

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.

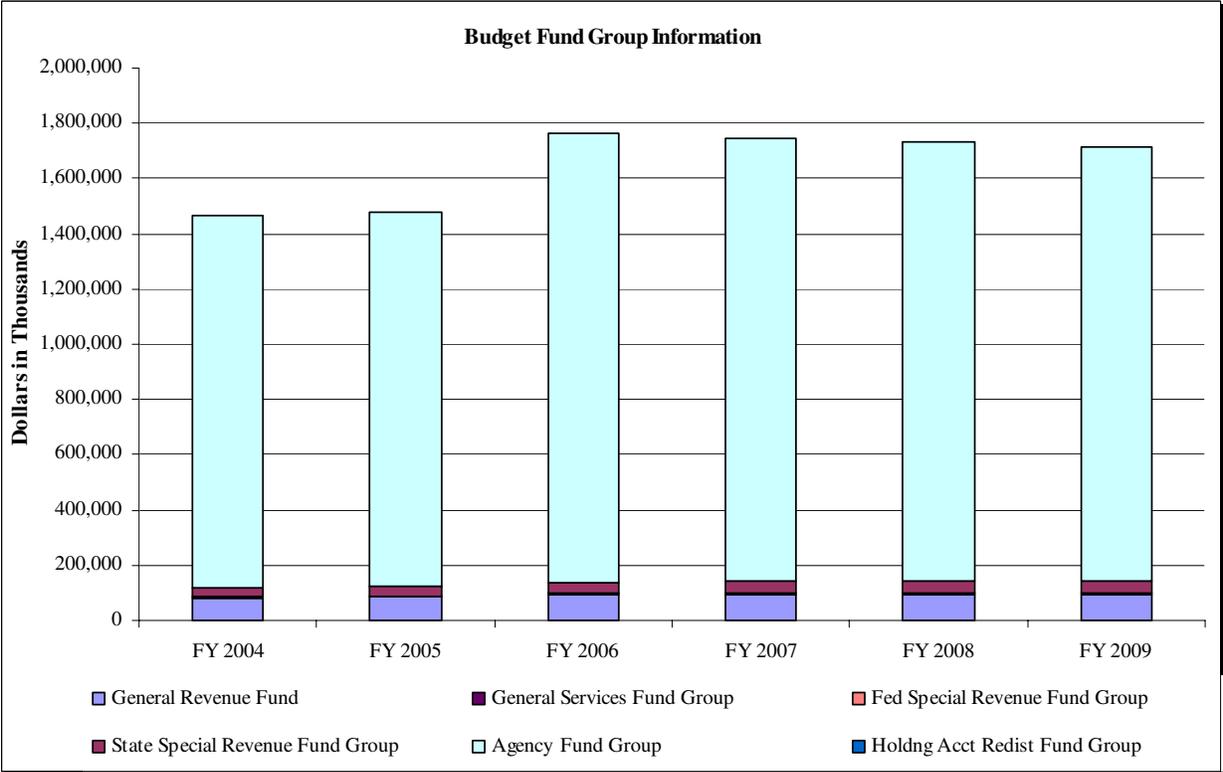
A tax commissioner, who is appointed by the Governor, heads the department. The department has an annual operating budget of approximately \$141 million, which supports about 1,400 employees. ODT administers the following taxes: Alcoholic Beverage (state and county), Cigarette (state and county), Commercial 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.

Additional information regarding the Department of Taxation is available at <http://www.tax.ohio.gov/>.

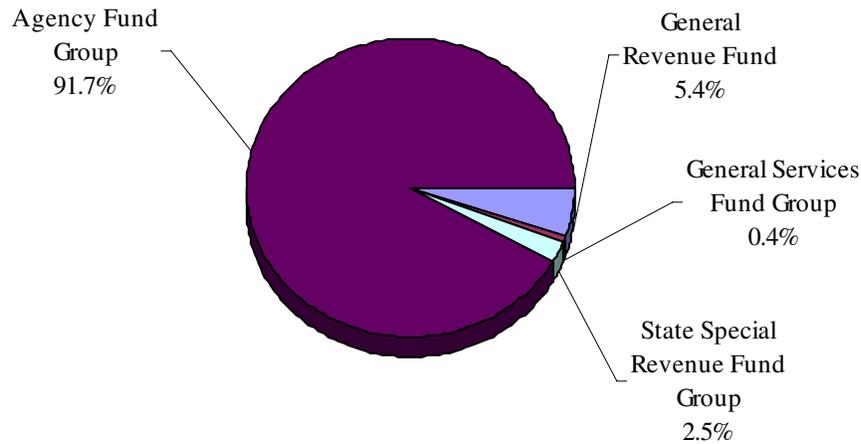
Agency Priorities

- Improve departmental efficiency by updating departmental practices and infrastructure.
- Increase compliance to enhance the revenues available for essential state services.
- Improve taxpayer services by expanding education and outreach activities.
- Continue implementation of tax reform.

Summary of Budget History and Recommendations



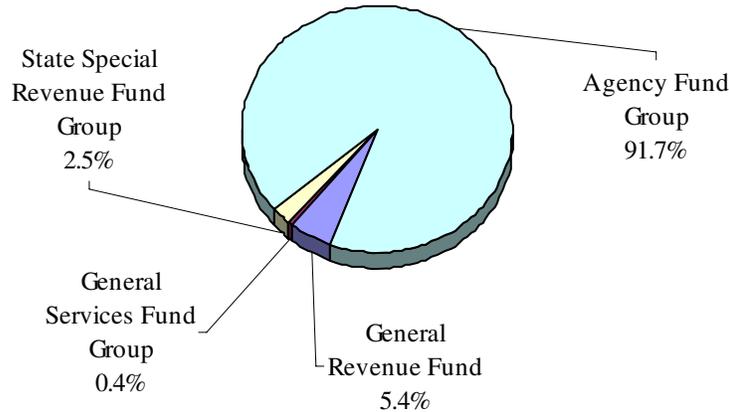
**FY 2008-09 Biennial Appropriation
by Budget Fund Group***



*Budget fund groups accounting for less than 0.0% are not shown.

(In thousands) BUDGET FUND GROUP	ACTUAL			ESTIMATE	%	RECOMMENDED			
	FY 2004	FY 2005	FY 2006	FY 2007	CHANGE FY 06-07	FY 2008	CHANGE %	FY 2009	CHANGE %
General Revenue Fund	83,736	84,483	93,592	91,512	(2.2)	92,112	.7	92,840	.8
General Services Fund Group	246	1,303	6,245	10,632	70.3	7,625	(28.3)	7,490	(1.8)
Fed Special Revenue Fund Group	13	19	0	25	23,709.5	0	(100.0)	0	.0
State Special Revenue Fund Group	31,371	35,796	38,860	40,525	4.3	43,292	6.9	43,762	1.1
Agency Fund Group	1,350,156	1,357,800	1,627,363	1,603,700	(1.5)	1,586,900	(1.0)	1,567,800	(1.2)
Holdng Acct Redist Fund Group	0	0	0	100	.0	100	.0	100	.0
TOTAL	1,465,521	1,479,399	1,766,059	1,746,484	(1.1)	1,730,029	(.9)	1,711,992	(1.0)

**FY 2008-09 Biennial Appropriation
by Expense Category***



*Categories of expense accounting for less than 0.0% are not shown.

(In thousands) OBJECT OF EXPENSE	ACTUAL			ESTIMATE	%	RECOMMENDED			
	FY 2004	FY 2005	FY 2006	FY 2007	CHANGE FY 06-07	FY 2008	CHANGE %	FY 2009	CHANGE %
Personal Services	88,946	91,023	96,767	100,898	4.3	104,485	3.6	109,548	4.8
Purchased Services	4,487	7,870	6,556	10,349	57.9	6,053	(41.5)	4,492	(25.8)
Maintenance	18,377	18,971	26,115	23,827	(8.8)	23,309	(2.2)	22,182	(4.8)
Equipment	3,041	3,278	8,748	6,011	(31.3)	7,581	26.1	6,270	(17.3)
Transfer & Other	1,350,672	1,358,258	1,627,874	1,605,400	(1.4)	1,588,600	(1.0)	1,569,500	(1.2)
TOTAL	1,465,521	1,479,399	1,766,059	1,746,484	(1.1)	1,730,029	(.9)	1,711,992	(1.0)

PROGRAM SERIES 01: Tax Administration

This program series provides for all operations related to tax administration. The primary functions are receipt, processing, and the 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.

The Executive Recommendation will:

- Support continued improvements in efficiency and effectiveness of the delivery of services to taxpayers. This program currently handles 3.5 million phone calls, 97,000 e-mails, and more than 100,000 walk-in requests annually;

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- Contribute to 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
- Maintain current quality of service while supporting a reduction in staffing from approximately 260 to 245 full-time equivalents (FTEs).

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	110-321	Operating Expenses	25,614,999	23,057,826
TOTAL FOR PROGRAM				25,614,999	23,057,826

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.

The Executive Recommendation will:

- Support all mail and electronic processing of tax services, including the receipt, opening or accessing, and disposition of all tax filings. In calendar year 2005, this program handled approximately 5.1 million returns.
- Fund new technology which will allow the department to maintain the current quality of service while reducing its dependence in intermittent processing staff; and
- Allow the department to provide revenues to support state operations and tax refunds to eligible taxpayers in an efficient and accurate manner.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	110-321	Operating Expenses	16,222,832	14,519,278
SSR	437	110-606	Litter Tax and Natural Resources Admin	381,605	250,093
TOTAL FOR PROGRAM				16,604,437	14,769,371

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.

The Executive Recommendation will:

- Fund the tax compliance initiatives of the Audit, Enforcement, Estate, Corporate Franchise, Personal Income, and Sales & Use divisions of the Department of Taxation;
- Support the management of billing and assessment functions for the Individual Income, Employer Withholding, Corporate Franchise, Sales & Use, and School District Income taxes;
- Fund continued enforcement costs of the Department of Taxation related to the Tobacco Master Settlement Agreement; and
- Support department activities related to the investigation of fraud, coordinated efforts with other enforcement agencies, tracking of evidence, and testimony for trial cases.

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FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	110-321	Operating Expenses	41,663,897	45,377,296
GRF	GRF	110-404	Tobacco Settlement Enforcement	0	328,034
GSF	5BQ	110-629	Commercial Activity Tax Admin	6,000,000	6,000,000
GSF	5W7	110-627	Exempt Facility Administration	100,000	150,000
SSR	4C6	110-616	International Registration Plan	706,855	706,855
SSR	4R6	110-610	Tire Tax Administration	125,000	150,000
SSR	436	110-608	Motor Vehicle Audit	1,200,000	1,200,000
SSR	437	110-606	Litter Tax and Nat. Resources Admin	293,395	549,907
SSR	5V7	110-622	Motor Fuel Tax Administration	4,700,000	5,000,000
SSR	639	110-614	Cigarette Tax Enforcement	100,000	100,000
TOTAL FOR PROGRAM				54,889,147	59,562,092

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.

The Executive Recommendation will:

- Support 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;
- Fund the collection and publication of statistical and historical tax data from Ohio and other states;
- Provide legal advice to the department and handles filings in bankruptcy court and the adjudication of tax appeals; and
- Fund the provision of seminars on tax policy issues throughout Ohio.

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	110-321	Operating Expenses	8,538,334	9,485,662
TOTAL FOR PROGRAM				8,538,334	9,485,662

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.

The Executive Recommendation will:

- Support 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;
- Fund 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;
- Fund staffing levels at approximately 340 FTEs.

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FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GRF	GRF	110-412	Child Support Administration	71,680	71,680
GSF	433	110-602	Tape File Account	125,000	140,000
GSF	5W4	110-625	Centralized Tax Filing & Payment	400,000	200,000
SSR	435	110-607	Local Tax Administration	17,250,000	17,250,000
SSR	438	110-609	School District Income Tax	3,600,000	3,600,000
SSR	5N5	110-605	Municipal Income Tax Administrative	500,000	500,000
SSR	5N6	110-618	Kilowatt Hour Tax Administration	125,000	175,000
SSR	5V8	110-623	Property Tax Administration	13,500,000	13,500,000
SSR	688	110-615	Local Excise Tax Administration	210,000	180,000
TOTAL FOR PROGRAM				35,781,680	35,616,680

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: Refunds and Distributions

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.

The Executive Recommendation will:

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

FUND				RECOMMENDED	
GROUP	FUND	ALI	ALI NAME	FY 2008	FY 2009
GSF	5CZ	110-631	Vendor's License Application	1,000,000	1,000,000
SSR	642	110-613	Ohio Political Party Distributions	600,000	600,000
AGY	095	110-995	Municipal Income Tax	21,000,000	21,000,000
AGY	425	110-635	Tax Refunds	1,565,900,000	1,546,800,000
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				1,588,600,000	1,569,500,000

LINE ITEM SUMMARY - Taxation

FUND	ALI	ALI TITLE	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 RECOMMENDED	% CHANGE	FY 2009 RECOMMENDED	% CHANGE
GRF	110-321	Operating Expenses	83,676,665	84,416,330	93,557,151	91,439,754	92,040,062	.7	92,440,062	.4
GRF	110-404	TOBACCO SETTLEMENT ENFORCEMENT	0	0	0	0	0	.0	328,034	.0
GRF	110-412	Child Support Administration	59,247	66,334	34,775	71,988	71,680	(.4)	71,680	.0
TOTAL General Revenue Fund			83,735,912	84,482,664	93,591,926	91,511,742	92,111,742	.7	92,839,776	.8
225	110-626	Enforcement AND Forfeiture Collctn	25,684	0	0	0	0	.0	0	.0
228	110-628	Tax Reform System Implementation	0	0	0	7,000,000	0	(100.0)	0	.0
433	110-602	Tape File Account	76,612	69,302	79,202	96,165	125,000	30.0	140,000	12.0
5BQ	110-629	Commercial Activity Tax Admin	0	0	3,899,357	500,000	6,000,000	1100.0	6,000,000	.0
5BW	110-630	Tax Amnesty Promotion & Admin	0	0	1,044,871	0	0	.0	0	.0
5CZ	110-631	Vendor's License Application	0	0	93,925	1,000,000	1,000,000	.0	1,000,000	.0
5W4	110-625	Centralized Tax Filing & Payment	143,244	1,233,321	1,102,194	2,000,000	400,000	(80.0)	200,000	(50.0)
5W7	110-627	Exempt Facility Administration	0	0	25,000	36,000	100,000	177.8	150,000	50.0
TOTAL General Services Fund Group			245,540	1,302,623	6,244,549	10,632,165	7,625,000	(28.3)	7,490,000	(1.8)
3J6	110-601	Motor Fuel Compliance	12,792	18,715	105	25,000	0	(100.0)	0	.0
TOTAL Fed Special Revenue Fund Group			12,792	18,715	105	25,000	0	(100.0)	0	.0
4C6	110-616	International Registration Plan	469,819	644,625	693,399	706,855	706,855	.0	706,855	.0
4R6	110-610	Tire Tax Administration	45,527	60,972	56,887	65,000	125,000	92.3	150,000	20.0
435	110-607	Local Tax Administration	12,851,358	13,801,401	16,121,774	16,394,879	17,250,000	5.2	17,250,000	.0
436	110-608	Motor Vehicle Audit	1,222,630	1,224,147	1,255,728	1,350,000	1,200,000	(11.1)	1,200,000	.0
437	110-606	Litter Tax and Nat. Resources Admin	551,146	422,835	592,027	625,232	675,000	8.0	800,000	18.5
438	110-609	School District Income Tax	2,389,992	2,598,340	2,588,790	2,599,999	3,600,000	38.5	3,600,000	.0
5N5	110-605	Municipal Income Tax Administrative	315,733	393,692	299,101	265,000	500,000	88.7	500,000	.0
5N6	110-618	Kilowatt Hour Tax Administration	25,000	85,000	72,543	85,000	125,000	47.1	175,000	40.0
5V7	110-622	Motor Fuel Tax Administration	3,478,127	3,570,506	4,299,238	4,397,263	4,700,000	6.9	5,000,000	6.4
5V8	110-623	Property Tax Administration	9,261,096	12,232,814	12,052,461	12,967,102	13,500,000	4.1	13,500,000	.0
639	110-614	Cigarette Tax Enforcement	89,926	121,150	161,071	158,925	100,000	(37.1)	100,000	.0
642	110-613	Ohio Political Party Distributions	491,095	422,236	390,766	600,000	600,000	.0	600,000	.0
688	110-615	Local Excise Tax Administration	179,302	218,050	276,309	300,000	210,000	(30.0)	180,000	(14.3)
TOTAL State Special Revenue Fund Group			31,370,751	35,795,768	38,860,094	40,515,255	43,291,855	6.9	43,761,855	1.1
095	110-901	Municipal Income Tax	10,456,939	35,006,925	36,783,212	0	0	.0	0	.0
095	110-995	Municipal Income Tax	0	0	0	21,000,000	21,000,000	.0	21,000,000	.0
425	110-635	Tax Refunds	1339,699,546	1322,792,612	1590,579,291	1582,700,000	1565,900,000	(1.1)	1546,800,000	(1.2)
TOTAL Agency Fund Group			1350,156,485	1357,799,537	1627,362,503	1603,700,000	1586,900,000	(1.0)	1567,800,000	(1.2)

Executive Budget For Fiscal YEARS 2008 AND 2009

LINE ITEM SUMMARY - Taxation

FUND	ALI	ALI TITLE	FY 2004 ACTUAL	FY 2005 ACTUAL	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 RECOMMENDED	% CHANGE	FY 2009 RECOMMENDED	% CHANGE
R10	110-611	Tax Distributions	0	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			0	0	0	100,000	100,000	.0	100,000	.0
TOTAL Department of Taxation			1465,521,480	1479,399,307	1766,059,177	1746,484,162	1730,028,597	(.9)	1711,991,631	(1.0)