

State of Ohio
Department of Taxation

Role and Overview

The [Ohio Department of Taxation](#) (ODT) administers the state's tax laws to ensure compliance in the filing and payment of taxes and to determine tax liability. The department's mission is to provide quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law.

A tax commissioner who is appointed by the Governor heads the department. The department has an annual operating budget of approximately \$127 million, which supports about 1,380 employees. ODT administers the following taxes: Alcoholic Beverage (state and county), Cigarette (state and county), Commercial Activity, Corporate Franchise, Dealers in Intangibles, Estate, Horse Racing, Income (individual and employer withholding), Kilowatt-Hour, Motor Fuel Use/International Fuel Tax Agreement, Motor Vehicle Fuel, Municipal Tax on Electric Companies, Natural Gas Consumption (MCF), Other Tobacco Products (snuff, cigars and chewing tobacco), Pass-Through Entity, Public Utility Excise, Public Utility Property, Replacement Tire Fee, Resort Area Excise, Sales and Use (state, county and transit authority), School District Income, Severance, and Tangible Personal Property. In addition, ODT supervises the administration of the locally levied Real Property Tax.

Executive Priorities for the Department of Taxation

- Increase compliance to enhance the revenues available for essential state services.
- Improve taxpayer services by expanding education and outreach activities.
- Assist in reforming the tax system by implementing changes the legislature enacts and by contributing to the development of new tax policies.

Summary of Budget History and Recommendations

(In thousands) BUDGET FUND GROUP	ACTUAL			ESTIMATE	%	RECOMMENDED			
	FY 2002	FY 2003	FY 2004	FY 2005	CHANGE FY 04-05	FY 2006	% CHANGE	FY 2007	% CHANGE
General Revenue Fund	86,008	86,267	83,736	91,512	9.3	91,512	.0	91,512	.0
General Services Fund Group	97	98	246	3,096	1,161.0	9,632	211.1	9,132	(5.2)
Fed Special Revenue Fund Group	107	16	13	25	95.4	25	.0	25	.0
State Special Revenue Fund Group	25,337	20,991	31,371	36,622	16.7	39,674	8.3	40,525	2.1
Agency Fund Group	1,301,430	1,375,835	1,350,156	1,362,120	.9	1,504,900	10.5	1,603,700	6.6
Holding Acct Redist Fund Group	0	0	0	100	.0	100	.0	100	.0
TOTAL	1,412,979	1,483,208	1,465,521	1,493,475	1.9	1,645,843	10.2	1,744,994	6.0

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(In thousands) OBJECT OF EXPENSE	FY 2002	ACTUAL		ESTIMATE FY 2005	% CHANGE FY 04-05	RECOMMENDED			
		FY 2003	FY 2004			FY 2006	% CHANGE	FY 2007	% CHANGE
Personal Services	81,122	83,193	88,946	94,911	6.7	97,597	2.8	99,695	2.1
Purchased Services	7,272	4,584	4,487	10,080	124.7	13,148	30.4	13,871	5.5
Maintenance	17,636	16,363	18,377	20,985	14.2	21,836	4.1	21,544	(1.3)
Equipment	5,002	2,743	3,041	4,680	53.9	7,662	63.7	5,484	(28.4)
Subsidy	0	0	0	0	.0	0	.0	0	.0
Transfer & Other	1,301,947	1,376,324	1,350,672	1,362,820	.9	1,505,600	10.5	1,604,400	6.6
TOTAL	1,412,979	1,483,208	1,465,521	1,493,475	1.9	1,645,843	10.2	1,744,994	6.0

PROGRAM SERIES 01: Tax Administration

This program series provides for all operations related to tax administration. The primary functions are processing, the receipt and handling of filed documents, determination of tax liability, and compliance related activities.

Program 01.01: Taxpayer Services

This program provides for the delivery of service to taxpayers in an effort to increase tax compliance. The services under this program include the operation of regional service centers, telephone and email support, and technical seminars and presentations to industry, trade, and tax practitioner groups.

What the Budget Buys:

- Provides for improvement in efficiency and effectiveness of the delivery of services to taxpayers. This program currently handles nearly two million phone calls, 90,000 e-mails, and 100,000 walk-in requests annually;
- Supports the Department of Taxation mission "To provide quality service to Ohio taxpayers by helping them comply with their tax responsibilities and by fairly applying the tax law;" and
- Maintains staffing levels at 262 full-time equivalents (FTEs).

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	110-321	Operating Expenses	26,060,329	26,060,329
TOTAL FOR PROGRAM				26,060,329	26,060,329

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Program 01.02: Tax Processing

This program provides for all processing services including the receipt, opening, and distribution for all types of tax filings. Returns are reviewed, keyed, or scanned into Taxation's automated tax applications and filed for audit purposes. The program includes processes for both paper forms and electronic transactions.

What the Budget Buys:

- Supports all mail and electronic processing of tax services, including the receipt, opening or accessing, and disposition of all tax filings. In calendar year 2003, this program handled approximately 8.9 million return documents; and
- Allows the department to provide revenues to support state operations and tax refunds to eligible taxpayers in an efficient and accurate manner.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	110-321	Operating Expenses	17,373,553	17,373,553
SSR	437	110-606	Litter Tax and Natural Resources Administration	625,232	625,232
TOTAL FOR PROGRAM				17,998,785	17,998,785

Program 01.03: Tax Compliance

This program provides for the review of returns, audits of taxpayer records, and the issuance of notices and assessments to taxpayers who have not paid tax liabilities. The program also provides for the matching of persons delinquent in child support payments with taxpayers due an Ohio income tax refund. Tax compliance is also pursued through investigations of suspected criminal offenses related to tax law, often resulting in combined efforts between ODT and the Internal Revenue Service, as well as federal, state, and local law enforcement agencies.

What the Budget Buys:

- Funds the tax compliance initiatives of the Audit, Enforcement, Estate, Corporate Franchise, Personal Income, and Sales & Use divisions of the Department of Taxation;
- Supports the management of billing and assessment functions for the Individual Income, Employer Withholding, Corporate Franchise, Sales & Use, and School District Income taxes;
- Supports department activities related to the investigation of fraud, coordinated efforts with other enforcement agencies, tracking of evidence, and testimony for trial cases; and
- Maintains staffing levels necessary for improved audit selection and measurement, special programs to increase tax compliance, and the development of tax discovery initiatives. These actions resulted in a \$21 million increase in cash paid to the GRF in fiscal year 2004 and are estimated to result in a \$40 million increase in cash paid to the GRF in fiscal year 2005.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	110-321	Operating Expenses	38,861,896	38,861,896
GSF	228	110-628	Tax Reform System Implementation	7,000,000	7,000,000
FED	3J6	110-601	Motor Fuel Compliance	25,000	25,000
SSR	4C6	110-616	International Registration Plan	706,855	706,855
SSR	4R6	110-610	Tire Tax Administration	65,000	65,000
SSR	436	110-608	Motor Vehicle Audit	1,350,000	1,350,000
SSR	5V7	110-622	Motor Fuel Tax Administration	4,268,345	4,397,263
SSR	639	110-614	Cigarette Tax Enforcement	168,925	168,925
TOTAL FOR PROGRAM				52,446,021	52,574,939

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Program 01.04: Tax Policy And Analysis

This program provides administrative, advisory, and technical assistance, while working closely with other state agencies, industry, trade groups, and professional organizations. This in turn facilitates the promulgation of good tax policy through the drafting of sound statutes and Tax Commissioner rules. As part of this program, the agency monitors legislative activity in the tax area and provides analysis of the revenue impact of these initiatives. This program provides for the legal counsel necessary for the management of bankruptcy cases, information releases, tax appeals, and overall tax counsel.

What the Budget Buys:

- Supports the development and analysis of various courses of action regarding any and all taxes with the goal of raising sufficient revenue for state programs and services while maintaining a fair and neutral tax structure;
- Funds the collection and publication of statistical and historical tax data from Ohio and other states;
- Provides legal advice to the department and handles filings in bankruptcy court and the adjudication of tax appeals; and
- Funds the provision of seminars on tax policy issues throughout Ohio.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	110-321	Operating Expenses	9,143,976	9,143,976
TOTAL FOR PROGRAM				9,143,976	9,143,976

Program 01.05: Local Government Services

This program provides information and assistance to local governmental units and school districts, as well as providing for the administration of certain local taxes such as county permissive sales and use and municipal income taxes.

What the Budget Buys:

- Supports the collection and administration of various taxes such as local sales taxes, individual and school district income taxes, and the real, personal, and public utility taxes. These taxes provide revenues that allow local governments to provide a wide range of services for residents of Ohio;
- Funds compliance efforts associated with the collection and administration of these taxes. Approximately 70 percent of audits performed by the department are focused on sales and property taxes, which generate the largest percentage of local government revenue;
- Provides for the completion of phases 2 and 3 of the Municipal Income Tax system on the Ohio Business Gateway; and
- Maintains staffing levels at 346.5 FTEs.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
GRF	GRF	110-412	Child Support Administration	71,988	71,988
GSF	433	110-602	Tape File Account	96,165	96,165
GSF	5W4	110-625	Centralized Tax Filing & Payment	2,500,000	2,000,000
GSF	5W7	110-627	Exempt Facility Administration	36,000	36,000
SSR	435	110-607	Local Tax Administration	15,880,987	16,394,879
SSR	438	110-609	School District Income Tax	2,599,999	2,599,999
SSR	5N5	110-605	Municipal Income Tax Administrative	265,000	265,000
SSR	5N6	110-618	Kilowatt Hour Tax Administration	85,000	85,000
SSR	5V8	110-623	Property Tax Administration	12,758,643	12,967,102
SSR	688	110-615	Local Excise Tax Administration	300,000	300,000
TOTAL FOR PROGRAM				34,593,782	34,816,133

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PROGRAM SERIES 02: Revenue Distribution

This program series provides for the distribution of refunds to taxpayers and the distribution of revenue to local governments.

Program 02.01: Revenue Accounting

This program distributes funds to qualified parties from the check-offs made by taxpayers on their state individual income tax returns. The program also issues tax refunds due taxpayers, provides reimbursement to counties, and handles misdirected tax payments.

What the Budget Buys:

- Funds the distribution of tax refunds, local government funds, portions of the municipal income tax, misdirected tax payments, and political party check-offs.

FUND GROUP	FUND	ALI	ALI NAME	RECOMMENDED	
				FY 2006	FY 2007
SSR	642	110-613	Ohio Political Party Distributions	600,000	600,000
AGY	095	110-901	Municipal Income Tax	21,000,000	21,000,000
AGY	425	110-635	Tax Refunds	1,483,900,000	1,582,700,000
090	R10	110-611	Tax Distributions	50,000	50,000
090	R11	110-612	Miscellaneous Income Tax Receipts	50,000	50,000
TOTAL FOR PROGRAM				1,505,600,000	1,604,400,000

LINE ITEM SUMMARY - Taxation

FUND	ALI	ALI TITLE	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 RECOMMENDED	% CHANGE	FY 2007 RECOMMENDED	% CHANGE
GRF	110-321	Operating Expenses	85,885,061	86,188,942	83,676,665	91,439,754	91,439,754	.0	91,439,754	.0
GRF	110-412	Child Support Administration	122,993	78,521	59,247	71,988	71,988	.0	71,988	.0
GRF	110-506	Utility Bill Credits	125	0	0	0	0	.0	0	.0
TOTAL General Revenue Fund			86,008,179	86,267,463	83,735,912	91,511,742	91,511,742	.0	91,511,742	.0
225	110-626	Enforcement AND Forfeiture Collctn	0	0	25,684	0	0	.0	0	.0
228	110-628	Tax Reform System Implementation	0	0	0	0	7,000,000	.0	7,000,000	.0
433	110-602	Tape File Account	96,736	98,050	76,612	96,165	96,165	.0	96,165	.0
5W4	110-625	Centralized Tax Filing & Payment	0	0	143,244	3,000,000	2,500,000	(16.7)	2,000,000	(20.0)
5W7	110-627	Exempt Facility Administration	0	0	0	0	36,000	.0	36,000	.0
TOTAL General Services Fund Group			96,736	98,050	245,540	3,096,165	9,632,165	211.1	9,132,165	(5.2)
3J6	110-601	Motor Fuel Compliance	36,570	15,703	12,792	25,000	25,000	.0	25,000	.0
3J7	110-603	International Fuel Tax Agreement	70,675	0	0	0	0	.0	0	.0
TOTAL Fed Special Revenue Fund Group			107,245	15,703	12,792	25,000	25,000	.0	25,000	.0
4C6	110-616	International Registration Plan	630,770	687,811	469,819	706,855	706,855	.0	706,855	.0
4R6	110-610	Tire Tax Administration	169,575	49,022	45,527	65,000	65,000	.0	65,000	.0
435	110-607	Local Tax Administration	19,521,060	15,954,816	12,851,358	13,700,000	15,880,987	15.9	16,394,879	3.2
436	110-608	Motor Vehicle Audit	1,118,268	950,100	1,222,630	1,350,000	1,350,000	.0	1,350,000	.0
437	110-606	Litter Tax and Nat. Resources Admin	546,590	414,603	551,146	625,232	625,232	.0	625,232	.0
438	110-609	School District Income Tax	2,221,393	1,798,506	2,389,992	2,599,999	2,599,999	.0	2,599,999	.0
5N5	110-605	Municipal Income Tax Administrative	184,274	346,242	315,733	650,000	265,000	(59.2)	265,000	.0
5N6	110-618	Kilowatt Hour Tax Administration	69,498	72,794	25,000	85,000	85,000	.0	85,000	.0
5N7	110-619	Municipal Internet Site	2,451	1,849	0	0	0	.0	0	.0
5V7	110-622	Motor Fuel Tax Administration	0	0	3,478,127	3,833,091	4,268,345	11.4	4,397,263	3.0
5V8	110-623	Property Tax Administration	0	0	9,261,096	11,938,362	12,758,643	6.9	12,967,102	1.6
639	110-614	Cigarette Tax Enforcement	152,902	111,617	89,926	168,925	168,925	.0	168,925	.0
642	110-613	Ohio Political Party Distributions	517,492	488,217	491,095	600,000	600,000	.0	600,000	.0
688	110-615	Local Excise Tax Administration	203,081	115,535	179,302	300,000	300,000	.0	300,000	.0
TOTAL State Special Revenue Fund Group			25,337,354	20,991,112	31,370,751	36,622,464	39,673,986	8.3	40,525,255	2.1
095	110-901	Municipal Income Tax	5,747,616	18,161,279	10,456,939	25,000,000	21,000,000	(16.0)	21,000,000	.0
425	110-635	Tax Refunds	1295,681,977	1357,674,143	1339,699,546	1337,119,600	1483,900,000	11.0	1582,700,000	6.7
TOTAL Agency Fund Group			1301,429,593	1375,835,422	1350,156,485	1362,119,600	1504,900,000	10.5	1603,700,000	6.6

LINE ITEM SUMMARY - Taxation

FUND	ALI	ALI TITLE	FY 2002 ACTUAL	FY 2003 ACTUAL	FY 2004 ACTUAL	FY 2005 ESTIMATE	FY 2006 RECOMMENDED	% CHANGE	FY 2007 RECOMMENDED	% CHANGE
R10	110-611	Tax Distributions	50	0	0	50,000	50,000	.0	50,000	.0
R11	110-612	Misc Income Tax Receipts	0	0	0	50,000	50,000	.0	50,000	.0
TOTAL Holdng Acct Redist Fund Group			50	0	0	100,000	100,000	.0	100,000	.0
TOTAL Department of Taxation			1412,979,157	1483,207,750	1465,521,480	1493,474,971	1645,842,893	10.2	1744,994,162	6.0