

Department of Taxation

House Transportation and Justice Subcommittee

*Ruhaiza Ridzwan, Economist
Legislative Service Commission*

April 5, 2007

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LSC Redbook for the Department of Taxation

House Transportation and Justice Subcommittee

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Legislative Service Commission

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Catalog of Budget Line Items
LSC Budget Spreadsheet By Line Item

April 5, 2007

Department of Taxation

- The Department will continue to implement the tax reforms enacted in the last General Assembly
- The executive budget recommends a modest increase in administrative funding of 0.7% for FY 2008 and 0.4% for FY 2009

OVERVIEW

The Ohio Department of Taxation is responsible for the administration and enforcement of most state and locally levied taxes. The Tax Commissioner administers all state taxes except the insurance taxes and the motor vehicle license tax. Under the categories of administration and enforcement, the Department performs such duties as registering taxpayers, processing tax returns, determining tax liabilities, issuing refunds and assessments, conducting audits, and enforcing Ohio tax laws. In addition, the Department of Taxation oversees the administration of the real property tax by local governments. The Department employs 1,381 full time equivalent employees (FTEs).

The Department of Taxation is also responsible for determining the amounts 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) and the proposed Local Communities Fund (LCF) and Local Libraries Fund (LLF) in H.B. 119 of the 127th General Assembly.

The executive budget provides the Department of Taxation with GRF administrative funding of \$92,111,742 for FY 2008. This amount is \$600,000 or 0.7% higher than estimated FY 2007 expenditures. Recommended administrative GRF funding for FY 2009 is \$92,511,742. This amount is \$400,000 or 0.4% higher than FY 2008 recommended funding. The two line items that account for GRF administrative funding are 110-321, Operating Expenses and 110-412, Child Support Administration. This does not include GRF moneys (such as property tax relief) that are simply distributed by the Department of Taxation.

The executive budget provides the Department with total administrative funding of \$141,428,597 for FY 2008. This amount is \$344,435 higher than estimated 2007 expenditures, an increase of 0.2%. Recommended administrative funding for FY 2009 is \$142,491,631. This amount is \$1,063,034 greater than FY 2008, an increase of 0.8%. These amounts do not include funds that are simply distributed by the Department of Taxation.

Total funding recommendations for the Department of Taxation are \$1,730,028,597 for FY 2008 and \$1,711,991,631 for FY 2009. The FY 2008 recommendation represents a decrease of \$16,455,565 or 0.9% from the previous year. Recommended total funding for FY 2009 is \$18,036,966 or 1% lower than recommended total funding for FY 2008. (These amounts do not include Property Tax Relief funds that are distributed by the Department of Taxation, \$456,131,127 in FY 2008 and \$483,202,599 in FY 2009.)

Summary of FYs 2008-2009 Budget Issues

- Continue to implement Ohio's state and local tax reform under Am. Sub. H.B. 66 of the 126th General Assembly.
- Replace various computer systems with an integrated system to improve the Department's overall information system and to enhance the efficiency of tax processing, tax collection, and audit administration.
- Improve the quality of taxpayer services by using cost effective programs and technologies and increase compliance efforts.

Table 1, shows the Department of Taxation's total budget recommendation by program series in FY 2008 and FY 2009.

Table 1: Total Budget By Program Series		
Program Series	FY 2008	FY 2009
Program 1.1: Taxpayer Services Total	\$25,614,999	\$23,057,826
Program 1.2: Tax Processing Total	\$16,604,437	\$14,769,371
Program 1.3: Tax Compliance Total	\$54,889,147	\$59,562,092
Program 1.4: Tax Policy and Analysis Total	\$8,538,334	\$9,485,662
Program 1.5: Local Government Services Total	\$35,781,680	\$35,616,680
Subtotal Program 1: Tax Administration	\$141,428,597	\$142,491,631
Program 2.1: Revenue Accounting Total	\$1,588,600,000	\$1,569,500,000
Subtotal Program 2: Revenue Distribution	\$1,588,600,000	\$1,569,500,000
Program 3.1: Property Tax Relief	\$456,131,127	\$483,202,599
Subtotal Program 3: Property Tax Relief	\$456,131,127	\$483,202,599
Grand Total	\$2,186,159,724	\$2,195,194,230

The following charts show the executive recommendation total budget by fund group and program series for the Department of Taxation in FY 2008-2009 biennium. Total budget does not include \$939,333,726 in Property Tax Relief Distributions (Program Series 3). This funding is distributed by the Department of Taxation to local governments.

Chart 1: Total Budget by Fund Group

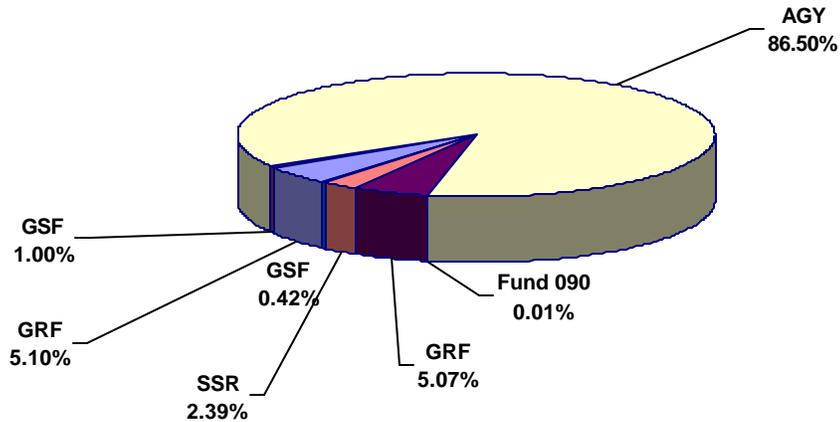
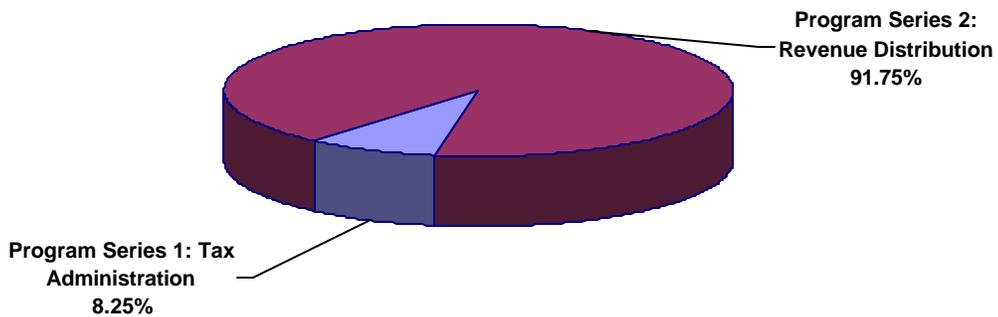


Chart 2: Total Budget by Program Series



Staffing Levels

The Department of Taxation plans to hire additional FTEs in FY 2008. The increased staffing is in several compliance areas and the new Commercial Activity Tax division. In FY 2009, the Department is expecting to reduce staffing through attrition.

Table 2 (below) shows FTE counts by division in FY 2004 through FY 2009.

Table 2: Department of Taxation FTE Counts by Division, FY 2004-FY 2009						
Division	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008* estimates	FY 2009* estimates
Audit	323	313	313	313	313	313
Budget and Fiscal	43	43	43	43	43	43
CAT Tax					24	24
Chief Counsel	38	42	42	42	55	52
Communications	5	4	4	4	5	3
Compliance	74	89	89	89	92	90
Discovery	0	0	0	0	9	9
Employee, Development and Training	8	7	8	8	8	8
Enforcement	27	33	33	33	30	28
Estate Tax Division	16	11	11	11	11	9
Excise Tax	52	51	51	51	45	45
Forms Purchasing	5	6	6	6	5	4
Human Resources	15	15	15	15	14	14
Business and Corporate Franchise Tax	51	47	47	47	46	40
Personal Income & School District	45	56	56	56	64	64
Information Services	157	155	155	155	145	140
Legislation	6	4	4	4	4	3
Personal Property Tax	41	40	40	40	31	31
Processing Center (Operations)	182	161	161	161	150	145
Sales and Use Tax	38	46	46	46	44	44
Tax Analysis	9	9	9	9	13	10
Tax Commissioner	10	10	10	10	11	9
Internal Audit	2	2	2	2	2	2
Program Management Office	5	5	4	4	9	6
Tax Equalization	25	22	22	22	24	24
Taxpayer Service Centers	139	145	145	145	146	141
Taxpayer Service	65	65	65	65	77	75
Total:	1,381	1,381	1,381	1,381	1,420	1,370
*FY 2008 and FY 2009 are payroll projections.						

MASTER TABLE: EXECUTIVE'S RECOMMENDATIONS FOR FY 2008 AND FY 2009

The following table provides a comprehensive presentation of the executive's recommendations for each of the agency's line items and the programs each line item supports. Please note that some line items may provide funding for multiple program series and/or programs. See the Analysis of Executive Proposal section for more information on specific program funding.

Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program				
Fund	ALI	Title	FY 2008	FY 2009
General Revenue Fund				
GRF	110-321	Operating Expenses	\$92,040,062	\$92,440,062
		<u>Program Series 1: Tax Administration</u>	\$92,040,062	\$92,440,062
		Program 1.1: Taxpayer Services	\$25,614,999	\$23,057,826
		Program 1.2: Tax Processing	\$16,222,832	\$14,519,278
		Program 1.3: Tax Compliance	\$41,663,897	\$45,377,296
		Program 1.4: Tax Policy And Analysis	\$8,538,334	\$9,485,662
GRF	110-404	Tobacco Settlement Enforcement	\$0	\$328,034
		<u>Program Series 1: Tax Administration</u>	\$0	\$328,034
		Program 1.3: Tax Compliance	\$0	\$328,034
GRF	110-412	Child Support Administration	\$71,680	\$71,680
		<u>Program Series 1: Tax Administration</u>	\$71,680	\$71,680
		Program 1.5: Local Government Services	\$71,680	\$71,680
General Revenue Fund Subtotal			\$92,111,742	\$92,839,776
General Services Fund Group				
GSF	110-629	Commercial Activity Tax Administration	\$6,000,000	\$6,000,000
		<u>Program Series 1: Tax Administration</u>	\$6,000,000	\$6,000,000
		Program 1.3: Tax Compliance	\$6,000,000	\$6,000,000
GSF	110-602	Tape File Account	\$125,000	\$140,000
		<u>Program Series 1: Tax Administration</u>	\$125,000	\$140,000
		Program 1.5: Local Government Services	\$125,000	\$140,000
GSF	110-625	Centralized Tax Filing & Payment	\$400,000	\$200,000
		<u>Program Series 1: Tax Administration</u>	\$400,000	\$200,000
		Program 1.5: Local Government Services	\$400,000	\$200,000
GSF	110-627	Exempt Facility Administration	\$100,000	\$150,000
		<u>Program Series 1: Tax Administration</u>	\$100,000	\$150,000
		Program 1.5: Local Government Services	\$100,000	\$150,000
GSF	110-631	Vendor's License Application	\$1,000,000	\$1,000,000
		<u>Program Series 2: Revenue Distribution</u>	\$1,000,000	\$1,000,000
		Program 2.1: Revenue Accounting	\$1,000,000	\$1,000,000
General Services Fund Subtotal			\$7,625,000	\$7,490,000
State Special Revenue Fund Group				
SSR	110-606	Litter Tax and Natural Resources Administration	\$675,000	\$800,000
		<u>Program Series 1: Tax Administration</u>	\$675,000	\$800,000
		Program 1.2: Tax Processing	\$381,605	\$250,093
		Program 1.3: Tax Compliance	\$293,395	\$549,907
SSR	110-616	International Registration Plan	\$706,855	\$706,855
		<u>Program Series 1: Tax Administration</u>	\$706,855	\$706,855
		Program 1.3: Tax Compliance	\$706,855	\$706,855

TAX – Department of Taxation

Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program				
Fund	ALI	Title	FY 2008	FY 2009
SSR	110-610	Tire Tax Administration	\$125,000	\$150,000
		<u>Program Series 1: Tax Administration</u>	\$125,000	\$150,000
		Program 1.3: Tax Compliance	\$125,000	\$150,000
SSR	110-608	Motor Vehicle Audit	\$1,200,000	\$1,200,000
		<u>Program Series 1: Tax Administration</u>	\$1,200,000	\$1,200,000
		Program 1.3: Tax Compliance	\$1,200,000	\$1,200,000
SSR	110-622	Motor Fuel Tax Administration	\$4,700,000	\$5,000,000
		<u>Program Series 1: Tax Administration</u>	\$4,700,000	\$5,000,000
		Program 1.3: Tax Compliance	\$4,700,000	\$5,000,000
SSR	110-614	Cigarette Tax Enforcement	\$100,000	\$100,000
		<u>Program Series 1: Tax Administration</u>	\$100,000	\$100,000
		Program 1.3: Tax Compliance	\$100,000	\$100,000
SSR	110-607	Local Tax Administration	\$17,250,000	\$17,250,000
		<u>Program Series 1: Tax Administration</u>	\$17,250,000	\$17,250,000
		Program 1.5: Local Government Services	\$17,250,000	\$17,250,000
SSR	110-609	School District Income Tax	\$3,600,000	\$3,600,000
		<u>Program Series 1: Tax Administration</u>	\$3,600,000	\$3,600,000
		Program 1.5: Local Government Services	\$3,600,000	\$3,600,000
SSR	110-605	Municipal Income Administration	\$500,000	\$500,000
		<u>Program Series 1: Tax Administration</u>	\$500,000	\$500,000
		Program 1.5: Local Government Services	\$500,000	\$500,000
SSR	110-618	Kilowatt Hour Tax Administration	\$125,000	\$175,000
		<u>Program Series 1: Tax Administration</u>	\$125,000	\$175,000
		Program 1.5: Local Government Services	\$125,000	\$175,000
SSR	110-623	Property Tax Administration	\$13,500,000	\$13,500,000
		<u>Program Series 1: Tax Administration</u>	\$13,500,000	\$13,500,000
		Program 1.5: Local Government Services	\$13,500,000	\$13,500,000
SSR	110-615	Local Excise Tax Administration	\$210,000	\$180,000
		<u>Program Series 1: Tax Administration</u>	\$210,000	\$180,000
		Program 1.5: Local Government Services	\$210,000	\$180,000
SSR	110-613	Ohio Political Party Distribution	\$600,000	\$600,000
		<u>Program Series 2: Revenue Distribution</u>	\$600,000	\$600,000
		Program 2.1: Revenue Accounting	\$600,000	\$600,000
State Special Revenue Fund Subtotal			\$43,291,855	\$43,761,855
Agency Fund Group				
AGY	110-995	Municipal Income Tax	\$21,000,000	\$21,000,000
		<u>Program Series 2: Revenue Distribution</u>	\$21,000,000	\$21,000,000
		Program 2.1: Revenue Accounting	\$21,000,000	\$21,000,000
AGY	110-635	Tax Refunds	\$1,565,900,000	\$1,546,800,000
		<u>Program Series 2: Revenue Distribution</u>	\$1,565,900,000	\$1,546,800,000
		Program 2.1: Revenue Accounting	\$1,565,900,000	\$1,546,800,000
Agency Fund Subtotal			\$1,586,900,000	\$1,567,800,000
Holding Account Redistribution Fund Group				
R10	110-611	Tax Distributions	\$50,000	\$50,000
		<u>Program Series 2: Revenue Distribution</u>	\$50,000	\$50,000
		Program 2.1: Revenue Accounting	\$50,000	\$50,000

TAX – Department of Taxation

Executive Recommendations for FY 2008 and FY 2009, By Line Item and Program				
Fund	ALI	Title	FY 2008	FY 2009
R11	110-612	Miscellaneous Income Tax Receipts	\$50,000	\$50,000
		Program Series 2: Revenue Distribution	\$50,000	\$50,000
		Program 2.1: Revenue Accounting	\$50,000	\$50,000
Holding Account Redistribution Fund Subtotal			\$100,000	\$100,000
Department of Taxation Total Funding			\$1,730,028,597	\$1,711,991,631
Property Tax Relief Distributions - General Revenue Fund Group				
GRF	110-901	Property Tax Allocation - TAX	\$446,953,165	\$478,613,618
GRF	110-906	Tangible Tax Exemption - TAX	\$9,177,962	\$4,588,981
		Program Series 3.1: Property Tax Relief	\$456,131,127	\$483,202,599
		Grand Total	\$2,186,159,724	\$2,195,194,230

ANALYSIS OF EXECUTIVE PROPOSAL

Program Series

1: Tax Administration

Purpose: Administer the state's tax laws to ensure compliance in filing and payment of taxes and to determine tax liabilities.

The following table shows the line items that are used to fund the Tax Administration program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2008	FY 2009
General Revenue Fund				
GRF	110-321	Operating Expenses	\$92,040,062	\$92,440,062
GRF	110-412	Child Support Administration	\$71,680	\$71,680
GRF	110-404	Tobacco Settlement Enforcement ¹	\$0	\$328,034
General Revenue Fund Subtotal			\$92,111,742	\$92,839,776
State Special Revenue Fund				
SSR	110-605	Municipal Income Administration	\$500,000	\$500,000
SSR	110-606	Litter Tax and Natural Resources Administration	\$675,000	\$800,000
SSR	110-607	Local Tax Administration	\$17,250,000	\$17,250,000
SSR	110-608	Motor Vehicle Audit	\$1,200,000	\$1,200,000
SSR	110-609	School District Income Tax	\$3,600,000	\$3,600,000
SSR	110-610	Tire Tax Administration	\$125,000	\$150,000
SSR	110-614	Cigarette Tax Enforcement	\$600,000	\$600,000
SSR	110-615	Local Excise Tax Administration	\$100,000	\$100,000
SSR	110-616	International Registration Plan	\$210,000	\$180,000
SSR	110-618	Kilowatt Hour Tax Administration	\$706,855	\$706,855
SSR	110-622	Motor Fuel Tax Administration	\$125,000	\$175,000
SSR	110-623	Property Tax Administration	\$4,700,000	\$5,000,000
State Special Revenue Fund Subtotal			\$42,691,855	\$43,161,855
General Services Fund				
GSF	110-602	Tape File Account	\$125,000	\$140,000
GSF	110-625	Centralized Tax Filing & Payment	\$400,000	\$200,000
GSF	110-627	Exempt Facility Administration	\$100,000	\$150,000
GSF	110-629	Commercial Activity Tax Administration	\$6,000,000	\$6,000,000
General Services Fund Subtotal			\$6,625,000	\$6,490,000
Total Funding: Tax Administration			\$141,428,597	\$141,491,631

¹ Before FY 2009, a similar line item was funded from the Tobacco Budget. Sub. S.B. 231 appropriated \$328,034 for FY 2007 and \$328,034 for FY 2008.

This analysis focuses on the following specific programs within the Tax Administration program series:

- **Program 1.1: Taxpayer Services**
- **Program 1.2: Tax Processing**
- **Program 1.3: Tax Compliance**
- **Program 1.4: Tax Policy And Analysis**
- **Program 1.5: Local Government Services**

Program 1.1: Taxpayer Services

Program Description: To administer Ohio's tax laws, efficiently and cost effectively, administration involves registering taxpayers, processing tax returns, determining tax liabilities, issuing refunds and assessments, and enforcing Ohio tax laws. The Taxpayer Services program provides the delivery of services to the taxpayers as a means of increasing tax compliance.

Funding Source: GRF

Line Items: 110-321

Implication of Executive Recommendation: The executive budget provides the Taxpayer Services program with total GRF funding of \$25,614,999 in FY 2008 and \$23,057,826 in FY 2009.

Temporary Law Provisions

See "Other Tax Provisions" section.

Permanent Law Provisions

See "Other Tax Provisions" section.

Program 1.2: Tax Processing

Program Description: This program provides for all processing services of tax returns and related documents.

Funding Source: GRF and Litter Tax and Natural Resources Administration Fund (Fund 437).

Line Items: 110-321 and 110-606

Implication of Executive Recommendation: The executive budget provides the Tax Processing program with total funding of \$16,604,437 for FY 2008. Recommended funding for FY 2009 is \$14,769,371.

Temporary Law Provisions

Litter Tax and Natural Resources Administration Fund – Allows some corporate franchise tax revenues to be deposited into the Litter Tax and Natural Resources Administration Fund (Fund 437), line item 110-606. The fund provides funding for the collection and administration of the "litter tax". The executive budget recommends \$625,232 in FY 2008 and \$800,000 in FY 2009.

Permanent Law Provisions

See "Other Tax Provisions" section.

Program 1.3: Tax Compliance

Program Description: This program conducts audits of taxpayers' returns and records for mathematical accuracy, evaluates the substantial correctness (which identifies areas of underpayment or overpayment of tax), and issues notices and assessments to taxpayers who have not paid tax liabilities. This program also provides for the matching of persons delinquent in child support payments with taxpayers due an Ohio income tax refund. This program also reviews appeals of Tax Commissioner findings in tax disputes. The Department provides the first level of appeal. Determinations of the Department may then be appealed to the Board of Tax Appeals. Tax compliance also includes enforcement and investigation activities associated with the investigation of fraud, coordinated efforts with other enforcement agencies, tracking of evidence, and testimony for trial cases.

Funding Source: State GRF; percentages of Commercial Activity Tax, federal grants for fuel tax collection and enforcement, tire tax, and cigarette license taxes; exempt facility fees, International Registration Plan (IRP) fees, and motor vehicle title fees and portions of the receipts from the motor fuel taxes

Line Items: 110-321, 110-404, 110-629, 110-627, 110-616, 110-610, 110-608, 110-606, 110-622, and 110-614

Implication of Executive Recommendation: The executive budget provides the Tax Compliance program with total funding of \$54,889,147 for FY 2008. Recommended funding for FY 2009 is \$59,562,092. This amount is \$4,672,945 greater than FY 2008, an increase of 8.5%. The executive recommendation includes funding of \$328,034 in FY 2009 for tobacco settlement enforcement.

Temporary Law Provisions

International Registration Plan Audit. Line item 110-616, State Special Revenue Fund 4C6, International Registration Plan, provides funding for the audits of persons with vehicles registered under the International Registration Plan. The executive budget recommends \$706,855 in each fiscal year of the biennium.

Motor Fuel Tax Administration Fund. Line item 110-622, State Special Revenue Fund 5V7, Motor Fuel Tax Administration Fund, provides funding for the Department of Taxation to administer the motor fuel tax. The executive budget provides this fund with \$4,700,000 in FY 2008 and \$5,000,000 in FY 2009. This fund receives 0.275% of the receipts from the motor fuel taxes.

Commercial Activity Tax Administration Fund. Line item 110-629, Fund 5BQ, Commercial Activity Tax Administration Fund, provides funding for the Department of Taxation to administer the commercial activity tax (CAT). The executive budget provides this fund with \$6,000,000 in FY 2008 and \$6,000,000 in FY 2009. This fund receives one-time registration fees from CAT taxpayers.

Tobacco Settlement Enforcement. The proposed budget allows the Tax Commissioner to use funds from the Tobacco Settlement Enforcement, GRF line item 110-404, to pay for costs associated with enforcement of the Tobacco Master Settlement Agreement (MSA).

Permanent Law Provisions

See "Other Tax Provisions" section

Program 1.4: Tax Policy and Analysis

Program Description: This program provides administrative, advisory, and technical assistance to the legislative and executive branches, while working closely with industry, trade groups, professional organizations, and the media. The program also facilitates tax policy, monitors and analyzes tax legislation, and provides legal counsel necessary for the management of tax-related legal issues and bankruptcy cases.

Funding Source: GRF

Line Items: 110-321

Implication of Executive Recommendation: The executive budget provides the Tax Policy and Analysis program with total GRF funding of \$8,538,334 in FY 2008 and \$9,485,662 in FY 2009. This program is fully funded by the GRF.

Temporary and Permanent Law Provisions

See "Other Tax Provisions" section.

Program 1.5 Local Government Services

Program Description: This program provides information and assistance to local governments and school districts. This program also provides for the administration of some local taxes.

Funding Source: GRF, GSF, and SSR

Line Items: 110-412, 110-602, 110-625, 110-607, 110-609, 110-605, 110-618, 110-623, and 110-615

Implication of Executive Recommendation: The executive budget provides the Local Government Services program with total funding of \$35,781,680 for FY 2008. Recommended funding for FY 2009 is \$35,616,680. This amount is \$165,000 or 0.5% lower than FY 2008. The recommendation provides the offset costs associated with various local government tax and fee administration and the funding needed to modernize the computer systems, methods of filing, and taxpayer services.

Temporary and Permanent Law Provisions

Centralized Tax Filing and Payment. The proposed budget provides up to \$600,000 in the biennium for the Department of Taxation to maintain the Business Gateway one-stop computerized tax filing system. This money will be transferred from the GRF into the General Service Fund (Fund 5W4). The Ohio Business Gateway is a collaborative project of the Ohio departments of Administrative Services, Job and Family Services, and Taxation, and the Bureau of Workers' Compensation. It provides businesses a single portal for filing certain business taxes, and specific other information required by various state agencies.

Travel Expenses for Streamlined Sales Tax Project. The proposed budget allows the Tax Commissioner to use funds from the State Special Revenue Fund, Local Tax Administration (Fund 435), line item 110-607, to pay for travel costs associated with Streamlined Sales Tax Project meetings.

Program Series

2: Revenue Distribution

Purpose: Distribute revenue by law to the intended parties

The following table shows the line items that are used to fund the Revenue Distribution program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2008	FY 2009
General Services Fund				
GSF	110-631	Vendor's License Application	\$1,000,000	\$1,000,000
General Services Revenue Fund Subtotal			\$1,000,000	\$1,000,000
State Special Revenue Fund				
SSR	110-613	Ohio Political Party Distribution	\$600,000	\$600,000
State Special Revenue Fund Subtotal			\$600,000	\$600,000
Agency Fund				
AGY	110-901	Municipal Income Tax	\$21,000,000	\$21,000,000
AGY	110-635	Tax Refunds	\$1,565,900,000	\$1,546,800,000
Agency Fund Subtotal			\$1,586,900,000	\$1,567,800,000
Holding Account Redistribution Fund				
R10	110-611	Tax Distributions	\$50,000	\$50,000
R11	110-612	Miscellaneous Income Tax Receipts	\$50,000	\$50,000
Holding Account Redistribution Fund Subtotal			\$100,000	\$100,000
Total Funding: Revenue Distribution			\$1,588,600,000	\$1,569,500,000

This analysis focuses on the following specific program within the program series:

■ **Program 2.1: Refunds and Distributions**

Program 2.1: Refunds and Distributions

Program Description: There are six line items under this program series: Vendor's License Application, Ohio Political Party Distributions, Municipal Income Tax, Tax Refunds, Tax Distributions, and Miscellaneous Income Tax Receipts.

Line item 110-631, Vendor's License Application, holds the fees from vendors license registration collected by the Department of Taxation on behalf of county auditors and distributed to applicable counties.

Line item 110-613, Ohio Political Party Distributions, provides qualifying political parties quarterly payments based upon check-offs made by taxpayers on their state income tax returns. For each qualifying party, one-half of the receipts go to the treasurer of the state executive committee of the party, and one-half goes to the treasurers of the county executive committees. The Department of Taxation determines each county committee's share by the ratio of the number of checkoffs in that county to the statewide number of checkoffs.

Line item 110-995, Municipal Income Tax, holds the receipts from the municipal income tax on electric companies collected by the Department of Taxation and wholly distributed to applicable

municipalities that impose the city income tax after the deduction of an administrative fee paid to the Department.

Line item 110-635, Tax Refunds, is used to pay refunds for taxes or fees that have been overpaid or illegally or erroneously assessed and collected. The refunds are paid from amounts from current receipts of the same tax or fee for which the refund arose.

Line items 110-611 and 110-612, Tax Distributions and Miscellaneous Income Tax Receipts, are holding accounts for the Department of Taxation. They are used to temporarily hold checks for sales tax or personal income tax when there is uncertainty as to the proper disposition of the tax payment. The distributions from these funds vary greatly from year to year.

Funding Source: GSF, SSR, AGY, and Fund 090 (Holding Account Redistribution Fund)

Line Items: 110-631, 110-613, 110-995, 110-635, 110-611, and 110-612

Implication of Executive Recommendation: The executive budget provides the Refunds and Distributions program with total funding of \$1,588,600,000 for FY 2008. Recommended funding for FY 2009 is \$1,569,500,000. This amount is \$19,100,000 or 1.2% lower than FY 2008. All of the funds are nonoperating funds and only used for the distribution of refunds, local revenue, local fees, payments to political parties, and misdirected payments.

Temporary Law Provisions

Municipal Income Tax. Line item 110-995, Agency Fund, Fund 095, Municipal Income Tax, provides payments for the municipal income tax on electric companies collected by the Department of Taxation and wholly distributed to applicable municipalities that impose the city income tax after the deduction of an administrative fee paid to the Department.

Tax Refunds. Line item 110-635, Tax Refunds, provides funding for refunds for taxes or fees that have been overpaid or illegally or erroneously assessed and collected. The funds are transfers from current receipts of the same tax or fee for which the refund arose.

Program Series

3: Property Tax Relief

Purpose: Reimburse local governments (other than schools) for state property tax relief programs.

The following table shows the line items that are used to fund the Property Tax Relief program series, as well as the Governor's recommended funding levels.

Fund	ALI	Title	FY 2008	FY 2009
General Revenue Fund				
GRF	110-901	Property Tax Allocation – TAX	\$446,953,165	\$478,613,618
GRF	110-906	Tangible Tax Exemption - TAX	\$9,177,962	\$4,588,981
General Revenue Fund Subtotal			\$456,131,127	\$483,202,599
Total Funding: Property Tax Relief			\$456,131,127	\$483,202,599

This analysis focuses on the following specific program within the program series:

■ **Program 3.1: Property Tax Relief**

Program Description: The two line items under this program series provide for the reimbursement of local governments other than school districts for the revenues lost due to property tax relief programs.

Funding Source: GRF

Line Items: 110-901, and 110-906

Implication of Executive Recommendation: All of the funding is used for the distribution of property tax relief to local governments.

Temporary Law Provisions

Homestead Exemption, Property Tax Rollback, and Tangible Tax Exemption. Line item 110-901, Property Tax Allocation – TAX, is used to reimburse local governments, other than school districts, for revenue losses incurred as a result of the 10% and 2.5% "rollback" reductions in real and manufactured home property taxes. It also reimburses local governments, other than school districts, for the revenue loss as a result of the Homestead Exemption Program, which exempts a portion of the taxable value of homes owned by low-income seniors and disabled Ohioans and surviving spouses.

School district property tax losses due to these programs are reimbursed through line item 200-901 in the Department of Education.

Line item 110-906, Tangible Tax Exemption – TAX is used to reimburse local governments, other than school districts, for revenue losses incurred as a result of the \$10,000 tangible property tax exemption for incorporated and unincorporated businesses. To provide the information enabling the state reimbursement, taxpayers with less than \$10,000 of assessed value must file an "informational" tax return.

School district property tax losses due to these programs are reimbursed through line item 200-906, in the Department of Education.

Permanent Law Provisions

See "Other Tax Provisions" section.

Other Tax Provisions

Local Government Funds

R.C. 113.51, 5727.45, 5727.84, 5733.12, 5739.21, 5741.03, 5747.03, 5747.46, 5747.47, 5747.48, 5747.50, 5747.501, 5747.51, 5747.52, and 5747.53; Sections 757.03, 757.04, and 815.09

The bill "freezes" the deposits and distributions of the three local government funds – Local Government Fund (LGF), Local Government Revenue Assistance Fund (LGRAF), and Local Library Government Support Fund (LLGSF) – in the first six months of FY 2008. Under the bill, monthly distributions from the LGF, LGRAF, and LLGSF to each county's undivided local government fund, undivided local government revenue assistance fund, and undivided local library government support fund will be equal to the previously frozen amounts for the corresponding month in the second half of calendar year 2006.

Beginning in January 2008, the bill replaces the LGF, LGRAF, and LLGSF—with two new local funds the Local Communities Fund (LCF) and the Local Libraries Fund (LLF). The bill also changes the amount of state tax revenue credited to the new local funds, and thus the amount of revenue available for distribution to counties, municipalities, townships, public library systems, and other special-purpose political subdivisions receiving revenue sharing payments.

Under the bill, all tax revenues previously credited to the LGF, LGRAF, and LLGSF will instead be credited to the GRF. Beginning in January 2008, the Director of Budget and Management is required to make monthly distributions from the GRF to the new LCF and LLF created in the bill for distribution to local governments. Each month, the Director must credit 3.65% of the preceding month's total GRF tax revenues to the LCF and 2.2% of those total GRF revenues to the LLF.

Job creation, retention tax credit pass-through

R.C. 122.17(J) and 122.171(I)

The bill requires pass-through entities desiring pass-through treatment of the credit to entity owners to elect that treatment. The election must be made on a report that credit recipients currently are required to submit to the Department of Development each year. The election is irrevocable for the credit covered by that report. The provision recognizes that under CAT, the entity itself, and not its constituent owners, is subject to the tax, and therefore the credit could be applied by the entity against its own CAT liability instead of against the owners' individual income tax liabilities.

Homestead exemption eligibility and computation changed

R.C. 133.01, 323.151, 323.152, 323.153, 323.154, 4503.064, 4503.065, 4503.066, and 4503.067

The bill removes the existing income eligibility criteria and makes the homestead exemption available to any homeowner who satisfies age or disability criteria, regardless of income. The bill also changes the manner in which the homestead tax reduction is computed.

Reimbursement of taxing district and county auditors

R.C. 319.54(B)

As with the current homestead exemption, the bill provides for semiannual payments to taxing units from the General Revenue Fund to reimburse them for the tax reduction. The bill provides compensation to county auditors for the increased number of homestead applications that will be filed with county auditors because of the expanded eligibility. The bill also makes changes to the application date of the homestead exemption.

Sales and use tax vendor discount

R.C. 1548.06(D), 4505.06(B)(1), 4519.55, and 5739.12(B)

The bill revises the vendor's discount for prompt remittance of sales and use taxes collected from consumers.

Sales tax on motor vehicles purchased by nonresidents—general rule, exceptions, and procedure

R.C. 4505.06(F)(6), 5739.02(B)(23), 5739.029, 5739.033(C), 5739.213; Section 803.09

The bill imposes the sales tax on sales of motor vehicles by a dealer to a nonresident unless the purchaser's home state has no similar tax or does not provide a credit against its tax for taxes paid to Ohio. Under the bill, sales of motor vehicles to nonresidents are subject to the Ohio sales tax (5.5%) plus a local tax equal to 0.5% or the lowest local tax rate in the state, whichever is less.

The local portion of the tax is distributed among all counties in proportion to motor vehicle registrations in the preceding calendar year.

Property tax administration fund

R.C. 5703.80

The bill raises the percentage of administrative fees for public utility and tangible personal property tax for year 2009 and thereafter to 0.725% from 0.6%.

Prohibition against shipping cigarettes to any person other than an authorized recipient

R.C. 2927.023

The bill removes distributors of tobacco products from the list of authorized recipients of tobacco products and instead includes persons licensed as retail dealers purchasing cigarettes with the appropriate tax stamp.

\$300 cigarette excise and use tax exemption repealed

R.C. 5741.02 and 5743.331

The bill repeals the tax exemptions for cigarettes brought into Ohio for alleged personal consumption.

Definition of "other tobacco product"

R.C. 5743.01(J)

The bill clarifies that "other tobacco product" has the same meaning as "tobacco product" under the cigarette excise tax law.

Public disclosure of cigarette and other tobacco product entities

R.C. 5743.20

The bill authorizes the Commissioner to disclose cigarette manufacturers and importers, licensed cigarette wholesalers, and registered manufacturers, importers, and brokers of other tobacco products.

School district income tax

R.C. 5748.01(I) and 5748.02(B)(1); Section 269.50.10

The bill authorizes school boards to levy a dual-purpose income tax for both current expenses and permanent improvements. The school board must apportion the tax between the two purposes. The apportionment may be different from year to year but may not change during a year. The dual-purpose levy must be approved by voters.

The bill also authorizes a school board to adopt a resolution reducing the rate of a school district income tax in increments of 0.25%. No voter approval is required.

School district business personal property tax replacement payments and GRF transfers

R.C. 5751.21(A) and (E)

The bill requires the Department of Education to "consult with" the Director of Budget and Management in determining each school district's state education aid offset and the net replacement payment due after subtracting the offset.

The bill also provides that if there is not enough CAT revenue in the replacement fund to make the entire quarterly transfer to the GRF, the Director of Budget and Management must transfer as much revenue as is available when the transfer is required, and make up for any shortfall at later dates determined by the Director.

Utility property tax replacement payments for new school districts

R.C. 5727.85(H) and (J)(3)

The bill extends from 2008 to 2009 the time during which a new school district created between 2000 and 2004 will receive 100% of its utility property tax replacement payments for current fixed-rate

levy losses. Currently, the payments are scheduled to begin phasing out in 2009 (at 75%); under the bill the phase-out resumes in 2010 as currently scheduled (i.e., 70% in 2010 and 2011, and declining in steps thereafter). The bill authorizes, but does not require, transfers to the Half-Mill Equalization Fund, and authorizes the Director of Budget and Management to also transfer those balances to the General Revenue Fund.

Utility property tax administrative fee compensation

R.C. 5727.87

The bill prevents annual compensation paid to a county in and after 2007 from exceeding the compensation paid in 2006.

Municipal tax on electric and telephone companies

R.C. 5745.13

The bill requires the Tax Commissioner to notify a municipal corporation only if the reapportionment of an electric or telephone company's income affects the tax owed to that municipal corporation by more than \$500.

Refunds of municipal tax on electric and telephone companies

R.C. 5745.05(B)

Under the bill, when a municipal corporation pays a refund, the state is required to reimburse the municipal corporation for the administrative fee portion of the refund. This amount is included in the quarterly computation of the tax revenues the state must forward to the municipal corporation.

Telecommunications property tax phase-out

Section 757.07

The tax on tangible personal property of telephone companies, telegraph companies, and inter-exchange telecommunications companies is currently being phased out through 2010. In 2007, all such property is being taxed on 20% of its true value, 15% in 2008, 10% in 2009, and 5% in 2010. The property will be exempted from taxation in 2011 and thereafter.

The bill continues to require that during this phase-out period, telecommunications property must be listed and assessed in the same manner as business personal property instead of as public utility property, except that the value of a company's property will continue to be apportioned among taxing units as it was before the phase-out was enacted – i.e., according to wire-miles or the cost of property located in each taxing unit.

State Taxation Revenue and Accounting System (STARS)

Section 757.10

The bill authorizes the Department of Administrative Services (DAS), in conjunction with the Department of Taxation, to acquire the State Taxation Revenue and Accounting System (STARS), including the application software and installation and implementation of it, for use by the Department of Taxation pursuant to DAS's statutory authority to purchase supplies and services for state agencies. The

bill describes STARS as an integrated tax collection and audit system to replace all of the state's existing separate tax software and administration systems for the various taxes collected by the state. Any lease-purchase arrangement used by DAS to acquire STARS, including any fractionalized interests in the arrangement (e.g., participations, certificates of participation, shares, or other instruments or agreements) must provide that at the end of the lease period, STARS becomes the property of the state.

REQUESTS NOT FUNDED

The following table presents the requests not funded for the Department of Taxation in the FY 2008-2009 biennium. The Department expects to use several funds in SSR to provide the necessary administrative funding due to GRF requests not funded. The GSF request not funded was intended for the replacement and modernization of the 27 separate tax administration systems.

Table 3: Comparison of Department of Taxation Budget Requests to Executive Recommendation in FY 2008-2009 Biennium						
Fund Line Item	FY 2008 Requested	FY 2008 Recommended	Difference	FY 2009 Requested	FY 2009 Recommended	Difference
GRF 110-321	\$94,182,946	\$92,040,062	(\$2,142,884)	\$94,182,946	\$92,440,062	(\$1,742,884)
GRF 110-412	\$71,988	\$71,680	(\$308)	\$71,988	\$71,680	(\$308)
GSF 110-628	\$7,000,000	\$0	(\$7,000,000)	\$7,000,000	\$0	(\$7,000,000)
TOTALS	\$101,254,934	\$92,111,742	(\$9,143,192)	\$101,254,934	\$92,511,742	(\$8,743,192)

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General Revenue Fund

GRF 110-321 Operating Expenses

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$83,676,665	\$84,416,330	\$93,557,151	\$91,439,754	\$92,040,062	\$92,440,062
	0.9%	10.8%	-2.3%	0.7%	0.4%

Source: GRF

Legal Basis: ORC 5703

Purpose: This line item pays for personal service, maintenance, and equipment expenses of the Department of Taxation that are not offset by specific revenue sources. Line item 110-321 replaced 110-100, 110-200, and 110-300 in the FY 2000-2001 biennium.

GRF 110-404 Tobacco Settlement Enforcement

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$0	\$0	\$0	\$0	\$0	\$328,034

Source: GRF

Legal Basis: Proposed in the H. B. 119 of the 127th General Assembly.

Purpose: The fund is used to pay costs related to the oversight, administrative and enforcement of the Master Settlement Agreement (MSA) and excise tax. Department of Taxation also provides assistance to the Attorney General's Office (AGO) on non-compliant and enforcement of the MSA.

GRF 110-412 Child Support Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$59,247	\$66,334	\$34,775	\$71,988	\$71,680	\$71,680
	12.0%	-47.6%	107.0%	-0.4%	0.0%

Source: GRF

Legal Basis: ORC 5101.321 (originally established by Sub. S.B. 80 of the 116th G.A.)

Purpose: This line item covers computer costs involved in matching persons delinquent in child support payments with taxpayers owed an Ohio income tax refund. It also includes personal services in answering taxpayer inquiries and postage costs in mailing notices to taxpayers. If such a person is owed a refund, it can then be turned over to the Ohio Department of Job and Family Services to be used for child support.

GRF 110-901 Property Tax Allocation - TAX

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$444,982,717	\$474,166,507	\$451,904,945	\$431,230,935	\$446,953,165	\$478,613,618
	6.6%	-4.7%	-4.6%	3.6%	7.1%

Source: GRF

Legal Basis: ORC 319.301 and 323.151 through 323.157

Purpose: This line item is used to reimburse local governments other than school districts for losses incurred as a result of the 10% and 2.5% "rollback" reductions in real and manufactured home property taxes and as a result of the "homestead exemption" reductions in taxes. School district property tax losses due to these programs are reimbursed through line item 200-901 in the Department of Education.

Am. Sub. H.B. 66 of the of the 126th G.A. changed the rollback program. For real property used in a business activity, as defined in the bill, the 10% rollback of real property taxes is eliminated beginning in tax year 2005. Under previous law, all real property tax bills were reduced by credits equal to 10% of taxes charged. Types of real property still eligible for the rollback include that used for farming; leasing property for farming; occupying, holding, or leasing property improved with one-, two-, or three-family dwellings; or holding vacant land that the county auditor determines will be used for these purposes.

Owner-occupied residential real property gets an additional 2.5% reduction.

The homestead exemption is a partial exemption from real property taxation that is provided to elderly homeowners, or to the permanently and totally disabled.

GRF 110-906 Tangible Tax Exemption - TAX

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$25,214,074	\$22,412,510	\$17,930,008	\$13,766,942	\$9,177,962	\$4,588,981
	-11.1%	-20.0%	-23.2%	-33.3%	-50.0%

Source: GRF

Legal Basis: ORC 5709.01

Purpose: This line item reimburses local governments other than school districts for losses incurred due to the creation of the \$10,000 tangible property tax exemption (the "small business" exemption) for both incorporated and unincorporated businesses. The \$10,000 exemption applies to the assessed value of the property, not the market value, so it is equivalent to an exemption of \$40,000 of market value. Since most businesses have more than \$10,000 of tangible assessed value, year-to-year changes in the amount of the exemption are mostly due to changes in the number of businesses receiving it.

Am. Sub. H.B. 95 of the 125th G.A. began to phase out the state's reimbursements of the cost of this exemption over a 10-year period beginning in FY 2004. Am. Sub. H.B. 66 of the 126th G.A. accelerated this phase-out; the reimbursement will be completely eliminated by FY 2009 instead of by FY 2012.

General Services Fund Group

225 110-626 Enforcement and Forfeiture Collection

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$25,684	\$0	\$0	\$0	\$0	\$0

Source: GSF: Revenues from awards granted through the court systems as part of forfeitures related to tax fraud cases.

Legal Basis: As needed line item - ORC 2925.44. The fund requires Controlling Board approval and appropriation authority.

Purpose: All moneys in the fund are used by the Department of Taxation to enforce tax laws.

228 110-628 Tax Reform System Implementation

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$0	\$0	\$0	\$7,000,000	\$0	\$0
			N/A		

Source: GSF: Residual cash balances determined and certified by the Tax Commissioner to the Director of Budget and Management transferred on July 1, 2005, or as soon as possible thereafter.

Legal Basis: Section 212.09 of H.B. 66 of the 126th General Assembly.

Purpose: This line item provides funding for an integrated tax system that will accommodate the needs of tax reform and allow for improved customer service, processing efficiency, compliance, enforcement, and reporting.

433 110-602 Tape File Account

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$76,612	\$69,302	\$79,202	\$96,165	\$125,000	\$140,000
	-9.5%	14.3%	21.4%	30.0%	12.0%

Source: GSF: Fees charged to local governments for tax-related computer services and data

Legal Basis: ORC 5703.41 and 5747.18 (originally established by Controlling Board in 1972)

Purpose: Revenues are used to maintain and replace computer equipment, for computer programming, and to purchase computer tapes. The Department provides computer listings of the names and addresses of taxpayers in local taxing districts (but does not share financial information on taxpayers). The fees for this service are established by the Department's own computer personnel, based on their time and the costs involved in producing the lists.

5BQ 110-629 Commercial Activity Tax Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$0	\$0	\$3,899,356	\$500,000	\$6,000,000	\$6,000,000
		N/A	-87.2%	1100.0%	0.0%

Source: GSF: Fees charged to Commercial Activity Tax (CAT) taxpayers.

Legal Basis: ORC 5751.05; Section 209.78.09 of the Am. Sub. H. B. 66 of the 126th General Assembly

Purpose: This line item pays for the implementation and ongoing administration of the Commercial Activity Tax (CAT).

5BW 110-630 Tax Amnesty Promotion and Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$0	\$0	\$1,044,871	\$0	\$0	\$0
		N/A			

Source: GSF: Revenue transfer from BSF.

Legal Basis: Sections 212.09, 312.10, and 553.01 of the H.B. 66 of the 126 G. A.

Purpose: All moneys in the funds are used for promotion and administration of the 2006 tax amnesty program

5W4 110-625 Centralized Tax Filing and Payment

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$143,244	\$1,233,320	\$1,102,193	\$2,000,000	\$400,000	\$200,000
	761.0%	-10.6%	81.5%	-80.0%	-50.0%

Source: GSF: GRF transfer

Legal Basis: Section 101 of Am. Sub. H.B. 66 of the 126th G.A.

Purpose: These moneys will be used to finance modifications to the Ohio Business Gateway electronic tax filing and payment system.

5W7 110-627 Exempt Facility Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$0	\$0	\$25,000	\$36,000	\$100,000	\$150,000
		N/A	44.0%	177.8%	50.0%

Source: GSF: A fee of one-half of one percent of cost, not to exceed \$2,000 per facility.

Legal Basis: ORC 5709.212

Purpose: Revenues are used to administer uniform procedures for application for special-purpose tax-exempt facilities.

5CZ 110-631 Vendor's License Application

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$0	\$0	\$93,925	\$1,000,000	\$1,000,000	\$1,000,000
		N/A	964.7%	0.0%	0.0%

Source: GSF: GSF: \$25 of vendor license registration fees collected on behalf of counties (prior to Am. Sub. H. B. 66 of the 126th General Assembly, County Auditor's office collected this fee).

Legal Basis: ORC 5739.17(A) 3 (Established in Am. Sub. H.B. 66 of the 126th General Assembly).

Purpose: The fund is used to deposit and distribute vendor license fees on behalf of counties.

Federal Special Revenue Fund Group

3J6 110-601 Motor Fuel Compliance

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$12,792	\$18,715	\$105	\$25,000	\$0	\$0
	46.3%	-99.4%	23664.3%		

Source: FED: CFDA 20.205, Highway Planning and Construction

Legal Basis: Section 101 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Controlling Board in September 1992)

Purpose: Revenues offset expenses for the Department of Taxation in participating in the joint state-federal (IRS) "Fuel Tax Compliance Project." This money has been made available to the IRS and to states throughout the country for investigating and combating state and federal motor fuel tax evasion.

State Special Revenue Fund Group

435 110-607 Local Tax Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$12,851,358	\$13,801,402	\$16,121,773	\$16,394,879	\$17,250,000	\$17,250,000
	7.4%	16.8%	1.7%	5.2%	0.0%

Source: SSR: One percent of the proceeds from county and additional county permissive sales and use taxes and regional transit authority sales and use taxes

Legal Basis: ORC 5739.21(B) and 5741.03(B)

Purpose: The moneys help defray the costs of collecting and administering the county, additional county, and regional transit authority sales and use taxes. In the absence of rate changes, revenue for this line item grows at the rate of taxable sales.

436 110-608 Motor Vehicle Audit

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$1,222,630	\$1,224,147	\$1,255,728	\$1,350,000	\$1,200,000	\$1,200,000
	0.1%	2.6%	7.5%	-11.1%	0.0%

Source: SSR: \$0.25 charge levied against every motor vehicle transaction (technically against every certificate of title issued)

Legal Basis: ORC 4505.09(B)(2)(c)

Purpose: Funds from this line item are used by the Tax Commissioner to investigate sales and use tax returns filed for motor vehicle transactions in order to ensure that the proper tax liability is paid. Revenues to this fund are at least roughly correlated with unit sales of automobiles, rising and falling with sales. Expenditures move loosely with revenues, although the use of accumulated balances can make revenues and spending vary in any given year.

437 110-606 Litter Tax and Natural Resource Tax Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$551,146	\$422,835	\$592,026	\$625,232	\$675,000	\$800,000
	-23.3%	40.0%	5.6%	8.0%	18.5%

Source: SSR: Litter Tax, a special tax in addition to the regular corporate franchise tax; Natural Resources Tax of up to 2.5% of the total amount contributed under the "natural resources areas" and "preserves and endangered wildlife" check-offs on the personal income tax return

Legal Basis: ORC 5747.11.3; Section 101 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. H.B. 361 of the 113th G.A.)

Purpose: Funds from this line item cover the costs of collecting and administering the "Litter Tax" on corporations in addition to the regular corporate franchise tax. The Litter Tax is composed of two tiers, the first of which applies to all non-financial corporate taxpayers, and the second of which applies only to corporations that make or sell "litter stream" products. The tax was first imposed by Am. Sub. H.B. 361 of the 113th G.A., which established a comprehensive statewide litter control program and created this line item to receive some of the revenues from this tax.

Am. Sub. H.B. 66 of the 126th G.A. authorizes some corporate franchise tax revenues to be deposited into the Litter Control Tax Administration Fund (Fund 437).

438 110-609 School District Income Tax

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$2,389,992	\$2,598,340	\$2,588,788	\$2,599,999	\$3,600,000	\$3,600,000
	8.7%	-0.4%	0.4%	38.5%	0.0%

Source: SSR: 1.5 percent of school district income tax collections (see below)

Legal Basis: ORC 5747.03(C)

Purpose: Moneys are used to reimburse the Department of Taxation for expenses incurred in administering the school district income taxes. Through FY 1993, this line item received 3% of total school district income tax collections. Am. Sub. H.B. 152 of the 120th G.A. reduced the percentage of collections that the line item receives to 2.5% in FY 1994 and 2% percent in FY 1995. Am. Sub. H.B. 117 of the 121st G.A. again reduced the percentages to 1.75% in FY 1996 and 1.5% in FY 1997 and thereafter. These changes were made because of balances that had been accumulating in the fund. It was apparent that the Department was not spending all the administrative money, so the decision was made to lower the administration percentages and return more money to the school districts.

The original law authorizing the school district income tax went into effect in November, 1981. H.B. 291 of the 115th G.A. repealed the authority of any school district to enact a new income tax after August 2, 1983. At that time, only six districts used an income tax. One was repealed effective in 1987. Am. Sub. S.B. 28 of the 118th G.A. reauthorized new enactments of voter-approved school district income taxes. In January 2005, 145 school districts had a school district income tax.

4C6 110-616 International Registration Plan

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$469,819	\$644,625	\$693,398	\$706,855	\$706,855	\$706,855
	37.2%	7.6%	1.9%	0.0%	0.0%

Source: SSR: Revenues from the IRP registration fees are deposited into the International Registration Plan Distribution Fund (IRPDF); distributions are made from the IRPDF to the International Registration Plan Fund in an amount estimated to cover the annual costs of the Department of Taxation for auditing persons who have registered motor vehicles under the IRP

Legal Basis: ORC 5703.12 and 4501.044

Purpose: Am. Sub. H.B. 831 of the 118th G.A. eliminated the old highway use tax (axle-mile tax) effective January 1, 1991. The act required the Registrar of Motor Vehicles in Ohio to apply for membership in a reciprocal registration agreement known as the International Registration Plan (IRP). The highway use tax and the various commercial vehicle registration taxes effective under prior law were replaced with a system of registration fees based on gross vehicle weight and a three cents per gallon fuel use surcharge for vehicles subject to the IRP. Revenues from the IRP registration fees are deposited into the International Registration Plan Distribution Fund (IRPDF). Distributions are to be made from the IRPDF to the International Registration Plan Fund in an amount estimated to cover the annual costs of the Department of Taxation for audits of persons who have registered motor vehicles under the IRP. The IRPAF is created in ORC 5703.12, as enacted by Am. Sub. H.B. 831 of the 118th G.A. Ohio Revised Code section 4501.044 authorizes the actual distribution of moneys from the IRPDF to the Auditing Fund.

4R6 110-610 Tire Tax Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$45,527	\$60,972	\$56,887	\$65,000	\$125,000	\$150,000
	33.9%	-6.7%	14.3%	92.3%	20.0%

Source: SSR: Two percent of the \$0.50 tire tax

Legal Basis: ORC 3734.9010

Purpose: The Department of Taxation uses its share of the tax (the rest of which goes to Ohio EPA's Scrap Tire Management Fund) for administration of the tire tax.

5N5 110-605 Municipal Income Tax Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$315,733	\$393,691	\$299,100	\$265,000	\$500,000	\$500,000
	24.7%	-24.0%	-11.4%	88.7%	0.0%

Source: SSR: 1.5 percent of municipal income tax collections.

Legal Basis: Section 101 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Am. Sub. S.B. 287 of the 123rd G.A.)

Purpose: Moneys in this fund are used to cover the cost to administer the municipal income tax.

5N6 110-618 Kilowatt Hour Tax Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$25,000	\$85,000	\$72,543	\$85,000	\$125,000	\$175,000
	240.0%	-14.7%	17.2%	47.1%	40.0%

Source: SSR: Annual fee of \$500 collected from large industrial firms that register with the Department of Taxation to pay the self-assessing purchasers' tax option of the kilowatt-hour tax

Legal Basis: ORC 5727.81 (originally established by Am. Sub. S.B. 3 of the 123rd G.A.)

Purpose: This fund pays for the administration of the kilowatt hour tax.

5V7 110-622 Motor Fuel Tax Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$3,478,127	\$3,570,506	\$4,299,239	\$4,397,263	\$4,700,000	\$5,000,000
	2.7%	20.4%	2.3%	6.9%	6.4%

Source: SSR: 0.275% from motor fuel taxes collected after refunds.

Legal Basis: Section 101 of Am. Sub. H.B. 66 of the 126th G.A.

Purpose: This fund pays for the administration of the motor fuel tax. These costs were previously funded through annual assessments paid to the GRF from motor fuel taxes.

5V8 110-623 Property Tax Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$9,261,096	\$12,232,812	\$12,052,460	\$12,967,102	\$13,500,000	\$13,500,000
	32.1%	-1.5%	7.6%	4.1%	0.0%

Source: SSR: 0.33% in FY 2006 and 0.35% in FY 2007 thereafter of the amount by which each parcel of real property listed on the general tax list and duplicate of real and public property for the preceding tax year was reduced pursuant to ORC 319.302; 0.5% in FY 2006, 0.56% in FY 2007, and 0.6% in FY 2008 and thereafter of the amount of taxes levied against public utility personal property on the real and public utility property tax list and duplicate for the proceeding tax year; 0.75% of the amount of taxes levied against tangible personal property of the general personal property tax list and duplicate for the preceding tax year

Legal Basis: ORC 5703.80; Section 321.24 of Am. Sub. H.B. 66 of the 126th G.A.

Purpose: This fund will pay for the administration of the personal property tax, dealers in intangibles tax, public utilities tax and real property tax equalization. Administrative costs were formerly paid by the GRF.

639 110-614 Cigarette Tax Enforcement

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$89,926	\$121,150	\$161,071	\$158,925	\$100,000	\$100,000
	34.7%	33.0%	-1.3%	-37.1%	0.0%

Source: SSR: 47.5% of wholesale cigarette license tax revenue; 15% of retail cigarette license tax revenue

Legal Basis: ORC 5743.15

Purpose: Moneys in this fund are used to defray the costs of enforcing cigarette tax law.

642 110-613 Ohio Political Party Distributions

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$491,095	\$422,236	\$390,766	\$600,000	\$600,000	\$600,000
	-14.0%	-7.5%	53.5%	0.0%	0.0%

Source: SSR: State income tax check-off money: \$1 for single returns or \$2 for joint returns

Legal Basis: ORC 3517.16

Purpose: Money is distributed to qualified political parties. For each qualifying party, one-half of the receipts goes to the treasurer of the state executive committee of the party, and one half goes to the treasurers of each county executive committee. Each county committee's share is determined by the ratio of the number of check-offs in that county to the total statewide number of check-offs.

688 110-615 Local Excise Tax Administration

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$179,302	\$218,049	\$276,309	\$300,000	\$210,000	\$180,000
	21.6%	26.7%	8.6%	-30.0%	-14.3%

Source: SSR: 2% of Cuyahoga County excise tax collections on cigarettes and alcoholic beverages

Legal Basis: ORC 5743.024 and 4301.423

Purpose: Cuyahoga County has been collecting voter-approved local option excise taxes on cigarettes, beer, wine, and mixed beverages since August 1, 1990. Revenue from these taxes is used to pay debt service on bonds issued for the construction of professional sports facilities (Gund Arena (now Quicken Loans Arena), Jacobs Field, and Cleveland Browns Stadium). The 2% of total tax collections received by this fund are for the purpose of defraying the cost of administering the tax. Administrative activities include auditing and enforcement.

Agency Fund Group

095 110-995 Municipal Income Tax

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$10,456,939	\$35,006,925	\$36,783,212	\$21,000,000	\$21,000,000	\$21,000,000
	234.8%	5.1%	-42.9%	0.0%	0.0%

Source: AGY: The amounts of taxes collected by the State from municipal electric companies on behalf of local governments where this tax applies

Legal Basis: ORC 5745.03 and 5745.04; Section 101 of Am. Sub. H.B. 66 of the 126th G.A.

Purpose: This fund is used to distribute taxes collected by the State from municipal electric companies to the local governments where this tax applies.

425 110-635 Tax Refunds

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$1,339,699,546	\$1,322,792,612	\$1,590,579,291	\$1,582,700,000	\$1,565,900,000	\$1,546,800,000
	-1.3%	20.2%	-0.5%	-1.1%	-1.2%

Source: AGY: The amount transferred to the Tax Refund Fund by the Treasurer of State is derived from current receipts of the same tax or the fee for which the refund arose. In the case of a tax credit refund, the transfer comes from the current receipts of the taxes administered by the Department of Taxation.

Legal Basis: ORC 5703.052; Section 101 of Am. Sub. H.B. 66 of the 126th G.A.

Purpose: The fund is used to pay refunds for taxes or fees illegally or erroneously assessed or collected, or for any other reason overpaid.

Holding Account Redistribution Fund Group

R10 110-611 Tax Distributions

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$0	\$0	\$0	\$50,000	\$50,000	\$50,000
			N/A	0.0%	0.0%

Source: 090: Sales tax payments

Legal Basis: Section 101 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Controlling Board in December 1985)

Purpose: This line item functions as a holding account for sales tax payments when there is uncertainty as to the proper disposition of the payment. The line item also temporarily holds checks that include payment for more than one purpose, such as sales tax and employers' workers' compensation premiums. The function of this line item used to be performed by the Depository Trust Fund, which was abolished by Am. Sub. H.B. 201 of the 116th G.A. Disbursements from the fund vary greatly from year to year, depending on the volume of misdirected sales tax payments.

R11 110-612 Miscellaneous Income Tax Receipts

2004	2005	2006	2007 Estimate	2008 Executive Proposal	2009 Executive Proposal
\$0	\$0	\$0	\$50,000	\$50,000	\$50,000
			N/A	0.0%	0.0%

Source: 090: Personal income tax payments

Legal Basis: Section 101 of Am. Sub. H.B. 66 of the 126th G.A. (originally established by Controlling Board in December 1985)

Purpose: This line item functions as a holding account for Ohio personal income tax payments when there is uncertainty as to the proper disposition of the payment. The function of this line item used to be performed by the Depository Trust Fund, which was abolished by Am. Sub. H.B. 201 of the 116th G.A. As with line item 110-611, annual revenues and disbursements for this fund are very volatile.

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

Fund	ALI	ALI Title	2006	Estimated 2007	Executive 2008	% Change 2007 to 2008	Executive 2009	% Change 2008 to 2009
TAX Taxation, Department of								
GRF	110-321	Operating Expenses	\$ 93,557,151	\$91,439,754	\$ 92,040,062	0.7%	\$ 92,440,062	0.4%
GRF	110-404	Tobacco Settlement Enforcement	----		\$ 0	N/A	\$ 328,034	N/A
GRF	110-412	Child Support Administration	\$ 34,775	\$71,988	\$ 71,680	-0.4%	\$ 71,680	0.0%
GRF	110-901	Property Tax Allocation - TAX	\$ 451,904,945	\$431,230,935	\$ 446,953,165	3.6%	\$ 478,613,618	7.1%
GRF	110-906	Tangible Tax Exemption - TAX	\$ 17,930,008	\$13,766,942	\$ 9,177,962	-33.3%	\$ 4,588,981	-50.0%
General Revenue Fund Total			\$ 563,426,879	\$ 536,509,619	\$ 548,242,869	2.2%	\$ 576,042,375	5.1%
228	110-628	Tax Reform System Implementation	----	\$7,000,000	\$ 0	-100.0%	\$ 0	N/A
433	110-602	Tape File Account	\$ 79,202	\$96,165	\$ 125,000	30.0%	\$ 140,000	12.0%
5BQ	110-629	Commercial Activity Tax Administration	\$ 3,899,356	\$500,000	\$ 6,000,000	1,100.0%	\$ 6,000,000	0.0%
5BW	110-630	Tax Amnesty Promotion and Administration	\$ 1,044,871	\$0	\$ 0	N/A	\$ 0	N/A
5W4	110-625	Centralized Tax Filing and Payment	\$ 1,102,193	\$2,000,000	\$ 400,000	-80.0%	\$ 200,000	-50.0%
5W7	110-627	Exempt Facility Administration	\$ 25,000	\$36,000	\$ 100,000	177.8%	\$ 150,000	50.0%
5CZ	110-631	Vendor's License Application	\$ 93,925	\$1,000,000	\$ 1,000,000	0.0%	\$ 1,000,000	0.0%
General Services Fund Group Total			\$ 6,244,548	\$ 10,632,165	\$ 7,625,000	-28.3%	\$ 7,490,000	-1.8%
3J6	110-601	Motor Fuel Compliance	\$ 105	\$25,000	\$ 0	-100.0%	\$ 0	N/A
Federal Special Revenue Fund Group Total			\$ 105	\$ 25,000	\$ 0	-100.0%	\$ 0	N/A
435	110-607	Local Tax Administration	\$ 16,121,773	\$16,394,879	\$ 17,250,000	5.2%	\$ 17,250,000	0.0%
436	110-608	Motor Vehicle Audit	\$ 1,255,728	\$1,350,000	\$ 1,200,000	-11.1%	\$ 1,200,000	0.0%
437	110-606	Litter Tax and Natural Resource Tax Administration	\$ 592,026	\$625,232	\$ 675,000	8.0%	\$ 800,000	18.5%
438	110-609	School District Income Tax	\$ 2,588,788	\$2,599,999	\$ 3,600,000	38.5%	\$ 3,600,000	0.0%
4C6	110-616	International Registration Plan	\$ 693,398	\$706,855	\$ 706,855	0.0%	\$ 706,855	0.0%
4R6	110-610	Tire Tax Administration	\$ 56,887	\$65,000	\$ 125,000	92.3%	\$ 150,000	20.0%
5N5	110-605	Municipal Income Tax Administration	\$ 299,100	\$265,000	\$ 500,000	88.7%	\$ 500,000	0.0%
5N6	110-618	Kilowatt Hour Tax Administration	\$ 72,543	\$85,000	\$ 125,000	47.1%	\$ 175,000	40.0%
5V7	110-622	Motor Fuel Tax Administration	\$ 4,299,239	\$4,397,263	\$ 4,700,000	6.9%	\$ 5,000,000	6.4%
5V8	110-623	Property Tax Administration	\$ 12,052,460	\$12,967,102	\$ 13,500,000	4.1%	\$ 13,500,000	0.0%
639	110-614	Cigarette Tax Enforcement	\$ 161,071	\$158,925	\$ 100,000	-37.1%	\$ 100,000	0.0%

LSC Budget Spreadsheet by Line Item, FY 2008 - FY 2009

Fund	ALI	ALI Title	2006	Estimated 2007	Executive 2008	% Change 2007 to 2008	Executive 2009	% Change 2008 to 2009
TAX Taxation, Department of								
642	110-613	Ohio Political Party Distributions	\$ 390,766	\$600,000	\$ 600,000	0.0%	\$ 600,000	0.0%
688	110-615	Local Excise Tax Administration	\$ 276,309	\$300,000	\$ 210,000	-30.0%	\$ 180,000	-14.3%
State Special Revenue Fund Group Total			\$ 38,860,089	\$ 40,515,255	\$ 43,291,855	6.9%	\$ 43,761,855	1.1%
095	110-995	Municipal Income Tax	\$ 36,783,212	\$21,000,000	\$ 21,000,000	0.0%	\$ 21,000,000	0.0%
425	110-635	Tax Refunds	\$ 1,590,579,291	\$1,582,700,000	\$ 1,565,900,000	-1.1%	\$ 1,546,800,000	-1.2%
Agency Fund Group Total			\$ 1,627,362,502	\$ 1,603,700,000	\$ 1,586,900,000	-1.0%	\$ 1,567,800,000	-1.2%
R10	110-611	Tax Distributions	----	\$50,000	\$ 50,000	0.0%	\$ 50,000	0.0%
R11	110-612	Miscellaneous Income Tax Receipts	----	\$50,000	\$ 50,000	0.0%	\$ 50,000	0.0%
Holding Account Redistribution Fund Group Total			----	\$ 100,000	\$ 100,000	0.0%	\$ 100,000	0.0%
Total All Budget Fund Groups			\$ 2,235,894,124	\$ 2,191,482,039	\$ 2,186,159,724	-0.2%	\$ 2,195,194,230	0.4%