

2.9 million paper returns filed. As taxpayers become more comfortable with electronic filing and the obvious benefits associated with it, its use is expected to continue to increase in the years ahead.

Beginning with the 2003 individual income tax return, the Department of Taxation sent out post cards to taxpayers who either filed electronically or filed with a practitioner. This step saves the state on booklets and postage costs each filing year.

By maximizing electronic means to ensure the timely and efficient processing of tax returns, the Operations Center aids the department in providing quality service through capturing revenue to fund services while putting refunds back into the hands of Ohio taxpayers as soon as possible.

## Revenue Accounting

Revenue Accounting, one of four units within the Budget and Fiscal Division, is responsible for a variety of duties within the Department of Taxation that directly impact local governments and the services received daily by Ohio residents.

One of the primary duties of Revenue Accounting is the distribution of tax revenue. In Fiscal Year 2005, Revenue Accounting distributed more than \$3.8 billion to/from the following funds and agencies:

- Local Government Fund;
- Local Government Revenue Assistance Fund;
- Library and Local Government Support Fund;
- gasoline tax;
- sales and use tax;
- school district income tax;
- municipal income tax for electric light companies and telephone companies;
- property tax rollback;
- manufactured home tax;
- tangible personal property tax;
- Property Tax Replacement Fund (from kilowatt-hour and natural gas taxes);
- dealers in intangibles tax;
- political party check-off;
- resort tax;
- horse racing tax;
- Scenic Rivers and Wildlife check-offs;
- Cuyahoga County beer, wine, cigarette and liquor taxes; and
- litter tax.

In addition, Revenue Accounting records most of the revenue receipts and refund deposits for the Department of Taxation for the following taxes:

- individual income tax;
- employer withholding tax;
- sales and use tax;
- corporation franchise tax;
- school district income tax;
- motor fuel and use tax;

- International Fuel Tax Agreement; and
- municipal income tax for electric light companies and telephone companies.

The unit also handles the accounting and reversals for all tax payment errors. This includes checks, electronic funds transfers (EFTs), Ohio Business Gateway (OBG), and Treasurer of State debits and credits. Revenue Accounting reconciles EFT payments, OBG payments, and credit card payments.

Revenue Accounting has the additional responsibility of assisting the Office of Budget and Management with the state Comprehensive Annual Financial Report.

The Revenue Accounting unit supports the Budget and Fiscal Division in fulfilling the role of providing quality service by ensuring that tax dollars are properly deposited and distributed in accordance with current law.

## Tax Analysis Division

The Tax Analysis Division (TAD) serves as the research arm of the Ohio Department of Taxation. Although it is a small unit, the division serves a diverse range of customers, providing packaged data, quantitative analysis, and policy analysis to internal and external customers. The customers for TAD products include, but are not limited to, the Governor's office, members of the General Assembly, other divisions of the department, and all levels of local government.

Many of TAD's products are prepared on a regular basis. During each session of the Ohio General Assembly, the division provides revenue estimates for scores of bills that have proposed tax law changes and many proposals that never reach bill form. This activity is augmented by analyses of federal legislation that may impact Ohio state or local government finances.

The tax data series on the department's Internet site contains a number of data products that are updated monthly, quarterly, or annually. When the biennial budget is prepared, TAD provides assistance to the Office of Budget and Management (OBM) in forecasting tax revenues. Once the forecasts are finalized, the division then tracks revenue on a monthly basis and assists OBM with any updates of the forecasts. Tax Analysis also provides estimates of the Governor's tax proposals in the executive budget. In addition, TAD produces the Tax Expenditure Report, traditionally "Book Two" of the executive budget.

The division also produces or contributes to research publications that are meant as educational aids to decision makers. One such publication is the *Property Taxation and School Funding* report. In addition, the division produces statistics, tables, graphs, and interstate comparison data for departmental publications such as the *Brief Summary of Major State and Local Taxes in Ohio* and the *Annual Report*.

The division provides a number of services to local governments. It produces dozens of estimates of school district income tax revenues each

year. The division also produces (in conjunction with the Revenue Accounting Division) estimates of the distributions to the three local government funds, and handles the estate tax settlements from local governments. TAD also provides informal consulting to school districts and other local governments on property tax questions and permissive sales tax questions. Tax Analysis staffers frequently make presentations to county auditors, school officials, and other local governments, discussing such topics as property tax law, school district income taxes, state revenue sharing, tax reform, and the impact of utility property tax law changes. In addition to its regular duties, TAD is involved in a number of special projects each year. The projects themselves are as diverse as analyzing the costs and potential cost savings of State Issue I (the drug treatment ballot initiative from November 2002) or preparing an amicus brief for the Tax Commissioner in the 2001 DeRolph IV school funding case.

Fiscal Year 2005 was a particularly active and productive year for the division. TAD not only prepared the numerical estimates of the Governor's tax reform package for the FY 2006-2007 executive budget, but also provided narratives that laid out the philosophical foundation for the tax reform initiative. When the budget moved into the General Assembly, the division estimated a number of alternative tax reform proposals for both the House and the Senate, and estimated the final version of the budget enacted by the General Assembly.

In FY 2005, the division continued to enhance its data assets and informational resources. It added to its database of large corporate taxpayers, providing an invaluable tool for simulating proposed changes in corporation franchise tax law. The division also refined its income tax simulation models in response to the demands of the Governor's tax reform package and the requests of legislators. TAD has also worked with other units of the Department of Taxation in providing new data that can enhance audit selection and tax compliance procedures. Finally, the division continues to work with OBM to develop more rigorous and accurate forecasting methods for General Revenue Fund tax revenues.

Tax Analysis continues to work on improving and expanding its research capability to better support the department's efforts to provide quality service not only throughout state government, but also to Ohio local governments and school districts.

## Taxpayer Services/ Compliance Division

The Taxpayer Services/Compliance Division is actually comprised of three separate divisions: Taxpayer Services, Compliance, and the Taxpayer Service Centers. The Taxpayer Services Division and the Compliance Division were merged in a 1998 department reorganization. The Taxpayer Service Centers joined in 2002. This consolidation combined the cross functionality of these divisions, moving the department closer to the implementation of a global strategy to service taxpayers and conduct unified compliance initiatives.

### Taxpayer Services Division

The Taxpayer Services Division (TPS) was reorganized in April 1998 into an integrated division handling multiple tax issues and tasks, replacing the single tax division concept that was previously utilized. TPS is the anchor to the many communication mediums utilized by the department to inform, educate, and learn from Ohio's taxpayers and tax practitioners. This division, with help from the Taxpayer Service Centers, fields thousands of telephone calls, e-mails, letters, and taxpayer walk-ins each month. TPS is the first point of contact for all communications related to individual income, school district income, sales and use, corporation franchise, employer withholding, employer school district withholding, and pass-through entity and trust taxes.

TPS agents are responsible for responding to questions simple and complex. All TPS agents are proficient in at least one of the taxes the division supports and most are adept at four or more. By functioning as a one-stop shop for taxpayer inquiries, TPS supports the department by striving to ensure accurate, comprehensive and consistent information is delivered to the taxpayer community.

The TPS outreach and education unit facilitates a number of taxpayer and practitioner programs each year. The unit's intent has been to assist the department in increasing voluntary compliance and cost saving self-service solutions through the promotion of effective, innovative customer service strategies. The unit has focused on fostering professional relationships to increase communication opportunities and awareness of tax laws and regulations throughout the state.

The TPS support unit updates computer data pertaining to the business community's demographics. This unit is also responsible for the various edit lists generated by the registration process and associated communications with the county auditors.

The TPS support and report unit administers, queries, and analyzes data used from the department's various contact systems to help the three divisions within Taxpayer Service/Compliance evaluate their performance, identify trends, and pinpoint opportunities for improvement.

### Taxpayer Service Centers

The department maintains nine Taxpayer Service Centers located in major cities throughout Ohio (Akron, Cincinnati, Cleveland, two in Columbus, Dayton, Toledo, Youngstown and Zanesville). The staffs of these offices make up the "face" of the department. The number and locations of the service centers evolved from a commitment to provide equitable service to all Ohio taxpayers through a network of strategically situated local branches, offering convenient access to services in regional population centers.

The service centers constitute both a local resource for assistance and a local presence to implement and enforce the various compliance and service programs in an efficient and cost-effective manner. In addition, the service centers provide a convenient work location for agents of the Audit Division.