

## AUDIT DIVISION

The Audit Division launched operations July 1, 2001 as the fulfillment of one of many objectives born from the Ohio Department of Taxation's strategic planning retreat in January 2000.

The vision underlying the division's establishment was the creation of new job classifications; the Tax Auditor Agent series. This allows employees with the education, experience and proficiency in auditing the major Ohio business taxes (Sales and Use tax, Personal Property tax, Corporate Franchise tax, Pass-Through Entity tax, and Employer Withholding tax) the opportunity to devote most of their time to "field" auditing.

The emphasis on field auditing accomplishes three objectives which align themselves with the ODT's goals of enhancing taxpayer services and taxpayer compliance with Ohio tax law, and modernizing Ohio tax laws and the Department's operations. One, it re-establishes a greater face-to-face contact with the taxpayers that this Department serves. Second, it enhances the Department's ability to educate these taxpayers on the ever-changing revisions to Ohio statutes. Third, it educates the auditors on issues where tax planning has been done to avoid taxes, thus helping the Department improve how it administers the Ohio tax law.

In order to accomplish these objectives, the Audit Division over the last year has placed a special emphasis on the following initiatives:

- Create and use audit project plans for each audit assignment that enable the auditors to better plan the scope of an audit, determine a timeline of deliverables to move the audit efficiently to a conclusion, and to project and track the number of hours used to complete such assignments.
- Permit auditors to share their preliminary proposed audit findings prior to a formal review by our Audit Review staff, to encourage an interaction between auditor and taxpayer on the exact nature of audit issues.
- Enhance the use of a resolution process to address audit issues more quickly and efficiently in order to avoid lengthy and costly litigation.
- Increase the use of electronic downloads of taxpayer data in order to move audits to a quicker completion and provide more accurate

results, with fewer hours expended by all parties. This allows the Department to more efficiently use audit hours and thereby provides an opportunity to expand the audit base. The division has also created a Computer Audit Assistance Group that helps auditors and taxpayers through these types of audits.

- Create basic and advanced tax-type courses and auditing courses to help the division's auditors identify substantive audit issues and cross-tax initiatives. Each auditor is required to have knowledge of all business tax-types outside their previous tax expertise.

As of June 30, 2002, the Audit Division included 216 employees, assigned to the Department headquarters, at satellite offices throughout Ohio and at out-of-state offices in New York City, Chicago and Los Angeles. The current field auditing staff is primarily assigned, by percentage, to audits in the following tax-type areas:

<b>Sales &amp; Use Tax</b>	57%
<b>Personal Property Tax</b>	15%
<b>Corporate Franchise Tax</b>	24%
<b>Pass-Through Entity Tax</b>	6%

During the fiscal year ending June 30, 2002, the Audit Division completed the following types of audits:

Tax Type	Refund	Traditional Audits	Total Audits
<b>Sales and Use</b>	211	1,078	1,289
<b>Personal Property</b>	28	468	496
<b>Corporate Franchise</b>	353	398	751
<b>Pass-Through Entity</b>	18	109	127
<b>Employer Withholding</b>	3	29	32
<b>Totals</b>	<b>613</b>	<b>2,082</b>	<b>2,695</b>

During the fiscal year ending June 30, 2003, the Audit Division will hire approximately 78 entry-level auditors and three audit managers. All new auditors will be trained and will receive experience in auditing all business tax-types within the first two years of their employment.

The work of the Audit Division helps taxpayers comply with their responsibilities by identifying appropriate tax liabilities while providing an improved means to educate taxpayers on all provisions of the law.

## BUDGET AND FISCAL DIVISION

The Budget and Fiscal Division is comprised of five subordinate units that are directly responsible for internal financial management in the Department of Taxation, as well as distribution of tax revenues. The division also oversees record-keeping activities.

Budget and Fiscal's subordinate units are Budgeting and Accounts Payable, Facilities Management, Revenue Accounting, Internal Audit and Records Management.

### Budgeting and Accounts Payable

This unit prepares and monitors the Department's budget for each fiscal year of a biennial budget. The unit's primary responsibilities include managing acquisitions, preparing purchase orders, processing invoices and administering travel expenditures. The unit administers the Department's payment cards, petty cash funds and contracts.

### Facilities Management

The facilities unit is responsible for managing, equipping, and maintaining the office facilities, providing office supplies, coordinating safety and security, keeping an inventory of assets and vehicle fleet management.

### Internal Audit

The function of this unit is to coordinate the State of Ohio's Internal Accounting Control Program and Auditor of State annual audits, perform internal investigations, and conduct internal audits and performance reviews.

### Revenue Accounting

This unit accounts for all tax revenue receipts, reconciles the revenues and makes distributions to the state and local governments. The unit also works with bad check processing and resolution.

### Records Management

The records unit is responsible for the proper identification, maintenance of the retention schedules and disposal of the agency's public and non-public records.

The Budget and Fiscal Division, by accomplishing its varied missions, helps enable the Department of Taxation meet its responsibility of providing quality service within government and to other state agencies, as well as to the public.

## OFFICE OF CHIEF COUNSEL

The Office of Chief Counsel is responsible for the tax legal affairs of the Ohio Department of Taxation. It is divided into four areas: the Appeals Management Division, the Bankruptcy Division, the Tax Appeals Division, and Legal Counsels that provide assistance with specific taxes. The Office of Chief Counsel is also responsible for enacting, amending or rescinding rules promulgated by the Tax Commissioner (see **Rule Review** chapter) and shares responsibility for the issuance of information releases with other divisions of the Department.

### Appeals Management Division

The Appeals Management Division directly interacts with the Ohio Attorney General on tax appeals after the Tax Commissioner's Final Determination on a tax matter. The Appeals Management Division had two employees as of June 30, 2002.

	Bd. of Tax		
	Appeals	Ct. of Appeals	Ohio Sup.Ct.
Cases on appeal beyond Taxation as of 12/31/01:	305	4	25
Cases on appeal beyond Taxation as of 12/31/02:	259	8	33

### Bankruptcy Division

The Bankruptcy Division handles the filing of the Department's Proofs of Claims with various Bankruptcy Courts throughout the country. The Bankruptcy Division had six employees as of June 30, 2002.

### Bankruptcy Proofs of Claims Handled by Bankruptcy Division —

Cal. Yr.	Total Notices Rec'd.	Total Proofs Processed	Total Amount Filed
2001	12,336	1,468	\$39,170,195
2002	12,510	1,535	\$46,866,252

### 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. The Tax Appeals Division had 14 hearing officers and supervisors and four support staff as of June 30, 2002.

### Final Determinations Issued by Tax Appeals Division —

Cal. Yr.	Opening Bal.	Cases Rec'd.	Cases Out	Ending Bal.
2001	1,240	1,286	1,129	1,397
2002	1,397	821	1,145	1,073

### Legal Counsels

The Department of Taxation has six legal counsels. They are responsible for drafting and reviewing legislation, rules and information releases, and they also draft formal and informal tax opinions.

Legal counsels are assigned to the Personal Property Taxes, Office of Chief Counsel, Estate Tax, Sales/Use Tax, Tax Equalization, and Franchise/Income Taxes divisions.

**Formal Tax Commissioner Opinions Issued —**

Calendar Year 2001: 2

Calendar Year 2002: 1

**Information Releases Issued/Updated in  
Calendar Year 2002****General Information Releases**

- **G 2002-01** – “Modified Appeal Procedures – Corrected Assessments,” Dec. 16, 2002.

**Corporation Franchise Tax Information Releases**

- **PI & CFT 2002-02** – “Ohio Bonus Depreciation Adjustments and the Internal Revenue Code Passive Activity Loss, Basis Limitations and At-Risk Rules,” Nov. 7, 2002.
- **PI & CFT 2002-01** – “Recently Enacted Ohio Legislation Affects Depreciation Deductions for Taxable Years 2001 and Thereafter,” July 31, 2002.

**Alcoholic Beverages Information Releases**

- **XT 2002-05** – “Alcoholic Beverage Reporting Changes for Out-of-State Wine Suppliers,” July 24, 2002.

**Cigarette & Other Tobacco Products Information  
Releases**

- **XT 2002-07** – “Notice About Master Cigarette Settlement Agreement (MSA) Reporting,” Oct. 18, 2002.
- **XT 2002-06** – “New Product Subject to the Other Tobacco Products Tax and Restrictions on Cigarette Sales and Packaging,” Sept. 3, 2002.
- **XT 2002-04** – “Cigarette Tax Increase for All Ohio non-Stamping Cigarette Wholesalers,” June 11, 2002.
- **XT 2002-03** – “Cigarette Tax Increase for All Ohio Stamping Cigarette Wholesalers,” June 11, 2002.

- **XT 2002-02** – “Cigarette Tax Increase for All Ohio Cigarette Retailers,” June 7, 2002.
- **XT 2002-01** – “License Requirements for Other Tobacco Products,” April 9, 2002.

**Ohio Individual Income Tax Information Releases**

- **PI & CFT 2002-02** – “Ohio Bonus Depreciation Adjustments and the Internal Revenue Code Passive Activity Loss, Basis Limitation and At-Risk Rules,” Nov. 7, 2002.
- **PIT 2002-06** – “Net Operating Loss Carryback Five-Year Rule,” Aug. 12, 2002.
- **PI & CFT 2002-01** – “Recently-Enacted Ohio Legislation Affects Depreciation Deductions for Taxable Years 2001 and Thereafter,” July 31, 2002.
- **PIT 2001-04** – “Electing Small Business Trusts Audit Initiative,” July 3, 2002.
- **PIT 2001-03** – “Pass-Through Entity Tax: Certain Estimated Taxes Payments Due September 16, 2002,” July 3, 2002.
- **IT 2002-01** – “‘Combat Zone’ Designation and Impact on Ohio Income Tax and School District Tax Returns,” Feb. 1, 2002.
- **TRUST 2003-01** – “Ohio Law Imposes Ohio Income Tax on Trusts Beginning in 2002,” April 14, 2003.

**Sales Tax Information Releases**

- **ST 2002-04** – “Building Maintenance and Janitorial Services,” Nov. 13, 2002.
- **ST 2002-01** – “Federal Luxury Tax (Tax Expired 1/1/2003),” Jan. 02.
- **ST 2002-03** – “Recreation and Sports Club Service,” July 2002.

The Office of Chief Counsel provides the legal support necessary to the Department in its mission of providing quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law.

**COMPLIANCE DIVISION**

The Compliance Division manages the billing and assessment functions for the Individual Income tax, Employer Withholding tax, Corporate Franchise tax, Sales and Use tax and School District Income tax.

Bills and assessments are generated for actual or potential tax liabilities arising from a taxpayer's failure to file, failure to pay, computation errors, federal adjusted gross income discrepancies, under-reported income, and field and desk audits. 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 Attorney General's office for collection if an appeal is not filed in a timely fashion.

The division's Assessment Section carries the responsibility of being the Department of Taxation's liaison to the Ohio Attorney General's office. All communication regarding collection of deficient or delinquent taxes is coordinated through the Assessment Section.

Tables 1 through 3 indicate assessments issued for the various taxes administered by the Department. Personal property tax assessments shown in Table 1 for Tangible and Intangible taxes totaled almost \$106 million for Calendar Year 2001. Table 2 indicates that Sales and Excise tax assessments were about \$539.2 million in Fiscal Year 2002, with nearly \$532 million of that amount coming from Sales and Use tax alone. Table 3 shows assessments levied for both the Corporate Franchise and Individual Income taxes.

Corporate Franchise tax assessments are levied against corporations that: (1) do not file the required annual return; (2) file an incorrect return; or (3) fail to remit the full amount of the tax due. In Fiscal Year 2002, 9,439 Corporate Franchise tax assessments were levied, amounting to more than \$52 million in additional taxes, penalties and interest due from corporations. These assessments must be paid within 60 days after the corporation receives the assessment notice. The assessment may be appealed by the taxpayer.

Individual Income tax assessments are levied against employers who fail to remit Income tax withheld from their employees, and individuals who either fail to file a tax return during the required time period or fail to pay the full amount of the tax legally due. Individual Income tax assessments were levied against 154,172 taxpayers in Fiscal Year 2002 and amounted to about \$142.8 million in additional taxes, penalties, and interest due from individual taxpayers. These assessments become due and payable within 60 days after they are received by the taxpayer. The taxpayer may appeal an assessment within 60 days after its receipt.

If an assessment (either Corporate Franchise or Individual Income tax) is appealed, the assessment amount must be paid within 60 days of its receipt. The only exception to this is on an assessment resulting from an audit that finds a liability greater than that shown on the original return. The portion of the assessment which represents the additional liability does not have to be paid during the appeal process, if the appeal is based upon a differing interpretation of the Ohio Revised Code.

The Compliance Division also has an Administrative Review group responsible for resolving non-audit issue petitions (appeals). This enables taxpayers to resolve their assessment issues in an informal manner.

The Compliance Division helps the Department of Taxation ensure that the tax law is fairly applied by collecting the appropriate amounts of tax to provide the revenue necessary for state programs and services.

**Table 1  
Personal Property Tax Assessments,\* Calendar Years 2000 and 2001**

Type of Tax	Amount of Assessment	
	Calendar Year 2000	Calendar Year 2001
Tangible Personal Property		
Single-County Corporations, Individual and Unincorporated Business	\$23,689,307	\$29,503,280
Inter-County Corporations	62,197,186	72,232,167
Total Tangible Personal Property	\$85,886,493	\$101,735,447
Dealers in Intangibles	2,793,576	4,223,044
Total	\$88,680,069	\$105,958,491

\*Resulting from audits or delinquent returns.

**Table 2  
Sales and Excise Tax Assessments Levied and Unpaid Assessments Certified for Payment, Fiscal Years 2001 - 2002**

Tax Category	Assessments Levied*				Unpaid Assessments Certified for Collection**	
	Fiscal Year 2001		Fiscal Year 2002		Fiscal Year 2001	Fiscal Year 2002
	Amount	Number	Amount	Number		
Sales and Use	\$359,768,624	136,501	\$438,594,980	85,510	101,561,536	\$241,021,530
Motor Vehicle Fuel	14,660,003	20	6,384,875	25	584,330	7,321,164
Motor Fuel Use	4,997	16	8,059	7	1,140	3,788
Cigarette	17,317	4	0	0	730	0
Other Tobacco Products	280,634	60	28,849	58	64,481	175,913
Beer and Wine	110,229	15	8,578	4	3,370	31,445
Severance	156,240	79	390,664	246	214,946	145,934
Horse Racing	0	0	0	0	0	0
Tire Replacement	7,660	3	0	0	5,322	2,544
IFTA***	504,870	325	402,534	353	228,465	348,343
Kilowatt Hour	0	0	187,609	2	0	142,825
Total	\$375,510,574	137,023	\$446,006,148	86,205	\$102,664,320	\$249,193,486

\* Represents only assessments levied and not assessments collected.  
 \*\* 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. Total number of such assessments were 31,761 in Fiscal Year 2001 and 83,0444 in Fiscal Year 2002.  
 \*\*\* International Fuel Tax Agreement.

**Table 3  
Individual Income Tax and Corporate Franchise Tax Assessments Levied, Fiscal Years 1999-2002**

Tax Category	Fiscal Year 1999		Fiscal Year 2000		Fiscal Year 2001		Fiscal Year 2002	
	Amount	Number	Amount	Number	Amount	Number	Amount	Number
Corporate Franchise	\$64,906,879	1,434	\$122,606,337	847	\$23,322,837	877	\$ 52,046,091	9,439
Individual Income	\$98,581,435	122,563	\$ 52,275,907	55,598	\$51,199,703	80,999	\$142,824,765	154,172
Total	\$163,488,314	123,997	\$179,881,244	56,445	\$74,522,540	81,876	\$194,870,856	163,611

## EMPLOYEE DEVELOPMENT & TRAINING/QUALITY PROGRAMS DIVISION

The Employee Development and Training/Quality Programs (ED&T/Quality Programs) Division provides practical and applied professional skill development opportunities for all Department of Taxation employees.

The ED&T Division works with both tax and administrative divisions to assess their ongoing organizational and staff development needs and to present appropriate training for bargaining unit clerical/support and administrative staff, as well as for exempt professional and management/executive staff. The ED&T staff also coordinates with the Department's Technical Training Managers to support technical training requirements throughout the Department.

This training includes job-related skill training, as well as general skills improvement training, in such areas as inter-personal communications and customer service. Further, ED&T offers supervisors and managers the opportunity to enhance their management skills by attending some or all of the classes comprising the Department of Taxation's Management Development Curriculum — a series of workshops designed to focus on various aspects of the manager's responsibilities in a public organization.

### Other ED&T responsibilities include:

- Directing and facilitating the Department of Taxation's quality process improvement initiatives and training, including the Quality Services through Partnership (QStP) program and applications to the Ohio Award for Excellence (OAE).
- Coordinating the Department's involvement in the statewide Public Practice/Continuing Legal Education (PP/CLE) Coalition, including presenting a minimum of two PP/CLE seminars per year.

- Coordinating a range of career development services for employees, including the Workforce Development program for bargaining unit employees, the State of Ohio's Exempt Professional Development Program (EPDP) and the Department's Tax Tuition Assistance Program for exempt employees, as well as individual career counseling and group workshops.

Several additional job enrichment and employee recognition programs are administered or facilitated by ED&T. These include the statewide "Innovation Ohio" suggestion awards program, the "Performance Excellence Program" of employee recognition and the Department's "Partners In Education" and "Ohio Reads" programs. Annually, the ED&T staff also manages the three major statewide charitable campaigns — Operation Feed, the Combined Charitable Campaign and the Holiday Food Basket drive.

A major accomplishment in 2002 was the acquisition, customization and Department-wide implementation of a Learning Management System (LMS). The LMS supports the goals of employee career and personal growth by supplying the workforce with a tool that it can use to manage career development plans. The Department of Taxation management team can use the LMS to support succession planning, skill assessments and competency gap analysis. The program also serves as a platform for on-line training.

The accomplishments of the Employee Development and Training/Quality Programs Division in providing practical and applied professional skill development for employees are a major component of providing quality service by maintaining high standards of competence and professionalism within the Department of Taxation.

## ENFORCEMENT DIVISION

The Ohio Department of Taxation's Enforcement Division is comprised of 18 sworn police officers that enforce the criminal provisions of Ohio tax laws. Their mission statement is "...to provide quality investigative services to the citizens of the State of Ohio."

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/Withholding tax and the Sales and Use tax.

At the end of Fiscal Year 2002, the Enforcement Division was recommended for Law Enforcement Accreditation. The Enforcement Division will be the only revenue-type of division in the world with this distinction. The accreditation means the division will have met stringent guidelines related to policies and procedures governing the operation

of a law enforcement agency. This is an important factor in assisting the Department achieve the highest level of professionalism possible.

As investigations become more and more complex by changes in both technology and law, the Enforcement Division has become more flexible in combating tax fraud. Enforcement agents employ computers and surveillance equipment, and have also taken on a homeland security function (through the investigation of cigarette smugglers involved in funneling proceeds to undesirable locations) among their new roles.

The Enforcement Division is a support group within the Ohio Department of Taxation. It is, also, a revenue source to the State of Ohio. In FY 2002, the Enforcement Division brought in over \$1.6 million, derived from criminal investigations.

By fulfilling their mission of providing quality investigative services, the Enforcement Division works to fairly apply the tax law and aid in the collection of taxes used to provide daily services to Ohio citizens.

## FORMS DIVISION

The Forms Division produces hundreds of forms utilized by most divisions of the Department of Taxation. These forms are ultimately used by tax practitioners and taxpayers.

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

When forms are requisitioned, a division submits a work order to the Forms Division. The form is edited and proofread for typographical and other errors, and a print order is submitted to the printer. At this point, the Forms Division is then responsible for tracking form production and ensuring on-time delivery. Often, the Forms Division needs to compose or re-create forms in order to ensure consistency and style throughout the Department.

The Forms Division continues to improve upon the existing forms. For example, one work in progress is constructing fill-in forms. Many of the

Department's forms have already been completed, while more fill-in forms are being created. The division also produces a compact disc (CD) each year, which contains the most common forms requested by tax practitioners. This CD is distributed to practitioners and anyone else who requests a copy.

Distributing most major forms and handling forms requests from the general public are other responsibilities of the Forms Division. It also maintains the forms inventory, which entails overseeing a database of forms and envelopes, and a database of practitioners, libraries, post offices and banks, as well as handling internal forms distribution and supplying taxpayer service center office requests.

The Forms page on the Department's Internet site is the most visited page of the site. It is the division's responsibility to continue to make sure that the most up-to-date forms are available on the web site.

Providing forms for both departmental and public use, the Forms Division is one means by which the Department of Taxation is able to provide quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law.

## HUMAN RESOURCES DIVISION

The Human Resources Division is the office in the Ohio Department of Taxation where employee-related and administrative support services reside.

The Department employed 1,151 permanent employees and 188 intermittent employees as of June 30, 2002, located throughout Ohio and in three out-of-state locations. This number has declined significantly since 1991. The chart contained in this chapter shows the total number of employees at the Department at the end of each fiscal year, over the last 12 years. There were 89 fewer permanent employees in Fiscal Year 2002 than in Fiscal Year 2001, and 345 fewer permanent employees in Fiscal Year 2002 than 10 years ago, in Fiscal Year 1992.

The personnel duties performed by Human Resources include staffing planning, vacancy postings, hiring and civil service compliance. The labor relations duties include contract negotiation and administration for two labor-management agreements, the Ohio Civil Service Employees Association and Fraternal Order of Police Lodge #2. Additional labor relations duties are grievance handling, arbitration services and work rule compliance.

Payroll services is located in the division, as well as benefit administration. Questions pertaining to health insurance plans and open enrollment can be answered by the staff. The disability program and Worker's Compensation plan are both maintained in the office.

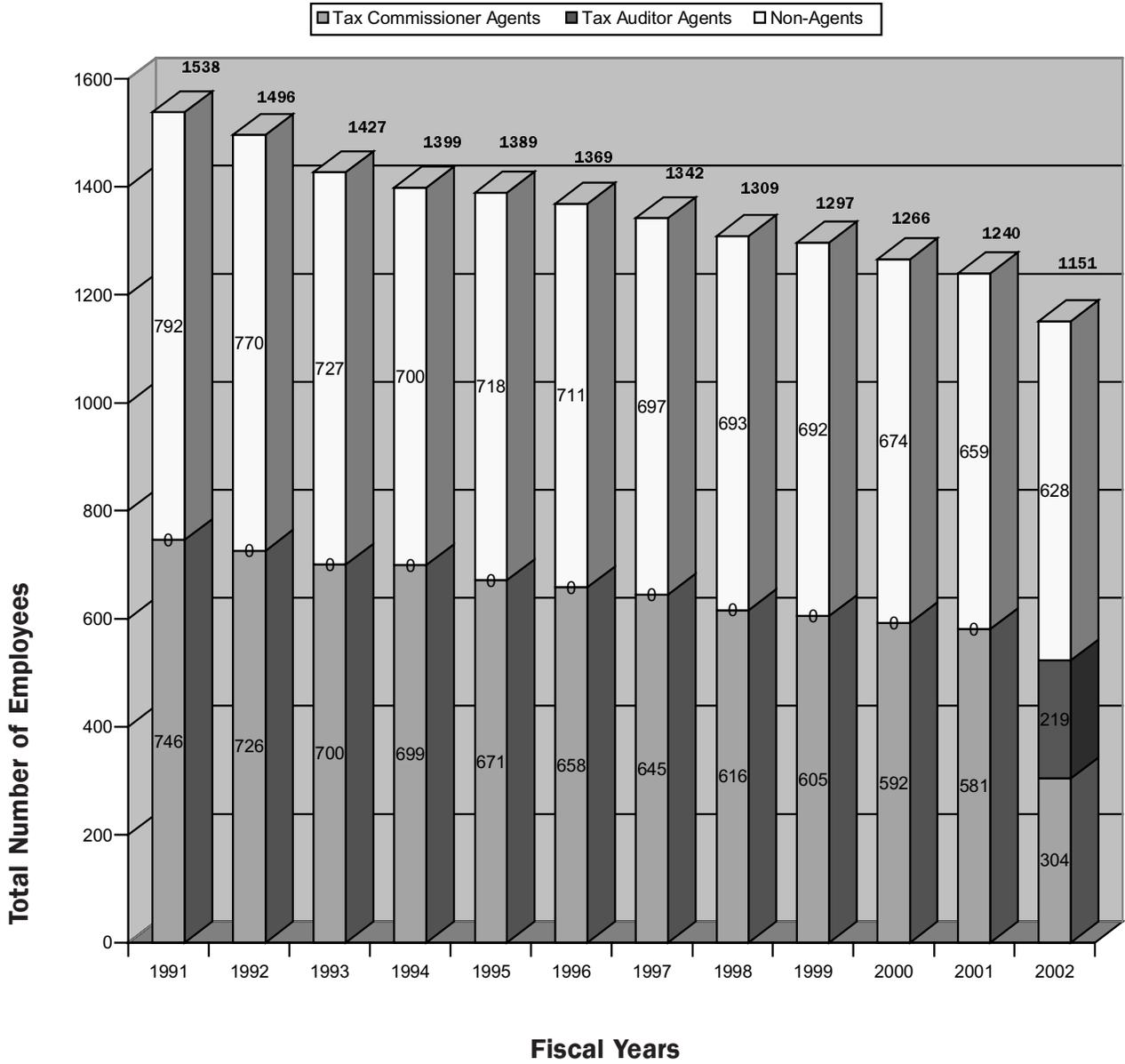
Human Resources is also charged with administration of the Equal Employment Opportunity (EEO) Program. This involves the EEO Strategic Plan development and handling of discrimination complaints, both formal and informal.

Employment law training, policy and directive review, as well as liaison with the Ohio Attorney General's office and the Ohio Highway Patrol, are other roles performed by Human Resources.

The Human Resources Division helps the Department of Taxation provide quality service in its role as a resource center for the Department, one that is committed to customer service for all employees, both management and bargaining unit.



**ODT  
Total Number Of Permanent Employees  
Fiscal Years 1991-2002**



## 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. It provides a secure, flexible, and appropriately scaled architecture for the exchange of information with internal and external customers, while at the same time measuring information technology performance to ensure efficiency and value. The division also identifies emerging technologies and trends to improve employee productivity and reduce operating costs, advises management of information technology best practices, and delivers timely and quality services to customers in a professional and courteous manner.

The ISD has achieved several recent major accomplishments:

- Ranked #1 in the country in the Digital State Survey by The Center for Digital Government;
- Implemented a Tax Amnesty Program system for delinquent taxpayers;
- Launched the Department of Taxation's portion of *Ohio Business Gateway<sub>SM</sub>*;
- Implemented House Bill 477 to provide web sites and links for Ohio municipalities;
- Implemented House Bill 483 to provide administration of the Municipal Income Tax on electric companies; and
- Increased electronic filing and payment options for businesses and individuals.

The ISD has compiled a large base of statistics during Fiscal Year 2002 in support of Department programs:

- Completed 32 business projects;
- Completed 577 customer service requests;
- Completed 13,052 problem tickets for internal Department technology issues;
- Processed 2,244 security requests;
- Processed over 2 million individual electronic returns;
- Processed 13,000 credit card transactions for a total of \$7.6 million;
- Processed over \$100 million in Automated Clearing House debit payments;
- Processed over \$3 billion in Automated Clearing House credit payments;
- Processed over \$5 million in federal wire payments; and
- Processed 600,000 direct deposit requests.

The Information Services Division provides both internal and external support to the Department of Taxation by keeping all automated systems operational while helping taxpayers comply with their responsibilities by easing the filing burden through electronic means.



## 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's responsibilities include routing legislation to the operating divisions for analysis and maintaining the Legislative Repository, an information database that serves as a resource to Department staff. The division staff attends legislative committee hearings, prepares and presents testimony on tax policy issues, and coordinates special events such as bill-signing ceremonies.

The division provides information to the general public, state agencies, and elected officials about tax policy and the Department's policies and procedures. The Legislation Division also serves as a resource to members of the General Assembly, providing three primary services:

- Assisting with constituent inquiries or problems;
- Providing briefings or background information concerning tax issues; and
- Analyzing and reviewing proposed legislation.

A snapshot of the division's workload during Fiscal Year 2002 is as follows:

### Information Requests and Bills Monitored by the Legislation Division

Number of bills tracked	198
Requests for Information:	
General Assembly	672
General Public	146
Governor's Office	17
State Agencies	19
U.S. Congress	23
Total Requests	877

In Fiscal Year 2002, the division successfully guided a number of bills through the legislative process including the second Taxpayer Services Bill (Senate Bill 200), a bill creating the Offers in Compromise program (House Bill 396), as well as making initial changes to bring the state into compliance with the Streamlined Sales Tax Project (S.B. 143) (see **Summary of Legislation** chapter).

The Legislation Division aids the Department of Taxation provide quality service by supporting the process of making 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 Revenue Recovery Section of the Attorney General's office performs collection activities on delinquent tax accounts.

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 the Department of Taxation. The **Treasurer of State** receives all revenue collected by the Department. 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 withholds Income tax refunds otherwise due to 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 fairly apply the tax law by assisting in tax collection and litigation, while the Department in turn also helps several governmental agencies accomplish their own missions by distributing revenue, monitoring business tax compliance and withholding some taxpayer refunds, if appropriate.

## PROCESSING CENTER TAX DIVISION

The Processing Center Tax Division is the central processing unit for the majority of the business and individual tax returns filed with the Ohio Department of Taxation. Over 8.5 million tax returns were processed in 2002 alone (other divisions processed more than 4.5 million additional returns).

The primary function of the Processing 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; 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 Processing Center's goals are:

- To provide timely service to each taxpayer and to perform in a manner that instills public confidence and satisfaction;
- To maintain high productivity while providing a quality work product; and
- To utilize technology for a more cost efficient operation.

The Processing 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 percent, of the taxpayers took advantage of that filing option. E-file was first introduced to taxpayers in 1999 and was readily accepted by taxpayers and tax practitioners alike. The number of electronically filed returns filed in 1999 grew to 19 percent of the total. Electronic filing has experienced a steady increase each year thereafter, and in 2002 it accounted for over 2 million, or 37 percent, of the Income tax returns filed.

Electronic filing not only allows taxpayers to get their refund faster, but it also substantially reduces 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 an estimated \$1.5 million in processing costs during the 2002 filing season. 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. For the 2002 Individual Income tax return (returns filed in the 2003 income tax filing season), the Department of Taxation introduced I-File (Internet filing), which provides taxpayers with yet another convenient and safe electronic option to file their Income tax return.

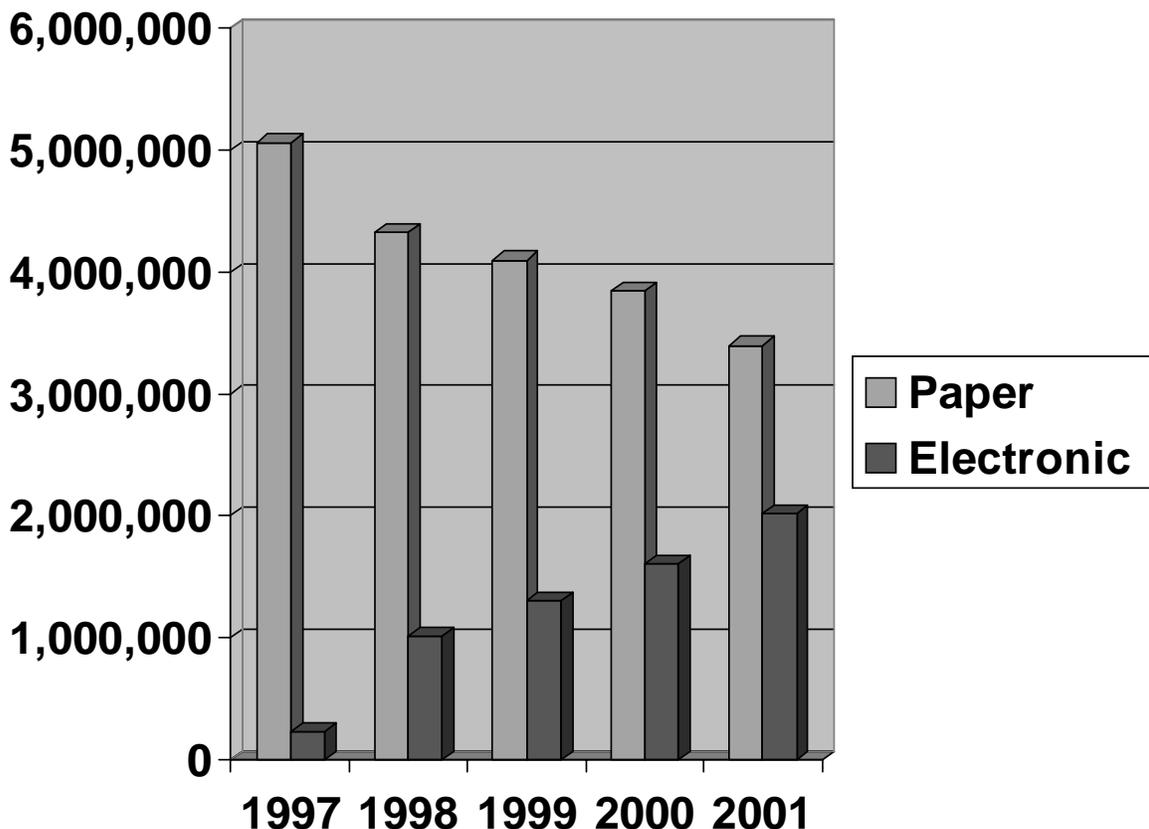
The following table and graph illustrates the steady growth of electronically filed returns:

**Income Tax Returns Filed for Tax Return Years 1997 - 2001**

Tax Return Year	1997	1998	1999	2000	2001
<b>Total Paper Returns</b>	5,060,698 96%	4,329,113 81%	4,097,945 76%	3,849,398 70%	3,399,609 63%
<b>TeleFile Returns</b>	232,548	365,881	421,483	468,930	621,810
<b>Electronic Returns</b>	-0-	645,300	879,837	1,141,239	1,396,931
<b>Total TeleFile &amp; Electronic Returns</b>	232,548 4%	1,011,181 19%	1,301,320 24%	1,610,169 30%	2,018,741 37%
<b>Total Returns Filed</b>	5,293,246	5,340,294	5,399,265	5,459,567	5,418,350



**OHIO INDIVIDUAL INCOME TAX RETURNS  
FILED FOR TAX RETURN YEARS 1997-2001  
PAPER VS. ELECTRONIC**



34

By the timely, efficient and increasingly technology-based processing of tax returns, the Processing Center Tax Division aids the Department of Taxation provide quality service through capturing revenue by the most cost-effective means and putting refunds back into the hands of Ohio taxpayers as soon as possible.

**REVENUE ACCOUNTING**

**R**evenue Accounting, one of five 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 2002, Revenue Accounting distributed approximately \$3.5 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;
- Property tax rollback;
- Manufactured Home tax;
- Tangible Personal Property tax;
- Kilowatt and Mcf (1,000 cubic feet) Property Tax Replacement;
- Dealers in Intangibles tax;
- Political Party Check-off;
- Resort tax;
- Horse Racing tax;
- Scenic Rivers and Wildlife;
- Cuyahoga County Beer, Wine, Cigarette and Liquor taxes;
- Litter tax; and
- Ohio Turnpike.

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
- Corporate Franchise tax
- School District Income tax
- Motor Fuel and Use tax
- International Fuel Tax Agreement
- Municipal Income tax for Electric Light Companies

The unit also handles the accounting and reversals for all tax payment errors. This includes checks, Electronic Funds Transfers (EFT's), Ohio

Business Gateway<sup>SM</sup> (OBG), and Treasurer of State debits and credits. Revenue Accounting is tasked with the reconciliation of EFT payments, OBG payments, and credit card payments. The unit is responsible for certifications to the local governments four times a year, and is charged with maintaining the tax rates for sales, as well as school district and municipal income taxes.

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 fulfill 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 more types of customers than any other single Department division, providing both 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. Each legislative session, the division provides revenue estimates for scores of bills that have proposed tax law changes (the division also analyzes many proposals that never reach bill form).

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 in forecasting tax revenues. Once the forecasts are finalized, the division then tracks revenue on a monthly basis and assists the Office of Budget and Management with any updates of the forecasts.

Tax Analysis also provides estimates of all of the Governor's tax proposals in the executive budget, and produces the **Tax Expenditure Report**, traditionally "book two" of the executive budget. Finally, there are publications that the division produces or helps to produce every year, 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. The 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 do presentations for county auditors, school officials, and other local governments, explaining Property tax law, School District Income taxes, state revenue sharing, and utility deregulation impacts.

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.

The year 2002 was an especially busy one for the division, including a major budget correction bill (Senate Bill 261), preparation of the Governor's tax reform package for the Fiscal Year 2004-2005 budget, making presentations to the Committee to Study State and Local Taxes (CSSLT) and performing research for that committee, as well as participating in the Streamlined Sales Tax Project. The division also produced detailed internal analyses of the taxation of estates and trusts as part of the Department's ongoing effort to modernize the Ohio tax code.

In 2002, the division continued to add to its database of large corporate taxpayers, which has already led to improvements in simulating proposed changes in Corporate Franchise tax law. The division has also refined its Income tax simulation models in response to the demands of the CSSLT and the Governor's tax reform package.

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 to state government, but also to Ohio local governments and school districts.

## TAXPAYER SERVICE CENTERS AND SERVICE CENTER ADMINISTRATION

The Taxpayer Service Centers and Service Center Administration became integrated into the Ohio Department of Taxation's Taxpayer Services/Compliance Division in 2002. This consolidation combined the overlapping functions of four divisions, moving the Department of Taxation closer to the implementation of a global strategy to service taxpayers and conduct unified compliance initiatives.

Currently, the Department of Taxation maintains nine Taxpayer Service Centers strategically located throughout Ohio (Akron, Cincinnati, Cleveland, two in Columbus, Dayton, Toledo, Youngstown and Zanesville). The staff of Tax Commissioner Agents and support personnel in these offices is the "face" of the Department. The number and locations of the field 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 Taxpayer Service Centers constitute both a local resource for assistance, and a local presence to implement and enforce the various statutorily mandated and Department-promulgated 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. All Service Centers report directly to the Taxpayer Service Center Administrator.

**36** The staff of the Taxpayer Service Centers, both Tax Commissioner Agents and support personnel, is cross-trained to provide a variety of services to taxpayers and to support the compliance efforts of the Department. Taxpayers visit the Service Centers to receive professional tax assistance and advice when filing required tax returns for both business taxes (e.g., Sales and Use tax, Corporate Franchise tax, Excise

tax and Employer Withholding tax) and Income taxes (e.g., Individual Income tax and School District Income tax).

The Service Centers employ a variety of traditional and innovative methods in support of the Department's strategic plan (e.g., Telefile, I-File and *Ohio Business Gateway*<sup>SM</sup>, etc.) that simplify and expedite compliance by filers. Annually, Ohio Taxpayer Service Centers assist more than 80,000 walk-in taxpayers.

The Taxpayer Service Centers also implement and monitor a number of compliance initiatives. Service Center personnel participate in numerous tax delinquency programs to secure tax returns and revenue from non-filers, and monitor vendor compliance with the Sales and Use tax as part of the Habitual Offender Program. Tax Commissioner Agents in the Service Centers conduct examinations of transactions involving the casual sale of motor vehicles, and review the Personal Property Tax single county returns. Senior level agents conduct office audits and evaluate refund claims in partnership with agents in the Audit Division.

Service Center personnel assist with telephone inquiries received locally and those relayed from the Columbus Contact Center, a total in excess of 180,000 calls annually. Each location receives and processes taxpayer registrations for a variety of vendor's license types. Additionally, Service Centers process correspondence arising from numerous billing programs.

The Service Centers also maintain constant communication with federal, state and local government agencies and provide a variety of educational outreach programs to taxpayers, the surrounding area and tax professionals.

Taxpayer Service Centers are not only the public face of the Department of Taxation, they provide a valuable means of educating the community and ensuring taxpayer compliance. The personnel assigned to the service centers have the front line duty to provide quality service to Ohio taxpayers.

# TAXPAYER SERVICE CENTERS IN OHIO



## WEB SITE

### www.state.oh.us/tax

It has no knocker or bell. It doesn't creak, warp or need oiling. Think of a door and you probably wouldn't think first about the Ohio Department of Taxation (ODT) web site. Yet increasingly, this Internet address — [www.state.oh.us/tax](http://www.state.oh.us/tax) — is the main entrance to the tax system of the state of Ohio.

Since its debut in October 1995, the ODT web site has grown into an ever more interactive resource for taxpayers, tax practitioners, researchers and others with an interest or involvement in state and local taxes.

The web site is organized into five primary sections to best serve the principal customers of ODT: individual and business taxpayers, tax practitioners, researchers, and other government agencies.

The ODT web site, from its beginning and to this day, serves as a storehouse of tax data, forms, rules, laws and other types of information. Tax forms for individual and business taxpayers are the most visited items on the web site. This year, the department began offering the first, of what will be many, convenient 'fill-in' forms that can be completed and saved right on the computer. Another convenience added recently is a link to the tax forms of all the municipalities (cities and villages) in Ohio with a local income tax.

In addition to forms, the Department's web site has an extensive bank of current and historic research statistics on virtually every state and local

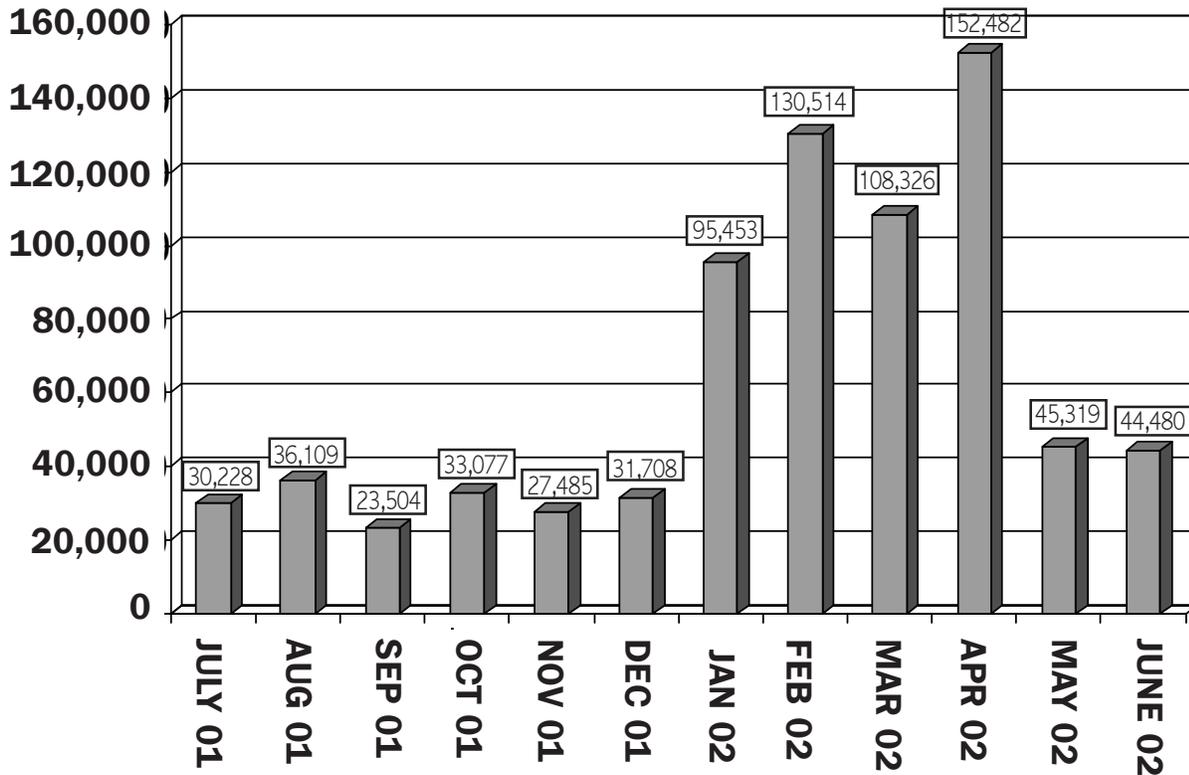
tax, electronic versions of various ODT publications, news and information releases, state tax laws and rules, and various other information.

As it matures and evolves, the web site's character is changing from one that offers a passel of static, if valuable, information to one that offers visitors an opportunity to interact directly with the ODT staff and state tax structure. This year the Department, in conjunction with other state agencies, debuted the *Ohio Business Gateway<sub>SM</sub>*, an on-line filing system that allows business taxpayers to file and pay Sales and withholding taxes, unemployment compensation tax, and workers' compensation premiums at one location. The ODT staff also began working this year to create an on-line filing system for Individual Income taxpayers.

The web site also offers an opportunity for anyone on-line to contact the Department by e-mail. The ODT staff typically responds to the e-mail messages in less than 48 hours. In addition to e-mail, taxpayers can check on the status of their Individual Income tax refund, pay tax due by credit card, change their school district identification number, and order up tax forms that will be faxed to them — all on-line.

The ODT web site, an integral component of providing quality service to taxpayers, remains part of a network of similar state agency web sites. All sites are linked to the state of Ohio web site ([www.state.oh.us](http://www.state.oh.us)).

**ODT Web Site Visits**  
**Fiscal Year 2002**  
**Total — 758,685**



Source: Webtrend™ statistics, from the State of Ohio Server Project, Department of Administrative Services.