

- During the upcoming biennium the Department of Taxation will be acquiring additional collection responsibilities that were previously held by the Treasurer of State.

Department of Taxation

Nickie Ringer, Economist

ROLE

The Ohio Department of Taxation is responsible for the administration and enforcement of state and locally levied taxes. The Tax Commissioner administers all state taxes except for the insurance taxes and the motor vehicle license tax. In addition, the Tax Commissioner is responsible for the collection of the personal income tax and the horse racing tax. During this biennium the department will become responsible for the collection of sales, corporate, estate and excise tax returns and payments.

The Department of Taxation is also responsible for determining the amount of various revenue distributions to local governments, including motor fuel tax distributions, reimbursement of local governments for property tax relief, permissive sales and use tax distributions, and allocations to counties from the Library and Local Government Support Fund (LLGSF), Local Government Fund (LGF), and Local Government Revenue Assistance Fund (LGRAF). Although it is classified as a “single program” agency, the department has many divisions because of the complex nature of the various taxes that it administers.

Agency In Brief					
Number of Employees	Total Appropriations-All Funds		GRF Appropriations		Appropriation Bill(s)
	2002	2003	2002	2003	
1,440	\$1.4 Billion	\$1.4 Billion	\$497 Million	\$519 Million	Am. Sub. H.B. 94

OVERVIEW

The total budget for the Department of Taxation is \$1.393 billion in FY 2002 (a decrease of 27.24 percent from FY 2001 spending) and \$1.425 billion in FY 2003 (a 2.25 percent increase from FY 2002 appropriations). The majority of the decrease in funding is in line item 110-635, Tax Refunds (State Special Revenue Fund 425). The 2002 appropriation for this line item was decreased by more than \$557 million from the 2001 spending level; the 2003 appropriation is \$542 million less than the 2001 spending level.

The department’s GRF operating funding is \$86,296,910 in FY 2002 and \$88,311,656 in FY 2003. The operating expense funding includes the operating expenses line item and the Child Support Administration line item. In previous budgets the Energy Credits Administration line item also was included, however, that program was transferred to the Department of Development July 1, 2000.

This biennium, the department has increased its efforts to examine the costs associated with administering certain taxes and to use the funds available to it from these taxes to cover the costs, rather than using GRF funding. As a result, the State Special Revenue funding appropriations increased 108.13 percent in FY 2002 over 2001 spending levels. A majority of this increase is caused by the large increase in appropriations for line item 110-607, Local Tax Administration (State Special Revenue Fund 435), to fund the e-business project (see below).

BUDGET ISSUES

TRANSFER FROM THE TREASURER OF STATE

Am. Sub. H.B. 94 transfers from the Treasurer of State to the Tax Commissioner the receipt and processing of sales, corporate franchise, and some excise tax returns and payments. The transfer of the sales and use tax will be effective January 1, 2002. The transfer of the corporate franchise tax will be effective July 1, 2002. The transfer of cigarette and tobacco product taxes, the public utility excise tax, the natural gas excise tax, motor fuel taxes, alcoholic beverages taxes, severance taxes, and municipal taxes on electric light companies will be effective July 1, 2003. This transfer of the receipt and processing of certain taxes, which will be accompanied with the transfer of positions or personnel and equipment to the Tax Commissioner, may affect actual operating expenses during the biennium. Any subsequent transfer of appropriations to be made because of transferring employees and equipment is not reflected in the current appropriations for operating expenses.

E-BUSINESS PROJECT

The e-business project is designed to be a significant move toward e-government. The department plans to develop a statewide Extranet tying the county auditors to the Department of Taxation's systems to allow for the exchange of information. It will also allow taxpayers to update and retrieve information on-line by tying multiple systems together, and will automate many procedures to provide more cost-efficient customer service. By using technology, the department will integrate e-mail, call-centers and interactive voice response systems. The project also will provide Internet payment options to pay personal income taxes and file business taxes. 'No tax due' sales tax returns will be able to be filed on-line, and eventually there will be web applications for vendors' licenses.

The majority of this \$20 million project is to be funded through the department's State Special Revenue Fund 435: ALI 110-607, Local Tax Administration. In Am. Sub. H.B. 94, this line item was appropriated \$29.5 million in FY 2002 and \$24.2 million in FY 2003, an increase of 167.5 percent and 119.26 percent respectively, over the FY 2001 appropriation of \$11 million.

TAX AUDITOR POSITION

Am. Sub. H.B. 94 creates the positions of "tax auditor agent" and "tax auditor agent manager" and establishes education and experience qualifications for the positions. By putting the positions in statute, the Department of Taxation is allowed to include a degree requirement in job specifications. A tax auditor agent must meet one of the following criteria:

- Hold a bachelor's degree or higher in accounting, business, business administration, public administration, or management, a doctoral degree in law, a bachelor of laws degree, or a master of laws degree in taxation.
- Possess a current certified public accountant, certified managerial accountant, or certified internal auditor certificate.
- Possess a professional tax designation issued by the Institute for Professions In Taxation or International Association of Assessing Officers.
- Hold a designation as an Enrolled Agent of the Internal Revenue Service.
- Have accounting, auditing, or taxation experience that is acceptable to the Department of Taxation.
- Possess experience as a Tax Commissioner Agent, Tax Auditor Agent, or as a supervisor of tax agents that is acceptable to the Department of Taxation.

INCREASED RECEIPTS FOR THE RECYCLING AND LITTER PREVENTION FUND

The budget act makes changes to the distribution of the Recycling and Litter Prevention Fund. The Department of Taxation will now retain revenue in the amount that covers the cost of administering the "litter stream" tax and surcharge. The remaining revenue will be credited to the Recycling and Litter Prevention Fund. Previously, \$5 million was credited to the Recycling and Litter Prevention Fund every six months while the remaining amount was retained by the department. It is believed that this change will increase the Recycling and Litter Prevention Fund moneys.

MUNICIPAL INTERNET SITE FUND

Am. Sub. H.B. 94 creates State Special Revenue Fund 5N7, the Municipal Internet Site Fund. Under Sub. H.B. 477 of the 123rd General Assembly, the Department of Taxation is required to maintain a central Internet site that contains links to the sites of all municipal corporations levying an income tax. Moneys in this fund will be used to cover the administrative costs of the Municipal Internet Site. As of August, no decision has been made regarding municipal fees or alternative sources of revenue for this fund.

ADMINISTRATION OF THE TAX AMNESTY PROGRAM

During this biennium, the Department of Taxation will administer the tax amnesty program. (See the Tax Policy and Revenue section of the Final Analysis for details.) Five hundred thousand dollars in additional funds for the administration of this program were approved through a Controlling Board request. This will increase the total appropriation authority for line item 110-321 by \$500,000 in FY 2002; however, this amount is *not* included in the spreadsheet or the Agency in Brief section of the Final Analysis. 

FY 2002 - 2003 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

FY 1999: FY 2000: FY 2001: FY 2002 % Change FY 2003 % Change
Appropriations: Appropriations: Appropriations: Appropriations: 2001 to 2002: Appropriations: 2002 to 2003:

Report For: Main Operating Appropriations Bill

Version: Enacted

TAX Taxation, Department of

GRF	110-100	Personal Services	\$ 73,141,554	\$ 1,257,929		\$ 0	N/A	\$ 0	N/A
GRF	110-200	Maintenance	\$ 12,307,214	\$ 413,639		\$ 0	N/A	\$ 0	N/A
GRF	110-300	Equipment	\$ 5,485,410	\$ 0		\$ 0	N/A	\$ 0	N/A
GRF	110-321	Operating Expenses	----	\$ 86,318,508	\$88,385,981	\$ 86,296,910	-2.36%	\$ 88,223,011	2.23%
GRF	110-410	Energy Credit Administration	\$ 653,829	\$ 394,736	\$27,946	\$ 0	-100.00%	\$ 0	N/A
GRF	110-412	Child Support Administration	\$ 58,872	\$ 55,944	\$15,391	\$ 91,545	494.79%	\$ 88,656	-3.16%
GRF	110-506	Utility Bill Credits	\$ 5,755,878	\$ 4,748,240	\$603,052	\$ 0	-100.00%	\$ 0	N/A
GRF	110-901	Property Tax Allocation - TAX	\$ 318,216,099	\$ 341,284,980	\$363,912,241	\$ 380,200,000	4.48%	\$ 399,300,000	5.02%
GRF	110-906	Tangible Tax Exemption - TAX	\$ 26,650,697	\$ 26,746,255	\$27,136,148	\$ 30,000,000	10.55%	\$ 30,900,000	3.00%
General Revenue Fund Total			\$ 442,269,553	\$ 461,220,231	\$ 480,080,758	\$ 496,588,455	3.44%	\$ 518,511,667	4.41%
433	110-602	Tape File Account	\$ 60,356	\$ 33,182	\$120,772	\$ 92,082	-23.76%	\$ 96,165	4.43%
General Services Fund Group Total			\$ 60,356	\$ 33,182	\$ 120,772	\$ 92,082	-23.76%	\$ 96,165	4.43%
3J6	110-601	Motor Fuel Compliance	\$ 20,511	\$ 73,718	\$25,191	\$ 33,000	31.00%	\$ 33,000	0.00%
3J7	110-603	International Fuel Tax Agreement	\$ 56,290	\$ 39,708	\$79,470	\$ 0	-100.00%	\$ 0	N/A
Federal Special Revenue Fund Group Total			\$ 76,801	\$ 113,426	\$ 104,661	\$ 33,000	-68.47%	\$ 33,000	0.00%
437	110-606	Litter Tax and Nat. Resource Tax Admi	\$ 1,192,037	\$ 1,371,453	\$1,366,546	\$ 594,726	-56.48%	\$ 625,232	5.13%
435	110-607	Local Tax Administration	\$ 9,524,096	\$ 11,359,719	\$11,032,157	\$ 29,517,404	167.56%	\$ 24,189,026	-18.05%
436	110-608	Motor Vehicle Audit	\$ 1,219,105	\$ 1,524,483	\$1,207,651	\$ 1,687,249	39.71%	\$ 1,600,000	-5.17%
438	110-609	School District Income Tax	\$ 2,453,037	\$ 2,680,772	\$2,444,737	\$ 2,873,446	17.54%	\$ 2,599,999	-9.52%
4R6	110-610	Tire Tax Administration	\$ 780	\$ 7,913	\$37,846	\$ 65,000	71.75%	\$ 65,000	0.00%
642	110-613	Ohio Political Party Distribution	\$ 612,974	\$ 520,793	\$488,760	\$ 800,000	63.68%	\$ 800,000	0.00%
639	110-614	Cigarette Tax Enforcement	\$ 191,374	\$ 138,076	\$143,660	\$ 161,168	12.19%	\$ 168,925	4.81%
688	110-615	Local Excise Tax Administration	\$ 207,290	\$ 316,243	\$356,752	\$ 300,000	-15.91%	\$ 300,000	0.00%
4C6	110-616	International Registration Plan	\$ 435,081	\$ 564,290	\$585,261	\$ 669,561	14.40%	\$ 706,855	5.57%
5N6	110-618	Kilowatt Hour Tax Administration	----	----		\$ 85,000	N/A	\$ 85,000	0.00%
5N7	110-619	Municipal Internet Site	----	----		\$ 10,000	N/A	\$ 10,000	0.00%
State Special Revenue Fund Group Total			\$ 15,835,774	\$ 18,483,742	\$ 17,663,370	\$ 36,763,554	108.13%	\$ 31,150,037	-15.27%
425	110-635	Tax Refunds	\$ 1,308,260,804	\$ 1,190,632,476	\$1,417,186,988	\$ 860,000,000	-39.32%	\$ 875,000,000	1.74%

FY 2002 - 2003 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency				FY 2002	% Change	FY 2003	% Change			
				Appropriations:	2001 to 2002:	Appropriations:	2002 to 2003:			
				FY 1999:	FY 2000:	FY 2001:				
TAX Taxation, Department of										
Agency Fund Group Total				\$ 1,308,260,804	\$ 1,190,632,476	\$ 1,417,186,988	\$ 860,000,000	-39.32%	\$ 875,000,000	1.74%
R10	110-611	Tax Distributions		\$ 51,554	\$ 1,016		\$ 2,000	N/A	\$ 2,000	0.00%
R11	110-612	Misc Income Tax Receipts		\$ 4,781	\$ 3,066	\$ 3,382	\$ 5,000	47.86%	\$ 5,000	0.00%
Holding Account Redistribution Fund Group Total				\$ 56,335	\$ 4,082	\$ 3,382	\$ 7,000	107.00%	\$ 7,000	0.00%
Taxation, Department of Total				\$ 1,766,559,623	\$ 1,670,487,139	\$ 1,915,159,930	\$ 1,393,484,091	-27.24%	\$ 1,424,797,869	2.25%