

formation systems. It provides a secure, flexible, appropriately scaled architecture for the exchange of information with internal and external customers. ISD focuses on continuous improvement by measuring and reporting on information technology performance.

The statistics and initiatives listed below provide an overview of ISD's activities during Fiscal Year 2006:

- Designed, developed, and delivered a new tax administration system to support the new commercial activity tax in partnership with business liaisons and the Ohio Business Gateway.
- Significantly expanded the warehouse of data from internal and external sources to assist in identifying non-filers and under-payers of Ohio taxes for tax discovery and revenue enhancement.
- Implemented a support system for Ohio's Tax Amnesty program.
- Implemented a new quality assurance and training system for the Taxpayer Services division. This system enables the recording and monitoring of customer calls and is used to train agents and monitor taxpayer phone calls to assure the best quality of service to taxpayers.
- Launched a new enterprise-wide Assessment system that integrates with several other tax administration systems such as ITAS and IMOD to support the compliance initiatives of the department.
- Designed and implemented programming modifications to handle sweeping tax reforms specified in House Bill 66. Major modifications were made to sales tax, personal income tax, property tax, and corporation franchise tax.
- Implemented an automated Listserv server to enhance our communication with taxpayers and tax preparers.
- Implemented an automated audit system for pass-through entity tax.
- Implemented a new Offset system to interface with the Office of the Attorney General.
- Implemented state-of-the-art Internet monitoring tools to allow for monitoring and reporting on employee usage of the Internet.
- Implemented a secure e-mail gateway that allows for secure (encrypted) e-mail transmissions over the Internet. This enables expanded electronic communications with taxpayers, particularly for audit information.
- Processed 2,945,000 personal income tax returns electronically.
- Processed 15,000 credit card transactions for a total of \$8.6 million.
- Processed over \$11.9 billion in Automated Clearing House debit and credit payments.
- Processed 1.4 million refund direct deposits.
- Maintained network availability at 99.98 percent.
- Maintained mainframe availability at 99.94 percent.

The value of ISD comes from its ability to apply technology to increase effective use of information and to drive innovation. This is one critical way in which the division supports the department's mission of providing quality service to Ohio taxpayers.

INTERNAL AUDIT DIVISION

Internal Audit is a division within the Ohio Department of Taxation whose mission is to independently examine and evaluate the ongoing control processes of

the department and to provide counsel and recommendations for improvements whenever needed. The division also investigates areas with a high potential for risk and offers suggestions and recommendations to minimize ODT's exposure. In order to investigate internal controls, and to remain objective and independent, the Internal Audit Division reports directly to the Tax Commissioner. The Internal Audit Division is free of all operational and management responsibilities that might impair an ability to make independent reviews of all aspects of the department's operations. Additionally, the division has been authorized to have free and unrestricted access to all department records, functions, property, and personnel in order to investigate and/or maintain sound internal controls.

In addition to other investigatory issues, the Internal Audit Division serves as the contact for several other state agencies. The division coordinates the activities in the Internal Accounting Control Program (IACP) administered by the Office of Budget and Management. The division also serves as the contact and liaison for representatives from the Auditor of State's Office and the Enforcement and Collections Enforcement Section of the Attorney General's Office.

The Internal Audit Division helps ODT provide quality service to taxpayers by effectively monitoring the department's internal controls and making recommendations for improvement.

LEGISLATION DIVISION

The Legislation Division is the legislative coordinating unit for the Department of Taxation, monitoring all tax-related legislation as it progresses through the General Assembly. The division serves as the primary resource to members of the General Assembly, providing three main services:

- analyzing and reviewing proposed legislation;
- assisting with constituent inquiries or problems; and
- providing briefings or background information concerning tax issues.

The division's staff attends legislative committee hearings and prepares and presents testimony on tax policy issues. The division also provides information to the general public, state agencies, and elected officials about tax policy and the department's policies and procedures.

Other responsibilities include coordinating the department's review of proposed legislation and its response to the General Assembly and other interested parties.

A snapshot of the division's workload during Fiscal Year 2006 shows that the division focused on a number of bills that made important changes to Ohio's tax system.

Among them were the budget corrective bill, House Bill 530, which included numerous changes to the commercial activity tax, income tax, sales tax, personal property tax, and several other taxes; House Bill 390, a bill that establishes a statute of limitations on the collection of certain finalized but outstanding tax liabilities; Senate Bill 190, which extends the job training tax credit for an additional year; and Senate Bill 269, a bill that exempts certain charitable donations from the use tax (see **Summary of Legislation** chapter). In total, the Legislation Division monitored more than 250 bills during FY 2006.

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 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 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 ODT's free Web-based service, Ohio I-File. For tax year 2005, all methods combined of electronic filing accounted for more than 2.98 million, or approximately 56 percent, of all individual 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, saves the citizens of Ohio millions of dollars in processing costs annually. For example, during the 2004 filing season, it cost about \$3.4 million to process over 2.9 million electronically filed returns. By contrast, it cost almost \$8.8 million to process the approximately 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 that had either filed electronically or filed with a practitioner. This step saves the state on booklets and postage costs each filing year.