

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