

Department of Taxation

Senate Finance and Financial Institutions Committee

*Ruhaiza Ridzwan, Economist
Legislative Service Commission*

May 16, 2007

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LSC Redbook for the Department of Taxation

Senate Finance and Financial Institutions Committee

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Catalog of Budget Line Items

LSC Budget Spreadsheet By Line Item: Executive to House Passed

Comparison Document: Permanent and Temporary Law

May 16, 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 1,420 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

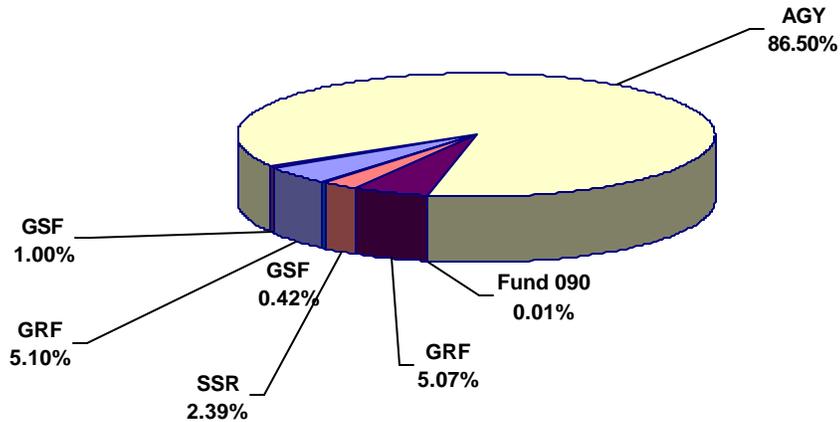
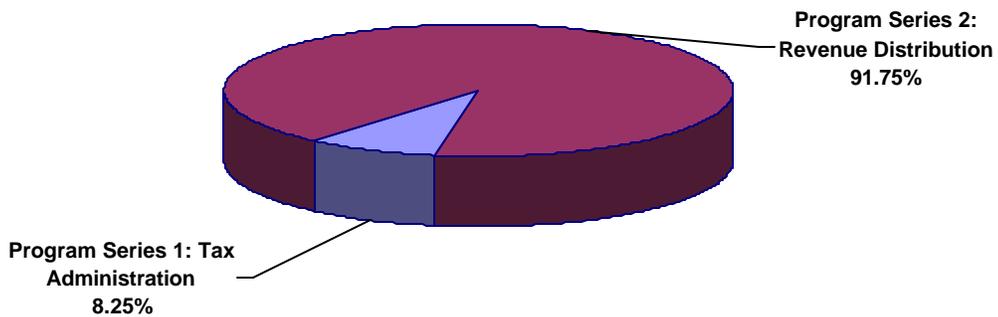


Chart 2: Total Budget by Program Series



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 | 24 | 24 |
| Chief Counsel | 38 | 42 | 55 | 55 | 55 | 52 |
| Communications | 5 | 4 | 5 | 5 | 5 | 3 |
| Compliance | 74 | 89 | 92 | 92 | 92 | 90 |
| Discovery | 0 | 0 | 9 | 9 | 9 | 9 |
| Employee, Development and Training | 8 | 7 | 8 | 8 | 8 | 8 |
| Enforcement | 27 | 33 | 30 | 30 | 30 | 28 |
| Estate Tax Division | 16 | 11 | 11 | 11 | 11 | 9 |
| Excise Tax | 52 | 51 | 45 | 45 | 45 | 45 |
| Forms Purchasing | 5 | 6 | 5 | 5 | 5 | 4 |
| Human Resources | 15 | 15 | 14 | 14 | 14 | 14 |
| Business and Corporate Franchise Tax | 51 | 47 | 46 | 46 | 46 | 40 |
| Personal Income & School District | 45 | 56 | 64 | 64 | 64 | 64 |
| Information Services | 157 | 155 | 145 | 145 | 145 | 140 |
| Legislation | 6 | 4 | 4 | 4 | 4 | 3 |
| Personal Property Tax | 41 | 40 | 31 | 31 | 31 | 31 |
| Processing Center (Operations) | 182 | 161 | 150 | 150 | 150 | 145 |
| Sales and Use Tax | 38 | 46 | 44 | 44 | 44 | 44 |
| Tax Analysis | 9 | 9 | 13 | 13 | 13 | 10 |
| Tax Commissioner | 10 | 10 | 11 | 11 | 11 | 9 |
| Internal Audit | 2 | 2 | 2 | 2 | 2 | 2 |
| Program Management Office | 5 | 5 | 9 | 9 | 9 | 6 |
| Tax Equalization | 25 | 22 | 24 | 24 | 24 | 24 |
| Taxpayer Service Centers | 139 | 145 | 146 | 146 | 146 | 141 |
| Taxpayer Service | 65 | 65 | 77 | 77 | 77 | 75 |
| Total: | 1,381 | 1,381 | 1,420 | 1,420 | 1,420 | 1,376 |
| *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 House Passed | 2009 House Passed |
|--------------|--------------|--------------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|------|------|------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|----------|----------|----------|------------------|----------------------|----------------------|
| \$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 - Taxation

| 2004 | 2005 | 2006 | 2007 Estimate | 2008 House Passed | 2009 House Passed |
|---------------|---------------|---------------|------------------|----------------------|----------------------|
| \$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 - Taxation

| 2004 | 2005 | 2006 | 2007 Estimate | 2008 House Passed | 2009 House Passed |
|--------------|--------------|--------------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|----------|------|------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|------|------|------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|----------|----------|----------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|------|------|-------------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|------|------|-------------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|-----------|-------------|-------------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|------|------|----------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|------|------|----------|---------------|--------------------|--------------------|
| \$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 House Passed | 2009 House Passed |
|----------|----------|--------|---------------|-------------------|-------------------|
| \$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 House Passed | 2009 House Passed |
|--------------|--------------|--------------|---------------|---------------------|---------------------|
| \$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 House Passed | 2009 House Passed |
|-------------|-------------|-------------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|-----------|-----------|-----------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|-------------|-------------|-------------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|-----------|-----------|-----------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|----------|----------|----------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|-----------|-----------|-----------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|----------|----------|----------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|-------------|-------------|-------------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|-------------|--------------|--------------|------------------|----------------------|----------------------|
| \$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 preceding 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 House Passed | 2009 House Passed |
|----------|-----------|-----------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|-----------|-----------|-----------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|-----------|-----------|-----------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|--------------|--------------|--------------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|-----------------|-----------------|-----------------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|------|------|------|------------------|----------------------|----------------------|
| \$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 House Passed | 2009 House Passed |
|------|------|------|------------------|----------------------|----------------------|
| \$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

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

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

| <i>Fund ALI ALI Title</i> | <i>Estimated 2007</i> | <i>As Introduced 2008</i> | <i>House Passed 2008</i> | <i>% Change Est. 2007 to House 2008</i> | <i>As Introduced 2009</i> | <i>House Passed 2009</i> | <i>% Change House 2008 to House 2009</i> |
|--|---------------------------|-----------------------------------|------------------------------|---|-----------------------------------|------------------------------|--|
| TAX Taxation, Department of | | | | | | | |
| 639 110-614 Cigarette Tax Enforcement | \$158,925 | \$ 100,000 | \$ 100,000 | -37.1% | \$ 100,000 | \$ 100,000 | 0.0% |
| 642 110-613 Ohio Political Party Distributions | \$600,000 | \$ 600,000 | \$ 600,000 | 0.0% | \$ 600,000 | \$ 600,000 | 0.0% |
| 688 110-615 Local Excise Tax Administration | \$300,000 | \$ 210,000 | \$ 210,000 | -30.0% | \$ 180,000 | \$ 180,000 | -14.3% |
| State Special Revenue Fund Group Total | \$ 40,515,255 | \$ 43,291,855 | \$ 43,291,855 | 6.9% | \$ 43,761,855 | \$ 43,761,855 | 1.1% |
| 095 110-995 Municipal Income Tax | \$21,000,000 | \$ 21,000,000 | \$ 21,000,000 | 0.0% | \$ 21,000,000 | \$ 21,000,000 | 0.0% |
| 425 110-635 Tax Refunds | \$1,582,700,000 | \$ 1,565,900,000 | \$ 1,565,900,000 | -1.1% | \$ 1,546,800,000 | \$ 1,546,800,000 | -1.2% |
| Agency Fund Group Total | \$ 1,603,700,000 | \$ 1,586,900,000 | \$ 1,586,900,000 | -1.0% | \$ 1,567,800,000 | \$ 1,567,800,000 | -1.2% |
| R10 110-611 Tax Distributions | \$50,000 | \$ 50,000 | \$ 50,000 | 0.0% | \$ 50,000 | \$ 50,000 | 0.0% |
| R11 110-612 Miscellaneous Income Tax Receipts | \$50,000 | \$ 50,000 | \$ 50,000 | 0.0% | \$ 50,000 | \$ 50,000 | 0.0% |
| Holding Account Redistribution Fund Group Total | \$ 100,000 | \$ 100,000 | \$ 100,000 | 0.0% | \$ 100,000 | \$ 100,000 | 0.0% |
| Total All Budget Fund Groups | \$ 2,191,482,039 | \$ 2,186,159,724 | \$ 2,186,159,724 | -0.2% | \$ 2,195,194,230 | \$ 2,195,194,230 | 0.4% |

As Introduced (Executive)

As Passed by the House

Other Education Provisions**1 (CD-394-EDU) Utility Property Tax Replacement Payments for New School Districts****R.C. 5727.85**

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%); the phase-out resumes in 2010 as currently scheduled.

Provides that the Director of Budget and Management may, but is not required to as under current law, transfer excess School District Property Tax Replacement Fund (Fund 053) balances to the Half-Mill Equalization Fund (Fund 5BJ), and authorizes the Director to also transfer those balances to the GRF. (Fund 5BJ is used to supplement the half-mill maintenance levy required for districts that participate in the School Facilities Commission's (SFC's) Classroom Facilities Assistance Program if the district has below-average per-pupil property valuation).

Fiscal effect: Potential increase in the payment made to Manchester Local (Adams) of approximately \$1.0 million in FY 2009. According to OBM, approximately \$14.6 million in FY 2008 and \$21.4 million in FY 2009 of excess balances in Fund 053 may be transferred to the GRF. Under current law, any excess balances are transferred to Fund 5BJ. If there is a balance in Fund 5BJ after making the required payments under the Half-Mill Equalization Program, SFC may seek Controlling Board approval to transfer a reasonable amount to the Public School Building Fund to fund school facilities projects.

R.C. 5727.85

Same as the Executive.

Replaces the Executive provision with a provision that requires the Director to transfer excess balances to the Half-Mill Equalization Fund to the extent required to make half-mill equalization payments and then to transfer any remaining funds to the GRF.

Fiscal effect: Same as the Executive, assuming the Director of OBM would transfer no more or less than the amount required to make half-mill equalization payments to the Half-Mill Equalization Fund and would transfer the remaining balance to the GRF if given discretion to do so.

As Introduced (Executive)

As Passed by the House

2 (CD-436-RDF) Reform Local Government Funds

R.C. 131.51, 5727.45, 5727.84, 5733.12, 5739.2
5741.03, 5747.03, 5747.46, 5747.47, 5747.
5747.50, 5747.501, 5747.51, 5747.52,
5747.53; Sections 757.03, 757.04 and 815.

R.C. 131.51, 5727.45, 5727.84, 5733.12, 5739.2
5741.03, 5747.03, 5747.46, 5747.47, 5747.
5747.50, 5747.501, 5747.51, 5747.52,
5747.53; Sections 757.03, 757.04 and 815.

Continues to "freeze" the deposits and distributions of the three local government funds – Local Government Fund (LGF), Local Government Revenue Assistance Fund (LGRAF), and Library and Local Government Support Fund (LLGSF) – in the first six months of FY 2008. Monthly distributions from the LGF, LGRAF, and LLGSF to each county's undivided local government fund, undivided local government revenue assistance fund, and undivided library and local government support fund will equal the previously frozen amounts for the corresponding month in the first six month of FY 2007.

Same as the Executive except increases the percentage of GRF tax revenue to be credited to the proposed Local Communities Fund from 3.65% to 3.68% and the percentage to be credited to the proposed Local Libraries Fund from 2.2% to 2.22%. The percentage increases are needed to ensure that the local funds are held harmless of revenue loss due to tax cuts in FY 2008 and FY 2009.

Beginning in January 2008, the three local government funds (LGF, LGRAF, and LLGSF) will be replaced with two new local funds - the Local Communities Fund (LCF) and the Local Libraries Fund (LLF). During this period, all tax revenues previously credited to the LGF, LGRAF, and LLGSF will instead be credited to the GRF. The Director of Budget and Management is required to make monthly distributions from the GRF to the newly created funds - LCF and LLF for distribution to local governments. Specifies that, each month, 3.65% of total tax revenues credited to the GRF in the preceding month be credited to the LCF and that 2.2% of that total tax revenue be credited to the LLF.

Fiscal effect: Same as the Executive.

Fiscal effect: Estimated to increase revenue to the GRF (compared to revenue under current statutory distribution

As Introduced (Executive)**As Passed by the House**

percentages) and decrease the state revenue that will be credited and distributed to the three local government funds.

Beginning in January 2008, LGF and LGRAF will be replaced with LCF while LLGSF will be replaced with LLF.

LGF and LGRAF (replaced with LCF) provide revenues to counties, townships, municipalities, and park districts while LLGSF (replaced with LLF) provides revenues to libraries in Ohio.

As Introduced (Executive)

As Passed by the House

Commercial Activity Tax**3 (CD-988-TAX) Commercial Activity Tax Credits For Net Operating Losses**

No provision.

Section: Section 757.05

States that the General Assembly intends to consider modifying eligibility for commercial activity tax credits authorized in 2005 (the credits allow corporations to partially reclaim unused net operating loss (NOL) deductions).

Fiscal effect: None in the biennium. Corporations with a NOL deduction of more than \$50 million will be able to claim a tax credit against the CAT beginning in tax year 2010. The credit will be phased in over several years.

Personal Income Tax**4 (CD-974-TAX) Tax Credits for Sales of E85 and Biodiesel Blended Fuels**

No provision.

R.C. 5747.77, 5733.48, 5733.98, 5747.98

Authorizes, for FY 2008 and FY 2009, nonrefundable corporation franchise tax and personal income tax credits for retail sales through a metered pump of E85 blend fuel and blended biodiesel fuels. The credits have no carry forward provision.

Fiscal effect: Reduces state revenues from the personal income tax and the corporation franchise tax in FY 2008 and FY 2009. The extent of the revenue loss is indeterminate. The revenue loss will be limited to the biennium for the corporate franchise tax. Revenue loss from the personal income tax credit may extend beyond the biennium to FY 2010 and FY 2011. The provision also reduces revenues to local governments from the distribution of state receipts from the personal income and the corporation franchise

| As Introduced (Executive) | As Passed by the House |
|---|---|
| 5 (CD-940-TAX) School District Income Tax Rate Increments | taxes. |
| No provision. | R.C. 5748.02, 5748.021, 5748.022, 5748.04, 5748.08, Section 818.03 |
| | Requires a school district income tax to be levied in rate increments of 0.1% instead of 0.25% under current law. |
| | Fiscal effect: No fiscal effect. |
| 6 (CD-563-TAX) School District Income Tax Dual-Purpose Levies and Rate Reduction | |
| R.C. 5748.022, 5748.01, 5748.02 | R.C. 5748.022, 5748.01, 5748.02 |
| Authorizes school boards to levy an income tax to be apportioned between permanent improvements and current operating expenses. Current law does not appear to preclude such levies, but the bill requires that the respective portions levied for current expenses and permanent improvements each year be limited by the apportionment. Permits the board of education of a school district in which a school district income tax is levied to reduce the tax rate by a multiple of 0.25% without voter approval. | Same as the Executive. |
| Fiscal effect: Permitting a board of education to lower the school district income tax rate without seeking voter approval may reduce the cost for an election to obtain approval to make such a change. | Fiscal effect: Same as the Executive. |

As Introduced (Executive)

As Passed by the House

Property Taxes and Transfer Fees

7 (CD-541-TAX) Expanded Homestead Exemption

R.C. 323.151, 133.01, 319.202, 319.54, 322.01, 323.152, 323.153, 323.154, 325.31, 4503.01, 4503.061, 4503.064, 4503.065, 4503.066, 4503.067, 5727.87, 5751.23, Section 803.0

(1) Expands the homestead exemption to \$25,000 of market value for homeowners who are (a) age 65 or older, (b) permanently and totally disabled, or (c) surviving spouses age 59 to 64 of persons who applied and qualified for the tax reduction under (a) or (b). Eliminates the current income ceiling for eligibility. Tax relief would be at the effective millage rate for residential and agricultural real property. Participants in the current homestead exemption program would receive the greater of the tax relief for tax year 2006 under the current program or that provided by the new program. The state would reimburse school districts and other local governments for forgone tax receipts. The change would be effective for tax year 2007, paid one year in arrears for owners of real property and concurrently for homeowners whose primary residences are taxed as manufactured or mobile homes.

(2) Compensates county auditors for the additional costs of administering the expanded homestead exemption, in an amount equal to 1% of property tax relief reimbursement paid to counties for the homestead exemption and the 2.5% rollback.

Fiscal effect: (1) Additional cost to the state for reimbursing local governments would be about \$128.5 million in FY 2008 and about \$257 million in FY 2009. However, the effective tax rate in the bill is as defined in division (B)(3) of section 319.301 of the Revised Code, which excludes fixed-sum

R.C. 323.151, 133.01, 319.202, 319.54, 322.01, 323.152, 323.153, 323.154, 325.31, 4503.01, 4503.061, 4503.064, 4503.065, 4503.066, 4503.067, 5727.87, 5751.23, Section 803.0

Same as the Executive, but see Comparison Document entry 592-TAX regarding possible delay in commencing the expanded homestead exemption.

Fiscal effect: Same as the Executive, except corrects the reference to the effective tax rate for residential and agricultural property to include all taxes levied.

As Introduced (Executive)

As Passed by the House

levies, inside mills, and taxes provided for by the charter of a municipal corporation. Excluding these taxes from calculation of tax relief would substantially reduce the amount of tax relief provided. (2) The estimated cost to the state for compensation to county auditors is \$3 million in FY 2009. However, the bill leaves in place compensation provided in current law, Revised Code section 323.156 (not part of the bill), of 2% of the amount of these reductions, which appears to imply total compensation to county treasurers and auditors equaling 3% of these costs.

8 (CD-442-TAX) Property Tax Administration Fund

R.C. 5703.80

Raises the fee collected by the state for administration of property taxes based upon taxes charged and payable for the preceding tax year against public utility personal property and tangible personal property, from 0.6% to 0.725% for fiscal year 2009 and thereafter. The fee is excised from property tax distributions to local taxing units.

Fiscal effect: May increase the Department of Taxation administrative fees receipts from the property tax beginning in FY 2009.

(The Department of Taxation charges a percentage of the property tax collections to cover the costs of administering the property tax on behalf of local subdivisions).

No provision.

As Introduced (Executive)

As Passed by the House

9 (CD-604-TAX) Telecommunications Property Tax Phase-out**Section: 757.07**

Continues to require that during the phase-out period of tax on tangible property of telephone companies, telegraph companies, and interexchange telecommunications companies, 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.

Fiscal effect: None.

Section: 757.07

Same as the Executive.

Fiscal effect: Same as the Executive.

10 (CD-923-TAX) Township TIF Resolutions: Immediate Effective Date

No provision.

Section: 757.08

Provides that resolutions adopted by a board of township trustees of a limited home rule township pursuant to Chapter 504. and section 5709.73 of the Revised Code in December 2005 are deemed to have had an immediate effective date if the board unanimously adopts a resolution so declaring.

Fiscal effect: This provision is permissive. The fiscal effective of the section is unclear.

As Introduced (Executive)

As Passed by the House

11 (CD-592-TAX) Deadline for Application for Homestead Exemption for Tax Year 2007

Section: 803.06

Provides additional time for application for the homestead exemption or the 2.5% rollback for tax year 2007, notwithstanding provisions of current law that set earlier deadlines. The time for application is extended, for both real property and manufactured or mobile homes, from the first Monday in June until 120 days after the effective date of Section 803.06 of the bill.

Fiscal effect: Makes feasible starting the enhanced homestead exemption in tax year 2007, otherwise has no fiscal effect.

Section: 803.06

Replaces the Executive provision with a provision that delays the expanded homestead exemption for real property until the Director of Budget and Management certifies either that there are or will be sufficient revenues, not otherwise appropriated or encumbered, to pay the additional property tax reimbursements that will result from that expansion. Delays the expanded homestead exemption under the manufactured or mobile home tax to the following tax year, implying that the first year of reduced payments would be the same year for real property and for manufactured and mobile homes.

Fiscal effect: Delaying the change to the homestead exemption would reduce state expenditures to reimburse local governments for forgone tax revenues by an estimated \$128.5 million in FY 2008. If implementation of the enhanced homestead exemption is delayed one year, reimbursements to local governments for the loss of tax receipts would be reduced an estimated \$128.5 million in FY 2009; if delayed two or more years, reimbursements in FY 2009 would be reduced \$257 million. The additional 1% compensation to county auditors under R.C. 319.54 remains part of the bill, though it would be calculated on a smaller base than with the expanded homestead exemption.

As Introduced (Executive)

As Passed by the House

Sales and Use Taxes

12 (CD-326-TAX) Sales and Use Tax on Motor Vehicles Purchased by Nonresidents

R.C. 5739.02, 4505.06, 5739.033, 5739.213

Imposes the sales tax on motor vehicle purchases by nonresidents unless the purchaser's home state has no similar tax or does not provide a credit against its tax for taxes paid in Ohio. The tax rate on sales to nonresidents will be 6% or the sum of the state's 5.5% rate and the lowest of all local tax rates, whichever is less. Revenue from the local portion of the tax is distributed among all counties in proportion to motor vehicle registrations. This provision does not affect the taxation of motor vehicle sales to residents.

No provision.

Fiscal effect: Revenue gain to the GRF of \$64.2 million in FY 2008 and \$66.3 million in FY 2009. Revenue gain to local governments will be up to \$5.7 million in FY 2008 and \$6.0 million in FY 2009.

R.C. 5739.02, 4505.06, 5739.033, 5739.213

Partially replaces the proposed nonresident motor vehicle sales tax exemption in the executive recommendation. Grants an exemption if the nonresident's state provides a similar nonresident exception, or does not provide a credit for sales or use tax paid to this state, or does not impose a sales or use tax on the ownership or use of motor vehicles. If a nonresident's state does not provide a nonresident exception and the nonresident would pay lower net tax if the sale occurred in the nonresident's state, the Ohio tax is reduced to the amount that would be collected by the nonresident's state, with a 1/2% tax portion distributed to the county in which the sale occurs.

Applies proposed changes to the taxation of motor vehicle sales to nonresidents only to outright sales, and not to leases or rentals. Also clarifies that if a motor vehicle sale to a nonresident is exempted from taxation under another provision of existing law, the modified tax computation proposed in the bill does not apply.

Fiscal effect: Reduces the potential gain to the GRF in the executive recommendation by about \$25.0 million each year of the biennium. Reduces the potential gain to local governments by about \$2.0 million each year of the biennium.

As Introduced (Executive)

As Passed by the House

13 (CD-911-TAX) Sales Tax Exemption for School Fundraising Sales

No provision.

R.C. 5739.02

Removes the six-day limitation on the number of days in a year that a student or school-related organization may conduct fundraising sales. Under current law, such sales are exempted only if they are conducted on six or fewer days per year.

Fiscal effect: Potential state revenue loss of up to \$1.0 million each year of the biennium. Potential loss to local governments from the local permissive and transit authority sales taxes of up to \$0.2 million per year.

14 (CD-327-TAX) Sales and Use Tax Revisions to the Vendor Discount

R.C. 5739.12, 1548.06, 4505.06, 4519.55

Increases the permanent vendor's discount for prompt remittance of sales and use tax to 1%, up from 0.75%. However, the maximum per-return discount is capped at \$30. The provision extends the current temporary discount of 0.9% through July 2007. The executive recommendation also denies the discount if a certified service provider receives an allowance for performing the vendor's sales tax functions.

Requires motor vehicle dealers and sellers of other titled property to claim the discount on their sales tax reports instead of deducting the discount directly from tax remittances to the clerk of courts.

Fiscal effect: State revenue gains of \$35.0 million in FY 2008 and \$39.0 million in FY 2009.

R.C. 5739.12, 1548.06, 4505.06, 4519.55

Returns the permanent vendor discount to 0.75% and eliminates the maximum per-return discount of \$30. The other provisions of the executive recommendation are maintained.

Fiscal effect: State revenue loss of \$35.0 million in FY 2008 and \$39.0 million in FY 2009 (compared to the executive recommendation).

As Introduced (Executive)

As Passed by the House

Kilowatt-hour and Natural Gas Consumption Taxes

15 (CD-1007-TAX) Kilowatt-Hour Tax - Rate Decrease for Self-Assessors

No provision.

R.C. 5727.81, 757.01

Reduces the rate of the kilowatt-hour tax levied on the basis of the total price of electricity received by a self-assessing commercial or industrial electricity purchaser from 4% to 3.5% beginning July 1, 2008. Also requires the Tax Commissioner to review this percentage every two years during biennial budget deliberations.

Fiscal effect: Reduces revenue from the tax which, under the revised formula that the bill would establish, would reduce receipts of the GRF, the School District Property Tax Replacement Fund (PTRF), and the Local Government PTRF starting in FY 2009. In FY 2009, it would reduce revenue to the GRF by approximately \$3.66 million. It would reduce revenue to the School District PTRF by approximately \$1.48 million and to the Local Government PTRF by approximately \$675,000.

Cigarette Taxes

16 (CD-325-TAX) Cigarette and Other Tobacco Products: Retail dealers authorized recipients of tobacco products

R.C. 2927.023

Includes certain retail dealers in the definition of persons that are authorized recipients of tobacco products as long as the person purchases cigarettes with the appropriate tax stamp affixed.

Fiscal effect: None

R.C. 2927.023

Same as the Executive.

Fiscal effect: Same as the Executive.

As Introduced (Executive)

As Passed by the House

17 (CD-324-TAX) Cigarette and Other Tobacco Products Tax: \$300 per month tax exemption**R.C. 5741.02, 5743.331 (repealed)**

Repeals \$300 per month cigarette excise tax and use tax exemptions for cigarettes/tobacco products brought into Ohio for personal consumption.

Fiscal effect: Potential GRF revenue increase each year of the biennium. However, gain is indeterminate. Actual collections will depend on enforcement of this provision.

R.C. 5741.02, 5743.331, Section 818.03

Replaces the Executive provision with a provision that applies the existing \$300 per month cigarette excise and use tax exemption only to counties bordering on a state where the tax differential (between Ohio counties and the other state) is at least \$0.90 per pack.

Fiscal effect: Based on current cigarette excise and use tax rates, the exemption applies to counties bordering Kentucky. The provision reduces the revenue gain from the repeal of the exemption when compared to the executive recommendation. However, the reduction in revenue gain is indeterminate. Actual collections will depend on enforcement of the provision.

18 (CD-427-TAX) Tobacco Product Definition**R.C. 5743.01**

Clarifies that "other tobacco product" has the same meaning as "tobacco product" under the cigarette tax law.

Fiscal effect: None.

R.C. 5743.01

Same as the Executive.

Fiscal effect: Same as the Executive.

Other Taxation Provisions**19 (CD-328-TAX) Job Tax Credits Pass-through Election****R.C. 122.17, 122.171**

Requires recipients of the job creation and job retention tax credits that are organized as partnerships, S corporations, limited liability companies, or other pass-through entities to elect pass-through treatment of the credit.

Fiscal effect: None.

R.C. 122.17, 122.171

Same as the Executive.

Fiscal effect: Same as the Executive.

As Introduced (Executive)

As Passed by the House

20 (CD-938-TAX) Issuing Debt for an Arena or Convention Center Supported by Lodging Taxes

No provision.

R.C. 307.695

Changes the statutory criteria governing which counties may issue securities for, and operate and maintain, an arena or convention center, by eliminating the upper population limit of 800,000 and the requirement that the county be on the border with another state. These changes increase the eligible counties from only Lucas County, adding Cuyahoga, Franklin, Hamilton, Montgomery, and Summit Counties, based on the 2000 Census. The source of the population figures is not specified in the portion of Section 307.695 of the Revised Code governing which counties are eligible.

Fiscal effect: This provision is permissive, and the fiscal effects are indeterminate.

21 (CD-942-TAX) Municipal Income Tax- Disclosure of aggregated data

No provision.

R.C. 718.13

Authorizes a municipal corporation to authorize its tax administrator to publish tax-related statistics in a manner that does not disclose information with respect to particular taxpayers.

Fiscal effect: None

As Introduced (Executive)

As Passed by the House

22 (CD-502-TAX) Utility Property Tax Administrative Fee Compensation**R.C. 5727.87**

Limits the administrative fee compensation payments in 2007 and thereafter, not to exceed the compensation paid in 2006, due to the reductions in public utility property taxes to counties.

Fiscal effect: May decrease county administrative fee reimbursement payments in regards to the reductions in public utility property taxes slightly, beginning in 2007 and thereafter.

The reimbursements to local taxing districts are paid from line item 110-956, Local Government Property Tax Replacement Fund - Utility (Fund 054) in the Revenue Distribution Fund (RDF).

R.C. 5727.87

Same as the Executive.

Fiscal effect: Same as the Executive.

23 (CD-426-TAX) Public Disclosure Of Cigarette and Other Tobacco Product Entities**R.C. 5743.20**

Authorizes the Tax Commissioner to disclose a list of cigarette manufacturers and importers, licensed cigarette wholesalers, and registered manufacturers, importers, and brokers of other tobacco products on the Department of Taxation web site.

Fiscal effect: None.

R.C. 5743.20

Same as the Executive.

Fiscal effect: Same as the Executive.

As Introduced (Executive)

As Passed by the House

24 (CD-439-TAX) Definition Correction in the Municipal Income Tax for Electric Light Companies and Telephone Companies**R.C. 5745.02 (C)(3)**

Corrects the reference to the term "consumer" in the law governing municipal income taxes on electric light companies and telephone companies, by changing the term to "customer" to conform the term to the cross-reference used to define the term.

Fiscal effect: None.**R.C. 5745.02 (C)(3)**

Same as the Executive.

Fiscal effect: Same as the Executive.**25 (CD-438-TAX) Municipal Taxation of Electric and Telephone Companies: Refunds and Administrative Fees****R.C. 5745.05**

Requires the state to reimburse municipal corporations for the 1.5% administrative fee if a tax refund is due a taxpayer. The administrative fee is excised from municipal income taxes on electric companies and telephone companies, which are collected and distributed by the state.

Fiscal effect: May increase municipal corporations' revenue receipts from the municipal income tax for electric light companies and telephone companies slightly, if a refund is due to taxpayer. The Department of Taxation administers this tax on behalf of municipal corporations and charges 1.5% of the tax collections as administrative fees.

R.C. 5745.05

Same as the Executive.

Fiscal effect: Same as the Executive.

As Introduced (Executive)

As Passed by the House

26 (CD-432-TAX) Municipal Tax On Electric and Telephone Companies: Notice of Re-apportionment**R.C. 5745.13**

Requires the Tax Commissioner to notify a municipal corporation if the reapportionment of a taxpayer's income among municipal corporations affects the tax owed to that municipal corporation by more than \$500, instead of the current requirement to notify all "affected" municipal corporations of a total change of \$500 or more.

Fiscal effect: None.**R.C. 5745.13**

Same as the Executive.

Fiscal effect: Same as the Executive.**27 (CD-583-TAX) Income Tax Distribution to Counties****Section: 503.21**

Appropriates GRF funds to make any payment required by the Ohio Constitution's provision that not less than 50% of income, estate, and inheritance taxes collected by the state in a county, school district, city, village, or township be returned to that jurisdiction.

Fiscal effect: May require appropriation and expenditure of funds in the GRF.**Section: 503.21**

Same as the Executive.

Fiscal effect: Same as the Executive.

As Introduced (Executive)

As Passed by the House

28 (CD-423-TAX) State Tax Revenue Accounting System

Section: 757.10

Authorizes the Department of Administrative Services (DAS) to acquire the State Taxation Revenue and Accounting System (STARS) for the Department of Taxation. STARS is an integrated tax collection and audit system that will replace all of the current tax software and administration systems used to collect state taxes. If DAS uses a lease-purchase arrangement to acquire STARS, the arrangement must provide that STARS becomes the property of the state at the end of the lease period.

Fiscal effect: None.

Section: 757.10

Same as the Executive.

Fiscal effect: Same as the Executive.

29 (CD-892-TAX) Notification of Muskingum Watershed Conservancy District Maintenance Assessments

No provision.

Section: 757.20

Requires the Muskingum Watershed Conservancy District to provide notice of the scheduled maintenance assessment to persons subject to the assessment, either in each person's tax bill or by mail. The maintenance assessment is scheduled to begin collection in 2008.

Fiscal effect: Muskingum Watershed Conservancy District will incur costs to prepare written notifications to be included in second half tax bills in 2007 and for mailing to persons subject to the assessment who do not receive a second half tax bill in 2007 or that do not otherwise receive the notification. County auditors may incur expenses to include the required notification in the tax bill mailings. Failure to provide the required notifications will preclude the conservancy district from collecting the assessment.

As Introduced (Executive)

As Passed by the House

Appropriation Language**30 (CD-414-TAX) Homestead Exemption, Property Tax Rollback, and Tangible Tax Exemption****Section: 405.10**

Earmarks GRF appropriation item, 110-901, Property Tax Allocation - Taxation, to pay the state's cost, except to school districts, incurred due to the Homestead Exemption, the Manufactured Home Property Tax Rollback, and the Property Tax Rollback. These funds are to be distributed by the Tax Commissioner directly to local taxing districts, notwithstanding other provisions of law. It also earmarks GRF appropriation item 110-906, Tangible Tax Exemption - Taxation, to pay the state's cost, except to school districts, incurred due to the tangible personal property tax exemption. These funds are to be distributed by the Tax Commissioner to county treasurers.

Fiscal effect: None.

Section: 405.10

Same as the Executive.

Fiscal effect: Same as the Executive.

31 (CD-415-TAX) Municipal Income Tax**Section: 405.10**

Earmarks appropriation item 110-901, Municipal Income Tax, in the Agency Fund Group, to make payments to municipal corporations for the municipal income tax on electric companies. This tax is collected and distributed by the Department of Taxation.

Fiscal effect: None.

Section: 405.10

Same as the Executive.

Fiscal effect: Same as the Executive.

| As Introduced (Executive) | As Passed by the House |
|--|--|
| 32 (CD-416-TAX) Tax Refunds | |
| Section: 405.10 | Section: 405.10 |
| <p>Appropriates any additional amounts that are needed to pay tax 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.</p> | <p>Same as the Executive.</p> |
| Fiscal effect: None. | Fiscal effect: Same as the Executive. |
| 33 (CD-417-TAX) International Registration Plan Audit | |
| Section: 405.10 | Section: 405.10 |
| <p>Specifies that SSR Fund 4C6, appropriation item 110-616, International Registration Plan, shall be used under section 5703.12 of the Revised Code for audits of persons with vehicles registered under the International Registration Plan.</p> | <p>Same as the Executive.</p> |
| Fiscal effect: None. | Fiscal effect: Same as the Executive. |
| 34 (CD-418-TAX) Travel Expenses for the Streamlined Sales Tax Project | |
| Section: 405.10 | Section: 405.10 |
| <p>Allows the Tax Commissioner to use funds from SSR Fund 435, appropriation item 110-607, Local Tax Administration, to pay for travel costs to Streamlined Sales Project Tax meetings.</p> | <p>Same as the Executive.</p> |
| Fiscal effect: None. | Fiscal effect: Same as the Executive. |

| As Introduced (Executive) | As Passed by the House |
|--|--|
| 35 (CD-419-TAX) Litter Control Tax Administration | |
| Section: 405.10 | Section: 405.10 |
| Authorizes some corporate franchise tax revenues to be deposited into the SSR Fund 437, Litter Control and Natural Resources Tax Administration Fund. | Same as the Executive. |
| Fiscal effect: None. | Fiscal effect: Same as the Executive. |
| 36 (CD-420-TAX) Centralized Tax Filing and Payment Fund | |
| Section: 405.10 | Section: 405.10 |
| Requires the Director of Budget and Management to transfer \$600,000 in the biennium from the GRF to the GSF Fund 5W4, Centralized Tax Filing and Payment Fund in the Department of Taxation's budget. | Same as the Executive. |
| Fiscal effect: Increase the Department of Taxation funding for the Ohio Business Gateway maintenance purposes. | Fiscal effect: Same as the Executive. |
| 37 (CD-421-TAX) Commercial Activity Tax Administration Fund | |
| Section: 405.10 | Section: 405.10 |
| Provides spending authority for the implementation and ongoing administration of the new Commercial Activity Tax. | Same as the Executive. |
| Fiscal effect: None. | Fiscal effect: Same as the Executive. |

As Introduced (Executive)**As Passed by the House****38 (CD-422-TAX) Tobacco Settlement Enforcement****Section: 405.10**

Allows the Tax Commissioner to use funds from GRF appropriation item, 110-404, Tobacco Settlement Enforcement, to pay costs related to the enforcement and compliance of both participating and non-participating manufacturers to the MSA. Department of Taxation also provides reports and assists the Attorney General (AGO) in criminal enforcement and compliance efforts for those delinquent in payments for the excise tax on cigarette and other tobacco products.

Fiscal effect: None.

Section: 405.10

Same as the Executive.

Fiscal effect: Same as the Executive.

As Introduced (Executive)

As Passed by the House

Tobacco Securitization

39 (CD-710-MIS) Tobacco Master Settlement Agreement Fund Repealed

R.C. 183.01, 183.02 (repealed), 183.021, 183.17
183.27 (repealed), 183.32 (repealed), 183.33
183.34, 183.35

Repeals (1) the Tobacco Master Settlement Agreement Fund and the schedule for transferring moneys in the fund to various other trust funds, (2) the Education Facilities Endowment Fund, and (3) the section that creates a legislative committee to periodically reexamine the use of tobacco master settlement agreement money.

Removes the authority of the Southern Ohio Agricultural and Community Development Foundation (SOA) to request additional payments from the Tobacco Master Settlement Agreement Fund if SOA concludes that additional funding needs exist after its last scheduled allocation in 2011, and, furthermore, removes a prohibition on the appropriation or transfer of GRF money for use by the SOA.

Fiscal effect: Potential decrease in scheduled tobacco funding for those agencies who receive funds through 2025 from scheduled transfers from the Tobacco Master Settlement Agreement Fund. The following funds will no longer receive their scheduled payments: the Tobacco Use Prevention and Cessation Trust Fund, the Southern Ohio Agricultural and Community Development Trust Fund, Ohio's Public Health Priorities Trust Fund, the Biomedical Research and Technology Transfer Trust Fund, the Education Facilities Trust Fund, the Education Facilities Endowment Fund (repealed), and the Education Technology Trust Fund. Additionally, the Attorney General and Tax Commissioner will no longer receive transferred funds from the Tobacco Master Settlement Agreement Fund to their

R.C. 183.01, 183.02 (repealed), 183.021, 183.17
183.27 (repealed), 183.32 (repealed), 183.33
183.34, 183.35

Same as the Executive.

Same as the Executive.

Fiscal effect: Same as the Executive.

As Introduced (Executive)

As Passed by the House

respective tobacco settlement enforcement funds to cover enforcement costs.

40 (CD-713-MIS) Securitization of Tobacco Master Settlement Agreement Payments

R.C. 183.51, 183.52

Creates the Ohio Tobacco Settlement Financing Authority for the purpose of purchasing and receiving an assignment of the tobacco settlement receipts and issuing obligations. The Authority is to consist of the Governor (as the chair), the Director of Budget and Management (as the secretary), the Tax Commissioner, the Treasurer of the State, the Attorney General, and the Auditor of State, or their designees. OBM staff is required to provide support to the Authority.

Permits the state to assign and to sell to the Ohio Tobacco Settlement Financing Authority all or a portion of the amounts to be received by the state under the Tobacco Master Settlement Agreement. In addition, the executive proposal permits the Authority to accept and purchase those amounts, and to issue and sell obligations, as provided by the proposal.

Specifies that these obligations are to be issued to pay the costs of capital facilities for: (1) housing branches and agencies of state government, including facilities for housing state agencies, for a system of common schools throughout the state, and for use as jail facilities or workhouses; (2) state-supported or state-assisted institutions of higher education; (3) mental hygiene and retardation; and (4) parks and recreation.

Specifies that the aggregate principal amount of obligations issued under the bill cannot exceed \$6.0 billion, exclusive of obligations issued to refund, renew, or advance refund

R.C. 183.51, 183.52

Same as the Executive, but removes the Attorney General from the Authority.

Same as the Executive.

Same as the Executive.

Same as the Executive.

As Introduced (Executive)

other obligations issued or incurred, with at least 75% of the aggregate net proceeds of the obligations issued having to be paid to the state for deposit into the School Building Program Assistance Fund (Fund 032) under the School Facilities Commission.

Provides that, no later than two years following the date on which there are no longer any obligations outstanding under the bond proceedings, all assets of the Authority are to vest in the state, the Authority is to execute any necessary assignments or instruments, including any assignment of any right, title, or ownership to the state for receipt of amounts under the Tobacco Master Settlement Agreement, and the Authority is to be dissolved.

No provision.

No provision.

Fiscal effect: Potential increase of capital funds for school district and other capital facility projects. The executive budget states that at least 75% of the aggregate net proceeds of the obligations issued with tobacco securitization moneys must be paid to the School Building Program Assistance Fund (Fund 032) and limits the use of net proceeds, estimated at approximately \$5.04 billion, to School Facilities Commission and other capital facility projects.

According to the Office of Budget and Management, of the estimated \$5.04 billion in net proceeds, \$2.20 billion would cover all of the funding currently allocated by section 183.02

As Passed by the House

Same as the Executive.

Specifies that the Attorney General, as counsel to the Authority, is to represent it in the execution of its powers and duties and to prosecute all actions on its behalf.

Provides for the payment of the Attorney General's enforcement expenses from tobacco master settlement agreement amounts sold to the Authority, from the proceeds of obligations issued by the Authority, or from a combination of both.

Fiscal effect: Same as the Executive, but permits Attorney General enforcement activity expenses to be paid from tobacco master settlement agreement amounts sold to the Authority, from the proceeds of obligations issued by the Authority, or from a combination of both.

As Introduced (Executive)

As Passed by the House

of the Revised Code to the Education Facilities Trust Fund (Fund N87) and to the Education Facilities Endowment Fund (Fund P87) of the School Facilities Commission for FY 2008 through FY 2025. The remaining \$2.84 billion would cover the capital costs of SFC (\$1.92 billion) and higher education (\$0.92 billion) over the next three years. Since these capital costs will not be financed with bonds, GRF debt service payments for SFC and higher education will be lower. As a result, the GRF moneys that would otherwise be used to finance SFC and higher education bonds would be used to cover the expansion of the homestead property tax exemption.

OBM may experience minimal increased administrative costs for providing staff support to the Authority.

41 (CD-714-MIS) Budget Adjustments to Reflect Tobacco Securitization

Section: 518.03

Authorizes the Director of Budget and Management to periodically on any date following the issuance of the tobacco obligations through June 30, 2009 do the following:

(1) Determine any excess amounts after the amounts of debt service obligations have already been paid from GRF appropriation items 235-909, Higher Education General Obligation Debt Service, and 230-908, Common Schools General Obligation Debt Service and transfer all or a portion of those excess funds to GRF appropriation items 200-901, Property Tax Allocation - Education or 110-901, Property Tax Allocation-Taxation, or both, for the purposes of making the state's property tax relief payments to school districts and counties.

Section: 518.03

Same as the Executive.

Same as the Executive.

As Introduced (Executive)

As Passed by the House

(2) Determine the amount by which interest earnings credited to the Higher Education Improvement Fund (Fund 034) and the School Building Program Assistance Fund (Fund 032) from the investment of the net proceeds of the tobacco obligations exceed the amount needed to satisfy the appropriations from those funds, transfer all or a portion of that excess cash balance to the GRF, and increase GRF appropriation items 200-901, Property Tax Allocation - Education or 110-901, Property Tax Allocation-Taxation, or both, by up to the amount of cash transferred to the GRF.

Same as the Executive.

(3) Determine the amount of capital appropriations in CAP-770, School Building Assistance Program, transfer cash to School Facilities Commission (Fund 5E3) in an amount necessary to fully expend the amount of net proceeds deposited into the School Building Program Assistance Fund (Fund 032) from the issuance of those tobacco obligations, and increase the appropriations for CAP-770 and SSR appropriation item 230-644, Operating Expenses (for SFC), by the necessary amount.

Same as the Executive.

(4) Determine the amount of additional capital appropriations necessary to fully expend the amount of net proceeds deposited from the issuance of those tobacco obligations into the Higher Education Improvement Fund (Fund 034).

Same as the Executive.

(5) Reduce the amount of authorization to issue and sell general obligations to pay the costs of capital facilities for a system of common schools throughout the state granted to the Ohio Public Facilities Commission by prior acts of the General Assembly to reflect the amount of net proceeds of those tobacco obligations deposited into the Higher Education Improvement Fund (Fund 034) that are intended to replace general obligations for that purpose.

Same as the Executive.

As Introduced (Executive)**As Passed by the House**

(6) Reduce the amount of authorization to issue and sell general obligations to pay the costs of capital facilities for state supported and state assisted higher education institutions granted to the Ohio Public Facilities Commission by prior acts of the General assembly to reflect the amount of net proceeds of those tobacco obligations deposited into the Higher Education Improvement Fund (Fund 034) that are intended to replace general obligations for that purpose.

Same as the Executive.

Requires the Office of Budget and Management to make a report to the Controlling Board, at its next regularly scheduled meeting, when any of these determinations, transfers, and increases or decreases in appropriations and authorizations described above have been completed.

Same as the Executive.

Local Government Provisions**42 (CD-515-MIS) Additional Authority for Certain Counties to Establish and Fund Convention Centers**

R.C. 307.695

Authorizes counties with a population greater than 400,000, but less than 500,000, to establish and provide local funding options for constructing and equipping a convention center in addition to the funding authority currently granted.

Fiscal effect: Certain counties that were unable to finance a convention center under current law may now be able to finance the construction and equipping of convention centers under this provision. As of this time, population figures show that only Lucas County would qualify for this provision.

R.C. 307.695

Same as the Executive.