LSC Greenbook

Analysis of the Enacted Budget

Department of Taxation

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TABLE OF CONTENTS

ATTACHMENTS:

Budget Spreadsheet By Line Item for the Department of Taxation
Budget Spreadsheet By Line Item for the Revenue Distribution Fund Group

Department of Taxation

- TAX administers and enforces taxes that raise over $24 billion in annual revenue
- Administrative costs are 6% of the total budget for TAX

OVERVIEW

Agency Overview

The Ohio Department of Taxation (TAX) is responsible for the administration and enforcement of most state and locally levied taxes. Headed by the Tax Commissioner, the Department administers all state taxes except the insurance taxes and the motor vehicle license tax. 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 oversees the administration of the real property tax by local governments. The Department employed 1,375 full- and part-time employees as of July 2.

The Department of Taxation is also responsible for determining the amounts of various revenue distributions to local governments, including motor fuel tax distributions, reimbursements to local governments for property tax relief, permissive sales and use tax distributions, and allocations to counties from the Public Library Fund (PLF) and the Local Government Fund (LGF).

Appropriation Overview

The Department of Taxation's budget includes funds in five fund groups, as shown in Table 1. The General Revenue Fund accounts for 30% of the Department's budget. Most of TAX's outlays from the GRF are for tax relief.

Table 1. Agency Appropriations by Fund Group, FY 2012-FY 2013 (Am. Sub. H.B. 153)

Fund Group	FY 2011	FY 2012	% change, FY 2011-FY 2012	FY 2013	% change, FY 2012-FY 2013
General Revenue	$702,733,376	$684,615,804	-2.6%	$689,765,804	0.8%
General Services	$29,862,170	$31,967,140	7.0%	$29,374,989	-8.1%
State Special Revenue	$30,129,284	$35,367,320	17.4%	$35,270,305	-0.3%
Agency	$1,393,832,261	$1,567,800,000	12.5%	$1,567,800,000	0.0%
Holding Account Redistribution	$5,000	$100,000	1,900.0%	$100,000	0.0%
TOTAL	**$2,156,562,091**	**$2,319,850,264**	**7.6%**	**$2,322,311,098**	**0.1%**

*FY 2011 figures represent actual expenditures.

The budget provides the Department of Taxation with GRF administrative funding of $73.7 million for FY 2012. This amount is $6.8 million (8.4%) lower than FY 2011 expenditures. The budget includes GRF administrative funding for FY 2013 of $73.8 million, $50,000 (0.1%) higher than in FY 2012. The three line items that account for GRF administrative funding are 110321, Operating Expenses; 110404, Tobacco Settlement Enforcement; and 110412, Child Support Administration. Not included in these amounts of GRF administrative funding are funds for property tax relief that are distributed from the GRF by the Department.

The budget provides the Department of Taxation with total administrative funding of $140.3 million for FY 2012. This amount is $0.3 million higher than spending in FY 2011, an increase of 0.2%. It includes $2.5 million to promote and administer a tax amnesty program. Administrative funding for FY 2013 is $137.7 million, a decrease of $2.6 million (1.9%) from FY 2012. These amounts do not include funds that are distributed to other units of government or to taxpayers by the Department of Taxation. Administrative funding accounts for only about 6% of the Department of Taxation's total budget.

Total funding in the budget for the Department of Taxation is $2,319.9 million for FY 2012 and $2,322.3 million for FY 2013. The FY 2012 appropriation is $163.3 million (7.6%) higher than expenditures in FY 2011. The FY 2013 appropriation is $2.5 million (0.1%) higher than for FY 2012. These amounts include the funding for tax administration noted above and also include distributions of tax refunds, property tax relief to local governments other than school districts, and other distributions of revenues by the Department of Taxation. However, these amounts do not include funds in the Revenue Distribution Fund Group or the Property Tax Relief funds that are distributed to schools by the Department of Education.

Total Department of Taxation staffing is projected to decline by 108 full-time equivalent (FTE) employees (7.8%) in the current biennium from previous levels and by 171 FTEs (11.8%) from previously authorized staffing. The majority of the cuts result from closing seven taxpayer service centers and eliminating 98 positions at those centers. These centers were closed in June. Assistance to taxpayers will now be handled through TAX's call center.

Major Initiatives

The Department's budget includes a tax amnesty program. This program is expected to bring in additional tax receipts, likely in the tens of millions of dollars. Some portion of these receipts would, in the absence of such a program, be recovered through audit and enforcement actions. The budget includes $2.5 million in FY 2012 for promotion and administration of the amnesty program. A General Services Fund Group line item was established for this purpose, funded by a transfer from the GRF.

The budget reflects the closing of seven taxpayer service centers in larger cities around the state. These centers were closed in June. Tax forms and information are accessible through the Department's web site. Taxpayer assistance is available by telephone through an 800 number and via electronic messaging. The call center system now in place has enhanced features such as automatic call back. Increasing numbers of taxpayers are filing returns electronically. The Department indicated that 73% of personal income tax returns are now filed electronically. Closing the taxpayer service centers will save more than an estimated $1 million per center annually for costs at these locations. Taxpayer assistance is very seasonal, and relying more on electronic and telephone assistance will facilitate use of other staff members during peak periods.

Field audit staff members were based at the taxpayer service centers as well as in Columbus. Following the closings of the taxpayer service centers, auditors are expected to telecommute. The Department has been shifting toward more electronic auditing.

The budget act establishes a fourth check-off on the state personal income tax form, by means of which a taxpayer owed an income tax refund may contribute part of that refund to the Ohio Historical Society Income Tax Contribution Fund, created by the bill. Persons may also contribute directly to this fund. The Ohio Historical Society is required to use this money for the public functions established for it in the Revised Code. Amounts of money that may be raised by this check-off are uncertain. Income tax refund contributions to each of the three existing funds for contributions of refunds have ranged from about $300,000 to more than $600,000 yearly. Up to 2.5% of contributions may be used for the Department of Taxation's costs to administer the check-off program.

The budget act authorizes the Tax Commissioner to adopt rules requiring electronic filing or payment of employer income tax withholding, motor fuel tax, cigarette and tobacco product excise tax, severance tax, and use tax. Taxpayers required to file or pay electronically under this provision are authorized to apply to the Tax Commissioner to be excused from the requirement. Electronic filing and payment reduce costs for the Department of Taxation, however, the Department may incur initial costs to publicize any new requirements and to educate the public regarding any such changes.

Am. Sub. H.B. 153 authorizes the Tax Commissioner to issue notices and orders using delivery means other than certified mail or personal service where required by the Revised Code if the alternative means records when the notice or order is placed with the delivery service and when it is accepted by a recipient, and if the delivery service is available to the general public and is as timely and reliable as the U.S. Postal Service. The enacted budget also authorizes the Tax Commissioner to notify a vendor that the vendor's retail license has been revoked or suspended by a delivery service other than certified mail if the Commissioner finds that the delivery service is timely, reliable, available to the general public, and records the name of the person who accepted delivery and the date delivery was accepted. Additionally, the budget act authorizes the Tax Commissioner to use a change of address service offered by an alternative delivery service if a notice issued by the Commissioner via certified mail is returned due to an undeliverable address. These alternative delivery means may reduce Department of Taxation costs.

The budget authorizes the Department of Administrative Services, in conjunction with the Department of Taxation, to acquire the State Taxation Accounting and Revenue System (STARS). The system is to replace the Department of Taxation's 27 previous computer systems, some dating back to the 1980s, with a coordinated package of hardware and software. At the end of the lease-purchase period for STARS, the system becomes the property of the state. Payments for STARS were appropriated in the Department of Administrative Service's budget under line item 100416, STARS Lease Rental Payments. Slightly less than $5 million was appropriated in each year of the biennium.

The budget act requires the Tax Commissioner to conduct a review of the operations of the Board of Tax Appeals and submit a written report not later than November 15, 2011, with recommendations for improvements. Conduct of this review will require time and effort of Department of Taxation personnel and use of Department resources, and so will require expenditures by the Department. The budget act does not specify an amount or range for expenditures on this review and report, and no funds are appropriated explicitly for this purpose.

ANALYSIS OF ENACTED BUDGET – DEPARTMENT OF TAXATION

Introduction

This section provides an analysis of funding for the appropriation items in TAX's budget. In this analysis, TAX's line items are grouped into three major categories. For each category a table is provided listing the appropriation in each fiscal year of the biennium. Following the table, a narrative describes how the appropriation is used and any changes in the budget affecting the appropriation. The three categories used in this analysis are as follows:

1. Tax Administration;
2. Revenue Distribution; and
3. Tax Relief.

The Revenue Distribution category within the Department of Taxation budget, listed above and in the table that follows, is separate and distinct from the Revenue Distribution Fund Group and the funds within that group. Each of the funds in the Revenue Distribution Fund Group is administered by a state agency, but the funds are shown in the budget act, Am. Sub. H.B. 153, in a separate Revenue Distribution Fund section rather than as part of the budget of the administering agency. Notable changes in these funds made by the budget act are highlighted in a separate section that follows.

To aid the reader in finding each item in the analysis of the Department of Taxation budget, the table below shows the category in which each appropriation has been placed, listing the line items in order within their respective fund groups and funds. This is the same order in which the line items appear in the budget act.

Categorization of TAX's Appropriation Line Items for Analysis of the Budget				
Fund	**ALI and Name**		**Category**	
General Revenue Fund				
GRF	110321	Operating Expenses	1:	Tax Administration
GRF	110404	Tobacco Settlement Enforcement	1:	Tax Administration
GRF	110412	Child Support Administration	1:	Tax Administration
GRF	110901	Property Tax Allocation – Taxation	3:	Tax Relief
General Services Fund Group				
2280	110628	Tax Reform System Implementation	1:	Tax Administration
4330	110602	Tape File Account	1:	Tax Administration
5AP0	110632	Discovery Project	1:	Tax Administration
5BW0	110630	Tax Amnesty Promotion and Administration	1:	Tax Administration
5CZ0	110631	Vendor's License Application	2:	Revenue Distribution
5N50	110605	Municipal Income Tax Administration	1:	Tax Administration
5N60	110618	Kilowatt Hour Tax Administration	1:	Tax Administration
5V80	110623	Property Tax Administration	1:	Tax Administration
5W40	110625	Centralized Tax Filing and Payment	1:	Tax Administration
5W70	110627	Exempt Facility Administration	1:	Tax Administration
State Special Revenue Fund Group				
4350	110607	Local Tax Administration	1:	Tax Administration
4360	110608	Motor Vehicle Audit	1:	Tax Administration
4370	110606	Litter/Natural Resource Tax Administration	1:	Tax Administration
4380	110609	School District Income Tax	1:	Tax Administration
4C60	110616	International Registration Plan	1:	Tax Administration
4R60	110610	Tire Tax Administration	1:	Tax Administration
5V70	110622	Motor Fuel Tax Administration	1:	Tax Administration
6390	110614	Cigarette Tax Enforcement	1:	Tax Administration
6420	110613	Ohio Political Party Distributions	2:	Revenue Distribution
6880	110615	Local Excise Tax Administration	1:	Tax Administration
Agency Fund Group				
4250	110635	Tax Refunds	2:	Revenue Distribution
7095	110995	Municipal Income Tax	2:	Revenue Distribution
Holding Account Redistribution Fund Group				
R010	110611	Tax Distributions	2:	Revenue Distribution
R011	110612	Miscellaneous Income Tax Receipts	2:	Revenue Distribution

Tax Administration

The Department of Taxation administers the state's tax laws to determine tax liabilities and to enforce compliance in filing and payment of taxes. The table below shows the line items that are used to fund this function of the Department of Taxation and the amounts appropriated in FY 2012 and FY 2013.

Amounts Budgeted for Tax Administration				
Fund	**ALI and Name**		**FY 2012**	**FY 2013**
General Revenue Fund				
GRF	110321	Operating Expenses	$73,500,000	$73,550,000
GRF	110404	Tobacco Settlement Enforcement	$200,000	$200,000
GRF	110412	Child Support Administration	$15,804	$15,804
		General Revenue Fund Subtotal	***$73,715,804***	***$73,765,804***
General Services Fund Group				
2280	110628	Tax Reform System Implementation	$13,638,008	$13,642,176
4330	110602	Tape File Account	$197,802	$197,878
5AP0	110632	Discovery Project	$2,445,799	$2,445,657
5BW0	110630	Tax Amnesty Promotion and Administration	$2,500,000	$0
5N50	110605	Municipal Income Tax Administration	$339,798	$339,975
5N60	110618	Kilowatt Hour Tax Administration	$150,000	$150,000
5V80	110623	Property Tax Administration	$12,195,733	$12,099,303
5W40	110625	Centralized Tax Filing and Payment	$200,000	$200,000
5W70	110627	Exempt Facility Administration	$50,000	$50,000
		General Services Fund Group Subtotal	***$31,717,140***	***$29,124,989***
State Special Revenue Fund Group				
4350	110607	Local Tax Administration	$19,028,339	$19,225,941
4360	110608	Motor Vehicle Audit	$1,474,081	$1,474,353
4370	110606	Litter/Natural Resource Tax Administration	$20,000	$20,000
4380	110609	School District Income Tax	$5,859,041	$5,860,650
4C60	110616	International Registration Plan	$689,296	$689,308
4R60	110610	Tire Tax Administration	$245,462	$246,660
5V70	110622	Motor Fuel Tax Administration	$5,384,254	$5,086,236
6390	110614	Cigarette Tax Enforcement	$1,384,217	$1,384,314
6880	110615	Local Excise Tax Administration	$782,630	$782,843
		State Special Revenue Fund Group Subtotal	***$34,867,320***	***$34,770,305***
Total Funding: Tax Administration			**$140,300,264**	**$137,661,098**

The tax administration function includes several components. The Taxpayer Services Program provides information to taxpayers and improves compliance with tax laws by telephone and e-mail, and through presentations to groups. As described above, seven regional service centers, which were a part of this program, were closed. Tax Processing reviews paper and electronic submissions of tax forms, enters the data into the Department's computer systems, and retains tax returns. The Tax Compliance function audits returns and issues notices and assessments for unpaid taxes, matches persons delinquent in making child support payments with taxpayers owed Ohio income tax refunds, provides the first level of appeal of the Tax Commissioner's findings in tax disputes, and engages in other enforcement and investigation activities. Tax Policy and Analysis monitors and analyzes tax legislation, gives technical assistance to the executive and legislative branches, and provides for the legal counsel needed in tax cases. Local Government Services gives information and assistance to units of local government, and provides for administration of certain local taxes.

Increased efficiencies have been reducing administrative staffing needs. In processing tax returns, the Department has employed staff to perform such tasks as opening envelopes and scanning documents. With more electronic filing, such tasks are eliminated, and consequently fewer staff members are required. In the training area, the Department anticipates increased use of online training, decreasing the need for classroom training and trainers.

With increased electronic filing of tax returns, the Department announced in August 2011 that it would no longer be mailing income tax forms and instructions to taxpayers. This change followed elimination by the budget act of a requirement that the Department include mail-in voter registration materials with income tax returns.

The Department is analyzing its operational processes to improve and streamline those processes and eliminate steps. Associated with this, tools and templates are to document these improved processes and facilitate decision making. The Department early in 2011 had 135 staff members with over 30 years of service. As these employees retire, they will take their institutional knowledge with them, creating a need for this documentation.

The Department has backlogs in several areas, including appeals, real estate tax exemptions, and tax increment financing districts. Efficiencies resulting from process improvements would help the Department reduce these backlogs.

Cost control efforts for the Department are to include analysis of printing and publishing, to assess how many documents need to be printed and how to make them available, by mail or at central locations. Increased electronic filing is reducing the numbers of copies of documents that need to be printed. Another area that the Department noted for cost reduction is travel expense, including out-of-state trips.

Audit staff necessarily have large travel budgets, but the Department is looking for opportunities to use electronic means in place of some travel.

Operating Expenses (110321)

This GRF line item pays for personal service, maintenance, and equipment expenses of TAX that are not offset by specific revenue sources. Funding for this line item is $6.8 million (8.4%) lower in FY 2012 than FY 2011 spending. The largest source of the reductions is the closing of the taxpayer service centers. Funding for this line item is increased $50,000 (0.1%) in FY 2013. The administrative costs of the Taxpayer Services, Tax Processing, and Tax Policy and Analysis functions, and about two-thirds of these costs for the Tax Compliance function, are paid from this line item.

Local Tax Administration (110607)

This line item pays costs incurred by TAX in collecting and administering the county and regional transit authority sales and use taxes. The budget funds line item 110607, Local Tax Administration (Fund 4350) at $19.0 million in FY 2012, a $2.0 million (12.0%) increase from spending in FY 2011, and at $19.2 million in FY 2013, a 1.0% increase. The increase covers such costs as printing and postage that previously were paid from the GRF.

Tax Reform System Implementation (110628)

This line item provides funding for administration of tax reform, including the costs of collecting and administering the commercial activity tax (CAT). Funding of line item 110628, Tax Reform System Implementation (Fund 2280) is $13.6 million in both FY 2012 and FY 2013, $0.9 million (7.3%) more than spending in FY 2011. This line item is funded by 0.85% of CAT receipts.

Property Tax Administration (110623)

Costs of TAX to administer property taxes are paid from this line item. Taxes included are the dealers in intangibles tax and the personal property tax on public utilities, as well as real property tax equalization. The tax on personal property of general business was included but has been phased out. Funding of line item 110623, Property Tax Administration (Fund 5V80) is $12.2 million in FY 2012, $2.0 million (19.3%) more than spending in FY 2011, and $12.1 million in FY 2013, $0.1 million (0.8%) less than in FY 2012.

School District Income Tax (110609)

Expenses of TAX to administer the school district income tax are paid from this line item. Funding for line item 110609, School District Income Tax (Fund 4380), is from 1.5% of the school district income tax. This line item has funding of $5.9 million in each year of the biennium, up $0.6 million (12.4%) from spending in FY 2011. The number of school districts electing to levy the tax continues to grow.

Motor Fuel Tax Administration (110622)

Costs for TAX to administer the motor fuel tax are paid from this line item. Funding for line item 110622, Motor Fuel Tax Administration (Fund 5V70), is $5.4 million for FY 2012, an increase of $1.0 million (21.6%), and $5.1 million in FY 2013, a decrease of $0.3 million (5.5%). The increase pays for various higher costs, such as computer usage and postage that had previously been covered out of the GRF. The fund has been generating higher revenue. The gradual economic recovery and rising personal incomes may be increasing vehicle miles traveled, fuel consumption, and hence revenues to this fund.

Discovery Project (110632)

Costs to operate and administer the tax discovery data system, to increase collections of taxes owed, are paid from line item 110632, Discovery Project (Fund 5AP0). H.B. 153 appropriated about $2.4 million to this line item for each fiscal year of the current biennium. In FY 2011, spending was $6.2 million. During FY 2011, the Department received Controlling Board approval for appropriation increases totaling $4.5 million from the original appropriation of $2.0 million. These additional appropriations covered incentive-based payments to an outside vendor for increased tax revenues found by the project. The Department's internal costs for this line item were $1.7 million. In July 2011, the Department received Controlling Board approval for another payment to the outside vendor of $1.3 million, increasing the FY 2012 appropriation to $3.8 million. Establishment of this system was required by H.B. 562 of the 127th General Assembly.

Motor Vehicle Audit (110608)

Costs to investigate sales and use tax returns filed for motor vehicle transactions on person-to-person sales are paid from this line item, to enforce payment of taxes owed on these sales. Funding for line item 110608, Motor Vehicle Audit (Fund 4360), is $1.5 million for each of FY 2012 and FY 2013, an increase of $0.6 million (67.9%) from spending in FY 2011. Revenue to the fund is from a 25 cent charge on every motor vehicle certificate of title issued.

Cigarette Tax Enforcement (110614)

The costs for TAX to enforce cigarette tax laws are paid from this line item. Line item 110614, Cigarette Tax Enforcement (Fund 6390) is funded from fees on cigarette wholesalers and retailers. Funding is $1.4 million in each year of the biennium, higher by $0.4 million (39.8%) than spending in FY 2011.

Tax Amnesty Promotion and Administration (110630)

The costs for the Department to promote and administer a tax amnesty program are to be paid from line item 110630, Tax Amnesty Promotion and Administration (Fund 5BW0). H.B. 153 requires the Director of Budget and Management to transfer \$2.5 million from the GRF to Fund 5BW0 for this purpose. The amnesty program is to start May 1, 2012, and end June 15, 2012, and is to include many of the taxes administered by the Department. Costs for a separate amnesty program for qualifying consumers who failed to pay use tax, to start October 1, 2011, and end May 1, 2013, are not included.

Tobacco Settlement Enforcement (110404)

This GRF line item is used to pay costs incurred by the Department of Taxation to enforce cigarette tax laws. The Department of Taxation also provides assistance to the Attorney General's office on noncompliance and enforcement of the Tobacco Master Settlement Agreement. The budget appropriates \$200,000 for this purpose for each of FY 2012 and FY 2013, 2.1% less than expenditures in FY 2011.

Child Support Administration (110412)

This GRF line item covers costs involved in matching persons delinquent in child support payments with taxpayers owed an Ohio income tax refund. If such a person is owed a refund, the refund can then be turned over to the Ohio Department of Job and Family Services to be used for child support. The budget appropriates \$15,804 for each of FY 2012 and FY 2013 for this purpose. Actual expenditures in FY 2011 were \$4,000.

Other Tax Administration (110602, 110605, 110606, 110610, 110615, 110616, 110618, 110625, and 110627)

Other administrative functions of the Department of Taxation are paid from these nine line items. Details on each are included in a separate Legislative Service Commission publication, the Catalog of Budget Line Items (2011 edition forthcoming in late September). The total appropriation for these nine line items, \$2.7 million in both FY 2012 and FY 2013, is \$0.8 million (43.5%) more than outlays in FY 2011. The largest of these line items, line item 110615, Local Excise Tax Administration (Fund 6880) includes spending of \$0.8 million in each of the next two fiscal years, up from \$0.7 million in FY 2011.

Revenue Distribution

The Department of Taxation distributes revenue to the parties intended by law. The table below shows the line items that are used to fund this function of the Department of Taxation, as well as the funding levels. As noted above, funding levels included in this Revenue Distribution category within the Department of Taxation's budget do not include the funding within the Revenue Distribution Fund Group.

Amounts Budgeted for Revenue Distribution				
Fund		**ALI and Name**	**FY 2012**	**FY 2013**
General Services Fund Group				
5CZ0	110631	Vendor's License Application	$250,000	$250,000
		General Services Fund Group Subtotal	***$250,000***	***$250,000***
State Special Revenue Fund Group				
6420	110613	Ohio Political Party Distributions	$500,000	$500,000
		State Special Revenue Fund Group Subtotal	**$500,000**	**$500,000**
Agency Fund Group				
4250	110635	Tax Refunds	$1,546,800,000	$1,546,800,000
7095	110995	Municipal Income Tax	$21,000,000	$21,000,000
		Agency Fund Group Subtotal	***$1,567,800,000***	***$1,567,800,000***
Holding Account Redistribution Fund Group				
R010	110611	Tax Distributions	$50,000	$50,000
R011	110612	Miscellaneous Income Tax Receipts	$50,000	$50,000
		Holding Account Redistribution Fund Group Subtotal	***$100,000***	***$100,000***
Total Funding: Revenue Distribution			**$1,568,650,000**	**$1,568,650,000**

Tax Refunds (110635)

Funding for line item 110635, Tax Refunds (Fund 4250), is used to pay refunds for taxes or fees for which amounts in excess of those owed have been paid. Amounts in this line item are by far the largest in the budget for TAX. Receipts of the Tax Refund Fund are transferred from current receipts of the same tax or fee for which the refund arose. The appropriation for each of FY 2012 and FY 2013 is $1,546.8 million, $176.9 million (12.9%) more than was paid in FY 2011.

Municipal Income Tax (110995)

Municipal corporations with a municipal income tax generally either administer their own income taxes or contract with one of two outside organizations in Ohio that perform this service. However, for the municipal income tax for electric light companies and telephone companies, the Department collects and distributes the tax, less an administrative fee. The funding for this line item covers the anticipated amounts to be distributed by TAX to the municipal corporations. The budget includes

$21.0 million for each of FY 2012 and FY 2013 for this purpose, $3.0 million (12.3%) less than was distributed in FY 2011.

Other Revenue Distributions (110611, 110612, 110613, and 110631)

Other line items in the Department of Taxation revenue distribution category have total funding of about $0.9 million in both FY 2012 and FY 2013, $0.3 million (67.2%) higher than spending in FY 2011. Information on each is in the Catalog of Budget Line Items for TAX. The largest item is line item 110613, Ohio Political Party Distributions, used to receive funds from the state income tax check-off and distribute the funds to qualified political parties. The amount appropriated for this line item is $0.5 million in each year of the biennium. Distributions in FY 2011 were $0.3 million.

Tax Relief

The state reimburses political subdivisions for tax revenues that they would otherwise lose because of state-mandated reductions in real property taxes owed by property owners. School districts are reimbursed through the Department of Education. GRF line item 110901, Property Tax Allocation – Taxation, in the Department of Taxation, shown in the table below, is used to reimburse units of local government other than school districts.

Amounts Budgeted for Tax Relief				
Fund		**ALI and Name**	**FY 2012**	**FY 2013**
General Revenue Fund				
GRF	110901	Property Tax Allocation – Taxation	$610,900,000	$616,000,000
		General Revenue Fund Subtotal	***$610,900,000***	***$616,000,000***
Total Funding: Tax Relief			**$610,900,000**	**$616,000,000**

Property Tax Allocation – Taxation (110901)

Real property taxes owed by Ohio residential and agricultural real property owners are reduced 10%, commonly referred to as the 10% rollback. Homeowners are eligible for an additional 2.5% rollback on their owner-occupied primary residences. Homeowners age 65 or older or totally and permanently disabled are eligible for a further tax reduction, known as the homestead exemption, for the taxes that would otherwise be owed on up to $25,000 of market value of their homes. All three programs would reduce real property tax receipts of school districts and other units of local government, except that the state reimburses the political subdivisions for these amounts. Line item 110901 is used by TAX to pay these reimbursements to units of local government other than school districts. For FY 2012, the appropriation is $610.9 million, $11.3 million (1.8%) less than reimbursements in FY 2011. For FY 2013, $616.0 million is appropriated, an increase of $5.1 million (0.8%) from FY 2012. A provision of H.B. 153 provides that any additional sums needed to make these payments are appropriated.

ANALYSIS OF ENACTED BUDGET – REVENUE DISTRIBUTION FUNDS

Introduction

The Revenue Distribution Funds section of the budget act contains appropriations for line items used by several agencies to distribute money to designated recipients under various programs. These appropriations total more than $4.7 billion in FY 2012 and more than $4.8 billion in FY 2013. The Department of Taxation has responsibility for most of the line items and most of the dollar value of these appropriations.

The following description highlights changes in the laws governing administration of certain of these line items. Of the total of about $9.6 billion appropriated for the biennium in this part of the budget, distributions to units of local government other than schools through the local government funds (Funds 7069 and 7065) and the local government tangible personal property tax replacement funds (Funds 7081 and 7054) account for about $2.1 billion, casino-related funds for nearly $0.3 billion, and other revenue distribution funds for $7.2 billion. Additional details on the individual line items are included in the Revenue Distribution Funds section of the Catalog of Budget Line Items.

Local Government Funds

The local government funds include the Local Government Fund (Fund 7069) and the Public Library Fund (Fund 7065). Calculation of distributions of money to these funds and through them to units of local government other than schools is changed by the budget, generally reducing amounts distributed, though some smaller jurisdictions are held harmless during the biennium. Because these funds received fixed percentages of GRF tax revenues under previous law, the effect of the reductions is to increase amounts retained in the GRF.

Local Government Fund (110969)

Money is distributed through the LGF to counties and to some municipalities. Counties further distribute part of this money to municipalities, townships, and special districts, and retain part for county use. Starting in August 2011, distributions to counties in FY 2012 are calculated by (1) reducing distributions by 25% from those in the corresponding month of FY 2011, (2) adding to this $49,270,000 divided among counties based on their shares of distributions in FY 2011, and (3) increasing distributions to smaller counties by enough so that no county gets less than the smaller of its distribution in FY 2011 or $750,000. In FY 2013, distributions to counties are reduced 50% from FY 2011, except that smaller counties are to receive enough additional money to reach the floor specified in (3) above. Direct distributions from the state to municipalities are reduced 25% in FY 2012, starting in August, and by 50% in

FY 2013, compared with FY 2011. Distributions in July 2011 were made under previous law (3.68% of total GRF tax revenues in June 2011).

In FY 2011, LGF distributions totaled about $694 million. The appropriation for FY 2012 is $577 million, a decrease of $117 million (16.9%). The appropriation for FY 2013 is $348 million, a further decrease of $229 million (39.7%).

After the current biennium, LGF distributions are to be a percentage of total GRF tax revenues, with the percentage to be determined by the ratio of LGF distributions to total GRF tax revenues in FY 2013. The Tax Commissioner is required to compute this percentage and report it to the Director of Budget and Management on or before July 15, 2013.

Public Library Fund (110965)

Money from the PLF is distributed through counties to individual libraries. In a few counties, a small portion is paid to municipal corporations. The budget reduces these distributions by 5% from FY 2011 levels, starting in August 2011. Distributions in July 2011 were made under previous law (2.22% of total GRF tax revenues in June 2011).

In FY 2011, PLF distributions totaled about $368 million. The appropriation for FY 2012 is $354 million, a decrease of $14 million (3.7%). The appropriation for FY 2013 is $345 million, a further decrease of $9 million (2.5%).

After the current biennium, PLF distributions are to be a percentage of total GRF tax revenues, with the percentage to be determined by the ratio of PLF distributions to those revenues in FY 2013. The Tax Commissioner is required to compute this percentage and report it to the Director of Budget and Management on or before July 15, 2013.

Local Government Property Tax Replacement

The budget changes the phase-out of reimbursements to local governments for revenue foregone as a result of elimination of tangible personal property taxes on general business (Fund 7081) and reduction of assessment rates on tangible property of electric and natural gas utilities (Fund 7054). The new calculation results in an acceleration of the phase-out in FY 2012 and FY 2013 for almost all of these units of local government. (Similar changes are made in the Department of Education's budget to reimbursements to school districts.) For reimbursement of taxes on both general business and utilities, each taxing unit's reliance on the reimbursement is measured by the unit's calendar year 2010 tax loss reimbursement as a percentage of its total resources, as defined in the budget act. Reimbursements are phased out beginning in 2011, so that each unit's reliance on the reimbursement falls by two percentage points per year to 2013 then remains unchanged in 2014 and thereafter. Also, the budget phases out one-fourth of reimbursements for nonoperating fixed-rate levies of municipalities each year to 2013 then holds reimbursements unchanged.

Local Government Property Tax Replacement - Business (110981)

In FY 2011, Local Government Property Tax Replacement - Business distributions totaled about $482 million. The appropriation for FY 2012 is $291 million, a decrease of $191 million (39.6%). The appropriation for FY 2013 is $181 million, a further decrease of $110 million (37.8%).

This appropriation is drawn from Fund 7081, which was to receive 24.7% of commercial activity tax revenue in FY 2012, and 19.4% of such revenue in FY 2013. The decreases in reimbursements allow the percentages going to Fund 7081 to be reduced to 22.5% and 15.0%, respectively, with corresponding increases in revenue going to the GRF.

Local Government Property Tax Replacement - Utility (110954)

In FY 2011, Local Government Property Tax Replacement - Utility distributions totaled about $81 million. The appropriation for FY 2012 is $16 million, a decrease of $65 million (80.3%). The appropriation for FY 2013 is $11 million, a further decrease of $5 million (31.3%).

This appropriation is drawn from Fund 7054, which was to receive 11.6% of revenue from the kilowatt hour tax in both FY 2012 and FY 2013, along with 31.3% of revenue from the excise tax on natural gas distribution companies. The decreasing reimbursements allow the percentage of kilowatt hour tax revenue going to Fund 7054 to be reduced to 3%, and the elimination of any revenue to the fund from the excise tax on natural gas distribution companies.

Casino-Related Funds

Six funds related to the four casinos being built in Ohio are included in the Revenue Distribution Funds. The change in Ohio's constitution allowing the casinos was approved by voters in November 2009. Appropriations to the line items corresponding to these six funds rise from a total of about $11 million in FY 2012 to $264 million in FY 2013. No money was spent under any of these line items in FY 2011. All six are to be funded from a 33% tax on gross casino revenue received by the casino operators.

Gross Casino Revenue County Fund (110633)

This fund is to receive 51% of revenues, net of any refunds, from the casino tax. The money is to be distributed to all counties in the state in proportion to population. Appropriations to this line item total about $145 million for the biennium.

Gross Casino Revenue County Student Fund (110634)

This fund is to receive 34% of revenues from the casino tax. The money is to be used to make payments to all counties in the state in proportion to public school district student population; counties are to distribute such funds to school districts in the county. Appropriations to this line item total about $96 million for the biennium.

Gross Casino Revenue Host City Fund (110636)

This fund is to receive 5% of revenues from the casino tax. The money is to be used for the benefit of cities in which the casino facilities are located – Cincinnati, Cleveland, Columbus, and Toledo. Appropriations to this line item total about $14 million for the biennium.

Ohio State Racing Commission Fund (875610)

This fund is to receive 3% of revenues from the casino tax. The money is to be used to support Ohio horse racing with pari-mutuel wagering. Appropriations to this line item total about $8.5 million for the biennium.

Problem Casino Gambling and Addictions Fund (038629)

This fund is to receive 2% of revenues from the casino tax. The money is to be used to support efforts to alleviate problem gambling and substance abuse and related research in Ohio. Appropriations to this line item total about $5.7 million for the biennium.

Ohio Law Enforcement Training Fund (055654)

This fund is also to receive 2% of revenues from the casino tax. The money is to be used to support law enforcement functions in the state. Appropriations to this line item total about $5.7 million for the biennium.

TAX PROVISIONS

Introduction

This section provides an analysis of the tax provisions included in the enacted budget. Estimates of the change in revenue that will result from each tax law change are also included where applicable. Further information on the tax law changes are in Legislative Service Commission's Final Analysis of Am. Sub. H.B. 153.

Changes to tax laws resulting in decreases or increases in the amount of GRF revenue would decrease or increase the amount of tax revenue that will be deposited to the Local Government Fund (LGF) and the Public Library Fund (PLF) starting after the current biennium. In FY 2012 and FY 2013, distributions to the LGF and PLF are specified as fixed amounts. Distributions to the LGF and PLF starting in FY 2014 will be a percentage of total GRF tax revenue; the percentage for each fund is to be determined in July 2013, and is to be equal to the ratio of the amount distributed to it during FY 2013 and total GRF tax revenue in FY 2013. Revenue losses to the LGF and PLF starting in FY 2014 would decrease distributions to counties, municipalities, and other units of local government.

Tax Credits

Small Business Investment Credit

The enacted budget authorizes a nonrefundable, small business investment credit against the personal income tax for persons investing in a "small business enterprise" with an operating presence in Ohio. To claim the credit, a small business enterprise's assets must total $50 million or less, or its annual sales must be $10 million or less. Also, the enterprise must either employ at least 50 full-time equivalent employees in Ohio, or more than half of its U.S. employees must be employed in this state. Eligible investments must be made on or after July 1, 2011, and must satisfy specified requirements. The value of the investment credit equals 10% of the qualifying investment. Unused credits may be carried forward for up to seven years. The bill prohibits a person from claiming the small business investment credit until the conclusion of the applicable holding period, which is defined as at least two years beginning on the day the qualifying investment is made if the qualifying investment is made between July 1, 2011, and June 30, 2013, or five years if the qualifying investment is made after June 30, 2013.

The tax provision will not have a fiscal effect during the FY 2012-FY 2013 biennium, due to the required holding period, but potential GRF revenue losses range up to $100 million in subsequent biennia, equal to the biennial cap on the amount of credits that may be granted by the Director of Development.

Expansion of the New Refundable Job Retention Tax Credit

Am. Sub. H.B. 153 authorizes the Ohio Tax Credit Authority to grant a new refundable job retention tax credit (JRTC) to businesses. A qualifying business must have an annual payroll of at least $20 million, invest at least $5 million at a project site in the same local jurisdiction where its principal place of business is located, and meet other existing JRTC program requirements. To qualify, the business must also retain at least 500 full-time employees and maintain an annual payroll of at least $20 million, or maintain an annual payroll of $35 million. This tax credit may be taken against commercial activity taxes (CAT) owed.

This provision is in addition to the previous refundable JRTC established in Sub. H.B. 58 of the 129th General Assembly, which had an annual credit ceiling of $8 million. The Ohio Tax Credit Authority may authorize up to $25 million of new refundable JRTC between July 1, 2011, and December 31, 2013, and beginning in 2014, an amount of $25 million per year in the ensuing 15-year period. The limit on the value of credits that may be issued before 2014 is an aggregate limit applied to both the credit established by Sub. H.B. 58, thereby superseding the limit set in that act, and that established by the budget act.

The maximum potential CAT revenue loss under these provisions in Am. Sub. H.B. 153 may be $17.0 million in the FY 2012-FY 2013 biennium, though the yearly loss is undetermined. CAT revenues are divided among the GRF, the School District Tangible Property Tax Replacement Fund (Fund 7047), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081), but if amounts in the latter two funds are insufficient to make required payments, the shortfall must be made up from the GRF (and any excess is transferred to the GRF), consequently the GRF in the current biennium will bear the full amount of the reduction in commercial activity tax revenues expected to result from the new JRTC.

Historic Building Rehabilitation Tax Credit

Am. Sub. H.B. 153 extends perpetually the credit for rehabilitating a historic building, but changes the aggregate limit on issuance of credits from $60 million per "application period" to $60 million per fiscal year. Under previous law, the application period from July 1, 2010, to June 30, 2011, for the historic building rehabilitation credit was to be the last. The budget makes the credit available to taxpayers under the domestic and foreign insurance taxes. It was previously available only under the personal income tax, the corporate franchise tax, or the dealers in intangibles tax. The budget act also requires the Director of Development to conduct a cost-benefit analysis of proposed rehabilitation projects to determine whether each project would result in a net revenue gain or loss in state and local taxes once the building is used. It also requires the Director to consider the results of the cost-benefit analysis in determining whether to approve an application for a credit.

This provision might reduce GRF tax revenues in FY 2013 by a minimal amount. The full fiscal impact of this provision, up to $60 million per year, is likely to occur after the current biennium.

Estate Tax

Estate Tax Repeal

The budget repeals the state estate tax for the estates of individuals dying on or after January 1, 2013.

The revenue effect of this repeal will occur after FY 2013, starting likely in FY 2014. Estate tax revenues are highly variable, yielding between $54 million and $73 million per year for the GRF in the most recent six fiscal years and between $218 million and $288 million per year for townships and municipalities statewide over the same period. This provision would reduce GRF tax receipts and aggregate receipts to townships and municipalities by comparable amounts annually, starting in FY 2014.

Former Inheritance Tax: Closure of Outstanding Cases

The budget requires all claims and inquiries regarding the repealed Ohio Inheritance Tax to be submitted to the Department of Taxation before 2013. The inheritance tax was repealed in 1968, replaced by the estate tax.

Temporary Tax Amnesty Program

Amnesty Program for the Use Tax

The budget act requires the Tax Commissioner to administer an amnesty program for the use tax. This amnesty program is to start October 1, 2011, and continue to May 1, 2013, for taxes owed on or after January 1, 2009. If a consumer pays the full amount of use tax for which the consumer has outstanding liability on or after January 1, 2009, as a result of failing to pay those taxes in a timely fashion, the Commissioner is to waive or abate all delinquent use tax owed by the consumer before January 1, 2009, and all applicable penalties and interest. The Commissioner may enter into a payment plan of up to seven years with any consumer that participates in the program. However, waiving interest or penalties due on use tax paid under the amnesty by a consumer who registered for payment of the use tax on or before June 1, 2011, is prohibited.

Amnesty Program for Other Taxes

The Tax Commissioner is to administer a separate tax amnesty program from May 1, 2012, to June 15, 2012, for the personal income tax (state and school district), sales tax (state, county, and transit authority), corporate franchise tax, estate tax, motor fuel tax, cigarette tax, commercial activity tax, natural gas company excise tax (as distinct from the natural gas distribution, or MCF, tax), and dealers in intangibles tax.

The Commissioner may contract with a third party for administration, advertising, or computer support for the amnesty. The budget act appropriates $2.5 million for costs of promotion and administration of the tax amnesty program. The program is expected to increase tax receipts by tens of millions of dollars. However, some portion of these receipts would likely be recovered, if there were no amnesty program, through audit and enforcement actions.

Commercial Activity Tax

Changes in Distribution of CAT Receipts

The budget act changes the shares of receipts from the CAT going to the GRF, the School District Tangible Property Tax Replacement Fund (Fund 7047), and the Local Government Tangible Property Tax Replacement Fund (Fund 7081). For FY 2012 the GRF share of receipts is increased from 5.3% to 25%, and for FY 2013, it is increased from 10.6% to 50%. The budget makes corresponding decreases in receipts credited to Funds 7047 and 7081. The table below shows the shares going to each fund under previous law and under the new schedule.

Shares of Receipts from CAT, Previous Law, and Under Enacted Budget

Fiscal year	GRF		Fund 7047		Fund 7081	
	Prior share	Current share	Prior share	Current share	Prior share	Current share
2012	5.3%	25.0%	70.0%	52.5%	24.7%	22.5%
2013	10.6%	50.0%	70.0%	35.0%	19.4%	15.0%
2014	14.1%	50.0%	70.0%	35.0%	15.9%	15.0%
2015	17.6%	50.0%	70.0%	35.0%	12.4%	15.0%
2016	21.1%	50.0%	70.0%	35.0%	8.9%	15.0%
2017	24.6%	50.0%	70.0%	35.0%	5.4%	15.0%
2018	28.1%	50.0%	70.0%	35.0%	1.9%	15.0%
2019 and thereafter	30.0%	50.0%	70.0%	35.0%	0.0%	15.0%

This provision increases GRF receipts by approximately $290 million in FY 2012 and approximately $590 million in FY 2013 compared with the amounts GRF would have received under prior law. The corresponding decreases in funding to Fund 7047 are approximately $258 million and $525 million in FY 2012 and FY 2013, respectively, and the decreases in funding to Fund 7081 are about $32 million and $66 million, respectively. Revenue gains to the GRF, and corresponding revenue losses to the other two funds, would continue into future fiscal years. The revenue gain to the GRF would gradually decline until 2019, at which point it would begin to grow at the rate that overall CAT receipts grow. The revenue loss to Fund 7047 would begin to grow in

FY 2014 at the rate that overall CAT receipts grow. And the revenue loss to Fund 7081 would be smaller in FY 2014, and become a revenue gain beginning in FY 2015.

CAT Exemption for Uranium Enrichment Facility Transactions

Am. Sub. H.B. 153 authorizes a CAT exemption for receipts from transactions involving uranium within an area containing a uranium enrichment facility, provided that the facility is licensed by the U.S. Nuclear Regulatory Commission, is or was owned or controlled by the U.S. Department of Energy or its successor, and is certified as such by the Tax Commissioner. The owner or operator of the facility must apply to the Tax Commissioner for certification and may appeal a denial of an application to the Board of Tax Appeals. This provision potentially reduces CAT receipts by several million dollars per year (if the proposed Ohio uranium enrichment project succeeds). In the current biennium, the GRF would bear the full amount of the reduction in CAT revenues expected to result.

Sales and Use Tax

Computer Data Center Sales and Use Tax Exemption

The budget act authorizes the Ohio Tax Credit Authority to grant a full or partial exemption from all sales and use taxes for equipment used in the operation of a computer data center business, provided that the business makes a capital investment of at least $100 million in the state and maintains an annual payroll for employees involved in the capital investment project of at least $5 million. This provision potentially reduces GRF receipts from the sales and use tax by several millions of dollars.

Sales Tax Exemption for Certain Tangible Property and Services Used in Agriculture and Related Services

The budget act creates a new sales and use tax exemption for sales of building materials and related services that are incorporated into a building or structure used for keeping "captive deer" by specifying that such deer are "livestock" for the purpose of the existing exemption for livestock structures. The provision also specifies that the exemption applies to captive deer kept for agricultural purposes and not for private hunting. The act removes horses and fish from the definition of excluded livestock for purposes of the sales tax exemption for building materials and related services incorporated into a building or structure used to keep fish or horses for food. These provisions reduce, by an indeterminate amount, GRF revenue from the state sales and use tax and revenue from local permissive and transit authority sales taxes.

Seven-Year Time Limit for Use Tax Assessment

The budget act places a seven-year time limit within which the Tax Commissioner must issue an assessment for any alleged unpaid use tax liability when no shorter time limit applies under current law, and also prohibits the Commissioner from assessing any consumer for use tax liability incurred before 2008. This provision potentially reduces GRF revenue from sales and use tax assessments and refunds.

Sales and Use Tax Exclusion for Redeemed Customer Loyalty Coupons

Am. Sub. H.B. 153 provides for a new sales and use tax exclusion for the value of gift cards or certificates redeemed by a consumer in exchange for the vendor's goods or services as part of the vendor's awards, loyalty, or promotional program. This provision reduces by an indeterminate amount GRF receipts from the sales and use tax.

Kilowatt Hour Tax and MCF Tax

Changes in Distribution of Tax Receipts

The budget act changes the shares of receipts from the kilowatt hour (KWH) tax and from the excise tax levied on natural gas distribution companies (MCF tax) going to the GRF, the School District Property Tax Replacement Fund (Fund 7053), and the Local Government Property Tax Replacement Fund (Fund 7054). Starting in FY 2012, the share of KWH tax receipts credited to the GRF is increased from 63% to 88%, and the share of receipts from the MCF tax credited to the GRF is increased from 0% to 100%. The budget makes corresponding decreases in receipts credited to Fund 7053 and Fund 7054. KWH tax receipts credited to Fund 7053 are reduced from 25.4% to 9.0%, and KWH tax receipts credited to Fund 7054 are reduced from 11.6% to 3.0%. MCF tax receipts credited to Fund 7053 are reduced from 68.7% to 0%, and receipts credited to Fund 7054 are reduced from 31.3% to 0%.

These provisions increase GRF receipts by approximately $205 million in FY 2012 and approximately $207 million in FY 2013. The reductions in receipts to Fund 7053 are estimated to be approximately $136 million in FY 2012 and $138 million in FY 2013. The reductions in receipts to Fund 7054 are estimated to be approximately $68 million in FY 2012 and $69 million in FY 2013. Revenue gains to the GRF, and the corresponding losses to the other two funds, would grow in future years at rates of a similar order of magnitude to the rate from FY 2012 to FY 2013.

Dealers in Intangibles Tax

The budget act provides that, after December 31, 2011, counties would no longer receive five-eighths of the revenue from the dealers in intangibles tax on unaffiliated dealers, and instead allocates all revenue from that tax to the GRF. Transfers from the dealers in intangibles tax to counties totaled about $13 million in calendar year 2009.

Miscellaneous State Tax Provisions

Ohio Grape Industries Fund

The enacted budget extends through June 30, 2013, the two cents per gallon of wine tax revenue credited to the Ohio Grape Industries Fund, and thus maintains revenues to the Ohio Grape Industries Fund (Fund 4960). Fund 4960 received $0.8 million in FY 2010 and $1.0 million in FY 2011. Receipts from the wine tax are otherwise credited to the GRF.

Tax Exemptions for Privatized State Services

The budget act provides an explicit sales tax exemption for transfers between the state and an entity, an income tax deduction for the entity's income, and commercial activity tax exclusion for the entity's gross receipts, for an entity that enters into a contract with the state to provide highway (i.e., turnpike) services under the budget act's authority for the state to contract for these services, and for the transfer of liquor operations to JobsOhio. Private operators to which five prisons are authorized by the budget act to be transferred are, however, to be subject to these taxes. This requirement may increase tax revenues, by an undetermined amount, because of taxation of the privatized prisons.

Local Tax Provisions

Adjustments to Local Government Distributions

Please see the discussion of changes in these distributions in the section of this report entitled "Analysis of Enacted Budget – Revenue Distribution Funds."

Local Government Reimbursement for Tax Losses on Personal Property of General Business and Utilities

Please see the discussion of changes in these reimbursements in the section of this report entitled "Analysis of Enacted Budget – Revenue Distribution Funds."

County Delinquent Tax and Assessment Funds

The budget act divides each county's Delinquent Tax and Assessment Collection Fund into two separate funds, one for county treasurer expenses and the other for prosecuting attorney expenses. Currently, half of the money in each county's fund is appropriated to the treasurer and half to the prosecuting attorney, and the purposes for which the money may be used are unchanged. The county treasurer or prosecuting attorney is authorized to suspend the crediting of delinquent tax collections to the respective funds if the balance reaches specified thresholds. This change may reduce amounts held in county delinquent tax and assessment collection funds.

School District Combined Income Tax and Property Tax Levy

The enacted budget authorizes school districts, with voter approval of a single ballot question, to levy both a property tax for a fixed amount of revenue and an income tax. Previously, permanent law allowed school districts to propose both types of levy questions at a single election, but not as a single issue on the ballot. The budget act permits a school district to propose a combined income tax and property tax levy question up to twice a year. This tax provision does not have a fiscal effect.

School Property Tax Exemption

The enacted budget specifically exempts from taxation real property used by a school district, STEM school, community school, educational service center, or chartered nonpublic school for primary or secondary educational purposes. The budget specifies that the exemption does not apply to any portion of real property not used for such purposes. This provision may reduce property tax expenditures for some public schools and reduce property tax revenues for some local governments.

Tax Increment Financing Protections for Joint Vocational School Districts

The enacted budget requires a township, county, or municipal corporation that enters into tax-increment financing (TIF) hold-harmless or payment-in-lieu-of-taxes agreements to compensate a city, local, or exempted village school district for foregone tax revenue to equally compensate any applicable joint vocational school district (JVSD). The budget also modifies notice requirements on townships, counties, and municipalities before adopting a TIF resolution, to make those requirements for notice to JVSDs equivalent to those for city, local, or exempted village school districts. This provision may allow some JVSDs to receive increased revenue through hold-harmless or payment-in-lieu-of-taxes agreements.

Convention Center Property Tax Exemption

The enacted budget exempts from property tax a convention center owned by the largest city in a county with a population greater than 700,000 but less than 900,000 in the most recent decennial census, and authorizes abatement of unpaid taxes for the convention center for any tax year at issue on the budget act's effective date. This provision currently appears to apply only to the city of Cincinnati, and would thereby reduce property taxes paid by the city of Cincinnati and property tax revenue to other political subdivisions in Hamilton County.

Enterprise Zone Extension

The enacted budget extends the authority of local governments to offer Enterprise Zone economic development incentives from October 15, 2011, to October 15, 2012. This provision extends existing permissive authority to local officials to reduce their property tax revenue. Enterprise zone (EZ) agreements authorize real and tangible personal property tax exemptions for those areas designated by the local legislative authority. Thus, the revenue loss to local governments or municipalities that grant an exemption is permissive. However, counties would lose property tax revenues for any EZ that is either created or extended by a municipal legislative authority using the authorization provided in the act. School districts would only lose revenues on EZ agreements for which their approval is not required. Under current law, school districts must approve agreements that exceed certain thresholds.

Qualified Energy Project Exemption

The enacted budget extends by two years the deadline by which the owner of a qualified energy project must submit a property tax exemption application, begin construction, and place into service an energy facility using renewable energy resources or advanced energy technology to qualify for an ongoing real and tangible personal property tax exemption. This provision may decrease property tax revenues and increase annual service payments in lieu of taxes for the local taxing jurisdictions where projects are located, but the fiscal impact is dependent on future decisions by qualified energy project owners.

Purposes for Which a Property Tax May Be Levied Related to Police and Fire Services

The budget act expands the expressly stated purposes for which a political subdivision may levy a property tax related to police and fire services to include payment of (1) salaries of emergency medical service personnel, part-time police personnel, and police and fire communications and administrative personnel, and (2) employer contributions to retirement or pension funds for such personnel. Under prior permanent law, the proceeds of a police or fire levy could be used towards the salaries and retirement benefits of only "firefighters or firefighting companies" and "permanent police personnel." The fiscal effects of this change appear indeterminate. The change may codify current practice in an unknown number of jurisdictions.

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FY 2012 - FY 2013 Final Appropriation Amounts

All Fund Groups

Line Item Detail by Agency

Report For Main Operating Appropriations Bill **Version:** Enacted

TAX Department of Taxation

			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
GRF	110321	Operating Expenses	$ 80,658,619	$ 80,279,192	$ 73,500,000	-8.44%	$ 73,550,000	0.07%
GRF	110404	Tobacco Settlement Enforcement	$ 109,844	$ 204,245	$ 200,000	-2.08%	$ 200,000	0.00%
GRF	110412	Child Support Administration	$ 15,880	$ 4,000	$ 15,804	295.10%	$ 15,804	0.00%
GRF	110901	Property Tax Allocation - Taxation	$ 633,376,601	$ 622,245,938	$ 610,900,000	-1.82%	$ 616,000,000	0.83%
General Revenue Fund Total			**$ 714,160,944**	**$ 702,733,376**	**$ 684,615,804**	**-2.58%**	**$ 689,765,804**	**0.75%**
2280	110628	Tax Reform System Implementation	$ 4,486,170	$ 12,711,783	$ 13,638,008	7.29%	$ 13,642,176	0.03%
4330	110602	Tape File Account	$ 57,492	$ 99,425	$ 197,802	98.95%	$ 197,878	0.04%
5AP0	110632	Discovery Project	$ 5,356,281	$ 6,191,457	$ 2,445,799	-60.50%	$ 2,445,657	-0.01%
5BQ0	110629	Commercial Activity Tax Administration	$ 103,506	$0	$ 0	N/A	$ 0	N/A
5BW0	110630	Tax Amnesty Promotion and Administration	$0	$0	$ 2,500,000	N/A	$ 0	-100.00%
5CZ0	110631	Vendor's License Application	$ 132,775	$ 185,025	$ 250,000	35.12%	$ 250,000	0.00%
5N50	110605	Municipal Income Tax Administration	$ 248,925	$ 429,586	$ 339,798	-20.90%	$ 339,975	0.05%
5N60	110618	Kilowatt Hour Tax Administration	$ 21,961	$ 22,747	$ 150,000	559.43%	$ 150,000	0.00%
5V80	110623	Property Tax Administration	$ 11,177,596	$ 10,222,148	$ 12,195,733	19.31%	$ 12,099,303	-0.79%
5W40	110625	Centralized Tax Filing and Payment	$ 127,673	$0	$ 200,000	N/A	$ 200,000	0.00%
5W70	110627	Exempt Facility Administration	$ 5,770	$0	$ 50,000	N/A	$ 50,000	0.00%
General Services Fund Group Total			**$ 21,718,149**	**$ 29,862,170**	**$ 31,967,140**	**7.05%**	**$ 29,374,989**	**-8.11%**
4350	110607	Local Tax Administration	$ 16,900,464	$ 16,988,073	$ 19,028,339	12.01%	$ 19,225,941	1.04%
4360	110608	Motor Vehicle Audit	$ 731,379	$ 878,059	$ 1,474,081	67.88%	$ 1,474,353	0.02%
4370	110606	Litter/Natural Resource Tax Administration	$0	$0	$ 20,000	N/A	$ 20,000	0.00%
4380	110609	School District Income Tax	$ 4,923,700	$ 5,212,447	$ 5,859,041	12.40%	$ 5,860,650	0.03%
4C60	110616	International Registration Plan	$ 400,422	$ 546,446	$ 689,296	26.14%	$ 689,308	0.00%
4R60	110610	Tire Tax Administration	$ 116,271	$ 110,915	$ 245,462	121.31%	$ 246,660	0.49%
5V70	110622	Motor Fuel Tax Administration	$ 3,413,767	$ 4,429,545	$ 5,384,254	21.55%	$ 5,086,236	-5.53%
6390	110614	Cigarette Tax Enforcement	$ 431,570	$ 989,963	$ 1,384,217	39.83%	$ 1,384,314	0.01%
6420	110613	Ohio Political Party Distributions	$ 356,899	$ 318,259	$ 500,000	57.10%	$ 500,000	0.00%
6880	110615	Local Excise Tax Administration	$ 594,812	$ 655,578	$ 782,630	19.38%	$ 782,843	0.03%

Line Item Detail by Agency

			FY 2010	FY 2011	Appropriations FY 2012	FY 2011 to FY 2012 % Change	Appropriations FY 2013	FY 2012 to FY 2013 % Change
TAX	**Department of Taxation**							
	State Special Revenue Fund Group Total		**$ 27,869,283**	**$ 30,129,284**	**$ 35,367,320**	**17.39%**	**$ 35,270,305**	**-0.27%**
4250	110635	Tax Refunds	$ 1,529,754,807	$ 1,369,879,140	$ 1,546,800,000	12.92%	$ 1,546,800,000	0.00%
7095	110995	Municipal Income Tax	$ 20,456,756	$ 23,953,121	$ 21,000,000	-12.33%	$ 21,000,000	0.00%
	Agency Fund Group Total		**$ 1,550,211,564**	**$ 1,393,832,261**	**$ 1,567,800,000**	**12.48%**	**$ 1,567,800,000**	**0.00%**
R010	110611	Tax Distributions	$ 10,000	$ 5,000	$ 50,000	900.00%	$ 50,000	0.00%
R011	110612	Miscellaneous Income Tax Receipts	$0	$0	$ 50,000	N/A	$ 50,000	0.00%
	Holding Account Redistribution Fund Group Total		**$ 10,000**	**$ 5,000**	**$ 100,000**	**1,900.00%**	**$ 100,000**	**0.00%**
Department of Taxation Total			**$ 2,313,969,940**	**$ 2,156,562,091**	**$ 2,319,850,264**	**7.57%**	**$ 2,322,311,098**	**0.11%**