

# Responsibilities of the Department

## The Tax Commissioner

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, is subject to confirmation by the Ohio Senate, and serves at the pleasure of the Governor.

In general, the Tax Commissioner is responsible for the administration of most state-collected taxes and several locally-collected taxes and supervision of the real property tax. The Tax Commissioner is also empowered to make “all tax assessments, valuations, findings, determinations, computations and orders,” which the department is, by law, authorized and required to make, as well as to review, re-determine or correct previous assessments, valuations or findings.

Other principal duties of the Tax Commissioner include:

- promulgating rules and regulations and preparing and distributing tax returns and other reporting forms;
- auditing returns, levying assessments and penalties, and granting or denying tax refunds; and
- issuing, revoking or suspending certain licenses and permits.

In addition, the Tax Commissioner has certain specified duties. These include:

- the actual collection of individual income, horse racing, sales, commercial activity, corporation franchise, and excise taxes;
- the operation of a central collection and reporting system for the municipal income taxes on electric companies and telephone companies;
- the maintenance of a continuous study of the practical operation of the taxation and revenue laws of the state, the probable revenue effect of legislation introduced to change existing laws, and proposed measures providing for other forms of taxation; and
- revenue distribution to local governments, including shares of motor fuel tax revenue, property tax relief reimbursements, and distributions from the Local Government Fund, the Library and Local Government Support Fund, and the Local Government Property Tax Replacement Fund.

To efficiently perform these numerous functions, the Tax Commissioner is authorized by law to create such divisions and sections of employees as are deemed proper. The organization chart contained in this chapter indicates the current structure of the department as of June 30,

2008. In addition to four deputy Tax Commissioners, one of whom is also chief legal counsel, senior management consists of a chief information officer and eight executive administrators.

Executive administrators oversee various operating divisions whose functions are purely tax administration of the various taxes. These operating divisions include:

- Business taxes
- Commercial activity tax
- Estate
- Excise
- Individual income and school district income
- Operations and support
- Personal property
- Public utility
- Sales and use
- Tax equalization

There are also administrative service and support staff sections, including:

- Appeals management
- Audit
- Bankruptcy
- Budget and fiscal
- Chief counsel
- Communications
- Compliance/Taxpayer services
- Employee development and training
- Enforcement
- Forms
- Human resources
- Information services
- Internal audit
- Legislation
- Revenue accounting
- Tax analysis
- Tax appeals
- Tax discovery

The department also has a problem resolution officer on staff, under the direction of the Chief Ethics Officer, who provides additional assurance to taxpayers that their rights are being protected. To further serve Ohio residents and those in other states that have a business or residential nexus with Ohio, the department has located Taxpayer Service Centers in eight major cities throughout Ohio,

with two in Columbus and one each in Akron, Cleveland, Cincinnati, Dayton, Toledo, Youngstown, and Zanesville. The department also maintains regional audit centers near New York City, Chicago, and Los Angeles.

At the close of Fiscal Year 2007 there were 1,370 permanent employees and 175 intermittent employees within the department. Expenditures of approximately \$133.8 million were made during the fiscal year to fulfill the department's various functions and responsibilities. Further details on the number of employees and expenditures are shown in Tables 1 and 2, in this chapter.

Further details on the organization of the department is contained in the pages that follow. For purposes of this report, the divisions are grouped into four main areas: customer services, compliance services, other tax administration services and support services.

## Customer services

The vast majority of Ohio taxpayers make an honest effort to meet their responsibilities under the law. When they need help, they usually turn to the Department of Taxation's customer service divisions.

### Taxpayer Services Division

For many taxpayers, the Taxpayer Services Division is the first stop – a single point of contact for taxpayers with questions about individual income, school district income, sales and use, employer withholding, employer school district withholding, corporation franchise, pass-through entity and trust taxes.

This division serves as a multi-channel contact center that responds to taxpayer inquiries by letter, telephone, e-mail, fax machine and in person. This division strives for "first call resolution" to taxpayer inquiries, which range from general and technical taxability issues, tax return issues, filing requirements, business registrations, billings and assessments. The division also serves as the help desk for the Ohio Business Gateway, fields requests for forms, handles inquiries about refunds and answers questions from tax practitioners.

During Fiscal Year 2007, the Taxpayer Services Division handled 1,392,199 phone calls and 82,283 e-mail queries. Agents also assisted 85,527 walk-in taxpayers with completing returns, making payments, or answering general tax questions.

TPS has a small central registration unit dedicated to answering business registration-related telephone calls and entering of business registrations into the system for employer withholding, school district withholding and some sales tax vendor licenses. Other responsibilities include maintaining the cumulative vendor accounts, updating of demographic information and the maintenance of the liquor license renewal and safekeeping information.

### Taxpayer Service Centers

The Department of Taxation maintains Taxpayer Service Centers in Akron, Cincinnati, Cleveland, Columbus, Dayton, Toledo, Youngstown and Zanesville. These centers are intended to put a "face" to the department across Ohio.

The service centers constitute a local resource for assistance, and a local presence to implement and enforce the department's various compliance and service programs. The centers offer assistance to walk-in taxpayers throughout the state, as well as support the telephone inquiries across the business and income tax lines and process correspondence arising from numerous billing programs generated by the Compliance Division.

The service centers also act as extensions of the Taxpayer Service and Compliance divisions. The department's call center technology allows for the distribution of calls to service centers when necessary. The centers also assist with compliance programs run by the Compliance Division – specifically, with the correspondence, telephone calls and walk-ins that such compliance programs generate.

### Problem Resolution Officer

The problem resolution officer is a special resource for taxpayers. This individual serves as a liaison between the Ohio Department of Taxation and taxpayers when the normal lines of communication break down. The problem resolution officer is authorized by Ohio Revised Code section 5703.52, which states that the officer or additional persons designated for this office "shall receive and review inquiries and complaints concerning matters that have been pending before the department for an unreasonable length of time or matters to which a taxpayer has been unable to obtain a satisfactory response after several attempts to communicate with the employee of the department assigned to the taxpayer's case or the employee's immediate supervisor."

The problem resolution officer works with the appropriate employees and the taxpayer to determine the precise circumstances of their issue and to arrive at the appropriate resolution. Education and explanation regarding the applicable laws and rules is a key part of this process. Most tax situations can be reviewed by the problem resolution officer, except for appeals of final determinations of the Tax Commissioner or cases certified to the Ohio Attorney General for collection. The officer is available to assist taxpayers by mail, telephone or through e-mail received from the department's Web site.

## Compliance services

While most people voluntarily comply with Ohio's tax laws, there are exceptions. For these exceptions – and to fairly ensure that compliance is applied equally to all taxpayers – the department bills for unpaid taxes and operates a system of appeals that can either reduce liability or lead to collection for unpaid tax debts.

### Compliance Division

The Compliance Division handles billing, assessment and certification for collection as part of the major compliance programs run by the Department of Taxation.

Examples of compliance programs run by this division include the mailing of delinquency notices when taxpayers fail to submit a return or the mailing of a billing notice when taxpayers fail to pay the amount that appears to be due. The Compliance Division runs these and other compliance programs for a range of taxes, including individual income, school district income, employer withholding, school district employer withholding, corporation franchise, sales and use, and pass-through entity taxes.

The division generates bills for actual or potential tax liabilities arising from an audit or from an apparent taxpayer mistake. Such mistakes include the failure to file a return, compute taxes correctly, pay the amount owed, report federal adjusted gross income consistently, or report all income.

When taxpayers do not respond to a billing notice, the Compliance Division then issues an assessment. Assessments are the Tax Commissioner's final notification to a taxpayer of a tax deficiency or delinquency. An assessment informs the taxpayer of their legal rights if the assessment remains outstanding, and that the debt will be certified to the Ohio Attorney General's office for collection if an appeal is not filed in a timely fashion.

The Compliance Division also certifies debts for collection by the Ohio Attorney General and serves as the department's liaison to the Ohio Attorney General's office on issues concerning collection of deficient or delinquent taxes.

The Compliance Division is also responsible for responding to all taxpayer billing, assessment and certification correspondence and reviewing appeals of assessments that did not begin with an audit. This enables taxpayers to resolve certain issues in an informal manner that supports the department's focus on timely, quality customer service.

### Office of Chief Counsel

The Office of Chief Counsel is responsible for the tax legal affairs of the Department of Taxation. It is divided into four areas, described below:

**Tax Appeals Division** – The Tax Appeals Division conducts most of the administrative appeal hearings within the department and issues the Tax Commissioner's final determination in these tax matters, which serves as the department's final assessment of the taxpayer. The Tax Appeals Division had twenty hearing officers and supervisors and three support staff as of June 30, 2007. Tax Appeals tracks final determinations by calendar year. In calendar year 2006, the division had an opening balance of 1,322 cases and received an additional 2,785 more during the year. A total of 2,449 cases were sent out, for an end-of-year balance of 1,658 cases on hand.

**Appeals Management Division** – The Appeals Management Division serves as a liaison with the Attorney General's office for all litigation that involves the department except personnel actions. Much of the work of the division involves the mediation of appeals at the Board of Tax Appeals and the Ohio Supreme Court. This division also includes a Resolution Unit that works with the Offers in Compromise program and settlements concerning assessments certified for collection to the Attorney General's office. The Appeals Management Division had ten employees as of June 30, 2007.

Case information is tracked on a calendar year basis. As of Dec. 31, 2006, Appeals Management had 610 cases on appeal at the Board of Tax Appeals; two in the state appeals court system; and 14 at the Ohio Supreme Court.

**Bankruptcy Division** – The Bankruptcy Division is charged with claiming delinquent taxes from both individual and corporate taxpayers who have filed for bankruptcy. The division receives notices of filings each month from bankruptcy courts both in and outside of Ohio, which must be researched for outstanding tax debts. When taxes are owed, the division must file a proof of claim in the appropriate bankruptcy court prior to the bar date, or the date when the court can discharge debts. Collection of tax debts from these proofs may take months or years, as courts can place delinquent taxpayers on a payment plan. The Bankruptcy Division had eleven employees as of June 30, 2006. In calendar year 2006, the division received 7,033 notices of bankruptcies filed. It processed a total of 3,926 proofs of claim, which amounted to \$170,641,889 in delinquent taxes filed.

**Legal Counsels** – The Office of Chief Counsel also has nine legal counsels assigned to other department divisions, where they are responsible for drafting and reviewing legislation, rules, and information releases. The counsels also draft formal and informal tax opinions. These legal counsels are assigned to the Personal Property Tax, Office of Chief Counsel, Commercial Activity Tax/Excise, Estate Tax, Sales and Use Tax, Tax Equalization, Compliance, and Individual Income/School District Income Tax divisions.

The counsels issued six formal Tax Commissioner opinions regarding specific tax issues in calendar year 2006, five fewer than the previous year.

### Audit Division

The Audit Division provides a single administrative unit within the department to conduct and report audits of all major business taxes, to include sales and use, commercial activity, corporation franchise, pass-through entity, employer withholding, and tangible personal property. The emphasis is on field auditing, which establishes a greater

face-to-face contact with taxpayers and provides an opportunity for education during the conduct of an audit. This approach also gives the department the opportunity to learn first-hand the tax administration issues that are most critical to taxpayers.

As of June 30, 2007, the Audit Division included 292 employees. During the fiscal year ending June 30, 2007, the Audit Division completed the following types of audits:

Tax Type	Total Audits
Sales and Use	1,198
Personal Property	1,008
Corporation Franchise	908
Pass-Through Entity	133
Employer Withholding	131
Commercial Activity	1
Other	2
<b>Totals</b>	<b>3,381</b>

### Enforcement Division

The Department of Taxation's Enforcement Division is comprised of 27 sworn police officers that enforce the criminal provisions of Ohio tax laws. The Enforcement Division came into existence in 1971, when it was organized primarily to combat cigarette smuggling and organized crime. Since that time, the division has grown in size and responsibilities. The Enforcement Division now enforces most of the taxes administered by the department, which include the cigarette tax, other tobacco products tax, motor fuel tax, income and withholding taxes and the sales and use tax.

In July 2002 and again in July 2005, the Enforcement Division achieved accreditation from the Commission on Accreditation for Law Enforcement Agencies, Inc. The Enforcement Division is the only revenue-type division in the world with this distinction. The accreditation means the division has met stringent guidelines related to policies and procedures governing the operation of a law enforcement agency.

While the Enforcement Division is a support branch of the Department of Taxation, it is also a revenue generator for state government. During fiscal years 2003 through 2007, over \$19 million was brought in as a direct result of Enforcement's efforts.

### Tax Discovery Division

The Tax Discovery Division is charged with creating new tax programs, based on existing tax laws, in order to generate revenue for the state of Ohio. It runs programs within the unit, measures the success of the program, and then either refers the program to the affected operating division or keeps and maintains the program within the Discovery division. In addition, Discovery, which was formed in 2005, can be charged with administering special programs as requested by the Tax Commissioner's office.

For the fiscal year ended June 30, 2007, Tax Discovery generated more than \$16.8 million in revenue from conducting specific tax programs in the various taxes administered by the department, mainly in the individual income, employer withholding, and sales and use tax areas.

### Tax administration services

Other divisions are less visible to taxpayers, but still vital to the administration of state taxes in Ohio.

A number of these divisions oversee one or several specific taxes. This oversight includes developing rules and procedures for one or more taxes, prescribing forms, processing returns that have been suspended for one or more reasons, and interpreting law and policy to resolve taxpayer issues.

These divisions are:

- Business Tax Division, which is responsible for the corporation franchise and pass-through entity taxes, and the municipal income tax for electric light companies and telephone companies.
- Commercial Activity Tax – single entity responsible for all matters related to this tax.
- Estate Tax – oversees statewide application of this tax, whose returns are filed with county probate courts.
- Excise and Motor Fuel Taxes – “excise” in this case refers to the taxes on alcoholic beverages and tobacco products administered by this division, which also includes motor fuel, horse racing, kilowatt-hour and severance taxes; due to these taxes' specialized nature, the division processes returns, handles taxpayer calls, issues variances and assessments, and conducts audits.
- Individual Income and School District Income Tax (both divisions perform administrative functions for these taxes as part of the Operations and Support Center).
- Personal Property Tax, which is also responsible for the administration of public utility property taxes and public utility excise taxes.
- Sales and Use – in addition to administration of these taxes, also monitors compliance by out-of-state businesses and handles tax matters pertaining to liquor permits.
- Tax Equalization – responsible for overseeing the appraisal of real property for tax purposes by Ohio's county auditors.

The efforts of these divisions are chronicled, to some extent, in the “Taxes Administered” section of this book.

Other divisions are responsible for one or more aspects of taxation that apply to many of Ohio's specific taxes. They are described below.

### Operations and Support Center

The Operations and Support Center is the central processing unit for the majority of the business and individual

tax returns filed with the Department of Taxation. This division processed more than 6.7 million tax returns in 2006.

The primary function of the Operations Center is to facilitate voluntary compliance. This is accomplished through:

- receiving and recording tax returns, documents and remittances,
- issuing refunds,
- storing and retrieving tax documents,
- depositing taxpayer payments with banks so that funds are available for distribution to state and local governments.

As part of this mission, the Operations and Support Center has overseen the growing number of ways taxpayers may submit tax returns electronically rather than on paper. For the 2006 filing season, these methods included:

- TeleFile, the ability to submit a return by touchtone telephone. This was the department's first electronic filing method; some 232,548 taxpayers took advantage of this when it was first offered for the 1997 tax year.
- The Internal Revenue Service's e-File program, which became available through tax practitioners and software packages starting in 1999.
- Ohio I-File, a Web-based solution introduced in 2003 for the 2002 filing year, that asks taxpayers a series of questions, then compiles a state or school income tax return based on those answers.

For the 2006 tax year, all of these methods combined to account for more than 3.6 million, or 60 percent, of all individual and school district income tax returns filed with the department.

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 returns filed on paper – is believed to save the citizens of Ohio millions of dollars in processing costs annually.

### Forms Printing Division

The Forms Printing Division produces hundreds of forms utilized by tax practitioners and taxpayers to meet their obligations for most taxes administered by the Department of Taxation.

The Forms Printing Division is responsible for composing forms, preparing bid specifications for printing projects, ordering forms for various divisions, distributing forms and maintaining an inventory. The division acts as a forms liaison with third-party vendors and payroll processing companies.

In recent years, the division has revised forms to be scanned and imaged by a full-page scanner for more efficient data capture. The division is also responsible for making sure the most up-to-date forms are available on

the department's Web site. The forms section is the most visited section of the department's Web site.

### Revenue Accounting

The Revenue Accounting Division ensures that tax dollars are properly deposited and distributed in accordance with the law.

One of the primary duties of Revenue Accounting is the distribution of tax revenue. In Fiscal Year 2007, Revenue Accounting distributed more than \$4.4 billion as part of the following revenue-sharing efforts, funds and taxes:

- Revenue-sharing funds including the Local Government Fund, the Local Government Revenue Assistance Fund, and the Library and Local Government Support Fund;
- Locally-enacted taxes, including county sales and use taxes, school district income taxes, resort-area taxes, municipal income tax receipts from electric light companies and telephone companies, and Cuyahoga County beer, wine, cigarette and liquor taxes;
- Revenue sharing of state taxes including the motor fuel tax, dealers in intangibles tax and the horse racing tax;
- Property tax relief distributions, including the 10 percent rollback, the 2.5 percent rollback and the homestead property tax exemption;
- Property tax replacement fund distributions, including those associated with the kilowatt-hour tax, the natural gas distribution tax and the commercial activity tax;
- Revenue from income tax check-off programs, including the political party check-off and the scenic rivers, wildlife and Military Injury Relief Fund donation check-offs;
- Revenue from the manufactured home tax and the tangible personal property tax; and
- Litter tax receipts.

In addition, Revenue Accounting records most of the revenue receipts and refund deposits for the department for the individual income tax, employer withholding tax, sales and use tax, corporation franchise tax, school district income tax, motor fuel and use tax, the International Fuel Tax Agreement, the commercial activity tax and the municipal income tax for electric light companies and telephone companies.

The division also handles the accounting and reversals for all tax payment errors. This includes checks, electronic funds transfers (EFTs), payments made through the 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.

### **Tax Analysis Division**

The Tax Analysis Division serves as the research arm of the Ohio Department of Taxation, providing packaged data, quantitative analysis, revenue forecasts, and policy analysis to internal and external customers. The customers for Tax Analysis products include the Governor's office, members of the General Assembly, other divisions of the department, and all levels of local government.

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.

Tax Analysis provides assistance to the Office of Budget and Management (OBM) in forecasting tax revenues, tracking revenue on a monthly basis and assisting OBM with any updates of its forecasts. Tax Analysis also provides estimates of the Governor's tax proposals in the executive budget and the Tax Expenditure Report, traditionally "Book Two" of the executive budget.

Tax Analysis produces the tax data series that appears posted on the department's Web site – a data series that puts Ohio in the forefront when it comes to scope and quality. The division produces similar data for other publications, including "Property Taxation and School Funding," an educational aid for decision makers. The division also assembles the statistics, tables, graphs, and interstate comparison data for departmental publications such as the "Brief Summary of Major State and Local Taxes in Ohio" and this annual report.

The division provides a number of services to local governments, including dozens of estimates of school district income tax revenues each year and, in conjunction with the Revenue Accounting Division, estimates of the distributions to the three local government funds. The division 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.

During the 2007 fiscal year, Tax Analysis Division staff completed two major research projects as part of the department's tax research series: a distributional analysis of the Ohio estate tax and an analysis of tax increment financing reform on school district funding. The division expanded its income tax data series to include more data from income tax returns and was reformatted to present better data on high income taxpayers.

### **Support Services**

Other divisions of the Department of Taxation are in more of a support role. Many of these divisions have analogues in other state agencies and in the private sector.

#### **Budget and Fiscal Division**

The Budget and Fiscal Division performs internal financial, accounting, and facilities management functions that help the department run its day-to-day operations. Revenue Accounting, responsible for reconciling and distributing tax revenue, is detailed previously in this chapter. The other two Budget and Fiscal sections are:

**Budget and Accounts Payable** – This section prepares and monitors the department's operating budget with primary responsibilities that include centralized purchasing, processing payment of invoices and travel expense reimbursement. This section also administers the department's payment cards, travel Visa program, petty cash funds and contracts.

**Facilities Management** – This section is responsible for managing, equipping, and maintaining the department's office facilities, including safety and security. This section also administers the mail operations, inventory of all fixed assets, central supply services and the vehicle fleet program.

#### **Communications Office**

The Communications Office supports the department's mission of helping taxpayers understand their responsibilities through the timely delivery of information to external and internal audiences. The office is the first point of contact for media with questions about the department or requests for interviews. The office also:

- issues news releases and coordinates other events with state and local media to highlight significant events and policy changes at the department.
- manages the department's Web site, [tax.ohio.gov](http://tax.ohio.gov), with support from Information Services and liaisons throughout the agency.
- oversees several periodicals, including this annual report, the quarterly "Ohio State Tax Report" and other brochures.
- manages content on the department's internal Web site and develops other informational resources for department employees, including a monthly employee newsletter.

#### **Employee Development & Training/Quality Programs Division**

The Employee Development and Training/Quality Programs Division provides practical and applied professional skills and career development opportunities for all Ohio Department of Taxation employees. The division works with the department's tax and administrative divisions to

assess their ongoing organizational and staff development needs, then presents appropriate and timely training for all department employees.

This division also coordinates:

- the department's Agency Level Efficiency Review Team (ALERT), part of Governor Strickland's new Efficiency Review & Continuous Process Improvement initiative.
- department-wide health and wellness initiatives.
- corporate citizenship and employee recognition programs.
- department activities as part of the three major annual statewide charitable campaigns: Operation Feed, the Combined Charitable Campaign, and the Holiday Food Basket drive.
- department involvement in the statewide Public Practice Continuing Legal Education Coalition, including presenting a minimum of two department Public Practice CLE seminars per year.

#### **Human Resources Division**

The Human Resources Division is devoted to employee-related and administrative support services. Personnel duties performed by the division include planning staffing needs, posting vacancies, hiring and compliance with civil service regulations. Labor relations duties include the negotiation and administration of labor-management agreements with the Ohio Civil Service Employees Association and the Fraternal Order of Police. Additional labor-relations duties including the oversight of grievances, arbitration services and work rule compliance. This division also handles payroll services and benefit administration as well as the Equal Employment Opportunity Program.

#### **Information Services Division**

The Information Services Division (ISD) supports the Department of Taxation's business program areas through the development and support of computer information systems. This division provides a secure, flexible and appropriately-scaled architecture for the exchange of information with internal and external customers.

Fiscal year 2007 saw ISD bring into service several new and enhanced technologies that made overall significant improvements to the department's information infrastructure. Chief among these were the implementation of virtual servers and the creation of data warehouses for Tax Discovery, as well as the implementation of new scanning and imaging systems that greatly streamlined income tax processing.

Other achievements during the year included the application of best practices to secure Taxation's network of both internal systems and taxpayer data. The division was also involved in the creation of new electronic forms technology and implementing wireless service for auditors and Enforcement.

#### **Internal Audit Division**

The mission of the department's Internal Audit Division 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 the department's exposure.

The Internal Audit Division reports directly to a Deputy Tax Commissioner but has open access to discuss matters directly with 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. The division serves as the contact and liaison for representatives from the Auditor of State's office.

#### **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.

## **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 state Office of Budget and Management (OBM) receives all revenue collected by the department. Income tax and other refund checks, as well as electronic deposits to taxpayers' accounts, are generated by OBM based on data provided by the Department of Taxation. The Ohio Department of Development certifies to the Department of Taxation certain credits available to corporations.

Pursuant to provisions of the Ohio Revised Code, the Department of Taxation also 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.

### **Administrative Tables**

The tables that follow illustrate various aspects of the Department of Taxation's structure and mission, including its organization, expenditures and staff side. Also in this section are tables illustrating the growth of electronic filing and the number of assessments recorded through the department's compliance programs.

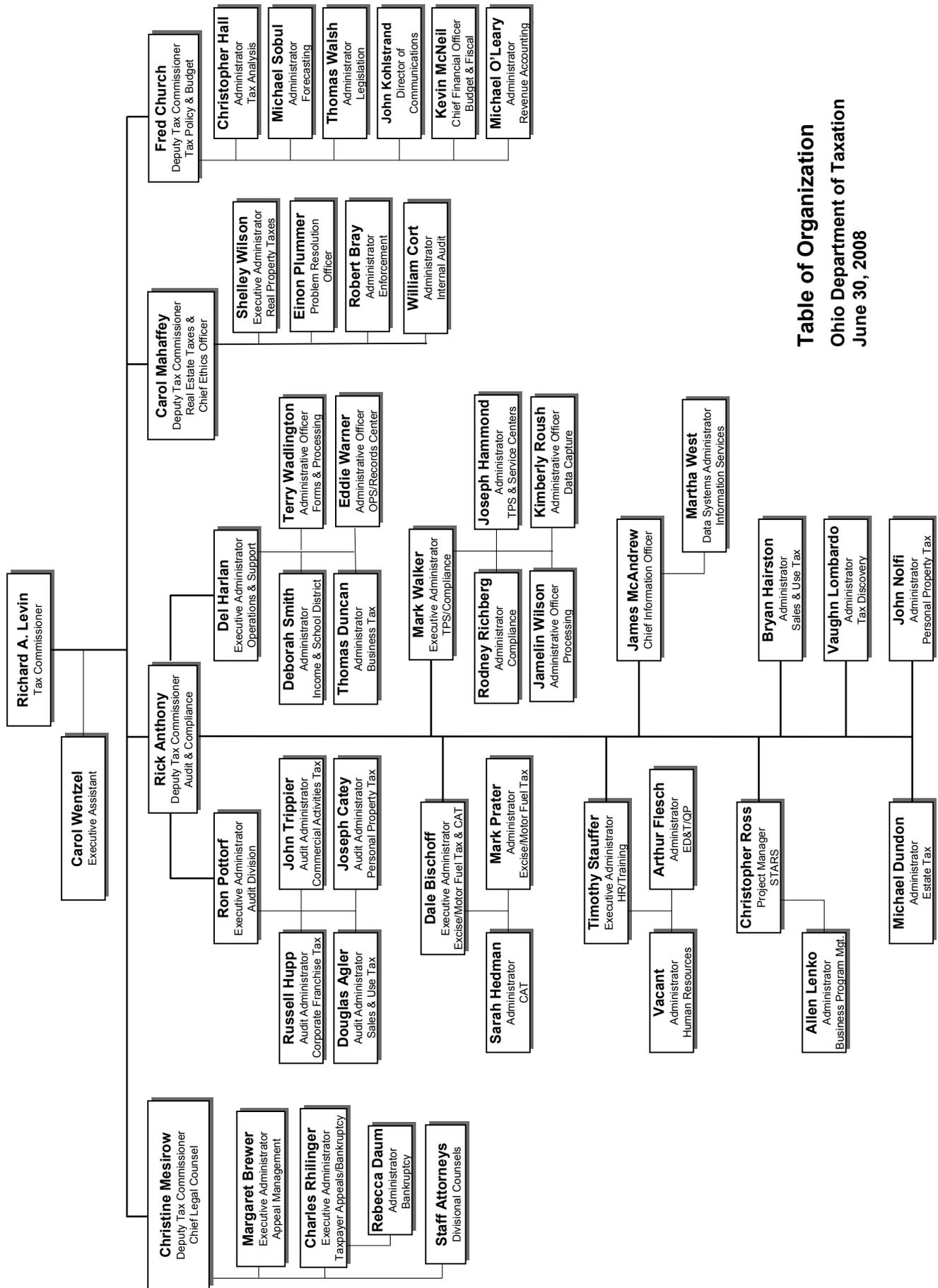


## Ohio's Tax Commissioners, 1939 to present



Tax Commissioner Richard A. Levin and four of Ohio's previous tax commissioners. From left to right: Roger W. Tracy, Thomas M. Zaino, Levin, Joanne Limbach and William W. Wilkins.

<b>Tax Commissioner</b>	<b>Began service</b>	<b>Ended service</b>	<b>Appointed by</b>
William S. Evatt	June 3, 1939	Dec. 31, 1944	John W. Bricker
C. Emory Glander	Jan. 1, 1945	Jan. 31, 1951	Frank J. Lausche
John W. Peck	Feb. 1, 1951	Jan. 31, 1954	Frank J. Lausche
Stanley J. Bowers	Feb. 1, 1954	April 14, 1963	Frank J. Lausche
Louis J. Schneider	April 15, 1963	Dec. 29, 1964	James A. Rhodes
Gerald A. Donahue	Jan. 4, 1965	March 12, 1966	James A. Rhodes
Gail W. Porterfield	March 13, 1966	Jan. 10, 1971	James A. Rhodes
Robert J. Kosydar	Jan. 11, 1971	Jan. 12, 1975	John J. Gilligan
Gerald S. Collins	Jan. 13, 1975	Sept. 10, 1975	James A. Rhodes
Edgar L. Lindley	Sept. 11, 1975	Jan. 9, 1983	James A. Rhodes
Joanne Limbach	Jan. 10, 1983	Jan. 13, 1991	Richard F. Celeste
Roger W. Tracy	Jan. 14, 1991	Jan. 11, 1999	George V. Voinovich
James J. Lawrence	Jan. 11, 1999	June 30, 1999	Bob Taft
Thomas M. Zaino	July 1, 1999	Oct. 31, 2003	Bob Taft
J. Patrick McAndrew	Nov. 1, 2003	Jan. 11, 2004	Bob Taft
William W. Wilkins	Jan. 12, 2004	Jan. 7, 2007	Bob Taft
Richard A. Levin	Jan. 8, 2007		Ted Strickland



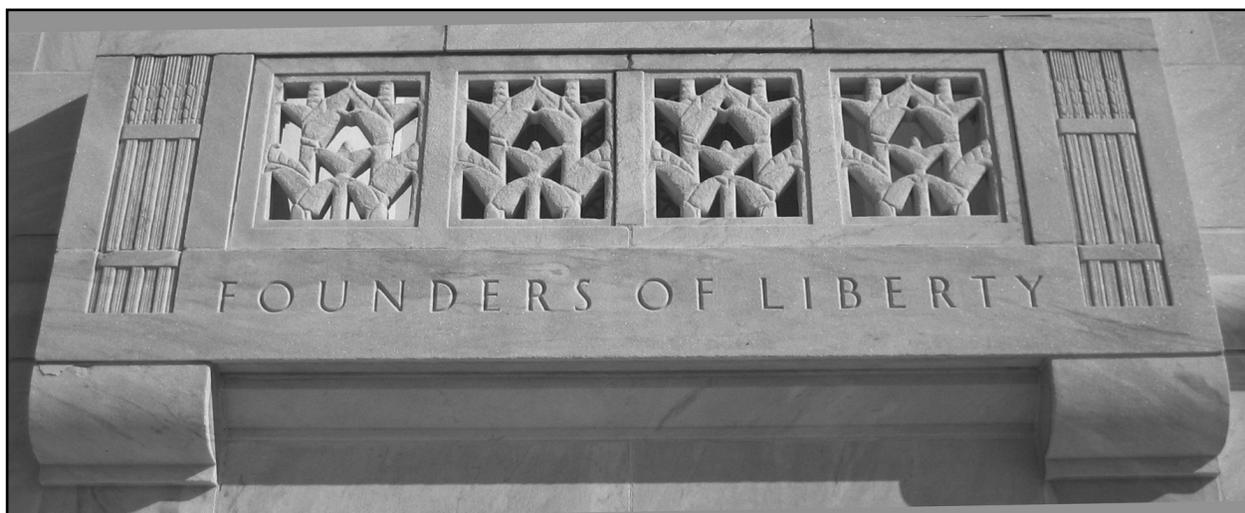
**Table of Organization**  
Ohio Department of Taxation  
June 30, 2008

**Table 1  
Department Staff Structure & Number of Employees:  
Fiscal Year 2007**

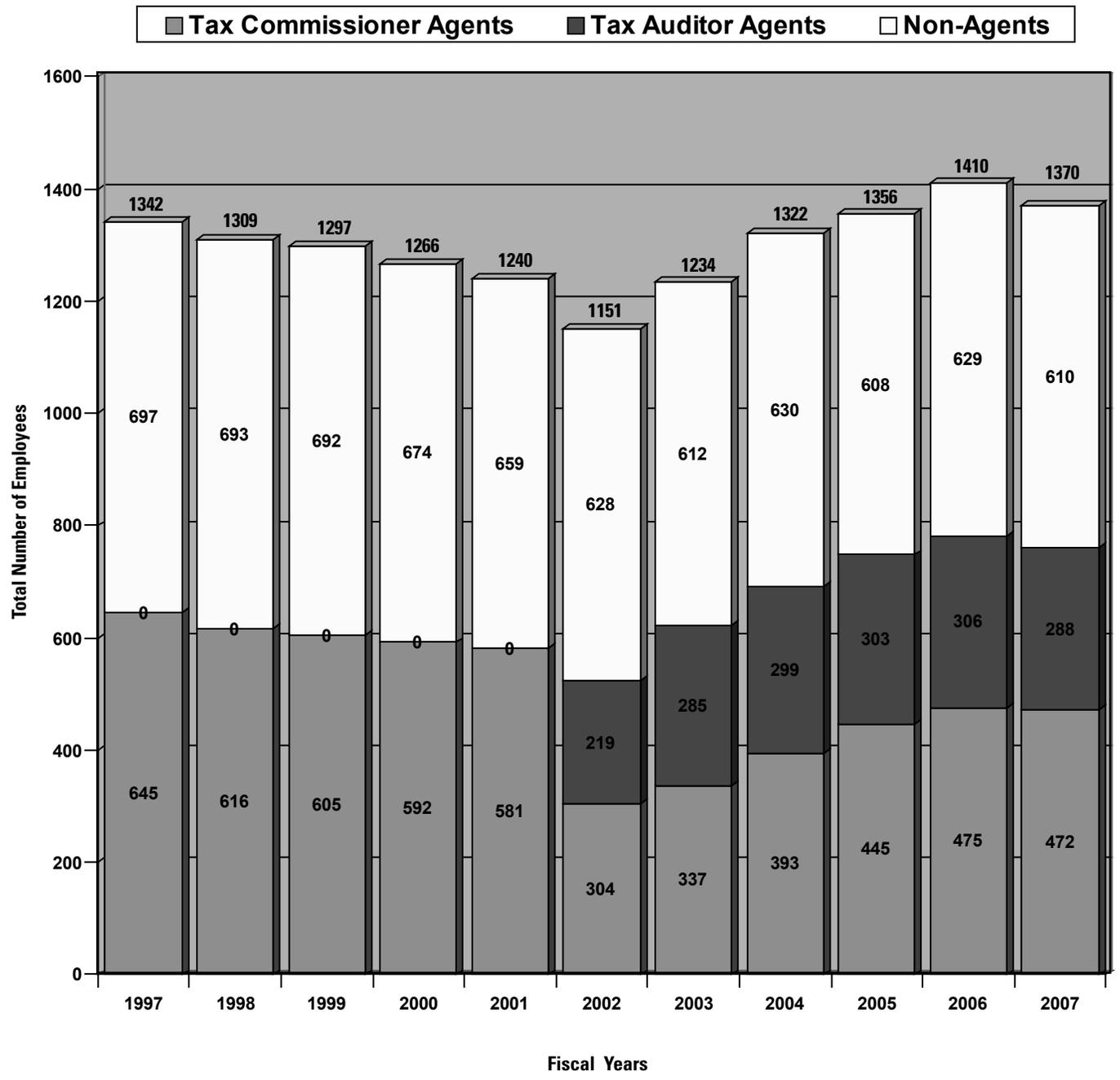
<b>Administrative Divisions</b>		<b>Information Services</b>	<b>142</b>
Tax Commissioner	10	<b>Internal Audit</b>	<b>2</b>
Human Resources	16	<b>Operations</b>	<b>136</b>
Tax Analysis	8	<b>Personal Income &amp; School District Tax</b>	<b>62</b>
Employee Dev. & Training	9	<b>Personal Property Tax</b>	<b>24</b>
Legislation	5	<b>Sales &amp; Use Tax</b>	<b>46</b>
Communications	5	<b>Tax Discovery</b>	<b>12</b>
HR/TCA Training	3	<b>Tax Equalization</b>	<b>23</b>
Performance Excellence	11	<b>Taxpayer Service Centers</b>	
<b>Divisions Total</b>	<b>67</b>	Akron	18
<b>Audit</b>		Cincinnati	20
Administration/Support	26	Cleveland	19
South Central Region	61	Columbus	24
Northwest Region	94	Dayton	17
Northeast Region	80	Toledo	14
New York	10	Youngstown	17
Chicago	7	Zanesville	9
Los Angeles	13	<b>Divisions Total</b>	<b>138</b>
<b>Division Total</b>	<b>291</b>	<b>Taxpayer Services</b>	<b>87</b>
<b>Budget &amp; Fiscal</b>	<b>26</b>	<b>Total Permanent Employees</b>	<b>1,370</b>
<b>Business Tax</b>	<b>51</b>	<b>Intermittent Employees in Pay Status</b>	<b>175</b>
<b>Chief Counsel</b>	<b>59</b>	<b>Total Employees in Pay Status</b>	<b>1,545</b>
<b>Commercial Activity Tax</b>	<b>23</b>		
<b>Compliance</b>	<b>71</b>		
<b>Enforcement</b>	<b>30</b>		
<b>Estate Tax</b>	<b>11</b>		
<b>Excise &amp; Motor Fuel Tax</b>	<b>40</b>		
<b>Facilities Management</b>	<b>24</b>		
<b>Forms &amp; Printing</b>	<b>5</b>		

**Table 2**  
**Expenditures of the Ohio Department of Taxation By Division:**  
**Fiscal Year 2007**

Division	Personal Service	Maintenance and Equipment	Total
Administrative	\$15,143,108	\$6,016,100	\$21,159,207
Audit	22,154,629	2,458,636	24,613,265
Business & Corporate Franchise Tax	3,349,226	1,105,524	4,454,751
Commercial Activity Tax	1,257,724	495,097	1,752,820
Enforcement	2,172,782	381,760	2,554,543
Estate Tax	829,955	151,451	981,407
Excise & Motor Fuel Tax	2,667,233	720,791	3,388,024
Information Services	17,422,222	6,521,330	23,943,552
Operations	10,531,613	5,633,600	16,165,213
Personal Income & School District Tax	4,042,695	1,695,183	5,737,878
Personal Property Tax	1,932,245	246,274	2,178,519
Sales & Use Tax	3,036,286	1,135,953	4,172,239
Tax Equalization	1,700,453	81,422	1,781,874
Taxpayer Services/Compliance	19,090,054	1,838,666	20,928,720
<b>Total</b>	<b>\$105,330,224</b>	<b>\$28,481,787</b>	<b>\$133,812,011</b>



### Chart 1 Ohio Department of Taxation: Total Number of Employees Fiscal Years 1997 - 2007

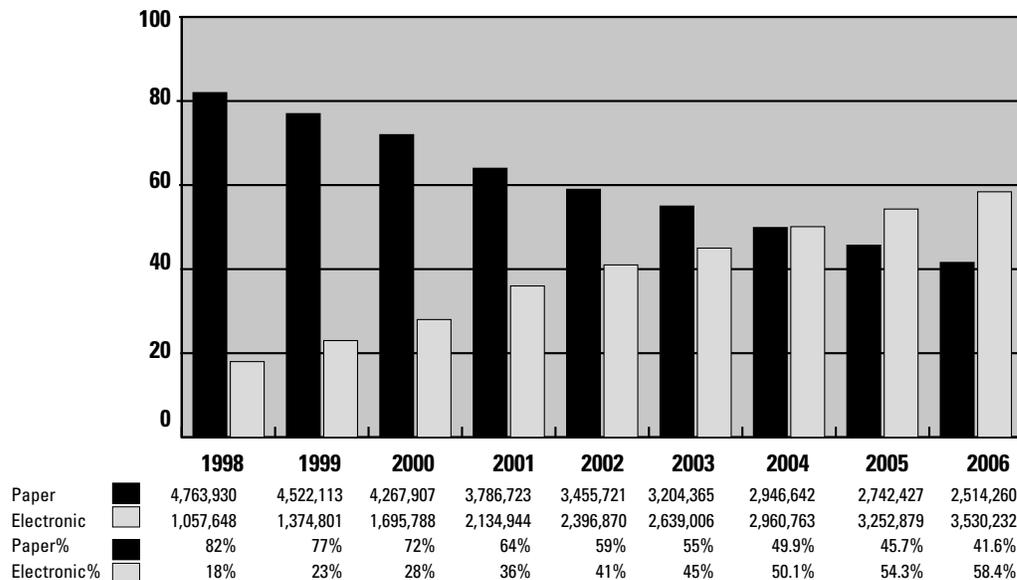


**Table 3**  
**Income & School District Income Tax Return Filing:**  
**1998 - 2006**

Tax Return Year	1998	1999	2000	2001	2002	2003	2004	2005	2006 <sup>1</sup>
1040 Paper	3,195,691	2,967,340	2,645,743	2,585,136	2,430,889	2,259,825	2,118,800	1,742,348	1,523,984
EZ Paper	1,133,422	1,130,605	1,203,655	814,473	663,406	593,326	491,338	678,362	683,055
<b>Total Paper</b>	<b>4,329,113</b>	<b>4,097,945</b>	<b>3,849,398</b>	<b>3,399,609</b>	<b>3,094,295</b>	<b>2,853,151</b>	<b>2,610,138</b>	<b>2,420,710</b>	<b>2,207,039</b>
1040 ELF	645,300	879,837	1,141,239	1,396,931	1,616,387	1,837,659	2,069,667	2,348,393	2,575,570
1040 TEL	365,881	421,483	468,930	621,810	534,787	435,883	375,944	292,217	227,173
WEB File	-0-	-0-	-0-	-0-	118,444	213,815	303,896	346,302	405,071
<b>Total Electronic</b>	<b>1,011,181</b>	<b>1,301,320</b>	<b>1,610,169</b>	<b>2,018,741</b>	<b>2,269,618</b>	<b>2,487,357</b>	<b>2,749,507</b>	<b>2,986,912</b>	<b>3,207,814</b>
<b>Total IT Returns</b>	<b>5,340,294</b>	<b>5,399,265</b>	<b>5,459,567</b>	<b>5,418,350</b>	<b>5,363,913</b>	<b>5,340,508</b>	<b>5,359,645</b>	<b>5,407,622</b>	<b>5,414,853</b>
Paper%	81.1%	75.9%	70.5%	62.7%	57.7%	53.4%	48.7%	44.8%	40.8%
Electronic%	18.9%	24.1%	29.5%	37.3%	42.3%	46.6%	51.3%	55.2%	59.2%
SD100 Paper	434,817	424,168	418,509	387,114	361,426	351,214	336,504	321,717	307,221
SD 100 ELF	46,467	73,481	85,619	116,203	127,252	151,649	183,777	224,825	266,247
SD 100 WEB							27,479	41,142	56,171
<b>Tot. SD Elec.</b>							<b>211,256</b>	<b>265,967</b>	<b>322,418</b>
<b>Total School</b>									
<b>District Returns</b>	<b>481,284</b>	<b>497,649</b>	<b>504,128</b>	<b>503,317</b>	<b>488,678</b>	<b>502,863</b>	<b>547,760</b>	<b>587,684</b>	<b>629,639</b>
Paper%	90.4%	85.2%	83.0%	76.9%	64.0%	69.8%	61.4%	54.7%	48.8%
Electronic%	9.6%	14.8%	17.0%	23.1%	26.0%	30.2%	38.6%	45.3%	51.2%
<b>Total IT &amp; SD</b>	<b>5,821,578</b>	<b>5,896,914</b>	<b>5,963,695</b>	<b>5,921,667</b>	<b>5,852,591</b>	<b>5,843,371</b>	<b>5,907,405</b>	<b>5,995,306</b>	<b>6,044,492</b>
Paper Total	4,763,930	4,522,113	4,267,907	3,786,723	3,455,721	3,204,365	2,946,642	2,742,427	2,514,260
Electronic	1,057,648	1,374,801	1,695,788	2,134,944	2,396,870	2,639,006	2,960,763	3,252,879	3,530,232
<b>Total Paper %</b>	<b>82%</b>	<b>77%</b>	<b>72%</b>	<b>64%</b>	<b>59%</b>	<b>55%</b>	<b>49.9%</b>	<b>45.7%</b>	<b>41.6%</b>
<b>Total Electronic %</b>	<b>18%</b>	<b>23%</b>	<b>28%</b>	<b>36%</b>	<b>41%</b>	<b>45%</b>	<b>50.1%</b>	<b>54.3%</b>	<b>58.4%</b>

1 Totals for 2006 through Nov. 5, 2007.

**Chart 2**  
**Paper vs. Electronic Returns:**  
**1998 - 2006**



**Table 4**  
**Personal Property Tax Assessments<sup>1</sup>:**  
**Calendar Years 2005 - 2006**

Type of Tax	Amount of Assessments	
	Calendar Year 2005	Calendar Year 2006
Tangible Personal Property		
Single-County Corporations and Individual Unincorporated Businesses	\$11,138,440	\$10,308,501
Inter-County Corporations	118,029,735	150,596,229
<b>Total Tangible Personal Property</b>	<b>\$129,168,175</b>	<b>\$160,904,730</b>
Dealers in Intangibles	\$3,393,341	\$4,304,713
<b>Total Personal Property and Dealers</b>	<b>\$132,561,516</b>	<b>\$165,209,443</b>

1 Resulting from audits or delinquent returns.

**Table 5**  
**Sales and Excise Tax Assessments Levied, and Unpaid Assessments Certified for Collection:**  
**Fiscal Years 2006 - 2007**

Tax Category	Assessments Levied <sup>1</sup>				Unpaid Assessments Certified for Collection <sup>2</sup>	
	FY 2006		FY 2007		FY 2006	FY 2007
	Amount	Number	Amount	Number		
Sales & Use	\$507,993,278	241,439	\$731,947,073	218,296	\$246,819,553	\$353,362,751
Motor Vehicle Fuel	6,986,834	143	8,493,194	207	5,076,616	1,672,641
Motor Fuel Use	1,659	8	104	1	\$3,616	-
Cigarette	2,535,588	10	227,359	18	462,676	71,099
Other Tobacco Products	704,844	55	2,422,483	143	676,225	1,240,040
Alcoholic Beverage <sup>3</sup>	61,796	14	84,282	28	37,854	-
Severance	329,919	101	274,029	55	76,948	49,265
Horse Racing	-	-	-	-	-	-
Replacement Tire Fee	73,918	5	275,567	14	86,584	234,506
IFTA <sup>4</sup>	608,628	178	375,161	114	212,290	298,530
Kilowatt Hour	207,110	11	108,131	5	-	-
Natural Gas Distribution	-	-	-	-	-	-
Master Settlement Agreement <sup>5</sup>	29,750	15	\$128,580	26	\$29,423	12,035
<b>Total</b>	<b>\$519,533,324</b>	<b>241,979</b>	<b>\$744,335,963</b>	<b>218,907</b>	<b>\$253,481,785</b>	<b>\$356,940,867</b>

1 Represents only assessments levied and not assessments collected.  
 2 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, and may be from a prior fiscal year.  
 3 Beer, wine, and mixed beverages.  
 4 International Fuel Tax Agreement.  
 5 Master Settlement Agreement (tobacco).

**Table 6**  
**Individual Income Tax and Corporation Franchise Tax**  
**Assessments Levied:**  
**Fiscal Year 2003 - 2007**

Tax	Fiscal Year 2003		Fiscal Year 2004		Fiscal Year 2005		Fiscal Year 2006		Fiscal Year 2007	
	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number
Corporation Franchise	\$57,203,517	7,755	\$57,968,371	4,363	\$496,524,746	83,419	\$312,324,996	24,892	\$114,545,460	18,723
Individual Income	\$32,785,324	20,989	\$74,387,712	85,759	\$155,353,096	132,765	\$162,714,937	109,424	\$147,482,953	95,090
<b>Total</b>	<b>\$89,988,841</b>	<b>28,744</b>	<b>\$132,356,083</b>	<b>90,122</b>	<b>\$651,877,842</b>	<b>216,184</b>	<b>\$475,039,933</b>	<b>134,316</b>	<b>\$262,028,413</b>	<b>113,813</b>

