utility deregulation, and its effects on local finance. In addition, the department co-sponsored for the first time a conference with the Institute of Professionals in Taxation.

The General Assembly's interest in school funding issues drew extensively on ODT expertise through the year. ODT provided extensive support to legislative deliberations of school funding issues, including information related to the court's concerns about "phantom

revenue" and "over-reliance" on local property taxation. This activity culminated in the passage of a revised school funding formula. ODT also filed an amicus brief in the *DeRolph* school funding case, examining the phantom revenue and over-reliance concerns in the context of Ohio's property tax structure and school funding framework.

ODT continued to work for modernization of the tax law during 2001. Work commenced for a second taxpayer service bill (TPS II) to be introduced later in calendar 2001. Separately, ODT supported creation of the state's first ever tax amnesty program. The three-month program, authorized in the state's biennial appropriations bill, is expected to generate \$17 million for the state in Fiscal Year 2002, and an additional \$5 million per year afterward from newly enrolled taxpayers. ODT also worked hard on numerous modernization and simplification provisions of SB 287 (described in detail elsewhere in this report) which passed in December 2000.

HUMAN RESOURCE ISSUES

Many ODT initiatives focused on implementing human resource enhancements. Much effort was devoted to the design of new classifications for "tax auditor agents" that would support a revised agency structure differentiating between taxpayer service and auditing functions. This differentiation will allow staff to specialize within these areas, and help enhance efficiency. The work on job classifications was also intended to create clearer career paths for taxpayer auditing and taxpayer service agents. Under the new structure, taxpayer service centers (formerly called district offices), as well as the Columbus offices, will provide taxpayer services with agents that specialize in taxpayer service. Tax auditor agents will be assigned to the new Audit Division, also created during the fiscal year, who will focus only on audit functions.

Reorganization of the former Legal Division into an "Appeals," "Appeals Management" and "Information Resources" Divisions followed the completion of an implementation team study that involved both agency employees, representatives of other state agencies, and representatives from private industry.

Finally, a new chief information officer was named to coordinate the department's technology systems and activities and a deputy tax commissioner for performance excellence also was created. The new deputy tax commissioner is shepherding the department's participation in the Ohio Award for Excellence program. The award program is patterned after the Malcolm Baldrige National Quality Award and will improve the management of ODT's operations.

Fiscal Year 2001 brought many changes to the Department of Taxation in the pursuit of taxpayer service, modernization, and human resource advances. We look forward to Fiscal Year 2002 and another year of work advancing these three goals.

OUR MISSION:

To provide quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law.

OUR MOTTO:

We **CARE** about the quality of our service.

Courteous
Accurate
Responsive
Equitable