

LSC Redbook

Analysis of the Executive Budget Proposal

Board of Tax Appeals

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Board of Tax Appeals

- BTA decides tax cases outside the court system
- The executive proposal cuts BTA's budget by 20%

Overview

The Board of Tax Appeals (BTA) provides an expert forum outside the court system to resolve controversies between taxpayers and taxing authorities in a timely and cost-effective way while still satisfying due process requirements. With an annual budget of about \$2 million, BTA issued between 1,917 and 2,155 decisions each year during FY 2006 through FY 2008. BTA has aimed to terminate cases within 12 months of filing, though some cases have taken longer than this. The agency is an independent, quasi-judicial, single-purpose body, established in 1939 within the Department of Taxation. The Board has operated as a separate agency since 1976.

The Board is comprised of three members appointed by the Governor for six-year terms, and authorized to determine all appeals regarding questions arising under Ohio tax laws, other than estate taxes. Staff includes seven full-time and two part-time attorney examiners who manage cases and preside at evidentiary hearings to determine the facts of these cases as the basis for decisions taken by vote of the board members. The attorney examiners also conduct mediation sessions. BTA has eight administrative staff members, for a total of 20 employees including the three board members.

Most appeals to BTA arise from real estate valuations by county boards of revision. Cases also arise from appeals of determinations or of rules adopted by the Tax Commissioner, including the Division of Tax Equalization. Another source of cases is appeals of allocations by county budget commissioners of tax receipts to political subdivisions. Beginning with tax year 2004, appeals of decisions of municipal boards of appeal regarding municipal income tax obligations were added to BTA's responsibilities. The Board also has authority to accept appeals of decisions by the Director of the Department of Development that enterprises are not qualified for tax incentive qualification certificates. Decisions of the Board of Tax Appeals may themselves be appealed either to the appropriate Ohio court of appeals or directly to the Ohio Supreme Court.

ANALYSIS OF EXECUTIVE PROPOSAL

The following table shows the line item that is used to fund the activities of the Board of Tax Appeals and the Governor's recommended funding levels.

Fund	ALI and Name	FY 2010	FY 2011
General Revenue Fund			
GRF	116321 Operating Expenses	\$1,642,450	\$1,642,450

Operating Expenses (116321)

The executive proposal would cut BTA's operating budget 20%. Over 90% of BTA's budget is for payroll costs. The budget reduces payroll expenditures in FY 2010 by 20.8% from estimated FY 2009, and by 17.9% from actual outlays in FY 2008. BTA's total budget for FY 2010 is 10.2% lower than its outlays for payroll only in FY 2008. Attorneys are more expensive, per person, than administrative staff, and the three board members would remain. So a 20% budget reduction would require BTA to employ fewer attorney examiners, who prepare cases for Board consideration and handle mediation sessions. The Blue Book indicates that the Board is expected to be able to determine an estimated 1,500 appeals each year.

In FY 2008, 2,285 appeals were filed with BTA. In the first seven months of FY 2009, the number of appeals filed with BTA increased 20% from a year earlier. If this pace is maintained through the end of the fiscal year, more than 2,700 appeals will be filed with BTA this year.

The backlog of appeals pending with the Board at the end of FY 2008 was 2,745. The number of active appeals pending had grown to 3,386 by the end of January.

If 2,700 cases are appealed yearly to BTA during the upcoming biennium and the Board issues decisions on 1,500 cases, the backlog of cases not yet decided will grow. It could reach more than 4,600 cases, in excess of a three-year backlog, by the end of FY 2010, and nearly 6,000 cases, almost a four-year backlog, by the end of FY 2011.

Even if the number of appeals filed with BTA each year declines substantially from this year's pace, the backlog will continue to grow if the Board issues decisions on 1,500 cases each year.

BTA may be able to achieve some increased efficiencies. One such change is elimination of a current requirement that BTA send decisions by certified mail. This change is included in the executive budget, and is expected to save about \$12,000 each year.

REQUESTS NOT FUNDED

The following table shows the funding level in the biennial budget request from the Board of Tax Appeals and the amount recommended in the executive budget. The amounts shown are those identified in the budget request as Activity A and do not include extended program budget requests, Activity B.

Fund Line Item	FY 2010 Recommended	FY 2010 Requested	Difference	FY 2011 Recommended	FY 2011 Requested	Difference
GRF 116321	\$1,642,450	\$2,053,069	\$410,619	\$1,642,450	\$2,053,069	\$410,619

The amount recommended by the executive is 20% less than the request for each of these years.

BTA.docx / cm

General Revenue Fund

GRF 116321 Operating Expenses

2006	2007	2008	2009	2010 Executive Proposal	2011 Executive Proposal
\$1,976,715	\$2,053,255	\$2,025,583	\$2,053,062	\$1,642,450	\$1,642,450
	3.9%	-1.3%	1.4%	-20.0%	0.0%

Source: GRF

Legal Basis: ORC 5703

Purpose: This line item provides all funding for the agency, including personal services, maintenance, and equipment.

LSC Budget Spreadsheet by Line Item, FY 2010 - FY 2011

<i>Fund</i>	<i>ALI</i>	<i>ALI Title</i>	<i>2008</i>	<i>2009</i>	<i>As Introduced 2010</i>	<i>% Change 2009 to 2010</i>	<i>As Introduced 2011</i>	<i>% Change 2010 to 2011</i>
<i>BTA Board of Tax Appeals</i>								
GRF	116321	Operating Expenses	\$ 2,025,583	\$ 2,053,062	\$ 1,642,450	-20.0%	\$ 1,642,450	0.0%
General Revenue Fund Total			\$ 2,025,583	\$ 2,053,062	\$ 1,642,450	-20.0%	\$ 1,642,450	0.0%
Total All Budget Fund Groups			\$ 2,025,583	\$ 2,053,062	\$ 1,642,450	-20.0%	\$ 1,642,450	0.0%